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**Crisis Management Initiatives and Contingency Planning competencies
within the Kazakhstani companies to mitigate the risks and uncertainty**

**Thesis submitted for the
degree of Bachelor in
6B04106 Management**

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Abstract

The current diploma research work examines the crisis/risk management and contingency planning competences as well as effectiveness among the Kazakhstani enterprises. The mixed research methodology including quantitative and qualitative methods was applied to investigate the current state of risk management practices and contingency planning activities.

Overall 74 complete survey responses and five interviews were collected. The research findings demonstrated that implementation of the crisis/risk management and contingency planning practices have gained considerable attention by the companies in recent years, which was mainly dictated by the political, social and economic factors. Moreover, it was found that risk reporting effectiveness as well as risk investigation, control and monitoring were weak. Also, employee risk awareness and training, employee engagement in risk management practices, training of new employees about potential risks, employee responsibility in risk management and employee risk perception levels were weak in selected companies. In addition, it was found that the main risk factor for Kazakhstani companies was economic factors.

Interview findings demonstrated that risk management and contingency planning practices were influenced by the firm-specific and industry-specific factors. Based on the results of the research several recommendations have been made on to develop required competencies in achieving effective risk management and contingency planning practices.

Key words: crisis and risk management, contingency planning, competences, risk mitigation.

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1 Introduction

1.1 Research Background

The outbreak of the COVID-19 pandemic in China and its spread globally was an unexpected social and health crisis, which influenced not only the global population, but also organizations. According to Chen and et al., (2021), the role of risk management and contingency planning has increased even more during the COVID-19. The authors highlighted that organizations with aforementioned capabilities were able to strive and quickly mobilize the organizational resources to cope with the consequences of virus-induced crisis. Jaworek, Karaszewski and Kuczmariska (2022) examined the risk perceptions and management practices by examining the multinational companies in Poland and Kazakhstan. According to the authors, the Kazakhstani enterprises perceived currency devaluation as the main risk (70%). Moreover, other risks identified from the research included global events (e.g. recession and financial crisis), performance risks, governmental policy risks. The global social crises such as COVID-19 was considered as the fifth risk influencing the Kazakhstani enterprises. Despite the fact that the authors have identified main risks influencing the performance of Kazakhstani enterprises, information about the measures, instruments, risk management model as well as contingency planning effectiveness of the companies were not addressed.

Given increasing levels of future uncertainty due to the global as well as national events, the role of risk management and contingency planning has been increasing. The current situation between Russia and Ukraine has triggered the economic and financial sanctions, which have a considerable impact on the performances of the companies. Mami and Kenzheali (2022) reported that ongoing war has created additional risks for Kazakhstani companies including disruptions in supply chains and transit capability of Kazakhstan, the increase in exports as well as inflation rates, swings and roundabouts.

As Kazakhstan continues its political course of economic integration with the global economy through facilitation of international trade, foreign investments and joining regional and international trade blocs, the companies originated in the country are expected to learn how to adapt to changing business environments and mitigating the risks arising from the uncertainty. Hence, the current research work is

intended to analyze the crisis/risk management as well as contingency planning practices implemented by the Kazakhstani companies through application of mixed research methods such as surveying (quantitative) and interviewing (qualitative) methods of data collection.

1.2 Problem Statement

Current global events influence the Kazakhstani companies, which require effective risk management practices as well as contingency planning. However, analysis of previous works on the crisis management and contingency planning practices has identified the gaps among the Kazakhstani companies. Therefore, the current work is intended to analyze the effectiveness of crisis management and contingency planning practices among the Kazakhstani companies, which would lay the foundation for further works related to this topic contributing towards the risk management field in the country.

1.3 Research Questions

1. What are internal and external factors influencing the risk perception and risk attitudes among Kazakhstani companies?
2. What frameworks (international and local) are in place for an effective risk management process in Kazakhstani companies?
3. What are common challenges related to nurturing a risk-averse organizational environment in Kazakhstan?
4. How can Kazakhstani companies mitigate potential business-related and external risks influencing the business operations?

Overall, the research work will be developed around the aforementioned research questions, which are expected to bring a light on the current state of crisis management and contingency planning among Kazakhstani enterprises, to identify best practice cases and obtain information for developing further recommendations.

2 Literature review

The current section of the research work is dedicated to an analysis of the existing academic literature related to the risk and uncertainty management, types of risks arising from the business as well as macroeconomic environments, theoretical frameworks related to the risk management and potential benefits arising from enterprise risk management.

2.1 Key definitions and Historical Overview

The term “risk” in business refers to the degree of a change that may occur in the future with the potential negative influence on a firm’s operations (Park and Shapira, 2017). Indeed, in case of the risk, a decision maker is aware of the potential outcomes and their probability, which makes a risk measurable (quantifiable).

On the other hand, the term “uncertainty” refers to a situation where a decision maker does not possess any information regarding the outcomes and uncertainties. Thus, it makes an uncertainty as non-measurable (Johnson and Busemeyer, 2010).

There are two main types of risks such as systematic and unsystematic in the financial management, which have considerable impact on the financial soundness of the companies (Sukrianingrum and Manda, 2020). Systematic risk refers to the type of risk that is common for an entire market or economy (Chen, 2022). Systematic risk influences on all market participants rather than a single company. On the other hand, unsystematic or company-specific risk is a type of risk that is inherent for a single company or an industry. Indeed, unsystematic risk can be mitigated through diversification (Chen, 2022). It can be concluded that every firm is exposed to both types of risks based, which make up a total risk for a company. Moreover, it is necessary to note that unsystematic risks are within the control of a firm, while systematic risks are not.

Aven (2016) stated that the risk management process is focused on determination, assessment and response to the risk factors that arise from the business operations of a business. The author identified an effective management process as an attempt to control as much as possible future consequences by behaving proactively.

According to Dionne (2013), risk management has emerged as an important tool for both individuals as well as companies after World War II. Indeed, the emergence of risk management in the post-war period was associated with an expansion of the insurance market. Over the course of financial market developments, new forms of risk management instruments have emerged. The application of the financial derivatives as risk management instruments gained popularity in the 1970s due to rising costs of risk management by applying insurance market instruments. The regulation of the risk management practices among the companies has intensified in the 1980s as the companies started aggressive use of risk management practices. As a result, the changes contributed towards the development of different risk and capital management models by financial firms. Dionne (2013) argued the prudent risk management practices have failed in anticipating the Global Financial Crisis in 2007-2008.

