FUTURE RISKS AND STRATEGIES: A CASE STUDY OF SAUDI ARABIAN MINING COMPANY

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ABSTRACT

*The occurrence of a series of crises and risks in many public and private institutions in various parts of the world which is the main cause for their explosion due to corruption, mismanagement, lack of control and expertise. Similarly lack of transparency led to the emergence of the concept of good governance which ensures good management of institutions and organizations, and limit the unsound actions by leaders. It is also worth mentioning that governance emerged as part of a global culture to enhance the participation of various parties of community with the government in the making and implementation of public policies to express interaction or partnership between the state, civil society and private sector to achieve sustainable development. The study focuses on concept of risk management and the most important development, its types and dimensions. It will further examines Governance and control mechanisms in the management of risk in an era of unrest and the extent of applying good governance in various stages of precaution strategies in risk management. Content analysis is use as methodology of the paper***.** *Finally, researcher will suggest useful suggestions and recommendation on subject matter.*

Keywords: Future Risks, Strategies, Mining, Saudi Arabia, Transparencey and Corruption.

INTRODUCTION

The issue of risk management has become the focus of many public authorities or regulatory authorities also caught the attention of financial institutions and the G-10 which is the fundamental organization of globalization. It is worth mentioning that traditional risk management focuses on risks arising from physical or legal causes. (Fire, accidents, death and court cases). Financial risk management focuses on those risks that can be managed using financial instruments that focus on those risks that can be managed using financial swap instruments. The study discuses concept of risk management and the most important development, its types and dimensions. It is further examines Governance and control mechanisms in the management of risk in an era of unrest and the extent of applying good governance in various stages of precaution strategies in risk management. Finally, researcher suggests useful suggestions and recommendation on subject matter.

LITERATURE REVIEW

The Conceptulaition of of Risk Management and its Development

Risk from a legal perspective can be deifned as the possibility of an accident in the future,or an unspecified occurrence taking place beyond the parties control, wich might create damage or destruction (Khalid, 2003). It is also defines from a financial perspective as the possibility of a deviation in future that causes the desired outcomes to differ in their realization of what was expected, or the uncertainty of future financial product because of a decision taken by the economic individual in the present on the basis of results of a study on the behavior of the natural phenomenon in the past. In addition, risks also conceptualised from a monitoring perspective as represent the adverse effects arising from expected or unexpected future events that have an impact on the profitability of the institution and its capital. Finally, it is defined from an economic perspective as the case which includes the possibility of deviation from the road that leads to expected or desired result. It is also seen as making differences in the yield between the planned, the required and the expected to 0ccur (Khalid, 2003).

Types of Risks and Its Dimensions

Many researchers in the field of risk management see that there are many ways to classify risk in the enterprise, which are used to determine the overall effect on it, so the author reviewed the types of risks and its dimentions as follows:

Money and business risks

Business risk comes from the nature of the institution, and is linked to factors affecting the market products. The financial risks source is the potential losses in the financial markets as result of fluctuations in financial variables. Normally, these risks are associated with borrowing system (Leverage),where the financial institution is in a financial situation where it can not meet its obligations from its obligations from its current assets.

General and private risks

General risks related to market conditions or the economy. Private Risks related to particular institution or a particular type of asset.

Purely risks and speculative risks

Speculative risk is a position that carries the possibility of either a loss or gain. Purely Risk: is class of risk where the loss is the only possible outcome (Samir, 2005).

Static and dynamic Risk

Dynamic risks means that the risks arise from changes in the economy Static Risks: includes losses that arise from causes other than changes in the economy, such as the dangers of nature and the lack of individuals incorruptness (Alexander, 2003).

The meaning of risk management is the procedures followed by the organizations in a structured way to meet the risks associated with their activities, in order to achieve sustainable advantages of each activity. Risk management is an essential part in the strategic management of any organization or institution. It tightens monitoring and risk control in all activities of the institution and identifying specific treatment for each type of risks and at all levels, in addition to the preparation of studies before or after the losses occur, in order to prevent and stop occurrence, or recurrence of such risks (Abdulsalam,1989).

