

SYSTEM OF STRATEGIC RISK MANAGEMENT FOR THE DEVELOPMENT OF YOUTH STARTUPS

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Abstract. The purpose of the article is to study the features of a system of strategic risk management for the development of youth startups. The startup's activity is accompanied by great risks that must be skillfully managed. Formation of the system of strategic risk management for the development of youth startups has the number of advantages, which are discussed in this article. The authors attempted to examine the different aspects, elements of system of strategic risk management for the development of youth startups. The main elements of the system of strategic risk management of youth startups are the top management and department heads, divisions and spheres of activity, information about startup risks, information about what currently creates value for a startup, normative, methodical support for the development of the program, plans and strategy, financial and personnel management, information technology, management consulting, analytical support, goals, tasks, principles, functions, organizational culture that supports the development of the strategic risk management system, risk management strategy and new drivers for startup value formation. The importance of identifying all types of risks that have an impact on the strategic development of startups is emphasized. Creating value for business is the starting point of the process of strategic risk management of the development of youth startups has been indicated. Barriers to the formation of a strategic risk management system for the development of young startups have been presented.

Keywords: strategic, risk, management, development, youth startups, organization, business, value, support, organizational culture, strategic goals.

JEL Classification: D22, D81, G22

Formulas: 0; **fig.:** 1; **tabl.:** 0; **bibl.:** 9

Introduction. Youth startups play an important role in solving social and economic problems: creating new jobs, reducing the unemployment rate, and training qualified personnel. Expanding opportunities and strengthening the influence of youth startups determines the need to use the potential. Today's youth and youth startups will define the image of the country in the future. The rate of economic growth and development of Ukraine depends on the development of modern youth organizations and youth business.

In a competitive environment, managers are faced with the need to make decisions under conditions of uncertainty and risk. Strategic risk management is often seen as an activity to prevent financial losses to a business. However, risk management must be applied throughout the organization. The formation of a strategic risk management system for the development of youth startups will help to partially eliminate problems in the organization. This will help the business to protect itself from a big part of the problem and reduce the existing risk to an acceptable level.

Literature review. Foreign and domestic scientists give substantial attention to the study of the issue of risk management of the organization, formation of the risk

management strategy of startups. Pukala, R., Sira, E., Vavrek, R. (2018) [6] devoted research to risk management methods and their efficiency, specific business activity of start-ups as well as the use of risk financing instruments available on the market by start-ups. Bialek R., Nowak R. (2018) [1] consider the problems of strategic management of young startups in Poland, finding methods of financing and development.

Kulkarni P., Mutkekar R. and Ingalagi S. (2020) [4] describe the features of strategic management on efficiency of start-ups, skill development of employee, and identify principal factors of strategic management. Zhang D. (2021) [9] believes that the trade-off between innovation benefit and risk control is worthy of investigation and is predictable for high-tech intensive start-ups. He questions the relationship between a firm's strategies on innovativeness and risk preference, especially for small, young firms in their initial stages of business. McConnell P. (2022) [5] analyzes strategic risk management of start-ups. Therefore, strategic risk should be a key focus for entrepreneurs and their investors. The author describes the key risks for any company and some of the key strategic risks facing start-ups.

Aims. The purpose of the article is to study the features of a system of strategic risk management for the development of youth startups.

Methods. During the research, the method of synthesis and analysis, induction has been used (in the study of elements of system of strategic risk management for the development of youth startups); structural and logical (to build a system of strategic risk management for the development of youth startups); schematic, graphic images for the visual display the received results of the study.

Results. Youth startups are independent organizations younger than five years, aimed at the development, improvement, and expansion of an innovative, technological product with high and rapid growth, created by young professionals under 25 years of age [3].

Youth startups are a special category of youth business and youth organizations. Youth startups determine the main tasks: development of strengths and weaknesses. To stimulate and create favorable conditions for the development of youth startups, various programs have been developed and are in operation. Therefore, there are 1,700 food and 533 service companies in Ukraine [2].

This type of activity is accompanied by great risks that must be skillfully managed. The strategic risk management system for the development of youth startups is a tool for supporting the effectiveness of the implementation of strategic and operational goals. The system allows getting information about the key risks of startups and guarantees the choice of an effective way of managing them.

The main advantages of implementing strategic risk management in organizations:

- fulfillment of requirements defined by legal acts and industry standards,
- limiting the uncertainty of decisions and actions taken by managers of organizations,
- optimal planning of the use of resources, investments, and innovations focusing on high-risk areas [7],

- prioritization of actions that contribute to the prevention of threats and improvement of business performance based on the detailed results of risk management,
- identification of critical risks and preparation of actions that can prevent or reduce losses in the event of a crisis,
- management of the organization, projects, based on comprehensive, reliable and analytical data,
- positive changes in the organizational culture and expansion of staff awareness as a result of the implementation of the risk management process.

The strategic risk management system for the development of youth startups is based on a set of subsystems (controlled and controlling subsystems) and elements. With the help of these elements, a cause-and-effect relationship is established.

