

Risk Management Principles

There is always a good case for risk management in any growing organization.

ISO 31000 defines risk as a positive or negative effect of uncertainty on objectives. There is always risk of having well-trained and committed manpower to achieve company objectives (negative). You might outsource non-core activities to a company with track record, as an opportunity (positive). You can describe risk in terms of risk source, event, likelihood, and consequence.

A risk source is an element or elements with a potential to give rise to risk. Having well-trained and committed manpower, is the source of risk.

An event is an occurrence or change in a set of circumstances which may or may not happen. An event can be a risk source. A change in regulations affecting an outsourcing company is an event.

A likelihood is a chance of something happening. It is a probability. Identifying and recruiting well-trained workforce may be a 30% or 60% or 70% (any percentage) possibility.

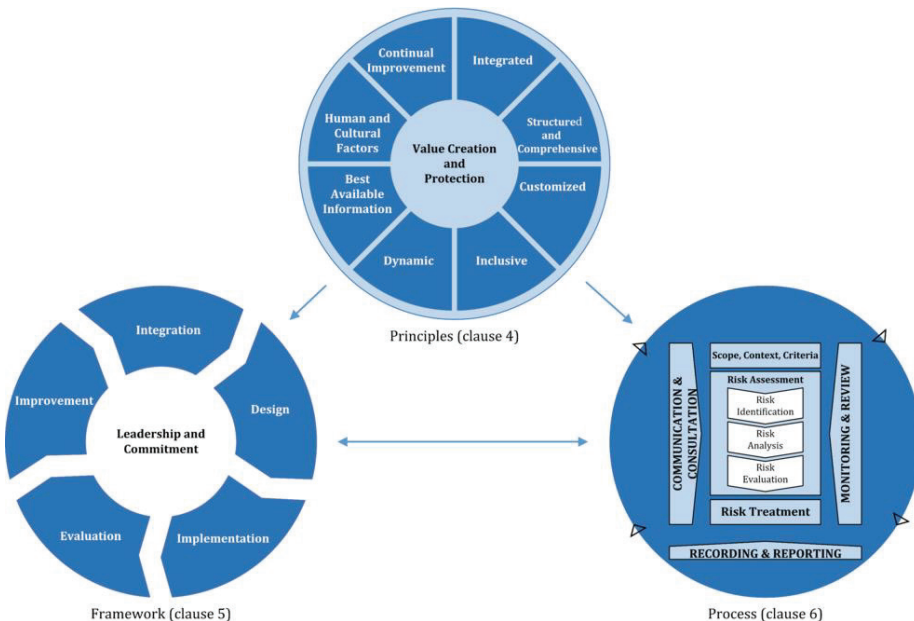
A consequence is an outcome which can be certain or uncertain, positive, or negative, direct, or indirect, quantitative, or qualitative. With a good workforce you may achieve a turnover of P 100 million or with a bad workforce you may lose a turnover of P 100 million.

Risk management refers to coordinated activities to direct and control an organization about risk.

A stakeholder is an interested party or that can affect, be affected by, or perceive themselves to be affected by a decision or activity. Risk process is inclusive when all stakeholders are consulted. Every staff member or a workman, to extend the above example, is a stakeholder as much as the trade union.

A control is a measure, process, policy, device, practice, or action that maintains or modifies risk. Training manpower is a control to continue with the same way of doing things. An interview or a psychometric test or onboarding is a control.

The Board needs to train itself and others to demonstrate a good understanding of the above risk definitions, risk framework and risk process based on the following diagram.



[ISO 31000: 2018 thankfully acknowledged]

