

# The Role of Risk Management Assignment

## Question:

**Question 1:** In its broadest sense, risk is speculative. That is there is a chance of beneficial or positive outcomes as well as a chance of negative ones. However, much of the focus on risk in industry is about decision-making related to minimizing the risk of potential adverse situations, either foreseen or unforeseen. Explain the role risk management plays in achieving this loss prevention objective.

**Question 2:** The principle “as far as reasonably practicable” is used as a regulatory benchmark target for the obligation to reduce risk to an acceptable level. Discuss the implications for loss prevention, how it should be applied and your opinion on any difficulties or limitations that have to be considered in applying it in a business.

**Question 3:** Select a **risk management tool** you are familiar with and discuss its key features, how it should be applied and its limitations.

**Question 4:** Haines (2009) suggested that management systems fail for a number of reasons he described as “sources of failure”. In relation to your business, or a business with which you are familiar, discuss the implications of these failures types in relation to the policies, procedures and systems in place. Your response you should explain the features of your company’s loss prevention arrangements.

## Answer:

### Introduction:

Risk management is referred to the process of identifying, evaluating and prioritising different risks under uncertain situations. This process also deals with minimising the extent of risks so that business objectives can be profitably achieved. The present assignment would discuss the role of risk management in preventing losses of a business organisation. The implication of risk management regulation in preventing losses would also be discussed. In addition, the features of a risk management tool would be analysed. Finally, implication of different types of failures will be evaluated.

### Role of risk management in achieving from prevention of loss

Risk management is the contribution process that identifies, analyze, evaluate and treatment of loss. The role of risk management is as follows:

- To control the securities of the firm that promotes stability based on the financial system. The internal risk management controls to protect the firm from a market, credit, legal risk, operational and liquidity
- In controlling the financial industry from any kind of systematic risk and to protect the business from non market related.
- The risk management includes risk avoidance, loss prevention, reduction of loss and financial risk.

The term risk management used in various field and in today's world its deals with numerous disciplines. The main responsibility of risk manager is to examine implications of realistic and cost effective opportunities.

The risk management is taken into consideration by the risk managers. The risk managers retaining and transfer their costs that focus on the ground that help in achieving their requirement of the organization. *For example*, insurance policy helps in retaining the financial risk or loss in order to cover the losses. Risk manager in an organization plays role in avoiding the risk retention.

Risk management system focus on three different strategies that approach loss prevention, such as: linking analytical platforms in order to mitigate loss prevention data, real-time combination along with historical data and by creating centralized team to review loss related to business. Losses can occur due to interference of various results such as: financial risk, operational risk, perimeter and strategic risk. According to Sadgrove (2016), the risk manager also identifies the pre-loss and post-loss risk in business. During the implementation of risk, the risk manager needs to determine the company goal and the best methods for managing the risk management. The methods that are exclusively focused on complementary and it is also necessary for risk management programs to manage it accordingly. In order to avoid risk, risk need to be identified in proper manner with the help of risk assessment tools. It is the responsibility in risk management to priorities the risk. In this regard most of the project manager uses to analyse risk by implementing risk map.

The risk manager implements environmental regulations for minimizing risk from the environmental risk. As stated by Hopkin (2017), the environmental risk is managed by waste management, environmental liabilities that help the company to make the profit. The minimum level of the organization is needed to be carried that will be minimizing the risk and based on it

the profit can be gained. The risk manager implements risk awareness and prevention programs in business in order to prevent risk. The manager provides necessary information in order to review and identify loss exposures (Lam, 2014). It can be stated that the use of it can be measured because this helps in providing the detail information and based on it the preventive measures can be taken. The risk manager uses to manage risk by accepting, transferring, reducing and eliminating risk.

### **Implication of regulation for loss prevention**

**Implication:** According to the principle of “as far as reasonably practicable”, the extent of residual risk should be decreased “as far as reasonably practicable”. In other words, if there is a possibility to reduce the amount of risk, then it should be executed (Aven, 2016). This principle can also be utilised in case of loss prevention in a business. The amount of loss associated with health and safety hazards at the workplaces should be reduced to a reasonably practicable extent. In this regard, the UK health and safety laws have set the benchmark of health and safety hazards of a workplace that should be reduced. The Health and Safety at Work Act of 1974 has specifically mentioned the workplace hazards including physical and mental hazards that should be reduced to an acceptable and practicable extent. Following these regulations, the business organisations can reduce workplace health hazards significantly. Along with this, associated losses with health risks can also be prevented.

**Application:** The principle of “as far as reasonably practicable” has set the benchmark of health and safety hazards of a workplace that should be reduced to a practicable and acceptable extent. In this regard, various regulations have also been set by the government based on which health and safety risks and losses can be prevented. This principle should be applied by following the guidelines of health and safety measures that have been implied by the government. Some of the advisory bodies have also provided certain suggestions for practicably reducing health risks and losses in an organisation. Code of conduct and practices in the industry must also be maintained in order to minimise health hazards and losses (Bromiley *et al.* 2015). These aspects should be taken into consideration while assessing whether the business organisations have minimised the losses and health hazards to the acceptable and practicable extent or not.

**Limitations:** While reducing health risks and losses, the business organisations may have to face certain difficulties. In this regard, the cost associated with loss prevention and risk reduction can be disproportionate. Hence, the value of cost can outweigh the value of benefit. Thus, effective

cost-benefit analysis should be undertaken while applying the principle of “as far as reasonably practicable”. In this case, the concept of “disproportionate” should also be reasonably analysed (McNeil *et al.* 2015). For example, the government may need to incur a cost of £10,000,000 to £15,000,000 in order to lead a life. This cost may seem to be disproportionate. However, this cost must be incurred from the perspective of safety and security of the nationals. On the other hand, certain small amount of costs can be avoided so that reasonable health risks and losses can be prevented.

