IS STRATEGY ,MANAGEMENT

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What is risk management

- Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings.
- These risks stem from a variety of sources including financial uncertainties, legal liabilities, technology issues, strategic management errors, accidents and natural disasters.
- A successful risk management program helps an organization consider the full range of risks it faces.

why is risk management important?

- We don't manage risks so we can have no risk. We manage risks so we know which risks are worth taking, which ones will get us to our goal, which ones have enough of a payout to even take them.
- risk management should be intertwined with organizational strategy. To link them, risk management leaders must first define the organization's risk.

Organizations risks

- Every organization faces the risk of unexpected, harmful events that can cost it money or cause it to close.
- Risks untaken can also spell trouble, as the companies disrupted by born-digital powerhouses, such as Amazon and Netflix, will attest.
- risk management provides a comprehensive overview of the key concepts, requirements, tools, trends and debates driving this dynamic field.

Risk appetite vs. risk tolerance

If risk appetite represents the official speed limit of 70, risk tolerance is how much faster you can go before likely getting a ticket.

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Financial vs. nonfinancial industries

- Banks and insurance companies, for example, have long had large risk departments typically headed by a chief risk officer (CRO), a title still relatively uncommon outside of the financial industry.
- Moreover, the risks that financial services companies face tend to be rooted in numbers and therefore can be quantified and effectively analyzed using known technology and mature methods.
- Risk scenarios in finance companies can be modeled with some precision.

Risk exposure at a glance

What is risk exposure?

Risk exposure is the quantified potential loss from business activities currently underway or planned.

How is it calculated?

The level of risk exposure is calculated by multiplying the probability of a risk incident occurring by the amount of its potential losses:
Risk exposure = risk impact x probability

Why is risk exposure important?

Risk exposure in business is used to rank the probability of different types of losses and to determine which losses are acceptable or unacceptable.

What are the most common types of risk exposure?

Brand damage, compliance failures, security breaches and liability issues.

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Risk management process

- ISO's five-step risk management process comprises the following and can be used by any type of entity

1. Identify the risks.
2. Analyze the likelihood and impact of each one.
3. Prioritize risks based on business objectives.
4. Treat (or respond to) the risk conditions.
5. Monitor results and adjust as necessary.

cybersecurity risk

When identifying risks, it is important to understand that, by definition, something is only a risk if it has impact

1. a valuable asset or resources that could be impacted.
2. a source of threatening action that would act against that asset.
3. a preexisting condition or vulnerability that enables that threat source to act.
4. some harmful impact that occurs from the threat source exploiting that vulnerability.

Risk by categories

1. strategic risk (e.g., reputation, customer relations, technical innovations).
2. financial and reporting risk (e.g., market, tax, credit).
3. compliance and governance risk (e.g., ethics, regulatory, international trade, privacy).
4. operational risk (e.g., IT security and privacy, supply chain, labor issues, natural disasters).