

**Ministry of Education of
Azerbaijan Republic**

**The Problems of Risk Management
in e-Business**

Shahab Jafarov

UNEC SABA
University of Economics



May 2018

Table of Contents

ACKNOWLEDGEMENTS	3
ABSTRACT	4
INTRODUCTION	6
I SECTION. FUNDAMENTALS OF ELECTRON BUSINESS RISK MANAGEMENT	10
1.1. Concept of e-Business and its functions in developed economy	10
1.2. Theoretical foundations of e-Business formation.....	15
II SECTION. PROBLEMS OF RISK MANAGEMENT, ELECTRON INDUSTRY DEVELOPMENT: PROMOTION, RISK SOLUTION.....	25
2.1. Managerial Problems and their roles and solutions in e-Business.....	25
2.2. Operational Problems of e-Business and application of solution methods.....	36
III SECTION. METHODOLOGY OF ELECTRON BUSINESS RISK MANAGEMENT	48
3.1. Analysis of the structure and perspectives of e-Business sector	48
3.2. Modern trends of Risk Management in e-Business	57
CONCLUSION	69
REFERENCES	73

ACKNOWLEDGEMENTS

First of all, I would like to express my gratitude to my leading supervisor Aysel Guliyeva who had a great deal of difficulty in preparing my diploma. I was able to complete my diploma work as a result of her direction, her materials, advice and constant motivation. I would have had a great deal of difficulty without Aysel teacher. She contributed me to change my primitive essay into academic writing. She taught me how to find concept of e-business and always provided me bright idea, valuable insights, feedbacks and her tireless support, suggestions, encouragement, and confidence in my hard working throughout my accomplishment of the thesis.

I am also grateful to my other teachers, especially English teacher Flora Akberova who taught me express my idea in English and Kanan Karimli who instruct me useful notion about Management. I am thankful to dean of SABAH Groups Aida Guliyeva for her valuable supportive. I want to thank my family and friends for their support, encouragement and patience love which enabled me to complete this thesis, too.

ABSTRACT

This final work was dedicated risk management of electron business and its problems. Hence, these problems and risk management how to impact business performance and key factors of successful business.

It is known that development of technology affects almost every human life and also economy is not exemption. Developed technology contributes economy growth and increase production. It creates new business areas and helps people's employment, too. One of new business sector which created after invention of network system is electron business. Electron business includes different profitable and commercial activities such as electron trade, online education and other electronic services. This thesis pays attention all highlighted points of above new business types.

This study consists of 3 sections which are divided into 6 paragraphs. Before first section was placed Introduction. Readers can find further information about electronic business and this research. Introduction helps readers to understand this study in details. First section comes after Introduction and it contains 2 paragraphs as other sections. Beginning section based on fundamentals of electron business risk management. It is mainly about concept of e-Business and its functions in developed economy and theoretical foundations of e-Business formation. In this section is written some popular theory about electron business. Second section is called problems of risk management, electron industry development: promotion, risk solution. This chapter pays attention electronic business problems and tries to find the best solutions. E-Business problems usually can examined into two groups; managerial and operational problems. Thus each paragraph of this section is considered one of these problems. Final section is written the most famous methodology of electron business. There is considered some perspectives and strategies of e-business. Modern trends of risk managements also is placed this

chapter. After third section it is written some ending points about electronic risk management of its problems which is named section of Conclusion.

The studies show that the critical success factors that enable small businesses to succeed in e-commerce can generally be addressed in-house, out-of-business and technological dimensions. Critical success factors in e-business are; *the size of the business, the sector in which the business is located, and the country in which it operates*. All critical success factors are discussed in this study. Research mainly focused on the ways, methods and key factors to achieve successful electronic business. It gives clear details about e-business theory and its main problems, issues and obstacles. Essential theory of this report is risk management and its roles in e-businesses.

Empirical studies in Azerbaijan will be held on small businesses in different sectors, our country and operating in other developing countries affecting small businesses succeed in e-commerce will help to determine in more detail the critical success factors. Given clear descriptions and examples contribute to define exact situation of e-business. All these efforts are considered to calculate current e-business models in Azerbaijan.

All sections focus on academic approaches. For better understanding this study contains some figures such as bar graph, table, pie chart and also some real or abstract examples. Materials which are useful to write this research were placed in Reference section that is last part of this study. Using Table of Contents is helpful to find relevant paragraphs for comprehending material.

INTRODUCTION

It is no doubt that technology has been improving every day and speed of this improvement is so fast. These changes affect all areas and business sector is not an exemption. Today, new businesses and trade ways have appeared after the technology was invented. One of them is *Electronic Business* or another name *Online Business*. Both names are correct and have mostly the same meaning but Electronic Business usually consists of a wider area than Online Business in some cases. However, Electronic Business has the same concepts as Online Business and it closely links to technology. Thus, it makes all relevant groups who are engaged in or want to launch a business even it is not to be electronic, they should be aware of any noticeable alteration of technology. Even if your major is not based on technology or you are not technophile person it does not matter you should have at least basic of technological knowledge. Considering the importance of technology it concludes that it plays a significant role in Electronic Business. According to technological improvements, the popularity of Electronic Business experiences an upward trend and it attracts much more people and larger authority now than a decade ago. Electronic Business exist almost all countries but it especially in developed countries has a crucial importance. Electronic Business is such a kind of indicator of development and it shows its importance. All of these pointers result in *the actuality of Electronic Business* and make us explain it necessary.

All factors were written in above indicate that it is crucial to research and investigate Electronic Business. This final work focuses on Electronic Business and its risks also how to decrease electronic business risks and how to become a successful electronic businessman. It will be written here all possible ways and methods. To summarize these points:

Backgrounds of research

Electron Business is nowadays given that a fortunate atmosphere for developing business condition. The establishment of a supporting situation for the improvement of electronic business, result of this, its contribution to economic growth in developing countries should be considerable great. Although the increasing number of electron services and markets, there are some problems to need to consider. Some of them are how to effectively manage of electronic risks impact online business and its success. This influence is positive or negative. Managers how to deal with negative impact and reduce its result.

As part of the electron business management system in developing countries, first thing should be increase popularity and knowledge about online business. Additionally, electron business gives society numerous advantages. Backgrounds of this research come from to identify these advantages and increase popularity of modern technology.

The purpose of research

The aim of this study clarifies the role of electronic business direct and indirect contributions to economy. It makes a clear illustration of electronic business risks and writes an outline of how to achieve your goal in electronic business. Moreover, this thesis will be measured future perspectives, which provides a substantial aid to the economic surplus. Both analyzing of developed and developing nations includes this research. This analyze helps to compare these countries and show these differences how to links e-business. The electronic business was absolutely positive correlation with progress of the economy; this connection was discussed in academic spheres.

The object of research

Consolidation of electronic business perspectives and the probability of its trade risks on the operation. This is sufficient to identify electron business

perspective and risks for aware of future event. Main object of this research is electronic business, its risks; manage electronic business risks and how to deal with its problems. Another object is investigate environment which I suitable for e-commerce. Particularly, technological condition is much more important in comparison others. Companies usually encounter a shortage of e-business experience which is main obstacle to achieve production in operations. The achievement to mobilize operation system is necessary to support banking sector. Because they only subject are able to apply electron operation. It is useful that research payment of e-trade.

Methods of research

In preparing this study, it used the most popular academic research methods such as reading another research and thesis materials; analyse, practice and observe other successful electronic business and its operations.

Duties of research

Each duty of research accomplishes final progress of electron business. These duties are close to aim and mission of research. These duties were described below:

- Find an exact definition of risk management and problems;
- Make a clear outline of electronic business;
- Avoidance of some risks and problems;
- Analyse some electronic businesses and their operations;
- Conclude an overall strategy in electronic business.

Importance and benefits of research

First of all, this theme is very actual and considering the development of technology, easily concludes that this work will increase in the future. As for the direct benefits, this research will first provide information to those who want to engage with e-business. These people will be more aware of the costs, risks and problems that they can face in electronic business. It is fact that online trade consists of marked proportion of gross domestic products and learn its role in economy. In theory, the coefficients from the cross - country regression should be interpreted with caution. On average, over the long term, politics, economics and business cycles, changes in the rise and fall of experience, as well as a lot of changes taking place in the country.

The purpose of my study is to help people understand the essence of electronic business and its better understanding. Additionally, this study provides useful information for both operation and applying electron business. This information can be solution of electronic business some inevitable problems. Overall, it has both theoretical and practical importance.

Source of information

This research consists of local and foreign scholars, their scientific articles, monographs and some books of this topic's experts. Materials from internet play a key role in writing this thesis.

I SECTION. FUNDAMENTALS OF ELECTRON BUSINESS RISK MANAGEMENT

1.1. Concept of e-Business and its functions in developed economy

Electronic business or electronic business management is a new terminology that includes Business vocabulary. The reason for that it is so obvious because Electronic business has recently invaded. It makes no difference which business people are engaged, management of that business is important in each of them. Management system usually defines all structure of the business and determines future of that organization. Thus, it makes us think carefully about electron business management.

It is easy to guess that management is important but what exactly electronic business management? So electronic business management is a production of general strategies, key decisions, recruitment of employees, a division of resources and raw materials. However, first thing needs to remind, electronic business management differs from **traditional business management**. Looking at closely these differences we notice these distinctions:

- Managers of other business almost always should have some qualifications for management or business but electronic business does not require any special qualifications. Because electronic business is set up by individuals and risk of it is much lesser than other businesses.
- It is essential that managers of electronic businesses have a clue about technology but are desirable in other cases.
- The number of employees is limited to electronic businesses.
- Demanding of raw materials has huge differences among these businesses.

- Cost of electronic businesses is less than others. The result of that usually the number of ownership is one or not more than 2-3.

- Marketing strategy logically based on internet or social networks in electronic business but other business types have wider options to apply their market strategy.

- Clients of electronic business are stable than other businesses.

- Geographical difficulties are eliminated in electronic businesses but it needs to consider technological problems.

All these differences say that electronic business management is completely different management area and it needs to specific approach. First difference between them is knowledge about technology. There is no doubt that technology plays essential part of our life but importance of it increase in electronic business. Reason of it is visible because electronic business depends highly on technology. So good managers who want to control all business activities they should have at least basic of **technological skills**. However, technological skills also sometimes necessary for other managers who control traditional business types. There is not compulsory in that kind of business only technological knowledge is desirable. Other differences are the number of workers. In electronic business there is no need high employment rate even some big companies such as Google, Facebook have less employees compare to other huge traditional business sectors. Turning to raw materials we see huge distinctions among every business. In comparison, electronic business's raw materials are quite minimum and mostly accessible. In contrast, their importance is massive if any shortage of these materials business probably stops to do its functions. Conversely, traditional businesses require a number of raw materials. Some of them are so essential but others could be delayed. Raw materials also have connections to **beginning cost**. Beginning cost is initial amount of money which owners should invest to establish that business. As was mentioned before, beginning cost (also other costs) is considerable less than other business types. Thus it makes available to person who wants to launch solo

business. On contrary, numerous numbers of investors mostly need to any found traditional business. It requires high investment and many owners of one single business are logical there.

Marketing strategy is another difference between electronic business and traditional business. Marketing strategies based on attract more clients and try to proof they produce the best products. In comparison, Traditional businesses have a lot of options to apply their marketing strategy. Those businesses can imply their own rules and tactics where they want such as TV or radio broadcast, street advertisement, newspapers or magazines and so on. However, Electronic businesses have to realize their marketing strategies only using internet because it is only way and also much more effective. Results of these marketing, electronic businesses have stable customer groups because of their products and services are demanded by certain people and they rarely change their habits but various clients can choose other businesses' products in any time and they occasionally change their desires.

One of key differences between these two types of businesses is their barriers. In subsequent paragraphs, problems of electronic business will be widely discussed but it is useful to distinct barriers electronic business from traditional business's problems. Turning to **geographical barriers**, it is not huge problems in electronic business. Because ICT or Information Communication Technology eliminates all geographical distances. Internet gives suitable environment to sale product, show services or purchasing raw materials. ICT makes easy to operate electronic business but traditional businesses do not have this chance. Traditional businesses have to deal with geographical barriers. They should consider transporting, reaching and other issues with related to geographical barriers. Sometimes business hardly operate due to geographical obstacles. Conversely, Electronic businesses often face to technological issues. Considering this issue, managers who operate electronic business they should provide their business with high technology.

