



P-Glossary



Risk Management

Risk management is the process of managing risk. It involves measuring and assessing risk and developing strategies to manage it. Strategies may include avoidance, transfer to another party, reducing possible negative effects, and accepting some or all of the consequences. Traditional risk management focuses on risks arising from physical or legal causes (e.g., natural disasters or fires, accidents, deaths, and lawsuits). The concept of risk is evolving rapidly, moving beyond the corporate management of liability and financial risk to an enhanced understanding of the impacts of less tangible risks, which can profoundly impact markets, corporate profitability, reputation, and brands.

Risk management helps create immediate value from the identification and reduction of risks that lower productivity. In risk management, a prioritization process is followed whereby the risks with the greatest loss and the greatest probability of occurrence are dealt with first, and risks with lower probability of occurrence and lower loss are handled later. Balancing between risks with a high probability of occurrence but lower loss and against a risk with high loss but lower probability of occurrence can be challenging to organizations.

See also: Risk
