

## Exploring Risk Management



Your destination. The road map to get you there.

In today's interactive workshop session we will be exploring Risk Management

## Presentation Objectives

1. Understanding risk management (risk and opportunity)
2. Differentiate strategic and operational risk
3. How to identify and assess risk
4. Tools and techniques to support risk management

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We have 4 objectives f

# What is a Risk?



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## What is a risk?

*A risk is anything that might happen and that, if it did happen, would have an impact (+/-) on the ability of an organization to accomplish its mission.*

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There are many sorts of risks that can affect Organization -, from financial or legal, to environmental risks or the loss of staff.


Different risks can affect your - in different ways.

Risks are threats, issues, events or opportunities, if it happened, could have a positive or negative effect on your -.

Risks may:


cost you money

- cause your Organization - to fail or be less successful
- damage your reputation



## What is Risk Management?

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RM is an integral part of managing a sustainable organization

It is part of and integrates with all of the other skills areas shown on the " Flower"

There are specific techniques and tools that can be used to proactively manage risk

## What is Risk Management?

*Risk Management is a process that enables an organization to cope with uncertainty by taking **proactive** steps to protect its assets & resources.*

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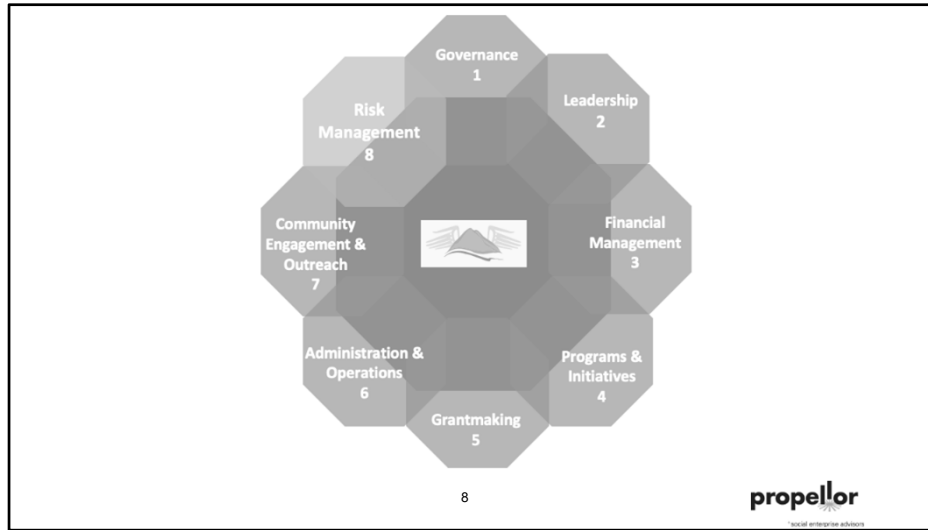
**Challenge the participants...what is their definition of Risk Management ?**

**Key word is proactive - identifying and actively managing risks and opportunities is better than being reactive**

Managing risk is about identifying all the actions that your - can carry out before anything actually happens to make sure that things go as smoothly as possible. It is also about making sure that even if a potential risk does become a reality, that your Organization - can carry on operating.

## Where does Risk Management fit?

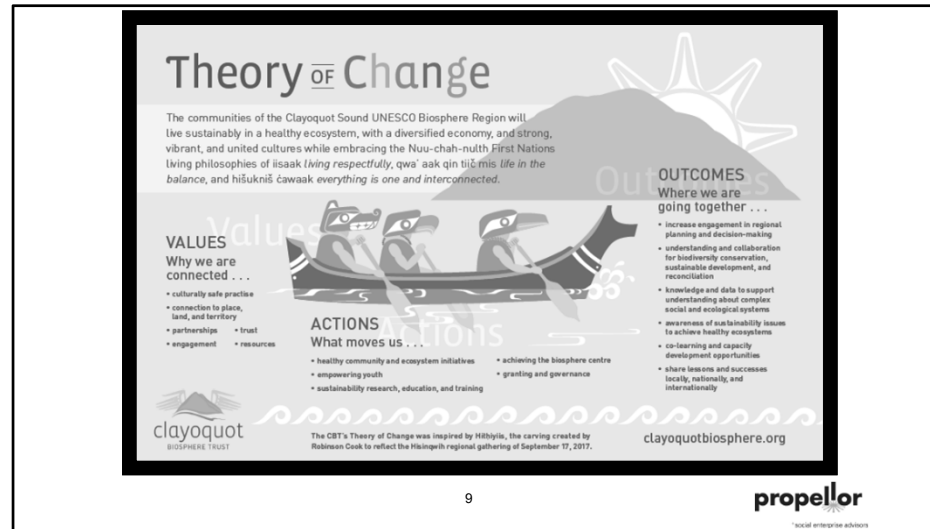
It is an integral part of the management framework of governing a sustainable organization



BOB TO UPDATE 8 CATEGORIES TO ALIGN WITH CBT

1. Governance
2. Leadership
3. Financial Management
4. Programs & Initiatives
5. Grantmaking
6. Administration & Operations
7. Community Engagement & Outreach
8. Risk Management





Creating change requires recognizing and embracing new opportunities, and it also entails assuming some potential risks .

