

Risk Management

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Lecture 1



MGM 510

Risk Management



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Lecture 1

Risk Management

WHAT
DO YOU
NEED TO
KNOW



Management

Risk
Management
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Risk



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SIGNIFICANCE OF MANAGEMENT

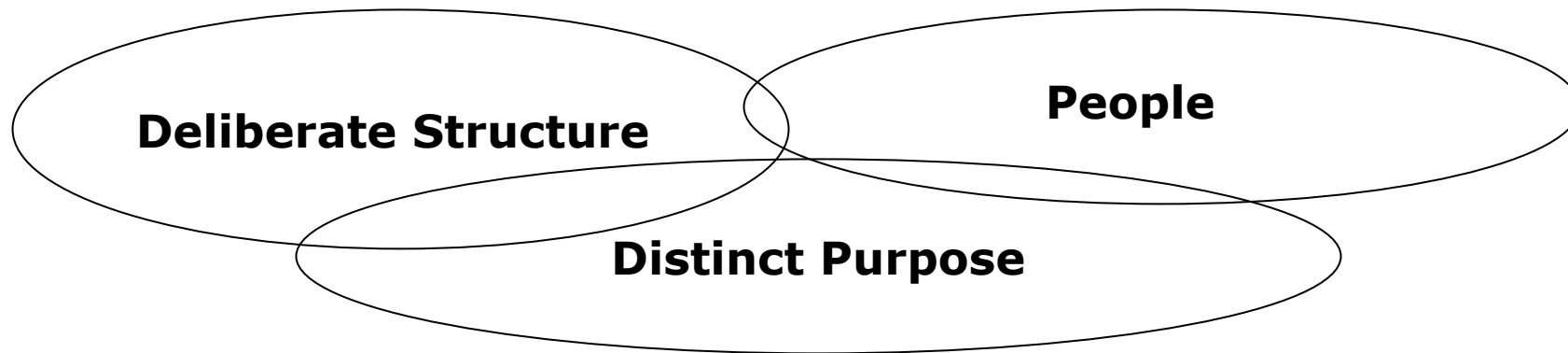
- Management is *essential* in all *organized* efforts.
- Management is the *dynamic, life giving element* in every organization
- Management is a critical element in *economic growth* of a society/country.



When two or more people work in a structured way to achieve a specific goal or a set of goals.



Organization is a deliberate arrangement of people to accomplish some specific task or tasks.



The purpose that an organization strives to achieve.



There are as many definitions

- **As per Mary Parker Follet:**” The *art* of getting things done *through others*.”
- **As per George R. Terry:** ”Management is a *process of planning, organizing, actuating and controlling* performed to *determine and accomplish the objectives* by use of *people and resources*.



- Production or efficiency oriented
- Decision-oriented
- People-oriented
- Function-oriented



- According to Taylor management define as a
- “management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.”



- “Management is simply the control over the action of human beings for the expressed purpose of attaining pre-determined goals.”



- Lawrence appley define management as a “management is the accomplishment of result through the efforts of other people.”
- According to Koontz “management is the art of getting things done through and with people formally organized group.”



According to Henry Fayol “ to manage is to forecast and to plan, to organize, to coordinate and to control.”



- **Management is not just an art – it is also a science.**
- **Managers are required to do more than one function.**
- **Managers also perform non-managerial roles.**
- **Managerial functions are done in all organizations.**
- **Managerial functions are executed at all levels.**



