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MANAGING RISK

- Managing Risk

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What Is Risk Management?

All of us encounter risks in everything we do - driving a car to work or even shopping in the supermarket. Most of us try to reduce the likelihood of risk affecting our everyday activities.

A risk is the chance of something happening as a result of a hazard or threat, which will have a negative impact on your organisation. Risk arises out of uncertainty. It is measured in terms of the likelihood of it happening and the consequences if it does happen. Some risks can be insured against, fire or theft for example. Others such as low demand for your product or service can not.

Risk management is a process used to avoid, reduce or control risks. There should be a balance between the cost of managing risk and the benefits you expect from taking that risk. When you set out on a car journey, you are subconsciously going through a process to minimise the risks you may meet. For example, you check the car's fuel level to ensure you avoid the risk of running out of petrol before you reach your destination. This is risk management. Ignoring the risk that your car may run out of fuel puts your car at risk and may also delay your arrival at your destination.

Ignoring the risks which apply to your organisation and activities or the events you have planned could impact on the following:

- Health and safety of workers, audiences, customers, volunteers and participants

- Your reputation, credibility and status
- Public and customer confidence in your work
- Your financial position
- Your assets, equipment and the environment

A systematic approach to managing risk is now regarded as good management practice.

Risk Management Process

The process of managing risks involves a series of steps. At each step, you should consult with others to get their points of view. Each situation is different and requires its own risk management strategy. The risk management process is:

Establish Context - think about the environment in which your organisation operates, outcomes that you want to achieve and identify internal and external partners and stakeholders

Identify Risks - arising from all aspects of the environment you established in step 1. The aim should be to develop of complete list of the risks and what each involves.

Analyse Risks - decide on the likelihood and the consequences of the risks identified. The level of risk should be analysed in relation to the control measures in place.

For example, the risk control measure for a wet, slippery floor may be to put up a sign warning the audience about it. There is still a risk remaining that a patron may slip on the floor.

Evaluate Risks - compare the level of risk with the risk criteria established in steps 1 and 2. Decide whether risks are acceptable or not.

Manage Risks - the options available to you are:

- **Avoid The Risk** - For example, an organisation may move an event from an unrestricted open public space to a venue to minimise the risk of participants being injured and secure insurance cover
- **Control The Risk** - For example, attaching non slip strips to a walkway will reduce the risk of people slipping and injuring themselves
- **Transfer The Risk** - For example you may decide to hire a professional conference organiser rather than take the risk of organising an event yourself
- **Retain The Risk** - For example, you have reduced the likelihood of a risk occurring by training your volunteers on how to show visitors around the premises. There is still a low level risk remaining for a visitor to have an accident. You may decide to retain this small risk.

Communicate And Consult - ensure that you communicate and consult with all of the identified partners/stakeholders to ensure that you have considered all risks.

Monitor And Review - constantly monitor and evaluate the strategies that you are using to manage risk. Risks do not remain the same (i.e. can increase decrease/new risks can appear)

Tips To Manage Risk

Identify Risk And Have A Plan

For each possible negative event, identify what can be done to prevent the event and develop a contingency plan of how to respond if necessary.

Offload Risk To A Partner

In many cases an outside partner can assume some of your risk. For example a distributor may be willing to pay some of your upfront costs in return for an increased share of profits.

Develop Exit Strategies

Know how and when you will close the business if things go wrong. This should include setting evaluation points and triggers.

Write A Business/Social Enterprise Plan

Business planning in itself helps to reduce your risk by looking at all possibilities including where the organisation is going and how it will get there.

Conduct A Sensitivity Analysis To Identify Points Of Vulnerability

Estimate your financial outcomes in the worst case on several variables. By knowing the impact and causes of negative events, you can know when they are occurring and manage the most important issues.

Obtain Legal Advice

Lawyers specialise in reducing risk. Make sure you use lawyers for contracts and issues of corporate structure. Ensure your legal advisor specialises in charity law.

Use Clear Written Contracts

Don't be vague in contracts or rely on verbal agreements - even for internal agreements. Set clear expectations for each party and include a termination procedure.

