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THE BUSINESS NEWSLETTER FROM AUSWILD & CO
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HOW TO PREPARE A RISK MANAGEMENT PLAN (PART 1)

As a business owner, do you or does your business have a Plan B in case things go pear-shaped? Generally, nobody likes to think of the downsides in business but those who do are the most likely to survive significant threats to their business.

A risk management plan (and a business impact analysis) are important parts of your business continuity plan. By understanding the potential risks to your business and finding ways to minimise their impacts can make or break your business if disaster strikes.

Types of risk vary from business to business, but preparing a risk management plan involves a common process. Your risk management plan should detail your strategy for dealing with risks specific to your business.

It's important to allocate some time, budget and resources for preparing a risk management plan and a business impact analysis. This will help you meet your legal obligations for providing a safe workplace and can reduce the likelihood of an incident negatively impacting on your business.

Assessing your business

The first step in preparing a risk management plan is to assess your business. Think about your critical business activities, including your key services, resources and staff, and things that could affect them, such as power failures, natural disaster and illness. Assessing your business will help you work out which aspects you couldn't operate without.

Identify risks to your business

Next, you need to identify the potential risks to your business. Understanding the scope of possible risks will help you develop realistic, cost-effective strategies for dealing with them. It's important that you think broadly when considering types of risks for your business, rather than just looking at obvious concerns (e.g. fire, theft, market competition).

Ways of identifying risk

Once you have a clear picture of your business, you can begin to identify the risks. Review your business plan and think about what you couldn't do without, and what type of incidents could impact on these areas. Ask yourself:

- when, where, why and how are risks likely to happen in your business?
- are the risks internal or external?
- who might be involved or affected if an incident happens?

The following are some useful techniques for identifying risks.

Ask 'what if?' questions

Thoroughly review your business plan and ask as many 'what if?' questions as you can. Ask yourself what if:

- you lost power supply?
- you had no access to the internet?
- key documents were destroyed?
- your premises were damaged or you were unable to access it?
- one of your best staff members quit?
- your suppliers went out of business?
- the area your business is in suffered from a natural disaster?
- the services you need, such as roads and communications, were closed?

As a risk management consultant at **Tigertail Australia** and the former senior disaster planner for the NSW government, there isn't much that *Rick Stone* hasn't seen when it comes to identifying risks and minimising their effects on organisations. He says your risks are centred on three key aspects of your business. Understanding each of these components and how they integrate is fundamental to being able to identify risks.

"You have to understand how your business works. In other words, what are the inputs to your business? What are the things that you require to be able to function from day to day?"

"There will be people; there will be your asset [that] has to be able to continue to function; you need to have supplies of different sorts coming in to do whatever you do with them; you need to have capital; you need to have cash flow; you need to have utilities." The next step is to explore your processes, he says.

"Once you understand what the inputs to your business are, you then understand what you do to transform those inputs into the thing that you sell: the goods or the product [or service] that you sell. So, what are your processes?" asks Rick. And the final aspect, he explains, is your outputs.

"At the end of the day, you have to be able to sell to somebody. So, do you need to have transport facilities? Do people need to be able to shop on your online web portal? How do you get your goods or your services to your customers?" This is a process that Rick believes too few businesses understand.

"Particularly smaller businesses: as they are growing, they are just too busy growing to stop and think about 'What if this didn't happen?'," he notes.

Benefits of planning ahead

The continuity of the business is the ultimate goal of developing risk management strategies. Yet, as Rick points out, there are other benefits to undertaking this exercise.

"[Sometimes businesses] discover some really interesting opportunities for cost saving, some really interesting opportunities for doing things more efficiently, for doing things differently.

So it's a useful exercise at two levels: firstly to help to control and minimise risk, but secondly to ensure that your operation is actually running as efficiently as it can."

*(To be continued in the next issue of **ausBIZ**.)*

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CONGRATULATIONS this month go to **Chi & Marie Lai** who will be celebrating their 50th Wedding Anniversary with family & friends in Phnom Penh, Cambodia.....and to **Dean & Liv Ixer** who snuck away to Scotland to get married last month.....this month we **WELCOME** to the Auswild Team, **Michelle Lehmann** who replaces Margie as our Office Administrator.....**BIRTHDAY GREETINGS** go to **Michael Baxter, Marilyn Ross, Allan Davies** and **Brad Hawkins** who celebrate special birthdays this month. Happy Birthday to you all.....Our **CONDOLENCES** go to **Jenny Lanzafame** and family on the sudden death of her father, **Terry Burrows**.....and to the **Gilbert Family** on the tragic death of former Mt Barker Holden Dealer, **Grant Gilbert**.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without prior approval.