

RISK MANAGEMENT SYSTEM IN THE MARKETING OF THE ORGANIZATION IN THE CONDITIONS OF INTERNATIONALIZATION

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Abstract

The constant change of contemporary business conditions, increasing competition and the development of international companies give rise to the need that the employees in organizations should change their frame of thought. What is more, there is a need to manage the organization's marketing risks in the conditions of internationalization. In search of a response to this situation, this article attempts to present a risk management system in the organization's marketing amidst internationalization. The article further presents the content and relevance of the system developed by the author, outlining the arguments that the author advances in favor of the establishment of such a system that adequately corresponds to (matches) the contemporary business environment.

Key words: management; marketing risks; internationalization; management of marketing risks

JEL: F23, M31

Introduction

Marketing is at the core of every business and the key business function that enables growth in a global aspect because it supports each of the activities of modern organizations. Marketing creates, communicates and delivers value to the organization's customers and builds the relationship between consumers and the organization. Marketing activities help gain a better understanding of customers in order to build a comprehensive strategy for creating and organizing products and services in the territory in which the organization operates.

Organizations of all sizes, in all industries, are trying to develop their strategy on a global basis, and internationalization allows them to grow rapidly. It is these global changes that pose risks to modern organizations and the success of international markets requires certain new management skills.

Marketing in the conditions of internationalization, or the so-called International Marketing, differs from traditional marketing in the challenges faced by organizations in intercultural markets. The risks are primarily related

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to the successful entry and proper positioning of the organization in a new and unknown market. The marketing risks faced by organizations in the context of internationalization call into question the possibility of successful implementation of marketing strategies. The analysis of each of the marketing activities with a view to determining its potential impact on the activities of the organization helps to assess most accurately and in a timely manner the risk factors for marketing in the organization. Knowing, studying and limiting potential risk factors has a positive effect on the competitiveness of the organization and its development in international markets. Preliminary risk assessment helps to identify problems that may arise in the implementation of the marketing plan and make the right decisions to respond to changes in order to prevent potential losses for the organization.

All risk factors associated with internationalization marketing must be well known and assessed, and organizations must do careful research and planning before entering international markets. Subsequently, they must constantly monitor and control marketing risks so that they do not turn out to be decisive for the functioning and future organizational development.

In view of the above prerequisites that expose the topicality of the examined issues, the main highlights of the article are indicated below:

The purpose of this article is to present a system for risk management developed by the author in an organization's marketing in the conditions of internalization.

The research object is the improvement of the process of the management of marketing risks.

Overall framework of this piece of research

Of fundamental importance in this paper is achieving the aim of research – the presentation of the system for risk management in the marketing of the organization in the conditions of internationalization. The relevance of and the need to achieve the research aim requires that an algorithm for action should be developed.

According to P. Lulanski (2005), the general framework of research should contain four basic relations, namely:

- Researcher - research object,
- researcher – cognitive image,
- cognitive image – research object,
- reduced image – the theoretically developed cognitive image available so far

The thus constructed general framework in this piece of research has a logical coherence.

In essence the first stage is directly related to considering and analyzing the previous experience accumulated in other contemporary research that has been conducted in the investigated field. At the next established stage, the aim is to identify the factors that have an impact on marketing risk. At the next identified stage, it is necessary to conduct a survey based on the method of expert assessment so that the theoretical premises are established to construct the author's system of actions pertaining to risk management in the organization in the conditions of internationalization. Once the aforementioned stages have been successfully completed, the focus is shifted onto the fundamental part of the research approach – the construction of the specific system of actions needed to be performed for risk management of the organization in the conditions of internationalization.

Stage 1: Analysis of previous research on the topic

As the best practices in the field of research show, it is necessary that every piece of research should start with a review and analysis of previous research on the investigated topic. Such an action is directly aimed at the opportunity to make an analysis of what has already been achieved among the research community and to select the research instruments with the help of which the present research will be carried out and what direction it will take. In other words, the so called research niche is identified within which the researcher will position their work.

