

Chapter 4

Service Risk Management in Emerging Economies

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ABSTRACT

The economies of countries face various risks depending on the environmental conditions. While some of these risks do not pose very serious negative effects on developed economies, they may be destructive on non-developed, underdeveloped or emerging economies. Risk management is accepted as a process for all economies. The risk management process starts with the determination of the risks, and goes on with the assessments of the risks, the determination of various strategies that may respond to the risks; and the application of the most suitable one from among these strategies. In risk management, in order to respond to the risk, emerging economies may select one of the methods like tolerating the risk (accepting it), managing it, transferring, eliminating or making use of its opportunities. In this chapter, the risk management strategies have been explained, examples are given from Turkey, which is has many characteristics of an emerging economic structure.

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INTRODUCTION

There has been an increase in national and international activities of organisations with the economic developments. Together with this increase, it has been understood that organisations cannot go on doing their activities by abstracting their strategies from the developed world. While the losses and profits at national level influence the organisations and people living in the same country, the losses of international trade have started to influence the economy of a whole country in a direct manner. Since organisations that are acting at international level face the risk like, political, cultural risk, risks of fluctuating interest and currency rates, it has become necessary to manage these risks (Ellesber, 1997). Many macro and micro factors that organisations are facing influence many decisions and practices such as what and how they will produce, how much they will produce, for whom they will produce, etc (Miller, 1992; Aebi et al., 2012). While the internal and external environmental factors that influence organisation sometimes pose opportunities; at other times, they may also bring various dangers together with them. Organisations have had the need to manage the risks in question in order to make use of this opportunity and be less influenced by dangers, and even to turn the dangerous situations into opportunities (Akalın, 1970; Oliva, 2016).

Turkey can be considered as among the emerging countries and have been facing important risks both in manufacturing goods and in service sector. These risks might appear before or after the manufacturing process as well as during the manufacturing process. Risks are especially observed more in industries and sectors where the production is performed with the inputs brought by the international markets. The fluctuations and uncertainties experienced in the service sector in recent years are also considered among these risks. This chapter presents a general frame about risk management in emerging economies. In this context, after the basic concepts about risk management are explained, the characteristics of risk, its types, the determination of the risk, and the factors that influence the level of the risk are discussed.

KEY RISK MANAGEMENT CONCEPTS

Risk

The word “risk” is derived from the French root “risqué” and is defined as “the possibility of emergence of an event that may lead to damage, a loss or a danger”. The possibility of being unsuccessful, the existence of the danger of losing, uncertainty or the possibility of a deviation from a planned or expected situation also express risky situations (Power, 2004). The level of the risk is inversely proportional with

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