

DSC SPEED READS

MANAGEMENT

Risk Management

Elizabeth Gray-King

DSC

The background of the cover features a series of overlapping, semi-transparent, wavy shapes in various colors including green, orange, purple, blue, and yellow. Two small orange dots are placed on the green shapes.

DSC SPEED READS

MANAGEMENT

Risk Management

Elizabeth Gray-King

DIRECTORY OF SOCIAL CHANGE

Published by
Directory of Social Change
24 Stephenson Way
London NW1 2DP
Tel. 08450 77 77 07; Fax 020 7391 4804
email publications@dsc.org.uk
www.dsc.org.uk
from whom further copies and a full books catalogue are available.

Directory of Social Change is a Registered Charity no. 800517

First published 2009

Copyright © Directory of Social Change 2009

The moral right of the author has been asserted in accordance with the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be stored in a retrieval system or reproduced in any form whatsoever without prior permission in writing from the publisher.

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out or otherwise circulated without the publisher's prior permission in any form of binding or cover other than that in which it is published, and without a similar condition including this condition being imposed on the subsequent purchaser.

ISBN 978 1 906294 17 5

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Cover and text designed by Kate Bass
Typeset by Marlinzo Services, Frome
Printed and bound by Martins of Berwick

All Directory of Social Change departments in London:
08450 77 77 07

Directory of Social Change Northern Office:
Research 0151 708 0136

For other titles in the DSC SPEED READ series go to:
www.dsc.org.uk/Publications/SpeedReadSeries

Contents

Introduction	4
Chapter 1: Defining risk	5
■ Creative preparedness	6
■ What is risk?	8
■ What is risk management?	9
■ How to deal with risk	11
Chapter 2: Identifying risks	12
■ The risk register	12
■ Listing risks	13
■ Kinds of risk	13
Chapter 3: Sorting risk into types	16
■ What are the risk types?	16
■ Internal risks	18
■ External risks	20
■ Spreading the work	22
Chapter 4: Analysing risk	23
■ Assessment	23
■ Likelihood	23
■ Impact	24
■ Priority	25
Chapter 5: Mitigating and managing risk	28
■ Mitigation measures	28
■ Monitoring activity	31

Introduction

Who will this book help?

This book is a risk management guide for employees or volunteers in smaller and community-based charities who find themselves unexpectedly in serious management. You may not be sure of professional business language and culture, yet have to understand it. You are all too aware of what could go wrong in your own organisation, but may not have learned the tools to assess and manage those possibilities.

Rather than high-level risk (such as trustee compliance or failure to create strategy), this book focuses on project risk at the grass roots – the small details which can make an organisation fail or succeed.

What will it give you?

This book aims to unpack risk. It will help you to understand that looking at what could go wrong and planning what you might do about it is far more about creativity and being prepared than it is about fulfilling some external requirement. It will give you the language and the tools to meet risk head on and to create appropriate responses to it. It includes a blank risk management plan on page 14 for you to refer to as you go along and use as a basis for your own plan.

Chapter 1

Defining risk

This chapter defines risk and risk management and demonstrates its usefulness.

Let's begin with a story.

Case study



A credit union in a socially deprived area had one employee – the manager. The trustee board thought it was unlikely that she would leave. But as it happened she unexpectedly put in her notice, so the job then had to be advertised.

But this wasn't all bad news... Some time ago, the supervisory committee (a sub-committee of the board of trustees) conducted a risk assessment and realised that, although it was unlikely that she would leave, the whole organisation was at risk if this single employee was not available for work. All the other staff were volunteers and didn't have the kind of operational knowledge she held. Also, it assessed that if marketing was not done in a planned way, there might not be enough customers to allow the credit union to achieve the financial stability that it wanted.

To reduce the risk, the committee took its assessment to the board. The board decided to appoint an assistant manager, in case of the manager's sudden departure, and to develop a marketing strategy.

Two people applied for the single post of assistant manager and both turned out to be terrific. Not wanting to lose talent, and having realised during its risk assessment that it was in the financial position to make two appointments, the credit union offered posts to both applicants. By doing the risk assessment, the committee and the board saved the credit union from a difficult situation. It meant that the board was prepared to make new appointments and that it could also grasp the opportunity of appointing an applicant who was strong on marketing. Despite the manager leaving, the board retained some continuity and had two strong internal candidates to apply for the vacant post.

Creative preparedness

This is a positive story on the back of what is often seen to be a dreary task – risk management. When it is a part of the day-to-day life of an organisation, good risk management is about being creatively prepared for anything. And that is what this book is about.

Case study

Elizabeth, a risk consultant who had worked with hundreds of organisations over many years, wished she could say that she'd seen more evidence of good practice. When visiting an organisation to help with its creative direction, she would ask the person responsible to see their risk management plan. More often than not, they would look blank and might recall that there was something about risk in an annual report somewhere ... A few dusty heaps later, they would dig it out! Other organisations would produce theirs rapidly, and in electronic format – an indicator that, wonderfully, the plans were used on a daily basis. However, again and again she observed that these plans usually dealt with very high-level risk: preparing the board for its responsibilities or ensuring that managers are able to address legal requirements.



These high-level risk management plans weren't wrong: organisations should indeed have them in place. However, risk management needs to be far broader and more all-encompassing to support an organisation fully.

This book encourages you to look at risk management from a project manager's point of view rather than an accountant's: as a motivation to enliven projects, not just as being necessary by law.

Here is an example of risk management for a project with young people, and how it could be improved.

DSC Speed Reads

Aimed at people who are short on time and need to absorb information quickly, these indispensable guides are:

- **Accessible** – practical guidance on a wide range of subjects
- **Condensed** – distilling experience and expertise in just 32 pages
- **Clearly signposted** – Top Tips, Case Studies and Where Next ideas

Covering a wide range of topics and building into an invaluable library, Speed Reads are an essential addition to any bookshelf.

Risk Management

This book explains how risk management is more about creativity and being prepared than about fulfilling external requirements. Containing an example risk management plan that you can follow as the book progresses, it will give the reader the language and the tools to meet risk head on.

Elizabeth Gray-King is a trainer on a range of social sector organisational skills including risk management. She has co-authored and authored training materials, publications and research reports for organisations including the New Opportunities Fund, Citizens Advice, the Department for Education and Skills, the Finance Hub, the University for Industry, and the Directory of Social Change.



Mixed Sources
Product group from well-managed
forests and other controlled sources

Cert no. TT-COC-002706
www.fsc.org
© 1996 Forest Stewardship Council

ISBN 978-1-906294-17-5



9 781906 294175