

Structural and Functional Content of the Investment Risk Management System in the Region

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Abstract: The article deals with the problem of institutional environment development of regional investment risk management; it is connected with the extension and intensification of integration tendencies of independent Russian regions into world economic community. Economical and institutional arrangement of the regional investment risk management is considered as an important functional subsystem of the institutional environment of the investment activity, playing a leading part in formation and determination of directions of management actions, both concerning the risk constituent of the investment activity and in defining of its sizes and directions in the region, as the quantitative parameters of the last one are in direct dependence on the quality and strength of management decisions with regard to the risks, associated with this activity.

Key words: The arrangement of regional investment risk management • Monitoring • Structure • Functions

INTRODUCTION

The investment risk management of regional level presents an important part of provision a resulting return of investment activity within the limits of territorially located economic system of the mesolevel. As is known, the main purpose of the investment activity of the economic entity of any level, size and type consists in making a profit in some period, which, depending on the investment specifics, can be long-, average- or short-term. The risks, accompanying this type of activity, represent a bilateral element of influence on the result, both a threat of insufficient payment of the projected profit or receipt of negative profit and a potential opportunity to get the extra profit. "The majority of corporate investigations of risk management is focused on the specific risks, excluding the others" [1, 2]. In the investigations [3, 4] it is noted, that the risk management provides the management personnel with the opportunity to fight efficiently with the ambiguity, conditioning the emergence of risks, affecting the possible increase of efficiency of investment activity.

In this connection, if there is no investment risk management, the profit can be either lost or significantly reduced, whilst the system of risk regular management provides an opportunity not only to prevent the undesirable effects, but also to receive the income above

the expected values. The regional aspect of investment risks is insufficiently reflected in scientific publications.

Main Part: The necessity to form a new, regional approach to investment risk management within the limits of territorially located economic systems of mesolevel is also proved by really existed "inequality and disproportion of territorial social and economic development of the country and the appropriate growing of center-peripheral gradients with hyperconcentration of resources and powers of authority in its "center" and also alignment of governmental vertical against the background of consistent and more total control over the mesoeconomic systems" [5]. Regional peculiarities of economic development become the primary factor, the accounting of which allows determining a priori the general direction and peculiarities of development of reproduction and circuit processes within the limits of experimentally set or scientifically proved as the most appropriate level of investment activity in the sectoral structure of the region [6].

The regional investment risk management can be carried out in keeping with one of two possible concepts - static or dynamic management. The static management is mainly connected with the perception of "risk" concept as a synonym to "threat", thus it is aimed at

the neutralization of consequences or reduction of possible losses. This concept of the investment risk management is unacceptable at the regional level, as it does not allow exercising the risk management for the purpose of increasing the investment income; it is also inefficient instrument for loss reduction.

In this connection, a necessary condition for existence of the investment risk management phenomenon is its implementation on the basis of dynamic concept, as a regular process, at the continuous monitoring of risk level and adaptive correction of management actions in keeping with the variation of investment risk parameters of the region. The risk management provides the management personnel to fight efficiently with ambiguity, to coordinate risks and opportunities and to increase the reproductive potential [7, 8]. A dynamic concept of the regional investment risk management is implemented as not a single action in the static concept, but as a process. It represents the implementation of the paradigm of active behavior with regard to the risk, i.e. it is perceived as not a threat, but as an opportunity to get the extra investment income. It means that the companies, working in dynamic environments, should search for the variants of innovative development and implement more risky initiatives of efficiency increase, what conditions, in its turn, the higher level of business-risks [9].

A strategy of regional investment risk management is determined at the regional management level, as the whole system, aimed at the investment management, should operate in uniform regime, be in comply with general rules and work for implementation of previously approved and evaluated strategic plan. That is why the regional investment risk management should be implemented within the limits of one strategy and be directed at the solution of two main problems:

- The maintenance of basic investment resources of the region and the existing development indices;
- The creation of additional resources and the growth of investment attraction of the region.

It is obvious that the risk management should provide the solution of such important task as the distribution of investment resources and grants, taking into account the risk constituent [8].

The above said is quite match with Bower, P. [10]. The regional investment risk management structure presupposes the presence of coordinate management at all levels of the investment risk emergence. Thus, it is

required not only the organization of key elements of the risk management structure, but also the creation of regular interaction system [1].

