

# RISK

## MANAGEMENT IN ONLINE BUSINESS

### GESTIÓN DE RIESGOS EN LOS NEGOCIOS ONLINE

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#### ABSTRACT

The article models the activities of Internet companies, whose primary goal is to conduct efficient business operations. Currently, there is a high demand for the services provided by Internet companies. However, the Internet faces significant challenges, such as the privacy and security of transmitted information, incomplete access to the network in parts of the world, and technical difficulties even in advanced systems. The article considers the directions of e-commerce, factors contributing to the effective implementation of business models, and the attractiveness of the Internet market. It addresses technological threats in online business, financial and legal aspects of risk management, and innovative approaches to risk management in e-commerce. The article evaluates the potential of using new Internet technologies in internal company processes and communications across various commercial activities. It discusses the risks faced by Internet companies and divides them into two groups: standard risks associated with any commercial business activity and specific threats unique to enterprises operating in a domain.

**Keywords:** Internet companies, Information business, Online business, Business models, Risks.

#### RESUMEN

El artículo modela las actividades de las empresas de Internet, cuyo objetivo principal es realizar operaciones comerciales eficientes. Actualmente, existe una gran demanda de los servicios que ofrecen las empresas de Internet. Sin embargo, Internet enfrenta desafíos importantes, como la privacidad y seguridad de la información transmitida, el acceso incompleto a la red en algunas partes del mundo y las dificultades técnicas incluso en sistemas avanzados. El artículo considera las direcciones del comercio electrónico, los factores que contribuyen a la implementación efectiva de modelos comerciales y el atractivo del mercado de Internet. Aborda las amenazas tecnológicas en los negocios en línea, los aspectos financieros y legales de la gestión de riesgos y los enfoques innovadores para la gestión de riesgos en el comercio electrónico. El artículo evalúa el potencial de usar nuevas tecnologías de Internet en los procesos y comunicaciones internas de la empresa en diversas actividades comerciales. Analiza los riesgos a los que se enfrentan las empresas de Internet y los divide en dos grupos: los riesgos estándar asociados con cualquier actividad comercial y las amenazas específicas exclusivas de las empresas que operan en un dominio.

**Palabras clave:** Empresas de Internet, Negocios de la información, Negocios en línea, Modelos comerciales, Riesgos.

## INTRODUCTION

In the modern world, online business is becoming increasingly significant and in demand among companies and entrepreneurs. However, with the growing popularity of e-commerce and digital platforms, the level of risks faced by entrepreneurs is also on the rise. Thus, it is crucial to pay attention to risk management in online business.

The sphere of commerce, encompassing virtually all goods and essential items for normal living, has progressively moved onto the Internet (Javaria et al., 2020; Natorina & Butko; 2021). Auctions have also transitioned onto the World Wide Web. These developments have given rise to the contemporary concept of the Internet of Things which aptly characterizes the current state of affairs from an economic perspective. Having an all-encompassing nature, the Internet has provided companies with vast opportunities for seamless and optimized international business operations, enabling them to conquer new markets for goods and services.

However, progress does not stop there. Unfortunately, this is due to three major issues that the Internet faces: privacy and security of transmitted information, incomplete network accessibility in parts of the world, and technical problems that persist even in advanced systems (Ivanov, 2019; Petrov, 2018; Smirnova, 2017). Nevertheless, the development of modern information technologies addresses these issues. Progress in overcoming these problems has already yielded results: a scheme of sequential chains has been developed, connecting information blocks that can exist independently but still ensure the transmission of a unified information signal. This technology is known as blockchain. From an economic perspective, the risks associated with any entrepreneurial activity are still present in this sphere.

The services of online companies are in demand, but they are not as specific as in the past. Even now, many Internet companies are becoming famous, including Google, Yandex, eBay, Amazon, and MailGroup. The list is not limited to these companies; it also includes companies engaged in computer technology (Microsoft, IBM, Apple, etc.). Doing business in this area has become very popular in Russia. The organization of their financial and economic activities is unique.

It is necessary to better understand the complexity and specificity of risk management in the digital environment and develop an effective strategy to minimize risks.

