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Risk Management

First, we must start off by defining what exactly is risk management. Risk Management is the process of identifying, analyzing and responding to risk factors throughout the life of a project and in the best interests of its objectives. Proper risk management implies control of possible future events and is proactive rather than reactive. While IT organizations use risk management practices to address IT-related risks, these same practices can be applied to address any organizational activity that introduces business uncertainty. Risk management practices generally fall into three basic steps.

The first is risk assessment, Risk assessment refers to the process of identifying the threats and vulnerabilities that an organization faces (collectively called risks) and then assessing the organizational impact of those risks should they occur.There are two main types of risk assessments. A quantitative risk assessment is one that uses real numbers to calculate risk and potential loss. In a quantitative risk assessment, risk is measured in terms of a percentage of likelihood of occurrence and the dollar value of any subsequent loss. A qualitative risk assessment is one that uses scenarios and rating systems (e.g., low, medium, and high) to calculate risk and potential harm. There are a number of different published methodologies for conducting both quantitative and qualitative risk assessments.

The second is risk response, risk response is how an organization chooses to respond to its identified risks. Executive management usually determines the risk response. There are four basic risk responses, avoidance, mitigation, transfer and lastly acceptance.

The third and final step is continuous monitoring, Continuous monitoring refers to the actions that an organization must take to continuously assess and address risk. Since technology, operating, and business conditions change rapidly, risk management is not a "one time" activity. Instead, an organization must always be mindful of the changing nature of the risks that it faces and must be willing to change its risk response as circumstances change.

In an IT organization, the risk management process can help identify, assess, prioritize, and address the major IT risks that, if realized, might keep an institution from accomplishing its goals of research, educating students, or community outreach. Ensuring that risk management activities are a continual process, instead of a one-time project, makes sure that changing circumstances and environments don't inadvertently introduce new risks into operational activities. In addition to managing negative risks, some of the programs in our study also practice opportunity management. In such programs, risk and opportunity were managed together using the same process, reviewed by the same boards, and recorded in the same database. The program manager of TBMCS noted that “the risk management process is also intended to identify opportunities for potential cost savings, schedule enhancements, improvements to the management and engineering processes/design, and scope growth to the contract.” Along the same line, the EA-18G program manager reported that “the opportunity management practice focuses on identifying and capturing opportunities for improvement in cost, schedule, and/or performance over and above current plan. This approach encourages each team member to apply innovative thinking to improve existing task, develop corresponding improvement plans, and share the ideas with key decision makers to ensure that opportunities are realized.”

While several projects and programs have been struggling with risk management, the finding that the program risk management has been rigorously practiced in these major defense programs is very encouraging. It shows that risk management has been an integral part of these organizations and the practice involves people from different organizational levels, supported by the policy, procedures, and culture of the organization. What we have learned from these organizations could be considered a best practice that other organizations can use to benchmark with their risk management practice for further improvement.

Work cited

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