

Coaching material about fundraising, managing risk, sustainability strategies

- Managing risk /sustainability strategies

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Crisis management and risk assessment of social enterprises (SE)

CRISIS MANAGEMENT - A BRIEF THEORETICAL BACKGROUND

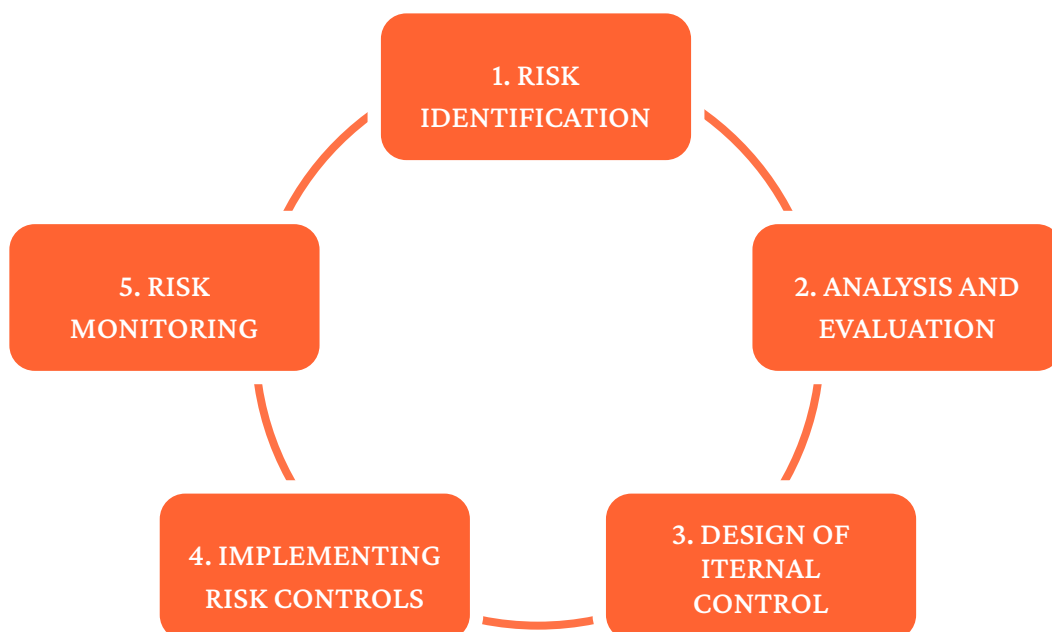
In business, risk management is defined as the process of identifying, monitoring and managing potential risks in order to minimize the negative impact they may have on an organization. Social enterprises need to manage risk like any other business. And while the risks that social enterprises face may be similar to those of a traditional business, there might be differences due to the activities in-hand or the service users. Risk management is a very complex and systematic process that should be integrated into its daily activities.

Risks fall into a number of key categories that cover various aspects of business management, for example, risks can be financial, investment, project, marketing, technological or technical.

Risk management becomes even more important if your company decides to try something new, such as launching a new product or entering new markets. Common risks include risks associated with poorly defined objectives, risks associated with employees (their incompetence, insufficient experience or qualifications), the risk of time tracking for other projects and, last but not least, financial risks (costs vs. income).

If the company's management process is set up, it is desirable that its output be a proposal for a solution to eliminate the damage, on the basis of which a key decision containing the risk management procedure should be made.

Each risk analysis is associated with several steps, which intersect in almost all the methods used to assess the risks. These common steps are shown in the following diagram¹



¹ Source: own

METHODS FOR RISK ASSESSMENT

It is important to consider the degree of risk. There are a number of methods for risk assessment. The most commonly used methods include:

RISK ASSESSMENT - HSE

This is a method that is not too complicated and is suitable for usually smaller companies with up to 10 employees. The method is usually recommended by The Health and Safety Executive from the Great Britain. Method is based on five basic steps:

Step 1: Identify the hazards

Step 2: Decide who might be harmed and how

Step 3: Evaluate the risks and decide on precautions

Step 4: Record your findings and implement them

Step 5: Review your assessment and update if necessary²

RISK ASSESSMENT – OSHA

This method is based on the collection of all company inputs. These inputs include, for example: information on workplaces, employees, production facilities, accidents at work etc. Hazards are identified using checklists.

The risk is determined according to the table.³

RISK EVENT PROBABILITY	SERIOUSNESS OF CONSEQUENCES		
	Slight damage	Medium damage	High damage
Unlikely	Low	Low	Medium
Probably	Low	Medium	High
Likely	Medium	High	High

Probability of threat

Highly unlikely – will not appear during the employee’s working career,

Probable - will appear several times during the employee’s working career,

Highly likely - may occur repeatedly during the employee’s working career.

Severity of consequences

Mild damage - injuries and diseases that do not cause long-term pain.

Moderate damage - injuries and diseases causing mild but long-lasting or periodically recurring pain.

High damage - injuries and illness, causes deep and constant pain or death.