To form a system of strategic risk management for the development of youth startups, managers need:

- normative, methodical support for the development of the program, plans, and strategy of risk management;
- financial and personnel management, information technology, management consulting, analytical support;
- goals, tasks of strategic development and risk management of the organization;
- management functions and principles, organizational culture that supports the development of the risk management system.

The system of strategic risk management for the development of youth startups is shown in Figure 1.

The basis of the strategic risk management system for the development of youth startups is the created value for business [8]. Business value includes key products and services that create a competitive advantage for a startup, unique operations to produce products and services.

Thanks to the organization of the strategic risk management process, it is possible to obtain information about the risks affecting the startup's achievement of its main goals. Here, it is important to apply strategic intent to risk identification and assessment.

Creating value for business is the starting point of the process of strategic risk management of the development of youth startups. That is why it is necessary to outline the plans for the growth of value in advance. For this, managers need to use new strategic initiatives that are outlined in the strategic plan (for example, launching a new product, acquiring a competitor, expanding online offers, etc.). The study of the organization's strategic initiatives should be included in risk analysis and decision-making.

The process of strategic risk management involves monitoring internal or external events that cause risks or threats to the business. A strategically integrated risk management process begins with an analysis of the factors that are most important to the business in the short term and lead to long-term success.

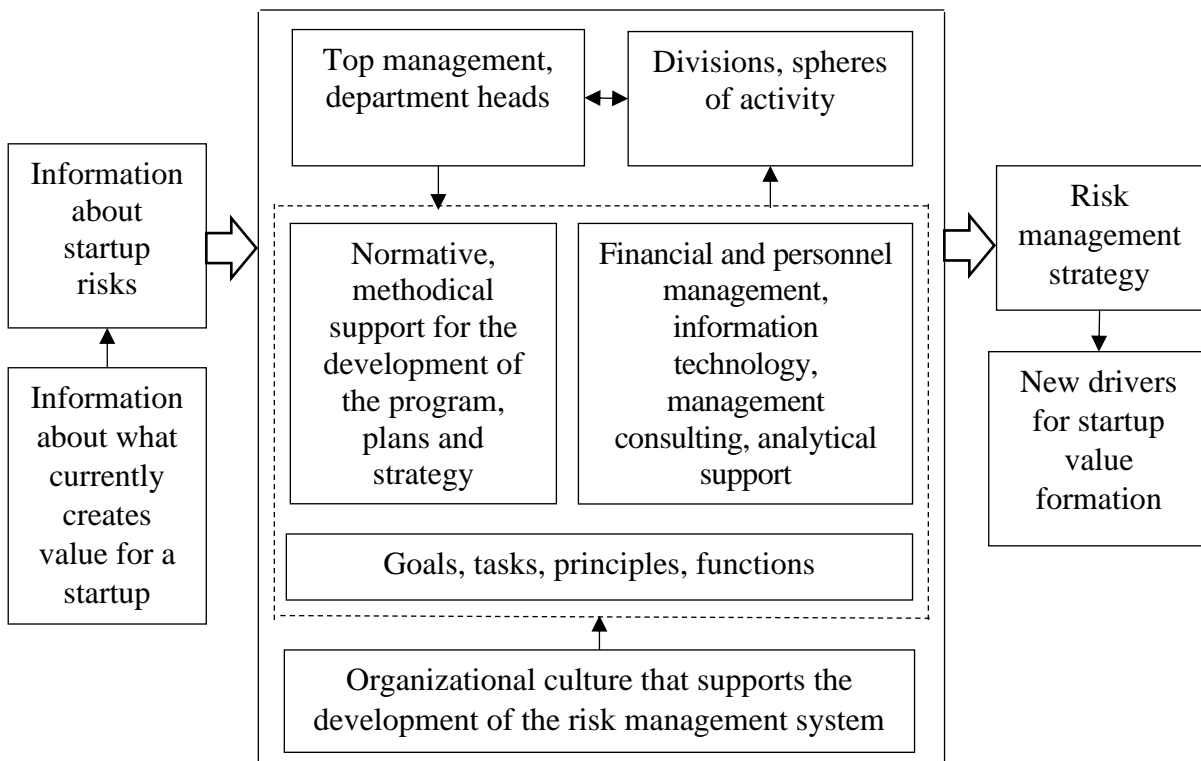


Figure 1. System of strategic risk management for the development of youth startups

Source: developed by the authors

It is necessary to take into account all types of risks (strategic, operational, etc.) during the formation of a system of strategic risk management for the development of youth startups. Risks must be continuously identified, measured, monitored, reported and remedied. It is important to stimulate personnel (individual or collective) to be involved in the risk management process and influence the strategic success of the organization.

In order to maintain the continuity of business development, managers must assess risk appetite in achieving strategic goals. Some types of organizations are risk-averse, while others foster a risk-taking culture. In addition, management styles and team structure vary significantly across.

Solving issues related to the development of startups and risks lies in the formation of the concept of organizational culture. The process of building organizational culture can focus on training employees to ensure they are aware of risk assessment methods and business performance tools.