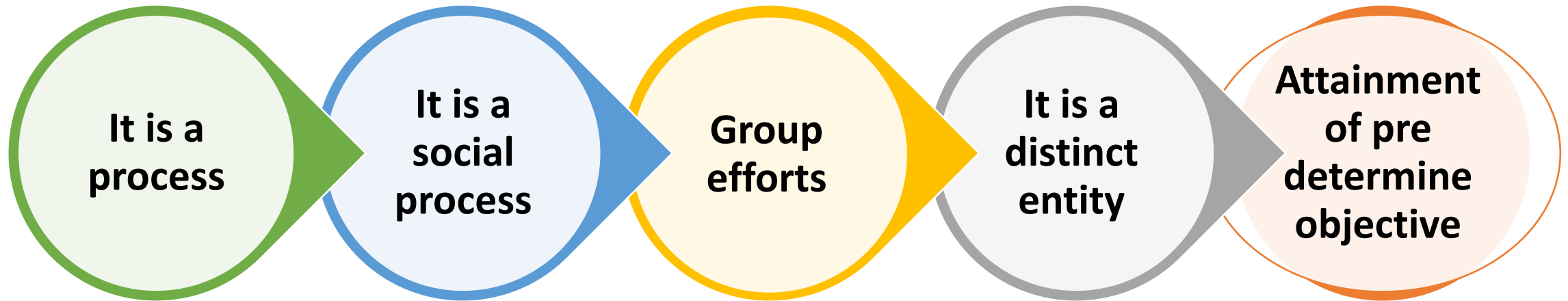
- **Management functions have been defined using different types and different number of words.**
- **Aim of all managers is to create a surplus.**
- **Managing is concerned with efficiency, effectiveness and productivity.**

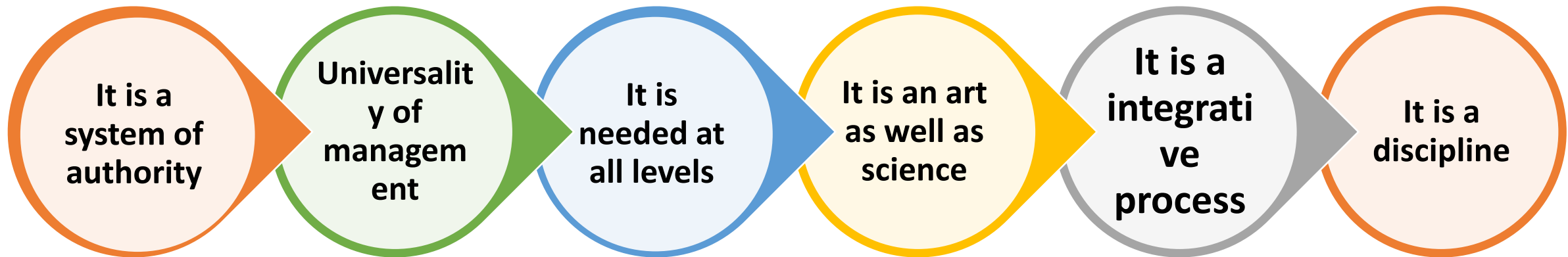


Nature of management

1. Multidisciplinary
2. Dynamic nature of principles
3. Relative , not absolute principals
4. Management science or art
5. Management a profession
6. Universality of management
7. Management is an integrative process
8. Management is necessarily activity based







