EDITORIAL PREFACE

Risk Management Practices After the Global Financial Crises

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INTRODUCTION

Our third issue in 2012 exhibits practitioner studies of risk-related management practices emerging after the 2008-2011 global financial crises. Each research-team is from a different country, each contributes a unique perspective on risk-management state-of-the-art, and their rigorous methodologies nicely contrast.

The first manuscript starts at the 'macro level' by asking the question: what are risk management practitioners doing since the international economic recession, across disciplines and industries? The next paper explores what really caused the global financial crisis and then illustrates a risk management technique - statistical regression - to develop an algebraic equation that predicted a stock portfolio performance five days in advance of the market behavior.

Two additional manuscripts review best-practices, the first to solve problems in supply chain operations, and the second to highlight effective change management strategies in two well known mega-projects: Statoil in Norway and CERN in Switzerland.

Several reviews were received; we selected an interesting one that was related to all manuscripts in that it critically questions the use of statistical models to measure human behavior (e.g., the stock market).

Innovative Journal Features

IJRCM has two competitive advantages. The first is the Early System Prepress (ESP) mechanism, which allows our authors to immediately have their manuscript title, brief abstract and their name (with affiliations) displayed, once their manuscript has been accepted and revisions completed. The second is a quick review cycle, facilitated by a large multidisciplinary editorial review board, and a proprietary process using technology. Authors of high quality manuscripts on average have a citation within 1.5-2 months after submission (keeping in mind our acceptance rate is roughly 50%).

LITERATURE REVIEW

Global Risk Management Techniques

Strang surveyed 211 program managers at 15 companies from around the world to explore the nature of the relationship between emerging risk management techniques and the discipline where it was applied. The purpose was to identify emerging multidisciplinary best-practices the recent global financial crises and natural
disasters. He explained and then applied correspondence analysis (CA) in SPSS to estimate the strength of the relationship between the risk management techniques versus industry disciplines. A strong feature of the manuscript was the attention to statistical rigor even when analyzing mixed qualitative-quantitative data. He developed a statistically-significant ‘symmetric model of risk management’, partitioned by five distinct technique families across six common industry disciplines. CA was shown to be a useful procedure for detecting the strength of variable relationships in data such as categorical themes collected through interviews or recordings. CA is suitable when the required assumptions are not met for factor analysis, cluster analysis, ANOVA, or other parametric techniques. Furthermore it produces an informative four-quadrant visual plot of the factor interrelationship strengths.

**USA Financial Crisis Regression Model**

Wymar critically reviewed the literature on the USA and global financial crises, then he used regression techniques to develop a polynomial equation that can predict a falling market - with enough time to sell the stocks before a crash. Wymar cites covert issues which led to the global economic recession. As he described it, the USA financial crisis was caused by unethical investment company behavior and poor bank lending practices. The implication of global market recessions is that many stock share prices do not return to normal, so the best mitigation step is to sell before a crash. He used a case study of 95 profitable companies listed on the New York Stock Exchange (we published these in his appendix to show the companies are solvent). He collected archival data on stock company performance for 817 days during 2008-2011. He used four regression techniques (simple, multiple, stepwise, and surface response), along with ANOVA/T-tests, to create a statistically significant (adjusted $r^2=0.892$) polynomial formula that predicted the daily performance of the case study portfolio five days in advance.

**Mitigating Supply Chain Problems**

Moradeyo summarized the supply chain management literature to create seven tables of best-practices for mitigating ‘supply disruption’ problems. Her review cited the theoretical literature and briefly examined fortune 1000 case studies such as HP, Canon, Intercon Japan, and Asahi Metal. The best-practices are intended to match demand-driven with supply-driven strategies, thus creating a win:win situation. She goes further than merely listing strategies by citing applied examples along with their underpinning operational rationality. Examples of best-practice techniques include: product postponement, stock buffers, pooled demand, multiple sources, redundant suppliers, supplier diversification, economic incentives, dynamic assortment, Silent product rollover and contingent sourcing. Her integrated supply-demand disruption mitigation best-practice strategies are directed towards global supply chain operations managers.

**Change Management in Megaprojects**

Villmo, Torvatn, and Karlsen documented risk management behavior in two case study megaprojects: Statoil’s Gudrun Oil Platform (Norwegian Sea), and the ATLAS detector at CERN (Switzerland). They used in-depth interviews to collect theories-in-use from key personnel, focusing how contractor behavior impacted human resource cost, design scope creep, and internal development (rather than outsourcing). Their authentic practitioner accounts revealed interesting similarities and differences about how Statoil as well as CERN manage procurement, decision making, change and scope. When considering these megaprojects each had budgets close to a billion Euros - and they were successful - it is worth examining these best-practices.
Stock Behavior ≠ Statistical Distributions

Ford discusses a well-known which advises against using statistical models to predict stock market behavior. He goes beyond a mere book review by adding his experience from financial planning practice. He objectively covers all sections of the ‘The flaw of averages: Why we underestimate risk in the face of uncertainty’. Ford discusses how the tools work on the companion web site. He concludes the book is appropriate for college students and individual casual investors rather than the investment managers or mathematicians.

Future Research

Exciting topics are being promoted for the next several issues as described in our multi-year call for papers (see: http://personal.plattsburgh.edu/kstra003/ijrcm/esp.pdf). IJRCM is collaborating with international agencies where there are mutually-beneficial opportunities to share and advance knowledge concerning our keywords. We will be featuring guest editors from finance, operations research, supply chain, and project management events, to bridge the gap between theory and practice. Our next special issue is the International Disaster Conference Exhibition (IDCE) in New Orleans, LA, January 8-10, 2013 (see: http://www.idcexpo.us). IDCE is a strategic partnership for IJRCM since we both cover the same subject matter (from complimentary academic perspectives), namely: emergency management, homeland security, business continuity, economic stability, disaster preparation, response, recovery, and mitigation.

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