The literature review (McCombes, 2019) comprises the examination of scientific and practice-oriented sources (books, articles in journals, studies, monographies, PhD theses) on a given topic. The review should encompass the basic findings, concepts and developments with regard to the research problem or question. The well performed literature review not simply summarizes the sources but has the following aims:

- To analyze, interpret and critically assess the knowledge established in the literature on the specific topic;
- To synthesize the sources so that common issues, topics, conflicts and gaps be identified;
- To illustrate the current knowledge pertaining to the central research question.

The literature review process can be presented in a few steps as follows:

1. Collection, assessment and selection of literature.
2. The search for connections and topics within the selected literature.
3. Detailed planning of the structure of the literature review.
4. Its implementation.

For the purpose of this piece of research, the author considers and analyzes, starting from the general and moving on to the specific, the concepts of risk in marketing in the conditions of internationalization. The process of internationalization has been analyzed and presented with its major characteristics, as well as the concept of marketing, together with its aims, functions, process and marketing mix, and the concept has been specified within the conditions of internationalization. This includes the analysis and presentation of the concept of risk and its major characteristics – the different types of risk, risk management as a concept with its functions and aims, and the risk management process.

Stage 2: Identifying the marketing risks in the conditions of internationalization

Of crucial importance for establishing the foundation of this research is the identification of the marketing risks that may possibly arise in the conditions of internationalization of a given organization. Every theoretical research requires that the current developments with regard to the problem are well known. To this effect, a critical analysis of the publications in the international and Bulgarian literature should be made with the help of the basic methods of theoretical analysis of the scientific literature such as analysis and synthesis, analogies and comparisons, inductions and deductions, generalizations.

Analysis and synthesis (Байрактаров, 2009) are methods that cannot be separated from one another and complement each other, and overlap to form the so called analytical and synthetical model. On the other hand, with the help of induction and deduction, the analysis is based on general knowledge and draws logical conclusions about the analyzed object that have a more specific nature, so that thus new regularities and properties of the analyzed objects are tested and established. Last but not least, when making generalizations reasoning is made and conclusions are arrived at as a result of examining the deeper objective connections, relations and interdependencies of the analyzed objects.

The complex application of the above described methods provides for their complementarity so that the relevant assumptions on the examined topic are identified.

Stage 3: Empirical examination of marketing risks in the conditions of internationalization

The empirical examination of the identified marketing risks is carried out on the basis of expert assessments. In essence (Tasev, 2013) this method comprises a set of activities in which specialists in a given field should present

their opinions on a specific problem. It is quite often the case that there is no available information on investigated problem to provide for a comparison. Experts tend to draw on their own experience, knowledge and intuition. On the basis of the determined characteristics, such a survey is carried out that should presumably contribute to creating a realistic idea about the examined problem. This method is regarded as extremely appropriate to gather, analyze and assess information by the research team of Bogner, Lettig and Menz (Bogner et al., 2009), by the research team of Lewthwaite and Nind (Lewthwaite, 2016), by the research team of Muskat and Blackman (Muskat et al., 2012), and by Riegar (1986), among others.

Given the nature of this research method, the author of this paper regards it the most appropriate tool, considering that the available information on the research topic is insufficient and lacking in depth of analysis.

Usually the method of expert assessments is targeted at collecting information that can be used for a subsequent analysis and decision making, most often with a view to ranking factors that have been identified. In applying the method of expert assessments, a final decision is not made, yet the basis for decision making is obtained.

The expected final result of such an empirical study is arriving at the theoretical premises on the basis of which a model is constructed with the relative weightings of the identified factors. Hence it will serve as a foundation on which the author can construct his own system of activities pertaining to risk management in the marketing of the organization in the conditions of internationalization.

Stage 4: The construction of a system of activities pertaining to risk management in the marketing of the organization in the conditions of internationalization

The consistent performance and completion of the above described three stages of the general framework provide the basis to carry out the research per se. It is the author's opinion that they establish the premises to identify and construct a specific system of activities pertaining to risk management in the marketing of the organization in the conditions of internationalization.