Achievement of group goals

Minimization of cost

Change and growth

Effective and smooth running of business

Higher profit

Provide innovation

Social benefits

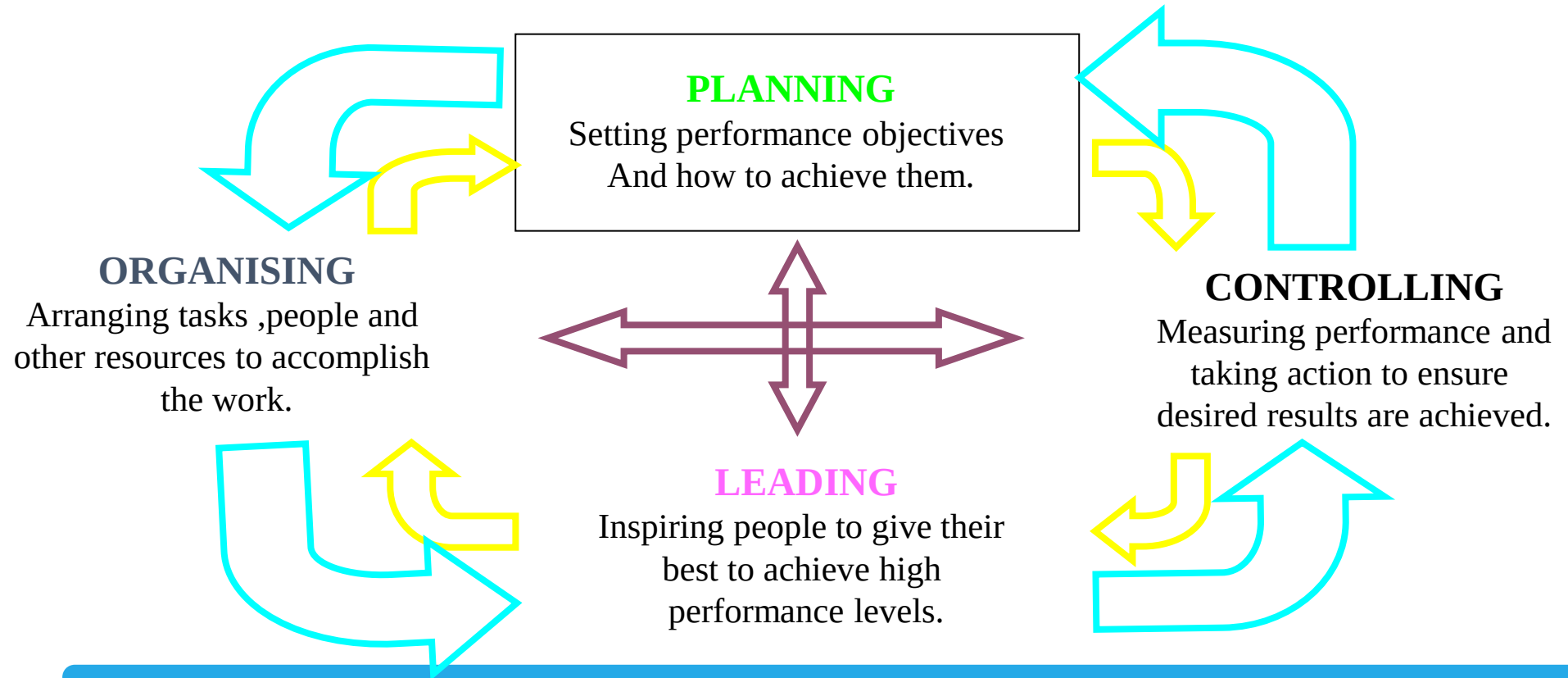
Effective utilization of resources

Development of resources

Sound organization structure



THE INTERACTIVE NATURE OF MANAGEMENT PROCESS



Risk management



Risk management is a process that allows individual risk events and overall risk to be understood and managed proactively, maximum success by reducing threats and maximizing opportunities. All projects, programs and portfolios are risky because they are unique, limited, supposedly people-driven and externally influenced. Risks may have a positive or negative impact on the achievement of objectives. Risk includes threats as well as opportunities, and the risk management process should manage both. Why do we manage risk? Risk taking is a part of every business, but how a company handle a risk can show that is it a good company. Why is risk management so important? Here is the reasons that why risk management is so important.

Risk

Risk

An unplanned or uncertain event that can impact a project

What is a Risk?