Due to failure of the risk management models in anticipating the failure in the financial industry in 2008, new regulations and risk compliance standards were adopted (Ozdemir, 2018). The Basel Committee enforced intensive regulations in the banking and financial sector. It is necessary to note that prior to the Global Financial Crisis of 2008, the Basel Committee had introduced Basel I and Basel II capital requirements. However, the crisis had demonstrated insufficiency of these requirements and Basel III requirements were imposed on the banking sphere. Basel III requirements have pushed financial intermediaries such as banks and insurance companies to look for efficiency and achieving high levels of the return-on-equity (ROE) given the capital restraints. Hence, most of the financial intermediaries have since been looking for the optimal capital structures and financial management, which could ensure the highest possible ROE. Apart from the capital restrictions, additional measures have been introduced in order to improve proactive behavior, which included the development of effective partnerships between the risk and finance functions to achieve an effective capital management through determining optimal risk and return capital strategies. Moreover, the adoption of the International Financial Reporting Standard (IFRS) 9 was another measure to ensure appropriate risk management strategy in companies. Ozdemir (2018) stated that IFRS 9 introduced predictive models of

risk measurement rather than accounting-based models, which requires companies to measure Expected Credit Losses (ECLs).

2.2 Risk Management Frameworks and Standards

Furthermore, Popchev, Radeva and Nikolova (2021) stated that disruptive innovations and accelerated digitalization of the business processes have contributed towards the emergence of new types of risks that companies have to deal with. In particular, the authors accentuated on the emergence of Web 4.0 and Artificial Intelligence. The general frameworks in risk management such as ISO standards (e.g. ISO 31000: 2018 Risk Management-Guidelines ISO/Guide 73:2009, ISO 31010, USA: NIST SP 800-37 Risk Management Framework for Information Systems and Organizations) were addressed. Based on the ISO 31000: 2018 Risk Management Guidelines, the authors have developed a risk communication model, which is outlined in the following Figure 1:



Figure 1: ISO 31000: Risk Communication Culture (Popchev, Radeva and Nikolova, 2021)

Most importantly, Popchev, Radeva and Nikolova (2021) compared the differences between risk management frameworks, which are outlined in the following Figure 2:



Figure 2: The comparison of different risk management frameworks (Popchev, Radeva and Nikolova, 2021)

FERMA (Federation of European Risk Management Associations) risk management framework consists of the six steps, which include the risk assessment, risk reporting, decision, risk treatment, residual risk reporting and monitoring. Other hand, NIST (National Institute of Standards and Technology) focuses on three most important steps that include risk assessment, risk mitigation and evaluation and assessment. As it can be observed from Figure 2, three stages in the risk management model of NIST encompasses several key activities such as the characterization of the system, identification of the threat, determination of vulnerability, risk analysis, recommendations on risk controls and documentation of the results (NIST 800-37). On the other hand, the older version of the risk management model by NIST (800-30), consisted of the risk framing, risk assessment, risk response and monitoring the risk (Popchev, Radeva and Nikolova, 2021). All of the risk management frameworks are focused on ensuring an effective control over the risks arising from the technology usage in business.

Furthermore, Themsen and Skaarbaak (2018) focused on risk management practices in a mega-project in order to analyze a best-practice risk management framework and risk management technologies in the translation of uncertainties into risks. The authors have classified risks into pure and impure risks. The degree of purity of a risk depended on the interpretation of a risk by a risk consultant. The risks accepted were pure risks, whereas the impure risks were risks that caused disagreements. Indeed, the longitudinal analysis of the project demonstrated that impure risks challenged risk consultants in a way that the inclusion of such risks and acceptance increased the overprotectiveness of the project. Hence, it was concluded that ensuring effective congruency between risk management practices and technology in projects, it was essential to adjust the technology to changing environments.

A business is exposed not only to external risks, but its actions tend to contribute to an increase/decrease of risk (Lamine, Thabet, Sienu, Bork, Fontanili and Pingaud, 2020). The process-based risk management has become one of the essential tools in decreasing company-specific risks. One of such tools is a Business Process Management and Risk Management (BPRIM), which aligns the risk management process with the process design within the organization:

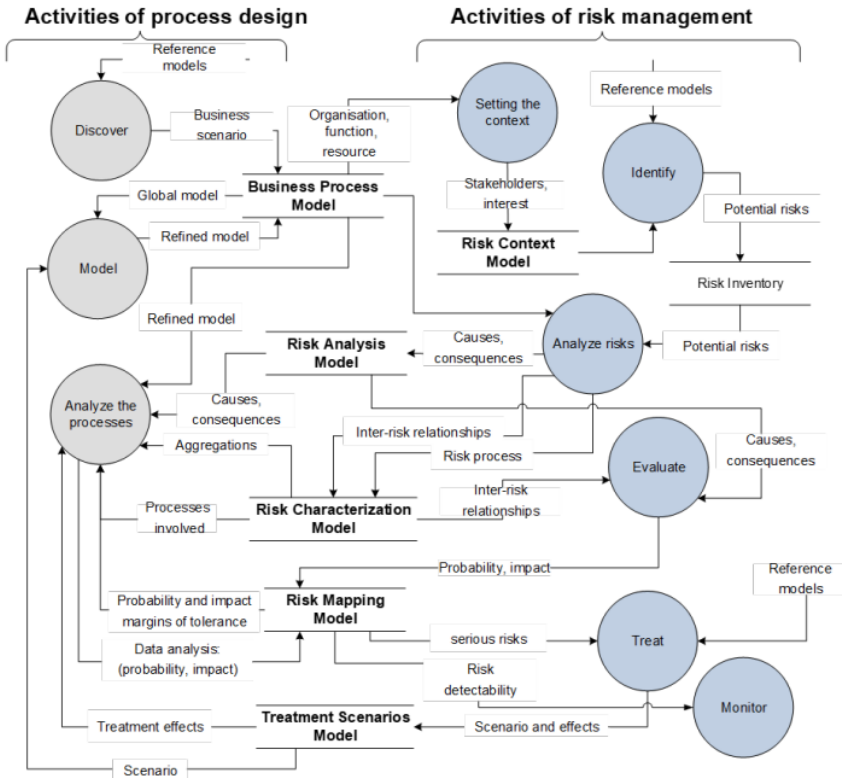


Figure 3: BPRIM framework (Lamine, Thabet, Sienu, Bork, Fontanili and Pingaud, 2020)

Moreover, the risk management approach proposed by the authors is based on four different stages, which are as follows:

1. Contextualize
2. Assess
3. Treat
4. Monitor

The first stage of the BPRIM considers the contextualization of the management approaches of combined management of risks and processes. The assessment stage is focused on the identification and implementation of the joint investigation of how risks and business processes interact. The primary aim at this stage involves the risk identification and prioritization. During the treatment stage, it is necessary to determine the set of alternatives that triggers a new type of iteration of the assessment stage. In other words, the treatment stage is focused on testing different alternative options. The monitoring stage is focused on the assessment of whether the undertaken alternative measures were in compliance with the predefined instructions.