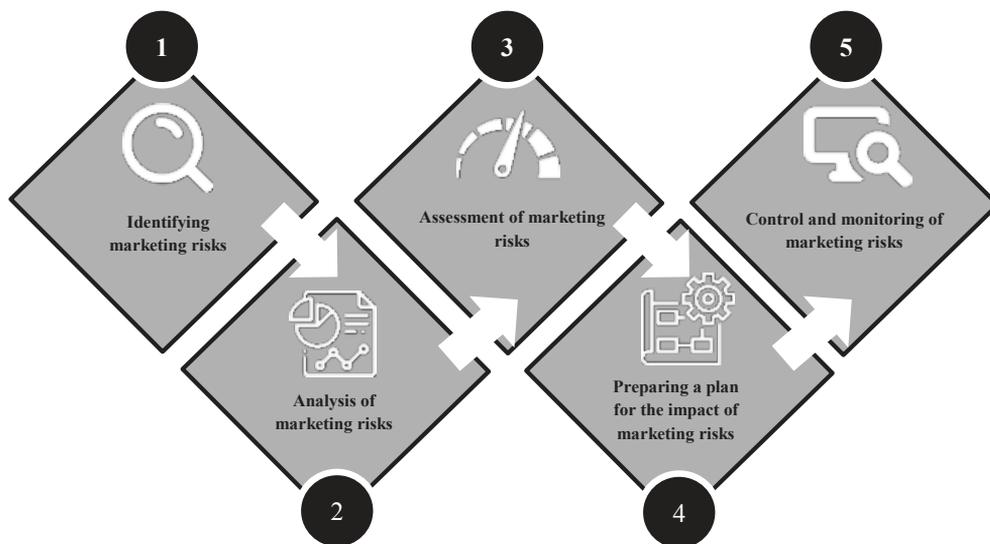
Synthesis of a system for risk management in the organization's marketing in the conditions of internationalization

The attention paid to the specificity of the analysis of the impact of the risk factors on the marketing mix has been the object of examination by the company management ever more frequently, despite all difficulties in the quantification. The problem of risk management is not only topical but is of crucial importance

for the effective planning and implementation of the organization's activity. In the selection of an approach to managing the marketing risks, in particular the method of analysis and final risk assessment, company management should be guided by its utility and by the ease of interpretation of the obtained results.

The management of the marketing risks of an international organization requires a complementary interdisciplinary and flexible approach that allows for capturing the changing nature of the risk factors (qualitative, quantitative) in the dynamically changing world. This is the reason why when developing a system for the management of marketing risks in the conditions of internationalization, what should be paid special attention to is the compilation of the existent and already recognized instruments for risk management so that a hybrid approach to the management of marketing risks is applied.

The system of risk management in an organization's marketing in the conditions of internationalization was synthesized on the basis of a review and analysis made of the scientific literature in the field of company marketing risks. The sequence of the stages is presented as follows:



