

Risk Management

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Lecture 2

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تسعى لتكون الكيان الأول الذي يتبنى مبدأ المجتمع التعليمي
التعاوني ويقدم العلم مقابل العمل للتنمية وبناء المجتمعات.

MGM 510

Risk Management



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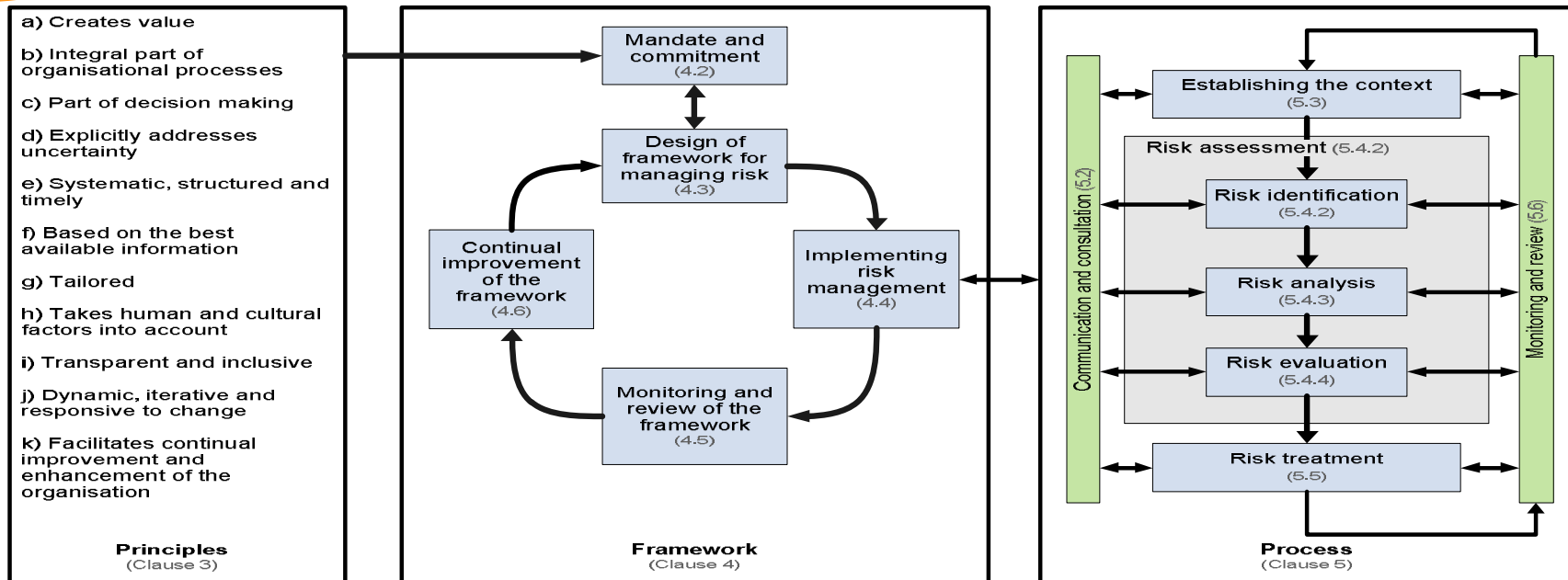
Topics to Cover in Week 2

- Principals Iso 31000: 2018.
- Impact of risk on organizations.
 - Level of risk
 - Impact of hazard risks
 - Attachment of risks
 - Risk and reward
 - Attitudes to risk
 - Risk and triggers



Lecture 1

3 Pillars of Iso31:2018



a) Integrated

Risk management is an integral part of all organizational activities.

b) Structured and comprehensive

A structured and comprehensive approach to risk management contributes to consistent and comparable results.



c) Customized

The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.



d) Inclusive

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.



e) Dynamic

Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.



f) Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations.



g) Human and cultural factors

Human behaviour and culture significantly influence all aspects of risk management at each level and stage.



d) Inclusive

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.



h) Continual improvement

Risk management is continually improved through learning and experience.



- ☐ Level of risk
- ☐ Impact of hazard risks
- ☐ Attachment of risks
- ☐ Risk and reward
- ☐ Attitudes to risk
- ☐ Risk and triggers



- Strategy, because the risks associated with different strategic options.
- Tactics, because consideration will have been given to selection of the tactics



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Four Areas of Improvement by RM

- Operations, because events that can cause disruption.
- Compliance will be enhanced because the risks associated with failure to achieve compliance with statutory and customer obligations will be recognized.



This level of risk should be compared with the risk attitude and risk appetite of the organization for risks of that type.

The risk appetite will sometimes be described as a set of risk criteria.



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Impact of hazard risks

Hazard risk management is concerned with issues such as health and safety at work, fire prevention, avoiding damage to property and the consequences of defective products.

Hazard risks can cause disruption to normal operations, as well as resulting in increased costs and poor publicity associated with disruptive events.



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Attachment of risks

Most standard definitions of risk refer to risks as being attached to corporate objectives.

key components of the existing nature and future enhancement of the business model and can relate to operations, tactics and corporate strategy, as well as compliance activities.



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Risk and reward

When an organization puts value at risk in this way, it should do so with the full knowledge of the risk exposure and it should be satisfied that the risk exposure is within the appetite of the organization.



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Attitudes to Risk

Different organizations will have different attitudes to risk. Some organizations may be considered to be risk averse, whilst others will be risk aggressive.



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Risk Attitude A chosen mental disposition towards uncertainty, adopted explicitly or implicitly by individuals and groups, driven by perception, and evidenced by observable behavior.

Risk Seeker/Taker Risk Neutral Risk Averter/Adverse



- ▶ Risk appetite, which is the degree of uncertainty an entity is willing to take on in anticipation of a reward.
- ▶ Risk tolerance, which is the degree, amount, or volume of risk that an organization or individual will withstand.
- ▶ Risk threshold, which refers to measures along the level of uncertainty or the level of impact at which a stakeholder may have a specific interest. Below that risk threshold, the organization will accept the risk. Above that risk threshold, the organization will not tolerate the risk.



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RISK ATTITUDE

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RISK ATTITUDE

Low
Measurable

Risk
Appetite



High Level
Identification

Take High Risk

Risk
Tolerance



Define a Degree of
Tolerance

Take Risk up to 100,000
\$

High
Measurable

Risk
threshold



Measures the Level of
Uncertainty or Impact

Take Risk up to 100,000
\$ and 50% Probability



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Risk and triggers

A **risk trigger** is a condition or other event that will cause a risk to take place. Risk triggers for a given risk are identified during the risk analysis.

Understanding risk triggers helps a person develop a more efficient risk response.



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Risk and triggers

Risk is sometimes defined as uncertainty of outcomes.

As the construction work proceeds, more information will be available about the nature of the conditions.

This information may be positive news that the ground is stronger than expected and less foundation work is required.



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Disruptive events and the bow-tie

