

## RISK MANAGEMENT - SKILLS AND PRACTICES

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### Abstract

Recognizing the core skills required to manage risk is key not only to mitigating threats, but also to ensuring organizational resilience and growth. The purpose of the article is to present trends in risk management skills in organizations. The literature is reviewed and trends in the skills needed to manage risk in organizations are identified. Based on trends and practices, a survey is made on the skills among some organizations in Bulgarian companies. The method that is used is through a survey about the opinion of the managers in the studied organizations. Results are presented regarding the impact of skills on risk management performance. The survey uses the five-point Likert scale method.

**Keywords:** *risk management, skills, organizations.*

**JEL Codes:** *D8, M1.*

### Introduction

Today, risk management is rapidly transforming, requiring a combination of established competencies and flexibility to adapt to the changing risk landscape. As the risk landscape evolves in 2024, there is a need for risk managers to possess a combination of analytical, strategic and interpersonal skills (Teal. Risk Management Skills, 2024). Some organizations are challenged by a lack of understanding of risks and how they can affect business sustainability. Sustainability is also often threatened by new risks (Bakker, 2016, p.1.). Incorporating sustainability into risk management is not just a matter of best practice – it is an insurance policy against surprises and disruptions that affect employees, suppliers, communities and shareholders alike (Schaltegger and Burritt, 2016, p.36).

To assist managers in dealing with risks, various organizations have introduced technical standards (e.g. ISO 31000). These standards support the development of operational enterprise risk management systems and the selection of criteria for continuous improvement of corporate

sustainability with various environmental (e.g. carbon reduction targets) and social measures (e.g. workforce diversity, safety issues). They provide tools for managing high-probability risks, each with small individual consequences but which can be significant in aggregate. However, while guidelines and standards are useful for managing technical sustainability risks, many other sustainability risks, including market, social and political, are of a different nature.

### Literature review

Risk management, like other areas of management, is undergoing significant transformations. The main directions of changes include: gaining strategic relevance through risk management, creating value for stakeholders in the face of increasing complexity (Calandro, 2015, pp. 26–35.). Different challenges and opportunities require new risk strategies, highlighting the need for proactive risk management strategies. A change in risk management strategies is needed. It's not just a defensive measure—it's a strategic

advantage for dealing with the complex risks of today's world. risk managers must focus on five key actions to not only survive, but thrive. Thus, according to the international organization ISACA, which engages professionals to develop their skills and knowledge in the field of auditing, cyber security, emerging technologies, etc., risk professionals should include the following in their to-do list: (Carmichael, 2023)

1. Perception of strategic thinking and business acumen;
2. Adapting to emerging risks and building organizational resilience;
3. Acquisition of digital skills;
4. Communication and influencing skills;
5. Understanding the regulatory environment.

The lack of leadership abilities, knowledge and skills of managers limits the effectiveness of organizational management. The success of the organization is built on the ability to lead. To lead successfully tomorrow one must learn today (Maxwell, 2014).

Risks vary in size and scope, as well as across industries. The process of risk management, including planning, organizing and controlling resources designed to minimize the adverse consequences of accidental losses, is fundamentally a decision-making process. According to International standard 31000:2009, Risk management – Principles and guidelines, the risk management process must be an integral part of management, integrated into the culture and practices and in accordance with the enterprise's business processes. Its scope includes the following main stages: (International standard 31000:2009)

- establishing the context;
- risk identification;
- risk analysis;
- risk assessment and risk treatment;
- monitoring;
- presentation, communication.

Risk management as a process regulated by the 31000 standard is:

- planning – developing a risk management framework;

- implementation – implementation of risk management;
- verification - risk monitoring and review;
- action – continuous improvement of the risk management framework.

Some risk is necessary for growth. But the business implications can be significant if you're blindsided by a risk you didn't anticipate. The risk management manager's job is to apply risk management techniques to identify risks, assess their potential impact, and decide on a course of action. Over the years, the risk management profession has grown beyond its underwriter roots to encompass all types of enterprise risk. Managing these risks encompasses a wide variety of tasks that vary by organization and industry (Riskconnect, 2024).