Overall, risk management frameworks tend to be different depending on the risk policies, procedures, types of risks and the business environment where a firm operates. Understanding internationally accepted risk management models provides a better understanding of risk management approaches that are commonly implemented by the organizations.

2.3 Risk Management Theories

Risk management theories are mostly interlinked with the financial and economic theories. Clifford and Smith (1995) addressed the risk hedging as an effective risk management strategy using financial derivative instruments. The authors considered the potential risk management effects by analyzing a company's corporate risk management strategy, financing and investment policies. The application of financial derivatives requires thorough investigation and risk assessment based on conducting linear regression analysis. According to Mikes and Kaplan (2014), contingency theory of an enterprise is a

framework, which explains main motives of an enterprise to mitigate the risk exposure levels. The contingency theory of an enterprise is based on the assumption that there is no best alternative or a way of organizing a corporation, governing an enterprise or making decisions. Hence, an enterprise management depends on several methods as well as factors that constitute an effective corporate governance. An enterprise risk management is one of corporate governance instruments available for achieving effective corporate governance. The authors stated that the development of the contingency systems within an organization requires more advanced understanding of not only the nature of relevant risks, but also the nature of an enterprise risk management.

Lai and Samad (2010) defined “an enterprise risk management” as “a practice of identifying, evaluating and mitigating the contingencies that arise from internal and external environments”. Enterprise Risk Management (ERM) encompasses the broad measures that are available for a company to manage adverse negative changes occurring in its business environment.

2.4 Advantages of ERM

According to Muslih (2019), effectively implemented enterprise risk management could have a positive impact on a firm's performance. Based on the quantitative research method implemented on research data consisting of information about the publicly listed companies in Indonesia, the author identified the prevalence of a positive correlation between ERM and firm performance. Contrary, the author did not find research evidence supporting the notion on the positive impact of the corporate governance on the ERM.

Furthermore, Acharyya (2008) stated that even implementation of the simple risk management techniques such as balanced scorecards could have a positive contribution towards enhancing the risk exposure among the insurance companies. Moreover, the introduction of the balanced scorecard has positively contributed towards an enhanced economic value-added. Furthermore, Naik and Prasad (2021) highlighted on the benefits of enterprise risk management practices such as enhanced of cost effectiveness, the stabilization of a firm’s earnings, increased profit levels, enhanced decision-making, improved and effective risk communication, achievement of a competitive advantage by effective

resource allocation all of which contributed positively to a firm's value and value. The authors noted the necessity of ERM in countries with unstable macroeconomic and financial environments.

ERM and Contingency planning around the world

Risk management and contingency planning are two widely addressed topics in business management. Norman and Jansson (2004) analyzed Ericsson's risk management strategies to mitigate the supply chain risks after a serious sub-supplier accident. The company had to address the risks arising from the failure of a sub-supplier in one of the major contracts of the company. As a result, it was found that the underestimation of the risks arising from the supply chains could result in devastating impacts as Ericsson failed to monitor and control the risks.

Moreover, the authors such as Rigby and Bilodeau (2011), Coker and Mounier-Jack (2006), Trzeciak and Rivers (2003) mostly focused on the social, health and environmental risk management in both developed and developing countries. The common social crises such as the spread of infectious diseases, the environmental disasters and others were found to influence the well-being of the enterprises. Contrary, Wu and Olson (2009) examined the common risks of the small business by focusing on the European companies. According to authors, the main risks for small businesses in the region included the liquidity risk, high levels of competition and inadequate capital management practices. On the other hand, Ekwere (2016) studied enterprise risk management and contingency planning in the case of the small and medium enterprises (SMEs) in OECD countries. According to the author, SMEs are exposed to greater risks due to the firm size and constrained access to the capital for the further growth of the business. Moreover, the research results indicated that SMEs were more vulnerable to the external risks than large multinational enterprises, which can be explained by the existence of the well-developed enterprise risk management and contingency planning tactics among multinational enterprises.

Moreover, Zhao and et al., (2013) has conducted research work examining the success factors of enterprise risk management among the Chinese companies. The research evidence suggests that the

Chinese construction companies developed highly effective risk management practices, which was partially due to the industry requirements as well as regulations that were strict in case of Chinese construction and real-estate market.

2.5 Conclusion

In conclusion, an analysis of existing academic literature on risk management has provided with more detailed and insightful information about the types of risks (systematic vs. unsystematic), risk management approaches and frameworks, risk management theory as well as the benefits of an enterprise risk management (ERM). As noted from the analysis, constantly monitoring and mitigating enterprise risks is a more cost-effective strategy rather than dealing with the consequences of unmitigated risks. The literature review demonstrated the importance of ERM as an effective instrument of corporate governance that cannot be neglected. Therefore, risk and crisis management competency development should become one of the fundamental aspects of effective corporate governance. The literature review has demonstrated the differences in the approaches and as well as the risk factors influencing the organizational performance. The common finding was that the risk management and contingency planning practices were dictated by factors such as firm size as well as competition.

3 Research Methodology

3.1 Introduction

In order to achieve the research aims and objectives, it is necessary to develop appropriate research methodology, which will be effective in collecting required and relevant research information. Hence, this section will outline the research method, its justification, potential advantages and disadvantages, sampling approach and potential ethical concerns. Moreover, the section will address research hypotheses, which are based on the information analyzed in the “Literature review” section of the research.

3.2 Research Hypotheses

Current research project is focused on evaluation of risk and crisis management practices in line with the contingency planning competencies in Kazakhstani companies. Based on the analysis of existing

academic literature and authors' own research on the topic, the following research hypotheses were developed:

Hypothesis 0: Kazakhstani companies are equally exposed to internal as well as external contingencies affecting their overall performance.

Hypothesis 1: Kazakhstani companies possess adequate knowledge on enterprise risk management practices and utilize them in effective contingency planning.

Hypothesis 2: The nature and effectiveness of enterprise risk management as well as contingency planning competencies in Kazakhstani companies are dictated by firm-specific factors such as firm size, nature of operations and industry requirements.

Overall, developed research hypotheses are focused on framing the research theory and enable authors to develop data collection strategies specifically designed to collect evidence supporting or neglecting the hypotheses.

3.3 Research Method

Taking into consideration the specifics of the research topic and its relevance to the specific group of prospective research respondents, it is decided to implement mixed research consisting of quantitative (surveying) and qualitative (interviewing) techniques. Administering quantitative research will be achieved through online surveying tool, Google Forms. The selection of the mixed research methods will ensure research data reliability and viability based on which logical conclusions will be made.

