An examination of risk in enterprises and banks from the point of view of the Viable Systems Approach (VSA): A literature review

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Abstract
The topic of this study is risk within enterprises and the banks, analyzed from a management point of view through a review of the international literature. The study was carried out on the basis of the theoretical construct of the Viable Systems Approach, which is aimed at understanding complex phenomena and argues that the survival and development of an entrepreneurial organization is dependent on the ability of the governance body to create value for the system itself and for the various stakeholders, through consonance, which is the ability to seek and achieve social legitimacy; it is a must for the enterprise to support the central role that has qualified in the becoming of time, founding institution of the economic, social and scientific (Golinelli, 2000).

Keywords: risk, risk appetite, Enterprise Risk Management, culture of risk, risk governance, mapping of risks.


I. INTRODUCTORY CONSIDERATIONS

Within the framework of a balanced relationship between banks and enterprises that is functional to the prevention of company crises, the optimal financial structure for the enterprise needs to be realized in order to obtain the right composition and flexibility, in terms of the combination of debt and equity that will maximize the value of the company (Bigelli et al, 2001; Buttignon and De Leo, 1994; Colombo, 2001; Del Prete, 1999; Galbiati, 1999; La Rocca, 2001; Pencarelli and Dini, 1995; Venanzi, 1997) as well as that of the allocative, productive, and dynamic efficiency for the financial institution. Poor capitalization is usually associated with states of rigidity of the financial structure that adversely affect the level of a company’s risk which, as claimed by Metallo and Pencarelli (1995), is expressed in terms of:

• the unavailability of financial resources, as a result of the sudden rationing of funds by banks in consequence of changes in market conditions, the credit policies of intermediaries who invest in the entire production landscape, and increased business risk perceived by the financial system;
• incurring negative effects related to excessive leverage, as the cost of additional capital is higher than the return generated by the use of the funds (Myers, 1998). This thus leads to the increased sensitivity of net income to changes in the operating margin related to the degree of leverage. A financial structure inflexible, and just also affects investment decisions that are postponed or even abandoned, favoring a certain conservatism, when the level of risk associated with new initiatives, in strong financial constraint, becomes unacceptable (Davidson, 2004). The main consequence of this situation is higher borrowing costs, which erode most of the cash flows generated by operating activities, thus adversely affecting the earnings of the company, perhaps leading to situations of illiquidity and insolvency (Metallo and Pencarelli, 1995; Sciarelli, 2008). The first case occurs in situations of occasional shortages of cash, in which case we speak of economic risk; the second case is when an imbalance occurs between sources and uses and takes on a structural nature.

A lack of time correspondence between income and cash outflows, the difficulty of disposing of business activities, and the difficulties of accessing additional bank credit can help create a situation of general and acute suffering with the consequences that the company, over time and through the dynamics of borrowing costs, could also lead to insolvency. This situation can lead to an increase in financial risk, defined as the inability to feed the operations (Sciarelli, 2008).

The problems that companies face in accessing capital markets, accompanied by the integration of the financial system on the supranational scale, the increased level of business complexity, to intensified international competition, technological changes progress in the tastes and behavior of consumers, the globalization of markets, the volume and speed of transactions, constraints arising from the supra-systems, the reduced prospects for growth in the real economy, the strategic choices of the enterprises themselves, the economic situation, changing the dynamics of the context they have actually increased the level of risk. Risk that needs to be understood as a factor cannot be standardized in time and space, and does not take on the same meaning even in seemingly similar companies (Bertini, 1987).

Based on these considerations, the present study aims to analyze the prevailing literature on the subject of risk and its possible taxonomies, for both enterprises and banks. It also intends to examine the importance of the prudent management of risk in order to achieve the purpose of creating systemic shared values. The article is structured as follows: following the introduction and the description of the research methodology, we will investigate the themes related to both the positive and negative sense of the concept of risk and the importance of its prudent “management” in banking. Subsequently, we will proceed with mapping the risks in enterprises and banks. The work will be completed with conclusions, managerial implications, the limitations of the research, and some insights for future research.