Reporting is a key part of the risk manager's role. Risk information can help reduce costs, increase growth and improve customer satisfaction. Risk managers must turn complex risk data into understandable insights – and be confident in presenting and sharing those insights with management.

### **Trends in the skills needed to manage risk**

Practices show that risk management, crisis management and resilience professionals are adept at solving the organization's problems. They are required to have a combination of skills including strategic thinking, strong communication, adaptability and flexibility to achieve their organization's goals. Conducting regular risk assessments, as well as being prepared to deal with unforeseen risks and crises, is critical to an organization's success. Necessary skills that risk managers must possess as specialists in risk, crisis and resilience management are: (The University of Portsmouth, study online, 2023)

- crisis management skills to deal with unexpected events;
- resilience skills to manage and recover from disruptions;
- adaptability and flexibility to deal with uncertainty;
- communication and stakeholder management skills.

Among the most important risk management skills in 2024 that are in demand in companies today is comprehensive risk analysis. The ability to identify, assess and prioritize risks in an increasingly complex and interconnected business environment is paramount. Risk managers must be able to use advanced analytical tools to predict potential threats and vulnerabilities, from cyber risks to geopolitical

uncertainty. This skill requires a combination of quantitative and qualitative acumen, enabling professionals to not only quantify risks, but also understand their broader implications on business strategy and operations. Table 1 presents hard and soft risk management skills (Teal. Risk Management Skills. What Skills Does a Risk Management Need, 2024).

**Table 1. Risk Management Skills Today**

Hard risk management skills	Soft risk management skills
<ul style="list-style-type: none"> <li>- Regulatory compliance and reporting</li> <li>- Statistical analysis and probability theory</li> <li>- Risk management information systems</li> <li>- Enterprise risk management frameworks</li> <li>- Cybersecurity risk assessment</li> <li>- Business continuity planning and crisis recovery</li> <li>- Analysis and management of credit risk</li> <li>- Advanced Excel tools and data visualization</li> </ul>	<ul style="list-style-type: none"> <li>- Making strategic decisions</li> <li>- Problem solving and critical thinking</li> <li>- Communication and interpersonal skills</li> <li>- Leadership and team management</li> <li>- Emotional intelligence and stress management</li> <li>- Adaptability and flexibility</li> <li>- Negotiation and conflict resolution</li> <li>- Organizational and prioritization skills</li> <li>- Risk assessment and analysis</li> <li>- Ethical judgment and integrity</li> </ul>

\*Source: Teal. Risk Management Skills. What Skills Does a Risk Management Need?, *Risk Managements in 2024*, <https://www.tealhq.com/skills/risk-management>.

Risk manager skills can be divided into levels: *entry-level risk manager skills, intermediate risk manager skills and senior risk manager skills* (Teal. Risk Management Skills, 2024).

Recognizing and developing the right skills at each stage is essential for risk managers to effectively protect their organizations from potential threats and take advantage of the opportunities that risks can provide. Effective risk managers and leaders must have a deep understanding of the risks associated with their organization's operations. They must be able to develop strategies to mitigate these risks, invest in soft skills training and develop traditional risk management skills (Kawarsky, 2024).

The Risk Management Institute's Risk Management Agenda 2025 outlines the essential skills and technical competencies for risk managers. Thus, core competencies for risk managers include business acumen and quality

risk management skills. Also, research shows that risk managers are expected to acquire or maintain basic business operational skills in finance, technology and other key operational functions performed in their organization (Institute of Risk Management. RiskAgenda2025, p.23-25).