Technological problems are also specific to other business kinds but it is not serious as electronic business.

Management is not easy job. It combines lots of tasks and works and achieving to successful management. There are four functions which are crucial to follow. These functions help to managers better organize and employ their workers. The key functions of directors can be categorized into four different functions recognized as **planning, organizing, leading, and controlling**.

First function of managers is *planning*. Planning is not just about anticipating future. It is establishment a detailed action proposal to reach electronic business goals. Planning consists of these steps:

1. **Assess current situation** – If you determine where you want to go before that you know where you are standing now. Gather data about business's current condition, including sales, revenues, costs, employers' potentials, and customer feedback. Detect the company's strong points and faults; also think about how your weaknesses become your powerful sides.

2. **Set priorities** – identify which values and outcomes electronic business want to achieve first, and state them obviously. To order which achievement is much essential for electronic business and if it is necessary remove less important one instead of others.

3. **Set goals** – accomplishment of current aims is not satisfied for successful planning. Managers should think about other possible goals and try to realize them too.

4. **Evaluate and review** – electron business's performance is unsteady, understanding when downturn and upturn period comes managers should evaluate performance and controlling that it suits for company's plan.

The second of the managerial functions is *organizing*. This step necessitates managers of electronic business to decide how they will allocate resources and form their staffs according to the plan. Managers will need to recognize diverse

roles and certify that they allot the right amount of personnel to discharge their plan. They will also need to representative public, appoint work, and provide directions. Organizing skills determine performance of electronic businesses. It includes these steps:

1. **Distribution** – determine how to distribute resources and employees.
2. **Delegate authority** – choose right actions and things to symbolize electron business.
3. **Provide direction** – draw future way of electronic business.

The work to be carried out in the organizing function, the persons who commit these works. In establishing these relationships the stages are listed below:

- Identification of works to be done
- Determining the necessary characteristics of the persons who will do the work
- Relationships between people who will do similar and different tasks, authority and responsibility determination of structure
- Identification of communication channels, in other words, who, by whom and which to communicate via channels
- Determination of where, when and how to work in physical aspect.

The third of the managerial functions is *leading*. It is all about orientation, motivating employees to achieve organizational goals. Here, managers take leadership of the organization and realize the objectives of the organization and they are trying to motivate their way. The key to the routing function is that the organizational members adopt electronic world. Each leader adapts employee's personal goals and electronic business's goals. In doing so, they use managerial skill, leadership, communication and other techniques such as motivation. Leading is priority skill of leaders and managers.

Controlling, which is the last of the management functions, can be defined as the monitoring of the difference between objectives, procedures, rules, policies and

actual outcomes. Organization the establishment of an effective control system with the support of technology which may lead to early detection and prevention of deviations. The basic steps to be followed in a control process can be listed as follows:

- Determination of objectives,
- Setting appropriate standards for objectives, plan and policy,
- Determining who will be responsible for the specified standards,
- Identification of points to be controlled,
- Measuring the activities carried out,
- At the end of the activities carried out if there are deviations,
- Taking the correction order and making the necessary adjustments.

All of these functions and their steps formed the fundamentals of electronic business management. It is necessary to realize all these functions for successful business. If managers can eliminate one of these functions their businesses suffer from lack of managements. So managers should carry out all their jobs.

1.2. Theoretical foundations of e-Business formation

The main aim of this paragraph is to give definition risk and analyse various kinds of risk and to examine risk from different perspectives. The paragraph defines risk management in carefully through its architecture, guidelines, strategy and the risk management process which includes risk assessment, reporting and treatment.

Traditional definition of risk can be this following statement: “Risk is probability and chance to gain, loss, danger, injury and other adverse consequences. Discussion of risk in electronic business management is not only estimation of risk likelihood but also avoids or reduces risk. Certainly, risk management includes further actions, too. Uncertainty is good word to describe

risk because risk is uncertain action so nobody knows what happen in the future. Risk management is engaging this uncertainty but it does not meant that risk management depends on only luck and risk managers should be lucky person. Maybe risk highly depends on luck but it is not only thing to affect risk probability. Good risk managers should be aware of other factors which have influence on risk probability.

Risk has some rules and these rules affect to managers' decisions. Firstly, risk cannot be eliminated, it can be only reduced. Because risk always exists no matter what event happens, each event has their own risk to gain or loss money. However, every event probability of loss is different and that defines why risk likelihood is changeable. Managers should choose that event which one has less loss probability and this decision help to reduce risk. In electronic business to give a clear example of it, it is mentioned above and also it is easy to guess that to operate electronic business need internet connection. Consider manager of that electronic business which the name of it is company EB has two choices: company A and company Z. Both of these companies are internet provider. One of these internet provider companies supplies EB Company with internet. It is no doubt that both companies sometimes have problems to provide internet for their customers. Even one of them never has problem with provide internet it does not mean that company will have no problem in the future, either. So this example says that no matter which internet providers are chosen by company EB it a probability to problem with providing has. Thus, company EB has always risk with internet providing but it is logical that manager of EB choose less risky one in all other factors be the same.

A second rule of risk is uncertainty. It is clear that future of any action or event is unknown. None of any risk estimation can anticipate exactly what happen in the future. However, assessing risk is necessary to know what can be happen. Uncertainty is disadvantage of risk evaluation but risk evaluation says a lot of things about future.

Third thing is inevitably about risk management is its both subjective and objective process. Objective process is the same in all subjects and it has only one correct variant. Conversely, subjective process means that it depends on subject or person who applies it. Some things such as estimation risk and analyse historical data are objective procedure. It has only one right answer. In contrast, which factors can affect risk probability or risk estimation is subjective process. Factors are chosen risk estimation depends on risk managers and who is right is unknown till future events will happen.

Risk can be categorized numerous ways. Each way has some specific features. All of this classification of risk makes its types. Types of risk depends on business area, sources and managers' capability but one of them is frequently happens in every business section. In summary, in electron businesses and also traditional business have these types of risk:

- **Business or operational:** connecting to the facilities and actions exerted within a business;
- **Financial:** connecting to the financial acts of an organization;
- **Environmental:** linking to alterations in the governmental, economic, financial, commercial and social situation;
- **Reputation risk:** linking to decrement of business confidence by the public;
- **Other risks:** it is changeable according to situation and business.

It is vital to understand that there is no one widely-agreed set of classifications; they will be different relating to the features of the business and its industry. What is essential is that risks are categorized in some way that is appropriate to the requirements of the business. The benefits of risk categorization are that:

- All risks have probability to damage to business in any way. Classifications of these risk types help to managers understand where dangerous come from;

- Classification of risk is essential tool which makes managers and senior level of management consider widely about risk;

- It is useful that organizations look at risk in overall rather than see it with details. It is just waste of time;

- After a risk has been recognised, it is useful that find possible solution of that risk. Classification contributes seniors of business to recognize how to measure and control it;

- Categorisation is important to that helps managers to collect historical data;

- Risk classification determines who is responsible to solve the problem. It is just division of jobs;

- The improvement of risk management system will be tough without sorting them into groups. Thus, a systematic approach may contribute business detect specific risk in the same group;

- Classification may assist in identifying which risks are inter-related too.

For the aims of description, it is beneficiary to look at risk under these groups: business or operational, environmental, reputation and financial. Conversely, sometimes will be helpful to add other risk types' name. For instance, credit risk in bank section, technological risk or accessible risk in electronic business.

Business or operational risk

Business or operational risk happens when some operations of organization are not right as they should be. Operational risk is such kind of risk belong to not only electronic business or traditional business even every kind of our life it has presumable occurred. That is why this risk called operational but it has other

names which called business risk. Many events can be categorised as business or operational risks such as operational disruption, staff's errors or omissions, product failure, health or security problem, failure of IT systems or other technological problems which is much more important in electronic businesses, fraud, loss of main employers, litigation, loss of providers and etcetera. These are usually controlled by different methods which include internal control, double check, appointment of supervision, specific computer program, insurance and etc.

In Electronic Business operational risk has a particular meaning. IT problems frequently have happened in this sector. Despite this, employee's errors and omissions are also often encountered by managers. For example, employee occasionally confused customers' addresses. Another example is shopping websites. Even some well-known shopping sites have problem with product and its description. Customers often complain that image in websites does not describe real product or size in different. However, operational risk in electronic business also has a specific type which called **client's risk**.

Client's risk is huge topic and how it is correct this kind of risk includes operational risk is debatable but it really happens especially in electronic business. Client's risk includes fraud by customers, wrong information are sent by them and etcetera. Fraud by customers rarely happened because the most founders of electronic business create very safety strategy but swindlers sometimes get products and somehow avoid paying money. Another example is some crooks order product but give wrong address and credit card number. However, in recent time clients, especially older ones, unknowingly gives wrong information about themselves or products despite increasing popularity of IT using. All these misunderstanding about e-businesses should be solved in marketing of this business.

Financial risk

Financial risk is a type of risk which links to financial operation of organization. Financial operation is basic operation of any businesses. Future of business highly depends on financial operations. These operations provide companies certain amount of money which helps to survival of businesses. So topic of existence in the future is crucial for businesses and that is reason why financial operations are important for them. However, financial risk is useful for organisation to understand how dangerous their financial acts. It is anticipation of financial dangerous and successful estimation of this risk insures guarantee business's future. Financial risk includes: *interest rate risk, liquidity risk, currency risk, credit risk and cash flow risk*. All of these risks belong to financial operation and they are raised when have a problem in financial transactions. It is essential to give a brief description each of type of this financial risk:

Interest rate risk – this risk related to interest rate. Interest rate is a general price of national currency. It is set up by Central Banks of each country and help to determine how much value of national money. Interest rate happens between time gap with payment date and ingression date. Sometimes a difference is created between this time period and it called interest rate risk. Interest rate is essential for especially banking industry but it has also a huge effect in electronic businesses. Electronic organisations do not always get immediately money. Customers often pay price later and it is reason of creation interest rate risk for electronic businesses.

Liquidity risk – liquidity can be translated to “necessity” but liquidity is more than necessity. Necessity is not enough to define liquidity we need add another couple of words which is “in short time”. How “necessity in short time” describes liquidity. Because liquidity is find something which needs you in short time. For example, Company A needs cash money but they do not have money in cash. They should sell or turn one of their assets into money. Of course, not all assets have the same value or turning into the same time. This is all what liquidity

risk is concern about. Liquidity risk is arisen when money or other assets cannot find in time when it is so essential.

Currency risk – this type of risk is closed to currency rate. Currency rate is price of national money instead of foreign money. Currency rate is so changeable due to political, economic and other reasons. So this uncertainty is major causes to establish currency risk. Electronic business organisations often operate acts with external subjects. Hence currency risk frequently happened in electron business. For instance, they sell product to foreign country and get foreign currency. Another example of that, most websites are enable to operate in abroad. Thus it makes electron business managers to be aware of currency risk. Currency risk is often encountered by electronic business managers and they want to reduce this risk to use different tools such as covenant with banks to covert automatically their account into national currency and so on.

Credit risk – it is easy to guess that credit risk belongs to credit. It is risk of giving money with debt and probability of refund it. However, most people think that credit risk only have existed in banking sector but it is not right. Yes, credit risk is characteristics to banking sector but it is only one. Almost all businesses include electron business have credit risk or risk which close to called credit. Then question are arisen how it is possible? Answer is simple, electron business also sell product in credit. For example, some shopping websites sell their product in credit. It shows that electronic business also encounter credit risk. There are some ways to reduce credit risk probability. For instance, give credit in short time and clients who have better image, stop to sell product in credit, change interest rate of credit and etcetera. However, all these ways have adverse effects and the most important one of them is decrease the number of customers.

Cash flow risk – it is risk that happens in cash operations. Huge amount of money come in and out in businesses and cash flow risk is worried about confidence of this money. Cash flow is in and out money it is helpful to control this amount of money because it based on companies' profit, loss, revenue and so

on. Main threat of this risk is loss money in operation time and it is called cash flow risk. Managers avoid to this risk they provide better security system and increase controlling to cash flow.