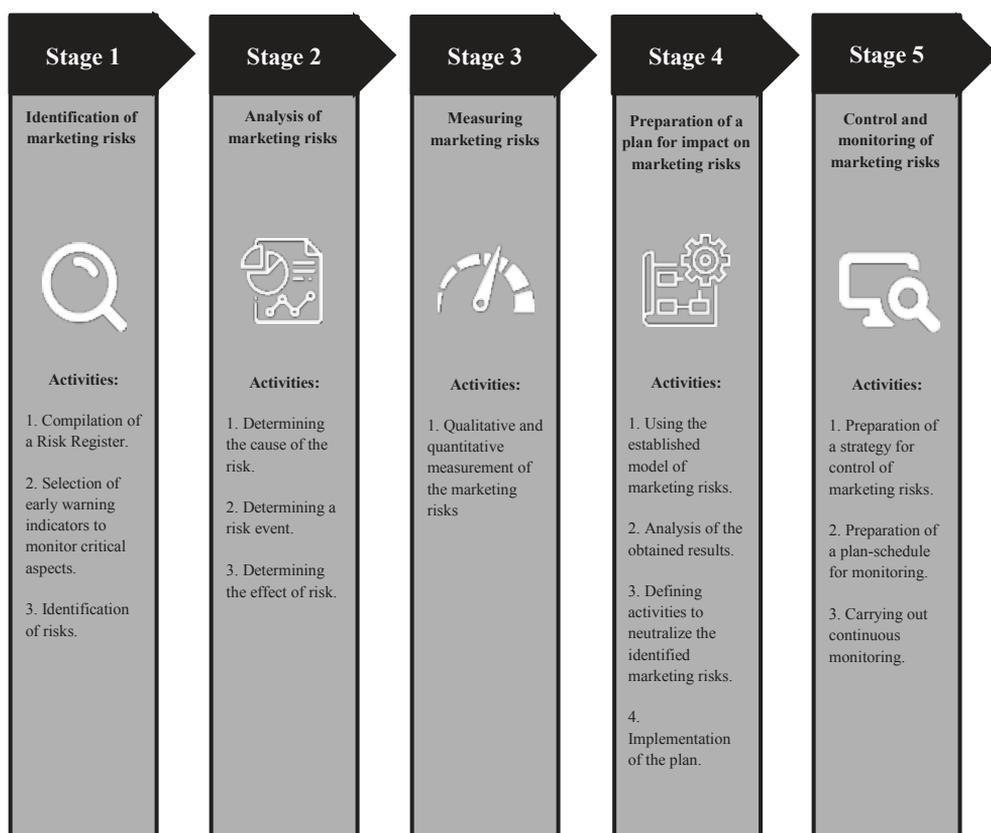
Source: the author

Figure 1: Stages in risk management system in the marketing of the organization in the conditions of internationalization

The presented figure illustrates the author's system for risk management in the marketing of the organization in the conditions of internationalization, which goes through five stages. Each of these stages has its own characteristics, content and contribution to the way of risk management in marketing in the organization.

The presented system goes through a certain algorithm with specific actions that can be modified according to the application situation, organizational specificity and the desire of the team. The system of risk management in the marketing of the organization in the conditions of internationalization aims to ensure timely monitoring, control or neutralization of the manifestation of marketing risks in carrying out the activities of the organization in the conditions of international business. Using the system consistently will ensure the effective achievement of the desired goal.

The following figure outlines in detail the individual stages and the activities of a risk management system in the marketing of the organization in the context of internationalization:



Source: the author

Figure 2: Risk management system in the marketing of the organization in the conditions of internationalization

The presented figure shows that the activities in the system developed by the author are fourteen in total. In the following exposition each stage and activity are considered in detail and presented:

I. Identification of marketing risks

At this stage, there are three activities that aim to start the risk management system in the marketing of the organization in the context of internationalization. The activities included in the first stage are consecutive:

1. Compilation of a Risk Register.

The purpose of the Risk Register is to collect and maintain information on all identified threats and opportunities related to marketing.

Each risk in the Risk Register is provided with a unique identifier, as well as details such as:

- For what reason the risk increases;
- When the risk increases;
- What is the risk category;
- Risk description;
- Probability of risk occurrence;
- Possible impact of the risk;
- What is the expected value of the risk;
- What is the state of risk.

2. Selection of early warning indicators to monitor critical aspects.

Based on the established Risk Register, it is necessary that for each of the risks, indicators are identified that should be monitored so that the degree of change in the development of each of the marketing risks is taken into account. The aim is to carry out a timely assessment which opens up an opportunity to exercise preventive risk management.

3. Identification of risks.

The marketing risks that may occur need to be identified using one of the risk identification techniques.

II. Analysis of marketing risks

The second stage of the system developed by the author consists of three activities aimed at analyzing marketing risks. The activities at this stage are again consistent. An important aspect of risk analysis is that it should give a clear and

unambiguous expression to each of them. A key point in carrying out the analysis is to determine the significance of the risk for the organization. A useful way to express marketing risks is to consider the following aspects of each risk:

1. Determining the cause of the risk.

The reason for the risk must describe the source of the risk, ie. the event or situation that gives rise to the risk, or the so-called risk engines. These are not risks in themselves, but potential triggers for risk. They can be internal or external to the organization.

2. Determining a risk event.

With this activity he must describe the area of uncertainty regarding the threat or its possibility.

