

# Table of Contents

**Risk management** .....

3



# Risk management

Risk management is the identification, evaluation, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability or impact of unfortunate events[1] or to maximize the realization of opportunities.

## What is Risk Management?

**Risk management** is the process of **identifying, assessing, and prioritizing potential risks** or threats to an organization or project, and then taking actions to mitigate or manage those risks. The goal of risk management is to minimize the negative impact of uncertain events while maximizing the potential benefits of opportunities. The process typically involves:

- **Identification of potential risks:** This involves identifying all possible risks that could impact the organization or project, and analyzing the likelihood and potential impact of each risk.
- **Risk assessment and prioritization:** This involves analyzing the identified risks to determine their potential impact on the organization or project and prioritizing them based on their severity and likelihood.
- **Risk mitigation and management:** This involves developing strategies and plans to minimize or manage the risks, such as implementing risk controls, transferring the risk to a third party, or accepting the risk.
- **Monitoring and review:** This involves continuously monitoring and reviewing the effectiveness of the risk management strategies and making necessary adjustments to ensure ongoing risk mitigation.

Snippet from [Wikipedia: Risk management](#)

**Risk management** is the identification, evaluation, and prioritization of risks (defined in ISO 31000 as *the effect of uncertainty on objectives*) followed by coordinated and economical application of resources to minimize, monitor, and control the probability or impact of unfortunate events or to maximize the realization of opportunities.

Risks can come from various sources including uncertainty in international markets, political instability, threats from project failures (at any phase in design, development, production, or sustaining of life-cycles), legal liabilities, credit risk, accidents, natural causes and disasters, deliberate attack from an adversary, or events of uncertain or unpredictable root-cause.

There are two types of events i.e. negative events can be classified as risks while positive events are classified as opportunities. Risk management standards have been developed by various institutions, including the Project Management Institute, the National Institute of Standards and Technology, actuarial societies, and ISO standards (quality management standards to help work more efficiently and reduce product failures). Methods, definitions and goals vary widely according to whether the risk management method is in the context of project management, security, engineering, industrial processes, financial portfolios, actuarial assessments, or public health and safety. Certain risk management standards have been criticized for having no measurable improvement on risk, whereas the confidence in

estimates and decisions seems to increase.

Strategies to manage threats (uncertainties with negative consequences) typically include avoiding the threat, reducing the negative effect or probability of the threat, transferring all or part of the threat to another party, and even retaining some or all of the potential or actual consequences of a particular threat. The opposite of these strategies can be used to respond to opportunities (uncertain future states with benefits).

As a professional role, a **risk manager** will "oversee the organization's comprehensive insurance and risk management program, assessing and identifying risks that could impede the reputation, safety, security, or financial success of the organization", and then develop plans to minimize and / or mitigate any negative (financial) outcomes. Risk Analysts support the technical side of the organization's risk management approach: once risk data has been compiled and evaluated, analysts share their findings with their managers, who use those insights to decide among possible solutions. See also Chief Risk Officer, internal audit, and Financial risk management § Corporate finance.

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## Video

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- [Risk Management \(PMI PMBOK\)](#)

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