Employees must have the appropriate skills and knowledge to implement a strategic risk management system in the context of divisions and business operations. Analysis of the strategic risk management system of the development of youth startups helps to eliminate the mistake that the organization can achieve effective risk management without making efforts. Educational programs and trainings can play an important role in improving the qualifications of employees, as it provides an understanding of the role and responsibilities in the formation of the strategic risk management system. In this case, managers can develop an effective training program

that will help staff acquire adequate skills and knowledge to create a favorable organizational culture. Managers can involve employees in training aimed at forming a risk management system.

The lack of a favorable organizational culture can become an obstacle to the implementation of a strategic risk management system. For example, the failure of joint teamwork between senior management and staff is often a limitation to the effective process of forming a strategic risk management system. Managers who do not support the implementation of a strategic risk management system can hinder the strategic development of a startup. The inability to develop an effective organizational culture is a key factor in the unsuccessful implementation of a risk management system in business operations.

The development of an acceptable organizational culture develops into the construction of risk response strategies. These strategies are needed to ensure an effective process of implementing a strategic risk management system.

One of the strategies is to create a collaborative work environment by ensuring a harmonious relationship between managers and employees in the process of implementing a strategic risk management system. Leaders take on the important responsibility of creating a positive business culture. An effective leadership process is an opportunity to improve organizational culture and increase organizational effectiveness. In addition, the development of positive interactions in the workplace contributes to the achievement of a competitive advantage.

After the analysis and assessment of risks, authorized persons must provide agreed results to various stakeholders, startup managers, operations specialists. It is important to choose indicators that are used to measure the effectiveness of strategic risk management, management strategy, and results.

The goal of the strategic risk management system for the development of youth startups is to develop a systemic view of risks. The responsibility for establishing directions of development and risk management lies with managers of functional structures.

The consequence of adopting the concept of strategic risk management is the need for independent centralized control by the team responsible for risk management in the organization. The head of such a team should be a person subordinate only to top management (risk manager). In turn, management should be aware that the result of creating a risk team may be internal conflicts. However, a bigger problem may be inadequate risk management at the scale of a startup. Therefore, it is important to develop strategic risk management throughout the organization. This can be achieved by organizing trainings, practical seminars.

Effective strategic risk management of youth startups can have many benefits. This primarily includes the reduction of business costs. This is possible thanks to the identification of areas that negatively affect the functioning of the organization. The first step is to diagnose the problem. Even small inefficient processes have importance and can affect the success of the business, however. Problems generate large losses, especially from the annual perspective.

Improvement of financial results is possible due to optimization of management

measures. Strategic risk management is reduced to improving management standards (normative support for the development of the program, plans, and strategy). A significant part of the procedures can be simplified, and actions can be standardized. This will make it possible to perform tasks faster and determine the responsibilities of employees.

The process of activity planning is also important over the course of strategic risk management. Managers find answers to questions that are fundamental to running a successful business and avoiding unpleasant surprises (for example, fines for non-fulfillment of bargain terms) thanks to careful planning. Other benefits of implementing a strategic risk management system include: increased internal efficiency and control, new business opportunities, or improved cooperation between employees in the organization.

Difficulties associated with the implementation of the system of strategic risk management for the development of youth startups include: the underdevelopment of the risk management strategy at all scales of organization, the lack of cyclicality of strategic risk management, the lack of clear information about risks at all scales of organization, the low level of ensuring strategic risk management, the uneven level of the organization's readiness for risk management, the imperfection of assessing the company's capabilities and identifying gaps in current risk management processes, the complexity of forming the effective preventive measures.

Discussion. Managers of a youth startup must be able to develop a systemic view of business. They should be responsible for understanding the consequences, organizing the management process, monitoring the most significant risks affecting the startup. Senior management is responsible for the development and implementation of the strategic risk management process, contributing to the activation and support of this process. They determine the strategic orientations of the risk management process and the peculiarities of its functioning.

Successful implementation of the strategic risk management system of a young startup is a difficult task. This is partly due to the fact that the strategic risk management system requires cooperation between departments and startup personnel, research into the field of activity and business opportunities. In each case, the risks will be perceived as unique.

New scientific research is needed to better understand all the features of the practical implementation of the strategic risk management system of young startups. It is important to identify risk situations and factors that positively and negatively affect the emergence of risks in a startup.

Conclusion. Thus, a contemporary view of development of youth startups in which youth startups are independent organizations younger than five years, operating in conditions of increased risks and uncertainty should work on the basis of a formed system of strategic risk management for the development of young startups. The main elements of the system of strategic risk management of youth startups are the top management and department heads, divisions and spheres of activity, information about startup risks, information about what currently creates value for a startup, normative, methodical support for the development of the program, plans and strategy,

financial and personnel management, information technology, management consulting, analytical support, goals, tasks, principles, functions, organizational culture that supports the development of the strategic risk management system, risk management strategy and new drivers for startup value formation.

Author contributions. The authors contributed equally.

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