However, it is necessary to address potential benefits and shortcomings of the selected research method. Gunbayi (2020) stated that mixed research methods are commonly used by researchers since they provide more detailed and relevant research data on a research topic. On the other hand, Allwood (2012) argued that during the application of mixed research, the distinction between the qualitative and quantitative methods is problematic to identify. Nevertheless, Agerfalk (2013) highlighted data diversity as one of the significant advantages of implementing mixed research methods. Malina, Nottklij and Selto (2011) stated that the primary advantage of implementing mixed research methods is that a

researcher is able to participate in the data collection process, especially in the case of qualitative research to ensure obtaining unbiased information. Overall, these primary advantages and disadvantages need to be considered in implementing the research since these factors can have considerable impact on the data quality.

3.4 Sampling Technique

Given the specifics of the research topic, it is decided to apply a purposeful sampling technique, which was found as an effective sampling strategy. The purposeful sampling technique targets a specifically required sample population, which fits the research topic and objectives. Acharya and et al., (2013) stated purposeful sampling techniques enable a researcher to exclude irrelevant samples and specifically target needed sample population, which increase data reliability as well as quality.

Primary characteristic in purposeful sampling technique will be the company and industry that a research participant represents. In other words, the research work will be focused on several industries in Kazakhstan including transportation and logistics, airlines, banking and insurance, manufacturing companies as well as service companies. Hence, the analysis of these industries could provide insightful information about the nature and types of risks, different risk management approaches and procedures, risk management policies as well as contingency planning.

3.5 Data Collection

In order to collect quantitative research data, the surveys will be administered in the companies representing each industry mentioned previously. It is expected to collect a minimum of 80 responses from 5-7 companies representing the industries. The survey will consist of multiple choice, open-end and Likert scale questions aimed at analyzing the risk perceptions, risk culture, internal policies, factors and types of risks that influence a firm.

Furthermore, online and offline interviews will be conducted with the experts and specialists working in enterprise risk management or respondents with relevant work and educational background. Indeed, the interviews will be focused on main challenges in implementing effective risk management practices, national characteristics of risk culture in Kazakhstani enterprises as well as potential

mechanisms/models in developing contingency planning and risk management competences in companies. It is expected to collect at least 5-7 interviews.

Overall, surveys will be focused on analysis of existing risk management practices, risk awareness, competencies, and types of risks and overall internal as well as external factors influencing on the company's operational performance, while interviews will provide with insightful information on the nature of risks faced by Kazakhstani companies, risk models and implementation among them.

3.6 *Data Analysis*

Obtained research data will be analyzed through implementation of basic statistical measurements, descriptive statistics as well as comparing the responses with the information obtained from interviews.

The information will be analyzed using graphs as well as other measures in order to determine the degree of interrelationships between identified risk variables. Data analysis will combine both statistical and descriptive methods of analysis.

3.7 *Ethical Considerations*

Ethical challenges tend to arise over the courses of conducting research. Taking into account the application of a mixed research method consisting of surveying and interviewing, it is important to address potential ethical issues. First of all, the language barrier is one of the most common issues as both survey and interview respondents may not possess advanced levels of English. Hence, it could lead to the misinterpretation of the questions leading to data validity and reliability issues. Thus, it is decided to interpret the survey and interview questions into Russian language to provide the respondents with a high level of understanding so that they could more objectively provide answers. Second and the most important ethical issue is related to the potential disclosure of personal information. To prevent the disclosure risk, it is decided to exclude personal information from surveys and all respondents will have to read and agree on the survey terms before proceeding to the questions. As for interviews, it is decided to ask for the permission of respondents for disclosure. In case of refusal, interviews will be assigned a unique code such as "Respondent 1, Respondent 2". Furthermore, in order to ensure data reliability, all working papers as well as responses will be provided in the "Appendix" section of the final draft.

4 Research Findings and Analysis

4.1 Introduction

This section of the diploma research project is dedicated to the analysis of the findings from the surveys and interviews conducted to obtain valuable information about the crisis management initiatives and contingency planning practices. The findings of the research will be grouped into demographic findings, risk management and contingency planning practices and overall perceptions related to the risk management practices.

It is important to note that it was expected to obtain a minimum of 80 complete surveys from at least five companies, which could provide more detailed information about the research topic and its relevance in analyzed companies.

4.2 Demographic and General Findings

The current section is focused on the analysis of the demographic and general findings related to the research work. In total, five experts specializing in finance and accounting, internal audit and risk management were interviewed. Based on the confidentiality and anonymity concerns, the respondents' names were coded as "Interviewee 1, Interviewee 2 and etc." Interviewees represent the following industries:

Table 1: *Interviewees and relevant industries*

Interviewee	Industry
Interviewee 1	Airlines
Interviewee 2	Banking and Finance
Interviewee 3	Manufacturing
Interviewee 4	Oil and Gas
Interviewee 5	Transportation and Logistics

As it can be observed from Table 1, interviewees represent major industries of the Kazakhstani economy. Therefore, it is expected that the results of interviews will bring a light about the crisis and risk management as well as contingency planning efforts present in these industries.

Overall, it was expected to obtain at least 80 complete surveys. The total number of responses was equal to 74. The survey respondents' age structure looks as follows:

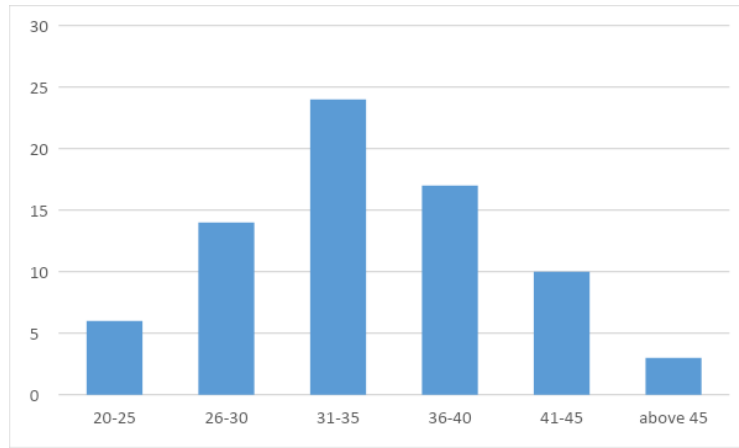


Figure 4: *Age structure of the survey respondents (by Authors)*

As it can be observed from Figure 4, the majority of the respondents were aged 31-35 years. The average age of the respondents was equal to 35 years. However, it is necessary to mention that the second largest age group is 36-40 years. It is necessary to note that the interviewee's average age was equal to 33 years.

Out of 74 respondents, 35 were females and 39 respondents were males. In the case of the interview participants the number of females was equal to 2, while males were 3. Furthermore, it was important to analyze the work experience of the respondents in order to have a better understanding of the awareness about the risk management, crisis and contingency planning activities within the organization.