II. RESEARCH METHODOLOGY
The approach used in this research, which is qualitative in nature (Myers, 2013), is based on the analysis of the literature on the chosen subject. The study was carried out on the basis of the theoretical construct of the Viable Systems Approach, which aims at understanding complex
phenomena, and argues that the survival and development of an entrepreneurial organization is dependent on the ability of the governance body to create value for the system itself, and for its various stakeholders, through consonance, which is the ability to seek and achieve social legitimacy; it is a must for the enterprise to support the central role that has qualified in the becoming of time, founding institution of the economic, social and scientific (Golinelli, 2000). Data retrieval was the carried out using the following secondary sources: academic texts, articles from the international literature, and databases (particularly, EBSCO and Google Scholar).

III. POSITIVE AND NEGATIVE MEANINGS OF THE CONCEPT OF RISK

Although risk is an element inherent in entrepreneurship for Proietti (2008), it plays a central role in governance, so that a culture that is mature and conscious, comes to conceive of risk as not purely exogenous and negative, nor entirely discretionary and malleable, but as a “factor of production,” in part controllable, whose proper treatment is based on value creation (Mantovani, 1998; Marris, 1972). This occurs because being able to influence the evolutionary dynamics of the company is considered a driving force of business progress.

In the literature, there is no single definition of this concept and shared whose determinants are attributable to subjective and objective aspects (Proietti, 2012). In the first case, insufficient information, a partial level of knowledge, and the peculiarities of the decision-making process determine a limited domain of actuality, in many cases—especially in the past and in predicting future events. From the objective point of view, risk arises from the need to activate intersystemic relations and exchanges with the outside, as well as with passage of time that stands between decisions, actions, reactions, and consequences.

Among the scholars who see it as an adverse event are Willet (1901), who defined risk as “uncertainty about objectified at case an undesirable event”; Hardy (1924), who describes it as “uncertainty with regards to cost, loss or damage”; Sassi (1938), who says risk “can be considered the possibility of an unfavorable trend in the performance of the future”; Borghesi (1985), who interprets it as “the potential for an adverse event, meaning unfavorable event the change is negative with respect to a given situation provided”; Bertini (1987) says we must talk about risk “wherever a certain event can be rationally formulated as a perspective of harm,” and with reference to a new situation that a pre-existing. Bertini (1987) also identifies three types of risk that may imply negative deviations from the expected results:

- risks related to hypothetical events, related to known situations in the life of the company and to the economic capital that can therefore be provided in their actual occurrence with reliable probability;
- risks related to events that are just conceivable, linked to business situations and the less-known environment, the occurrence of which can to a certain extent be hypothesized through probability estimates;
- risks related to events that are not conceivable, and are associated with situations of abnormality. They have an unknown character and cannot be quantified.

Within this framework, possibilities that can generate both positive and negative outcomes are highlighted by different scholars. For Caprara (1952), risk is considered “the randomness that is reflected in the extent and nature of the income achieved; the possibility is favorable and unfavorable, editable, within certain limits, for election of specialty farming systems.” Caprara (1985) also finds it impossible to “eliminate the favorable aspect together, without eliminating the unfavorable.” According to Spencer and Siegelman (1964), risk is defined as the quantitative measurement of a result, positive or negative, such that its probability can be expected.

The negative sense of risk can be explained, according to the quantitative criteria, as a loss expressed in absolute terms, which destroys value, measured as a loss greater than, or the nonachievement of anticipated profits, or in relative terms, when the profit obtained is less than that expected. The goal size, on account of which are determined the size of any negative deviations caused by risky events, the net income is expected identified as:

\[ P = TC (R - R) \]

where

- \( P \) = expected profit
- \( TC \) = contribution rate given by \( TC = 1 - (cu / p) \) (\( cu \) = cost of use of the structure, \( p \) = sales price)
- \( R \) = sales revenue
- \( R^* = \) sales of balance in formula \( R^* = CS / TC \) (\( CS \) = structure costs)

As part of the enterprise that qualifies as a viable system, risk can be described as:

- the nonproftable utilization of capacity due to the inability of the governance body to design and implement appropriate structural change;
- the possibility that the enhancement of the capacity of the whole, embedded in the specific structures that happen in time and with the aim of preserving the reasonably vitality of the enterprise, may be lower than expected.

The development of the enterprise can be induced either by the action of the governance body that from the incessant process of relations and interactions relating the components of the corporate structure and those with the external environment (Golinelli, 2000). It is the opening of the business system, accompanied by the dynamism of the external environment, which, while giving companies the opportunity to grow and expand, also foments the conditions for the increase of the risks that they face.

