Villanova Journal of Social Sciences, Arts and Humanities
Vol. 2. No. 1. 2020. ISSN: 2672-5037 (Online) 2672-5029 (Print)

RISK MANAGEMENT: A PREVENTIVE MEASURE FOR NATIONAL DISASTER

ABIMBOLA, Esther O.
Business Administration Department
Villanova Polytechnic, Imesi-Ile.
estherabimbola972@gmail.com

Abstract
Every developing and under-developing countries of the world in which Nigeria is not left out are aiming for a total transformation in order to lead to all round development. Natural transformation and development are essential factors needed for the growth of any individual, family, cooperate bodies and the society at large. Risks which take different forms and are numerous across all facets of life require proper planning and management for effectiveness and advancement in the society. The purpose of this write up is to identify risk management as an important means for national transformation and development against risk of any form. Due to inadequate distribution of resources and social vices across the nation, risk such as insecurity, ill-health issues, poverty, bribery and corruption etc abound at every level of the society. Therefore, risk management serves as a controlling factor against every type of risk. The paper is an exploratory review on risk management where it has been deduced that there is the need to revisit the way things are done in the country in which the solution rest in risk management so as to add value and quality to the citizens. It is advisable for every nation to request the help of risk management personnel for the growth of the nation's administration.

Keywords: Risk, Risk Management, National Development, Strategic Tools, Risk Identification.

INTRODUCTION

Today the world is full of risks. The number of risks that exist increases as a result of both human and organizational, evolution and development. As organizations become larger and more complex, they tend to face an increasing array of complex and diverse risks.

Proper planning and management are important features for any nation's development. Risk Management is the process by which risks are managed alongside all other aspects of the business. It has already been established that risks are abundant and take numerous forms. Risks can be reduced and controlled up to a point but they cannot be entirely eliminated. The organization that is willing to take the risk may well be the one that succeed overall. Risk Management is the process that identifies risks and classifies them in some way so that they can be assessed and prioritized. The paper is an exploratory and systematic literature review on how risk can be managed for the transformation and development of any nation especially the under-developed and developing nations. According to Adeosun (2012:25), risk is ordinarily understood to be associated with uncertainty, danger, fear of the unknown and subject matter of a potential loss etc.

If we must know more in order to live in a changed world; if we must know more in order to act with clear reason rather than with prejudice; with wisdom rather than with folly; with humanity rather than with inhumanity, all of us must undertake the task of learning in order to understand and undertake the task of understanding in order to learn.

'Necessity is the mother of invention' prompting a burning desire to reach millions of peoples with adequate vital information that will help to positively change our lives in terms of how we do things; relate with our environment; relate with other people and how we react to diverse circumstances.

By this dispensation on a viable platform for a very consistent and effective reading culture, we hope to create and foster an attitude of **risk avoidance** through ideas and learning that constitute new concepts; the goal is to limit the pain and agony of managing risks after they have happened. On the other hand, natural disasters which we often cannot avert except we plan ahead for their eventuality as a contingency or unforeseen circumstance.

In all perspective, prevention is better than cure; we should emphatically state that as much as we desire to inform and educate, we look forward to getting regular feedbacks because it is all about participatory forum for sensitization in anticipation of uncertainties.

An identifiable and notable characteristic of risk is that it changes with time as new risks emerge day- in day-out in the environment. Risks are not limited to businesses or corporate bodies, they abound almost at every phase, in different forms from individual, organizations, household etc. in order to avoid failure and disaster risk must be consistently managed for transformation, development and sustainability. Risk Management effectiveness has been reinforced by an interviewer as 'a surgical tool for dissecting and for treating the sick.'

Differentiating between Risk and Uncertainty

A risk is a situation in which we do not know exactly the performance of future uncertain events but we can quantify the possibilities of such future event. The quantification of occurrence of such events is usually called "probability.' However, for so long term decision making, such future events can be categorized into: cash flows, project lives and cost of capital.