### **Research methods and results**

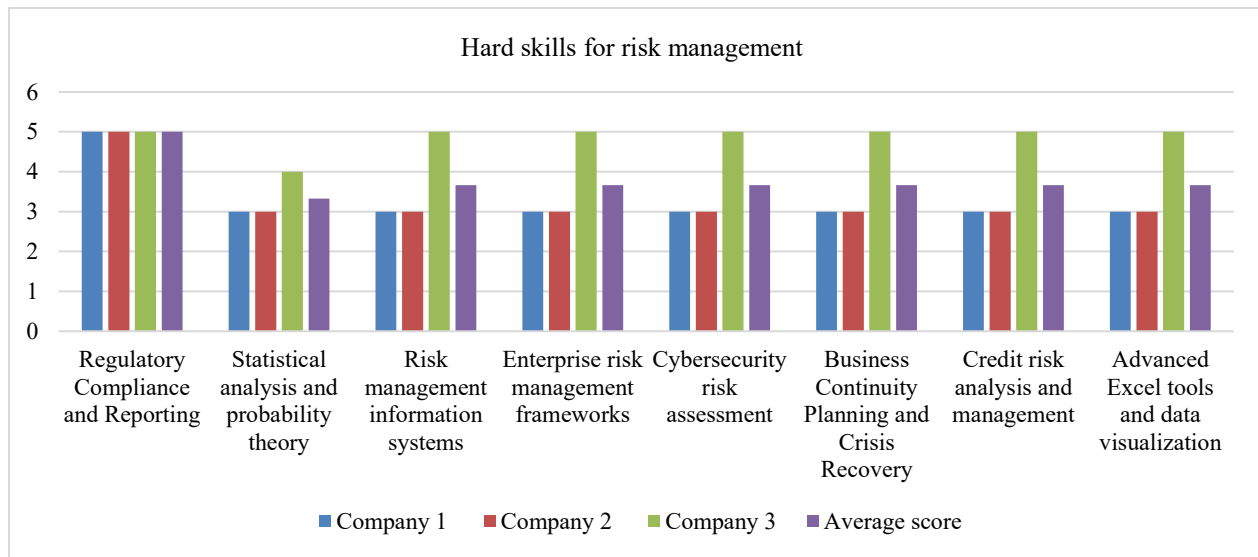
Based on the trends indicated in the previous point in international companies for the necessary hard and soft skills for risk management, a study was made regarding these same skills among some organizations in Bulgarian companies. The organizations are in the field of activity - retail trade, with an annual turnover of over BGN 50,000. The survey was conducted among managers of three micro-enterprises in the city of Veliko Tarnovo.

The method used is through a survey about the opinion of the managers. The survey uses a five-point Likert scale. For each statement on the

specific questions, an average score was calculated. They are obtained by summing up the individual results and dividing them by the number of respondents. This helps to understand the opinion of the respondents on the particular topic and provides information about people's attitudes and opinions. Of course, in our opinion, the study

could be done for every single city and field of activity.

To the question “To what extent do you agree with the need for the following hard skills in risk management?”, the results are presented in Fig. 1.