IV. ANALYSIS OF RISK AND THE IMPORTANCE OF ITS PRUDENT “MANAGEMENT” IN COMPANIES AND BANKING

An appetite for risk is one of the fundamental characteristics of human nature, together with initiative, creativity, and intuition. These are qualities that are part of the concept of entrepreneurship. If, indeed, a business cannot exist without entrepreneurship (Cantillon, 1931; Siropolis, 1982, 1997; Stevenson et al., 1999; Timmons, 1994), then in the current context, these qualities should be attributed to more than the entrepreneur; especially in large enterprises, these attitudes are distributed throughout the organization (Gatti et al., 2009). The perception of risk is the result of both the “attitude to risk” of the entrepreneur both the organizational culture and the autonomy benefiting the management within the organization (Brockhaus, 1982; Cantillon, 1931; Carland

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For Proietti (2012), there are thus two types of attitude that subjectivity can take toward risk:

- aversion, when it is perceived as a negative factor to avoid or reduce;
- attraction, when it is considered capable of generating benefits.

All organizations that are also vital systems operate under conditions of uncertainty and are exposed to risks arising from adverse events that are difficult to predict and monitor; these may threaten the survival of the company, especially if they triggers a mechanism of interaction between them (Bertini, 1969; Sassi, 1940; Spencer and Siegelman, 1964; Zappa, 1956).

This phenomenon, however, is particularly relevant in the banking, because the brokerage business is focused on financial assets and liabilities, including all types of risk related to the uncertainty.

Such a situation leads the governance body to consider the “risk governance” among the priority inspiring elements of his action, which influence the choices and decisions to safeguard the stability, not only of the individual enterprise, but also of any systemic repercussions.

Typically, in the largest enterprises with complex organizational structures, Enterprise Risk Management (ERM) is implemented (Dickinson, 2001; Lam, 2003; McGuire, 2003). This is a holistic process, continuous and pervasive, that is applied in the planning stages of the business strategy with the aim of identifying potential events that may have more or less significant impact on the business, and to manage risk within the degree of risk appetite of the company in order to enhance the objectives systemic, to facilitate the achievement of a competitive advantage, because the enterprise is better able to respond to the changing environment. This implies significant innovations in organizational models to fully support the processes based on an integrated and comprehensive risk management.

This feature, according Miglietta (2007), allows the accumulation of “reputational capital” because it limits the likelihood of adverse events on the company, promotes correct behavior towards stakeholders, and reduces the likelihood of illegal actions on the part of internal actors (Comitato di Basilea per la Vigilanza Bancaria, 2006; Fombrun, 1996; Gabbi and Matthias, 2009; Green, 1992; Larkin, 2003; Oliver at al. 2001; Rayner, 2003; Winter and Steger, 1998). All this positively influences the spread that the financial system applies to remuneration for the risk taken, reducing the cost of capital by making a significant competitive advantage. To this, we must add that it decreases the chance of running into situations of financial distress.

Such a situation does not occur in SMEs, which are equipped with an organizational structure reduced to that essentials, and which do not implement risk management strategies; or else, this function may be handled directly by the governance, even though it is neither formalized nor programmatic (Gaudenzi, 2006).

Such types of companies usually resort to reactive policies that are implemented only when the risk event occurs. Very often this form of “myopia” is derived from the widespread belief that risk management can be implemented successfully only in the business realities with particular degrees of complexity, because they are organized in groups or because they operate in markets and different contexts. This is accompanied by an erroneous conception of the value of the company, which leads the governance body to remain anchored to traditional forms of management and evaluation and performance-based accounting (Intrisano, 2005).

While in the past, the relationship between risk and uncertainty represented a random element for company management, in the current context, characterized by high levels of environmental complexity, by considerable volatility in financial markets, and by hypercompetitiveness that does not allow predictions and reassessments to be made, the uncertainty that characterizes the functioning of markets assumes a relevant role in the economic landscape (Gobbi, 1898; Knight, 1921). This factor intervenes, in particular, when it is not possible to specify an a priori probability distribution to unite the different outcomes of the event (Dallocchio, 1995).

This is reflected in the thinking of Proietti (2008), which correlates risk with knowledge, time, and the self-sufficiency of individuals and organizations, as well as to human will, decisions, and complexity. It is considered “the reflection of the limited or partiality of human knowledge” (Sassi, 1940). If knowledge were perfect and complete, with companies operating in conditions of certainty and fully aware of their actions, the behavior of others and of the future would suffice to control the risk. Therefore, complexity must be managed by reducing indeterminacy.

