



RISK MANAGEMENT

AN OVERVIEW

Over the past decade or so, a great many organisations have taken action to reduce their exposure to the risk of an event occurring and the consequential adverse effects should that event occur. Business organisational risk has grown enormously and there is an increasing propensity for persons that suffer alleged injury or loss to take legal action for compensation against those they consider to be responsible. Besides compensation, there are many other losses that an organisation can suffer, which can be very costly. Also, legislation is making organisations focus on the need for effective risk management, e.g. responsibility for a “Duty of Care” towards others. As well, human suffering and the consequent adverse social effects must be avoided.

Environmental and consumer concerns have sharpened and technology multiplies risk as it changes the way activities occur. These and other factors can drive up costs, e.g. conventional insurance premiums. Sporting and recreational organisations are increasingly being exposed to many of the risks faced by businesses and effective risk management needs to be raised to the strategic level where it can be included in the strategic plan or addressed separately.

WHAT IS RISK MANAGEMENT?

Risk Management is a process consisting of well-defined steps which, when taken in sequence, support better decision making by contributing to a greater insight into risks and their impacts. It is as much about identifying opportunities as it is about avoiding losses. By adopting effective Risk Management techniques you can help to improve safety, quality and business performance in your organisation.

Hazard generally denotes a phenomenon or circumstance perceived to be capable of causing harm or costs to human society. Hazard is concerned with the **cause** of a perceived adverse consequence.

Risk, by contrast, is a broader and more diffuse concept. In normal usage it connotes the assessment of **consequence** or exposure to the chance of loss. A common definition of risk is that it has the combination of a specific hazard and the likelihood that the hazard occurs. Therefore **(hazard) x (probability) = risk**.

Effective risk management identifies threats, controls losses (preventing loss and reducing severity should a loss occur), safeguards against unauthorised use of funds, protects against injury and takes appropriate action to ensure legal compliance. As no amount of prudence can eliminate every possible hazard, risk management also addresses provisions for financing losses that occur. Risk management has been described as “a discipline for living with uncertainty”

Essentially then, risk management enables an organisation to eliminate or control risk and to finance claims that do arise. To do so, risk management typically entails four basic steps:

- ✓ Acknowledge and identify risks
- ✓ Evaluate and grade risks and consequences
- ✓ Select risk management options to address risks
- ✓ Evaluate results and revise strategies.

Risk management is the application of a logical and deliberate process and needs to be integrated into all stages of planning and decision-making. The key skills required for effective risk management are awareness and effective communication.

Once risks are identified and analysed, one or a combination of a number of options can be used to address the problem. Risks, in order of preference, can be:

- ✓ Avoided or prevented
- ✓ Reduced
- ✓ Transferred
- ✓ Financed
- ✓ Accepted or retained

The risks facing Athletics Tasmania can be conveniently divided into two main areas;

- ✓ Safety risks – injury prevention, and
- ✓ Organisational risk.

WHO IS IT FOR?

Basically any organisation, large or small, private or public, can benefit from the implementation of Risk Management strategies. Most large organisations and many smaller organisations already have Risk Management strategies and operations in place. Standards Australia has helped hundreds of organisations in Australia to understand risk management and implement RM processes.

BENEFITS OF RISK MANAGEMENT

There are many benefits in implementing Risk Management procedures. Some of these include:

- ✓ More effective strategic planning
- ✓ Better cost control
- ✓ Enhancing member value by minimising losses and maximising opportunities
- ✓ Increased knowledge and understanding of exposure to risk
- ✓ A systematic, well-informed and thorough method of decision making

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- ✓ Increased preparedness for outside review
- ✓ Minimised disruptions
- ✓ Better utilisation of resources
- ✓ Strengthening culture for continued improvement
- ✓ Creating a best practice and quality organisation

PROTECT YOURSELF, PROTECT YOUR ORGANISATION

As CEOs, directors and managers increasingly become personally accountable for losses, they need a strategy that assures they understand the implications and risks associated with every decision they make. Without a Risk Management policy in place, accountability may be a lucky dip.

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