3. Determining the effect of risk.

Describe the impact that the risk will have on the organization if it materializes.

III. Measuring marketing risks

At this stage the activities are aimed at qualitative and quantitative measurement of the marketing risks themselves. Risk measurement is performed on the basis of available factual data in order to assess the probability of loss or gain. The assessment of these risks is carried out using the listed methods and approaches. The chosen assessment methods can be group, stochastic, experience-based and others.

IV. Preparation of a plan for impact on marketing risks

Stage four of the built system is the most voluminous of the considered stages. It consists of four activities as follows:

1. Using the established model of marketing risks.

After the assessment of the marketing risks, we proceed to the use of the developed model of marketing risks.

2. Analysis of the obtained results.

The next activity is related to the analysis of the data obtained from the application of the model and the main positive and negative sides of the results are presented in order to identify the main threats and opportunities. It is this analysis that provides an opportunity to present the necessary actions that should

be taken in the organization in order to neutralize the manifestation of possible marketing risks.

3. Defining activities to neutralize the identified marketing risks.

This activity includes the development of an action plan. It is a systematic way to achieve the set goals. Each action step must include the following information:

- What actions should be taken?
- What changes will occur after their implementation?
- Who will perform these actions?
- What will be the time it will take to complete them?
- What resources are needed to carry out these actions?

Table 1: Ways to address the risk

Way to address the risk	Definition
<i>Avoidance</i> (threat)	It normally includes a change in some aspect of the present situation, for instance the scope and route of the order, the supplier or the succession of activities, so that the threat has no impact or can no longer happen.
<i>Reduction</i> (threat)	Proactive activities directed at: <ul style="list-style-type: none"> • Reducing the probability that the event happens. • Reducing the impact of the event in case it happens.
<i>Retreat</i> (threat)	The drafting of a reserve action plan that will be undertaken to reduce the impact of the threat in case the risk occurs. This is a reactive form of the “reduction” response that has no impact on probability.
<i>Transfer</i> (threat)	A third party takes on the responsibility for part of the possible impact of the threat, for instance through insurance.
<i>Acceptance</i> (threat)	A conscious or deliberate decision is made to contain the threat, when it is established that it is more economical to do so, instead of making an attempt to undertake action to respond to the threat.
<i>Sharing</i> (threat or opportunity)	The acceptance is shared of the results of the activities, regardless of what they are – positive or negative. Apart from sharing between two parties, in business there is also sharing with third parties.
<i>Exploitation</i> (opportunity)	Taking advantage of an opportunity in order to guarantee that this opportunity happens and that the impact is realized.
<i>Improvement</i> (opportunity)	Proactive actions directed at: <ul style="list-style-type: none"> • Increasing the probability that a specific event occurs. • Increasing the impact of the event.
<i>Dismissal</i> (opportunity)	A conscious or deliberate decision is made not to take advantage of or expand the opportunity, when it is established that it is more economical not to take action.

Source: Adapted from PRINCE2, (2009), Managing Successful Projects with PRINCE2™, The Stationery Office

4. Implementation of the plan.

The next part of this stage is the implementation of the planned activities. All planned events and happenings take place in this activity. In essence, this stage is the longest and requires the provision of the most resources.

V. Control and monitoring of marketing risks

The last stage of the system consists of three activities aimed at high quality risk management.

1. Preparation of a strategy for control of marketing risks.

The purpose of developing a strategy for controlling marketing risks is to describe how risk management will be incorporated into the activities of managing the activities of the organization. A key point in the risk management strategy is the attitude of the organization's management to risk taking. This attitude dictates the amount of risk that is considered acceptable. This information is presented in the form of risk tolerances, which in case of exceeding trigger an action plan to neutralize the situation.

2. Preparation of a plan-schedule for monitoring.

An important place in the strategy for control of marketing risks is occupied by a schedule for monitoring the selected indicators for early warning to monitor critical aspects in stage one, activity two of the current system.

3. Carrying out continuous monitoring.

The final activity of the last stage of the built system is the continuous monitoring. The purpose of this stage is to implement activities that ensure non-deviation from the desired characteristics and build constant feedback on the state of marketing risks in the organization.