There are two ways that allow the company to acquire knowledge in relation to risky events:

- from the outside, in which case it will be an exogenous variable that can be retrieved through the acquisition of tangible and intangible resources, imitated by “competitors,” or obtained free of charge through information in the public domain;
- by means of self-production, taking it as an endogenous variable, which passes for example for innovation accomplished directly by the same enterprise.

In the production, dissemination, preservation, and enhancement of knowledge, a key role is played by the time that it is imposed as a generator of value of this intangible asset. The system’s ability to quickly change the enterprise’s knowledge base through the production of new knowledge that, being more adapted to the new demands of use than the knowledge already held, allows the implementation of viable strategies synchronized with the environmental turbulence. Moreover, it is essential to the speed with which the enterprise is able to “tackle” the market, expressed in terms of the speed in decision making and exploiting new opportunities as they arise. This allows both the risks of the sector and the specific risks to be limited (Paniccia, 1999).

In the modern culture of risk, which qualifies as inevitable, unavoidable, systemic, multidimensional, and changeable—depending on evolution and cultural sensitivity—attention to the volitional aspect is essential. In fact, it is essential that the governance body place due attention on the analysis, mapping, and systematic monitoring of the risks inherent in the objectives and strategic choices, by implementing adequate protection measures.
The starting point is to be found intervening ex ante both the frequency and the severity (Borghesi, 1985), with respect to the event, in order to avoid—or at least limit—it becoming a real contingency, a real critical or monetary loss (Proietti, 2012). When, however, the risk is overlooked or considered superficially, the governance may take short-sighted and ill-informed decisions, accept unscrupulous practices, eluding the risk at any cost through transfers to third parties, without charges or additional risks for the company (Proietti, 2008). The final factor to be analyzed is the complexity that results in a systemic view: “a great variety, a large variability and a large uncertainty of possible situations or events” (Ruffani, 2008), in which “individuals and organizations are in continuous interaction, open to unpredictable outcomes, with characteristics (quality) that are not approvable” (Caffrata, 1995). It can be distinguished, according Barile (2009), in his own enterprise (found in the environment in which it operates), organizational, decision-making, which relates to the way to be a systemic entity (structural perspective quantitative) and his way of behave (systemic perspective qualitative).

Figure 1 - The prospect of complexity analysis

The governance body should implement a systematic method “risk governance” (Dominguez, 1987; Miller and Reuer, 1996; Ruefli et al., 1999) which, by exploiting the underlying mapping capability, selection, evaluation, recruitment, mitigation, and monitoring of risks according to a holistic scheme consistent with the level of capitalization, enables the company to create value that is a source of competitive advantage (Proietti, 2008).

With the periodic analysis of the strategies and policies of risk management, management must fix tolerance levels, assess the results of stress tests with specific focus on some of them, and identify any corrections to be made.

If the company is able to optimize the risk profile, it will obtain benefits in terms of the reduction in the spread required by way of return on capital and the cost of credit risk capital, through the reduction of the components of the CAPM and the beta coefficient of risk premium.

V. MAPPING OF THE RISKS IN ENTERPRISES AND BANKS

An accurate “risk governance” involves the identification of the main areas of risk and their placement in different categories, depending on the specific capacity of perception of the evaluators, who must have the ability to define the appropriate resources for coping with it.

There are different taxonomies (Bertini, 1969; Dezzani, 1971; Fazzi, 1957; Sassi, 1940) in the literature regarding risk, each of which aims to highlight, through a precise description, the distinctive aspects and consequences that are generated. Chessa (1929) points out that the “discrimination of risks not only allows the determination of the underlying causes of the risks, but also the establishment of their influence on the economy and the impact that they cause on individual and social.”

We configure risks as being absolute, relative, or pure speculative risks, risks of the condition or action, endogenous and exogenous risks. According to their “logical size,” risks may be physical and natural, social, political, economic, operational, cognitive, or other; regarding the area of origin or operational impact of the event, we can talk about commercial risks, production, financial choice, delivery, and so on (Proietti, 2008).

