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Key Factors of Risk Management

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ABSTRACT

Every business or other group must strive for something. These days, businesses rely on IT to help them analyse their data and carry out their purpose in a way that would be impossible without the advent of the digital era. Managing risks is an operational strategy that involves regular practise. The most crucial aspect of any successful secret IT project is a thorough and efficient risk management procedure. Risk management practises inside an organisation should safeguard not just the company's IT assets but also the company's ability to carry out its purpose [3]. Consequently, risk management is an important part of any successful IT operations strategy, and should not be ignored by the experts that manage and administer these systems. Any business activity has some degree of peril. All managers worry about opportunities, despite the fact that dangers are more prevalent in the corporate world. This notion is characterised by its good and negative connotations, as well as by the opportunities and threats that it presents. In business, risk management entails taking care of the company's total risk exposure. When it comes to evaluating, treating, controlling, and keeping tabs on risks, the big picture that risk management presents is invaluable. When a positive meaning is found in the risk's substance, it helps to create business prospects. Because of its importance in achieving business goals including expanding market share and developing new revenue streams, risk management has become a top priority. The three main components of risk management include dealing with potential threats, limiting those risks, and capitalising on favourable outcomes. An integral part of the risk management process is the honest evaluation of the opportunities created by doing so.

Keywords: Risk Management, Risk Management Policies, Risk Management Process

1. INTRODUCTION

The purpose of risk management is to improve a company's chances of accomplishing its goals by lowering the amount of uncertainty surrounding those goals. Because of how risk is defined above, risk management can be described as follows: it helps identify the risk, which helps understand its likelihood and severity and helps understand the threats and opportunities that uncertainty presents, which in turn helps meet the organization's objectives. Therefore, it is crucial to grasp the whole scope of risk. Kodak, for instance, is a perfect illustration of how important it is to have a clear strategy for dealing with risk and an understanding of strategic risk management. Kodak pioneered the digital camera in 1975 and controlled the photographic film industry for the entirety of the 20th century. Kodak's management was so invested in film's success that they missed the digital revolution, which contributed to the company's bankruptcy in 2012. In 1975, when everyone was still using film cameras, it's safe to say that the digital camera was too new for consumers to embrace. The goal of risk management is to assess potential threats, prioritise them, and then mitigate them to an acceptable level. Organizations can better accomplish their missions if they take better care of the risks inherent in those missions, and that is exactly what risk management is designed to do. IT risk managers can weigh the financial and operational costs of completing missions through the risk management process. with the safeguarding of IT infrastructures and the capacity of businesses to carry out their mandates. Risk management has the potential to lead to more rational choices across the board.

2. RISK MANAGEMENT: PLANNING THE FUTURE OF THE ENTERPRISE

2.1 Risk Management Process

Risk management is a systematic approach to preparing for, detecting, evaluating, treating, monitoring, and ultimately preventing undesirable events. By definition, risk management encompasses the management of the risk's defining features, which are its positive connotation, negative connotation, opportunity, uncertainty, and hazard. The three iterative concepts of risk management—hazard management, control management, and opportunity management—reflect the cyclical nature of the process. Figure 1 illustrates this iterative process of connection.

Fig. 1. Risk Management: Hazard Management, Control Management and Opportunity Management

- Risks that impede or jeopardise the achievement of the business's goals fall under the purview of Hazard Management. Both incorrect treatment and isolation have detrimental effects on the success of a business and its goals.
- Uncertainty Management—control the unknowns that can alter the risk's outcome. In this case, there are at least two possible outcomes. One that is certain (positive meaning / negative connotation) and one that is unsure. This ambiguity can have both beneficial and bad results for the business.
- Risks that are "searched" by the business are opportunities for opportunity management. This process is called "Opportunity Management," and it occurs when a company actively seeks out new opportunities to expand its operations and increase its profits.

Planning, risk identification, risk assessment, mitigation, and tracking are the four pillars on which the process of risk management rests. These pillars are based on the same principles as those underlying any management system: PDCA (Plan, Do, Check, Act) and PDSA (Plan, Do, Study, Act). The answers to these questions must be defined in terms that are useful to furthering the enterprise's goals and development after risks and opportunities have been assessed. In addition, the authors discuss how the enterprise's response to risk and opportunity can shape its future and increase its competitive advantage.

2.2 Keys to Successful Risk Management and Opportunity Risk Management

Where there is danger, there is often reward. It is important to weigh the benefits of any opportunity against the dangers it may pose. An organization's risks can be linked to various opportunities. The greater the risk, the smaller the potential payoff in the business. The degree to which the processes are mature determines the relationship between risk and opportunity. When a process has reached maturity, it offers the programme fewer risks and more opportunities. Correct and actual identification of responses to risk and opportunity is crucial to the success of the enterprise risk management approach. Table 1 provides a systematised view of how to react to potential threats and opportunities.

As such, a genuine and accurate response to risks and opportunities can aid in business growth and the implementation of the most genuine and fair rules of prevention and protection.