Table 2 below presents the individual stages of the built system, and to this effect the following characteristics are used:

- Purpose - what is the purpose of each activity of the system;
- Necessary resources - the resources that are needed in the implementation of each activity;
- Tools - what methods and approaches are needed in the implementation of each activity of the system.

Table 2. Characteristics of the established system for risk management in the marketing of the organization in the conditions of internationalization

Stages	Aim	Necessary resources	Tools
I. Identifying the marketing risks			
<i>1. Compilation of the Register of the risk</i>	To establish Register of the risk	Access to the organizational strategy, the organizational practices and the time for analysis.	Analysis, synthesis, comparative analysis, summary and other.
<i>2. Choice of indicators for early warning for tracking critical aspects.</i>	To perform a timely assessment.	Access to the organizational strategy, the organizational practices and the time for analysis.	Analysis, synthesis, comparative analysis, summary and other.
<i>3. Determining the risks.</i>	To launch various techniques for risk identification.	Providing a team, rooms and time for performing the techniques for risk identification.	SWOT analysis, brain storming, the method of synthesis, Case method, Rose and risk spiral, Delfi method, Analysis of the bow-tie.
II. Analysis of marketing risks			
<i>1. Identifying the cause of the risk.</i>	To perform an in-depth analysis of marketing risks.	Access to documents important for the organization. Time, financial resources and the opportunity to apply various methods and approaches to analysis.	
<i>2. Identifying the risk event.</i>			
<i>3. Identifying the effect of the risk.</i>			
III. Measurement of marketing risks			
<i>1. Determining with the help of qualitative or quantitative methods and approaches the size of marketing risks.</i>	To assess the marketing risks.	According to the chosen approach.	The domino theory in risk management, The risk chain, The risk matrix, the decision tree, the tree of mistakes, the tree of events, The cause and effect diagram/ The Ishikawa diagram, The method of the authenticity of the equivalents, Sensitivity analysis, The scenario method, Imitation modelling (Monte Carlo method)
IV. Preparing a plan for impact on marketing risks			
<i>1. Utilization of the developed by the author model of marketing risks.</i>	To use the model developed by the author.	Time, financial resources and opportunity for application.	Application of the developed by the author model of marketing risks.
<i>2. Analysis of the results.</i>	To perform an in-depth analysis of the results.	Time, financial resources and opportunity for analysis.	Analysis, synthesis, comparative analysis, summary, descriptive analysis and other.
<i>3. Determining the activities pertaining to neutralizing and identifying marketing risks.</i>	To draft a plan for impact on marketing risks.	According to the number of necessary activities and to the scale of necessary activities.	Team events, administrative measures and other.

Risk Management System in the Marketing of the Organization in the Conditions of Internationalization

Stages	Aim	Necessary resources	Tools
<i>4. Implementation of the plan.</i>	To implement the developed plan.	According to the number of necessary activities and to the scale of necessary activities.	Implementation with the help of all necessary tools.
V. Control and monitoring of marketing risks			
<i>1. Developing a strategy for control of marketing risks.</i>	Not to allow for deviation from the desirable characteristics.	Access to the organizational strategy, the organizational practices and the time for analysis.	Analysis, synthesis, comparative analysis, summary, monitoring and other.
<i>2. Preparing a schedule for the performance of monitoring.</i>	To carry out continuous monitoring.	Ensuring a team for the preparation of the schedule.	Team events, administrative measures and other.
<i>3. Performance of continuous monitoring.</i>	To carry out continuous monitoring.	Access to a wide range of documents, access to employees for the performance of systematic examination, sufficient time and specialized software for carrying out analyses.	Analytical, statistical and research instruments.

Source: the author

Conclusion

In connection with the established system for risk management in the marketing of the organization in the context of internationalization, the author of this article outlines the following main challenges that may arise:

- The full support of the management and top management of the organization is needed;
- It is necessary to provide the necessary financial, human and other resources for the purposes of the system;
- An expert team is needed to implement the created author's system for risk management in the marketing of the organization in the conditions of internationalization.

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