### **Risk management tool and key features**

**Key features:** There are different tools of risk management that can be used for reducing risks and preventing losses. In this regard, the tool of Risk Data Quality Assessment is one of the most important risk management tools. The salient features of this tool are as the following.

- Risk Data Quality Assessment helps in understanding the extent of certain risks. This is also essential in identifying the risk factors in the workplace so that the risks and losses can be reduced.
- This tool is also useful for gathering the available data based on the identified risks in an organisation. Availability of high quality data is highly important for reducing sufficient amount of organisational risks (Van Deventer *et al.* 2013).
- The tool of Risk Data Quality Assessment is also effective in ensuring the authenticity and reliability of the data. Extent of risk reduction is also dependent on the reliability and quality of collected data.
- This tool is also helpful in assembling and integrating the data based on which policies for reducing risks are designed.

**Application:** According to Chance and Brooks (2015), the tool of Risk Data Quality Assessment is applied for evaluating the necessity of proper and reliable data for risk management. This tool can also be applied in order to assess the quality, reliability, integrity and accuracy of the data. The risks can also be effectively understood with the application of this tool as only credible and reliable data and information is used while analysing the workplace risks of an organisation. In this case, risk analysis cannot be conducted accurately without the use of authentic and reliable data. Identification and understanding of risk would also be erroneous in case of unauthentic and unreliable data. On the other hand, without examining the credibility of data and information, the findings of risk analysis would be biased and incorrect. With the identification of incorrect risks,

the process of risk management would also not be effective. Hence, the tool of Risk Data Quality Assessment should be applied so that proper risks can be identified and effective risk management can be conducted.

**Limitations:** There are certain limitations of the tool of Risk Data Quality Assessment. If the techniques of data collection are unstructured, inaccurate data and information could be gathered. This would lead to erroneous identification of risks. Thus, the data collected process would have to be repeated. In this way, repeating the process of data collection would eventually increase the costs of the organisations. On the other hand, collection of old data would reduce the relevance of identified risks to the present organisation. This would ultimately result in ineffective risk management for the business organisation.

### **Implication of failure types in relation to policies, procedures and system in place and features for loss of prevention arrangements**

**Implication of failure types:** As per the concept of “sources of failure” provided by Haimes, there are four kinds of sources that can create failures in management systems. These sources can be referred to as the hardware failure, software failure, human failure and organisational failure. In case of unorganised system of an organisation, hardware as well as software failure can occur. It would ultimately result in increased risk of the business enterprises. As argued by Bolton *et al.* (2013), business entities also tend to undertake various strategies in order to reduce the extent of risks within the organisations. However, in several occasions, the organisations fail to implement these strategies effectively due to which management systems of the companies also tend to fail. In this case, the organisational strategies are often not communicated well to the employees due to which proper implementation of the organisational strategies fails. Thus, organisational failures are associated to erroneous procedures of the organisations.

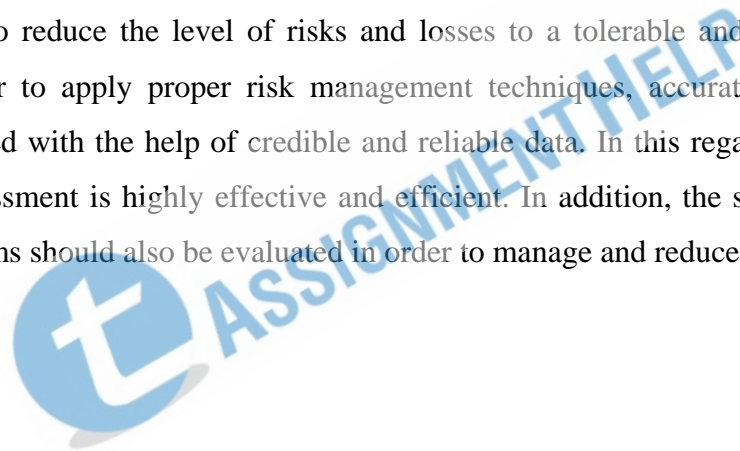
In addition, the human resources or the employees also tend to commit certain mistakes due to which the management systems tend to fail. In this regard, the mistakes of the employees can be attributed to lack training and efficiency. These human errors are associated to the organisational policies for providing training to the employees. Hence, organisational policies should be revised in order to reduce human failure.

**Features of arrangements for loss prevention:** As opined by Teller and Kock (2013), business enterprises tend to undertake various strategies and arrangements in order to prevent risks and losses in the organisation. In this case, the strategies are often associated with the principle of “as

far as reasonably practicable”. The regulations of the governments are also followed in this case in order to reduce risks and losses to an acceptable and practicable extent. In this context, health and safety laws are applied in the organisations so that health-related risks in the workplaces can be reduced. This would also save the cost of compensation that needs to be provided to the employees in case of health hazards. In this way, loss is prevented by the business entities. Business enterprises also implement training policies in order to reduce human failure so that organisational risks can be minimised.

### **Conclusion**

Role of risk management is significantly important in preventing loss of a business. The risks of an organisation should be reduced to an acceptable and practicable extent. In this regard, the health risks and losses of an organisation can be reduced by applying the government guidelines on practicable standards. However, the organisations may have to bear disproportionate amount of costs in order to reduce the level of risks and losses to a tolerable and practicable extent. Moreover, in order to apply proper risk management techniques, accurate risk management should be conducted with the help of credible and reliable data. In this regard, the tool of Risk Data Quality Assessment is highly effective and efficient. In addition, the sources of failure in management systems should also be evaluated in order to manage and reduce the risks.



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