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### Risk Management at Vietnam Dairy Products Joint Stock Company

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#### Abstract

Enterprise risk management is a business controller that is increasingly important and stakeholders are more concerned about risk. Risk can be a control process of strategic decisions, can be a source of uncertainty within the business or simply risk can be built into the operations of the business. An enterprise-wide approach to risk management allows a business to consider the potential impacts of all types of risks across all processes, activities, stakeholders, products and service. The enterprise risk management system has been effective, helping Vietnam Dairy Products Joint Stock Company (Vinamilk) increase its ability to

withstand fluctuations, adapt flexibly, overcome crises and maintain sustainable operations. During the recent epidemic and economic crisis, it has proven the importance of risk management and posed requirements for the need to implement enterprise risk management for Vietnamese businesses. The article focuses on basic content: enterprise risk management, analyzing the content of enterprise risk management in a fluctuating market environment and socio-economic factors, thereby providing solutions. Solutions to strengthen risk management at Vinamilk as well as other businesses in Vietnam.

**Keywords:** Foreign Banks, International Capital, Economy, Vietnamese Banks

#### 1. Introduction

The past few years have been filled with unpredictable economic, political and ecological changes, which have had a significant impact on global growth prospects. Inflation rose to its highest level in decades, forcing governments to tighten monetary policy; causing households to tighten spending in the context that the covid pandemic is under control. Many low-income countries are facing financial difficulties; At the same time, geopolitical conflicts have significantly increased the likelihood of global geopolitical disruptions, and China's Zero Covid policy has at times disrupted supply chains, hindering economic activity. Trade and investment activities, the promotion of business restructuring of domestic and foreign enterprises. Entering 2023, it can be said that we are witnessing more and more clearly a world moving into a new cycle of times with "new abnormalities".

The above factors have directly or indirectly affected production and business activities as well as the implementation of business plans and strategies, posing a difficult problem for businesses: how to adapt. Market changes, healthy competition while still maintaining sustainable operations not only in this difficult period but also in the future with many unpredictable unknowns? The answer is the corporate governance foundation. An effective corporate governance foundation will help businesses maintain their steering wheel, steadfastly overcome big waves, and play a key role in maintaining continuous operations and being ready to respond to potential risks. May arise in the future as well as lead businesses to seize opportunities for sustainable growth. During this difficult and challenging period, Vinamilk has responded promptly to achieve the goal of maintaining operations and ensuring sustainable development. To accomplish this, the enterprise risk management system has been effective, helping Vinamilk increase its ability to withstand fluctuations, adapt flexibly, overcome crises and maintain sustainable operations in times of crisis recent time.

#### 2. Research overview

##### *What is enterprise risk management?*

In today's business context, enterprise risk management is a top priority. Risks are unwanted situations that can occur and cause damage to the business. Enterprise risk management is the process of orienting, estimating, evaluating, controlling and minimizing risks that may affect an enterprise's business activities. This is a strategic management activity carried out by business managers and leaders to ensure stable and sustainable business operations.

To manage risk effectively, businesses need to create a clear and specific risk management plan, ensuring consistency and synchronization between departments. In addition, businesses need to have a periodic risk control process that helps reassess the effectiveness of implemented prevention and mitigation measures, thereby making necessary adjustments. At the same time, risk management also requires close cooperation and communication between departments within the enterprise.

However, to effectively manage risk, businesses need to have specialized skills and knowledge about risk management. Training and improving employee capacity is necessary to create a professional working environment and meet market requirements.

### ***Causes of business risks***

#### ***Subjective reasons***

Subjective causes often come from human factors within the enterprise:

- Risk management ability of employees: If employees do not have enough knowledge, skills, and experience, risks can occur. For example, a salesperson who does not have product knowledge or how to answer customer questions may end up selling the wrong product or answering questions incorrectly, leading to lost customers and reduce sales.
- Lack of responsibility at all levels of management: If management does not fully ensure its responsibilities in enterprise risk management, risk occurrences may not be detected and resolved promptly. For example, if management does not ensure labor safety, it can lead to occupational accidents and affect the health and spirit of employees.
- Lack of caution in decision making: When overconfident and lacking caution in decision making, businesses can make wrong decisions and cause risks. For example, if a business decides to invest in a project with unclear profit potential and risks, it can lead to losses or bankruptcy.

