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## Risk Management in Light of Economic Changes

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### Abstract

This study aims to examine the risks faced by organizations by integrating both theoretical and applied dimensions, in light of the increasing intensity of economic and organizational changes. The first section addresses the theoretical framework of risk by clarifying the concept of risk and its key related terms, identifying its various types—both financial and non-financial—and analyzing the causes of risk emergence and the contributing factors. This section also reviews the main risk measurement tools and the methods used for risk identification and assessment.

The second section focuses on analyzing previous studies related to risk management by presenting their key findings and deriving the most prominent prevailing research trends. In addition, the study discusses several modern quantitative techniques used to measure and identify organizational risks, such as risk analysis and wavelet analysis, highlighting the role of these techniques in improving measurement accuracy and enhancing risk forecasting. The study concludes that the adoption of advanced analytical methods contributes significantly to supporting the decision-making process and strengthening organizations' ability to effectively manage risks, thereby achieving organizational stability and performance efficiency.

**Keywords:** Risk Management, Organizational Risks, Decision-Making, Performance Efficiency.

### Introduction

Financial globalization is one of the major global phenomena that has had a profound impact on the economic aspects of countries. The global economy has become increasingly open and interconnected, giving rise to numerous challenges. As a result of the growing complexity of financial operations and intensified competition, global markets have become more exposed to various types of risks. Consequently,

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researchers and financial institutions have shown increasing interest in monitoring these risks and developing appropriate solutions. Within this context, the concept of risk management has emerged as a fundamental requirement for organizational success and the achievement of strategic objectives.

Risk management has gained significant importance for organizations of all types in light of ongoing global developments and changes. Organizations seek to confront risks by developing suitable strategies that enable them to identify, anticipate, classify, and plan effective responses in order to mitigate potential impacts. Risk management represents a systematic process through which organizations implement procedures and plans aimed at reducing threats and minimizing their adverse effects by adopting well-studied and modern methods. This process is considered a cornerstone of organizational success, as it helps organizations avoid potential risks, manage emerging threats, and protect them from failure, losses, or even extinction.

Organizations face numerous financial risks arising from various factors, including unexpected expenditures that may lead to financial crises, as well as instability in financial markets due to multiple causes such as natural disasters (e.g., floods and earthquakes), wars, and rising levels of debt. Therefore, organizations adopt risk management practices to avoid reaching bankruptcy. Risk management helps organizations overcome critical risk phases by reducing or eliminating threats, preserving investments and assets, and minimizing fluctuations in production and revenues, thereby enhancing organizational value.

Moreover, risk management enables organizations to develop appropriate solutions for different types and levels of risk and supports decision-makers in making sound decisions that ensure organizational continuity. It also enhances investor confidence by contributing to loss reduction and productivity improvement.

This study is structured into two main sections:

- The first section presents the theoretical framework of risk, including the definition of key related concepts, types of risk, and their underlying causes.

- The second section reviews previous studies and their findings and discusses selected techniques used to measure and identify organizational risks, such as risk analysis and wavelet analysis.

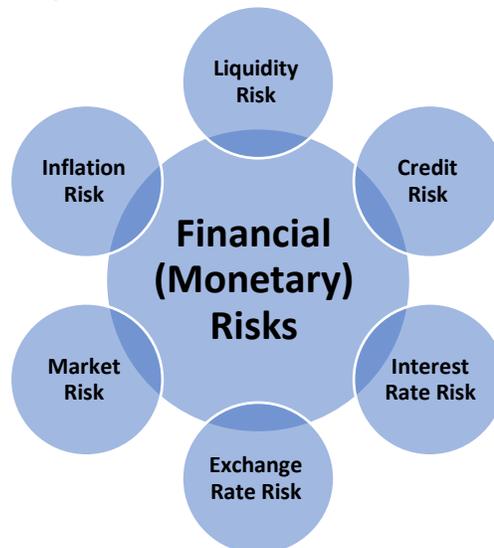
## Theoretical Framework

Risk is defined as the occurrence of uncertainty or deviation in the future that leads to undesirable outcomes inconsistent with desired objectives (Samir, 2005).

Financial risk is defined as fluctuations in an organization's prices and returns.

### Types of risks:

#### First: Financial (Monetary) Risks:



Financial risks are those that result in direct financial losses or have a significant impact on cash flows and profitability.

- 1. Liquidity Risk:** Liquidity risk refers to the inability of an institution to generate sufficient cash to meet its short-term obligations in a timely manner, despite holding assets that are not easily convertible into cash.
- 2. Credit Risk:** Credit risk represents the possibility that customers or borrowers may fail to fulfill their financial obligations, leading to potential financial losses for the

institution.

