



MROTARY NOTE NO. 2022/20

TOPIC: RISK MANAGEMENT

What is Risk Management?

Risk Management is focused on anticipating what might not go to plan and putting in place actions to **reduce uncertainty** to a tolerable level.

Risk can be perceived either positively (upside opportunities) or negatively (downside threats). A risk is the potential of a situation or event to impact on the achievement of specific objectives.

Risk management is an important process because it empowers a Club with the necessary tools, so that it can adequately identify and deal with potential risks. Once a risk has been identified, it is then easy to mitigate it. In addition, risk management provides a Club with a basis upon which it can undertake sound decision-making.

What is Risk Mitigation?

At its simplest, risk mitigation lowers exposure to risk, or moderates the adverse effects. A slightly more complete risk mitigation definition is "developing preventative and reactive action plans for reducing the likelihood of risk, or damage from risk."

Ignoring risk factors is not an effective strategy, nor does it make risk go away. It is also inefficient to estimate the impact of risk without taking further action. This is why risk mitigation is important. By having a defined plan with rational and structured actions, you can avoid certain risk events altogether, or reduce the severity of their aftermath.

What Are Risk Mitigation Strategies?

By understanding the likelihood and impact of threats in advance, risk mitigation helps you understand the total risk you are willing to assume. When mitigating risk, various techniques are commonly used in parallel.

1. **Prioritize risk** Evaluate the areas that your events rely on. These are the first risks you have to control. Risk prioritization of certain categories or processes, however, is just the first step. Only a holistic approach will allow you to truly mitigate risk in your organisation.
2. **Accept risk** Most people are familiar with Murphy's law: When something can go wrong, it will, and at the worst possible time. Risk mitigation involves a certain degree of risk acceptance, in which you also accept the probability of a threat, along with its consequences.



3. **Avoid risk** Risk mitigation can include risk avoidance. This is when organisations steer clear of certain types of risk through proactive measures. In supply chain planning, this might be keeping buffer stock to avoid outages, for example.
4. **Reduce risk** Similarly, risk reduction serves to lower or minimize specific risks and their impact.
5. **Transfer risk** This is when another party agrees to accept the consequences of risk. A common example of transferred risk is insurance. You pay a certain amount, they replace the costs of specified risk events.

What's in a Risk Mitigation Plan?

Here are two examples of a day-to-day risk mitigation plan.

Let's say you are having a Bunnings BBQ. First you begin by monitoring the weather. You look outside and see that it is cloudy, so you accept the risk of rain. You can't influence the weather, but at least you have identified the risk. You assess how high this risk is by checking the weather report, and see that there is a 70% chance of rain. So you decide to take an umbrella with you and start to think about the placement of stock and volunteers to keep them safe and dry amongst other issues.

Secondly, you also start to think about customer risks of slipping, getting wet etc.. You may move the BBQ so it is under an awning, so customers are not on wet, potentially slippery surfaces when coming up to buy a sausage sandwich. In this way, your thoughts and actions mitigate some of the consequences e.g. getting wet and customers slipping on wet walkways – once you have monitored, identified and assessed the risk.

KEY POINT(S)

In summary, in a risk mitigation plan you

- 🌀 outline the risks,
- 🌀 anticipate the consequences, and
- 🌀 plan options to moderate the effects.

In much the same way, you can support your club's mitigation efforts with a risk scorecard for each risk/event. This allows you to collect your key evaluation criteria in one place, rate facility locations, or transportation hubs based on indicators within different categories of risk, such as natural hazards or compliance risk, assign weights to the categories and see at a glance where the greatest threats exist.

For more information

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