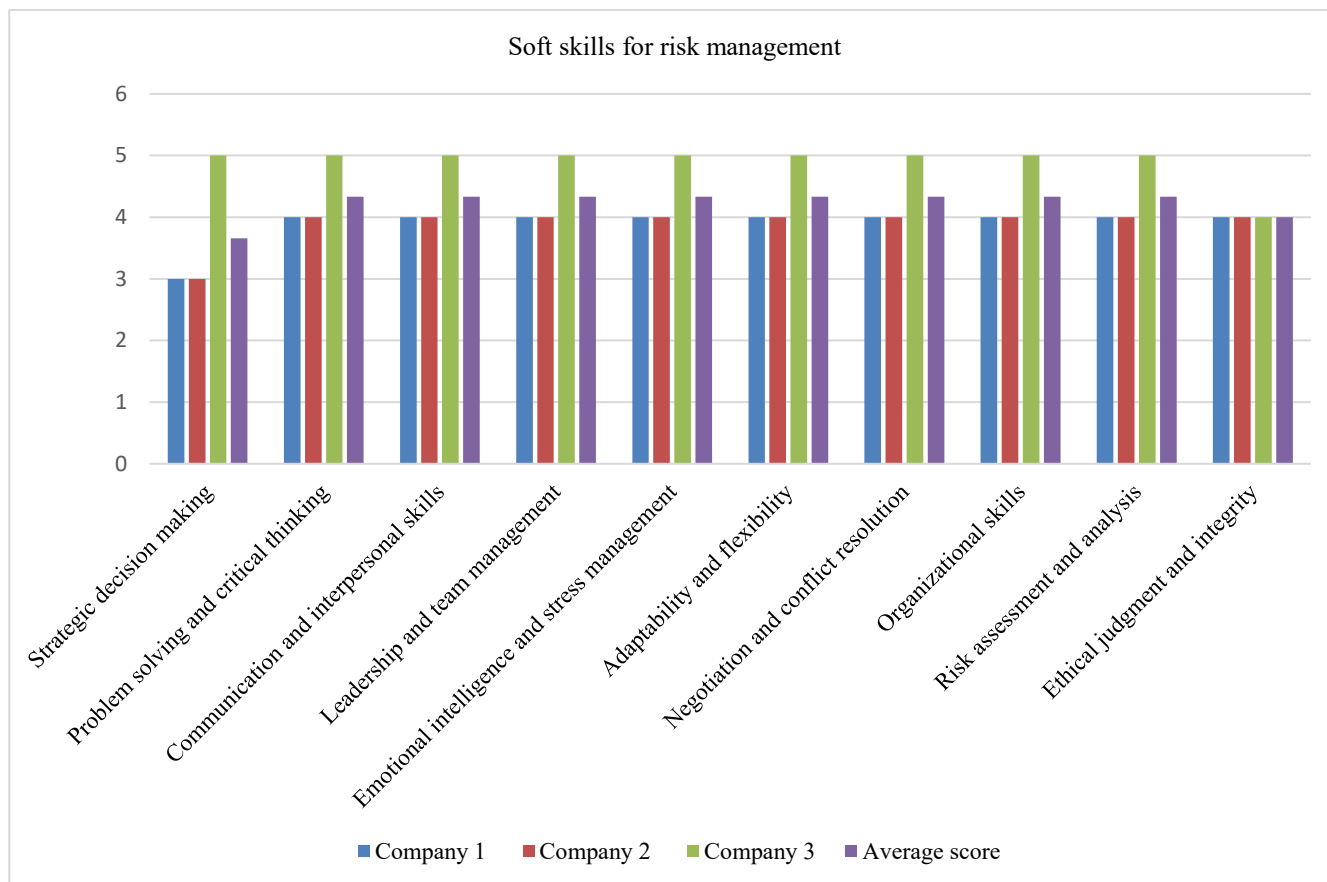
**Figure 1. Results “To what extent do you agree with the need for the following hard skills to manage risk?”**

The results on the Likert scale correspond to the following degrees: 1 – completely disagree; 2 - disagree; 3 - neutral; 4 - agree; 5 - completely agree.

The average scores show the managers' opinion from grade 3 – “neutral” to grade 4 – “agree” regarding the need to apply hard risk management skills. The prevailing mean score was 3.66, which is closer to an “agree” level for the need for hard risk management skills.

It is noteworthy that for the third company there is a predominance of a “strongly agree” response to the need for all of the stated hard risk management skills.

To the question “To what extent do you agree with the need for the following soft skills in risk management?”, the results are presented in Fig. 2.



