



Keio Business School

Practical Risk Management in Manufacturing industry

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1. Definition of Risk

First of all, let's define the meaning of the word Risk used in this paper.

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Risk: Latent possibility

When Risk becomes a reality, it could cause either good effects/results or adverse effects/ results in various activities of companies. This lecture will deal only with Risk which exert adverse effect/ results. It will also restrict discussion to Risks found in processes, excluding those which are generated by changes in the market, changes in corporate environment, and pandemics including infectious diseases.

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Since Risks are latent, they are invisible and do not bring about effects as long as they don't take shape as actualized phenomenon. Once Risks actualize as events or phenomena, they may give adverse influence on the company in terms of lower profit, poorer reputation in the society, or deteriorated labor environment in terms of recruitment, etc. **(Fig1)**

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Specific examples of Risk areas include: safety record; quality defects; and minor equipment stoppages. It is essential to manage Risk factors in order to prevent these events from happening. The point is, it is important not only to manage the result of the actualized phenomenon, such as quality defect, but also to construct a management system that enable to predict that a factor named "Risk" turn to phenomenon and to correct these factors so that it does not become an event.

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