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RISK-BASED DECISION MAKING

Abstract. The article is directed on discovering the essence of managerial decisions and importance of risk assessment for choosing the optimal one. General principles of decision-making in conditions of risk are considered.

Key words: managerial decision, risk, risk assessment.

Actuality. The success of any company depends on how effectively they implement the right changes (by developing new services, entering new markets, etc.) and how quickly and correctly they respond to external changes (both cases involve decision-making process). Any change is associated with risks and problems, therefore, before decision is made the analysis of probable risks should be carried out.

Domestic and foreign scientists (P. Blaikie, E. A. C. Crouch, B. Fischhoff, S. Lichtenstein, D. Kahneman, J. Tidd, J. Bessant, A. Sorin, H. Veland, C. Tang, N. V. Atapyna and others) made a significant contribution to the formation and development of risk theory, methodology for qualitative and quantitative risk analysis, solving a number of problems in making managerial decisions in conditions of risk and uncertainty.

Decision making is a component of any managerial function, because decisions are the main product of a manager's work. Therefore, understanding the nature of management decisions is extremely important in terms of a better understanding of the management process as a whole. Managerial decision entails all aspects of designing, building and managing the decision-making systems that an organization uses to manage its interactions with customers, employees and suppliers.

The ability to make effective decisions that are rational, informed, and collaborative can greatly reduce opportunity costs while building a strong organizational focus. As it also can be withdrawn in relation to Daniel Kahneman's opinion [1], psychological style to decision-making favors individual values, desires and needs to determine the best course of action. A cognitive style to decision-making is heavily influenced by external factors and repercussions, such as how a given course of action will impact the broader environment in which the organization functions. Finally, normative decision-making relies on logic and communicative rationality, aligning people based upon a logical progression from premises to conclusion. James Tidd discovered this is concept as the choice of the subject of action management method [2]. Still regardless of the style or perspective, managers, and leaders must create organizational alignment in decision-making through building consensus. Thus, considering all information described above, managerial decision is the result of the choice within a set of alternatives, conclusion and recommendations about following actions aimed at solving a particular management problem.

Risk assessments involve assessing vulnerabilities and finally the potential losses that may occur, as well as their associated likelihood [3]. The risk assessment process therefore integrates multidisciplinary efforts, aiming to produce a result that is useful for decision-making on how to manage the risk.

Risk can be broadly defined as the possibility of the potential loss of something of value [4]. Assessing the risk involves identifying, describing, and, when possible, measuring the potential for such loss.

The assessment of economic risks, in turn, is a quantitative and qualitative determination of the magnitude of economic risk. Qualitative research (assessment and analysis) aims to determine (identify) factors, areas and types of risks. A quantitative study makes it possible to determine the magnitude of individual economic risks and the risk of a business entity as a whole more specifically (numerically) [5]. The results of a qualitative risk analysis are the initial data for the implementation of a quantitative analysis. Thus, the two directions of risk research are interdependent and complement each other. However, quantification is more time

consuming and more difficult, as this risk assessment requires meaningful input.

In some circumstances, risk assessment leads to a decision to conduct additional analysis. The risk assessment may also lead to a decision not to treat the risk in any way other than by applying controls. This decision is influenced by the organization's attitude towards risk and the established risk criteria.

The peculiarities of making strategic decisions are a large number of factors taken into account, the presence of semi-structured and unstructured data, as well as the incompleteness of the initial information. Under these conditions, for the evaluation and selection of strategic initiatives, it seems appropriate to use expert assessments, possibly in combination with traditional methods of management accounting and investment analysis. An important aspect of making strategic decisions is the modeling of problem situations, which are understood as possible states of the external environment in the future. Due to the presence of different approaches to modeling problem situations and the variety of decision-making methods, multivariate processing of estimation is recommended.

The general scheme of the risk assessment system is shown in fig. 1.

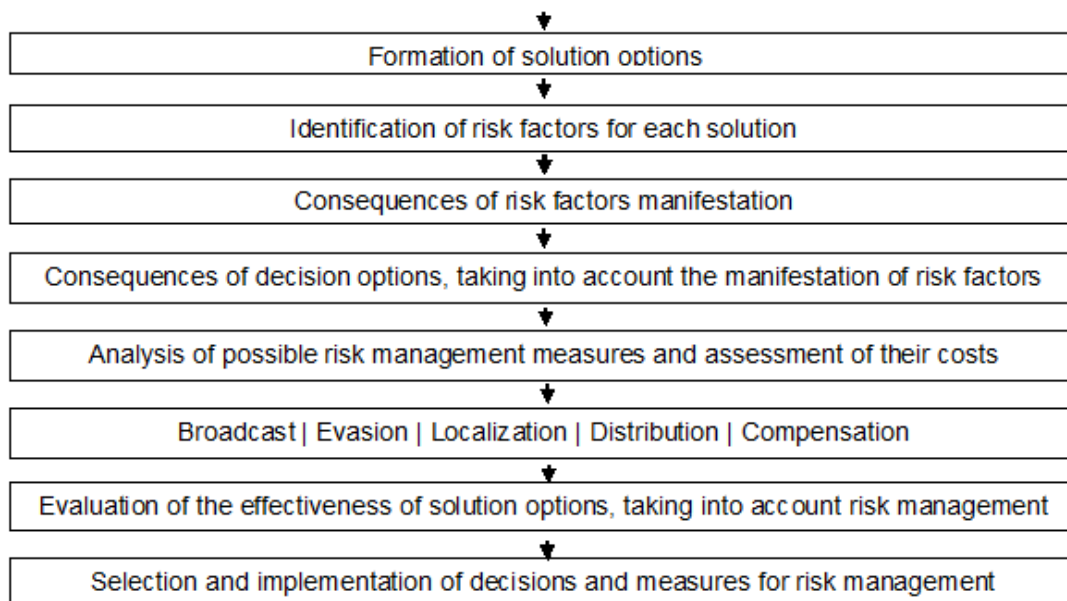


Fig. 1 – General scheme of decision-making in conditions of risk [6]

The organization of work to reduce the degree of risk is fundamental in risk analysis, it is represented in necessity to obtain or even increase income in the conditions of uncertainty while making managerial decisions.

Conclusion. The purpose of risk-based decision making is to develop an approach for making strategic management decisions that involves modeling problem situations and multivariate processing of assessments using appropriate decision-making methods and information systems. When modeling problem situations (taking into account environmental factors essential for decision-making), it is taken into account that the factors for consideration can be both independent and dependent on each other.

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MARKETING ASPECTS OF THE MERCHANDISING ORGANIZATION AT THE ENTERPRISE

For the first time, merchandising techniques began to be used by such well-known corporations as Coca-cola and Pepsi. Despite the fact that initially these two