Environmental risk

Environmental risk is a type of risk which links to any changes in political, economic and social environment. This effect can be significant or moderate but it does not matter risk has always exist. Environmental risk also divides into three groups and each group named according to where change can come from: *political*, *legal*, *economic* or *social* environment. Each of them is important but this change highly depends on what business is based. According to electronic business it also based on which type of electronic business you are engaged. All environmental risk type should give a brief description:

Political risk – this risk surrounds political changes in the world such as wars, embargo, nota, cold war, quota and etcetera. It is all about deterioration of countries relationships. How it can be affect to electronic business? Political risk can be resulted in stop to operate in electronic business. This risk significantly reduces revenue of electronic business. That is why managers should consider about political environment.

Legal risk – it is risk that changes in law. Some business sector can be prohibited or allow to operate. Thus it makes red light for some businesses or results face to new rivals. Risk managers should check law and anticipate successfully future changes in law. Government plays a key role in this risk and electronic business are affected legal risk too.

Economic risk – this risk surrounds all significant changes in economic situation. All economic factors play a role in risk. Economic risk has a lot of indicators such as crisis, downturn period, people's income, minimum wages, market price, inflation or deflation, taxes and so on. Minimum wages, people's income, taxes are such indicators result to increase cost of product but downturn

period, market price, inflation, deflation and crisis directly harm all businesses includes electron business. The best effective way of avoid this risk is divide current investment into different business area. This act called **separate investment**. It has advantage to reduce risk but main drawback is this act costs more than expected.

Social risk – this risk relates to society. A society is changed by time to time. People's desires, wisdoms, traditions are not consistent. These changes have influence their choice of business products. Managers should aware of these changes of society and prepare to these alterations. Because it relates to their number of clients. The best method is become flexible. Flexibility means prepared all changes beforehand.

Reputation risk

Reputation risk linked to organisation's image. So reputation risk has also another name which is image risk. This risk happens when other risk types have a problem. Result of this risk is decrement of belief, faith, trust, persuasion, confidence about company. Organisation's reputation weakens after a lot of events. For example, find defect in company's product, losing money for banking sector, weak students' result for education centre are specific examples. Reputation risk is renewable problem because it can be arranged. In contrast, arrangement of reputation risk is expensive but possible. For instance, recall defect products, give extra free services, pay compensation is the best effective method of redeem of reputation.

In electronic risk, reputation risk is so essential. In any case, reputation risk plays an important role in operation. Even first establishment of this business depends on reputation. Electronic business can operate because it gains a good reputation from people. Only electronic businesses which have good image they attract much more clients. To give a clear example of that is online shopping websites. Nobody can purchase anything from websites which are bargain or have

insecurity system. This situation also belongs to online education resources. Students only rely on confidential sites. We all at least one downloads something from play store and we look at users' feedback or rates. Reputation risk occurs when they get negative feedbacks.

To sum up, all types of risk are necessary but reputation risk defines the future tale of electron business. It is useful for all business managers and also people who are engage in electronic business risk management system should take consideration all of these jobs. Electronic business is also about foundational the stock and about rental fee, insurance, energy, water and etcetera. Organization it due to straight contact from the other side upsurges in productivity in fulfilment, amassing, delivery and raise activities. Electronic trade and business organization is the same thing to the operator increasingly effective on the reformulation of the working construction and this is expected to have vital consequences. Physical processes the changeover from the market to the electronic bazaar have important fluctuations. Company organizations due to electronic business such as harmony, publication, banking services are at the forefront of the fluctuating sectors. Electronic business is altering marketplace or market in precise. In the near future, people will not place guidelines on the web new hiring electronic sector will be more of a side effect.

II SECTION. PROBLEMS OF RISK MANAGEMENT, ELECTRON INDUSTRY DEVELOPMENT: PROMOTION, RISK SOLUTION

2.1. Managerial Problems and their roles and solutions in e-Business

The fast improvement of information and communication technologies did not provide a chance to complete the crucial necessary infrastructure work. It is essential to adapt the legal and public rules that make ordinary life work to the electronic level. IT companies' e-business initiatives demand public authorities to improve technical base at the same pace. The most of the developing countries now obtain the first order in the infrastructure problem, electronic trade problems and obstacles. Another main issue is that electronic trade is not limited and global. Globalizing electronic business has brought with it the agreement of countries to find joint solutions together and to write standards. There are 3 types of problems:

1. Technical Problems

Much of the technical issues in electronic business are experienced in social administration-related sectors. The technical issues can be summarized as following:

- A. Infrastructure issue
- B. The standards are not appropriated
- C. Problems with get to the Internet and failure to provide appropriate infrastructures

The fact that the technical infrastructure is strong, the ability to use the facilities in your virtual store at the same time as the one you are targeting in

electronic commerce will also significantly affect your credibility, seriousness and preference. Although it is not a commercial reflection, the fact that your database is robust in terms of customer relationships, the safe use of your site affects your customers' design e-commerce and visitor numbers.

The infrastructure issue with the Internet has reached a summit. All nations have to work towards facilitating Internet access and going up access speed. The inability to provide an effective infrastructure and the telecom activities did in the public management of most countries limit the activities of the own sector in this area. Restricted activities are accompanied by a lot of costs and low quality but expensive access options. In recent years, the private sector has also been accelerated to develop existing facilities by using satellite access and higher quality cables. As a technical phenomenon, the improvement of infrastructural problems ahead electron business is of huge anxious to the public administration.

2. Legal Problems

The emerging electronic business and its market and trade associations in this area have provided the need for new legal arrangements. In some cases, legal regulations applied for traditional trade and are globally admitted as right are inadequate. Global e-business transactions are at the ahead of existing laws. However, when it comes to e-business, countries have not established standards, and it is bewildered that they cannot obviously determine their frontier. The major legal problems of electronic trade can be listed as below:

- a) Intellectual property rights
- b) Taxation
- c) The validity of digital signatures
- d) Deficiencies in international law
- e) Defining the responsibilities of service providers
- f) The question of validity of electronic documents

- g) Privacy rights of persons
- h) Right and experimental procedures
- i) Deficiencies in international law
- j) The validity of electronic approval and acceptance documents in relation to the delivery of physical goods
- k) The necessity of re-observing laws in decision of electronic media.

Reorganization of existing statutory and actual conditions of individuals and institutions subject to traditional commercialization within the basic of electronic trade requirements.

3. Social Problems

The social responsibilities, problems and barriers in electronic business can be represented as below;

- a) Eliminates coordination in public and private sector
- b) Developing the unhealthy ways of forming digital data
- c) Create institutions to be included in electronic business, examination of hierarchy or cooperation among these institutions, forming of management sub-structure
- d) Preparation of electronic trade by training programs
- e) Provision of the crucial financial support to individuals and institutions find to obtain the computer systems demanded by electronic business
- f) Establishing the essential physical and legal boundaries for the quick progress of commercial points in our country
- g) The State shall fulfil the duty of pioneering in electronic business, set initial projects into practice and make social awareness.

The Internet technologies and the opportunities that come with it and the threats that may arise if these opportunities are not exploited force businesses to establish flexible, fast moving, customer focused business models. For this reason,

we have created a SWOT analysis that will enable us to identify the opportunities and threats of e-commerce and its strengths and weaknesses.

Strengths - Should we do e-Business first? You need to answer the question correctly. Is your business line, your brand or your products that can be sold through electronic commerce? Are your managers or partners warm to the e-commerce scene? As a result of all this, e-commerce determines the most important direction for you to prepare for the process and to develop your sub-structure. Here we can list the other strengths of electronic commerce as follows:

- Conformity of your customers or product
- Be open to innovation; get support from your business partners or your managers
- You can combine technical knowledge and business intelligence
- Competitive advantage created by starting your competitors early on e-Business

Weaknesses - technical knowledge and structuring can negatively affect your decision to enter this job. It is also possible that some disruptions may arise after entering this business. Technical issues, user-friendly design and page structure, slow access and processing speed, safety concerns create your weaknesses that need to be precaution. Accordingly, evaluating the weaknesses in two stages will be correct. The weaknesses before they started in e-commerce are:

- Lack of technical knowledge and experience
- Unknown incompatibility with tradition and culture
- Structural problems
- Do not worry about being friendly, our managers or your boss
- Time and effort - do not intend

Secondly, the weaknesses that may arise after entering e-Business are as follows:

- Problems of recognition and holding

- Adaptation of work processes
- Technical challenges
- User-friendly page designs
- Inadequate infrastructure, limited and slow access
- Non-secure order forms, payment systems

Opportunities – The most important emerging opportunity in electronic commerce is the fact that we can expand our current customer portfolio, reach new markets and customers. Being available 24 hours a day and 7 days a week is the biggest cause of e-commerce. This situation will increase your sales as well as bring customer satisfaction. Because nowadays it is not easy to win customers' satisfaction and to satisfy them. Consumers' preferences also affect their purchasing attitudes and behaviours. Consumers who are able to evaluate alternatives on the internet in global markets can have better quality and cheaper products in a short time. In short, the consumer will be able to establish a close connection between e-commerce and the ease and convenience of shopping from where he is sitting. Generally, the opportunities created by electronic commerce are as follows:

- Opportunity to reach new markets
- Opportunity to take advantage of the competition
- Cost reduction
- Increased productivity
- Repeated procedures are in the midst of
- Customer-focused (CRM) marketing opportunity
- 7 x 24 availability

Threats – The most discussed issue in business and marketing courses is: every opportunity that is not assessed and not utilized returns to us as a threat. Because if it is a competitor that can at least evaluates opportunities, or if it is born, it can pose a threat. If your customer can not reach you or if you cannot reach your

customers in new markets, your preferences may be placed on different alternatives and your sales figures may decline. In today's e-commerce platforms, your competitors may be far away from you, even on the other side of the world, in a virtual environment, rather than two shops or businesses two blocks away. In this case you cannot compete with your opponents and you can leave the ring very quickly. We can list the threats created by electronic trade as follows.

- All of the unused opportunities are threats.
- You cannot compete with your request.
- Technological infrastructure problems
- E-commerce security-related threats
- Increasing the cost of information technology
- Financial uncertainty
- Cost and inadequacy of support and consulting services

In general, SWOT analysis results of electronic commerce are as seen above. The graphic form of the SWOT analysis is shown below. There are many similarities as there are dozens of similarities between electronic commerce and traditional commerce. For this reason, thousands of e-commerce sites have recently started to operate or may cease to operate. Achieving success on the Internet platform is as difficult as it is easy because customers are constantly changing, technology is changing and payment methods are different. For all these opportunities, businesses that are able to pay attention to threats, strengths and weaknesses will increase their chances of succeeding in e-business; otherwise traditional trading methods will be completely ineffective over the next 50-100 years and naturally will negatively impact businesses away from e-commerce.

Despite the quick improvement of e-business, there are substantial difficulties in front of e-business. The inability to resolve these issues can lead to deterioration in e-business capacity, particularly between customers and businesses. For this reason, it is essential to determine these issues and to find solutions to the

international scene. We can list the problems and solution proposals in front of e-business as follows:

Electronic Business Security problems

Despite the fast growth in Internet usage and e-business applications, the security problem remains the most disputed and yet definite solution is not established. The largest difficulty to the development of electronic business is seen as security. According to estimations made in America, the value of the data stolen in a year is over 30 billion dollars. According to a survey conducted in the USA in 2014 with 1320 companies; 78% of the organizations lost money because of the lack of security, 63% of the organizations reported that they suffer from viruses, and 23 firms had lost at least \$ 1 million (Singh and Frolick, 2015: 58).

Security problems that may be met in businesses activities over the Internet may be (Adam et al., 2015: 124):

- Access to unauthorized network capitals,
- Buying services and denying the information sent or received,
- The transmission of information to unauthorized persons,
- To change the information, to mix or to add new things to the knowledge,
- Stolen information and network resources,
- Destroying and damaging information and network resources,
- Causing network services to be interrupted and corrupted,
- Claiming that you received or sent information that you did not send or sent.

The security problem in electronic business can be examined from three perspectives.

