

# A Paper on Impact of Risk Management

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**ABSTRACT:** Risk management is the mechanism by which risks to resources and profits of an entity are identified, analyzed, and managed. These risks, including financial instability, responsibility, strategically erroneous administration, incidents and natural hazards, may originate from different outlets. These are danger threats. IT protection challenges and privacy risks have been a top concern in digitized organizations, along with risk control techniques to mitigate them. As a result, a risk management plan increasingly includes companies' processes for identifying and controlling threats to its digital assets, including proprietary corporate data, a customer's personally identifiable information (PII) and intellectual property.

**KEYWORDS:** Performance evaluation, Risk management, Risk assessment, Revenue generation, Digitization.

## INTRODUCTION

There is a long tradition of the idea of risk management. Athenians provided the opportunity to analyses risks before taking action more than 2400 years ago. However, as a scientific field, risk assessment and risk management are young, not older than 30-40 years. We see the first scientific reports, articles and conferences that address basic ideas and concepts of proper risk management and administration during this time[1]. These theories and concepts remain to be at the core of the profession to a great degree – they are the cornerstones of the risk evaluation and management practice we have seen since the seventies and eighties. The area has since advanced greatly. Current and more advanced tools and procedures for research have evolved and in most areas of society risk analytical methods and approaches are now used. In addition, recognize the Society for Risk Analyses' selection of specialist classes, covering: dose response, environmental risk assessment, emerging nanoscale materials, architecture & infrastructure, exposure assessment, risk assessment, occupational health & safety, protection and defense. In recent years advancements have also been made in key problems in the area which are of particular importance because they are general and can affect a wide variety of applications. These advances are the scope of the present paper[2].

There are two main risk fields. (i) the study and management of risk by means of risk assessments and risk assessments (e.g. off-shore operation or investment), and (ii) the conduct of generic risk research and development related to concepts, theory, frameworks and approaches to understanding, evaluation, characterization, communication, approaches and modalism[3].

## LITERATURE REVIEW

In this section, we try to provide an idea about the basics concepts of risk management based on the literature review. This includes a generic definition of risk, risks management and their method.

### 1. Risk:

Risk management is not a new theme but the first study specifically on the risk management of the Supply Chain dated 2003 is recent and not very studied in the logistic chain (or supply chain)[4]. Therefore, administrators need to make a significant effort to recognize risks and handle them because of the risk of them growing and impacting all the logistic networks, including the logistics industry. Based on their perceptions, behaviors and experiences, the definition of risk will vary from person to person making risk perception more and more complicated[5].

There are several risks that can be divided into different types according to how its realization will have impacts on the activity of organization and its environment. For example and according to Harland et al, risk can be divided on:

Strategic risk: affects business strategy implementation.

Operations risk: affects a firm's internal ability to produce and supply goods/services.

Supply risk: adversely affects inward flow of any type of resource to enable operations to take place.

Customer risk: affects likelihood of customers placing orders, grouped with factors such as product obsolescence in product/market risk.

Asset impairment risk: reduces utilization of an asset and can arise when the ability of the asset to generate income is reduced.

Competitive risk: affects a firm's ability to differentiate its products/services from its competitors.

Reputation risk: erodes value of whole business due to loss of confidence.

Financial risk: exposes a firm to potential loss through changes in financial markets, can also occur when specific debtors defaults.

Fiscal risk: arises through changes in taxation.

Regulatory risk: exposes the firm with changes in regulations affecting the firm's business such as environmental regulation.

Legal risk: exposes the firm to litigation with action arising from customers, suppliers, shareholders or employees.

## *2. The risks management in the supply chain:*

In the past few decades, the idea of risk control in the supply chain has grown quickly. The first scientific researcher in supply chain risk management (SCRM): outlining a potential research agenda" In addition, risk management is a field with overlapping terminology and it is generally agreed that its concept, key substances, values and legislation must be objectively mirrored[6].The first concept of SCRM, "SCRM, by means of a coordination of approaches among supply chain members, is to identify and manage the risks of the supply chain to reduce the entire volunteer chain." The SCRM plays an important role in the constructive monitoring of market processes[7].Risk management of the supply chain is characterized as the process of risk reduction that comes about by cooperation, communication and implementation between partners of risk management software to ensure consistency, coupled with long-term supply chain profitability. This is characterized in the supply chain as a coordinated and synergistic mechanism aimed at leveraging the full spectrum of policies, procedures, human resources, technologies and know-how with the goal of managing, tracking and assessing supply chains risk, maintaining consistency and maximizing profitability[8].Risk management is the decision-making mechanism to recognize a defined or assessed risk or take steps to minimize the effect or the possibility of a negative incident. Risk assessment refers to appropriate measures of risk-identification and monitoring policies, approaches and tools for supporting risk[9].

## *3. Methods:*

Author may find a variety of approaches for handling risk based on a literature analysis. These methods can be divided into two classes: deterministic methods (including composite, quantitative and qualitative techniques) and stochastic methods (that includes classic statistical approach and the accident forecasting modeling). Author can mention the checklists, what-if analysis, task analysis, Hazard and Operability (HAZOP), Quantitative Risk Assessment (QRA), the Critical Risk and Error Analysis (CREA), Fault Tree Analysis (FTA), the Event Tree Analysis (ETA), Failure Mode and Effects Analysis (FMEA), Probability Distribution of Failure and Reliability (PDEA), Petri networks, Bayesian networks, etc.

Author aim to offer a description of several emerging risk assessment applications and their approaches based on our level of expertise. To research the effects of disruptive risk on the inventory control process of a

news seller, for example. This paradigm is the first in the joint study of asset control and instability threats of supply chain networks that incorporate risk-averse decision making into account[10]. It may refer to multiple forms of disruptions (production process, supply of raw materials, etc.). This research can be viewed as a delivery problem in the supply chain in order to examine the likelihood of gas network accident and its effects for Chinese urban pipe network. Si et al. has also used the same approach in 2013 to assess and precaution the possibility of toxic chemicals leaching. The model has been applied to quantitatively assess a storage tank in a Chinese company. These two cases may justify the implementation of this method (QRA) in supply chain problems and more accurately in pharmaceuticals supply chain and pipeline transport network (water, petroleum, gas).

SCRM must be an interorganizational management function, and is very much connected to the institutional and strategic reality of the activity involved, for organizations to be successful. They propose a successful SCRM focused on cooperation and the creation with industrial partners of joint and shared transverse processes. The approach they used was a mixed one-on-one, survey and mathematical analysis. The Fuzzy Analytical Hierarchy Method (FAHP), based on an empiric analysis of 142 general management and logistics and supply chain managers in 50 French firms, is used to assess the key risks in the supply chain as well as corresponding risk management techniques for a Turkish iron and steel industry business. The findings of the research have shown that, relative to environmental dangers, supply hazards and operating risks are very significant.

## CONCLUSION

Risk evaluation and risk management is developed as a research discipline and adds greatly to the practical support of decision-making. There are and are evolving basic concepts, theories and processes. This study paper reflects on recent work and developments on the core concepts and opinions on which the danger areas are built.

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