

Essay on risk modeling

[Business](#), [Company](#)



Introduction

A risk is a chance of something going wrong or something that cause threat to an organization or an establishment. The process of risk management refers to the use of financial measuring techniques to determine the cumulative risk in a financial assortment. Financial institutions or individuals are always exposed to different types of risks in their operating environments. Some risks are usually unavoidable whereas some cannot. Risk modeling therefore presents a way of measuring and determining their overall effect. Risk modeling takes into account all the variables which are involved when covering a risk.

There are two books under study and they include: Risk Model Textbook and Risk Model Sewall. The two books have several similarities in their approach to risk modeling and they differ in some ways as discussed below.

Similarities

The two books both address the effects of risk in an organization.

The two books have a similar way of assessing risks which is based on probability of occurrence. They further discuss their impact on an organization.

The two books lay a major weight on discussing the risk of information whereby a detailed account is given

Both books present similar ways of dealing with risks. It is stated categorically that Information security, management and users, and

information technology all must work together in order to achieve better results at the end of the study.

Both books propose having an insurance cover as one of the best ways in managing the different types of risks discussed in the books.

Both books address similar challenges and solutions to risk management. They also look at historical information as one of the best ways to analyze risks.

Differences

In risk model text book, there is a systematic approach on the whole process of risk modeling. The book starts by looking at some basic definitions of risks and gives a general overview of risk. Whereas, in risk model Sewall the approach is not systematic and the author does not give adequate introduction as far as risk modeling is concerned.

Risk Model Sewall looks at risk from a cultural and a social point of view. This is evident from the initial stages of the book where the author gives an account of cultural cognition of risk. On the other hand, risk model text book looks at risk from a business man's perspective. This can be seen although the book whereby the author analyses the different types of risks quantitatively.

Risk model Sewall gives a logical and more practical approach to risk. The issues presented in the book whereby the author addresses the different types of risks that people are likely to encounter in their day to day activities. Consequently, risk model text book looks at risk in more

theoretical and mathematical manner. This can be seen from the numerous calculations used in analyzing risks some of which may not be realized in a practical setting.

The risk model text book gives recommendations on the ways that can be applied to control the risks and gives a detailed summary on the whole process of risk management. On the other hand, the risk model Sewall just give practical examples but does not give detailed summary on the whole process of risk management.

In the risk model text we get a definition of risk management, risk identification and risk control. We then get an insight of how risk is identified and assessed. Assess risk based on probability of occurrence and impact on an organization. We are then taken through a procedure to grasp fundamental aspect of documenting risk through the creation of risk assessment. This Book is better than the one by Sewall because of its systematic approach towards risk modeling. The book starts by giving information on what is going to be covered and ends up with a summary which gives an account of what has been covered in the book. On the other hand the Risk model by Sewall does not give an organized and insight coverage of Risk modeling which makes it unsuitable for someone who wants to analyze the whole process of risk modeling.