

Risk Management

Risk management is the Identification, Assessment and Prioritization of risks followed by Coordinated and economical Application of resources to minimize, monitor, and Control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

Principles of Risk Management :

Risk Management should:

- (i) Create Value
- (ii) be an integral part of organizational process.
- (iii) be part of decision making
- (iv) be systematic and structured.

Process or Steps for Risk Management

• Establishing the Context :

It involves

- (i) Identification of Risk in a Selected Domain of Interest.
- (ii) Planning the remainder of the process.
- (iii) Mapping Out the following:-
 - (a) The social scope of Risk Management
 - (b) The identity and objective of stakeholders.

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• Identification :

After establishing the Context, the next step in process of managing risk is to identify potential risks.

Identifying Risks
May Depend on

- Culture
- Industry Practice
- Compliance

(i) Objectives-based Risk Identification :

Organizations and project teams have Objectives.

(ii) Scenario-based Risk Identification :

Different Scenarios are created. The Scenarios may be the alternative ways to achieve an objective.

(iii) Common-Risk Checking :

In several industries, list with known Risks are available.

• Assessment :

Once Risk have been identified, they must then be assessed as to their potential Severity of loss and to the probability of occurrence.

• Potential Risk Treatments:

Once Risks have been identified and assessed, all techniques to manage the risk fall into one or more of these four major categories:

(i) **Avoidance** : This include not performing an activity that could carry Risk.

(ii) **Reduction** : Risk reduction or optimisation involves reducing the Severity of the loss or the likelihood of the loss from Occuring.

iii) **Sharing**: It defined as sharing with another party the burden of loss or benefit of gain, from a risk, and the measure to reduce a risk.

iv) **Retention**: Involves accepting the loss or benefit of gain, from a risk when it occurs.

- **Create a Risk Management Plan :-**

Select appropriate Controls or Counter Measures to measure each risk. The Risk Management Plan should propose applicable and effective security Controls for managing the Risk.

- **Implementation :**

It follows all the planned methods for mitigating the effect of the risks. Purchase insurance policies for the risks that have been decided to be transferred to an insurer, avoid all risks that can be avoided without sacrificing the entity's goal, reduce others and retain the rest.



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