Firewalls

Firewalls can be defined as software or hardware that permits only approved users or external users with certain features to access protected networks. Users can enter the system using username, password, internet IP address or domain name. The firewall produces an obstacle between the corporate network and the external internet. Unauthorized person cannot directly enter the computers in the network. However, authorized internal users continue to benefit from out-of-network internet services (Kalakota and Winston, 2014: 126). The firewall can be used to prevent unauthorized access from outside the network, or it can be used to prevent employees in the enterprise from reaching confidential or strategic information.

Encryption and Transaction Security

When data is transmitted over the stations, it is great importance to send it to the buyer without risk of stealing or changing. Different cryptographic ways and tools have been developed for this. Cryptography or cryptology is a science that derives, develops, and studies ways of encryption and decryption for secure information communication and hiding (Electronic Business Dictionary Glossary, 2015). With encryption, the transmitted information is transformed into numeric data and sent to the receiver. The recipient, again using the key cipher, transforms the nonsense numeric data into its original form. There are different types of cryptography with different encryption methods and password infrastructures. They use various mathematical models, different software and hardware systems designed for encryption and decryption. Today, widely used types of cryptography are open-key cryptography and single / hidden key cryptography. The means used in these methods to ensure confidentiality and security; digital certificates, digital and electronic signatures and approval bodies.

World Wide Web Security and Internet Security Protocols

In electronic commerce, it is important that the user informs the other party of his identity and that the other party also informs the user of his or her identity. In particular, various internet security protocols have been developed in order to make shopping on the internet and to provide security for electronic payment systems over the Internet. These are the extensively used SET and SSL protocols. Apart from these, there are security applications such as PGP (Pretty Good Privacy), Secure / Multipurpose Internet Mail Extensions (S / MIME), Point-to-point Tunnelling Protocol (PPTP) and SOCKSS (Adam et al., 2014: 136).

With the development of technology, more secure systems will be realized in the payments made via internet and in data transmission. The Internet is not as insecure as users think. However, this fact must be somewhat explained to the users and the users' minds must be changed. The effect of these changes can be describes huge differences in human mind as well. Electronic businesses are responsible to use positive side of these changes.

Problem of E-business Taxation

The problem of taxation is one of the problems that arise with the development of globalization and technology. The fact that capital and labour are shifting to lower countries than high-income countries, the multinational companies' production of products in multiple countries, the emergence of virtual companies with the development of the internet and electronic commerce, the lack of certainty of these companies, the fact that companies and customers are in different countries, the fact that they are subject to different tax regulations are just some of the reasons leading to the question of taxation.

In electron business, attention is drawn to two potential problems in tax administration and supervision. The first is that the Internet has a structure that facilitates access to information and thus makes tax control difficult. The second

problem is the difficulty in identifying the actual identity and location of the commercial transactions (E-Business Report, 2015).

There are debates in the taxes on income, on the source of income and on the issues of residence. In this regard, the US government and the OECD advocate different views. The US Department of the Treasury published a report saying that taxation based on residence is a better method. In report noted that the underlying logic of approaches that attempt to determine the source of revenue by referring to geographical elements (e.g. where the service provider is) is weakened against the latest developments in communication technologies. According to a report prepared by the OECD Electronic Commerce Tax Research Group, taxation based on domicile is not so easy, and the necessity of an international consensus is emphasized instead.

There are three main trends in spending on spending. According to the first opinion, shopping on the internet should be excluded from tax. The second view suggests that current taxation should be applied to online shopping, but that new taxation should not be introduced. The final view concerns the taxation of digital products, especially those sold through computer networks. This tax, which is called "bit tax", has been criticized for its independent taxation of content (E-Business Report, 2016).

As a result of the research carried out within the OECD, the following principles have to be taken into consideration for effective and proper internet taxation (Ekin, 2016: 119).

- The system should be fair: Taxpayers in the same situation should be taxed in the same way when they do similar transactions.

- The system should be active: Tax losses should be reduced to a minimum.

- The system should be simple: the administrative costs of the tax authorities and the costs of appeal should be kept low.

- Economical deviations should be avoided: Company decisions must be made for tax purposes rather than for commercial purposes.

- The rules should clarify: A transaction must know what the tax end is, what is known beforehand, what is being taxed and where to pay the tax.

- The system should be flexible enough and dynamic enough: tax decisions must follow technological and commercial developments.

The United States released the Internet Tax Freedom Act in October 1998. This law does not prohibit the taxation of goods sold on the Internet. It has only decided to establish a moratorium of federal, state and local authorities for three years in the removal of new tax based on internet transactions. In the United States, the annual tax loss from electronic commerce is claimed to be \$ 4 billion. On the other hand, Ernest & Young states that the tax loss in the research that he did is \$ 170 million, which is only 1% of the collected taxes (Waltner, 2016: 116).

States that see this potential of electronic commerce continue to work on taxing internet transactions to make arrangements that will not cause tax loss, but which will not lead to double taxation or unfair taxation. An important point to be noted here is that such work should be carried out in cooperation with other states and that an international common settlement be sought. E-business as a whole of corporate transactions committed by the online when it is evaluated; it denotes to two kinds of electronic business. It is available to first be incidental e-business, which is the online by command through website or electronic mail but by old-style means that the produces that can be conveyed are subject into commercialization.

2.2. Operational Problems of e-Business and application of solution methods

As is known, the concept of electronic commerce is an innovation that emerges in parallel with the development of communication and computer technologies and facilitates trade. Although e-business is a new concept, it has similarities with traditional commercial methods in terms of principles and principles that are valid and it is a method that completes and simplifies rather than creating an alternative to traditional commercial. A standard definition of electronic commerce is not available. The reason for this is that the scope is very wide and that the scope is different for different people or organizations. So, in an electronic communication, it is difficult to determine where e-commerce starts and ends. For this reason, in the broadest sense, any electronic communication that produces any commercial result is considered e-commerce. According to the World Trade Organization (WTO), e-commerce; production, advertising, sales and distribution of goods and services via telecommunication networks (World of Trade Office, 2015). According to the definition of the OECD, e-business is the process of making all kinds of business activities involving individuals and organizations through computer networks (OECD, 2016).

Prior to this, e-business, which was carried out via closed networks such as EDI, started to be used by companies after 2012 heavily? With the widespread use of the Internet, there is no doubt that the volume of e-commerce on the Internet will grow. Different estimates are made by different research institutions and individuals regarding e-commerce volume and future e-commerce forecasts. For example; According to the OECD estimates, the volume of world e-commerce is estimated to be \$ 990 billion in 2010 and \$ 1.5 trillion in 2014. According to Forrester Research, the global e-business volume is estimated to exceed 30 trillion dollars in 2020 (Internet e-Business Estimates, 2015).

Privacy question

In order for customers to be able to operate on the internet, the protection of personal information and privacy and the system must be secure. The fact that personal information can be reached easily and the necessities of being kept secret are causing both consumers to suffer harm and the system to become insecure. For this reason, it is compulsory to regulate the principles and procedures related to the placement and processing of information about persons in information systems, to introduce criminal sanctions against those who do not follow them, to protect personality rights and to provide legal security.

Many websites on the Internet require that forms found on their sites be filled with various purposes. For example, when signing up for some sites, shopping or opening an online account, a lot of personal information is required from users. What is discussed is about the security and purpose of this information. Before giving this information required by the website, customers should look into the privacy policy of the website, why it is requested, what purpose the information is used for and how to ensure the security of that information. If they have a suspect, they should not give their personal information (Spitzer, 2015: 1). Some websites have software that gathers information about their users. This software, called "cookies", are placed on the user's computer and can only be read by the web site's server. Some sites allow the user to deny them or warn them before they are installed on the user's computer (Spitzer, 2015: 2). Many people criticize these soft wares for interfering with their personal life.

To prevent misuse of personal information, standards such as the collection of information, the type of information, the sharing of information, the security of information should be established and supported by legal regulations. The regulations must be an arrangement that protects both the users of the electronic information infrastructure and those who collect information about them.

Problems in delivery and customs

In the development of e-business and the influence of the economy, there are two important logistical problems. These are payment and distribution. According to the results of a survey of online shoppers in the US, 90% of survey respondents said they would be able to buy goods from the same vendor again if they were delivered on time and spend 50% more than original spending (Dismantling the Barriers to Global Electronic Commerce, 2015: 21).

On the cheap, convenient and timely delivery of parcel packages, parcel distribution and customs clearance are seen as the main obstacle (Finance Working Group Report, 2015: 4/9). At the core of this problem are the following factors: International parcel deliveries are more expensive, slower and less convenient than deliveries at a reasonable distance within a national competitive market. This is due to the difficulties of the government's paperwork, the cumbersome taxation of taxes and the backwardness of the goods.

Due to customs clearance operations, significant costs per package are assumed. Subsequent international trade negotiations provide significant reductions in customs duties, but the total administrative procedure still needs to be reformed. To overcome this problem, when goods are ordered, the idea of a one-stop shop where the seller collects all the tax and delivery fees from the customer and pays them directly to the importer country is suggested. Such a system could prevent delays and reduce costs by declaring and acknowledging the country in advance of the shipment (A-to-Z e-Commerce Guide, 2015: 45). Another alternative is to privatize a portion of the customs permitting process, allowing the collection of taxes on merchandise with certain criteria, applied to goods below a certain value.

In the absence of physical presence of the product and direct access to the user over the network, the collection of related taxes becomes even more problematic. Here we are confronted with the fact that the product does not go

through customs control and there is no carrier to which responsibility can be given. One of the solutions to this is the elimination of tax in the case of digital products delivered directly. Another solution is to identify the institutions (financial institutions, approval bodies, etc.) to be responsible.

The work of the World Customs Organization continues to address the logistical problems in front of electronic commerce. Customs modernization and automation are being carried out in our country. Within the context of the customs automation project, electronic data exchange between the parties (importer, exporter, broker, Transport Company) and the customs administration, between national and international organizations, between the customs administration and the banks was aimed. In this way, the parties will be able to obtain the declaration and manifest information from the computer in the customs office. Operations will be faster and easier. A pilot region has been selected for this purpose and studies are continuing.

Problem of customer protection

Two things to consider when talking about consumer protection in electronic business. Firstly, electronic business involves two different transaction categories. Among these, the selection of physical goods, ordering and even paying is done via internet. In this type of trade, the internet is mainly used as a means of ordering by mail, and the product delivery is made by conventional means such as mail and package delivery. Thus, consumer problems with this process can be resolved in a similar way to solve problems encountered in mail or direct sales exchanges. In the second category, the operations of the so-called digital commodities, for example; software, music and film-like goods. The selection of these goods, the payment of the order, the payment of the price and the delivery of the goods are done in the virtual environment and the traditional ways and methods are not used. Such transactions involve new and different problems.

The second issue that needs to be considered is the definition of electronic trade. Consumer problems in electronic commerce within the same country can be solved by methods similar to those encountered in other ways of trade. However, in situations where the consumer and the seller are located in different countries, serious problems are encountered in solving consumer problems. In existing e-business applications, the rate of fraudulent and deceptive behaviour is increasing. According to estimates, 10% of e-business transaction volume is fraudulent behaviour. This shows that, as consumers make their lives easier with electronic business; they are also increasingly vulnerable (Online Brokerage, 2015: 83).

It is also becoming more difficult to protect consumers from fraudulent and deceptive behaviours due to their unique characteristics and cross-border structure through the Internet. If the seller is located outside the country where the consumer is located, the consumer cannot have the necessary information about the seller. Even if the consumer knows the consumer protection legislation in the country of the seller, for example, international telephone calls face obstacles to seeking benefits due to the cost of litigation and follow-up, language problems and other reasons.

One of the important problems faced by consumers is that it is not possible to determine where the seller is when they want to return the product. This problem is hardly encountered in physical goods. Because it is easy to determine the identity and address of the seller from these documents, since the goods that are ordered arrive at the buyer with the documents such as the transfer instruments and receipts and invoices. However, in digital goods, it is difficult to identify the seller since the product reaches the consumer online. The traditional product liability system will not suffice for the compensation of bereaved property. In some countries, a chargeback system is adopted to protect consumers against defective goods, especially in payments made by credit card, and the basic principles of this system are being tried to be determined within the OECD. The feature of this system can

be summarized as payment card issuers accepting refunds of money paid by consumers due to defective furniture, if certain conditions exist.

