



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

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Introduction

In today's corporate environment, things are always changing. It's unpredictably volatile, and it's dangerous. Risk assessment is a method for determining which risks are potential opportunities and which are potential pitfalls. A risk assessment, when done correctly, provides industrial firms with a comprehensive picture of the variables to which they might be exposed, whether internal or external, retrospective or forward-looking, qualitative or quantitative. When it comes to identifying the risks that could lead a firm to fail to

accomplish its strategy and objectives, proper risk management involves a wide approach. Several strategies for recognizing and analyzing company risks are addressed and illustrated in this statement.

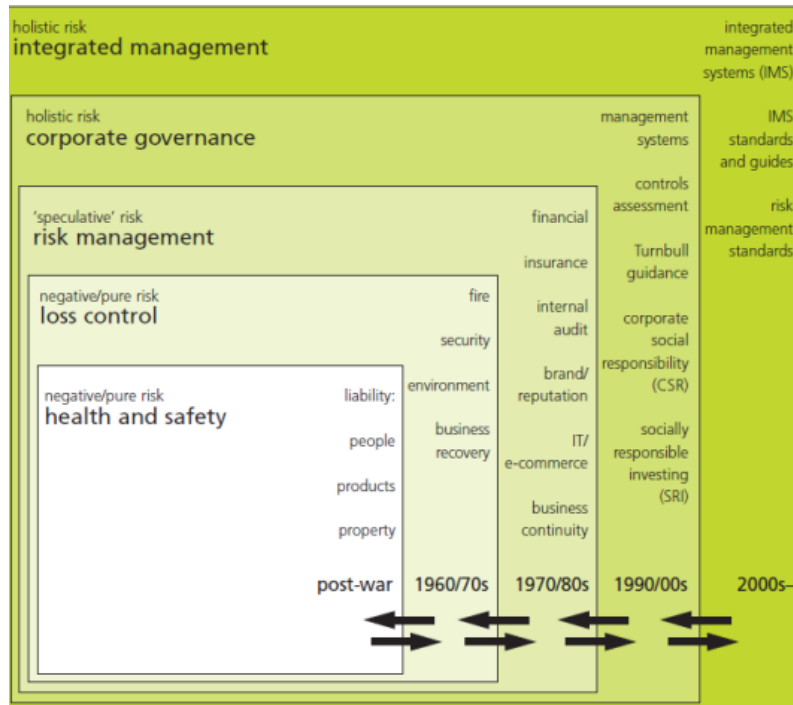
Every business face danger that could jeopardize its success. The chance of an event and its effects is known as risk. The technique of applying processes, strategies, and instruments to manage these risks is known as risk management. It focuses on determining what could go wrong, assessing which risks need to be addressed, and putting measures in place to address those risks. Companies that have identified the risks will be better prepared and will be able to deal with them more cost-effectively.

Literature of Review

BUSINESS RISK MANAGEMENT

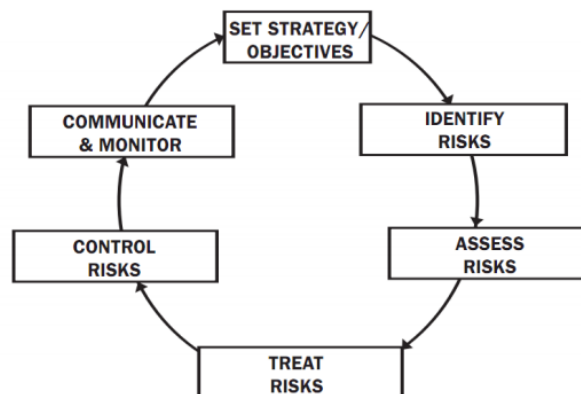
Businesses in the industrial sector A paper manufacturing company, for example, has experienced a variety of events that can have a negative, positive, or mixed influence. Risks are events that have a negative impact and can hinder value creation or destroy existing value. Positive events can counteract negative effects or provide possibilities. Opportunities are the chances that something will happen that will help you reach your goals. Risks are the chances that something bad will happen that will prevent you from achieving your goals.

