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Business Risk Management and Corporate Sustainability in Economic Uncertainty

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Abstract: This article analyzes the issues of managing entrepreneurial risks and ensuring the stability of the enterprise in conditions of economic uncertainty. The study covers the main types of risks (financial, operational, market and strategic) and methods of their assessment and management. Also, the importance of diversification, insurance, strategic planning and monitoring mechanisms based on a systematic approach to risk management is substantiated. As a result, it was found that effective risk management is an important factor ensuring the financial stability and competitiveness of the enterprise.

Keywords: economic uncertainty, entrepreneurial risk, risk management, enterprise sustainability, risk analysis, strategic management.

1. Introduction

In the modern economy, the increasing level of uncertainty is becoming an integral feature of entrepreneurial activity. Global financial crises, rapid changes in market conditions, inflationary processes, digital transformation and geopolitical factors directly affect the activities of enterprises, leading to an increase in various risks. In such conditions, ensuring the stable operation and long-term development of enterprises depends on the existence of an effective risk management system.

In conditions of economic uncertainty, business entities face various risks not only from the internal but also from the external environment. In particular, lack of financial resources, demand volatility, price fluctuations, logistical problems and management shortcomings can negatively affect the activities of the enterprise. Therefore, it is important to develop effective mechanisms aimed at identifying, assessing and reducing risks[1].

The concept of risk is an integral element of economic activity, which is closely related to decision-making under uncertainty. Although risks are inevitable in business activities, by properly managing them, an enterprise can not only protect its activities, but also effectively use new opportunities. In this regard, the risk management system is considered an important component of modern management.

The stability of an enterprise is determined by its ability to adapt to external and internal changes, financial strength, operational efficiency and market competitiveness. To ensure stability in conditions of economic uncertainty, enterprises need to apply modern risk management methods, strengthen strategic planning and make prompt management decisions.

In recent years, the issue of risk management has been widely studied scientifically and practically. However, in conditions of economic uncertainty, there is a need for a

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systematic analysis of the relationship between risk management and enterprise stability. Especially in the modern economic environment, a comprehensive assessment of risks, improvement of their management mechanisms and adaptation to the activities of enterprises are one of the urgent issues.

A brief analysis of the scientific works of other scholars on the topic.

The classical approach to the study of economic uncertainty and entrepreneurial risk is primarily associated with the name of Frank H. Knight[1]. In his work *Risk, Uncertainty and Profit*, Knight distinguished between the concepts of risk and uncertainty, arguing that risk is a situation whose probability can be estimated in advance, and uncertainty is a situation that cannot be accurately measured in advance. This approach created a theoretical basis for decision-making in entrepreneurial activities, showing that the profit of an enterprise largely depends on making the right management decisions in conditions of uncertainty. In subsequent studies, Knight's idea was recognized as the cornerstone of the theory of entrepreneurship and risk management.

In modern research, entrepreneurial risk is interpreted more in terms of management capacity and flexibility at the enterprise level. For example, David B. Audretsch, developing Knight's ideas, considers entrepreneurship as a process of combining resources under uncertainty and converting new knowledge into economic results[2]. In his opinion, successful entrepreneurship in conditions of uncertainty depends not only on the ability to accept risk, but also on the ability to manage, redistribute and transform it into profit through innovation. This approach shows that the sustainability of an enterprise can be ensured not by denying risks, but by responding flexibly to them.

Regarding the concept of enterprise sustainability, Stephane Hallegatte interprets economic sustainability as the ability of a system to recover and adapt after external shocks[3]. In his approach, sustainability is determined not only by reducing losses, but also by the ability of an enterprise or economic system to continue operating in shock conditions. This point of view is important for business entities, since the main goal of risk management in conditions of economic uncertainty is not only to reduce risk, but also to maintain the possibility of the enterprise's recovery.

OECD studies also emphasize the link between risk and stability. In particular, OECD reports on economic stability and risk governance interpret the risk management system as a tool for reducing structural vulnerabilities, creating early warning mechanisms, and ensuring rapid adaptation of an enterprise or economic system to adverse external conditions[4]. These studies highlight diversification, monitoring, institutional readiness, and decision-making agility as key factors for stability.

In terms of small business and entrepreneurship, the OECD SME and Entrepreneurship Outlook 2023 report notes that small and medium-sized businesses are particularly vulnerable to uncertainty. The report shows that energy prices, geopolitical tensions, supply chain disruptions and instability in external markets have a significant impact on the financial stability of small businesses. At the same time, it is noted that firms with export activity, diversification and flexible management are more resilient to such shocks.

