



Aim

To equip the students with the basic understanding on the phases, importance and the process of risk management



Instructional Objectives

After completing this chapter, you should be able to:

- Explain Risk management and its phases
- Describe the importance of risk management
- Outline risk management process

Risk Management and its Phases

Meaning of Risk Management

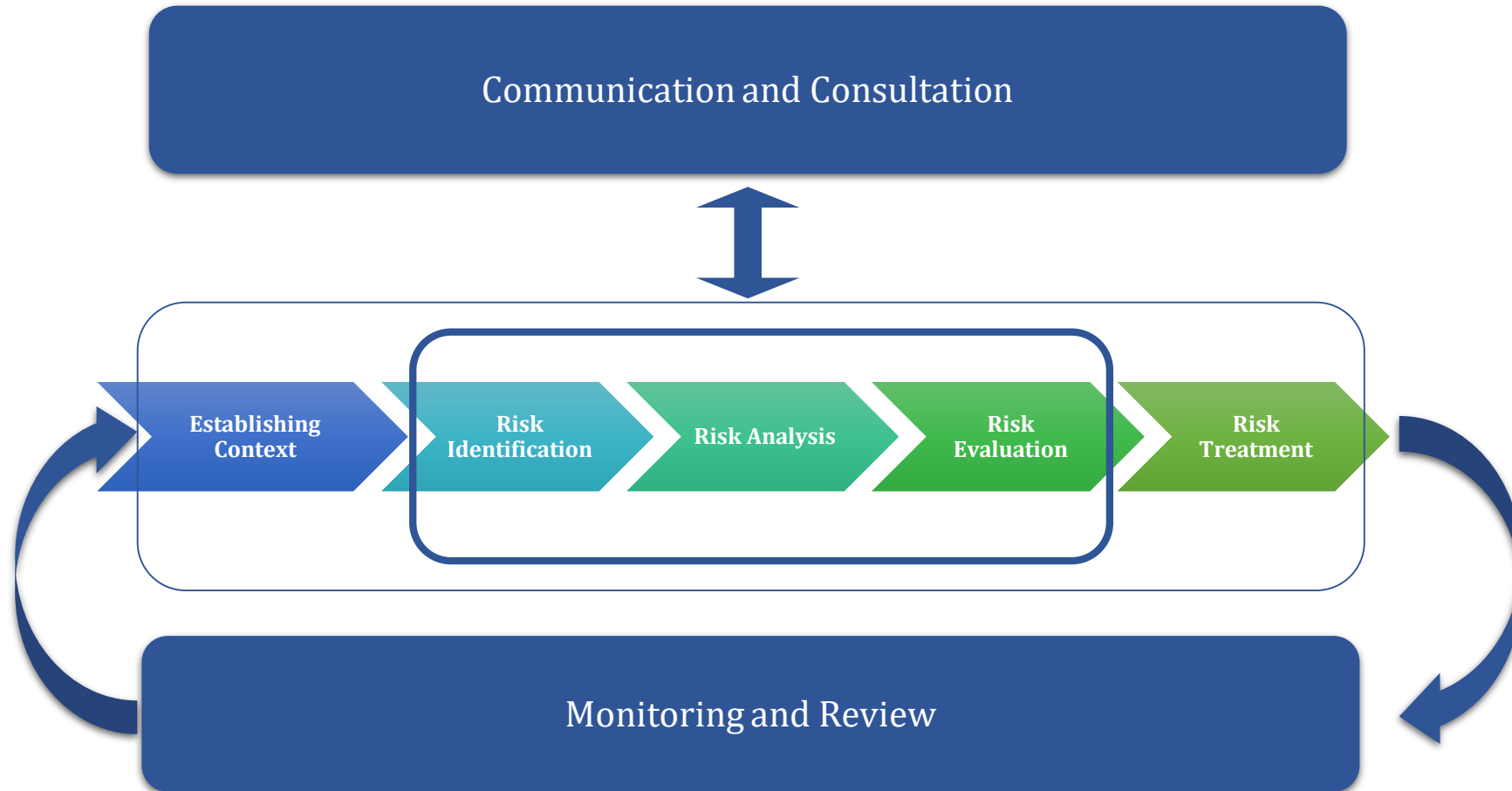
In this ever changing world and economy, every business has a risk element associated with it.

Every business decision requires the business managers to weigh the risks against the rewards.

Managing risks effectively is the key to succeed in any business.

As per ISO 31000-2009 “Risk management refers to a coordinated set of activities and methods that is used to direct an organisation and to control the many risks that can affect its ability to achieve objectives.”