The basic feature of the regional investment risk management system is its integration into general system of regional management. In other words, it is impossible to create the investment risk management system, which is fully detached from the management system of all processes of regional level. First of all, it is connected with the peculiarities of risk as a management object, i.e. its inseparability from some economic entity, it is peculiar of. That is why the investment risk management system of the regional level will be based on the existing bodies and structural elements of the management system, where in some cases it is possible just to extent the content of risk-oriented functions, executed by some system elements.

In other words, the investment risk management system of the region is an essential complication of the regional investment management system, its logically following stage of development, conditioned by the dynamics and content of investment processes of mesolevel, growth of their significance and represents a kind of its superstructure. It is connected with the fact, that the investment management in the region can be carried out excluding the risk constituent, however, the risk investment management, anyway, represents the investment management. Thus, the investment risk management system in the region should be considered as a subsystem of the investment management, smoothly included to its management loop. That is why the investment risk management system in the region is identical in whole to the structure of investment management.

It is known that "the set of tools, which can be used at the regional level, is quite well-known and it is used on different territories in one form or another" [3].

At the same time, the substantial analysis of structural and functional elements of the arrangement, implemented in the Russian regions, shows that there are absolutely no instruments to evaluate, regulate and manage the dynamics of regional risk formation and their influence on the investment processes, what once again proves the necessity in integration of the instruments, developed in the present study, into regional component of federal investment management system.

Figure 1 shows the enlarged diagram of functions, executed by the regional investment risk management system at its integration to the regional management system. In general terms, the main universal management

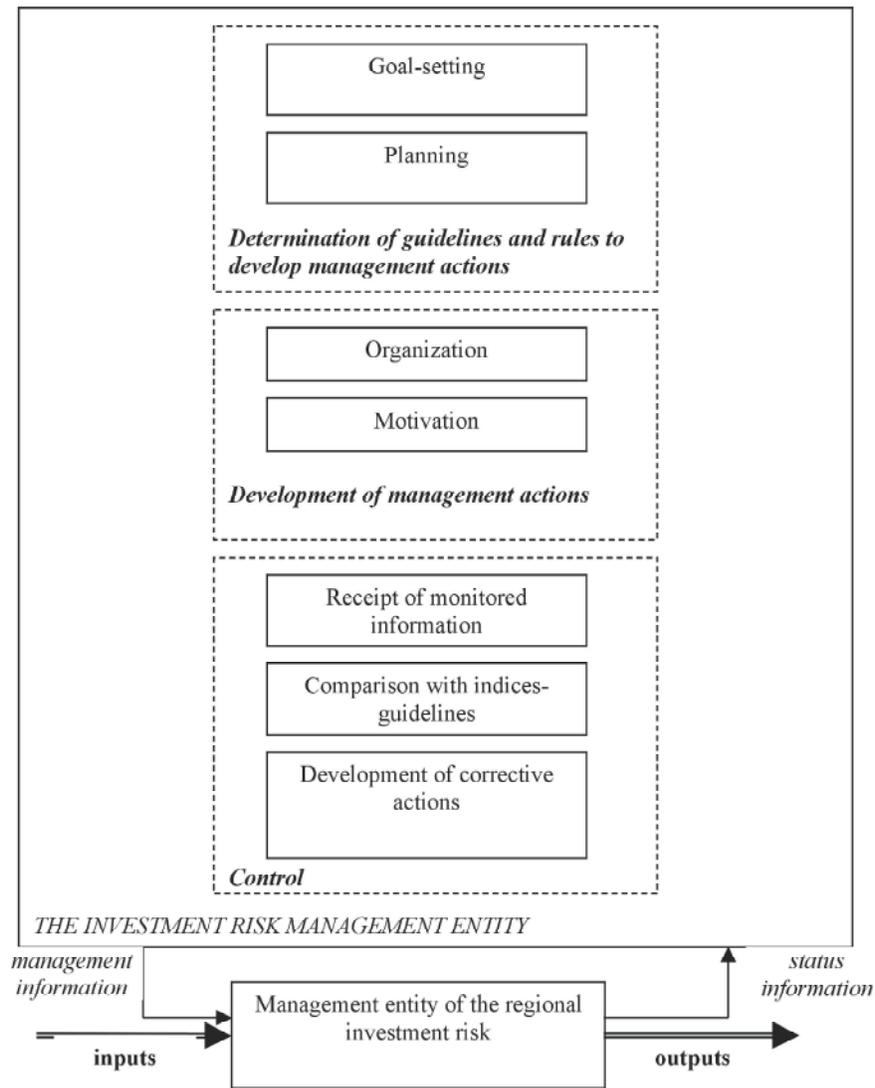


Fig. 1: The generalized functions of the investment risk management entity of the region*

functions in the most traditional understanding stay within four constituents: planning, organization, motivation and control. For the purpose of the investment risk management system analysis, it seems advisable to extend them due to substantiation of their filling and specification of their content.