In order to solve these problems, it is necessary to encourage consumers to prepare protective legal regulations, to combat fraudulent and deceptive behaviours, to inform and educate the business community and the public, and to create their own internal control and control mechanisms. The Consumer Protection Law, which entered into force in 1995 in our country, does not include concepts related to online trade. Online sales can be assessed in door-to-door sales. But these are not enough; the law needs to be re-examined.

Proof of electronic records

International studies are being conducted with regard to the power of proof of electronic records. In our country, over 1.5 million legal transactions can only be proved with definite proofs. Since there is no obligation to prove for transactions fewer than 20 million, electronic records seem to be accepted as evidence in these transactions.

According to tax laws, the keeping of commercial books in electronic form is not allowed. For this reason, in parallel with technological developments, the records maintained as computer records, including microfilm or microfiche, should be included in our legal system and standards for keeping such records should be introduced by making amendments in related laws.

Judicial problems

Electronic commerce has opened new opportunities for businesses and countries for international trade. But at the same time, in disputes over commercial transactions, new problems arise in the application of laws. Research shows that customer complaints are increasing in cross-border purchases. The resolution of these problems takes a long time because of the location of the vendor, on which side the laws will be applied, language and cost. Some transactions are not

contracted and some contracts are misleading or missing. In the problems that arise in electronic commerce, which country is the biggest problem that the law will be applied? According to some opinions, the trade law of the seller's country should be applied. Some opinions defend the validity of the rules of law in recipient countries. As long as there is no international agreement or rules in a legal dispute, the parties are free to produce solutions to their uncertainties. However, standards for international trade should be developed to avoid complexity and multiple applications.

Protection of intellectual property

Trade over the Internet also includes licensing and selling of intellectual capital. To improve this trade, sellers should be sure that their intellectual capital will not be stolen. Buyers should not doubt that the products are original. There is a need to regulate international contracts in order to prevent the theft or copying of copyrights, patents and trademarks. Even if technological advances such as encryption methods help prevent piracy and fraud, it is imperative that an effective legal infrastructure be established in order to be able to solve the problem of intellectual capital protection or a problem with it.

Intellectual capital rights have an important place in the development and trade of intellectual and cultural activities. Technological developments have made it easier to access and copy information. At the same time, new technologies also make it easier to take action against them. In some cases, the private sector has made progress on implementing common standards for the protection of intellectual capital rights in new multimedia products and services. In addition to international organizations, governments continue to work on setting common standards. In order for electronic trade to flourish, countries need to immediately begin implementing these agreements in their national legislation.

Copyright

As is known, the internet; it is a low-cost distribution channel for information and entertainment products such as movies, music and books. It is easier and cheaper to download some products like video, compact disc or book instead of physical distribution. For this reason, online sales of products that are not allowed and copyrighted are spreading rapidly.

In order to prevent this, national and international field studies are being continued. Most countries have laws for this purpose. However, such laws are not as effective as they are in resolving the problem. For this reason, the protection of copyright is increasingly important nowadays. In particular, Bern Convention for the Protection of Literary and Artistic Works (Bern Convention for the Protection of Literary and Artistic Works) draws attention. Within the framework of this contract, each country guarantees the protection of copyright. In December 1996, the World Intellectual Property Organization (WIPO) introduced new protective arrangements by improving the Bern contract. The organization develops principles to ensure that the commercial opportunities provided by digital communication do not damage the copyrights.

Patent and Trademark Rights

Protection of patent rights is extremely important in terms of continuing the developments in technology, computer, hardware and software and communication tools. Promoting and protecting patentable innovations that emerge from commercial developments on the Internet is crucial to the future of electronic commerce. In keeping with these objectives, the "US Patent and Trademark Office" (PTOJ) is continuing its efforts to develop cooperation for the protection of patent rights with the private sector. At the same time, the Bureau also conducts publications on patent rights as well as related publications. The Bureau adopts the following principles on patent rights:

- In order to create a secure framework for electronic commercialization, the development of patent contracts,

- The government's avoidance of interference without the patentee's permission,
- Encouraging countries to develop effective and fair protection mechanisms for protecting patent rights,
- Development of appropriate international standards for the protection of patent rights.

On the other hand, trademark rights arise because of the use of similar trademarks for similar goods and services owned by the parties in different countries. Countries are implementing different standards in this respect. Disputes arise particularly when the same or similar identifications are registered on the internet. As is known, a trademark on the internet fulfils the recognition function. Definitions, such as addresses in general, do not protect intellectual capital. On the other hand, the protection of these names is very important and the courts have recently attached special importance to this issue. Until today, disputes between trade name rights and commercial property rights have been resolved through negotiations and courts. There is no doubt that it will be possible to resolve potential disputes between the use of trademark and the use of trademark.

Illegal publications

The presence of illegal or harmful content on the Internet is also a problem. Here, there is a contradiction between freedom of speech and protection of safety, human morality and morale, and similar values. There are people who have opinions about not having some information on the internet. For example, bomb construction may be included. For others, the flow of information over the Internet should be free and not subject to strict denial. According to traditional tools, the internet allows users to protect themselves or their children more than information they do not want. For example, parents may block their children from accessing some information or accessing unapproved websites. For this purpose, filtration

technologies are used today. Content edits are also available on radio and television. But bringing the same regulations for the internet will prevent the internet from growing and becoming widespread. For this reason, it should be supported and encouraged not to make too strict regulations in this regard, to adapt the industry's self-regulation, to adapt the competitive system and to use easy-to-use solutions such as filtering technologies and age verification systems.

In April 2000, the "Children's Privacy Protection Rule" was introduced in the United States in order to prevent children from accessing illegal and objectionable websites and to ensure the confidentiality and security of information collected from children. Electronic business of the necessity for "legal structure", one of the extension lead practice. Because current legal rules are not direct response to the necessities of e-business in particular digital business cannot provide. So today, for e-business growths the need for the formation of legal infrastructure makes itself feel forceful. In this work, electronic business which is increasingly essential in terms of businesses explanations of why authorized regulatory requirements arise in overall proposed and accepted method to meet the requirements in order to found the connection between the current legal rules of electronic business affairs with act branches will be given and make any changes need to base on these requirements. Computer-assisted scrupulous and appropriate commands and a reduction in the extent required for the granary.

One trade code for e-trade is created

Generally, parties can work with each other over the internet, provided they agree on it. However, in order to provide standardization in national and international commercial transactions, a common structure has to be established in which countries and businesses agree. The US government is continuing to work to bridge the gap between states and provide international cohesion. International aspect, UNCITRAL, has completed its work on e-commerce, a draft law supporting commercial use of common international contracts. This is the law

design; the definition and approval of contracts in the electronic environment, the determination of the forms of electronic contracts, the determination of valid electronic correspondence and the features of original documents, the terms and conditions of acceptance of electronic signatures and the acceptance of computer evidence in courts or in problem. While establishing the rules of international e-commerce; the parties must be free to determine the terms of their business transactions; the rules should be consistent with technological developments and flexible.

Infrastructure problems

It is based on electronic commerce basis, communication infrastructure and information technology. In developing countries, communication costs are high, technological equipment is inadequate, and the services provided are unfavourable and unreliable. For this reason, new systems such as fibre optic cables, satellite or cable TV should be used besides telephone lines in order to make the information flow healthy. However, the most important problem that comes to mind when overcoming infrastructural problems is cost.

The high cost of communication is one of the problems in e-commerce. Internet connection fees; inadequacy of infrastructure, operational cost and investment cost. Very cheap and undifferentiated pricing can lead to unnecessary use. For this reason, higher charges can be detected at certain times to prevent congestion. Competition in the market also affects pricing. Especially in countries where there is no competition for infrastructure, costs are doubled and the number of users is decreasing by 20% compared to the countries where infrastructure is on average.

For the long-term success of online trading, technical standards such as electronic payments, security, copyright, and communication technologies need to be defined. These standards should encourage competition and reduce uncertainty in the global market. In particular, they must comply with international standards.

In conclusion, the biggest obstacle to the development of electronic commerce is seen as security today. The development of secure payment systems, the acceptance of digital signatures, the establishment of approval agencies and the completion of legal gaps will accelerate the development of electronic commerce. Legislative areas of debate, such as protection of intellectual property rights, protection of taxation, protection of consumers, transactions carried out in the electronic environment and regulatory validity of records and provision of information integrity and security must be clarified in advance. Problems arising from technical infrastructure limit access to open networks and thus e-business significantly. It is not possible to develop electronic business without a fast, reliable, inexpensive and publicly accessible open network infrastructure. However, the allocation of domain names to be accessed by users must be classified to facilitate their subsequent use, and they must conform to international norms. Since the measures to be taken for the development of e-business are essentially open to the Internet, along with nationality, the international consensus on basic principles and principles should be ensured. National country practices that do not comply with international principles, norms and standards will not be successful.

As business takes place over the Internet, expanding the internet network, increasing the number of networked computers and, most importantly, reducing the connection costs. Finally, individual users and especially small businesses should be informed and informed about electronic business. The education system should be redrawn to educate the knowledge workers of the future. New progresses in the economy, transference and technology alterations in the capacity's progress and employment considerate are the most common. It affects altering business procedures, command and fund modelling businesses pushing it to restructure, and this alteration make them lose their competitive advantage. Last century and the century we are in is called knowledge and speed.

III SECTION. METHODOLOGY OF ELECTRON BUSINESS RISK MANAGEMENT

3.1. Analysis of the structure and perspectives of e-Business sector

Estimates are diverse. Nevertheless electronic business is rising by 94 percent annually in the world. Azerbaijani companies are also taking stages to keep up with this prodigious alteration. Virtual stores and bank branches are released on the internet. Companies doing business in the virtual environment are sure to offer great aids to customers. However, chances will bring risks and threats. These developments, which will be various for every sector, clearly represent Merrill Lynch's latest report. Merrill Lynch, a major investment bank in the Earth, collected messages from 10 segments.

The future of traditional squares: The scope of the online advertising market is assessed to become \$ 10 billion in the world since 2002. In Azerbaijan it is predictable to increase 15-20 million dollars until 2020. However, the internet is not likely to become one of the core advertising objects such as television and newspaper in the short term. At least in the next 5 years, we surfed on internet pages, especially on foreign websites, we are opening to get used to minor advertising windows and posters. However, the real significant fact of Merrill Lynch's effort is that the advertising industry's chief benefit is that the electronic business rage will be introduced in classical circles.

www.mynet.com.tr is the first Turkish content portals, magazines and newspapers emerge almost all ad pages. Corporations such as Yahoo.com, Super online and E-Bay which have only limited years of history have entered this industry as a whole new client base with budgets they have created. These expansions demonstrate that the advertising industry, along with the extensive

espousal of electronic business, will vanquish clients in a whole new field and will publicize their advertisement.

Certainly coin has two sides. What will happen to the current clients of the winning advertising companies? It is being claimed that electronic business will bring some sectors, particularly brokerage organisations, to the point of elating them altogether. There will also be no unforeseen growths for many establishments that cannot familiarize their commercial model to new technologies. Advertising organizations can therefore deal with the hazard of losing current clients while obtaining brand new clients on the one hand.

The Turkish purchaser has come to Migros.com.tr with retail trade on the internet. In the world, Amazon.com is the pioneer of e-retailing. There is, however, a vital difference between these two businesses; Amazon.com does not have an actual store and does all its activities on online.

Virtual stores are willing to retail companies. These companies are not retailers in reality, and whose expenditures are rather low, such as rentals and labour fees, will fast take the market segment of retail monsters. These companies can sell the same product with very low inventory costs at discounts of up to 40 percent from other retail companies. Although the high costs of digital retailers and retail companies encounter the internet, discounted product trades look unavoidable.

How much e-business is profitable? It is obvious that retail monsters in the world are not acting too quickly to commence electronic exchange. These giants did not have to delay so late. The most significant of the factors that strapped them was that growing sales did not always equal to success. The delivery of commands from the internet to the customers' homes is the major reason for customer approval, and it stands out as a tool for businesses to search for jobs. Merrill Lynch experts point out that this price-cost effect is very important for the retailing. According to them, this factor can play a main role in the progress of the electronic trade market.