Phases of Risk management as per ISO 31000 – 2009





Quiz / Assessment

1) Phases of risk management includes Establishing the context, Risk Identification, Risk Analysis, Risk Evaluation and _____.

- a. Risk Treatment
- b. Risk Security
- c. Risk Tool
- d. Risk Dot



Quiz / Assessment

2) Managing _____ effectively is the key to succeed in any business.

- a) Risk
- b) Market
- c) Risk contest
- d) Development



Quiz / Assessment

3) The Risk Management Process is as per this standard - _____.

- a) IEC 31010:2009
- b) ISO 31000-2009
- c) ISO 73:2009
- d) ISO 37:2009

Importance of Risk Management

Importance of Risk Management



Risk is first and foremost cause of uncertainty in any project.

Risk can be from internal and external sources.

External risks is uncontrollable, but cannot be avoided and hence have to be managed so that their impact on the project is minimal.

If a company defines its objectives, without considering the risks, it is a sure fact that when one of these risks hit home, the company will lose its trajectory and will not be able to meet the objectives.

Therefore it is important to manage risk to overcome from its impact.



Quiz / Assessment

4) Why must we manage external risk?

- a) Because external risk is a major source for external cost
- b) Because external risks can increase the overhead cost
- c) To prevent it from causing an adverse impact on the project
- d) To prevent it from damaging the machinery of the company



Quiz / Assessment

5) Process and activities that will prevent risks that will have a negative impact is known as _____.

- a) Value Protecting
- b) Value Program
- c) Value Guide
- d) Value Standard



Quiz / Assessment

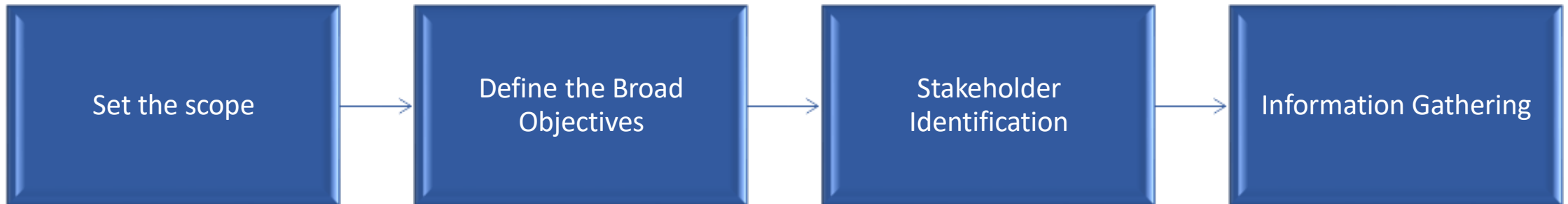
- 6) What benefit can be gained by a company by defining its objectives after considering the risks?
- a) The company will not lose its trajectory and meet its objectives
 - b) The company will benefit from proper fair weather planning
 - c) The company will benefit from cost management initiatives
 - d) The company will benefit from consequence management plans