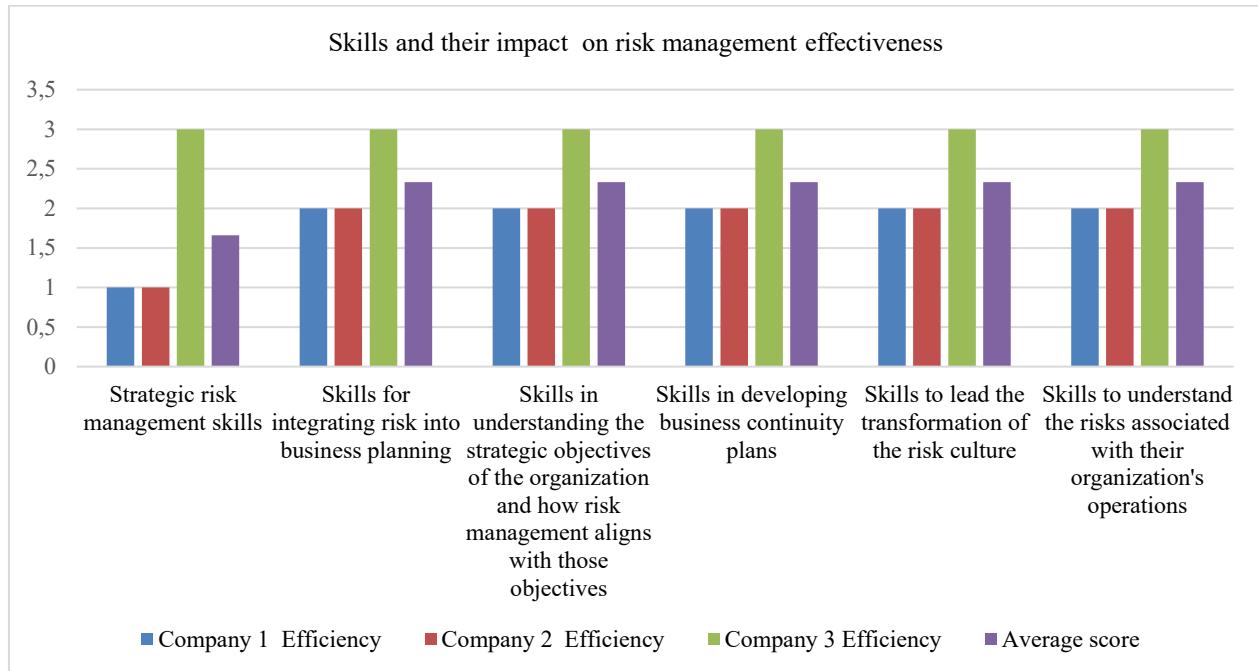
**Figure 2. Results “To what extent do you agree with the need for the following soft skills to manage risk?”**

The results on the Likert scale correspond to the following degrees: 1 – completely disagree; 2 - disagree; 3 - neutral; 4 - agree; 5 - completely agree.

The average scores show the opinion of managers from level 4 – “agree” to level 5 – “strongly agree” regarding the need to apply soft skills for risk management. The prevailing mean score is 4.33, which is expressed as a degree of

“agree” for the need for soft skills in risk management. Here too, it is striking that the third company overwhelmingly answered “strongly agree” to the need for all the mentioned soft skills for risk management.

A survey was conducted among the respondents “How do skills impact the effectiveness of risk management?” In fig. 3 presents the results.



**Figure 3. Results “How do skills impact risk management effectiveness?”**

Likert scale scores correspond to the following for effectiveness: 1-not effective at all; 2-minimally effective; 3-moderately effective; 4-very effective; 5- extremely effective.

Regarding the impact of skills on risk management effectiveness, the average scores show managers' opinion from level 2 – “minimally effective” to level 3 – “moderately effective” that respondents believe skills have on risk management.

The results obtained from the survey in Veliko Tarnovo show that the degree of “agree” prevails among managers regarding the need for soft and hard skills for risk management. In one of the firms, the predominant response was that skills have a “moderately effective” impact on risk management.

### Conclusions

Risk management is critical to the prosperity of organizations. Although companies often focus on technical expertise, soft skills such as effective communication, collaboration, adaptability are just as important. And for the management of the organization, information about the effectiveness of each subtype of activity is essential (Kalcheva, 2009, p. 341). Effective management requires intelligent risk management – an approach that seeks to implement appropriate risk management procedures in all units of the organization (Yordanova, 2020, pp. 212-213). This will create added value and increase the competitive advantage of the organization if it results from the active participation of the management team as well as all employees in their areas of activity.

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