The scientific view on practical risk management mechanisms also shows a common conclusion: enterprise stability is strongly linked to preventive management, continuous monitoring and strategic planning[5]. The OECD study on local economic stability indicates that business diversification, re-engineering supply chains, flexible use of labor and capital resources and strengthening institutional cooperation are effective ways to reduce risks. These considerations mean that risk management at the enterprise level requires not only financial insurance, but also a restructuring of the entire governance model[6].

In general, the analyzed scientific sources provide three main conclusions. First, the relationship between economic uncertainty and entrepreneurial risk is interpreted in classical and modern theories as a natural condition of entrepreneurship. Second, the stability of an enterprise is determined not by the absence of risks, but by the ability to manage them and adapt to shocks. Third, effective risk management in conditions of uncertainty is formed based on diversification, monitoring, strategic planning and

institutional flexibility. In this regard, research on this topic serves as an important theoretical basis for improving the risk management system in enterprises and developing mechanisms for sustainable development.

2. Materials and Methods

This study used a comprehensive approach to studying the issues of managing entrepreneurial risks and ensuring the stability of the enterprise in conditions of economic uncertainty. The methodological basis of the study was the methods of systematic approach, comparative analysis, logical generalization, analysis and synthesis. Based on the systematic approach, risk management was considered as a single management system interconnected with financial, operational, strategic and external environmental factors of the enterprise. Using comparative analysis, the main types of risks encountered by enterprises in conditions of economic uncertainty and their impact on the stability of the enterprise were studied. Using the methods of analysis and synthesis, the content of risks, their assessment criteria and management mechanisms were scientifically systematized. Also, the study conducted an analysis of secondary data based on scientific literature, theoretical views and practical approaches. Using the method of logical generalization, priority areas of risk management in ensuring the stability of the enterprise in conditions of economic uncertainty were identified, and scientific conclusions and practical recommendations were formulated on them.

3. Results and Discussion

In the modern economy, the increasing level of uncertainty is becoming an integral feature of business activities. Global financial instability, inflationary processes, supply chain disruptions, geopolitical factors and digital transformation significantly affect the activities of enterprises. In such conditions, enterprises need not only to adapt to changes in the economic environment, but also to effectively manage emerging risks.

In conditions of economic uncertainty, business entities face various risks: financial losses, decline in market demand, sharp price fluctuations, operational disruptions and management errors, among others. These risks negatively affect the stability of the enterprise and threaten its long-term development[7].

Therefore, improving the mechanisms for identifying, assessing and managing risks is becoming an urgent scientific and practical issue. In particular, the risk management system is considered an integral part of strategic management in ensuring the stability of the enterprise. This situation determines the relevance of the research topic.

Table 1. Systematic classification of entrepreneurial risks in conditions of economic uncertainty and their impact on the stability of the enterprise

No	Risk has	Economic content of risk	Reasons for emergence	Direction of influence on the enterprise's activities	Level of impact	Management methods	Expected result
1	Financial risk	Uncertainties related to the cash flows, solvency and financial obligations of the entity	Inflation, increased credit burden, exchange rate fluctuations, increased accounts receivable	Liquidity will decrease, payment discipline will be violated, and financial stability will weaken.	High	Financial planning, creation of reserve funds, insurance, cost optimization	Financial stability is strengthened

2	Market risk	Risks associated with changes in demand, supply, prices and competitive conditions	Changing market conditions, changing consumer needs, and the entry of new competitors	Sales volume decreases, profits decrease, market share is lost	Medium	Diversification, strengthening marketing strategy, market monitoring	Market position is maintained
3	Operational risk	Risks arising from disruptions in internal production and management processes	Technical failures, low staff qualifications, logistics disruptions, information system deficiencies	The production rhythm is disrupted, product quality decreases, and additional costs arise.	Medium	Internal control, technical maintenance, staff training, process standardization	Operational efficiency increases
4	Strategic risk	Risk associated with poor management decisions or errors in development strategy	Incorrect market assessment, shortcomings in long-term planning, incorrect investment decisions	The pace of enterprise development slows down, resources are spent inefficiently	High	SWOT analysis, strategic planning, forecasting, development of alternative solutions	Long-term sustainable development is ensured
5	Environmental risk	Risks related to economic, political and legal factors beyond the control of the enterprise	Changes in tax policy, geopolitical situation, pandemic, energy crisis, import-export restrictions	Activities will be disrupted, costs will increase, and the investment climate will deteriorate.	High	Adaptive management, external environment monitoring, development of backup strategies	Increased resistance to external shocks
6	Innovation risk	Uncertainties related to the introduction of new technologies and innovative projects	High costs of innovative projects, technological failure, lack of market acceptance	Investment losses occur, inefficiency increases	Medium	Pilot project, preliminary risk assessment, technological audit, phased implementation	The efficiency of innovative activities increases

