**The Importance of Risk Management to Business Success**

Risk management is an important part of planning for businesses. The process of risk management is designed to reduce or eliminate the risk of certain kinds of events happening or having an impact on the business.

**Definition of Risk Management**

Risk management is a process for identifying, assessing, and prioritizing risks of different kinds. Once the risks are identified, the risk manager will create a plan to minimize or eliminate the impact of negative events. A variety of strategies is available, depending on the type of risk and the type of business. There are a number of risk management standards, including those developed by the Project Management Institute, the International Organization for Standardization (ISO), the National Institute of Science and Technology, and actuarial societies.

**Types of Risk**

There are many different types of risk that risk management plans can mitigate. Common risks include things like accidents in the workplace or fires, tornadoes, earthquakes, and other natural disasters. It can also include legal risks like fraud, theft, and sexual harassment lawsuits. Risks can also relate to business practices, uncertainty in financial markets, failures in projects, credit risks, or the security and storage of data and records.

**Goals of Risk Management**

The idea behind using risk management practices is to protect businesses from being vulnerable. Many business risk management plans may focus on keeping the company viable and reducing financial risks. However, risk management is also designed to protect the employees, customers, and general public from negative events like fires or acts of terrorism that may affect them. Risk management practices are also about preserving the physical facilities, data, records, and physical assets a company owns or uses.

**Process for Identifying and Managing Risk**

While a variety of different strategies can mitigate or eliminate risk, the process for identifying and managing the risk is fairly standard and consists of five basic steps. First, threats or risks are identified. Second, the vulnerability of key assets like information to the identified threats is assessed. Next, the risk manager must determine the expected consequences of specific threats to assets. The last two steps in the process are to figure out ways to reduce risks and then prioritize the risk management procedures based on their importance.

**Strategies for Managing Risk**

There are as many different types of strategies for managing risk as there are types of risks. These break down into four main categories. Risk can be managed by accepting the consequences of a risk and budgeting for it. Another strategy is to transfer the risk to another party by insuring against a particular, like fire or a slip-and-fall accident. Closing down a particular high-risk area of a business can avoid risk. Finally, the manager can reduce the risk's negative effects, for instance, by installing sprinklers for fires or instituting a back-up plan for data.

Having a risk management plan is an important part of maintaining a successful and responsible company. Every company should have one. It will help to protect people as well as physical and financial assets.