² <https://www.hse.gov.uk/simple-health-safety/risk/steps-needed-to-manage-risk.htm>

³ own graphic design, Source: <https://www.guard7.cz/po/metody-hodnoceni-rizik>

Risk tolerance

The high level of risk is unacceptable, small and medium acceptable.⁴

RISK ASSESSMENT USING THE CHECK LIST METHOD

A checklist is a procedure based on a systematic check of compliance with predetermined conditions and measures. Lists of control questions are usually generated by a professional company or company management. It is very important that control questions are updated and supplemented according to current regulations and standards. In most cases, it is a complex and extensive document.

A disadvantage of the checklist is the fact that the list can lead to a mechanical approach without creating possible alternatives.

The advantage is the identification of danger through a checklist, which is quick and easy.⁵

SECURITY RISK ASSESSMENT AND AUDIT

This inspection looks for potential risk factors for the company. These can be, for example, accidents, operational problems and other dangerous situations. A kind of health and safety audit, in which the controller focuses on several areas. Especially for a detailed inspection of equipment, machines, tools, etc.

This audit is usually performed by an experienced employee, mostly focusing on occupational safety. The purpose of this inspection is primarily to identify conditions and circumstances that could potentially lead to injury or other accident. It is possible to use the prepared list of questions and the matrix for risk scoring.

WHAT-IF SENSITIVITY ANALYSIS

What-If Analysis (WFA, W-I) is a simple analytical technique used in decision-making and risk management. Its principle is based on the search for the potential impacts of selected situations. In essence, it is a structured brainstorming, where within the spontaneous discussion are sought.

What if analysis is usually attended by a group of experienced people who asks questions or expresses the possible impacts of questions using “what if ...”.

What-if analysis, on the other hand, is very flexible and can be adapted to the specific purpose.

Steps of What-If analysis:

1. Defining areas of interest
2. Defining target interests of the problems (e.g. financial risks, environmental issues, safety at work, etc.)
3. Generating questions (if)
4. Generating answers (what happens)
5. Generating measures on situations (decisions, actions, etc.)⁶

4 <https://www.guard7.cz/po/metody-hodnoceni-rizik>

5 <https://m.jh.cz/filemanager/files/132160.pdf>

6 <https://managementmania.com/en/what-if-analysis>

Point method

One of the most used methods in risk assessment is the point method. The degree (sometimes also referred to as the magnitude) of a risk is a combination of the probabilities of the risk occurring and the possible severity of the consequence of the risk. Risks are always related to a specific job position and job. The protected value is then human life and health.

Table for assessing the probability of a threat

LIKELIHOOD SCORE- L	COMMENT	VALUE
Very common	Permanent threat	1
Frequent occurrence	Very often recurrence of events, but it is not a permanent threat	2
Occasional occurrence	The event occurs several times per work shift	3
Possible occurrence	The event is not very likely, but it cannot be ruled out	4
Unlikely to occur	The occurrence of an adverse event is quite rare	5
Almost impossible occurrence	The occurrence of an event is almost impossible	6

CONSEQUENCES – C	COMMENT	VALUE
A - injury negligible	No treatment required outside the workplace	4
B - slight injury	Requiring treatment outside the workplace, or incapacity for work within 30 days without consequences	3
C - severe injury	Requiring treatment outside the workplace, or incapacity for work for more than 30 days	2
D - critical injury	Disability or death as a result of injury	1

Risk score

GROUP	VALUE	COMMENT
I. Group	1-4	Unacceptable risk - the activity must not be started or continued until the risk is reduced.
II. Group	5-9	Undesirable risk - safety measures and control of their observance are necessary. Without this, it is not possible to carry out endangered work activities.
III. Group	10-16	Acceptable risk - not very significant risk. It needs to be monitored and controlled.
IV. Group	18-24	Acceptable risk - no special measures required.

Calculate the risk score by multiplying the consequence by the likelihood: C (consequence) × L (likelihood) = R (risk score)

LIKELIHOOD OF RISK - L	CONSEQUENCES - C			
	A=4	B=3	C=2	D=1
1 very common	4	3	2	1
2 common occurrence	8	6	4	2
3 occasional occurrence	12	9	6	3
4 possible occurrences	16	12	8	4
5 unlikely to occur	20	15	10	5
6 almost impossible occurrence	24	18	12	6

Acceptability of risk (safety) must have at least 2 levels (acceptable, unacceptable), it can also be multi-level. The more acceptable the degree of risk, the finer the gradation.

Resulting safety - risk assessment

According to the resulting value of risk, they are assigned to the appropriate group.⁷

Risk Management should be a continuous and ever-improving process integrated into the overall strategy of the organization. It also aims to promote employee responsibility, measurement and fair remuneration of work and, as a result, also contributes to greater work efficiency. All risk management activities should have a proactive and positive impact. It is very desirable to lead risk management in the company through the improvement of existing activities, rather than through controlling and finding errors or fines.

It is not possible to say broadly which way companies should take in measuring risks. Every company is an individual in the market and should be approached in the same way in the case of risk management. It is always good for the control mechanisms in the company to carefully consider which method and integration of risks between the day-to-day running of the company.

At the end of this chapter, it would be good to state that risks are an everyday part of life, both private and business. It is necessary to work with them, eliminate them and learn from them.

⁷ Table: own graphic design. Text: <https://www.guard7.cz/po/metody-hodnoceni-rizik>