Risk

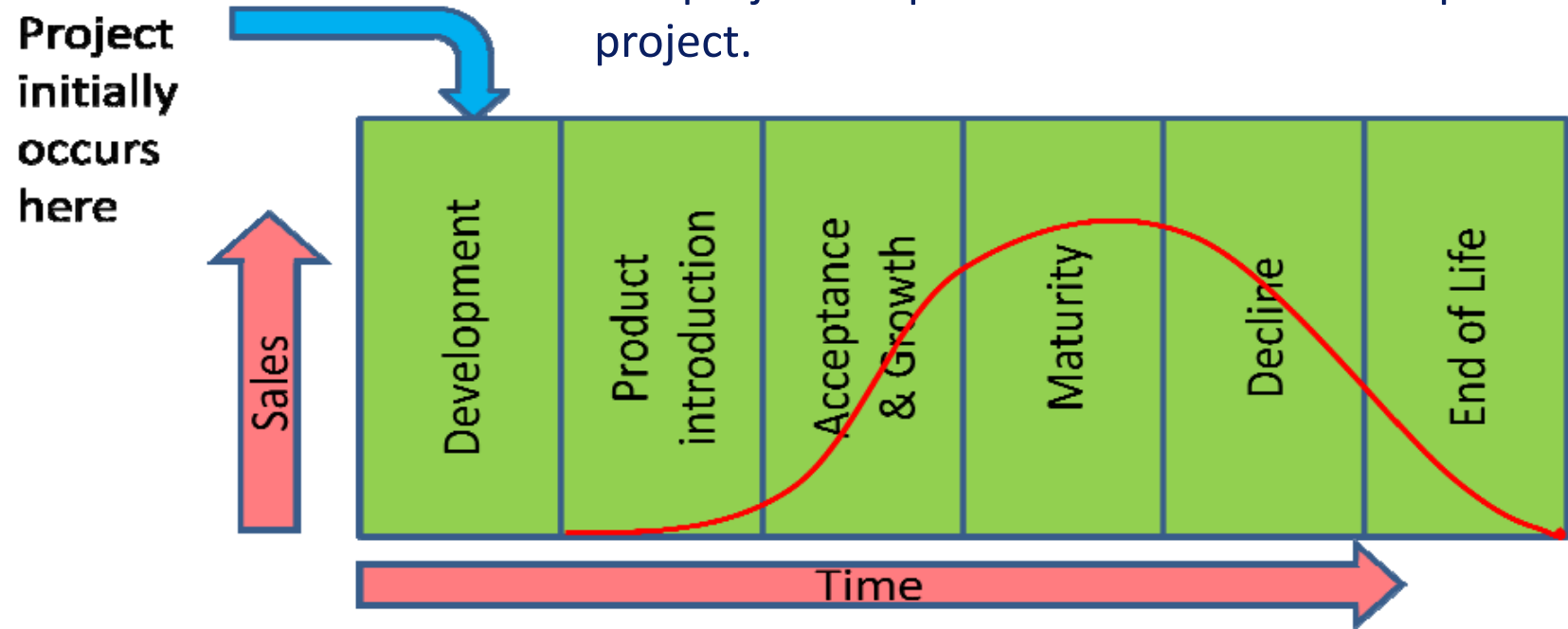
A risk is any uncertain event or condition that might affect your project. Not all risks are **negative**. Some events (like finding an easier way to do an activity) or conditions (like lower prices for certain materials) can help your project. When this happens, we call it an **opportunity**; but it's still handled just like a

What is a Risk?



Defining the Product Life Cycle

The Product is what is created as a result of executing a project . When is talk about project management what we are talking about is the work that is being done in the project to produce and deliver the product of the project.



The timeframe in which risk occur will have an impact should be identified as soon as possible. Also, it is important to cost, schedule, scope, and quality in detail as per the nature of risk .



To combat the overall impact of the risk management process on the project can be defined in given points-

- Risk management contributes to the success of projects by determining the external and internal risks



To combat the overall impact of the risk management process on the project can be defined in given points-

- In order to ensure the project run smoothly, the project manager can communicate their plans with stakeholders



To combat the overall impact of the risk management process on the project can be defined in given points-

- This helps project managers to maximize the outcomes and reducing the chances of falling of projects.



To combat the overall impact of the risk management process on the project can be defined in given points-

- A risk **management plan** helps you to become proactive and developing actions to reduces the likelihoods



Risk management is a very important part of project management because it can exponentially increase the chances of a project's successful outcome. By developing and sticking to the project risk management plan, you are getting benefits such as:

- ☐ Assists you in avoiding major disasters.
- ☐ Increases your revenue by lowering your costs
- ☐ Ensures successful project completion
- ☐ Gives you a competitive advantage
- ☐ Increases a sense of accountability and responsibility
- ☐ Assists you in discovering new possibilities

- Ritchie and Brindley (2007) pointed out three dimensions of risk as follows:
1. Likelihood/probability of the occurrence of particular events/outcomes;
 2. Consequences/severity of the occurrence of particular events;
 3. Causal pathways leading to these events (detection).

$$\text{Risk} = \text{Likelihood} \times \text{Severity} \times \text{Detection}$$

What is risk management?

Risk Management in project is the identification, analysis and treatment of potential impacts to the project based on an assessment of likelihood and consequence