Protection

Managing Risk

MANYRIVERS

Business Foundations

Topics covered:

- The Risk Matrix
- Protecting Your Business

Business doesn't have to be risky, but there are risks you have to manage. These tools will help you identify risks by using a Risk Matrix, to develop Plan B's so you always have a backup plan and to understand what other tools can be used to protect your business.

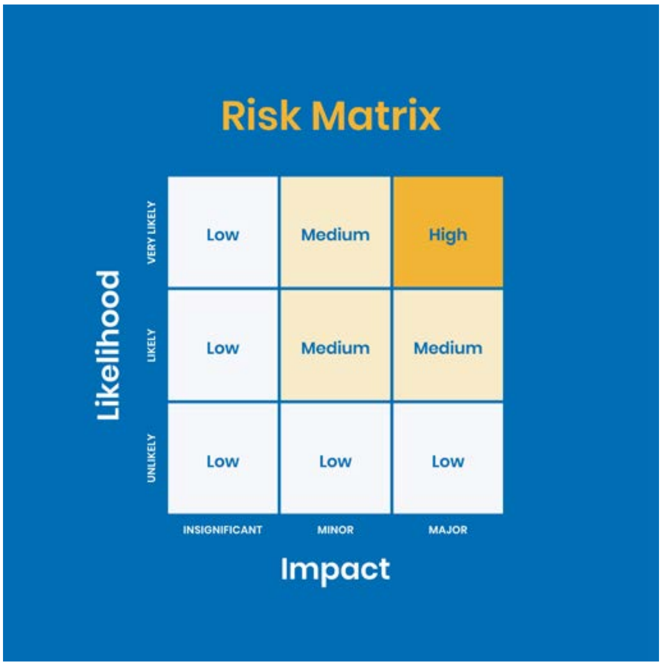
Starting a business always involves risk - and to be a success in business means taking some risks. The trick is to manage the risk and find a comfortable balance between risk and reward.

The Risk Matrix

You can't always avoid risk, but you can mitigate against it. The best place to start is using a Risk Matrix. A Risk Matrix is a tool that lets you weigh up the likelihood of an event occurring against the impact it would have on the business if it did actually happen.

It may sound complex, but it's simple. All you need is a piece of paper:

- Draw a table that has three columns and three rows.
- On the left hand side write the words *Unlikely*, *Likely* and *Very Likely* from bottom to top. This is the likelihood that the risk could occur.
- On the bottom write *Insignificant*, *Minor* and *Major* from left to right. This is the impact the risk would have on your business.



Watch the full video:
www.manyrivers.org.au

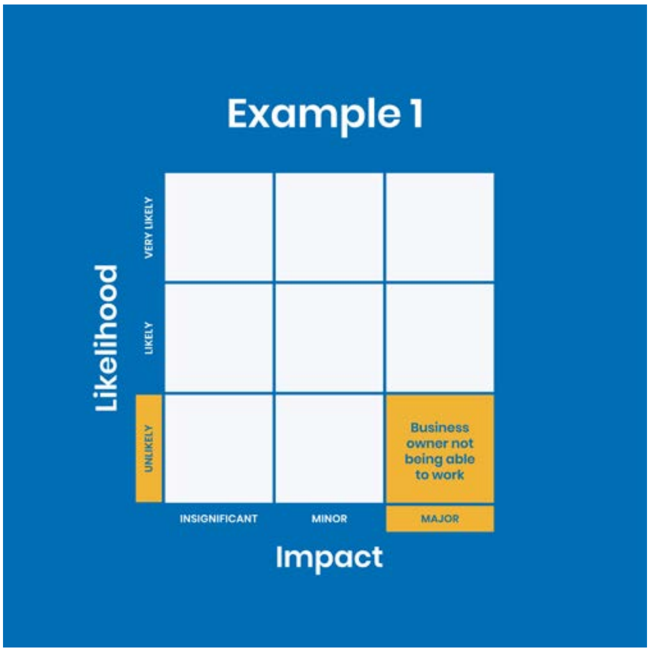
Managing Risk

An earthquake may be an *unlikely* event in Australia but if you run a lawn mowing business, your mower breaking down one day is *likely*. *Insignificant* risks might be things that would be annoying if they happened, while a *minor* risk could have a larger impact and affect your business. A *major* risk could put you out of business altogether.

Think of the risks your business might face, and use the Risk Matrix to map how likely they are to happen against what impact they might have.

