What is Risk?

What is the meaning when someone says there is a risk of loss?

It means that **something might** happen that can result in a **loss**. The words "something", "might", and "loss" have special meanings.

- The something is what we will call an 'Event', or more formally, a "Risk Event".
  - It is common to also refer to a risk event as a "risk", although "risk" has a formal mathematical definition as the expected value of the loss arising from an event.
  - So from now on, keep in mind that event, risk event, or simply risk, refer to the same thing.
- The "**might"** means that it may or may not happen
  - If the event is sure to happen, we don't consider it a risk, but a definite loss.
  - If there is no chance of it happening, we don't consider it a risk either.
  - Therefore, an event is considered to be a risk only if the probability of it happening is greater than 0 and less than 1.
- The term **loss** refers to losses to an organization's objectives. This might be just one objective, such as money, but typically is a wide range of objectives, some quantitative, some qualitative.

A risk can sometimes have **causes**. Alternative words for causes are **sources**, **hazards**, **threats**, **intents**,...

Riskion can be used to study a single event or risk (such as a fire), multiple events (such as project risks), or risks to an entire organization.

Risk analysis can be very complex. However, by carefully defining terminology and using a process that is both theoretically sound and practical, Riskion will enable you to measure, manage, and communicate risk effectively regardless of how simple or complex the situation might be.

What is Strategic Risk Assessment and Management?

Strategic Risk is, by definition, the expected loss due to the occurrence of an uncertain event that prevents an organization from achieving its strategic objectives.

Strategic risk assessment and management is important in many endeavors and areas, including:

- Banking
- Brokers/Dealers
- Consumer Products
- Energy & Utilities
- Financial Services
- Food and Beverage
- Hedge Funds
- Insurance
- Manufacturing & Distribution
- Media and Entertainment
- Not-for-Profit
- Private Client Services
- Private Equity
- Professional services firms
- Project Management

- Real Estate
- Technology
- Textile Rental
- Transportation

Strategy consists of goals and objectives.

- Objectives can be (and, if more than just a few, should be) organized into a structure that humans can understand.
- A Hierarchy is the most common and powerful way to do this
- The **Analytic Hierarchy Process (AHP)** has been found to be one of the best, if not the best way to structure, measure and synthesize key factors of strategic risk assessment and management. AHP methods for structuring, measuring, and synthesizing are used throughout Riskion.

Risk assessment requires a systematic process for identifying and analyzing events that can affect the achievement of objectives. Riskion provides a theoretically sound and practical process for doing this by addressing the following two questions about risk events:

- what is the likelihood of the event occurring, and
- what is the impact to the organization's strategic objectives if the event occurs?

As we will be discussing in more detail below, Riskion is the only tool in existence today that implements a process possessing all of the key risk requirements of an assessment methodology as specified by standards and requirements organizations such as the Open Group including:

- probabilistic, accurate, logical, concise, meaningful, feasible, actionable, and able to provide management with a process to optimally apply treatments to the risks facing their portfolio of business opportunities.