Chance of become global e-business company. In spite of all these threats, retailers have solid causes for not giving up on electronic business. The first reason is the variation in shopping behaviour. Because the number of buyers on the Internet is probable to upsurge to 207.5 billion by the end of 2022 in single the US. Furthermore, retail companies will reach to customers via the internet they cannot reach to those customers in the geographical area. Would not it be possible for clients to discovery the latest books in the Azerbaijan in a few days without the internet?

Merrill Lynch's research carries a very diverse viewpoint to the actual market. So far, the emphasis has been on the suitability of Internet and electronic business in terms of real estate corporations. For example, without taking the worry of going to agent, all the agents can be seen on the internet and scrutinized their rooms.

Nonetheless, retail companies are increasingly shifting to virtual sales and moving away from physical stores, which mean a discount in real rentals for retail companies. Until 2019, retail sales excluding services are predictable to reach \$ 950 billion on the internet. According to Merrill Lynch specialists, 60% of this growth will be in favour of buying made in physical stores. When the commercial actual estate market in Azerbaijan consider viability, no hazard in the short term. However, if consider the pace of outstanding of electronic business and its potential in Azerbaijan, a short time later we may be observing the onset of failure in rental income.

What should real stores do? Though sitting at the computer and shopping by clicking on " mouse " appeals us, our history always seems to walk through shopping places as well. Merrill Lynch experts note that retailers continue to raise and open stores both locally and globally. It is projected that while companies are investing in internet, they will not hand over opening actual stores. Merrill Lynch authorities recommend those working in the profitable physical estate to closely monitor the investment strategies of the corporations. E-business also contributes some other sectors to expand. This contribution is describes below:

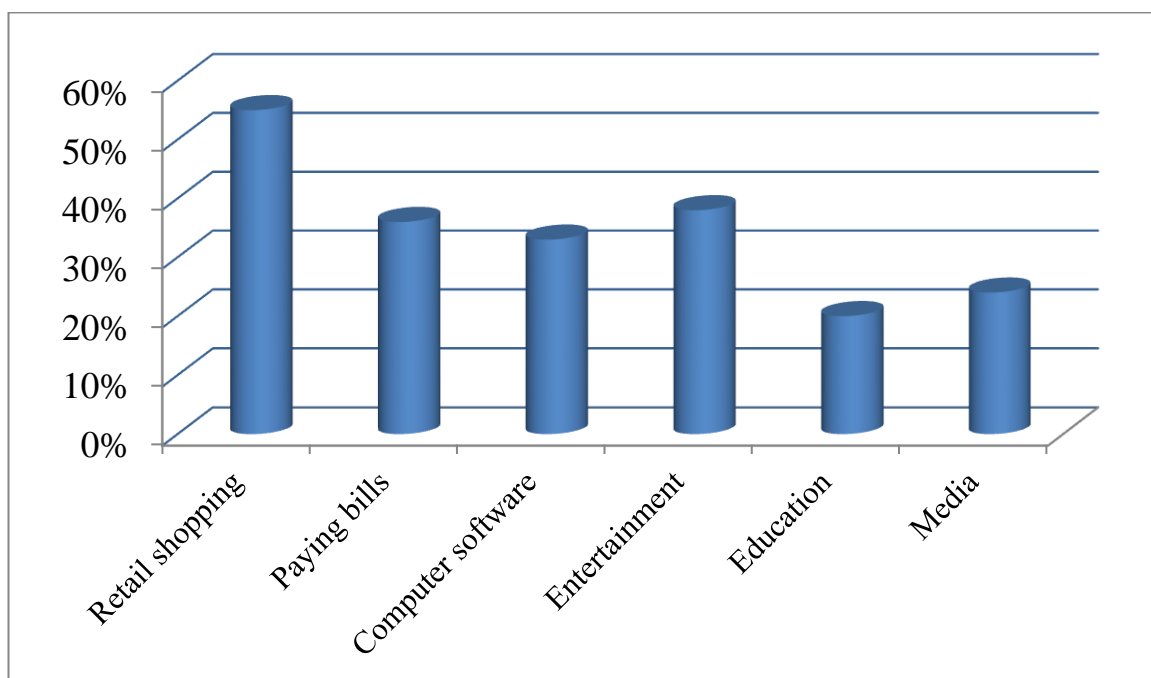


Figure 1. Growth of some sectors due to e-business (Source: OECD)

Business of online education. The technology, particularly the internet, ensures numerous responses that have been left untreated in education. Educational organisations have the chance to enlarge their service areas without the current restrictions of classical education approaches. According to Merrill Lynch specialists, there will be a massive explosion particularly in graduated education. As the Internet has raised the limit of time and space, it will warrant that educational organizations spread people who want to specialize in some subjects but are not able to do so. In Merrill Lynch's statement, investors are not forgotten that this area has substantial chances.

An educational organization analyse student capability when choosing the area where it will function. However, with the internet, universities will have the opportunity to increase students they cannot serve because of geographical obstacles under usual conditions. This will raise the student number of the institutions. In the future students will not need to go beyond the borders of Azerbaijan for a degree at universities of abroad.

Technology now is not sufficient to offer a very effective education on the internet. Current technologies are not spread widely enough. Education in the electronic atmosphere will become more gorgeous, for instance, by using technologies such as audio-visual conferencing.

Attention is drawn to the aspect that the price of training institutions, which have the chance to serve an extensive student population with their present resources, will become less costly and this area will become a more gainful investment sector.

One of the important things is future plans for universities. Schools that have usually got a good reputation would be more advantageous because students could enrol for the educational institution which they desired from the internet without geographical barriers. The most significant factor that affects the choice of the students is the reputation of the school and the past successes in that case.

According to Merrill Lynch's report, among the companies that offer outsourcing to others, the main chance for the progress of the internet will be the acquisition of human resources. The demand and supply will be combined on the internet through human resource. The service ensured by the mediators will quickly grow all geographical regions.

It is projected that the real involvement of the internet will be above the great decreases of cost. Since job requests and job advertisements are made over the web, they are firmly looking at a stable drop in fixed costs. Thus, companies will be able to found less expensive human resources mechanism by e-business.

However, answering fast to the intervening CV is one of the crucial points of the HR job. The candidate may be in another city or country. It is likely that the client tried to continue with other companies if not punctually answered. Companies are being experiment to reply immediately to requests from the Internet, for example, to generate a rapid response method. Additionally, the improvement of video and audio technology will make it easier for business to overcome their shortages in this point.

There will also be security problems when it comes to imposing companies on the internet for job requests. Because safety is not completely solution, people can avoid giving their personal information the same way and they are worried detail about credit card.

Online business of travel booking. The use of first automatic reservation in the history of airline companies was in the early 1970s. With the use of electronic booking systems, travel agencies' number of total tickets sold increased from 40% to 80%.

One of the most main methods of airline companies have chosen to keep their wages is to shrink costs. The most major point of decline costs is charges paid to travel agencies. That's where the internet appears in as a great hazard to agencies. According to the study, airline ticket sales handover 7.5% of their income to agencies are almost four times low-priced than other fares. For this reason, the airline companies are taking a closer look at the internet.

The internet makes marketing activities more operative by passing individual morals to customers. Airlines are the first industry for committing "one-to-one marketing". Airline companies serve customers' favourites from the drink variety to the fruit they prefer and obtain great data about their clients through internet. How they use this data will define the success of them.

Insurance industry in e-business. The insurance sector conventionally lags behind from other sectors in applying modern technologies. There is the same situation belongs to Internet, too. The industry's attitude to up-to-date technologies can also bring about missed chances for Internet. However, there is another significant advantage of industry connected to online trading. That is because the money that the clients pay for the insurance is great and therefore it is tough to make judgements. As it is in health insurance, the difficulty of many procedures makes it hard for people to give decisions on their own. This is the most crucial point that will restrict the electronic trade.

There is another fact that is highlighted by Merrill Lynch's report. In the insurance industry, there are compound and hard to comprehend policies, such as commercial products, as well as modest, easy-to-understand strategies. Here, the insurance segment can benefit from the actualities of the Internet. At the moment, insurance is getting a portion of the electronic commercial pie. However, the opinion of Merrill Lynch specialists is that this condition will change over the next several years and that electronic trade will have a substantial share of the premiums issued in the industry, particularly humble policies such as auto insurance.

According to Merrill Lynch reports, price will be a very vital aspect in insurance. As clients find the chance to compare products from many diverse companies, the price will become the most chief aspect affecting the buying decision.

Businesses that do not easily bring simple insurance policies to their clients on the Internet will face market share in electronic insurance firms that sell the policies of various insurance organisations. Because we commenced to discover alike guidelines of insurance agencies on the internet frequently. For instance, if you would like to insure yourself, you will be able to enter a single website to study the premiums of almost all insurance organisations. This will put force on the prices of insurance organisations. Because the information that we all know that the most significant aspect affecting the decisions of clients is price in simple insurance.

E-business of Entertainment. The Internet also creates chances and hazards for the media. The popular use of the Internet and the growth in spending time at the computer result that the time consumers spend on old-style media products such as newspapers, radio and television is declining.

The research represents that customers who spend more on the internet are start to leave their old eyes. This is the buyer trend beyond the union and associations between the businesses that serve the media and entertaining segment and the internet businesses. But digital TV appears to make an end to the

purchasers' internet-TV dilemma. Growth in bandwidth and the starter of digital TV, Internet-TV marriage will happen. The main benefit for media companies is that they will be able to trade directly to purchaser on many diverse platforms.

Businesses watching TV while watching the internet, surfing the internet or reading magazines will be able to touch their clients more effectively via individual marketing on all these platforms. However, one point of Merrill Lynch's study is that the above-mentioned distinct platforms become rivalry with each other over time and steal clients from each other.

The portion of sales made on the web in comparison with the total music sales in the world is equal to only 5%. But according to Merrill Lynch research, the internet's star or well-known people in the media and amusement sector will be the music industry.

MP3 technology has created a new period for the music sector, giving you the chance to download your song into computer that you want by entering the Internet. Because of the requirement of physical circulation of music via MP3 and the internet. Customers can now handover a new album to CD on their computers. The Internet access makes that the music segment is spreading extensive masses and new markets, and it can be up to twice as much as the income of this industry, with the physical delivery remaining in the middle. The most vital hazard waiting for the sector is flouting codes and transferring music to internets for free.

Electronic business and commercial banks. The reality that a commercial operation is committed from the Internet instead of a bank office can decline the cost per operation by 10% according to Merrill Lynch's study. This cost benefit is the chief cause why banks are quickly shifting from real offices to "virtual" offices.

However, this is just the cover of the work. However, the Internet generates a much more sophisticated and strategic chance for commercial banks. Banks are anticipated to improve their transitional part, particularly on the internet, between corporate customers and individual customers. For illustration, a buying you make from Archelik, paid through your bank office. In Merrill Lynch's account, it is

advised that the outline of electronic bills, which totally eradicate costs such as paper and mail, will transform banking activities.

While the evolution from paper billing to online invoicing is expected to create a change in banking activities, the cost benefit reinforces prospects that rivalry in this area will rise. In Merrill Lynch's account, it is expected that dynamic, speeding companies will concentration on cash management.

The technology that creates new doors to giant banks, and particularly the improvements in the internet arena, will perhaps give the smallest bank. All over the world, including Azerbaijan, the largest segments investment is known as the financial segment in modern technologies. However, one of the expectations is small banks can lag behind large-scale banks and lose their competitive power in technology investment.

Financial sector of online business. Private consumer finance companies have recently begun to recognize the introduction of plastic card in Azerbaijan. Governmental organisations set some rules and a small number of special financing services to attract much wider sector companies in Azerbaijan. In the world, there are a huge number of structures that offer new financial assets to customers. Since private financing corporations suggest services to many clients from a real environment, they have the chance to create a turning fact in their improvement together with the Internet.

Since private financing companies suggest "services" such as solving their issues, managing their possessions or creating long-term credit chances, communication is one of the foundations of this industry. It is vital for the success of the companies that the opportunities that the company can create can be clarified in an effective and precise method and the clients' desires and circumstances can be defined in detail.

