**Risk Management**

The aim of this unit is to help learners develop knowledge and understanding of the importance of managing risks in business organisations and enable them to develop an effective risk management plan.

**Indicative Content**

**1. Understand the effects of risks on business organisations**

Risk assessment

* Analysis, identification, description, estimation, control measures and evaluation, review

Risk management frameworks

* ERM programmes, COSO, ISO 3001, corporate governance/compliance, actuarial approaches, insurance, legal issues

Drivers

* Strategic risks (e.g. competition, changes in society or markets), financial risks (e.g. liquidity, foreign exchange, credit risk), operational risks (e.g. product failure), hazard risks (e.g. natural Disasters), information risks (e.g. computer hacking).
* Operations: Identifying risks in business operations (as above)

High risk areas

* Data, systems integrity, reputation, financial theft, health and safety. Risks vary between organisations in different sectors e.g. primary – importance of mitigating risks associated with health and safety

Risk management strategies

* Employment practices, fraud prevention measures, health and safety policy, protection of physical assets and business continuity, process and product management, benchmarking, disaster management

**2. Understand the risk management function in organisations**

Business risk

* Internal and external risks i.e. events taking place within the organisation; risks outside the control of the organisation

Role of risk management

* Purpose of risk management – why risks need to be managed, identifying risks, review of activities and internal environment, setting objectives, risk assessment (impact and likelihood), risk response plans and control, monitoring

Functions that have a role in managing risk

* Strategic planning, marketing, compliance operations, legal and accounting, insurance, treasury/accounting, management and quality assurance, internal audit, health and safety, environmental

Risk management process

* Risk assessment, risk reporting, decisions, risk treatment, residual risk reporting, monitoring – ongoing and formal audit, modification

**3. Understand approaches to crisis management and business continuity planning**

Vulnerability

* Factors – size of business, operating environment, physical environment etc.
* Impacts – loss of profits, loss of assets, inability to trade

Approaches

* Business continuity planning, impact assessment, threat assessment, scenario definition, recovery solution design (including customer / stakeholder management), implementation and communication, testing

Risk management strategies

* Employment practices, fraud prevention measures, health and safety policy, protection of physical assets and business continuity, process and product management, benchmarking, disaster management

**4. Be able to prepare an effective risk management plan**

Potential risks

* Uncertainty in profits e.g. legal issues, market trends, stock market fluctuations, increase in production costs, changing trends and fashions, inadequate forecasting
* Danger of loss e.g. natural disasters such as floods and earthquakes, technology failures, physical factors such as machine failure, fire, theft; personnel issues such as strikes, talent management
* Events e.g. political factors such as change of government, compliance and regulations, global incidences, security breaches

Business impact analysis

* Analysing level of risk (consequence x likelihood), rating risks e.g. severe, high, moderate, low

Risk management plan

* Prevention, preparedness, response, recovery