Therefore, the following Figure 5 summarizes information about the work experience levels of survey respondents:

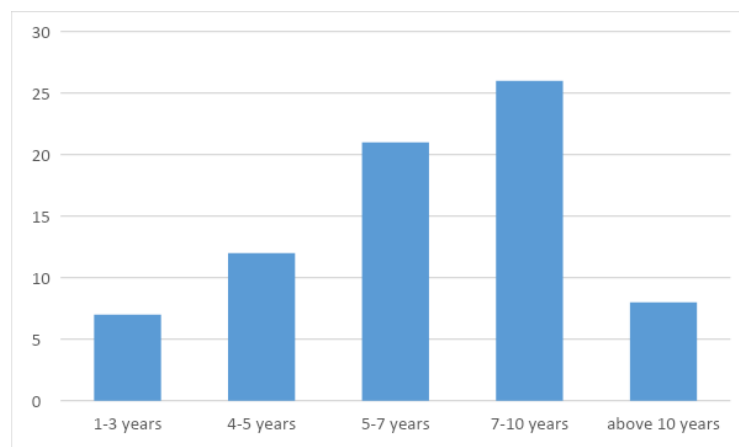


Figure 5: *The work experience levels of survey respondents (by Authors)*

Figure 5 shows that the majority of the survey respondents possessed the work experience of 7-10 years, which is considered as an important research finding. It was assumed that the more the work experience, the more a survey respondent had the knowledge about the research subject. Therefore, it is logical to conclude that the average work experience of the survey population ranged between 6 and 10 years. On the other hand, interviewees average work experience in respective companies was equal to 5.5 years.

Next, the survey participants were asked to indicate the department/function they worked for. The functional/departmental differences would also provide insightful information about the risk perception and mitigation practices in organizations. Thus, the following Figure 6 represents information about the main functions where survey respondents work for:

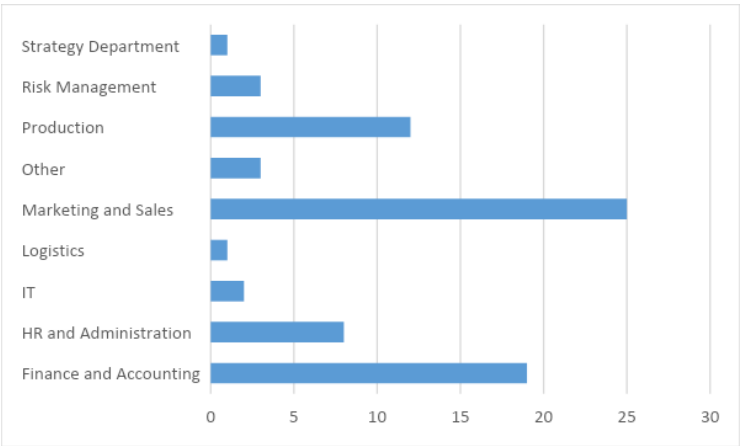


Figure 6: *Departmental relevance of the survey respondents (by Authors)*

As noted from the figure above, the majority of the survey respondents represented “Marketing and Sales” (25) followed by “Finance and Accounting” (19) and “Production” (12). Interestingly, only 3 survey respondents were from the “Risk Management” Department. Similarly, 3 interviewees were from the “Finance and Accounting” and 2 represented “Risk Management” Department. Therefore, it is assumed that the representatives of finance, accounting and risk management functions could have better understanding about the risks related to finance and economic changes, while other functions could have better knowledge of the risks from the company operations.

Overall, the demographic and general findings demonstrated that the sample population was representative and included strong evidence such as work experience levels and different business functions, which contribute to research data quality.

4.3 Company and Industry Findings

In order to analyze the degree of representativeness of the sample population, the survey participants were asked to indicate their current company they work for. The obtained information was then structured and the industry relevance was assigned. Hence, the following Figure 7 represents information about the industries that participated in surveys:

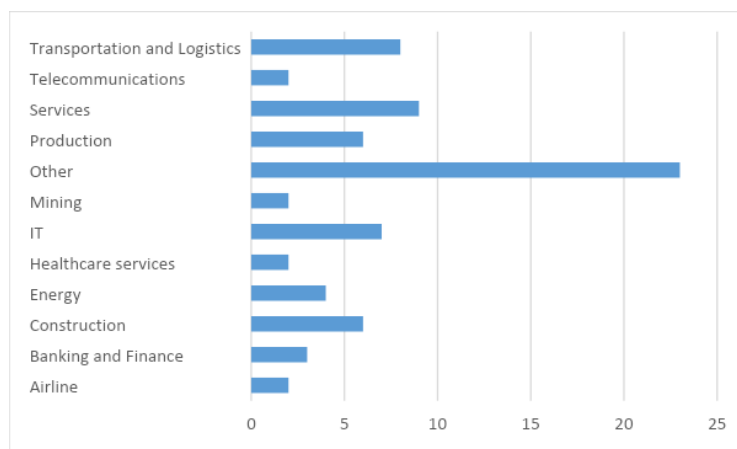


Figure 7: Industry relevance of the survey respondents (by Authors)

It is noted that the “Other” category was the largest and included small companies such as retailers, resellers, the providers of the healthcare services, agricultural farms, clothing, hotels and others.

Moreover, the most represented industry in the survey was “Services” (9) followed by “Transportation and Logistics” (8) and “Construction” (6) and “Production” (6). Indeed, the variability of the operational risks could be present in each industry, which was the main motivation to determine the industry being represented in the surveying process.

Based on the assumption a firm size could be another factor influencing the risk exposure apart from the industrial characteristics, survey participants were asked to indicate the size of their organizations. The following pie chart summarizes key findings:

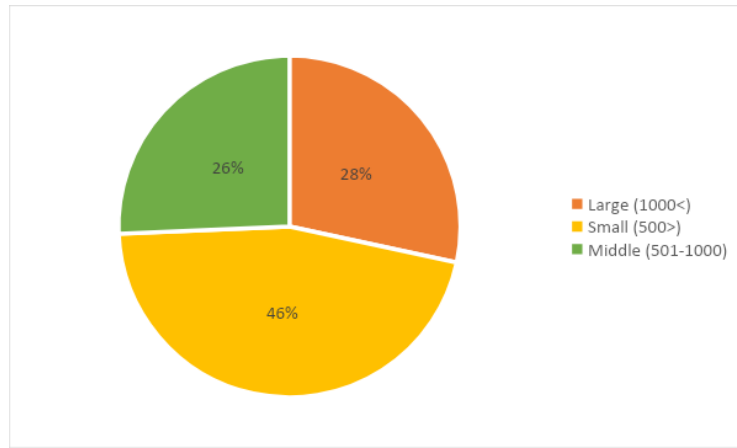


Figure 8: *A firm size (by Authors)*

Based on the observations, it can be concluded that the majority of firms participating in the survey fell under the category of “Small” (46%) with less than 500 employees. Notably, large companies made up the second group with 28% being followed by medium-sized companies representing 26% of the total sample population. Moreover, the analysis of operations scope was another key factor that would bring a light on the levels of risk exposure of an organization. Therefore, the survey participants were asked to determine the scope of operations of their respective companies. Main findings suggested that 81% of the organizations included in the sample population operate only in the Kazakhstani market, while 17.5% surveyed organizations operate in post-Soviet country markets.