The methods used in this research included content analysis of scientific literature, which enabled the examination of the main directions in e-commerce, factors for the effective implementation of business models, and a general assessment of the attractiveness of the Internet market for conducting business. Subsequently, the research focused on the risks that threaten effective business operations online and grouped the main areas where these risks may arise (threats dependent on management, technology and legislation). We also employed the method of comparative analysis for forecasting effective risk management strategies in online business. After the review of risks, the research transitioned to exploring innovative approaches to risk management in e-business and proposing unique solutions.

Sources were selected based on their relevance and alignment with the research topic. Studies for content and comparative analysis were chosen from electronic databases and scientific journals. To gain insights into the positions recognized by the scientific community, we consulted textbooks and reference materials.

## DEVELOPMENT

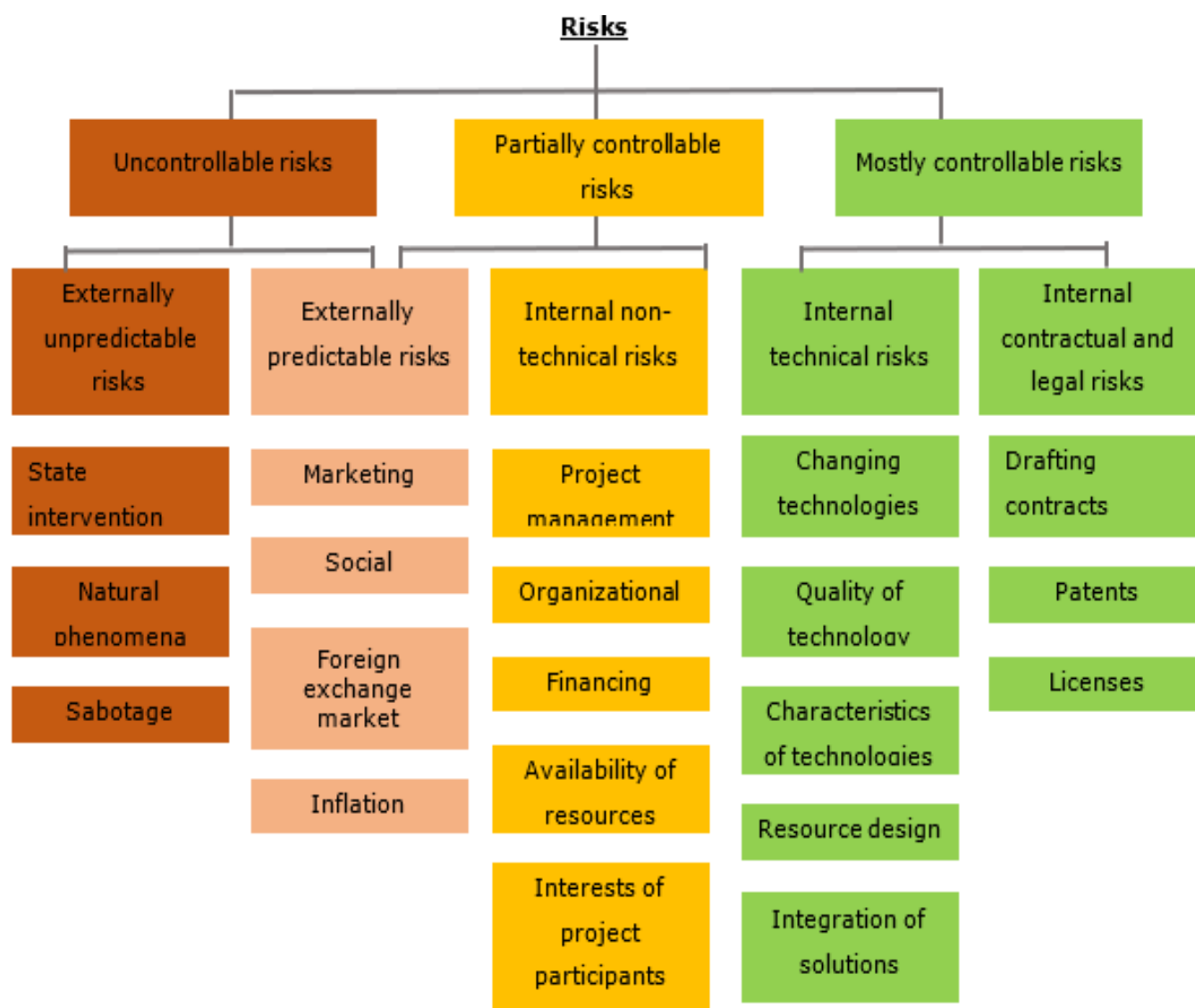
### Definition of risks in online business

Financial aspects play a crucial role (Figure 1) in online business, making it essential to conduct technical risk analysis to avoid potential problems in the future (Affia et al., 2020; Esteves et al., 2022; Koshkina, 2010; Kozlov, 2016; Kozlov et al., 2021, Organisation for Economic Cooperation and Development, 2019).