Merrill Lynch specialists, who have found that the Internet pointedly decreases communication charges for both companies and clients, emphasizes that businesses in this sector must be quickly acclimatizing inside. In the report, it was

identified that the clients had to download information about the services of the private financial institutions in place of using the smartphone.

To give a clear example, imagine you have some money in the bank. You want to surge your income by bringing this money to a portfolio management business. Would you enter the webpage of this company on the Internet and look at information about your account? The response to this issue is natural because of the security problem that is negative for most people. In fact, Merrill Lynch's reports displays that it will be tough for private financing corporations to take benefit of internet weapons unless there are satisfactory improvements in security technologies, for example detecting customer identity.

3.2. Modern trends of Risk Management in e-Business

Risk is one of main things that always make managers to concern. It is so important element to take seriously. Risk force to organisations to get profit or loss something but in the most dangerous one is of course to end up operating business. In previous paragraph it is mainly written that types of risk. Despite them, risk also has further groups such as their **frequency**, **essentiality** and **influence** and so on. Methods of reducing risk changes according to these groups. It is better to be aware of their definitions and differences. This paragraph looks at how possible to reduce risk or weaken its effect and also how it is various according to further factors.

One of these factors is **risk frequency**. Risk frequency is how much time company is in dangerous. If this event often happens this called **high frequency risk** or it happens rarely this time its name is **low frequency risk** and something between them called **normal frequency risk**. Another thing should be consider each risk individually is estimated. For example, security risk happens often or rare does not include risk of fraud. Managers are usually spending their efforts to deal

with high frequency risk. Because this risk always concerns to organisations. However, high frequency risk has some advantages. These advantages are key tools to face to risk and make it less influential. These tools are: *experience, behaviour, knowledge*. All of them are related to each other.

Experience is a tool that risk managers gained after high frequency risk. When something frequently happens it creates opportunity others to learn how to deal with. Managers have a great experience to prepare strategy weaken this risk. Another skill is behaviour, all employers of businesses are panic when they are face to hazards, especially more difficult one. But this risk experience teach staff how to behaviour it. It is easy to manage and eradicate risk when they often face to them. Final tip is knowledge. Risk staff is responsible to identify and research new risk to tackle it because better knowledge helps to organize risk. On contrary, high frequently risk makes the staff to get all necessary knowledge and contributes them to spend time efficiency because research new risk require time and also effort but high frequency risk solves these problems.

Low frequency risk is another type of risk frequents. It rarely happens that is why it makes specific approach. In comparison with previous one, low frequency risk usually is a huge risk which its cost and effects are significant. That is reason why this risk requires a specific approach. Managers should analyse this risk carefully and prepare a unique procedure. Low frequency risk has not extra tools but it has only one advantage it happens seldom. However, this advantage makes risk staff to receive time. They have enough time to consider how to deal with this type of risk.

Normal frequency risk is final type of risk frequents. This risk requires something in the middle between high and low. Advantages, benefits and also drawbacks of first two risks belong to final one.

In summary, it is useful to write general way of reducing all types of frequency risk in electronic businesses. One of the examples for high frequency risk is internet problem. All electronic businesses often face to this problem and it

includes high frequency risk for these businesses. Despite importance of internet, electron organisations sometimes have problems to access network. Without internet electron business operations stopped. Managers of these businesses should have prepared this problem. There are some options they can do. For instance, they can contract with better internet providers or they can generate alternative internet source.

If the problem had happened what electron businesses can do? Without internet hardly electron business can operate but they try to do something. Firstly, they make contact with providers and also attempt to solve problem by themselves. Secondly, ever electron business should have demo websites which sites are enable to connect in weak internet connection. After all them, it is better electronic business should excuse their clients. It is also crucial for their reputation and social image.

Breaking password includes low frequency risk. Almost every electron business use electron registration for admit their customers. Unfortunately, sometimes some clients' password is stolen by others. Even this event happened after client's guilty electron businesses ought to take responsibility to solve this problem. Because it is also affect other customers. To avoid this problem e-businesses increase security and safeness matter in their websites. Even they can contact with police officers to find guilty person. However, e-businesses are reluctant to declare this event which is obvious reasons.

In conclusion, frequency risk is helpful to make progress to some risk management tools and it is also important factor in risk assessment.

Essentiality is another major aspect of risk assessment. Risk assessment is main indicator which shows risk staff exact details of risk. An essentiality helps manager of risk process to identify how risky event can be happens. What exactly essentiality means and how it affects or possible links to risk management?

Essentiality is term which means importance of something and how big their effect is. In risk process, essentiality defines which event should be taken seriously

and makes a plan to deal with it. Organisations often face to different events and it is necessary to define which one is the most serious and important. Logically thinking, essential work should be priority to act. For description, descriptive company A can be encountering numerous risks from different subjects. For example; changes in law, defect in product, resign of main employer. Among three risks which one should be take priority? Actually, it is not one single correct answer. It needs more information and detail about company current situation but it is possible to outline key phrases. Only government has a right to change laws and rules but it is risk for each business if new rule can be obstacle for it. However, there is so few things actually business can do. Conversely, defect in product only can be result of company's guilty. If this risk has a high probability company should solve it firstly but usually defect of product is error of employment and it has always an infinite probability. Employers always have a high probability to quit their job but it becomes more seriously when major employer wants to leave his or her job. This event is so bad for company's future and it needs to take this risk seriously. But compare final two risks which one should businesses give much more effort. Actually both of them because managers ought not to focus on only one event. They do not expect when risky event come from it. Managers should prepare for each main area that risk comes from. Because both resign of main employer and defect in product are important for future of business.

Solutions for the first problem, businesses can form better control system and they produce product with double check system. Another way of reduce this risk is employment much more experience and professional workers. If company unsure quality of sale product, they have two options; recall all doubtful products or wait for any negative feedback come from clients. First option can result useless panic but if a defect has a high probability that it exists in product. Company should take this action. Because second one is directly linked to reputation risk which makes company to face with much bigger dangerous event in the future.

For the second one, if employer wants to leave organisation, manager should identify what are causes of this action. He tries to create much more suitable environment for any employers. Even some employer is willing to abandon company; managers of human resources should talk to him and try to find reasonable solution.

To recapitulate, essentiality helps organisation to define which action they should begin to act. However, it is better to hinder unfortunate event always try to keep risk in lower probability.

Risk influence is another main factor in risk assessment. Risk managers are often worried about risk impact and they always think about it. It is essential that they can give true or about true prognosis of risk influence. But what is exactly meaning of risk influence?

Risk influence is huge topic and it is useful that firstly we identify which sector it can be affect. So influence has various types and it is called after name of which sector it has an influence. For example, marketing risk means risk that affect organisation's marketing. From this example, we can write that risk can affect all business's departments and also its some parts. According to this differential impact risk influence divided into three groups: **micro risk effect**, **medium risk effect**, **macro risk effect**. Despite this, this effect can be estimated for *company* or *department basis*, *country basis*, through *region* or *worldwide*. Firstly we look at company basis's effects and others are similar to it:

Micro risk effect of company – this effect is so small for scale of company. This risk influence is tiny for take seriously but it does not mean managers can eliminated it. It is better that low level of risk operators can deal with this problem. Example of micro effect is one of 10 workers became ill and this resulted he could not join other co-operatives. It is a problem but we see that company has another 9 workers which can do almost the same job. They can work instead of their co-worker who is unable to work.

Medium risk effect of company – to compare previous one it is more serious and it necessary that high level of risk managers are notified and control it. Example of medium effect is risk which can affect through department or medium part of company. Imagine that company face to their advertisement in newspapers is not effective. This risk results failed in marketing strategy. Advertising is huge cost for company and if it is not meet the expectancy result of that is huge risk for marketing but it is just medium for company. However, one exemption is better to mentioned of course amount of this cost is so essential. If spending money is huge it will become macro effect of company because result of this action is cause of deficit in company's budget. Low budget means company could not fund other sectors.

Macro risk effect of company – it affected all company. All risk managers and even other managers and also other risk staff are responsible to this effect. Macro risk should be controlled carefully by responsible person. To give a clear example of it is defect in products. It is a good question that is arisen why it is not medium risk effect because it affects only production sector. Reason of why it is not called medium risk because it does not affect only production department. If clients are aware of defect in product it means that they reduce demand of that product or it resulted reduce of company reputation. It is directly related to marketing department. It can also influence to company's employers and decrease their motivations or beliefs their works.

The same division of risk effect also belongs to country, region, world and etcetera. According to country level, risk division is the same but its quantity differs from company level.

Micro risk effect of country – includes small threat probability. If this event happens its result will not be so high. However, it is important that to control this uneventful risk because it maybe notify future significant problems and it is also the best way to create survivor image of government in some countries. Example

of it is just one company which has approximately 2000 workers it is uneventful or insignificant risk for country or government level.

Medium risk effect of country – is moderate risk probability. Level of this effect is bigger than previous one and it is real notification for government. Example of this risk is fail of numerous companies in one sector such as construction business.

Macro risk effect of country – this type of risk has paramount effect on country. Crisis is one of the expectable results of it. Government should think a serious plan for solution of it. For example, fail of one sector such as tourism which plays an important role in country's economic.

All example shows that risk can also be different from its importance, effect and frequency. Considering all above and before mentioned factors it is said that e-business risk is an upward anxiety, particularly in today's business environment. Business possessors ought to understand risk and try to reduce it. Risk comes from different areas but for every potential risk it needs an effective coordination of interior controls can be applied to decrease risk. It has three experimental risk reducing tools in below:

1. **Review the current interior system** that provides outline what to you next action. Sometimes revision helps to revive defect, errors and other problems. It is useful that checks all important essential information and divides all jobs between risk staff.

2. **Try to make a progress in risk plan** which means that develop your current plan. Improvement is always better even ideal risk plan also have a probability to become useless in near future. That makes managers of risk to employ new staff. It is recommend that double check of all works. For ensure double check managers can give two people the same job and form stair control system.

3. **Consulting is one of effective** tools which means employs risk consulter. That person helps manager to organize and assess risk but in small business it brings extra cost which is not desirable.

Successful risk management in e-business. Critical success factors are a limited number of factors that ensure successful business performance in operating results which must be absolutely true for the development of the business. Critical success factors in businesses have four main sources;

- Industry structure,
- Competition strategy, industrial position and geographical position,
- Environmental factors,
- Temporal factors

In this context, critical success factors within e-commerce can be considered as a limited number of factors that must be absolutely true for the business to succeed in e-commerce.

While there are not many publications on the factors affecting the successes of enterprises in e-commerce the academic studies carried out in different countries include different sizes and sectors. Research on critical success factors in e-commerce in developing countries is limited. Since critical success factors are the most contributing factors to an operator's success and competitive position, the identification and management of these factors is crucial for businesses. The identification of e-business critical success factors helps an enterprise to take advantage of the benefits of acquiring e-business solutions.

Influence of e-business to managerial operations. Electronic commerce, especially the Internet, also changes the way companies do business; by keeping information in electronic form, anyone can access the information that they need from anywhere at any time without having to. Price lists, order forms, promotional

films, etc. materials can be accessed up-to-date via the intranet from the company's service computer.

Mobility: Internet technology provides access to information regardless of where they are located. The fact that traveling employees are able to access the information they need at any time and at any time to provide support to their customers, improves the performance of the company in responding to its customers' needs.

Quickness: Business people can access up-to-date information when they need it day or night. By reaching the website of the business partner or company, it is easy to access the last price list, production figures, goods issue date.

Working Groups: The Internet also provides infrastructure for sharing of data and for co-operation of employees. Firms, news groups, conversation rooms, etc. tools and various geographical locations to create working groups and evaluate the customer's proposals.