BOB TO FIND HIGH RES VERSION OF IMAGE

**All change initiatives have  
inherent risks  
(and opportunities)**

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**Strategic Risk  
versus  
Operational Risk**

# Strategic Risk



Affects the whole of an organization



Has very high hazards and high returns



Managed at board level



Forms a key part of strategic management

## Operational Risk



Arises from day-to-day business operations



Managed by operational managers (not necessarily board level)



May be managed and mitigated by internal controls, processes and procedures

## **Why Manage Risk?** ***Benefits of Risk Management***

- identifies risks and opportunities not already considered
- informs decisions about exploiting opportunities and mitigating risk
- increases stakeholder confidence in achieving desired outcomes

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Stakeholder buy in and support is very important to achieve a successful RM process.

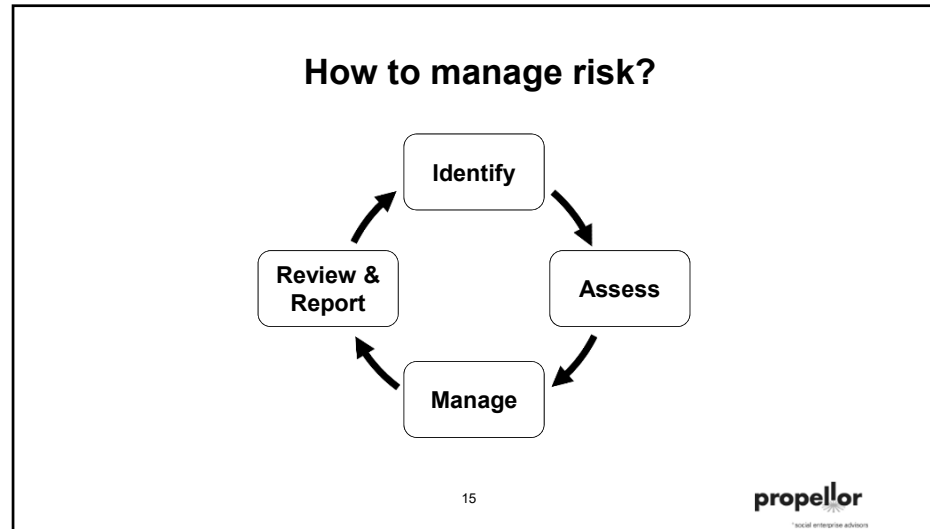
Your RM process should have demonstrable benefits.

Risk is uncertainty of outcome, and good risk management allows an organization to:

- have increased confidence in achieving its desired outcomes;
- effectively constrain threats to acceptable levels; and
- take informed decisions about exploiting opportunities.

Good risk management also allows stakeholders to have increased confidence in the -'s governance and ability to deliver against the stated aims and vision.

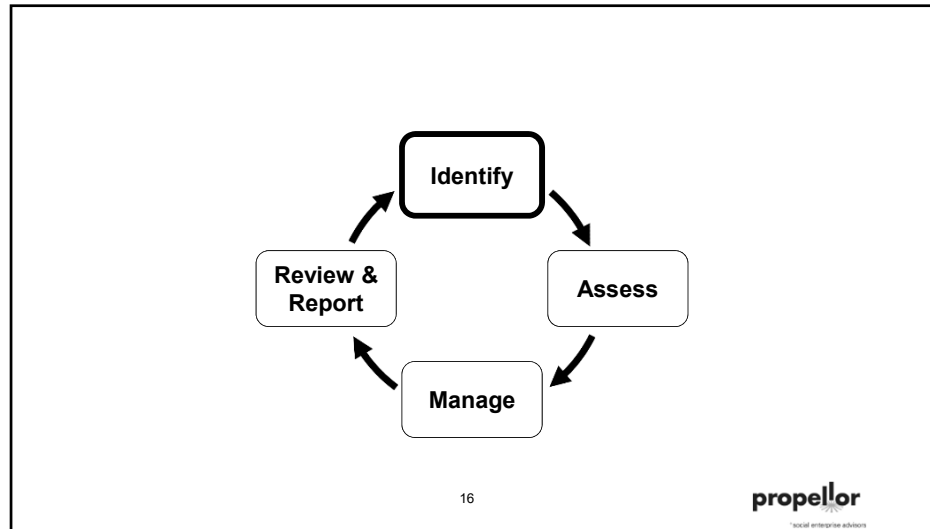
Every -, no matter how big or small should understand the potential risks that face it and think about ways in which they can be managed



There are 4 key Risk Management Steps

You can use the same process to assess risk at both the strategic and operational level of your Organization -

Risk management should be part of a cycle of continuous improvement since risk will never be totally eliminated.