Management is key in this process since executives make critical business decisions. Therefore, prioritizing risk management should be a top concern for company leaders.

Risk analysis and assessment methods in online business help companies identify potential threats and evaluate their impact on operations. Crisis management also plays a significant role in ensuring a company's resilience during emergencies. Effective crisis management planning, scenario development for emergency actions, and prompt responses to crises are vital in minimizing a company's losses (Nikulin, 2016; Shapkin & Shapkin, 2013; Zavivaev et al., 2014;). Companies must adhere to high responsibility standards to avoid risks associated with negative social impacts.

Fig 1. Risk category diagrams in online business.



Source: own elaboration.

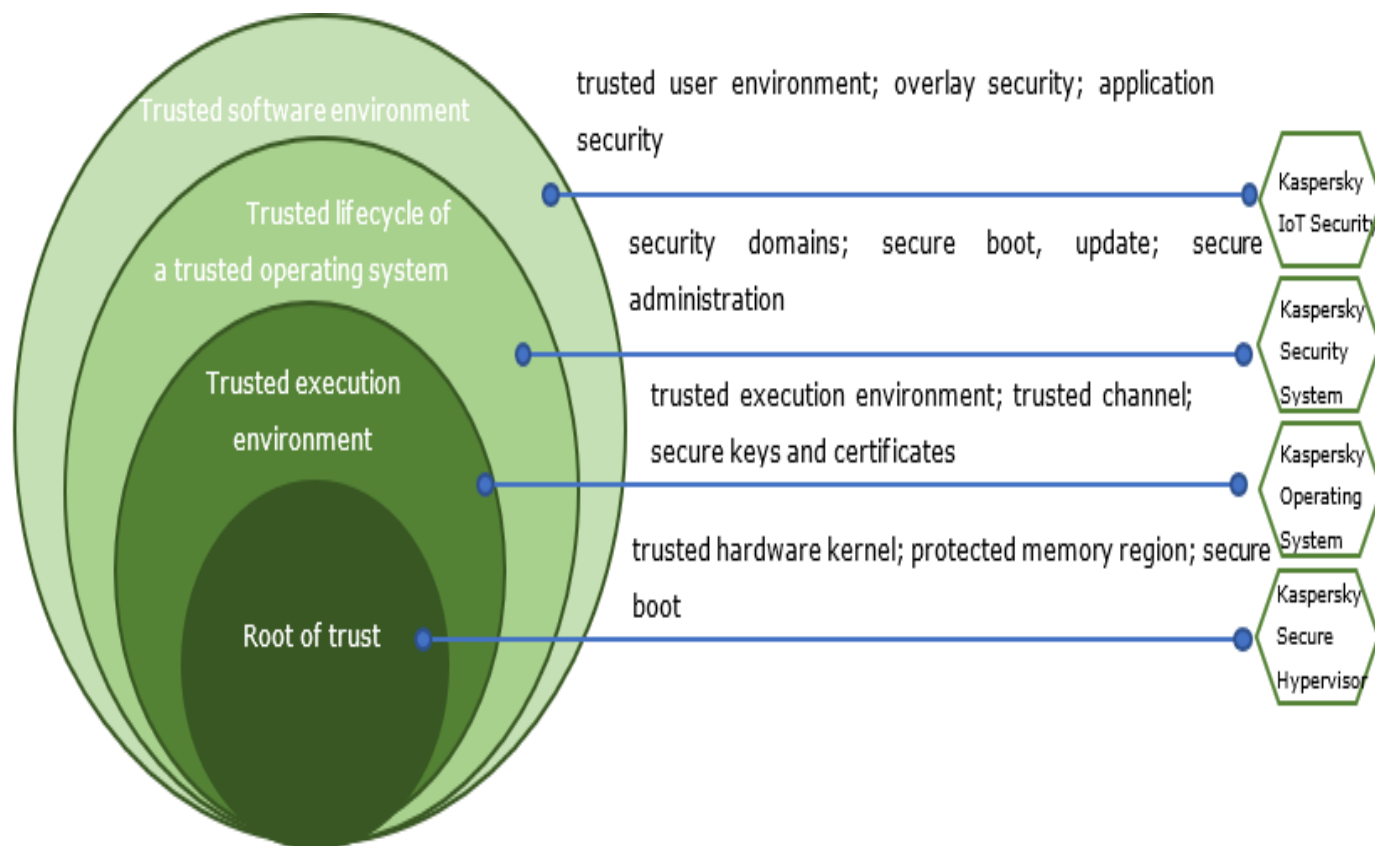
### Technological threats in online business.