An uncertainty is a situation we do not know the future event; hence we cannot quantify the probability or possibility of occurrence of such future event. Therefore, the inability to be able to quantify the possibility of occurrence may be as a result of lack of experience in that area of business or absence of research data in that area.

The above distinction between risks and uncertainty is purely theoretical and would not affect our method for adjusting or incorporating risks and uncertainties in long term decisions. The reason is that most long-term projects will have elements of both risks and uncertainties.

Adjusting for Risk and Uncertainty
Any of the following methods can be used to adjust for risks and uncertainties in long term projects:

a) Accounting rate return adjustment
b) Payback Adjustment
c) Finite Horizon Method
d) Risk Premium Method
e) Expected Value Approach or Probability Theory
f) Risk Analysis
g) Sensitivity Analysis
h) Simulation Analysis
i) Decision Free

A discussion of the first four methods are as follows; however, a knowledge of capital budgeting is assumed for the first four methods.

a.) Accounting Rate Return Adjustment: Under this method, project that are considered risky are evaluated by using a higher accounting rate adjustment than the normal accounting rate return for the company especially, if a company usually evaluates project at an accounting rate return of 30%, it may evaluate risky projects at 40%.

b.) Payback Adjustment: Like in the method above, risky projects would require a more stringent condition i.e. risky projects would meet a payback period that is shorter than the company's normal payback period e.g. if a company usually evaluates projects may be required to pay back within two years.

c.) Finite Horizon Method: This method involves evaluating a project that is considered risky within a reduced number of years that the appraiser will be comfortable with. This reduced number of years is usually called the "finite horizon' or the foreseeable future. The assumptions for using this method are the following:

a) Cash flows of future years for conventional projects would normally be net cash inflows.
b) Our inability to forecast cash flows of distant future years is debatable.
c) The present values of such distant future cash flows will be insignificant or immaterial since they will tend to zero e.g. a project with a ten year span may be evaluated with cash flows of only the first 5 years.

d.) **Risk Premium Method:** In this case, the adjustment for risk is done on the cost of capital. Risky projects will be evaluated at a cost of capital that will be higher than the company's normal cost of capital e.g. if the company's normal cost is 10% per annum, then, a risky project may be evaluated at 15% per annum cost of capital. The difference between the company's normal cost of capital and the risk adjusted is known as the 'risk premium' which in case is 5% (15%-10%).

Forms of Risk
Risks are too numerous to mention, only a handful example will be listed below; insecurity, terrorism, accident, fire outbreak, flood, vandalism, ill health, building collapse, earthquake, tsunami, riot, war, assassination, kidnapping, ritual killing, bombing, fraud, famine, pollution, apartheid, racism, weather and climate change etc.

Effects of Risk
If all these risks are not constantly and properly managed, it may lead to divergence of business to another country or put many businesses at risk of running at loss, and at individual or family levels it may result into migration of people and lives and property which will drastically affect the growth and development of the nation at whole.

Disaster Risk Reduction Framework
The purpose of risk management is to identify potential problems before they occur so that risk-handling activities may be planned and invoked as needed across the life of the product or project to mitigate adverse impacts on achieving objectives.

A number of authors have developed and applied specific industry risk management framework in which the value of their reports reside in the opportunity to explicitly attribute project success to the use of specific risk management activities such as risk identification, risk reporting, risk registration and risk allocation.

In this research, disaster risk reduction framework is considered with the possibilities to minimize vulnerabilities and disaster risks throughout a society, to avoid (prevention) or to limit (mitigation and preparedness) the adverse impacts of hazards, within the broad context of sustainable development. The framework is composed of the following fields of action (as described in ISDR's publication 2002 'Living with Risk: a global review of disaster reduction initiatives', page 23):

- Risk awareness and assessment including hazard analysis and vulnerability/capacity analysis.
- Knowledge development including education, training, research and information.
- Public commitment and institutional frameworks, including organizational policy, legislation and community action.