Risk Management Process

Process of Risk Management



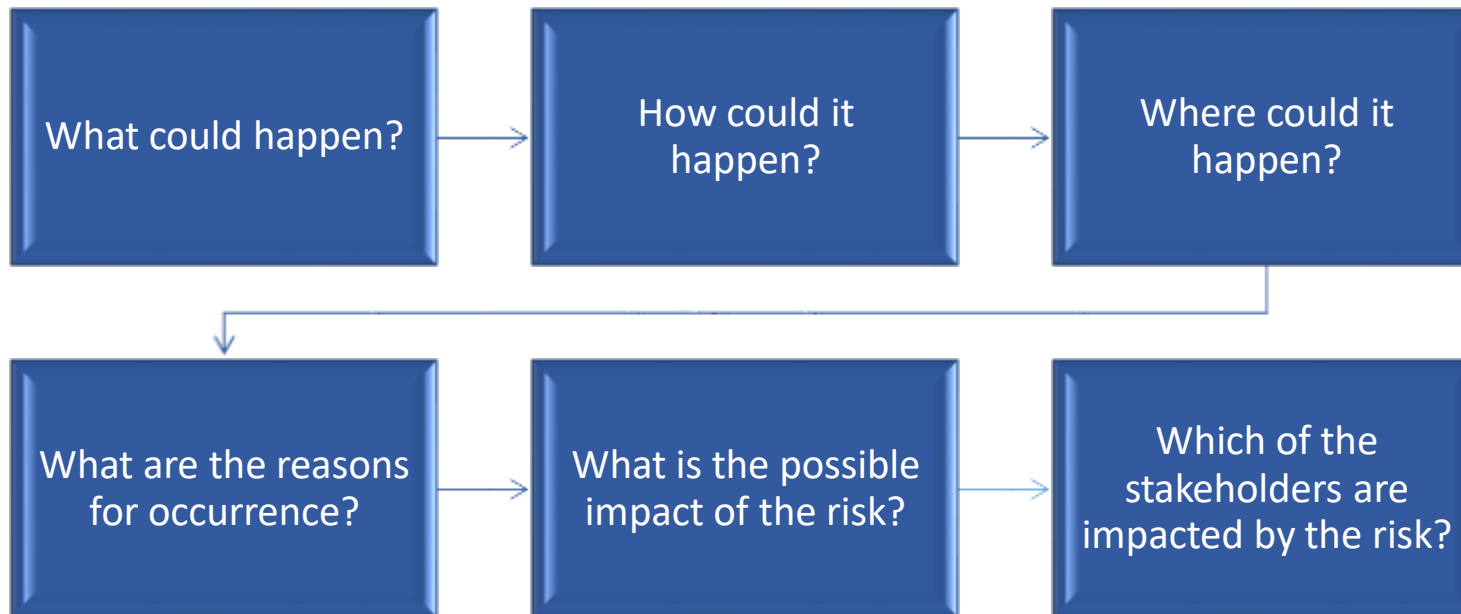
Step 1: Establish the context



Process of Risk Management

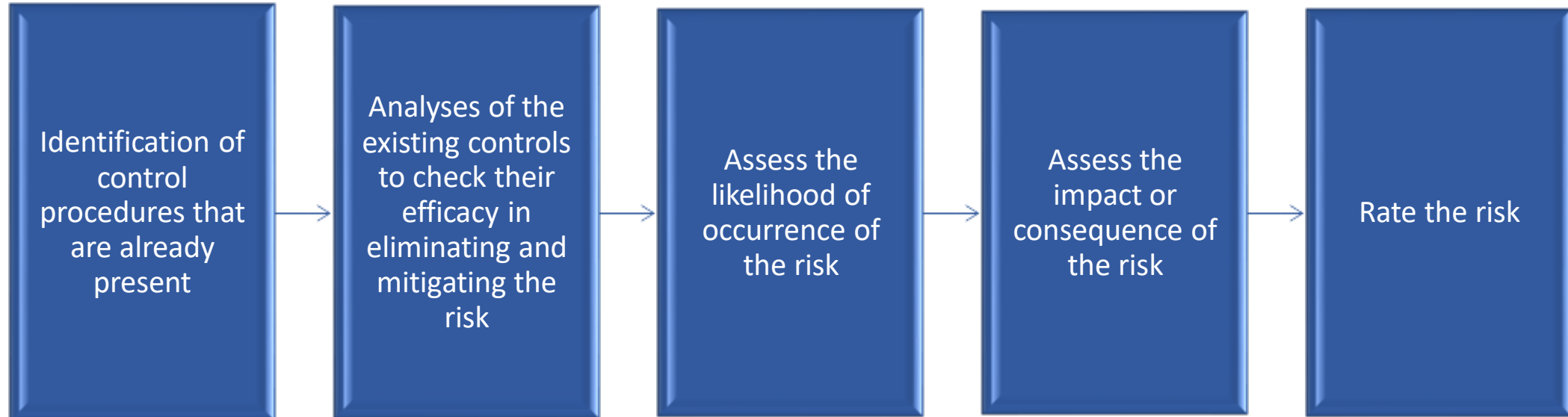


Step 2: Risk Identification



Process of Risk Management

Step 3: Analyse the risk



Process of Risk Management

Step 4: Evaluate the Risk



Risk Attitude

Risk Appetite

Risk Tolerance

Process of Risk Management

Step 5: Treat the Risk



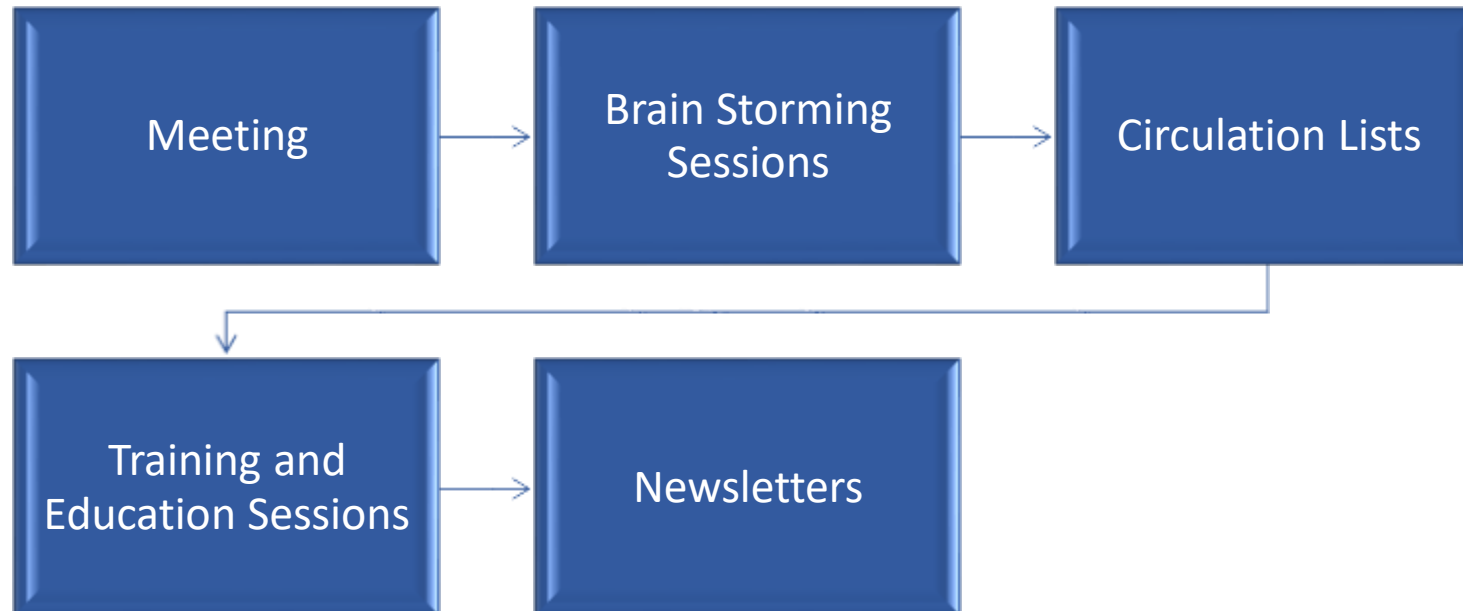
Process of Risk Management

Step 6 – Monitor and Review



Process of Risk Management

Step 7 – Communicate and Consult





Quiz / Assessment

- 7) The first step in the Risk Management Process is_____ .
- a) Identify the Risk
 - b) Analyse the Risk
 - c) Treat the Risk
 - d) Establishing the context of the risk



Quiz / Assessment

- 8) What is the fourth step in the third stage of the process of risk management process?
- a) Assessing the location of the risk
 - b) Verification of the controls
 - c) Assessing the impact or the consequence of the risk
 - d) Measuring the risk



Quiz / Assessment

- 9) Risk Tolerance helps to _____ the risk.
- a) Understand
 - b) Establish
 - c) Evaluate
 - d) Assess



Activity

Online Activity

Online Activity (60 min)

- Do an online study and write an article on risk management processes: risk identification, risk assessment and risk control.

Note: Refer Table of Content for the activities



Summary