Among the Main Objectives of Risk Management

Risk management helps to understand the positive and negative aspects of each potential factors that could affect the organization, it increases the likelihood of success and reduces both the probability of failure and the uncertainty of achieving the general objectives of the organization (Vaughan, 1999). Risk management activities should be ongoing and ever-evolving strategy linked to the organization strategy and how to implement it (Ashraf, 2003). Risk management is protecting and adding value to the organization and the variuos stakeholders through supporting the objectives of the organization (Hind, 2003).

The Most Important Steps of the Risk Management Process

The are many important steps to be taken for the risk management process such as planning, identifying, determining the risks, analyzing the risks, risk analysis, describing the risks, risk estimation, preparing risk reports and communications (internal report), preparing risk reports and communications (external report), monitoring and reviewing risk management processes, and Addressing the risk (Todinov, 2005).

Governance and Control Mechanisms in Risk Management in the Era of Turmoil

The extent of application of good governance in various stages of precaution strategies in risk management can be seen in the case study of the Saudi Arabian Minning Company metals.

An Induction of the Company Metals

The Saudi metals company was founded under a royal decree no M/17 dated 22.03.1997, for the purpose of exercising various aspects of mining activities in Saudi Arabia, where its vision and mission are summarized to become a global shareholding and profitable mining company, pay a great deal of attention to human resources, health, risk management, safety and environmental issue, and to reflect this on the ground, there must be a vision and mission molded in a framework of values and principles (represented in teamwork, responsibility and ownership, anti-corruption and impartiality protection, care and prudent risk management governance) which push forward to guide the behavior of employees to achieve activities and works by a performance. Balanced between business, professional and ethical profitability in accordance with the company’s strategy, which works to complete and follow up the implementation of existing projects, with excellence in efficiency, productivity and speed, also further development of the high-yield projects, and low risks (Ashraf, 2003).

Governance and risk management at “*MA’ADEN*” such as (Vice-chairman of the Board of Directors, Directorate of Occupational Safety and Health, Legal Department and Corporate Governance, the General Administration of Financial and treasury, General Administration for Sustainable Development) in addition to the questionnaire which was distributed to various sectors mentioned above,where we found that the concept of corporate governance in Maaden Company is based on three basic pillars represented in corporates system, regulations of corporate governance and the statute of the company, in addition to leading practices that take place in the framework of governance requirements imposed by the Maaden company (Obaid, 2003). The following are the government requirements imposed by the Ma'aden company such as matrix of authorities, conflicts of interest Instructions and professional conduct, punctuality policies and procedures guide, and shareholders guide. In addition, board of directors guide, rules of management committee, rules of strategic risk management committee, regulations of the review committee and regulations of the executive committee. Finally, regulations of the nomination and remuneration committee, social responsibility committee, document of disclosure and transparency policy and document of communication policy for the governance of the company (Hind, 2003).

The Company management through its organizational structure represented in the general assembly of the shareholders wich its main and most important competence is to define the authorities and obligations of the Company or any amendment to the Statute have to refer to the General Assembly and after that comes the Council of Board of Directors: (Executive Committee, Review Committee, Nomination and Remuneration Committee). The executive management is applying the directives and dicisions of the board of directors, and the Nominations Committee emanating from the board of Directors, we find the most important role is the nomination of directors and general managers and as well as the nomination of the new members of the Board from Directors, and a lot of authorities granted to it are mentioned in a special board or regulations of tasks entrusted to this Committee. The question is to what extent maaden company application able to control mechanisms in Risk Management. The meaning of risk management in (MA'ADEN) company is an organized work that includes studying analyzing and categorizing all types of risks to identify and assess the expected work risks during the implementation of the strategic plan and work to avoid them and choose the best ways to confront them when happening to ensure the effective implementation of the objectives with increase in positive opportunities of desired outcomes of the projects and reduce the threats of such projects (Yahia, 2013). The approved plan in risk management for (MA'ADEN) aims to achieve the advantages of each of activities, to Identify risks and address them before getting bigger. In adition, to insert maximum added sustainable value for all project, to helps to understand the potential positive and negative aspects of all factors which may affect the project and to increase the likelihood of success and reduce the probability of failure and the uncertaity of achieving strategic objectives (Yahia, 2013).

It is worth mentioning that risk management is a key requirement contained in regulations of corporate governance of Saudi Finance Market Authority which defines risk as the probability of loss or diminished profit opportunities arising from events that could adversely affect the achievement of objectives of the company, as (MA'ADEN) seeks through risk management to monitor and manage the risks that threaten the business and human cadre and the outside world to them. Risk management became an integral part of the company s management.