Owens & Beynon-Davies (2011) is a key success factor in the implementation of e-business in SMEs; E-business has identified the most appropriate product or service as the ability to integrate existing business activities into e-commerce, and to be flexible for continuous innovation in this regard and to manage growth that may arise as a result of e-commerce investments. Jeffcoate, Chappell & Feindt (2012) identified 11 critical success factors for e-business for SMEs. These include:

- Content (effective presentation of the product or service from the Internet),
- convenience (availability of the Web site for the intended purpose),
- Control (the measure of the processes that the business defined by the business defines),
- Interaction (means of interacting with individual customers)
- Sensitivity to a product or service against price competition on the Internet,

- Brand image (ability to create a brand for e-commerce operations, products and services),
- Commitment (a powerful tool for Internet use and innovation) motivation),
- Partnership (the extent of using an e-commerce enterprise's presence on the Internet and the use of partnerships)
- Value chain relationships to expand its business,
- Process improvement (the extent to which business processes can be changed and automated).

The provision of basic connections between information technology systems that support improvement of processes and partnerships. Vijayaraman & Bhatia (2012) identified ten factors that have influenced the success of e-commerce initiatives. These include: e-commerce strategy based on business model, creating useful site content / good design, personalized customer service, virtual community, effective promotion, online brand image, effective website traffic management, scalability, effective performance management and partnerships. Feindt, Jeffcoate & Chappell (2012) found that critical success factors in research that SMEs have done are related to all firms engaged in e-commerce; content, convenience, control and interaction, in relation to companies in a particular industry sector; community and price sensitivity, in relation to individual companies; brand image, commitment, partnership, process improvement and integration.

Jennex, Amoroso & Adalakun (2014), examined the key factors affecting the success of small businesses in B2B e-commerce in developing countries. As a result of the studies, the most important factors affecting the success of B2B e-business relations are; employees' capabilities, customer interface and technical infrastructure. Al-Qirim & Corbitt (2014) conclude that as a result of their work on factors affecting the use of e-commerce in small enterprises operating in New

Zealand, relative advantage, cost, compatibility, size of enterprise, density of product knowledge, competition, and the pressures of suppliers / have found that the attitude of the management has a significant effect on the level of use of e-commerce. Tsao, Lin & Lin (2014) found that the key factors in the success of adopting consumer (B2C) e-commerce without operating in a study on SMEs operating in Taiwan are internal factors.

Fu & Lan (2015) emphasized six critical success factors in e-business applications of SMEs operating in Taiwan. These are: *a visionary, a strong leader that can transform the e-business vision into reality, a healthy business culture, plan, communication and flexible e-business solutions.*

Jeon, Han & Lee (2016) investigated the critical success factors in e-business adoption of SMEs operating in South Korea with a survey study. Factors influencing the successful adoption of e-business model by SMEs as a result of the studies; top management's information technology and level of knowledge about e-business, relative benefits and advantages obtained through e-business application, government support, globalization strategy and North Korea factor. As a result of a survey of 115 small businesses operating in Australia, Chong (2016) lists the factors that significantly influence the level of use of e-business by SMEs: perceived relative advantage, testability, observability, variety of information sources, print and non-commercial institutional effects. Horsti (2016) tried to evaluate e-business models by combining critical success factors and work on life cycle modelling in Finland. Horsti has identified the importance of different critical success factors at each stage of a life cycle. Hudson & Gilbert (2016) find that the main success factors in the use of the Internet as a marketing tool in the tourism and hospitality sector are: online experience, website productivity measurement, fast results in queries over the web site, ensuring easy booking, improving customer relationships, technology adoption by customers and online partnerships.

Huang, Zhao & Li (2016) is the result of the study that has made on 93 book publishing houses in China, the success of the e-commerce of leadership, strategy, management, organization, information technology, general features and functions of the website, . According to this study, critical success factors in e-commerce are: customer, strategy, information technology and general features and functions of the website.

Sebora, Lee & Sukasame (2017) studied the relationship between entrepreneurial features, e-service factors, public support and the success of e-commerce entrepreneurs in Thailand. Sebora, Lee & Sukasame (2017) found that business leaders had a positive relationship between achievement orientation and locus of control and ease of use and reliability of e-service and the success of e-commerce initiatives.

In conclusion, from the 1990s, the internet has become widespread throughout the world and has gained more space in our daily lives. Along with these developments, the use of the internet for commercial purposes has led to the emergence of new e-commerce business models among businesses. While some businesses are successful on the internet, some e-commerce initiatives have failed.

Result of businesses will be in the procedure in the forthcoming – and at a advanced rate and compactness, project, manufacture, marketing, advertising, upgrade, checking, contract making, banking and fund transfer, services, public procurement, electronic money or virtual money abstraction, stock exchange relations, electronic attorney, idea transfer of possession rights, leasing contacts, electronic trading of transactions. However, these processes we are talking about are increasing legal arrangements in the field of electronic business or reorganising to get-up the situations of the day it will carry with it the need.

CONCLUSION

Today, electronic exchange of information and data has become one of the most important tools of international trade. Innovations in technology make it possible to carry out all stages of commercial transactions outside of the physical goods shipment in electronic environment. However, the legislation and rules governing international trade do not appear to be sufficient to meet this development. The e-business issue, in parallel with the general tendency set in the world, is of greater importance for our country. In particular, it is necessary to carry out processes such as paper-based document creation, transfer confirmation and archiving in a simplified, standardized and electronic way, with much less time, cost and efficiency. Thus, beyond electronic commerce, there is an opportunity to transform state-citizen relations in a more healthy and effective manner and to use national resources efficiently in this way, within the concept of "electronic state". The rapid increase in the share of e-business in total world trade has brought urgency to the expansion of national e-business practices and integration into the global trade network. The countries that will be out of the global trade network will have less chance of getting a share from the international trade, even the market will be reduced, and even the danger of losing the market will arise. The number of countries that have complied with legal regulations on electronic commerce is not much, and it continues in discussions about problems in e-business on international platforms. However, the rapid development in the field of e-business necessitates the lack of public awareness in the country, the shortage of physical and administrative infrastructure and the necessary legal regulations. If all these problems are overcome, it will be possible for our country to take a large share in global trade by using new opportunities that e-business provides.

Result of e-Business Research. Online Business has gained a structure that reaches wide masses and accelerates this expansion process in 2015. Some global companies, who want to get data at this point, document their thoughts about

online business with their survey! The most obvious information that emerges according to the results of the research made is; it turns out that the most important factors that enable people to use e-commerce are trust, affordability and ease of return. According to the numerical data published by Ipsos; a portion of 9% of overall Azerbaijan prefers to shop online. In the details, this distribution in the 9% part; one out of every three people is between 15 and 25 years of age, 50% of shoppers are between 15 and 35 years old, and the most shopping is the students. Turning into world, the table was given below describes e-business users' age and pie chart shows used by regions.

Ages Purchasers	Purchasing Percentages
15-24	32%
25-34	28%
35-44	25%
45-54	10%
55-64	4%
65+	1%

Figure 2. Users Age Groups (Source: Haaley&Baker)

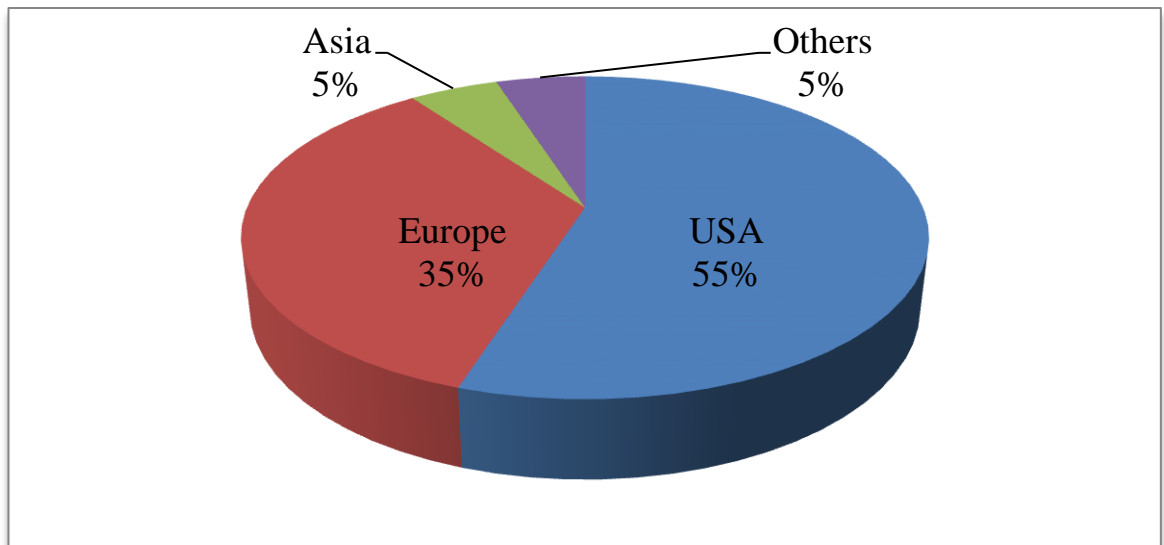


Figure 3. *Used of E-Business by Regions (Source: NUA Analyse)*

In addition, the majority of online purchasers, other than students in this percentage, consist of individuals working in the private sector. Users' online shopping mall usage rates are; 10% mobile phone, 10% tablet and 80% computer. The e-business research data, which draws attention to this distribution, is that online shopping individuals are making about 50-60% of their purchases via mobile via mobile! Another detail about online shoppers is; before individuals can shop online, their receivables are going to be examined in stores. This applies to 1 out of every 5 people who shop online.

In summary, according to the results obtained, the main reasons for users to online shopping; easy return and reasonable price. It explained that with the introduction of 4.5G internet speed in 2016, the percentage of mobile shopping will increase and in general the e-commerce market will expand.

Internet and electronic business will continue to shape the world economy and its forms in the coming period. Development of electronic commerce; it seems that governments, the private sector and people are more knowledgeable about this issue. It is necessary for the information transfer to be done correctly in the public administrations, to provide the required infrastructures rapidly and to provide full

confidence and formal openness in this area. Electron Business is a much faster and less expensive tool than classical commerce, which will lead to more businesses entering e-commerce in the coming years.

The positive effects of e-business are increasing day by day, guaranteeing technology work that develops as rapidly as the day-to-day and continues to develop at the same rate. Given that the whole development of the Internet has taken root in the last 10 years, it can be clearly seen how fast this new trading area is developing and will continue to grow.

Businesses that use e-commerce effectively will be able to play an active role in the new trade regime. Unlike all trading, the cost of electronic commerce is very small, depending on the opportunities it provides. Sometimes a website, sometimes a phone number, can create a value that is greater than all of the business's entire value added. Facilitating e-commerce complex business operations, communication and data storage in the international arena is driving all business to accelerate. It is unlikely that SMEs in the market will have equal advantages over large-scale businesses. However, this is possible in this new market. Electron Business provides competition opportunities for SMEs and individuals with large-scale transactions.

Although e-Business is a strong trading environment, it is a new medium. There is not yet a country in the world that could create an electronic commerce infrastructure. E-Business technologies are constantly evolving and, in parallel, the problems of it are constantly increasing. The spread of e-business has brought about new legal problems. As a social phenomenon, there are many obstacles to be overcome before e-business.

REFERENCES

Dave Chaffey. Professor Hall: E-business and E-commerce Management. London: Fourth edition, 2014.

Michael Papazoglou, Pieters Ribbers. Wiley: E-Business Organizational and Technical Foundation: Manchester, 2015.

Stewart McKie. Wiley: E-Business Best Practices: Leveraging Technology for Business Advantage. Shaftesbury, 2001.

“Study material of P3”. Chapter 5 – Risk management. 5th edition, 2015.

Four function of management: <<https://study.com/academy/lesson/four-functions-of-management-planning-organizing-leading-controlling.html>>

Small Business: Basic steps of management planning process <<http://smallbusiness.chron.com/basic-steps-management-planning-process-17646.html>>

Small Business: Reduce Business Risks <<http://smallbusiness.chron.com/reduce-business-risks-95.html>>

Bill Whyte. John Wiley & Sons: Enabling E-Business: Integrating Technologies, Architectures and Applications. New-York, 2001.

Erman Arslan, Syed Zaheer. Apress, 2016: Practical Oracle E-Business Suite: An Implementation and Management Guide.

Patrick McBride, Craig Robinson, Peter Thermos. Auerbach Publications: Secure Internet Practices: Best Practices for Securing Systems. 2nd edition, 2001.

Lynie Arden. Entrepreneur: Start your own E-Business: 2nd edition, 2014.