Table 1. Keys to Successful Risk Management and Opportunity Management

Risk Response	Opportunity Response
Avoid: change in the approach to the problem and takes into account the avoidance	Capture: align work activities with the source and include opportunities in the deliverables.
Transfer: risk insurance or transferring them to third parties	Transfer: entrusting the team that has the opportunity and including the opportunity into results
Assume: Accepting risk is a passive strategy that allows any result to occur without interfering with the deployment cycle and the emergence	Ignore: opportunity with no further positive action and does not involve any change in the enterprise.
Mitigate: consists of actions to take place and reduce the likelihood or impact on the enterprise	Pursue: opportunity with increase of the occurrence probability.
Sharing: connotations sharing with third parties	Maximize: added value by maximizing resources

2.3 Benefits of Risk and Opportunity Risk Management

Business risk may be mitigated by a method called "risk management." Managing risks and seizing opportunities can contribute to a company's bottom line. The method of managing opportunities is analogous to that of managing risks.

Companies that can effectively manage their risks and opportunities are more likely to succeed, even in challenging economic conditions. Managing opportunities requires an environment that encourages new ideas to flourish. The gains from implementing a system for managing opportunities with a high risk of failure are palpable. The trick is to ensure that risk management is built into every step of the company's operations. Several advantages of this idea:

- Efficient and well-directed administration of company asse
- An approach that works for the whole group
- Improvements in consumer trust and operational efficiency
- Creating a productive growth strategy and enhancing manufacturing process optimization.
- Keeping an eye out for opportunities that might help further company goals.

3. Integrated Instrument for Risk and Opportunity

Controlling Dangers Figure 2 shows the authors' proposed integrated approach for evaluating risk and creating opportunities inside the business. Some of the information stored in these databases can be made available to the public through online discussion boards, opening the door to the possibility of including new stakeholders into the system's design and implementation. Two additional benefits, advertising and communication, are demonstrated by the information system through the use of these interrelated ideas (mutual help of the enterprises).

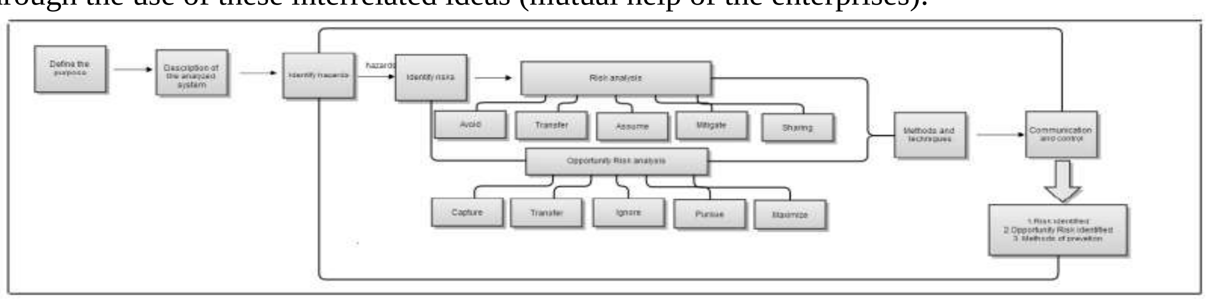

Fig.2. Model for Risk and Opportunity Risk Management

The tool's initial developed step is the planning phase. The evaluation process, its duration, and its associated budget can all be planned for, along with any other preliminary items that may be determined through internal brainstorming. The recommended reasoning continues with the following stage, which is to pinpoint the origins of the threats that have led to the creation of the risks currently facing the business. Identifying the possibilities that may be gained by mitigating the risks that have been identified is a natural next step. The following phase involves preparing responses to potential threats and opportunities. Risks must be mitigated and opportunities must be exploited while planning and controlling operations. Opportunities for sustainable development and employee participation in proposals for potential dangers can arise from effective communication. The final report, preventative measures, diseases associated, and the effect of process evaluator attitudes are all part of the conversation.

4. RISK MANAGEMENT POLICIES

Culture and processes for the systematic application of management policies, procedures, and practises to the tasks of setting the stage, identifying, analyzing, assessing, treating, monitoring, and communicating risks constitute the definition of risk management. Because different industries face different dangers, different types of risk management policies will be needed for different businesses. For instance, banks and other financial institutions face interest rate, equity, liquidity, and other financial risks. On the other hand, the manufacturing sector faces challenges beyond monetary ones, such as raw material supply uncertainty, third-party risk, and so on. As a result, the two categories of businesses require separate risk management policies. Every business faces operational risk because it relies on people, processes, and technology, but most share common policies like those addressing this type of risk. Key risks in insurance, for instance, include death, interest rates, lapses, and so on. But in banking, the biggest threats are credit risk, liquidity risk, etc. Since every business must tend to its operations, it's possible that many of them share similar operational risk policies.

5. CONCLUSIONS

Assessing potential threats is a crucial part of any successful business strategy. The risk assessment is the cornerstone of the risk management cycle but all of its components are essential. The risk entails five distinguishing qualities, described by the authors (positive connotation, negative connotation, opportunity, uncertainty, and hazard), that identify a number of opportunities to which the organisation must respond in real and full, to incorporate them in the owned activities and processes. Therefore, we describe the procedure for identifying and responding to opportunities that may arise inside an organization's business model. Given its inherent value in facilitating the accomplishment of goals, risk management quickly becomes an indispensable part of business operations. Managing opportunities requires an environment that encourages new ideas to flourish. Opportunity The advantages of risk management are palpable. The trick is to guarantee that risk management is built into every step of the company's operations. When it comes to managing risks across a whole company, the recommended approach is a good place to begin. Opportunity Management facilitates the eradication of ineffective ideas before they waste valuable resources and the generation of effective ideas that contribute to the enterprise's ongoing growth and success. The concept's integrated components can be summed up as follows: ideation; opportunity recognition; opportunity driving; and idea implementation.

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