



RISK MANAGEMENT

WHY IS RISK MANAGEMENT ESSENTIAL FOR SUCCESS?

“Risk management involves understanding, analyzing and addressing risk to make sure organizations achieve their objectives.”¹ (Institute of Risk Management).

Risk Management is a vital tool in any business and critical to the success of a new business or businesses looking to expand their operations. It is known that around 50 percent of new businesses fail within their first year and this percentage increases in the first five years.

Starting a new business is risky, but by evaluating and managing risk you can help relieve some of your anxiety and better increase your likelihood for success. Risk Management doesn't have to sound as scary or complicated as many people think it is. It is simply just identifying, evaluating and managing risks that are involved in your business. The best way to know how to manage these risks is through awareness, knowing your market and competition which is the first and most important step to reducing or eliminating risk within your business. For most new businesses the types of risk can include: uncertainty in external financial markets (is financing available); external supply and demand; internal threats from project failures or internal decisions; legal liabilities; natural causes and disasters; accidents or other human events. These types of risks can be classified as either internal or external and some are more controllable than others.

Some examples of external risks are: the availability of bank financing; government laws that affect the business environment; the weather; floods; customer demand; and the supply of product resources.

Some examples of internal risks are: product quality which could be a liability; single customer market; single supplier; lack of project plans; and the unintended consequences of a decision.

At Metamorphism our services, resources, and library will aid you in identifying both internal and external risks. Once identified, there are tools and methodologies that can help manage those risks. This includes controlling internal risks and planning for potential external risks that aren't always in your control.

¹ Institute of Risk Management, “What is Risk Management” <https://www.theirm.org/the-risk-profession/risk-management.aspx> (October 25, 2016).