Next, the survey participants were asked to determine key external factors influencing their enterprises. They were asked to indicate up to three main factors, which they considered as the most influential. The main findings are summarized on the following Figure 9:

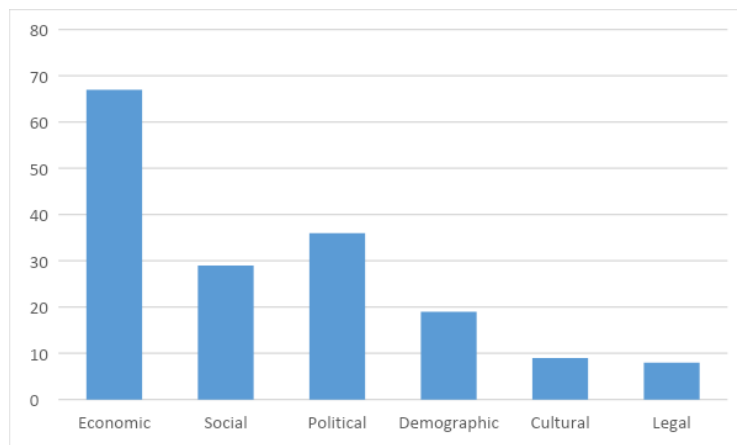


Figure 9: *Main external factors influencing on company operations (by Authors)*

As it can be seen from the figure above, the most rated external factor was the economic factor.

Therefore, it can be concluded that the majority of the companies in Kazakhstan are exposed to the risks arising from the economic environment in the country. The second considered factor was the political factors influencing company operations.

Indeed, the interview participants were asked about the main external risks influencing their company operations. Interviewee 1 stated that political factors was the main source of the risk in an airline industry:

“Airline industry to a large extent depends on political factors. Based on the experience of our company, it can be stated that being a national flag carrier means that our company depends on the political decisions related to strengthening international cooperation with other countries, easing visa regimes and others influence the development of the international routes, entrance of other airlines in Kazakhstan aviation industry. Indeed, air communication with another country is an important aspect of Kazakhstan’s foreign policy. On the other hand, the economic crisis in Sri Lanka, ongoing tensions between Russia and Ukraine in 2022 forced our company to shut down its operations to these countries leading to decreases in our revenues in these markets” says Interviewee 1.

Moreover, Interviewee 2 stated that the main source of the risk for the company was economic factors such as inflation rates, key interest rate changes and the devaluation of the national currency. However, it was noted that political factors have also imposed additional challenges. It was reported that imposition of the economic sanctions on Russia and the closure of Russian commercial banks were key challenges on the banks as additional control mechanisms were introduced to control financial transactions between Kazakhstani and Russian banks.

Interviewee 3 considered the following factors as imposing additional risks on his company:

“Manufacturing industry has not been completely recovered from the consequences of the COVID-19 pandemics that negatively influenced on the supply chains and imports of the required raw materials Ongoing COVID-19 restrictions in China as well as Russian-Ukrainian military conflict had significantly influenced on the transportation and raw material costs. Our company has experienced temporary issues in receiving ordered purchases from Russia and China, which led to rescheduling the manufacturing plan. As a result, it influenced on the availability of our products to our customers”

Interviewee 4 considered as key factors influencing on the company and industry the situation in Ukraine that triggered economic sanctions and significantly limited transportation of the oil and gas products. Moreover, imposed economic sanctions negatively influenced the economic relationships with Russia, which is considered as a main transit country for Kazakhstani oil and gas products.

Interviewee 5 considered political factors as a main source of risks for the company. COVID-19 had led to re-consideration of the transportation routes. The situation around Russia and Ukraine did not have much influence, but it contributed towards the limitations of the transportations due to the economic sanctions constraining the financial transactions between Russia and Kazakhstan.

4.4 Risk Management, Contingency Planning and Perceptions

In order to examine the degree of risk awareness and risk perceptions, survey respondents were asked to report about the risk management practices, communication and training initiatives. In order to assess risk management practices among companies, Likert-scale questions were implemented during the online surveying process.

In order to examine the effectiveness of the risk management and contingency planning, the survey respondents were asked to evaluate the statements about risk identification, monitoring, control and planning. The results of the analysis are demonstrated in the following Figure 10. It is important to note that Likert-scale responses were transformed into weighted average responses by using MEAN formula in order to derive average rates:

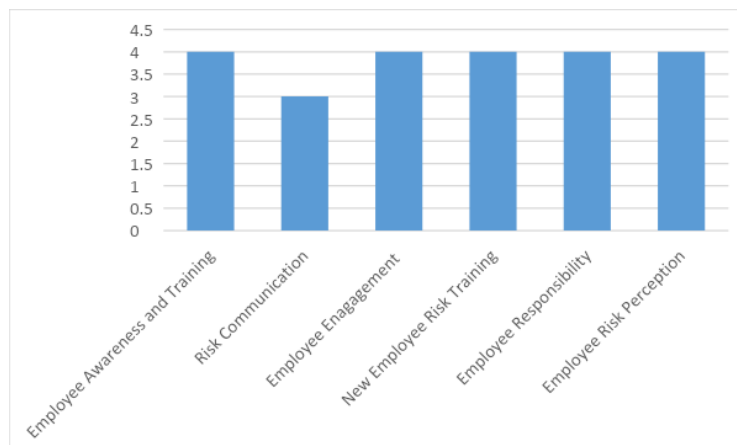


Figure 10: Assessment of risk management practices by employees (by Authors)

Figure 10 represents information about an employee’s assessment of risk management practices in their respective organizations. The survey respondents were asked to rate each activity based on 1-5 scale, where “1” means “strongly agree” and “5” means “strongly disagree”. The averaged results of the survey responses found that employee awareness and training, employee engagement in risk

management practices, training of new employees about potential risks, employee responsibility in risk management and employee risk perception levels were weak in selected companies. On the other hand, the risk communication practices received a more neutral response with score “3”. Hence, it leads to the conclusion that risk management practices and initiatives among the Kazakhstani companies were weak. The majority of survey respondents indicated low levels of engagement, clear understanding of required actions, instructions and roles in mitigating the potential risks. Thus, it leads to a conclusion that the risk management practices in observed organizations lacked the systematic approach so that the organizational level actions would be taken. As a result, the risk management practices and initiatives cast a doubt on being effective.

Moreover, interviewees were also asked if their companies possessed systematic approach in risk identification, evaluation, mitigation and control.

