

Risk Management Techniques

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Enterprise risk management consists of eight interrelated components, and these are derived from the way management runs an enterprise and are integrated within the management process (COSO, 2004, p. 3). These components are necessary, but the internal environment may be the most important in this author's opinion. This internal environment encompasses the organization's tone and sets the basis for how risk is viewed and addressed by the organization, including their risk management philosophy, values, ethical integrity values (Prewett, & Terry, 2018). According to Shad et al. (2019), there is always room for improvement in business strategies and entrepreneurial orientations to maximize business performance. Still, it is up to the organization to set the rules for sustainable development. When the organization establishes a cohesive internal environment, it can establish a comprehensive risk management plan. In this author's opinion, the groundwork needs to be done first before an event can be identified and a risk assessment can be determined, or even a response.

An example of this component is proper governance and the tone of an organization. This provides a vital foundation for the transparency and the openness and commitment to continuous improvement necessary for effective risk management (Deloach, 2016).

As Anton (2018) points out, enterprise risk management aims to gain a systematic understanding of the interdependencies and correlations among risks. By having this understanding, management can make the best choices to reduce that risk moving forward.

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