

What is Risk?

Risk comes from many sources and can be categorized as strategic, operational or project. Risk is defined as “an uncertain event or condition that, if it occurs, has a positive or negative effect on your objectives.”

Risk management is the process of identifying, measuring and responding to risk. Here are the basic steps to getting a handle on risk in your business:

- **Establish objectives and context** – To manage risk you need clear objectives and a plan aimed at achieving them. You also need to set the scope for your analysis. Are you concerned about risks in your entire business, or only in one part of it? Remember that risk can be positive (opportunity) as well as negative (threat).
- **Identify the risks** – Identifying risks is more difficult than it appears. Try a combination of brainstorming, risk checklists, studying past events, and “probing” questions such as “What keeps you awake at night?” or “In following my plan, what could go very wrong? ... or very right?”
- **Analyze and evaluate the risks** – rank the probability and impact of each risk. What is the chance it will occur, and if it does occur, what would be the impact on your objectives?
- **Respond to the risks** – Design risk management strategies to avoid, transfer, mitigate or accept risk (for threats), and exploit, share, enhance or accept (for opportunities).
- **Implement, monitor and review** – Follow-through is critical! Once response strategies are in place, make sure you monitor and review appropriately.

For more information on this document please call 310-FARM (3276)