Interviewee 1 stated the following regarding the risk management practices in their organization:

“Risk and crisis management is crucial as it is dictated by both the legal and industrial requirements. Therefore, ensuring minimized influence of the risks is one of the key aspects of the airline’s strategy. Thus, the risk is constantly monitored, assessed and managed at different levels. The company has the Risk Management Function, Internal Audit services and Corporate Compliance departments that are engaged in risk management practices. Moreover, the company is committed towards the development and promotion of the risk-averse culture. More importantly, we consider the operational risks to be controlled and managed to prevent any accidents.”

Interviewee 2 stated that the majority of the risk management practices in the company is managed by the Risk Management and Compliance Department. Moreover, it was found that the nature of the operational risks was different from other types of companies and industries. The common risks were related to personal data security, financial risks, liquidity risks and credit risks. Hence, it leads to a conclusion that industry specifics and company operations tend to influence the nature and source of risks as well as the risk mitigation approaches.

“Before COVID-19 pandemic, no special attention was given to the risk management activities in our company. More importantly, the importance of the risk management practices was limited to the accident prevention at workplace, which was a legal requirement as for any manufacturing company. However, the pandemic and following geopolitical turbulence caused by the military conflict between Russia and Ukraine demonstrated that we needed to develop and address the risk management practices as our company entered the turbulent period where things change quite fast. Now, the

company started risk management process integration that was initiated by the top management. Therefore, I can conclude that the systematic approach in risk management is under the development process in our company” says Interviewee 4.

Moreover, Interviewees 4 and 5 stated that the risk management was considered as something abstract for their companies. The changing business environment pushed their companies to analyze, classify and mitigate the potential negative consequences of the risks. They admitted that even though the management actions to address the risks may not fully hedge their companies, they were focused on reducing the risks.

Furthermore, the survey intended to analyze the effectiveness of the risk management practices present in surveyed organizations. The key findings are demonstrated in the following Figure 11:



Figure 11: Risk Management and Contingency Planning Effectiveness (by Authors)

Based on the 1-5 scoring system, it was found that the risk management and contingency planning effectiveness of the surveyed companies was relatively weak in line with the risk reporting effectiveness as well as risk investigation, control and monitoring. Figure 11 shows that the opinion about the risk management and contingency planning was split among the survey participants. Other relevant activities such as effective risk planning and top management involvement received more neutrally positive scores. Surprisingly, the survey findings related to the risk management, contingency planning initiatives show that the effectiveness level of such activities in organizations were considerably weak. Furthermore, the interview participants were asked to evaluate the effectiveness of the risk, crisis management and contingency planning practices in their companies. The interview results demonstrate

similar findings. For instance, three out of five interviewees reported that these activities were ineffective.

In order to obtain more detailed information explaining ineffectiveness of the risk management and contingency planning practices, interviewees were asked to outline main challenges and issues related to ensuring effective implementation of such practices or increasing effectiveness of existing relevant practices.

“Even though I consider my company’s risk management and contingency planning to be effective, I believe that supporting functional units lack in-depth understanding of the risk-management practices especially among the engineering and maintenance staff. Moreover, the office workers operating in different stations tend to lack an overall understanding of how their behavior and decisions influence the operational risks of the company due to constant and effective communication” says Interviewee 1.

Furthermore, Interviewee 2 stated that the risk management and contingency planning practices in the organization was quite effective:

“As our company was able to overcome the challenges imposed by the pandemic, the risk management and contingency planning have gained special attention by the top management. I consider there were several factors that contributed towards effectiveness of the risk management and contingency planning. Firstly, when a crisis situation occurred the top management reacted quickly and decisively to minimize the negative consequences. Secondly, our IT and Information Systems provided quick solutions to maintain labor productivity. Indeed, without IT support I barely imagine how the entire company could survive and maintain the operations. Thirdly, the company already had established risk management and contingency planning practices that collected information about the risks and communicated approaches of risk minimization”

On the other hand, Interviewee 3 highlighted the factors as well as challenges in ensuring effectiveness of the risk management and contingency planning efforts. It was found that the lack of clearly designed processes and procedures, ineffective roles and responsibility delegation, lack of effective communication approaches in line with the low degree of the top management’s support contributed towards the ineffectiveness of the procedures.

Moreover, Interviewee 4 reported that ineffectiveness of the risk management and contingency planning competencies was related to the lack of special functions such as Risk Management function as well as risk management expertise in the organization. However, the pandemic of COVID-19 has had significant influence on the need for systematic approaches to the crisis and risk management in order to ensure a high level of organizational productivity. Interestingly, Interviewee 4 noted that the main

problem related to these initiatives was also a wrong perception of the employees that a particular risk will not influence them at all.

In addition, interview participants were asked to outline main firm-level factors that contribute towards riskiness of their companies. The firm-specific factors that were found to influence a firm risk included a firm size, the industrial characteristics, existence of the risk management and contingency planning practices, organizational culture, effectiveness of top management's corporate governance, and the nature of operations. Indeed, these factors could provide information about the main determinants of a firm-specific risks that are within the control of a company and can be mitigated.

Based on the extensive and detailed analysis of interview and survey findings, it can be concluded that the research Hypothesis 1 is rejected. On the other hand, the findings supported the research Hypothesis 2, which was accepted.

Last but yet importantly, interview participants were asked to provide practical recommendations related to enhancing and developing risk management and contingency planning competences. Based on the interview findings, the development of the competences related to the risk management and contingency planning requires the followings:

1. Changes in the organizational culture through focusing on the development of risk-aware culture that is expected to influence all aspects of the organizational performance. Changes on the organizational level will have considerable impact on the risk perception of the employees and would nurture risk-aware behavior (Interviewee 1).
2. It is recommended to develop more effective organizational communication systems that would improve risk identification, reporting, monitoring and mitigation. Effective organizational communication should be in two directions: from top to the bottom and from the bottom to the top (Interviewee 2). Effective communication will ensure taking required preventive measures that will ensure the minimized impact of the risks. Moreover, it will ensure more effective and fast information exchange required for decision making.

3. Moreover, it is recommended to establish key functions such as internal audit and compliance and risk management (Interviewee 3). The development of such functions will positively influence the development of the risk management and contingency planning knowledge generation and dissemination. It is critical for a company to ensure unbiased and objective risk management practices where employees will be able to share their risk-based concerns with the functions that will be able to address the risks and communicate it to the top management. Given the high level of independence assigned to aforementioned functions in reporting the risk concerns, a company will achieve more desired outcomes.
4. In addition, it is also recommended to develop the information systems such as HR, human resources, ERP and overall management systems to include the risk management and contingency planning as an integral function (Interviewee 4). The development and integration of the risk management and contingency planning practices within the framework of the information system will ensure systematic nature of the relevant activities.
5. Last but important, the company aiming at developing the risk management and contingency planning practices should develop appropriate training and learning programs (Interviewee 5). The development of such programs will enable top management's expectations on the risk management and contingency planning. Moreover, it will increase employee engagement and involvement in risk management practices.

