Risk Management (Short Course)

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ASSESSMENT

1. What is the relationship between 'Uncertainty' and 'Risk'?

   Uncertainty refers to a lack of complete certainty. In uncertainty outcome of any event is normally completely unknown and cannot be measured, or guessed.

   Risk is a probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities. Risk can be understood as the potential of loss. It is not exactly same as uncertainty, which implies the absence of certainty of the outcome in a particular situation. There are instances, wherein uncertainty is inherent, with respect to the forthcoming events, i.e. there is no idea, of what can happen next.

   Someone define risk is the potential of gaining or losing something of value … *(https://en.wikipedia.org/wiki/Risk)*; however, I do not completely agree with such definition as risk could not be said as "the potential of gaining". If there is really a potential of gaining, it should be called a *chance* instead of a *risk*.

   Uncertainty exists where there is a risk, the may be a situation where there is a possibility for loss. People feel uncertain in a situation where there is a chance of loss.

2. Define 'operational risk management'.

   The term operational risk management (ORM) is defined as a continual cyclic process which includes risk assessment, risk decision making, and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. ORM is the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes and systems; human factors; or external events.

   ORM is a decision-making tool to systematically help identify operational risks and benefits and determine the best courses of action for any given situation.

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3. Explain the factors on which the operational risk management depends

   Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.

   a. The Risk Management System should not slow down decision making processes or reduce business output;

   b. Risk managers who implement the operational risk programme should not be the managers of individual business units;

   c. Risks should be managed at an appropriate level within the organisation; and

   d. Developing a culture which rewards the exposure of risks when identified, rather than encouraging staff to hide them.

   The culture which should be developed to reward the exposure of risks when identified not to encourage the employees to hide the risks

4. Discuss in details the risks associated with people in a business?

   People risk is described as a combination of employer behavior that may affect his staff and their efficiency, health, and safety. It can also affect their loyalty when doing their duties.

   There are three levels of severity of the impact on people risk; the lowest level covers reducing profitability while at the second level, we may find a negative effect on the whole organization and its productivity and reputation as well. The worst level is the eventual collapse of the organization and its business because of actions of one or more employees so, it is important to lead the employees because they are the source of success in any business. We measure the efficacy of HR department by absenteeism rates, employee turnover and accident rates that include health and safety besides, customer satisfaction. All that means that people risks are broader than the just efferent leadership of the staff because they include health and safety; it is enough to know that costs of those risks have been calculated at about 3.8% of the market value of the 500 largest EU and US companies.