Risks of a financial nature (D’Onza, 2008; Donna, 1999; Jorion, 2009; Van Arsdell, 1968) may arise from the level of indebtedness and the volatility of the financial markets (Solomon, 1972), whose instability can generate immediate negative consequences (direct) or additional complications caused by those direct effects until they come to determine (indirectly) the company’s profitability in the short and long term. For Donna (1999), the following must be balanced for a correct quantification of financial risk: taxation, the composition of the invested capital, the strategic aspect, the risks of instability, legal protection of credit, and the need for flexibility.

This category includes all risks, but in particular, those of the financial system. Careful management of financial risks is a key factor in achieving the business objectives of growth or consolidation. Resulting primarily from the financial intermediation process, identify the market risk (financial), credit and liquidity. Market risks (financial) are relatively standardized and comparable across the calculated magnitudes detectable on organized markets (Proietti, 2008). Within this category we can include the price risk of financial instruments and goods (commodities) traded on regulated markets, the foreign exchange risk, the interest rate risk, and the risk of investment (equity etc.).

Credit risk can be analyzed both in terms related to the management of commercial credit (the variety of customers, the contractual terms, and the concentration of sales) and the debt of supply, in financial terms related to the type of counterparty involved in financial transactions. The economic dynamics and the financial variables will inevitably affect each other. In companies what determine that, the management of these risks should not be the prerogative of the finance function alone, but should be integrated with the other functions that assume the strategic and operating decisions, in turn harbingers of risk (McGuire, 2003; Gaudenzi, 2006). Management must constantly monitor the level of reliability of the counterparties from which the company takes the active position, by virtue of loads from commercial or financial transactions (Intrisano, 2012).

Liquidity risk arises from timing mismatches between income and expenditure that generate negative effects on supplier relationships, production levels, delays, and suspension of investment, undermining profitability and reputation (Ruozi and Ferrari, 2009). Such risk arises when the company does not have sufficient financial resources to cover its commitments in the short term, as well as when it faces difficulties in accessing the various forms of funding (funding liquidity risk and cash flow risk) (Jorion, 2003), or...
even in liquidating its assets to cope with unforeseen situations (market liquidity risk or asset risk). Sometimes they can only do so under unfavorable economic conditions. Through the analysis of cash flows, it is possible to assess the extent to which the current management generates sufficient liquidity to cover its financial commitments. This typology is inherent, in particular, in the lending being linked to the time lag between the incoming and outgoing cash flows. In this sector, its careful management can be pursued by optimizing the risk–return profile through an appropriate weighting between financial stability and economic balance. Through prudent management of liquidity risk, as Ruozzi and Ferrari (2009) suggest, banks can delineate the boundaries and management criteria in the medium to long term, as well as the scope of the interventions to be implemented in the short term, with the objective of:

- ensuring continuity, with adequate correspondence between the flows of incoming and outgoing cash, so as to ensure the technical solvency of the bank;
- coordinating the issuing of financial instruments in the short, medium and long terms;
- optimizing the cost of refinancing, balancing the trade-off between liquidity and profitability;
- optimizing the management of cash flows within the banking group, in order to reduce the dependence on external financing needs through cash pooling or other optimization tools.

The banks—as provided by the Bank of Italy as part of the ICAAP “Nuove disposizioni di Vigilanza Prudenziale”—may independently identify the risks to which they are exposed, in order to isolate the relevant ones, both with respect to the current situation and to future ones, on the basis of their area of operations and markets. In order to identify significant risks, “the analysis must consider at least the risks contained in the list in Annex A. This list is not exhaustive: the identification of any additional risk factors associated with their specific operations is left to the prudent assessment of each bank.”

The tasks of risk management are to identify, on an annual basis, unless endogenous or exogenous events, the risks to which the different entities of the bank are exposed, and to study the relevance of those to the mapping and identification of those that are “relevant” and those that are “not relevant,” and then to selected from the set of significant risks measurable and quantifiable means to calculate the allocation of regulatory capital and those that are only assessable.

Table 1. Taxonomy of risks based on measurability

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<tr>
<th>Measurable</th>
<th>Not measurable</th>
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<tbody>
<tr>
<td>Credit risk</td>
<td>Operational risk</td>
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<tr>
<td>Counterparty risk</td>
<td>Equity risk</td>
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<tr>
<td>Market risk</td>
<td>Liquidity risk</td>
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<tr>
<td>Concentration risk</td>
<td>Country risk</td>
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<tr>
<td>Risk of interest rate</td>
<td>Reputation risk</td>
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<td>Securitisation risk</td>
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Based on Dellarosa and Razzante, 2010

The types of risks included in the first Pillar are:
presence of market makers, low market concentration, flight to quality, securities backed by residential mortgages with a minimum rating of AA, unconstrained equities traded on regulated markets which have not suffered losses value greater than 40% in the thirty days preceding, and corporate bonds that have a rating of A+ or BBB-.

