

Preface

Enterprise risk management has always been important, at the heart of the insurance market during the age of sailing ships if not earlier. It has become a critically important topic in the last decade, expanding the scope of risk management beyond insurance and finance to include accounting risk (motivated in part by Enron and other problems), terrorism, and realization that many things can threaten an organization.

This book approaches risk management from five perspectives. In addition to the core perspective of financial risk management, we also address perspectives of accounting, supply chains, information systems, and disaster management. Risks are inherent in business. Without risk, there would be no motivation to conduct business. But a key principle is that organizations should accept those risks that they are competent to deal with, and “outsource” other risks to those (such as insurance companies) more competent to deal with them.

We also address tools available to assess risk, enabling better informed managerial decision making. These tools include balanced scorecards, multiple criteria analysis, simulation, data envelopment analysis, and financial risk measures.

The book concludes with a section of four cases. The first reviews how a Canadian organization developed their risk management structure, providing useful views of their approach in implementing risk management. Cases involving supply chain risk are reviewed,

as well as cases involving enterprise resource planning systems in the information system field. The last case describes a Swedish exercise in disaster management, yielding insight into relative effectiveness of communication media in emergency environments.

David L. Olson
Desheng Wu