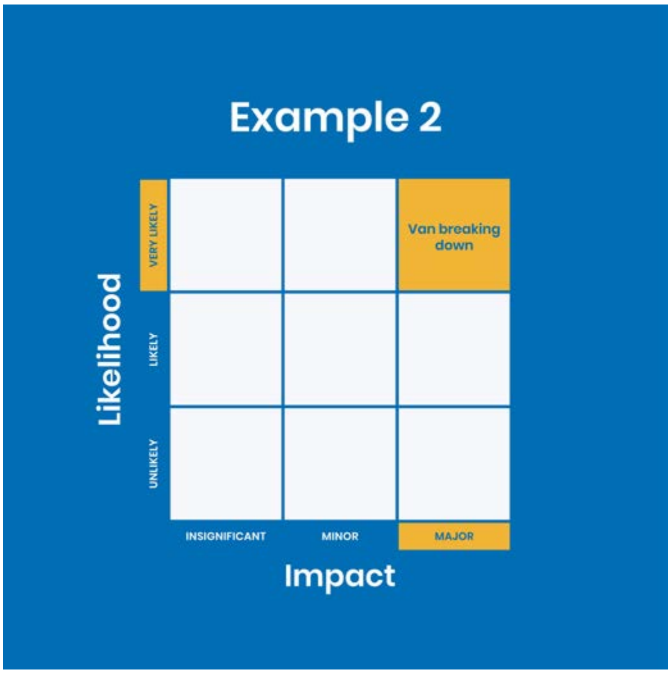
Example 1

As a business owner, the business relies on you for success. If you get sick and need to take time off, that's a risk to the business. What impact would it have on the business if you have to stop work for a long time? Look at the likelihood. If you're fit and well, you might rate this risk Unlikely. If you're the only worker in your business the impact might be Major. You'd then write "Business owner not being able to work" in the Unlikely/Major box.



Example 2

If you are a courier and your van has had some mechanical issues, the chance of it breaking down could be Very Likely and the impact would be Major because you couldn't work without it. So you'd write "Van breaking down" in the Very Likely/Major box.



To identify the risks for your business, here are some questions you might ask yourself:

- **Your Customers**

Is the business too reliant on a small number of customers? Does one customer make up 50% of revenue? How likely is it that they will stop spending?

- **Your Suppliers**

Are you too dependent on one supplier? Could the failure of a supplier bring your business to a halt?

- **Your Premises:**

What if the landlord sold the property? What happens if there's a flood, bushfire or any other natural disaster?

- What if your website crashes or your EFTPOS machine breaks down?
- Could the business pay the rent if you didn't make your sales target?
- What if a competitor reduced their prices?

All of these things can be mapped on a Risk Matrix, which gives you a quick, visual way to weigh things up.

Protecting Your Business

Once you've written all your risks in your Risk Matrix, you can look at ways to protect yourself against risk by developing your Plan B's.

Look at each of the risks in the Risk Matrix and think about how you could either stop them from happening or how you could reduce the impact. Then think of a process or a procedure you could put in place, and what it might cost. Then if it did suddenly happen, you'd have a Plan B to reference and follow.

In the case of the courier whose van breaking down is a risk, Plan B might be to take out some additional insurance or put some money aside for repairs or to hire a van.

Some other things you will need to think about to protect your business may be:

- Licenses
- Insurance
- Cultural permissions

Licenses

Make sure you're aware of any licenses you might need. Some licenses are specific to an industry, like food service, and in other cases you might need to register with a regulatory body. Different licenses may also be required for different territories – it could be Federal, State or even Local Government. It can be a complex process, so make sure you talk to your Many Rivers business coach if you need help.

Insurance

Business may require - or should at least consider - insurance cover.

Public Liability Insurance covers you and your employees for potential liabilities to a third party for physical injury or property damage caused by you or your product/service. Without the right cover, a claim might put you out of business.

Professional Indemnity Insurance covers businesses offering a service or advice, like accountants, chiropractors, real estate agents, engineers, architects and consultants. In some professions, you need this type of insurance before you can offer your services.

Business insurance covers material damages from fires, theft and other causes.

Cultural Permissions

If you are working on Aboriginal land, you may need the permission of the Traditional Owners to operate. Make sure you know the cultural obligations and get those permissions before starting work.

You put a lot of effort into building up a business. You can use these tools to protect it. Many Rivers has a team of business coaches that can help answer questions on how to protect your business, so get in touch with us and ask for help.