Without proper and timely fulfillment of this function, the management process is broken and, as the functioning of the management object of the economic nature is continuous, which is impossible to be stopped for a while, then the entire system can pass into the state, not only inadequate to the desired or required, but in the one, the output from which to return to the required path is impossible.

The investment risk management of the region should be considered as an aggregate of concepts, theories, principles, ways and forms of management and the ability to use them efficiently in a specific situation as a purposeful information influence on the object of investment risk. The specific stages and functions of the investment risk-management as the investment risk management practice of the region are implemented through the management system, the generalized structure of which is represented in Figure 2 [7].

The lower elements, involved in the investment risk management system of the regional localization level, are the entities of investment activity of the region.

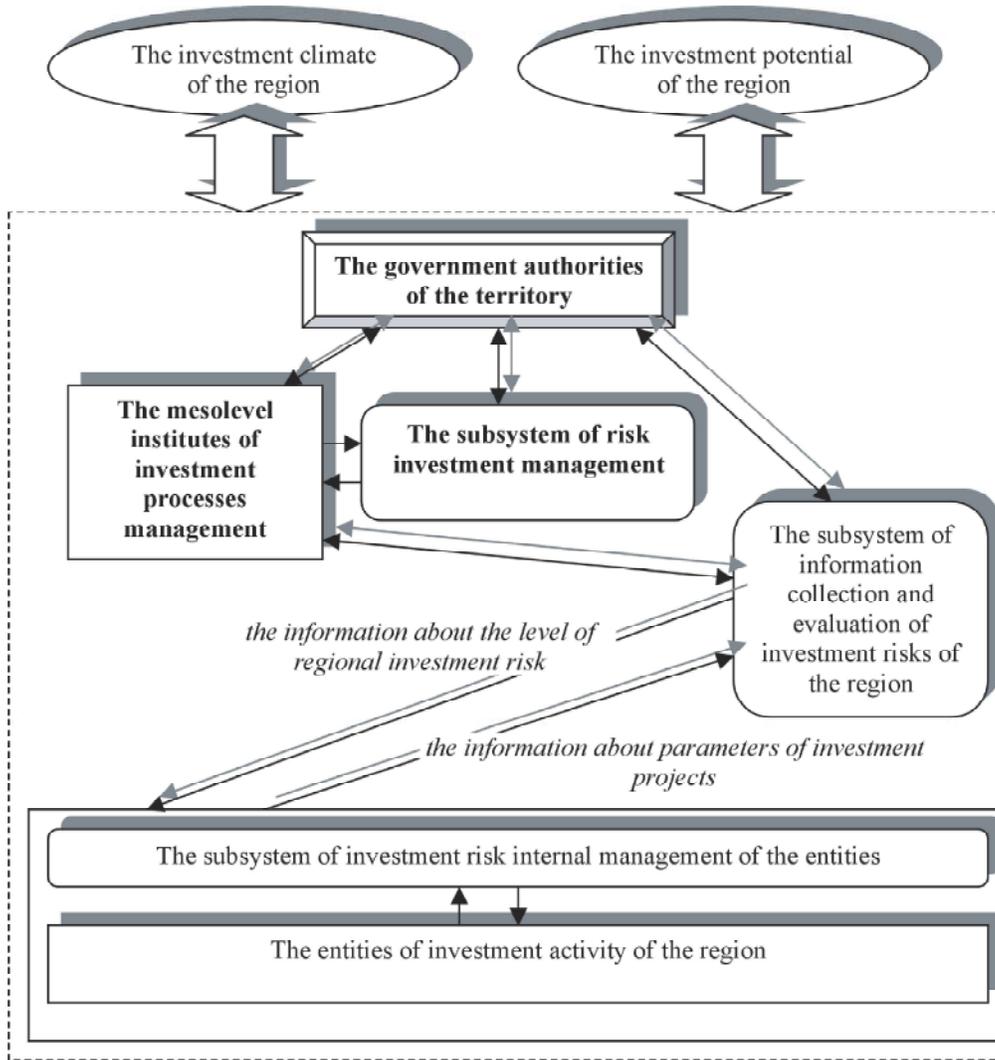


Fig. 2: The structure of investment risk management system of the region*

They can possess, as the Figure shows, the subsystem of the investment risk internal management, i.e. the risks of the specific projects and company in whole. These are the risk-management services, integrated to the management system by the company or enterprise. In cases, when these formations are absent in the structure of entity, some of their functions are fulfilled by independent elements of the management system of entity. Through the mentioned subsystems and their substitutes, the regional investment entities pass the information about projects to the subsystem of information collection and evaluation of regional investment risks and obtain the data about level and targeted parameters of the investment risk of the region in whole, what extends the informational opportunities of the

entities and increases the quality of development of decisions on the investment management, including the risks.

Another important structural element of the regional investment risk management system is the mesolevel institutes of investment processes management. These institutes in whole and the subsystem of the investment risk management of the region in particular, are subordinated to the territorial government authorities, which also get the information about the parameters of investment risk from the subsystem of information collection and evaluation.

