FAILURE DERIVING FROM UNDERESTIMATING RISK MANAGEMENT
What is risk? Why are organizations concerned with it?

Whether it is driving, taking a shower or just going to the grocery store, everyone exposes themselves to risk. Organizations face internal and external risks that endanger the possibility of achieving their goals and objectives. As the world becomes more unpredictable, the concept of risk has turned into a major concern to professionals of different industries. According to ISO 31000, risk is the effect of uncertainty on objectives. In addition, risk management is the process of identifying, analyzing, and prioritizing risks. The goal of risk management is to manage risks before they affect the organization. Many methodologies exist worldwide that aim at mitigating risk for different sectors. The strategy that organizations choose usually depends on the size of the organization, because larger organizations need more sophisticated strategies as they generally face higher risks. In addition, International Organization for Standardization (ISO) has created the ISO 31000 standard which serves as a guideline for managing risk and it can be used by all types of organizations, regardless of their size, activity or sector.

The uncertain economic environment has made organizations worldwide undertake risk management initiatives. Managing risk is crucial for the survival of all types of organizations, because it helps organizations in achieving their objectives. Risk management can help all types of organizations in reducing threats related to their operation. It helps large organizations which are more prone to risks, but also medium and small ones that want to grow and succeed in today's highly competitive market.

Risk should become part of the company’s management culture and not only a task that needs to be completed. It should be an ongoing process because ineffective or no risk management can lead to business failure. Effective risk management can prevent unwelcoming surprises, can help in using resources efficiently, reduce fraud, and also manage all organization’s activities properly. Some areas of risk that organizations should take into account include:

- **Compliance Risk**: Generally, non-conformity to rules and regulations can lead to punishments of different sorts. For a company, non-compliance refers to violations of contractual agreements, laws, and defined practices. As a result it can lead to different lawsuits and punishments, which can ultimately exert low profits and dormant development. Additionally, industry standards that are not properly and successfully implemented can bring compliance risks, where the company can suffer from human, financial and legal losses.

- **Financial risk**: A company aims at increasing profits by following paths set out to achieve their goals. Profit remains the engine behind a successful company and its longevity. However, companies are in constant risk of potential profit and financial loss. Financial loss can come as a result of high lawsuits (punitive damages), exchange rate losses and ineffective or damaging purchasing practices. Although, companies try to calculate their financial risk, proper and successful implementation of Risk Management, will help in lowering financial risk at its minimum.
Strategic risks: Companies plan for the future and make strategies to enhance their productivity, ensure their stability and increase their profits. Risk from an ineffective strategic planning can result from ineffective business alliances, improper advancing of the strategy, uncalculated rapid growth and the culture of compliance that the company possesses.

Operational risk: Risks resulting from internal procedures, systems and people fall under operational risk. This area of risk aims at mitigating risks related to human errors, which means that industries with less human interaction are less prone to operational risks.

Reputation risk: This area of risk has become highly important in today’s economy. More specifically, organizations with strong intangible assets such as brand name, intellectual capital, and goodwill, are especially more concerned with protecting their reputation. Failure to manage the above mentioned areas of risk can lead to reputation risks.

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently."
Warren Buffet, CEO, Berkshire Hathaway

Reducing legal liabilities, protecting human capital, saving assets, time, properties, are just a few benefits that can occur from managing risks. It remains of utmost importance that risk is minimized and growth of the company is secured. Although some risk-taking remains inevitable for the companies, increase in profit and protection of resources. Risk managers should aim at managing risks without impairing initiative and innovation, but create a corporate culture which enables innovation while managing risk.

Failure to manage risks can have consequences in terms of business performance and reputation. Assist your organization in managing risks effectively by considering its effect in environmental, safety and societal outcomes. Implementing standards such as ISO 31000 is crucial for those that want to reduce the impact of risk in their organization. The organizations implementing risk management will remain competitive and will have a better performance. Growing competition will expose organizations to higher risks making risk management crucial in having business sustainability. The need for qualified personnel on implementation of ISO 31000 and other risk management standards will keep increasing.
PECB (Professional Evaluation and Certification Board) is a certification body for persons on wide range of international standards. It offers ISO 31000 training and certification services for professionals wanting to gain a comprehensive knowledge on risk management, its principles, core subjects and issues. This training suits risk and quality professionals, project managers or consultants wanting to prepare and to support an organization in the integration of risk management throughout the organization. In addition, ISO 31000 certification demonstrates you are knowledgeable in identifying, analyzing, controlling, financing, and administrating risks in accordance with ISO 31000.

Risk Management Trainings offered by PECB:

- Certified ISO 31000 Risk Manager (3 days)
- Certified ISO 27005 Risk Manager (3 days)
- Certified EBIOS Risk Manager (3 days)
- Certified MEHARI Risk Manager (3 days)
- Certified OCTAVE Risk Manager (3 days)
- Certified ISO 31000 Risk Manager and IEC/ISO 31010 Risk Assessment Methodologies (3 days)
- Certified ISO 27005 Risk Manager and IEC/ISO 31010 Risk Assessment Methodologies (3 days)

ISO 31000 Risk Manager, ISO 27005 Risk Manager and OCTAVE, MEHARI, and EBIOS Risk Manager are certification schemes accredited by ANSI ISO/IEC 17024.

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