

Risk Management

Risk management includes risk management planning, risk identification, the qualitative and quantitative analysis of risks, risk response planning, monitoring and controlling the risk responses. Risk management helps in increasing the possibility of positive events on the project and effectively reduces the possibility of negative events on the project.

Risk Management Structures

Risk management structures are tailored to do more than just point out existing risks. A good risk management structure should also calculate the uncertainties and predict their influence on a business.

Consequently, the result is a choice between accepting risks or rejecting them. Acceptance or rejection of risks is dependent on the tolerance levels that a business has already defined for itself.

If a business sets up risk management as a disciplined and continuous process for the purpose of identifying and resolving risks, then the risk management structures can be used to support other risk mitigation systems. They include planning, organization, cost control, and budgeting. In such a case, the business will not usually experience many surprises, because the focus is on proactive risk management.

Response to Risks

Response to risks usually takes one of the following forms:

Avoidance: A business strives to eliminate a particular risk by getting rid of its cause.

Mitigation: Decreasing the projected financial value associated with a risk by lowering the possibility of the occurrence of the risk.

Acceptance: In some cases, a business may be forced to accept a risk. This option is possible if a business entity develops contingencies to mitigate the impact of the risk, should it occur.

When creating contingencies, a business needs to engage in a problem-solving approach. The result is a well-detailed plan that can be executed as soon as the need arises. Such a plan will enable a business organization to handle barriers or blockage to its success because it can deal with risks as soon as they arise.