The liquidity stress scenario specified by supervisors is concerned with substantial withdrawals on the part of customers, problems in the collection capacity on the wholesale market, the utilization of credit lines by irregular loan customers, cash outflows as a result of a downgrade of the bank rating, and sudden debt repayments to mitigate the risk of reputation.

LCR = Liquid activity of high quality / Expected net cash flows in the next 30 days ≥ 100%

From this formula, it is clear that the objective of the Committee is to ensure that banks hold a stock of liquid assets of high quality that is at least equal to the total net cash outflows.

The NSFR aims to increase resilience over the longer term. It encourages banks to finance their activities and operations through the use of stable sources of supply—that is, with a time horizon of one year under conditions of prolonged stress. The phenomena that can cause prolonged stress are attributable to:
- a significant reduction in profitability or solvency as the effect of an increase in exposure to credit, market, operational or other risks;
- a potential downgrading of the rating assigned to debt securities, counterparties or deposits by a nationally recognized rating agency;
- a significant event that affects reputation of the credit intermediary.

NFRS = Amount disposability of stable provision / Compulsory amount of stable provision ≥ 100%

The numerator of the ratio cover the bank’s assets, preference shares, and other equity instruments that exceed the amount calculated in Tier 2 with a maturity equal to or greater than one year, liabilities with effective maturities equal to or greater than one year, demand deposits and term deposits with maturities of less than one year, and wholesale funding with maturity of less than one year.

The indicator aims to impose on banks a balance between sources (numerator) and loans (denominator) of stable resources, in order to minimize the gap between maturities of assets and liabilities.

This indicator, which would complement the LCR, intends to limit the excessive use of short-term wholesale funding in times of abundant liquidity in the market and to encourage a better assessment of the liquidity risk based on all the items in the balance sheet and off-budget:
- residual risks, when the credit risk mitigation techniques used by the bank are less effective than expected;
- risks related to securitization risk—when the economic substance of securitization is not fully reflected in the assessment decisions or risk management;
- strategic risk: this relates to the current or future risk of impact on earnings or capital arising from changes in the operating environment or bad management decisions, inadequate implementation of decisions, or lack of responsiveness to changes in the competitive environment.

These may arise from the implementation of a new strategy that is not appropriate—for example concerning entry into new markets, the competitive position of the bank, the introduction of new products, the acquisition of new customers, a new governance structure, and so on; or may originate in the inability or unwillingness to perceive and respond quickly to market changes, adapting and innovating business models;
- reputational risk (Bennett and Kottasz, 2000; Eccles, 2006; Fombrun et al., 2000; Gabbi 2004; Rayner, 2003; Scott and Walsham, 2002; Soana, 2010): this consists of the current or future risk of a decline in profits or capital due to a negative perception of the bank by customers, counterparties, bank shareholders, investors, or supervisors. This factor is relevant to the performance of credit intermediation that, relying specifically on trust and credibility, allows banks to improve their financial, competitive, and social performance while reducing risk through strong relationships with stakeholders by virtue of behavioral assumptions over time (Fombrun, 1996; Fombrun and van Riel, 2004; McMillan and Joshi, 1997; Neville et al., 2005; Petrick et al., 1999; Rindova and Fombrun, 1997; Roberts and Dowling, 2002; Shapiro, 1983). The performances are quantifiable in terms of: market share, increase brand value, reduced costs of collection, favorable strategic relationships with market participants, the ability to attract investors (Fiescher, 2004), ease in recruiting and retaining talented human resources (Morrison and Wilhelm, 2004), and upgrades by rating agencies (Soana, 2010). This risk is considered to be mitigated by controlling events that generate it internally, and is preventable through careful management of reputation, though not completely controllable as it is connected to factors external to the bank. It therefore requires permanent monitoring in order to act effectively and in a timely manner (Cafarotti, 2012). The uniqueness of the reputation, however, precludes the transfer to third parties of the relative risk to it, while requiring management to be implemented through organizational solutions, and strategic communication (Gabbi and Patarnello, 2010). The management of this risk category should be divided into two phases:
- minimization ex ante of the causes of reputational risk through:
  - strengthening the process of mapping the risk factors’ origin (operationally, legally, and strategically),
  - the adoption of more stringent selection techniques and human resources training,
  - encouragement of the mechanisms of social control,
  - strengthening the function of control and auditing of the areas most exposed to this risk,
  - control of processes that feed the outdoor advertising of the activities of the bank,
  - greater collaboration between the Committee of internal control, risk management (Bessis, 2009), and the governing and executive bodies, by setting up a committee for quality, with the task of perfecting the system of the conduct of people whose actions may affect the company’s reputation,
- membership and verification of shared documents, such as the codes of conduct of the banking and financial sector promoted by the Bank of Italy, the “Declaration on Environment and Sustainable

