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Chepka V.V.

*Ph.D, Senior lecturer in the Department of corporate finance
Kiev National Economic University named after Vadym Hetman*

Motrunetska L.S.

*Master's Degree Student
Kiev National Economic University named after Vadym Hetman*

Incorporation of risk controlling into BSC

In the complex conditions of a modern market economy, every management decision, especially strategic, regarding the future of the company's development, is always associated with a degree of uncertainty. In this connection, the problem of creating efficient risk-management system to mitigate risks connected with financial activities of the Company in long-term perspective has an immediate issue.

The main aim of incorporation risk-management into Balance scorecard system is to enhance the intercompany transparence, to develop risk-orientated attitude and employee's responsibility. Combination of BSC and risk controlling creates synergy effect. It is achieved with the help of, from one side strategic goals which are reflected in projects of BSC enable systemetic approach to risks identification and on the other side – detailed analysis of risks enables to detect the potential possibilities for the enterprise.

Therefore, effective symbiosis of BSC and risk controlling enables not only to enhance the quality of strategic planning, but also improves risk management in enterprise. International risk management standards indicate the need for total integration of risk-management into each aspect of business activity, which is also specific for efficient strategic management [1,c.279].

When investigating processes of creating BSC and implementation of risk-management, you can see that they are connected by two common features. Firstly, system of risk management is based on using “early indicators”. Secondly, in both systems measures needed to achieve goals and facilitate risk reduction are described.

When incorporating risk controlling into BSC such options can be possible: combination of risk indicators with BSC; complement of BCS with prospect “Risks”; development of special system “Risk-BSC”; including of risk-related aspects into system of strategic goals of BCS.

One of the opportunities is complement of BCS with prospect “Risks”. However, the biggest drawback of this variant is that logic of cause and effect relationships between 4 components of BSC (financial, client, business-processes, learning and staff development) is contravened. Another option is the creation of special system of chances and risks for the enterprise – emphasizes the importance of risk management system in the company. Chances (opportunities) are considered at the stage of building strategy.

Foreign experience approves, that risk management and overall management system are efficient when they are directly connected with strategic goals of the enterprise. While designing such scenarios the influence of all identified risks on strategic goals is investigated. It helps in determining target values for strategic indicators. Moreover, integration of risk-management with systems of employee’s motivation, operational and strategic planning is also appropriate. [2, c.17].

Distinguishing the relationship between steps developed within BSC and steps within risk management system is based on the analysis of what steps enable risk mitigation. In process of BSC creating, key steps needed for gaining target values of strategic indicators are identified.

Therefore, the concept of integration BSC and risk controlling is relevant. Existing approaches to such integration are quite different, although most of them are expensive in implementation, require significant time spending and are more

orientated on large corporations with already existing system of strategic management.

Modern realities of local business put enterprises into conditions when such integration has to be quite simple and relatively inexpensive.

Despite all the above mentioned, it is worth saying that the period of incorporation of risk-management into BSC approximately equals to the period of implementation of BSC without risk indicators because most of the meetings can be dedicated to the design both systems. However, a lot of time is spent for the initial work and processing of the received results.

Therefore, we can conclude that incorporation of risk controlling into BSC will in any case compensate waste of time and money spent for its implementation and will bring significant economic gains for the company if not in short-term perspective, but in long-term one indeed.

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Ярошенко С. С.,

студент 4 курсу факультету фінансів

*ДВНЗ «Київський національний економічний
університет імені Вадима Гетьмана»*

Науковий керівник: Боришкевич О. В.к.е.н., доцент,

*Доцент кафедри менеджменту банківської діяльності
ДВНЗ «Київський національний економічний
університет імені Вадима Гетьмана»*