1<sup>st</sup> Step is Identify Risk

Must know what risks & opportunities our Organization - may have, in order to proactively manage them.

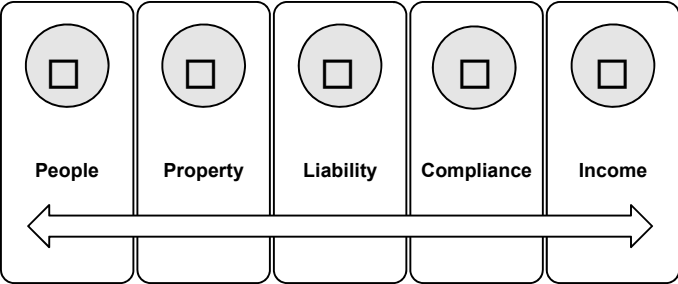


**Let's look at risk  
by organizing them  
in different buckets**

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# Key Categories of Risk Exposures



## □ People

- Workplace injuries
- Death, disability, retirement
- Resignation
- Disengagement
- Inclusion

## □ Property

- Partial or total loss of premises
- Theft of equipment, inventory, cash, information
- Intellectual property compromised
- Brand & reputation damaged

## □ Liability

- Injury to clients, general public
- Product liability
- Damage to property of others
- Breach of contract
- Professional liability

## □ Income

- Loss of grant funding
- Revenue shortfalls
- Fire, floods, natural disasters
- Change in market conditions

## □ Compliance

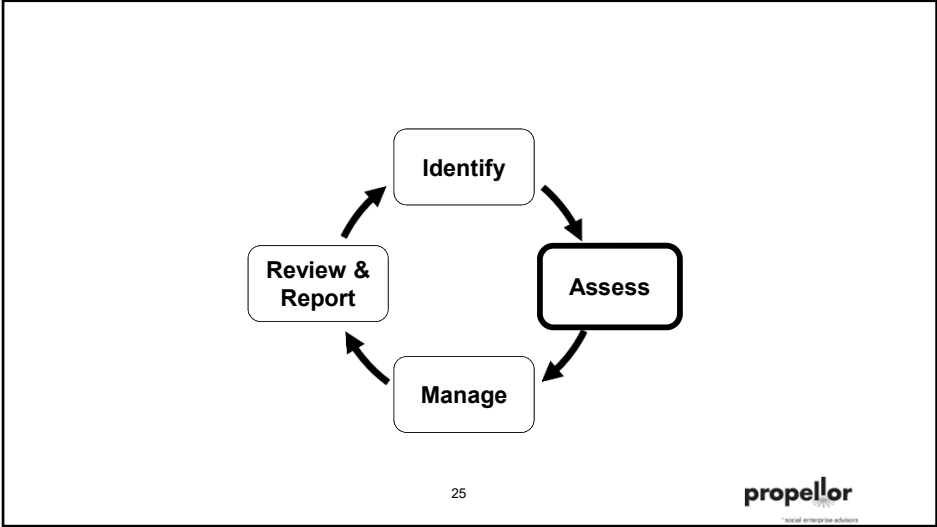
- Laws & regulations - knowing what applies to your Organization -
- Legal responsibilities of employers
- Workplace health & safety
- Human Rights
- Privacy

## Identifying Risk

- Types of exposures
- Get input from many stakeholders – board, managers, staff, clients, partners and suppliers
- Use external facilitation/resources if possible
- Own the process

In order to manage risk, an organization needs to know what risks it faces, and to evaluate them. Identifying risks is the first step in building the organization's risk profile.





## Assessing Risk

Probability \ Impact	1 Extremely unlikely	2 Likely	3 Extremely likely
1 Not critical	1	2	3
2 Significant	2	4	6
3 Fundamental to continuing operations	3	6	9

Impact x Probability = Risk score

**Priority**  
Low  
Medium  
High

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Assessment needs to be done by evaluating both the likelihood of the risk being realised, and of the impact if the risk is real

Once you have considered your risks, then each needs to be assessed as to their potential negative impact – potential risk- to your organization. This activity is a typical process of risk analysis and a useful way to weigh each resource.