#### ***Objective reasons***

Objective causes of risk come from external factors, beyond the control of the Enterprise:

- Market and economic factors: prices, competition, financial and tax policies can cause risks to businesses. For example, if the real estate market suddenly declines, businesses operating in this field may have difficulty selling their products.
- Environmental and natural impacts: weather, natural disasters, environmental impacts and other natural factors can also cause risks to businesses. For example, a hurricane can cause significant damage to Business assets.
- Changes in policies and legal regulations: For example, if the government imposes new taxes or changes regulations related to the import or export of goods, businesses may face difficulties in doing business.
- Dependence on partners and suppliers: If partners or

suppliers have problems or do not meet the Enterprise's requirements, the Enterprise's production and business can be seriously affected.

### ***The importance of enterprise risk management***

The risks that businesses often encounter include financial risks, human resource risks, production risks, etc. The sustainable development of a business depends largely on how they handle and how well it manages risk. So what is the importance of proper risk management? To achieve the missions and goals set by the business, strategies and plans must be clearly outlined and implemented smoothly by the leader, ensuring maximum optimization of human resources and effective implementation. Good coordination and synchronization between departments and leaders. However, the market is constantly changing every second, which means it is very difficult for businesses to grasp and keep up with the market. Therefore, the department responsible for risk management needs to be informed in advance about the possibility of risk variables occurring in the future, from which they can find treatment options that are both effective and appropriate to the context. Reality scene. If risks are handled properly, businesses can "turn failure into victory", creating advantages and opportunities to get closer to strategic goals. But if the enterprise risk management process is not perfect, this is definitely a "big storm" that businesses must find a way to overcome safely.

#### ***Investment advantages***

Investors are often interested in and rely on the process of corporate risk management steps to evaluate whether their business activities are truly effective and worthy of receiving an investment nod or not. In today's times, there are more talented competitors competing fiercely, turning the marketplace into a "battlefield". To become the most prominent in the eyes of investors, your business must prove that it has the ability to manage all risk issues well, thereby building a brand image in society with a stronger position..

#### ***Limit budget waste***

For financial risks, detecting and coming up with a management plan as early as possible will save significant finances for businesses. Maintaining wrong plans in business and production activities leads to wasting corporate budget or even pushing the business to the brink of bankruptcy. For example, not paying attention to the quality of input materials right from the production stage will lead to mass production of defective products, wrong designs, sizes, poor quality, etc., which must be destroyed, causing heavy damage. Financial burden for businesses.

#### ***Enhance management quality***

When implementing enterprise risk management, it is necessary to first establish a standard process in identifying, evaluating, analyzing and prioritizing the management of main risks. Then comes less important risks, in order to optimize the human resources used by businesses to handle risks. Since then, the quality of governance at all levels of management has been strengthened and efficiency improved.

**Table 1:** Enterprise risk management responsibilities

Numerical order	Responsibility department	Risk management responsibility
1	Risk Responsibilities for the CEO/Board of Directors	<ul style="list-style-type: none"> <li>- Determine the risk strategy approach and establish risk tolerance.</li> <li>- Establish a risk management structure: Understand the most significant risks, manage businesses in a changing environment.</li> </ul>
2	Risk management responsibility for business unit managers	<ul style="list-style-type: none"> <li>- Build a culture of risk awareness in lessons.</li> <li>- Agree on effective risk management goals.</li> <li>- Ensure implementation of risk improvement recommendations.</li> <li>- Identify and report change/risk cases</li> </ul>
3	Risk management responsibilities for individual employees	<ul style="list-style-type: none"> <li>- Understand, accept and implement the risk management process.</li> <li>- Reporting controls that are ineffective, unnecessary or infeasible.                             <ul style="list-style-type: none"> <li>- Report events and near misses.</li> </ul> </li> <li>- Cooperate with incident investigation management.</li> </ul>
4	Risk management responsibilities for risk managers	<ul style="list-style-type: none"> <li>- Develop risk management policies and maintain this activity.                             <ul style="list-style-type: none"> <li>- Documents, risk policies and internal structure.</li> </ul> </li> <li>- Coordinate risk management and internal control activities.</li> <li>- Convert risk information and prepare reports for the Board of Directors.</li> </ul>
5	Risk management responsibilities for specialized risk management functions	<ul style="list-style-type: none"> <li>- Support businesses in setting risk policies.</li> <li>- Develop risk plans and recovery plans.</li> <li>- Maintain development in specialized areas.</li> <li>- Support investigation of recent missed risk incidents.</li> </ul>
6	Risk management responsibility for internal control managers	<ul style="list-style-type: none"> <li>- Develop risk-based internal controls.</li> <li>- Perform audits of risk processes across the enterprise.</li> <li>- Receive and provide guarantees on risk management.</li> <li>- Report on the effectiveness and efficiency of internal controls.</li> </ul>