Figure 3 shows the principle diagram of internal structure of the risk investment management system from the cybernetic positions.

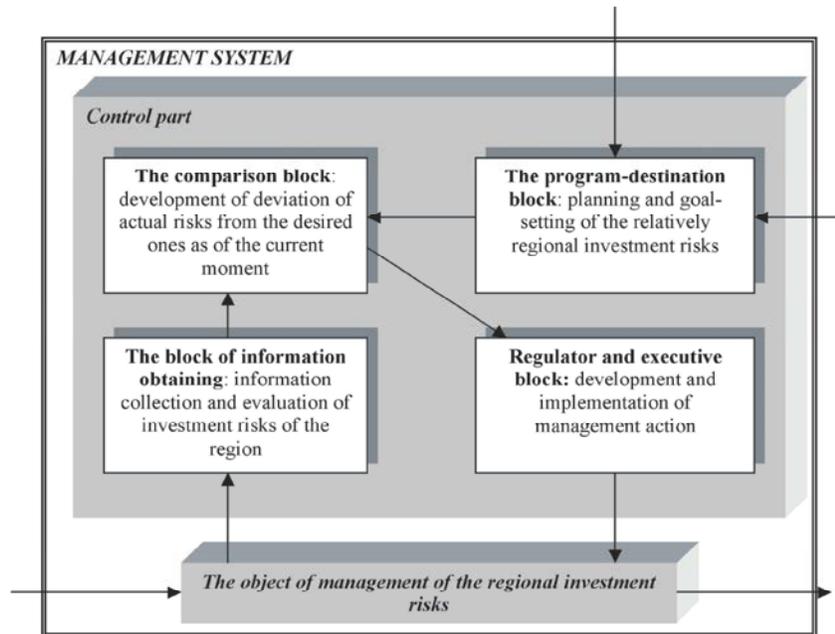


Fig. 3: Principle diagram of internal structure of the investment risk management system: cybernetic aspect*

CONCLUSION

The cybernetic approach allows to specify the workflow of the management system from the theoretical point of view and not only to present the movement of information flows, but also to specify functions, implemented inside the control part of the investment risk management system and also their connection with the aspects of system activity in whole, previously considered separately. A control part of the investment risk management system of the region has a structure, consisting of four main blocks, different in the fulfilling functions.

Summary:

- The investment risk management system of the region is organized and functions based on the scientific principles of management system organization of any nature, taking into consideration the peculiarities of management entity and object. Its quite important element is a monitoring system of information about regional investment risks, providing an opportunity not only to develop and implement timely and reasoned decisions in the management process, but it also promotes the growth of investment attractiveness of the region due to increase of clarity and transparency of investment activity.

- The essence and structure of the investment risk management system should be smoothly complemented with the aggregate of management tools, formed taking into account main determinants of both meso- and macroeconomic development. Such kind of tools (forming the calculation and analytical platform of the described investment risk management system) includes the information monitoring system about the state and dynamics of change of structural and parametrical characteristics of management object. To the instrumental part of this system, forming the environment of its functioning, belongs the economic and institutional infrastructure of regional investment risk management, formed under the impact of federal and regional determinants.

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