### Probability

For each of the risks that you have identified, assess the likelihood of them occurring on the following scale:

- extremely unlikely
- likely
- extremely likely

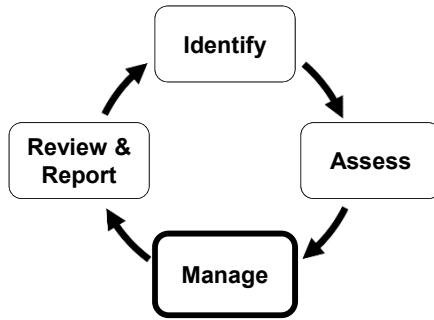
### Impact

Then consider, if the risk did happen how it would impact on your organisation:

- Not critical
- significant impact; would not affect continued operations in the short term but might in the long term
- fundamental to continuing operations

Take each risk you have identified, question each item as to probability and its impact and then find its place on the matrix. You will know from this exercise what the core of risk is which will be associated with the risk. The next step is to construct a table with each resource scored for risk. **The scores are derived by multiplying the number from the Probability axis with the number from the Impact axis.**

Once risks have been assessed, the risk priorities for the organisation will emerge. The less acceptable the effect of a risk, the higher the priority. The highest priority risks (the key risks) should be given regular attention at the highest level of the -, and should consequently be considered regularly by management. The specific risk priorities will change over time as specific risks are addressed and prioritisation will need to change to reflect this.



## Managing Risk – 5 Strategies

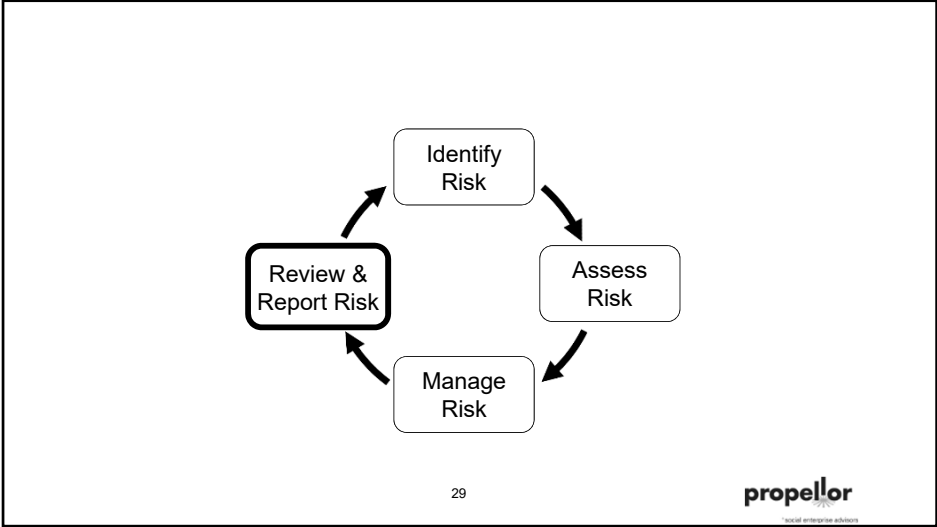
<b>Accept</b>	The risk may be acceptable without any further action being taken. The ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained.
<b>Treat</b>	Most risks will be addressed in this way. Actions are taken to mitigate the impact and/or probability of the risk to an acceptable level.
<b>Transfer</b>	For some risks the best response may be to transfer them for example, by taking out insurance. Some risks are not (fully) transferable – e.g. reputational risk.
<b>Avoid</b>	Some risks will only be treatable eliminating the source of the risk.
<b>Take the Opportunity</b>	This is not an alternative to those above but an option which should be considered whenever accepting, transferring or treating a risk. Do circumstances arise which offer positive outcomes?

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Traditionally, there are 5 basic risk management strategies that can be used to decrease the probability or the impact of an identified risk. The purpose of addressing risks is to turn uncertainty to the -'s benefit by constraining threats and taking advantage of opportunities

**Challenge the participants to think of some examples from their own Organization -s**



## Reviewing and Reporting Risk

- **Why review and report?**
  - ✓ To monitor whether or not the risk profile is changing
  - ✓ To gain assurance that risk management is effective
  - ✓ Determine who “owns” the risk
- **Quarterly review**

The management of risk has to be reviewed and reported on for two reasons:

- To monitor whether or not the risk profile is changing;
  - To gain assurance that risk management is effective,
- and to identify when further action is necessary.

## Tools and templates you can download

- User Guide & Glossary
- Risk Types Chart
- Risk Management techniques chart
- Risk Assessment matrix
- Risk Register

**See you on August 26!**

**Virtual doors will open at 9:20 am  
Workshop will start at 9:30 am**

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