Ma'aden company has adopted risk management method according to the "*ISO 31000*" standard which is based on the monitoring, review and risk estimation through the establishment of the situation: (risk identification-risk analysis-risk assessment) and then how to deal with the risk by referring to advisers and old experiences, and the review committee emanating from the Board of Directors is undertaking responsibility for monotoring the system of internal controls and procedures and rules that govern the management of risks and access the periodic reporting and monitoring risk management through Tactical Risk Committee and the Operational Risk

Committee, and in that follows the financial strategies which identify risk outlines in numbers which the company should take a decision about; and therefore falls within the course of the financial industry of the derivatives industry and the insurance industry because any risk has a financial transaction, this requires identifying risks determining scenarios to address them (Yahia, 2013). The review committee has to describe the risks by international ISO standards division for risks compared with other companies in high minning-level,where it is divided into into three categories according to the level of risk high, medium or low.There is also internal and external review which is one of the requirements of Saudi authority for legal accountants represented Internal Audit, auditors authorities centered around and also include the evaluation of practices, monitoring risks for combating and reporting to the company's management, and make suggestions for improvement. It is also include systematic preparation of official reports which include all previous aspects and external Audit: is a process carried out by an independent auditor to examine the financial statements and accounting records in order to give an opinion on the rightness of the financial statements and its adherence to generally accepted accounting standards (Yahia, 2013).

Transparency and Disclosure of Financial Information

With regard to the issue of transparency and disclosure of financial information, maaden company operates to make the most of the information in the financial statements issued by the Company in accordance with Article 42, Maaden committed to the issuance and providing investors and those related with all information about the company, and the accountant is committed to the rules of the Finance Market Authority, and the company has to furnish the finance authority with trading audited financial lists such as Auditors Report, The statement of financial position, The statement of income and The statement of changes in shareholders equity. (Yassir, 2013). The statement of cash flows, the report of the Board of Directors : According to Article 43, it is a report that all shareholding companies listed on the Saudi Stock Exchange have to present to investors through attaching it to the financial statements of the Company and under the rules of registration and inclusion issued by the financial Market Authority. Article 09, which was launched for the first time in 2008 and applied (Abdel, 2005). In the first ten national companies in terms of transparency and disclosure in the board of directors report, where the report is one of the important source of information and data needed b investors to identify the types of the main activity of the company, the nature of its investments, structure of departments and the level of performance during the fiscal year. In addition to that, the report is considered one of the report which relied upon by the investor in the making of his investment decision, as well as other financial data, thus it is an annual message from the Board of Directors that of the company to the shareholders and investors that include a set of basic information about the activities of the company, and most prominent implemented projects in addition to operational and financial analysis of results (Yahia, 2013). On the other hand, the report orovides a clear vision about the organization of the company s board and the extent of its commitment to the provision of the Corporate Governance Regulation.

CONCLUSIONS AND RECOMMENDATIONS

It can be concluded that the application of the principles of corporate governance in the Company's risk management achieves many advantages that benefit the State, investors and companies. Protection all types of risks and it's dimention such as money and business risk, general and private risks, purely risk and speculative risks, statick and dynamic risk and other types of risk at large. Finally, goernance and control mechanisim in risk management in the era of turmoil should be protected by the company in the interest of company and investors ar large.

Firstly, it can be recommended that there is need for an increase in the competitiveness of the country as a result of high competitiveness of individuals, companies and sectors. There is need to improve the level of economic performance. In addition, increase the flow of foreign investments internally and increase the ability to access the global financial markets. This will increase citizenship investment ratios as a result of the rising of health and safety of the investment climate.

Secondly, concerning the companies, there is eed to improve the image of the institutions, high level of corporate performance. Increased demand for the company's shares and thus increases the value of the share in the market. An increase in the value of the company resulting from improved institutional image. The high value of the shares and reduce costs in general, especially investment costs.

Finally, for the investor, there is need for an increase in the accuracy of pricing financial securities. Improve the monitoring and supervision procedures and high degree of protection of their rights in companies. Similarly, reduced risk and ensuring getting rights and taking into account fairness of treatment (equal treatment to investors).

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