Modern online business (Figure 2) is an integral part of the global economy, offering companies significant opportunities for growth and development.

Technological threats in this sphere include:

- Cyberattacks.
- Information security breaches.
- System failures.
- Other digital issues.

Fig 2. Research of technological risks and threats to data security in online business.



Source: own elaboration.

Among these, cyber-attacks are the most dangerous as criminals can steal sensitive information about users and employees, causing significant harm.

Another common risk is the loss of data, which is particularly concerning given that many companies process large volumes of information. The loss of even a small portion can trigger a chain reaction, leading to the loss of the entire dataset (Veselov et al., 2016; Volkov, 2015).

Mitigating these risks requires using specialized software and employing qualified personnel. As technology advances in reliability, companies need to invest in software that can combat technological threats (Bezuglaya, 2013).

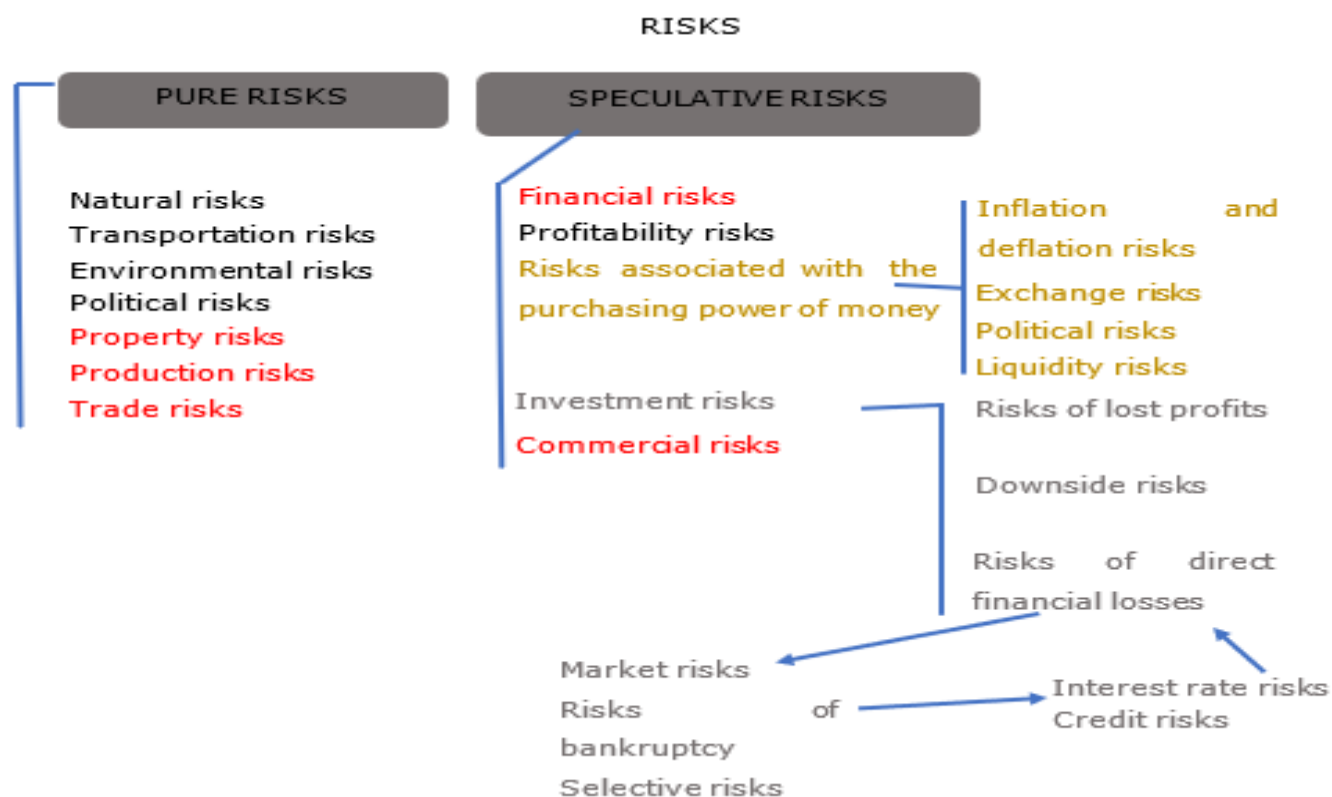
### Financial aspects of risk management in online business