Business risk management (BRM) or Enterprise risk management (ERM) is concerned with the risks and opportunities that affect the production or preservation of value, and so should be a key component of any strategic management. It is a strategic process that aids and supports decision-making at both the strategic and operational levels of a business. Improved awareness and management of all risks that may influence the firm will lead to improved performance and competitive advantage, particularly when hazards and threats are identified, and risks are assessed and controlled in the same manner as opportunities and rewards are assessed and controlled.



Process of development

A risk management process involves a few steps mentioned below:



All areas of the firm give crucial insights to construct this successful management system: The level of risk that a corporation is willing to take is determined by senior management. They convey their risk appetite in concrete terms like earnings volatility and potential capital, equity, or asset losses. In collaboration with line managers, the risk organization regularly assesses the possible impact of various risks (e.g., strategic, business, financial, and operational risks) on the organization. They must determine whether to totally avoid the risk, successfully mitigate it (for example, by transferring the risk to another party), or

use the company's risk intelligence and risk management capabilities to produce additional value from the risk. To eliminate potential conflicts of interest, line managers incorporate risk management principles into daily company decisions and operations. Managers segregate risk-taking and risk-monitoring roles.

Methods

Risk identification is an iterative process that takes place throughout the life cycle of a business. Strategic, project/tactical, and operational risks can all be identified when it comes to corporate activities and decision-making.

Risk detection can be accomplished using a variety of methods, including:

- Interviews and self-evaluation
- Workshops led by facilitators
- Analysis of SWOT (Strengths, Weaknesses, Opportunities, and Threats)
- Analysis of PESTLE (Political Economic Social Technical Legal Environmental)
- An examination of the BPEST (Business, Political, Economic, Social, and Technological) factors

Prioritizing and categorizing are the most important aspects of risk analysis. The following are the primary types of risk to consider:

- strategic, such as a new competitor entering the market.

- financial, such as non-payment by a customer or increased interest rates on a business loan;
- compliance, such as responding to the implementation of new health and safety rules;
- operational, such as a critical piece of equipment breaking down or being stolen.

These categories are not set in stone, and some aspects of your company may fall into more than one.

Risks related with the need to follow rules and regulations are known as compliance risks. They also relate to the requirement to behave in a way that investors and customers

anticipate, such as through appropriate corporate governance. Financial risks are linked to your company's financial structure and procedures, as well as the transactions it conducts. Examining your everyday financial activities, particularly cash flow, is one way to identify financial risk. If your firm is overly reliant on a single customer, and that customer is unable to pay you, your business' viability may be jeopardized. Check out our article on how to spot potential cash flow issues.

Results

Risk assessment (or measurement) can be based on economic, social, and legal factors, as well as the likelihood and frequency of each occurrence and the severity of the event's consequences. Techniques for assessing risk range from qualitative to quantitative. A basic list of all dangers, risk rankings, or risk maps are examples of qualitative approaches. A risk list is a smart place to start. Despite the fact that the first list of dangers has not been subjected to any quantitative analysis or formal review, the list and associated knowledge are valuable. Some of the dangers on the list may be difficult to quantify. Identifying these risks and putting them to a priority list may be the only way to quantify them. Organizations should not be afraid that advanced modelling cannot be applied to every risk.

Risk evaluation enables you to assess the importance of hazards to your business and decide whether to accept the risk or take steps to prevent or mitigate it. Once you've discovered the risks, it's a good idea to rank them in order to analyse them. This can be accomplished by weighing the impact and likelihood of each risk. For many firms, categorizing consequences and probabilities as high, medium, or low is sufficient. These can then be compared to your business plan to see whether risks may have an impact on your goals, as well as weighed against legal requirements, costs, and investor concerns. In some circumstances, the expense of reducing a possible risk is so great that it is more cost effective to do nothing. You can use several techniques to help you assess risks. The significance and chance of a risk occurring can be plotted on a risk map. On a scale of one to ten, each risk is graded. When a risk is rated 10, it indicates that it is extremely important to the firm. The first is the least important. The map helps you to evaluate

hazards in connection to one another, assess their magnitude, and determine what measures should be adopted to minimize them.

Reference

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- Kubińska-Jabcoń, E. (2018). Risk management in industrial companies. *Logistics and Transport*, 40.