- Application of measures including environmental management, land-use and urban planning, protection of critical facilities, application of science and technology, partnership and networking and financial instruments.

Risk Reduction Measures

These are various activities, projects and programs that the communities may identify assessing and analyzing the risks that they face. These measures are specifically intended to reduce the current and prevent future risks in the community**.**

The Essential Points Adopted in this Policy Cover

a) A necessary shift in managing disaster from a traditional manner – emergency assistance or crisis management – to disaster, conflict and climate change risk reduction strategies.
b) The general framework and activities of disaster risk management.
c) Integration and mainstreaming of disaster, conflict, climate change and adaptability across all sectors through economic, social and environmental national recovery and development.
d) A focus on strengthening community capacities and reducing vulnerabilities.
e) Integration of gender perspectives.
f) The need for attention to be given to children and youth in disaster in risk management.

Instruments for Disaster Risk Management

In order to reduce the risk of disasters, numerous players at the local and national levels need to cooperate with one another. These players include the government, public authorities, the private sector, scientists and academics and civil society. It is better the different elements of disaster risk management are linked together to form a single system, the better a country is able to prepare for an immediate threat and to respond if and when disaster strikes.

The following instruments come into play as part of development cooperation in this context:

- Risk analysis
- Prevention, mitigation, adaptation
- Emergency preparedness
- Disaster- resilient recovery
- Risk transfer
- Avoiding new risks

Objectives of Risk Management

1) To improve the achievement of corporate strategic objectives through the process of operational efficiency.
2) Enhancement of corporate knowledge
3) Keeping the image of the company and establishment of ideas and principles for continuous and systematic implementation of future events.

4) In order to showcase the understanding of a project change or danger in an activity opportunity and risk.

Importance of Risk Management

1) In order to deal with an expected or unexpected change or difficulty against corporate failure, loss, disaster and debt
2) To combat with loss of lives and property
3) To prepare for crisis and emergency
4) To achieve unified success and result; and for financial profitability in business.
5) To ensure conformity with ethical directives and professional codes standards.

Benefits of Risk Management

1) It improves corporate decision making through high visibility of risk exposures across the whole organization
2) It promotes achievement of corporate governance requirements and establishes clear ownership and accountability for risk and development
3) It enhances growth and development and tackles financial risks (fraud, credit, inflation etc.)
4) It also helps to uncover hidden costs and liabilities
5) It reduces or eliminates individual project and operational failure
6) Risk Management promotes teamwork and openness
7) It brings about fewer surprises, less panic, less firefighting.

Who are to Manage Risk?

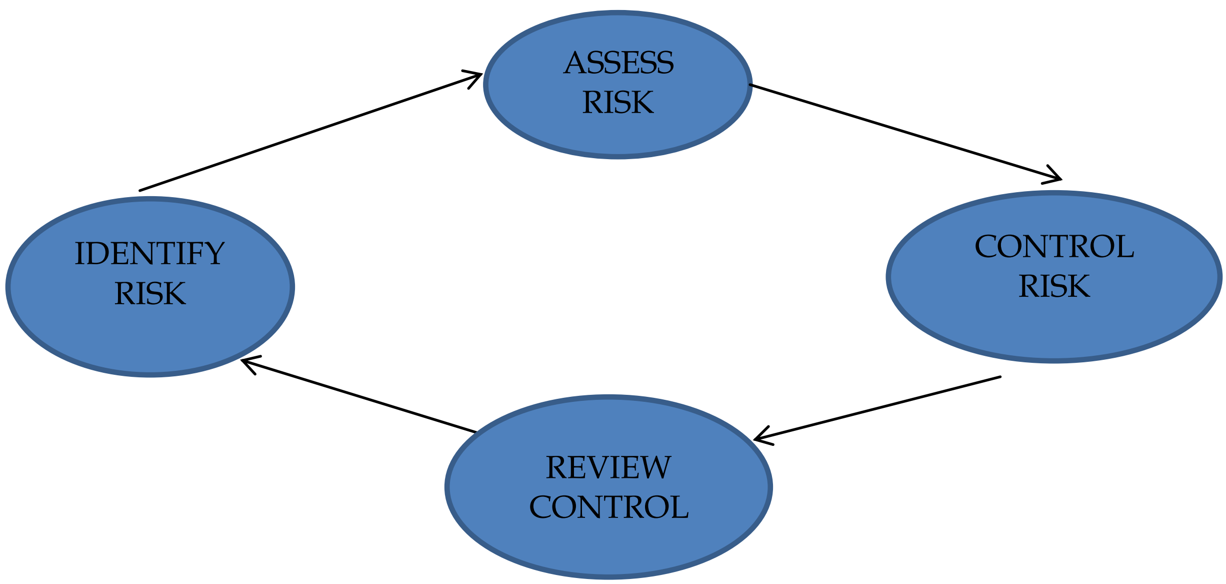
Structured brainstorming and evaluation is a proven technique for identifying risks and getting a clear view of the relative significance. It relies on a carefully planned and executed workmanship process. Every individual and every organization manages risk. President, governors, ministers, political office holders, school headmasters, parents, classroom teachers and captains of industry can manage risk as all facets of life require risk management. Couples who want to live a happy married life should take into cognizance what are likely to constitute hazards to their happy living or break their homes.