- ✓ An effective IT Governance ensures that enterprise risk management activities and the IT Risk Management activities are linked.
- ✓ Risk means any adversity that may occur, which affects the smooth functioning of the business and result in a potential loss or exposure.
- ✓ The Risk Management Process as per ISO 31000 – 2009 consists of these steps - Establishing the context, Risk Identification, Risk Analysis, Risk Evaluation and Risk Treatment.
- ✓ Monitoring and reviewing have to be done throughout the life cycle of the risk along with collaboration with the required stake holders.
- ✓ The two types of Risk management are Value enhancing and value protecting.
- ✓ The information on the threats and vulnerabilities provided by the sources of risk, helps in risk mitigation.



e-References

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- *Risk IT Framework for Management of IT Related Business Risks*. (2016). *Isaca.org*. Retrieved 14 June 2016, from <http://www.isaca.org/knowledge-center/risk-it-it-risk-management/pages/default.aspx>
- (2016). Retrieved 14 June 2016, from <https://www.isaca.org/Knowledge-Center/Risk-IT-IT-Risk-Management/Documents/Risk-IT-Brochure.pdf>



External Resource

1. Weill, P. & Ross, J. (2004). *IT governance*. Boston: Harvard Business School Press.
2. Harkins, M. (2013). *Managing risk and information security*. [New York]: Apress.
3. Peltier, T. (2010). *Information security risk analysis, third edition*. Boca Raton, Fla.: CRC Press.