http://www.i.jmsbr.com
The real risks arise from the direct and immediate effects that occur in any real activity or financial position. They also trigger more indirect and consequential results, as they arise at a later time to return to normal, resulting in monetary losses (Proietti, 2012). Within this category are product and market risks (qualitative change in demand), competitive risks (relationships with direct competitors and other competitors), technology risk, the risk of flexibility (product mix, production volumes, etc.), risks of market concentration and industrial investment, capital risk (capitalization constraints imposed by the property), the risks of financial structure (also called leverage or debt—equity risk), the risk of discontinuity in governance (including the risk of takeover), risk of industry or sector, country risk in general: political risk, regulatory risk, country risk in the narrow sense (riots, emergency measures, etc.), risk of relationship of interdependence or intersystemic risk, catastrophic risks, risk of errors, omissions, and failures relating to processes (including product innovation), organization, conduct of personal and corporate bodies, technologies used, legal risk, reputation risk, compliance risk, risks of the heritage of knowledge, model risks (inadequacy of the decision-making processes), risks related to people (health, accident, health, safety), risks related to tangible goods (theft, fire, transport), and risks related to noncontractual liability (to employees and third parties, defective products or unsafe, environmental pollution, etc.) (Proietti, 2008).

As part of the Systems Approach, Golilinelli (2000) considers the possibility of an event analysis harbingers of risk for the company to examine the structural components, relationships, and interactions with each other and with the external environment, influencing their actions together to address the evolutionary dynamics of the governance body of the enterprise system. Such events may result from:

- a combination of resources that does not allow the realization of a structure with adequate capacity (theft, damage, failure of machines in excess of the norm, etc.);
- interactions implemented within the enterprise system;
- interactions between the enterprise system and the environment.

The reading of these events is greatly affected by the reliability of the governance body, as expressed in terms of management quality, honesty, and consistency towards stakeholders—and especially lenders.

VI. CONCLUSIONS, MANAGERIAL IMPLICATIONS, LIMITATIONS OF RESEARCH AND INSIGHTS FOR FUTURE RESEARCH

The intrinsic risk of entrepreneurship plays an important role in the governance of companies in different sectors, and represents the foundation of management, especially in a context characterized by high complexity (Golilinelli, 2008; Golilinelli and Gatti, 2005). This factor that may jeopardize the company’s survival if overlooked or neglected, and requires a deep “culture,” even on the level of ethics, in order to consider it as a “factor of production” that, if properly managed, can be the driver for creating shared value. Where this goal, in a broad and systemic sense according to Porter and Kramer (2011), influences the strategy and operational practices of companies to a higher
level of competitiveness associated with the achievement of social goals, it also allows companies to increase their social legitimacy.

Indeed, negative consequences can arise in relations with stakeholders, whether internal or external to the company, limiting the ability to access resources that are crucial for its dynamic evolution. It also affects the performance that needs to be paid to investors and lenders simply as a function of the level of risk borne.

It seems appropriate to point out that the implementation of an appropriate monitoring system depends on a proper classification of risks based on both the degree of knowledge of the decision maker, on its ability to capture associated events and to work out their probability of occurrence, and to rationally assess the consequences that are likely to generate the expected results of unknown events or of events that the governance body does not consider necessary to take account of or to assess the likelihood of occurrence.

In light of what has been argued, it is suggested that the study is enriched by reflecting on the theme of uncertainty risk and the risk of not understanding to determine the purpose of the capital that must be allocated to oversee this critical to the achievement of strategic business objectives.

The paper, however, has only approached the study from the point of qualitative view, and has the obvious limitation that it is not supported by adequate quantitative analysis that can bear out the theoretical analysis.

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