Project management integration framework critique essay

Business, Management

Financial risk management can be defined as the definitive sourcing of practical guidance on market management and credit risk. It can be subdivided into two parts, which are, the macro and the micro risk management. There are a number of differences between the two risk management approaches. For example, in macro risk management, there is application oftechnologyto alleviate financial risks or losses. This procedure can be done by focusing on the risk management of a firm - an approach which is unmistakable but takes a lot of time.

The major tool used in this undertaking is the use of ‘ stresstest’ upon portfolios which analyzes the joint force of the wider set of risks in meaningful ways. This process provides more information about the risk and provides an opportunity for diligent analysis (Dash, 2004). Even though the risk usually has been notified to the management, the total risk that is inbuilt into the system is not discarded. The concentration on the financial system thus changes the risk profile in the industry. The risk profile becomes unpredictable and can thus cause serious effects in the business economy.

On the other hand, while executing macro risk management, one requires shifting from the notion that the stability of a system is a consequence of the accuracy of individual components. Modern risk managers thus focus on the development of the tools to evaluate the possibility of credit deals which may result in the collapse of the firm. The transmission of risks within a firm may thus result in distress with its associates. Through this strategy, the risk managers can scrutinize how negative financial shocks, such as capital outflows, can negatively magnify a sector’s risk.

This approach helps them to design and alleviate the risk by adjusting the chief fiscal surplus so as to relieve the shocks. Managers thus have the opportunity to grade their policies. To take precaution on macro risk management, the management should therefore involve the staff who are always involved in the testing of the continuity plans and who are aware of the plans. In addition, this technique helps managers to examine other firms' strategies which have been proven successful.

Managers will also analyze others' methods which they can successfully adapt into their circumstances. Conversely, in micro risk management, one starts by providing a general background of financial risk management which illustrates how the risk arose in the firm. This information explores the key concepts used in past risk management and provides a way to curb its reappearance. One thus discovers the main concepts used in risk management and can thus articulate them through well-known financial disasters of the past.

One can also devise ways to avoid the risks. This technique allows managers the opportunity to devise the methods to be used to manage the market risk and how to forward it, spot it, and other mechanisms of identifying the risk. This provides a detailed analysis of the models used in pricing the risks and how each model can be used to determine and control risk. After this, the financial risk management will round up the scrutiny and the lessons on the risk management portfolio which gives a firm a clear understanding of the risk and its management.

Through this, one can automate audits and susceptible management throughout the running of the firm. Subsequently, the collected automates accessed are then used to control all assets in the firm followed by their testing to identify the most vulnerable risks which may reappear in the firm. This activity provides the most effective way to detect and curb a micro risk at its initial appearance. Reference Dash, J. W. (2004). Quantitativefinanceand risk management: A physicist's approach. Toh Tuck Link, Singapore: World Scientific.