7	Personnel risk	Uncertainty and losses related to labor resources	Lack of qualified personnel, staff turnover, poor labor discipline	Productivity decreases, management quality deteriorates	Medium	Incentive system, professional development, formation of a personnel reserve	Human capital is strengthened
8	Information risk	Risk associated with insufficient, incorrect or late information	Incomplete market data, inaccurate reporting, cybersecurity issues	The quality of decision-making decreases, management errors increase	Medium	BI systems, information security, digital monitoring, reporting system improvement	The quality of decisions improves

The data in Table 1 show that in conditions of economic uncertainty, entrepreneurial activity is carried out under the influence of multifaceted and interrelated risks. The table systematically presents not only the types of risks, but also their economic content, causes of occurrence, impact on the activities of the enterprise and methods of management. This indicates the need to consider risks not separately, but within the framework of an integrated management system.

According to the analysis of the table, the highest level of risk is observed in financial, strategic and external environmental risks. Since these risks have a strong impact on the current activities of the enterprise, as well as on its long-term development prospects. In particular, financial risk can undermine the solvency and liquidity of the enterprise, while strategic risk leads to inefficient use of resources due to the choice of the wrong development direction. External environmental risk is associated with factors beyond the control of the enterprise and is especially pronounced in conditions of economic uncertainty.

Although market and operational risks are considered medium-level risks, they directly affect the daily efficiency of the enterprise[8]. For example, while market risks affect revenue through fluctuations in demand and prices, operational risks create additional costs associated with disruptions in internal production and management processes. Therefore, constant monitoring and preventive measures are necessary for these types of risks.

The separate separation of innovation, personnel and information risks in the table shows that, along with traditional risks, new types of risks are also increasing in modern enterprise activities[9]. Especially in the context of expanding digitalization and innovative activities, information risk and innovation risk have a significant impact on the efficiency of enterprise management. This means that strengthening digital technologies, information systems and human resources is an important direction in risk management.

Table 2. Risk management mechanisms in conditions of economic uncertainty and their impact on enterprise stability

№	Control mechanism	Economic content	Implementation tools	Scope	Efficiency level	Impact on enterprise sustainability	Expected result
1	Diversification	Spreading risk by expanding business lines	New markets, products, services	Market and financial risks	High	Risk concentration decreases	A stable income is formed
2	Insurance	Financial risk coverage mechanism	Insurance contracts, risk transfer	Financial and operational risks	Medium	Losses will be compensated.	Financial security increases
3	Strategic planning	Developing a long-term development strategy	SWOT, PEST analysis, forecasting	Strategic and external risks	High	Bad decisions are reduced.	Sustainable development is ensured
4	Risk monitoring	Continuous monitoring and assessment of risks	KPI, indicators, audit system	All types of risks	High	Risks are identified early	Quick management decisions are made
5	Formation of reserve funds	Creating a financial resource for emergencies	Reserve capital, liquid assets	Financial risks	Medium	Emergency strikes are mitigated	Stability increases
6	Digital control systems	Risk management through information technology	ERP, BI, AI systems	Operational and information risks	High	Decision speed and accuracy increase	Efficiency increases
7	Internal control and audit	Process control and error detection	Internal audit, control system	Operational risks	Medium	Errors are reduced	Processes are optimized
8	Adaptive management (adaptive model)	Quickly adapt to changing conditions	Agile, fast decisions	External and strategic risks	High	Increased impact resistance	A flexible system is formed
9	Human resource	Improving employee	Training, motivation system	Operational and	Medium	The human	The quality of

	development	competence		strategic risks		factor improves	management increases
10	Partnerships and collaborations (PPP)	Risk sharing with other entities	Public-private partnerships, clusters	External and investment risks	Medium	Risks are shared.	Investment stability increases

The data in Table 2 show that risk management mechanisms are the main means of ensuring the stability of an enterprise in conditions of economic uncertainty. The table systematically presents various areas of risk management, each of which affects a certain aspect of the enterprise's activities. According to the results of the analysis, diversification, strategic planning, monitoring and digital management systems are distinguished as the most effective mechanisms. These mechanisms allow for the early identification of risks, reducing their negative impact and ensuring the continuity of the enterprise's activities. In particular, diversification reduces the overall risk by distributing risks without tying the enterprise's activities to one direction[10]. Strategic planning, on the other hand, ensures the reasonable adoption of long-term decisions in conditions of uncertainty. Monitoring and control systems are important as an operational stage of risk management. Through them, risks are identified in a timely manner and prompt measures are taken to prevent or reduce their impact. Especially in modern conditions, the introduction of digital management systems significantly improves the process of identifying and analyzing risks.