Overall, the research findings and analysis section has provided insightful information about the current state of risk/crisis management and contingency planning activities present in the organizations that participated in the research work.

5 Conclusion

In conclusion, the current diploma research work intended to examine the current state of risk/crisis management and contingency planning practices in Kazakhstani companies, main internal and external factors influencing the risk levels, main problems related to the development of the risk-aware and risk-averse corporate culture in enterprises. Based on the observations and analysis of the existing academic literature review, the following research hypotheses were developed:

Hypothesis 1: Kazakhstani companies possess adequate knowledge on enterprise risk management practices and utilize them in effective contingency planning.

Hypothesis 2: The nature and effectiveness of enterprise risk management as well as contingency planning competencies in Kazakhstani companies are dictated by firm-specific factors such as firm size, nature of operations and industry requirements.

In order to test these research hypotheses, the mixed research methodology was implemented by relying on the quantitative (online surveying) and qualitative (interviews) data collection techniques. Overall 74 complete survey responses and five interviews were collected. The research findings demonstrated that implementation of the crisis/risk management and contingency planning practices have gained considerable attention by the companies in recent years, which was mainly dictated by the political, social and economic factors. Nonetheless, the research evidences did not support hypothesis 1, which was rejected. Based on the survey findings conducted among company employees found low levels of effectiveness in risk management and contingency planning practices. Namely, it was found that risk reporting effectiveness as well as risk investigation, control and monitoring were weak. Also, employee risk awareness and training, employee engagement in risk management practices, training of new employees about potential risks, employee responsibility in risk management and employee risk perception levels were weak in selected companies. Moreover, it was found that the main risk factor for Kazakhstani companies was economic factors.

On the other hand, the research findings supported hypothesis 2. Specifically, interview findings demonstrated that risk management and contingency planning practices were influenced by the firm-specific and industry-specific factors. Based on the results of the research several recommendations have been made on to develop required competencies in achieving effective risk management and contingency planning practices.

Overall, the research results have demonstrated the country-specific variances in comparison with the works analyzed in “Literature Review” section, where ERM and contingency planning practices were analyzed among OECD countries, European companies and Chinese ones.

Potential Limitations

During the research several potential limitations have been identified. Addressing the research limitations could provide the future research works with practical information.

Firstly, the survey sample population was limited to 74 responses, which significantly limits the ability of the author to generalize research findings to the large sample population. Therefore, future research on risk management should consider the extension of survey populations.

Secondly, the application of the mixed methods based on using qualitative and quantitative methods requires additional testing in order to ensure their match with the research subject. Hence, it is recommended to implement other qualitative research to gain qualitative information about the risk management practices.

Thirdly, the potential limitation of the current research work can be the fact that it did not specifically analyzed a few industries, but attempted to address the risk management practices and contingency planning activities in general among diverse companies. While such practice could be effective in obtaining overall information about the research topic, it is limited to address industry-specific variations that have to be considered in examining the risk management and contingency planning activities.

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7 Appendix

7.1 Survey

Dear Participant!

We are grateful for your participation in our questionnaire. The study is dedicated to the assessment of the crisis management initiatives and contingency planning competencies among the companies of Kazakhstan. We assure that your responses will be used solely for academic purposes and no personal as well as confidential information will be disclosed. We are motivated to analyze the crisis management and contingency planning practices at your organization.

We would like to highlight that your honest and true answers are needed, which will enable us to collect objective and reliable information about the research topic to be used in further generalization of the results.

By clicking the “Next” button you agree to participate in the surveying process.

Questionnaire

1. Age _____
2. Gender _____
3. Please indicate your work experience:
 - a. 1-3 years
 - b. 4-5 years
 - c. 5-7 years
 - d. 7-10 years
 - e. Other _____
4. Company _____
5. Please indicate the industry where you work for _____
6. Choose the department within your company
 - a. Manufacturing (Production)
 - b. Marketing and Sales
 - c. Human Resources
 - d. Finance and Accounting
 - e. IT
 - f. Procurement and Acquisitions
 - g. Risk Management
 - h. Other _____
7. Please indicate the size of your business:
 - a. Large (1000<)
 - b. Medium (501-1000)
 - c. Small (500>)
 - d. Other _____
8. Please select the option that suits the organization you work for:
 - a. My company is an international company with operations in CIS and other markets.
 - b. My company is a national company working solely in Kazakhstani market.
9. Please select the external factors that you consider as influencing on your company’s performance (you may select several answers):

- a. Economic
- b. Social
- c. Cultural
- d. Demographic
- e. Political
- f. Legal
- g. Other _____

10. Does your company possess an adequate level of knowledge regarding the risks and take precautionary measures?

- a. Yes
- b. No
- c. Other _____

The next section of the survey is based on the analysis of crisis management and contingency planning competencies of an organization. The questions are formed in Likert-scale format, where “1” means “strongly agree” and “5” means “strongly disagree”.

Crisis Management and Contingency Planning Competencies					
I am aware of required procedures and possess clear understanding what I have to do during the crisis situations	1	2	3	4	5
My company collects and processes information about the potential risk areas on regular basis	1	2	3	4	5
Risks and potential measures of prevention are communicated on the regular basis	1	2	3	4	5
My company possesses risk-averse culture that encourages employee involvement and participation	1	2	3	4	5
I am aware of potential organizational risk factors and take appropriate actions to mitigate the risks	1	2	3	4	5
I consider myself as a risk-aware and responsible employee	1	2	3	4	5
Risk reporting mechanisms are supported, constantly updated by the top management	1	2	3	4	5
New hires are instructed and trained as part of crisis prevention plan	1	2	3	4	5
My company provides with adequate level of training and learning about the risks the company is exposed to	1	2	3	4	5
I believe that my company possesses effective contingency planning and strategy	1	2	3	4	5
Top management actively participates in crisis management and contingency planning activities	1	2	3	4	5
Overall, I consider crisis management system of my company as effective	1	2	3	4	5
The crisis management plans and contingency plans are up-to-date and correspond with the company’s overall corporate strategy	1	2	3	4	5

Comments:

7.2 Interview Questions

1. What are the main external factors you believe influence your company operations?
2. Does your company systematically assess and mitigate the risks with potential negative influence on the company operations and performance?
3. Do you consider current risk management initiatives and contingency planning practices as effective?
4. What are the main challenges related to implementing or improving the effectiveness of risk, crisis management and contingency planning practices at your organization?
5. What firm specific factors do you think influence the risk levels of a company where you work?
6. How can Kazakhstani companies develop risk/crisis management and contingency planning competencies?