Key risks include:

- Volatile demand;
- Intense competition;
- Financial fraud.

The key is to develop (Figure 3) a hedging strategy and contracts for deliveries in the desired currency to reduce risks. It is also worth having payment protection so that fraudsters cannot steal funds and any other information about goods, orders, etc.

Fig 3. Financial risks and SWOT analysis in online business.



Source: own elaboration.

One should adhere to a financial strategy that protects the liquidity and financial stability of the company in the market. Therefore, one should constantly analyze financial threats and market fluctuations to quickly respond to them (Kiseleva & Simonovich, 2017).

### Role of administration in risk management in online business

Mitigating potential threats in online business is crucial for the successful operation of an organization in today's digital world. Directors must respond promptly to internal and external changes to effectively adapt their strategies to current market realities. Managers should ensure that employees receive quality training to foster a culture of security within the organization. Employees should be aware of the risks and consequences associated with online activities. This awareness will help reduce the number of cybercrimes (Kiseleva & Simonovich, 2017; Shapkin & Shapkin, 2013;) (Table 1).

Table 1. Analysis of management decisions and strategies for risk management in online business.

Attitude to risk	Attitude to risk management	Responsibility for risk management	Scope of distribution
Risk is an aspect of management activity	Risk management is carried out by the manager	Head of the company	Companies of the real sector of the economy
Risk is an independent category of management	Risk management is part of the job responsibilities of all managers in their area of competence	Head of Department, Business Process Owner, Project Manager	Most medium and large companies

Risk is a business product	Risk management is a profession for managers	Specialized divisions and firms	Banks, investment and insurance companies, stock exchanges
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Source: own elaboration.

A good leader must stay informed about security trends to quickly respond to changing conditions. A company's security directly impacts its profitability, success, and competitive position in the market as these factors are integral to the overall decision-making strategy.

### Legislative aspects of risk management in online business

Regulation plays a critical role in managing risks for online businesses.

Since technology evolves faster (Figure 4) than we can anticipate, legal aspects also adapt at a similar pace. Data protection laws are among the most crucial regulations in e-commerce. Companies handle large amounts of data, which necessitates robust protection measures. This is why data protection laws regularly change, reflecting the growing complexities in storing and safeguarding personal information. Compliance with these laws is essential for a company's legal well-being. To avoid multimillion-dollar fines, businesses must closely monitor and adhere to all legislative updates.

Fig 4. Legislative aspects of risk management in online business.



Source: own elaboration.

### Innovative approaches to risk management in online business

The analysis and forecasting of technological threats are among the most critical aspects of innovative risk management in online business (Grishin, 2016; Tkachenko, 2018).

Trends in online business show that while technological advancements tend to grow steadily, while consumer behavior is far less predictable. Since customer behavior constantly changes and each client has unique preferences, it is crucial to consider a broad sample of consumers to maintain their loyalty to the company. To attain this end, effective risk management is necessary, along with adhering to a strategy that maximizes customer satisfaction (Kiseleva & Iskadzhyan, 2017).



## CONCLUSIONS

In an increasingly digital world, companies must consider various aspects of risk in online business to manage them effectively. It is crucial to be informed about every development to avoid losing reputation and customers and to prevent legal consequences from negligence in information security.

Internet-based business is becoming more popular. The number of Internet users and the volume of e-commerce continue to grow. In this context, managers who can assess the potential of new information technologies and their integration into enterprise operations and understand online business models can improve their strategic positions through global networks or create a new online business that offers significant advantages over traditional business models.

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