How to Control Risk

- **For organization:** They are to request the help of risk managers for risk identification, minimization and control of the services and business.
- **For security issues/risks:** Risk managers must work hand-in-hand with security personnel to combat risk associated with crimes or terrorism as seen in the case of National Health Service.

  It must be stated that to manage risk properly and adequately it must be handled by trained and qualified personnel as buttressed by Adeosun (2012:24). In several developed nations, RM is being embraced and embedded into the fabrics of their governmental machinery to drive the process of recovery, consolation and growth. RM is the restorative and salvation of every nations sector. This is the reason why "The Office of Government of Commerce of the United Kingdom applies risk management to governance, business and public life in general. To achieve this, they view 'risk' as uncertainty of outcome, whether positive opportunity or negative threat".

Risk Management Process



Recommendation/Conclusion

Obviously, risk is a recurring factor at every facet of life, starting from the life of an individual to the national level. Therefore, risk management should be paid more attention to in our institution with a separate department/discipline as it helps in nation building so as to provide a more detailed method to the reduction of risks.

Government should as well provide, cultivate and use a proactive strategy so as to add great importance to the quality of life of every individual and help in the advancement of trade and commerce. Significantly, through maintenance and sustenance of the reading culture, we strive to desirably push for the institutionalization of the CULTURE OF RISK MANAGEMENT in education, health, politics, economy, trade and commerce, foreign affairs etc. The consequence of our neglect of proper risk management is the result of the state in the affairs of our national life.

References

Adeosun, J.T. Risk Management is Strategic Tool for National Transformation. *The Risk Observer*. Sept. 2012: 24-30.

Moradoff, N. Security Management and Risk Management. *The Risk Observer*. Sept. 2012: 22.

Adegoke, A. 2012. *Responsibility in a WORLD OF RISKS AND UNCERTAINTIES.*

Stoner, J.A.F. 1994. *Management* Japan: Prentice- Hall INC.

ISDR 2004. Guiding Principles, National Platforms for Disaster Reduction, Geneva

ISDR's Publication 2002 'Living with Risk: a global review of disaster reduction initiatives' (23) ADPCCBDRM – 11, 2003

Abaraiuez. Linelda and Mursued, Zubair: Community Based Disaster Risk Management. ADPC, Thailand 2004 page 6-9

UN International Strategy for Disaster Reduction ISDR (2004). Living with Risk; A global review of Disaster Reduction Initiatives. Genava page 15.

Desai, V. (2000), *Dynamics of Entreprenuerial Development and Management.*

Management Accounting by Kajola, S.O. and Adedeji S.B. Published 1999