3. **Interest Rate Risk:** Interest rate risk arises from fluctuations in interest rates, which may affect borrowing costs as well as the returns on investments.
4. **Exchange Rate Risk:** Exchange rate risk occurs when an institution engages in transactions denominated in foreign currencies, whereby fluctuations in exchange rates may result in losses or a reduction in the value of revenues.
5. **Market Risk:** Market risk is associated with volatility in financial markets, which may lead to a decline in the value of assets or investments.
6. **Inflation Risk:** Inflation risk refers to the decline in the purchasing power of money, which increases operating costs and negatively affects real profits (Scannella & Williams., 2025).

### Second: Non-financial risks:

are risks that do not directly lead to immediate financial losses; however, they affect organizational performance and sustainability and may eventually evolve into financial risks.



1. **Operational Risks:** Operational risks arise from human errors, technical failures, inadequate systems, or ineffective internal procedures, thereby reducing

operational efficiency.

2. **Managerial Risks:** Managerial risks result from weak decision-making processes, the absence of strategic planning, or ineffective leadership and organizational structures.
3. **Legal and Regulatory Risks:** Legal and regulatory risks occur as a result of non-compliance with applicable laws and regulations, which may expose the institution to penalties or legal actions.
4. **Reputational Risks:** Reputational risks relate to the public image of the institution among stakeholders, including customers and the wider community, and may result from entering poorly assessed markets or adopting inappropriate policies.
5. **Strategic Risks:** Strategic risks are associated with inappropriate strategic decisions, such as entering inadequately studied markets or adopting unsuitable strategic policies.
6. **Technological Risks:** Technological risks stem from information security breaches, failures of technological systems, or the inability to keep pace with rapid technological advancements.
7. **Human Risks:** Human risks are related to a shortage of qualified personnel, high employee turnover rates, low levels of motivation, or poor job performance (Gittfried et al., 2025).

#### **Definition of risk management:**

#### **Risk Management:**

refers to the structured approach adopted by organizations to identify, assess, prioritize, and control risks that may affect their operations, performance, and strategic goals, with the aim of reducing uncertainty and improving decision-making effectiveness Al-Qahtani, 2023)

#### **Reasons for Risk Management:**

Risk management represents a response to various changes. The instability of financial markets has pushed researchers and organizations to develop appropriate solutions and

methods. Risk management helps secure profits, reduce the risk of bankruptcy, stabilize investment returns, and transfer operational losses to subsequent periods (Ahmed & Abda, 2014).

Other reasons include significant changes in expenditure levels, rising prices, stock market crashes, competition among banking institutions, and increased reliance on borrowing (Samir, 2005).

There are several methods that assist organizations in decision-making to confront risks, including:

- 1- Developing future plans and scenarios for potential risks and proposing suitable solutions.
- 2- Analyzing and comparing financial statements to determine the level of potential risk.
- 3- Using the Value at Risk (Var) model to estimate expected losses over a specific period at a given confidence level.
- 4- Analyzing specific variables and their impact on organizational performance efficiency.

## Previous Studies

Al-Maaytah (2023) examined the impact of operational risk management on competitiveness in commercial banks. Using a questionnaire-based sample of employees, the study found a positive effect of risk identification and assessment in supporting competitiveness.

Samah (2021) investigated the importance of identifying risk management strategies in financial organizations. The study revealed a lack of awareness of risk management methods, which negatively affected risk management practices, and recommended establishing specialized risk management units and adopting technological systems.

Ahmed and Abda (2014) aimed to identify risks facing investments in order to reduce their impact on organizations. The study concluded that risk identification and the development of appropriate solutions play a major role in improving financial market

performance.

Rawabeh and Aziz (2023) highlighted the importance of examining financial records within organizations to protect and enhance organizational value. Using descriptive and analytical methods, the study concluded that internal auditing plays a significant role in reducing potential risks.

Seham and Lakhdar (2014) examined the impact of using financial instruments such as gold, silver, stocks, and bonds in reducing financial risk. The study confirmed the effectiveness of these instruments and recommended developing their markets to face financial challenges.

Alawi (2017) explored the effectiveness of the Value at Risk model in risk assessment across several financial markets and concluded that it is a suitable model for evaluating risk and capital adequacy.

Ghrabiya (2018) studied systematic risk and time-scale analysis using wavelet analysis in the Jordanian financial market. The study found that wavelet analysis is an effective tool for assessing asset pricing models and exposure to risk.

Previous studies have contributed to understanding and applying risk management concepts in organizations. However, despite extensive research, there remains a clear gap in studies addressing risk management in light of economic and technological developments, particularly in the Sultanate of Oman. This report aims to highlight the importance of risk management in current and future contexts.

## Conclusion

Interest in risk management represents a significant step toward achieving secure and stable financial and economic organizations. By monitoring risks and analyzing investment tools, decision-makers have been able to adopt strategies that enhance organizational success, protect investor rights, and increase investor confidence.

Neglecting risk management poses a serious threat to organizational sustainability, especially in light of ongoing financial changes, global market openness, and

intensified competition. Therefore, it is essential to establish specialized risk management departments responsible for identifying, assessing, and mitigating risks, as well as adopting advanced investment policies that keep pace with technological progress.

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