Create A Test Pilot Before Fully Launching A Product/Service

Whenever possible, try your idea on small scale with limited investment. Prove your idea works and use the pilot to improve on your concept.

Case Study : An Event Risk Management Plan Triathlon Race

Runco Promotions, a triathlon promotions company, is planning a triathlon race on the Gold Coast over the holiday period. The race will host some of the best triathletes from both Australia and around the world competing for prize money and competition points in a summer type carnival.

The organising committee from Runco Promotions is aware that certain legal risks result from running such an event. To protect themselves from legal action from involved parties the organising committee wants to develop an event risk management plan. The event risk management plan is designed to identify, evaluate the likelihood, plan and deal with potential risks in conducting a triathlon event. The main areas of risk include that of risk to spectators, athletes, staff, volunteers and the general public.

Each potential risk will receive a rating according the probability of occurrence, severity of damages both physical and financially to the organising committee. The risks will be grouped into three categories:

1 : High Risk - High priority for Runco Promotion management to deal with. Risks likely to contain a high probability of occurrence and substantial financial impact on the organising committee.

2 : Moderate Risk - Some impact on Runco Promotions. Likelihood of occurrence is probable. Special attention from management may be necessary to alleviate risk.

3 : Low Risk - Minimal likelihood of occurrence and minimal impact on the organising committee of Runco Promotions.

Each risk will also receive an action plan under the following headings:

Avoid - Management will choose not to conduct activities with the potential of associated risks.

Transfer - Purchase insurance policies in order to transfer the risk of a particular risk occurring.

Control - The organising committee will develop policies and procedures to minimise risk.

Retain - Self-funding to provide compensation to personnel involved in the event of a potential risk occurring.

Create a risk management plan for the above event placing your risks, likelihood and action/contingency under the following categories : **weather risks, medical risks, security risks, miscellaneous risks.**

Possible Scenario Answer

The following scenarios outline some of the areas of risk that are evident in running a triathlon and the resultant actions that can be taken to protect the organising committee from legal action.

Weather Risks

Risk	Likelihood	Action
Lightning	Low	Transfer/avoid
Extreme heat	Moderate	Control/avoid If temperature reaches 38 degrees celsius cancel event
Extreme cold	Low	Control
High wind	Moderate	Control
Large surf	Moderate	Control

Medical Risks

Risk	Likelihood	Action
Needle stick injury	Moderate	Control/transfer (ie grade the relevant strip of beach each day prior to competition)
Fall of personnel/spectators	Moderate	Transfer
Slip on wet surface	Moderate	Transfer
Marine animal attack	Low	Transfer
Dehydration	Moderate	Control (ie provide numerous drink stations for competitors)
Person being hit by motor vehicle	Moderate	Transfer
Medical emergencies - heart attack	Low	Control
Sunburn	Moderate	Control (ie provide sunscreen purchase stalls for spectators)

Security Risks

Risk	Likelihood	Action
Crowd crush	Moderate	Transfer
Spectator conflict	High	Control/transfer (ie limit sales of alcoholic beverages to reduce intoxication of spectators)
Athlete protection	High	Control/transfer
Terrorist threats	Low	Avoid
Bomb scare	Low	Avoid
Monetary or physical loss of property	Moderate	Control

Miscellaneous Risks

Risk	Likelihood	Action
Food poisoning	Low	Control (ie make sure catering meets industry standards)
Drowning	Moderate	Transfer/control
Fire	Low	Transfer
Cancellation of event	Moderate	Transfer

To transfer the risk associated with some of the above elements the committee of Runco Promotions may decide take out some or all of the following types of insurance:

Comprehensive General Liability - This policy covers fire, theft and injury, however, the organising committee should also take steps to minimise the chances of these risks occurring.

Cancellation or Contingency Insurance - This policy provides coverage for the cancellation of events due to such occurrences as inclement weather conditions or non-appearance of athletes.

Compensation Insurance - This policy provides for reimbursement and coverage of all staff, volunteers and officials should these people incur an injury during the event.