

Solutions for Business
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“Risk Management”

Recognising risks, assessing impact and minimising the effect

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Aims of Workshop

- To provide an understanding of how to recognise the hidden assumptions within a business plan
- To provide a simple methodology for assessing risk and considering mitigation
- Upside/Downside planning



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What is risk?



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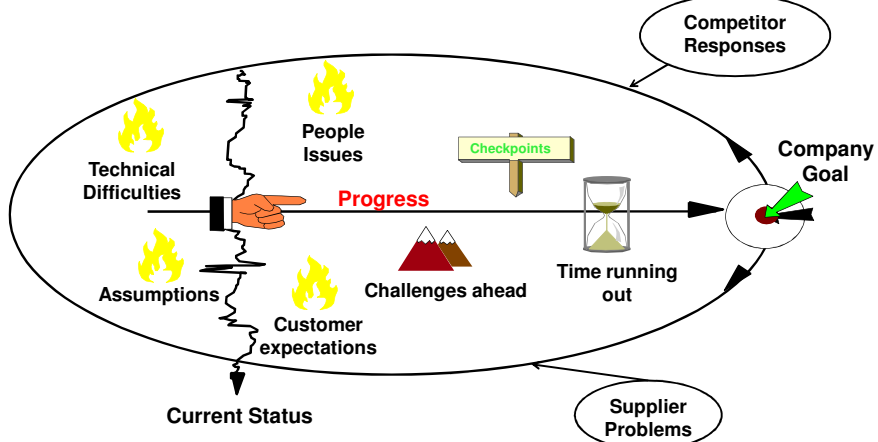
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Where does risk come from?



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Where does risk come from?

- Technical difficulties
- People issues
- Suppliers – delivery, quality etc.
- Customer expectations
- Competitor responses
- Assumptions in the Business Plan!
- And, and, and.....



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Team Exercise 1

Working in groups – identify six key assumptions that you would work into your business plan.



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'Overt' assumptions in a Business plan

- Sales volume
- Manufacturing lead time
- Customer and supplier payment terms
- Supplier lead times
- Change in manufacturing efficiency



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Team Exercise 2

Working in groups – identify six key assumptions that might be hidden or implicit in your business plan.



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'Hidden' assumptions in a Business plan

- Stable political environment
- Constant inflation and currency rates
- Static technological advances
- No change in customer requirements
- No response from competitors
- No loss of key staff
- Suppliers deliver on time and to specification



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How can risk be managed?

- Identify and log risks
- Use a simple risk scoring system
- Keep under regular review
- Develop mitigation / contingency plans for show stopper risks



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Risk assessment

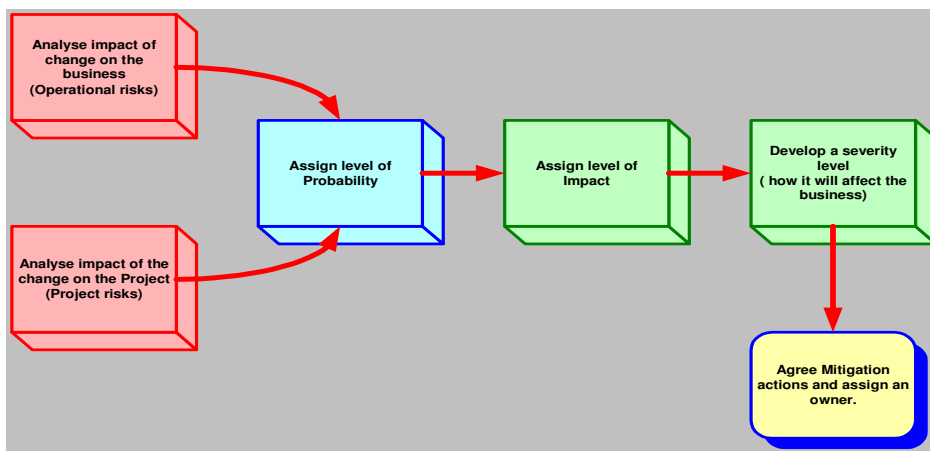
- **Quantifying risk**
 - Impact to business
 - Likelihood of occurrence
- **Some practical examples**
 - Simple scoring system




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Assess each Risk




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Generate a Risk Log

RISK	P	I	PxI	MITIGATION ACTION	OWNER	DATE
£ / \$ rate changes increasing cost of widgets by 20%	9	9	81			



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Plot risks on a Simple Matrix

PROBABILITY (1, 3, 9)	9	27	81
	3	9	27
	1	3	9
	IMPACT (1, 3, 9)		



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Developing Risk Management Strategies

- Avoid – do something to remove the risk
- Transfer – make someone else responsible
- Mitigate – take action to lessen impact or probability
- Accept



Possible Strategy

PROBABILITY (1, 3, 9)	9 Mitigate	27 Avoid	81 Avoid
	3 Accept but Monitor	9 Mitigate	27 Avoid
	1 Accept	3 Accept but Monitor	9 Transfer
	IMPACT (1, 3, 9)		



Add Mitigation Action to Risk Log

RISK	P	I	PxI	MITIGATION ACTION	OWNER	DATE
£ / \$ rate changes increasing cost of widgets by 20%	9	9	81	1. Forward buy dollars 2. Search for alternative supplier	FD PD	28 Feb 31 March



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Process Summary

- Focus on achievement of goals
- Identify and log potential risks
- Analyse risks and possible consequences
- Identify actions to mitigate or avoid consequences
- Create contingency plans
- Monitor risk symptoms – will you see it coming!
- Are you happy with new level of risk?



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Team exercise 3 – The Wedding Planner

You are a Wedding Planning Company and have been engaged to organise the wedding of a major celebrity at which there will be around 500 guests.

Generate a risk matrix for the event and identify possible management strategies for those risks with the highest impact.



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Scenario planning

- Likely plan
- Upside plan
- Downside plan
- Focus on financial plan and 3 or 4 key risks



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..and finally,

How do others see you?

- Scale of the business
- Historical credibility
- Technical competence
- Originality of concept
- Speed to profitability



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Starting

A High Growth Business



Thank you

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