Risk mitigation


MED
RISK
LOW
HIGH

- For assessing a business activity whether it survives or no; managers provide techniques which they use in order to reduce and limit risk.
- To effectively reduce risk with an organization, a basic understanding of the different types of risks and how to prevent them must be understood

- Risk Mitigation is the practice of reducing the impact of potential risks by developing a plan to manage, eliminate, or limit setbacks (problems) as much as possible. After management creates and carries out the plan, they'll monitor progress and assess whether or not they need to modify any actions if necessary.

The Necessity of Risk Mitigation

Mitigation is important:

- ignoring risk factors won't make risks disappear and forging ahead without a plan may damage the bottom line
- keeping the business profitable, but it also has intangible benefits as well, such as helping to maintain a good reputation for stability within the industry and keeping internal and external stakeholders happy.

- **Compliance risk / Legal risk** a risk to a company's reputation or finances when the company violates external or internal laws, regulations, or standards. Companies may face losing customers or paying a fee due to breaking compliance regulations.
- **Strategic risk –** the result of a company's faulty business strategy or lack thereof.
- **Reputational risk –** A risk that can negatively impact the company's standing or public opinion. Reputational risks can result in profit losses and a decreased confidence among company shareholders.
- **Operational risk –** A business' day-to-day activities can potentially drain its profits. Both internal systems and external factors can cause operational risks.