**Source:** Michael Hammer & James Champy (1995) [5]

*Accomplish strategic goals*

Risk management plays an important role in helping businesses achieve strategic goals effectively. To manage risk well, businesses need a clear strategy that includes specific steps. First, businesses need to analyze and evaluate risks in the business process. Next, businesses need to develop a risk management plan. This plan should include the necessary measures to minimize risks. After implementing the plan, businesses need to regularly monitor and evaluate the effectiveness of risk management measures. This helps businesses quickly detect weaknesses and improve risk management measures to ensure safety and efficiency in business operations.

*Enhance the stability and sustainability of the business*

Risk management helps minimize potential risks and their impact on business operations. This helps ensure the stability and sustainability of the business in the face of market fluctuations.

*Enhance the trust and confidence of customers and partners*

When a business has a strict and comprehensive risk management system, customers and partners will feel more secure when cooperating with the business.

*Enhance efficiency and productivity of business operations*

When businesses minimize risks in business activities, carrying out activities will become easier and more effective. This helps enhance business productivity and efficiency.

**Factors affecting enterprise risk management activities**

*Organizational scale of the Enterprise*

One of the important factors is the organizational scale of the enterprise. The size of the enterprise's organization will affect the division of responsibilities in risk management. If the enterprise is too small, risk management may not be

emphasized and many shortcomings may exist. On the contrary, if the scale of the Enterprise is too large, risk management can become more complicated and difficult.

*Enterprise capacity*

Enterprise capacity will affect the making of important decisions in the process of preventing, preventing, resolving risks as well as recovering from risks. If the business has high capacity, decisions and measures will be made accurately, quickly, promptly and effectively. On the contrary, if a business does not have enough capacity, risk management will face many difficulties.

*The operating structure of the business is simple or complex*

Enterprises with simple operating structures will make risk management simpler. On the contrary, if the business's operating structure is complex, risk management will require more decisions and detailed analysis.

*Qualification of management level*

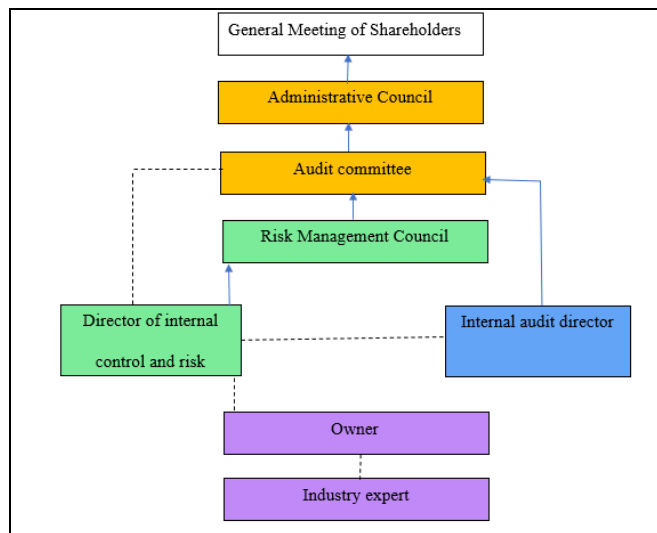
The level of management will affect decision making and risk management solutions. If management is highly qualified and experienced in the field of risk management, management will be carried out accurately and effectively. On the contrary, if management does not have enough qualifications and experience, risk management will face many difficulties.

**3. Current status of risk management at Vinamilk Dairy Joint Stock Company**

The risk management structure at the Company continues to be maintained with 4 layers:



The structure has a unified and reasonable structure, clearly defining the roles and responsibilities of different levels:



Source: Vinamilk risk report [1]

Diagram 1: Vinamilk's risk structure

Corresponding to the above risk management framework, the risk management system at Vinamilk is based on 3 layers of Control:

Table 2

<p><b>Prevent</b> This layer of defense focuses on minimizing the likelihood of a risk occurring through careful risk assessment and the establishment of preventive controls.</p>	<p><b>Detect</b> This defense layer has 2 items main goal: (i) Reduce the possibility/probability of risks through early detection using warning indicators; (ii) Minimize the level of impact or damage</p>	<p><b>Remedy/Cooperation</b> This layer of defense aims to minimize the impact/damage when the risk actually occurs</p>
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Source: Vinamilk risk report [1]