Mechanisms such as insurance, reserve funds and internal control are presented as protective tools that serve to mitigate the consequences of risks. They are aimed at reducing the losses incurred rather than preventing risks, and play an important role in maintaining the financial stability of the enterprise[11]. The flexible management model and the development of human resources, which are separately highlighted in the table, are recognized as one of the most important factors in modern economic conditions. Because the ability to make quick and flexible decisions in conditions of economic uncertainty determines the survival and development of the enterprise. At the same time, if there is no qualified personnel, even the most perfect management mechanisms will not give the expected result.



Figure 1. Model of the risk management process in conditions of economic uncertainty

This figure represents the step-by-step implementation of risk management in conditions of economic uncertainty. It shows the need to organize the risk management process based on a consistent and systematic approach.

The process begins with the first stage - risk identification. At this stage, internal and external factors affecting the activities of the enterprise are analyzed. The next stage is the assessment of the probability and impact of risks, which allows identifying priority risks. At the third stage, strategies are developed to reduce or manage risks. This uses tools such as diversification, insurance and strategic planning. At the fourth stage, constant monitoring and control of risks is carried out, which serves to identify and eliminate them in a timely manner. As a result, the proper organization of this process ensures the financial and operational stability of the enterprise. Therefore, the risk management process is one of the main mechanisms of enterprise stability.



Figure 2. Mechanism for ensuring the sustainability of the enterprise

This picture represents the formation of enterprise stability as a cyclical and interconnected system. The concept of "enterprise stability" is located in the center of the picture, around which the main structural factors - risk management, financial stability, operational efficiency and competitiveness - are reflected in an inextricably linked manner.

Firstly, risk management is the starting point for ensuring enterprise stability. At this stage, factors that negatively affect the activities of the enterprise are identified in advance through risk identification, assessment and monitoring. This ensures the validity of management decisions.

Secondly, financial stability is an important component formed as a result of risk management. Financial stability is determined by the level of liquidity, profitability and effective cost management of the enterprise. It is financial strength that increases the ability of the enterprise to withstand external shocks.

Thirdly, operational efficiency is associated with the optimal organization of production processes and the internal management system. Optimization of processes, efficient use of resources and quality control increase operational efficiency. This strengthens the internal stability of the enterprise.

Fourth, competitiveness emerges as a key factor determining an enterprise's position in the market. By introducing innovations, improving the quality of products and services, and meeting customer needs, an enterprise gains an advantage in the market[12].

The presentation of the picture in the form of a circle means that these factors are a continuous and interacting process. That is, risk management ensures financial stability, it increases operational efficiency, which in turn increases competitiveness and ultimately leads to an improvement in the risk management system.

In general, the analysis of this picture shows that to ensure the stability of the enterprise in conditions of economic uncertainty, it is necessary to manage all factors not separately, but as a single integrated system[13]. It is this approach that ensures the long-term sustainable development of the enterprise.

The results of this study showed that in conditions of economic uncertainty, entrepreneurial activity is carried out under the influence of various internal and external risks, and this directly affects the stability of the enterprise. Increased uncertainty leads to an increase in financial, market, operational, strategic and external environmental risks[14]. Therefore, the formation and improvement of a risk management system in the activities of the enterprise is a necessary condition for sustainable development.

As it was found during the study, the risk management process consists of interrelated stages such as identifying, assessing risks, developing strategies for their reduction, and conducting continuous monitoring. The consistent and systematic implementation of these stages serves to ensure the financial soundness, operational efficiency and competitiveness of the enterprise in the market[15].

4. Conclusion

Also, diversification, insurance, strategic planning, the formation of reserve funds, internal control and digital management tools were shown to be the most important mechanisms in risk management. Especially in the modern economic environment, it is important to comprehensively and flexibly manage risks, considering them not only as a negative consequence, but also as an economic factor that can be limited through management.

The analysis confirmed that the stability of the enterprise is formed not by a single factor, but by the interaction of risk management, financial stability, operational efficiency and competitiveness. Therefore, in order to ensure the stability of the enterprise in conditions of economic uncertainty, it is necessary to introduce a risk management system as an integral part of strategic management.

In general, the results of the study showed that effective management of entrepreneurial risks in conditions of economic uncertainty is an important factor ensuring the long-term development of the enterprise, its financial security and adaptability to market conditions.

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