

Fact Sheet 15 – Risk Management

If you are running a business then it is important that you are able to understand risk management as any business is subject to risk. Risks can occur at any time, depending on internal or external events. As such risk management should be a central part of your strategic management to help you minimise or remove risk by finding and reducing uncertainty, or eliminating constraints.

Risk management is the process of assessing risks within your business and taking steps to reduce these risks or to stop them all together. Simply put, risk is a combination of uncertainty (unknown factors, such as funding application outcomes) and constraints (the factors that can not be altered, such as the information asked for in a funding application).

Benefits of Risk Management

There are a number of benefits to risk management including:

- Allows areas of uncertainty to be identified
- Allows you to take preventative action
- Can save time
- Can save money
- Increases moral
- Provides a more stable environment

Areas of Risk

Most risks fall into one or more of six broad categories:

- **Strategic Risks.** Concerned with the long-term operation of the organisation, for example policy change at government.
- **Operational Risks.** Concerned with day-to-day issues, for example staffing.
- **Product Risks.** Concerned with the actual service offered, for example intellectual property theft.
- **External Risks.** Concerned with issues outside of the organisation, for example public perceptions.
- **Financial Risks.** Concerned with the finances, for example loss of key funding.
- **Legal Risks.** Concerned with statutory obligations, for example abiding by Health and Safety.

Identifying Risk

Many organisations make the common mistake of failing to identify a risk, rather they identify the impact of the risk, and not the risk itself. A risk should relate to a specific objective, and is about cause (the reason) and consequence (the impact). It is essential that an organisation thinks about the risk in terms of itself, for example why is it a risk you should be concerned with?

Failure To Manage Risk

If risks are improperly assessed, time and money can be wasted. Spending too much time controlling unlikely risks can divert resources. For low risks it may be better to retain the risk and deal with the result rather than invest in removing it. It is important to acknowledge balance between assessing risks and getting on with work.

Process of Risk Management

Risk management can be said to have two main parts; Risk Assessment and Risk Control. Each part has a number of steps, as follows:

- **Risk Assessment.** This part of the process has four sub steps, as follows:
 - **Step 1: Identify Uncertainties.** This step considers where risks may exist.

For further details about how Pulse Regeneration can help, please contact us.

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- **Step 2: Analyse Impact.** This step assesses how the uncertainties impact on the organisation.
- **Step 3: Consider Probability.** This step considers how likely the risk is to occur, and it is helpful to grade probability.
- **Step 4: Prioritise Risks.** This step considers the impact and probability of each risk.
- **Risk Control.** This part of the process has three sub steps, as follows:
 - **Agree Actions.** This step focuses on determining the actions in response to the identified risks.
 - **Contingency Planning.** This step accounts for developing a plan to accommodate the result of a risk if it occurs.
 - **Monitor and Control.** It is vital that risks are monitored to enable action to be undertaken at the appropriate time.

It is helpful to document the findings of the risk management process in a Risk Management Framework.

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