Vinamilk's risk management activities have completed related tasks to best support the achievement of the Company's strategic goals; which focuses on integrating in-depth risk management into key activities to increase effective control of risks and maintain sustainable operations, with typical activities such as:

*Update and upgrade the Risk Management system:*

The Risk Management System at Vinamilk continues to be maintained, reviewed, updated and upgraded comprehensively to manage risks in the risk category, notably with the following activities:

- Update and issue the Company's entire risk list for 2021-2023 to monitor, evaluate and report periodically throughout the year.
- Monitor and evaluate emerging risks that may affect the implementation of plans and achievement of Vinamilk's strategic goals.
- Update and issue the foundation document system of risk management such as Risk Management Policy, Risk Management Procedures and related implementation guidance forms.
- Periodically evaluate control points to ensure risks can be detected, limited, and even prevented promptly.
- Initially completed the survey and identification of Vinamilk's available resource platforms to proceed with

implementing the plan to digitally transform the risk management system.

*Implement training programs related to comprehensive risk management:*

Equip yourself with necessary knowledge related to risk management to build a ready resource to move closer to the strategic goal of the 5-year period (2022 - 2026) has proposed, through the following activities:

- Training in risk management awareness, specialized techniques in identifying, evaluating, monitoring risks and taking risk control actions during work implementation Risk management for all management levels of Vinamilk.
- Manage risks in information technology systems, improve in-depth knowledge and techniques on information technology system security, assess information technology risks and ensure continuous operation of the system information technology.
- Company business continuity management, business impact analysis and risk assessment, integrating Risk Management and Business Continuity Management.

*Build and convey a risk culture to all Company employees*

Building and conveying a risk management culture to each employee in the Company according to the risk management orientation must be carried out to each individual, through the following activities: issuing periodic and extraordinary risk newsletters. and thematic risk newsletter, with the purpose of raising risk awareness, building a risk management culture in each activity and recording emerging risks, contributing to helping individuals and units in identifying and evaluating potential risks in each production, business, management, investment, etc. activity of the Company.

*Continue to regularly and effectively operate the risk management system*

- Vinamilk's risk management activities are continued to be maintained and deployed throughout from the Board of Directors to management levels and each employee regularly and effectively, to carry out the management of Risks belong to the risk category according to the process of risk identification - risk assessment - risk monitoring - risk reporting, focusing on integrating in-depth risk management into key activities. To increase effective control of risks: Organize quarterly risk assessment and reporting for all risks in Vinamilk's risk portfolio, to continuously monitor and evaluate the level of risks. Periodic risks, forecast risks of the following quarters and provide strict and timely control measures to prevent and minimize damage if risks occur.
- Monitor risk warning indicators KRIs to monitor risks and take timely response actions to Vinamilk's external and internal fluctuations.
- The Risk Management Council periodically reports quarterly to the Audit Committee on risk assessment results and timely and appropriate risk response actions.

**4. Solutions to improve risk management at Vinamilk**

In the coming years, the world's economic - political - social situation has many unpredictable fluctuations and will continue to pose potential risks and challenges for Vinamilk's growth goals; At the same time, implement the 5-year strategy (2022-2026); Therefore, Risk Management activities also set the best support tasks to get closer and closer to Vinamilk's strategic goals, in addition to the risk

management activities mentioned above that are maintained. Regularly and effectively, the focus of 2023 for Vinamilk's risk management system is:

Firstly, Review and update the risk list based on Vinamilk's strategic goals combined with continuous changes in the political - economic - social situation of Vietnam and the world.

Second, implement digital transformation through choosing appropriate Risk Management software for risk management activities and progress to setting up and operating the system in practice to increase effective control. Risks with the aim of enhancing the effectiveness and efficiency of the management system.

Third, continue to periodically evaluate relevant control points to prevent and limit the impact of risks to achieve the set strategic goals.

Fourth, strengthen the creation of a risk management culture for each individual of the Company.

## 5. Conclusion

Risks always exist in parallel with the business operations of the enterprise. Furthermore, they are constantly changing and flexible. Therefore, businesses must constantly analyze, update, and make appropriate assumptions to be able to cover the entire business situation and problems that may arise. With the above orientations, risk management activities will increasingly be integrated into daily work and become an indispensable part of Vinamilk's operations, not only helping Vinamilk become more and more steadfast in ensuring the achievement of its goals. Targets but also brings the Risk Management system to a new level of maturity.

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