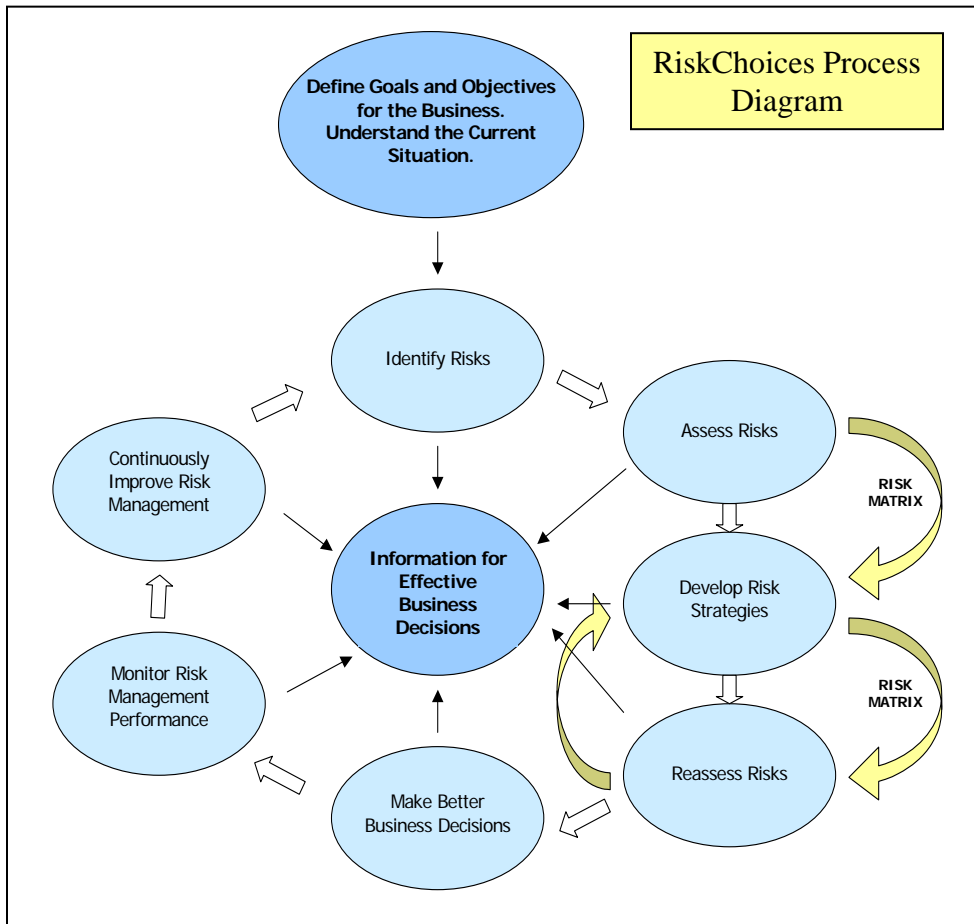


## Tips on Using RiskChoices

RiskChoices provides a simple process that you can use to identify, measure, and manage risk. It doesn't really matter what type of risk you're dealing with; this descriptive (or qualitative) procedure can provide an organized series of steps that will help you make better management decisions about your business.

The flow diagram below shows the RiskChoices process.



## Steps to Developing a Risk Management Process

RiskChoices lays out a series of steps you can follow to identify, measure, and manage risk. Risk Management is about uncertainty that matters, it's the uncertainty with consequences.

### Understand the Current Situation: Setting the Scope for Your Analysis

Before you start a RiskChoices analysis, be sure that you have thought carefully about the problem you are trying to solve. See the first task ("Define Goals and Objectives.....")

in the diagram above. As an example, are you dealing with the whole business or one very specific part? You might be considering the risks of starting a new enterprise, or you might be looking at the risks of delaying the replacement of some aging production equipment.

**One more suggestion before you get started:** if you're working in a group of two or more, try using a whiteboard, blackboard, or a flip chart to replace the various RiskChoices worksheets and the risk matrix. Focusing everyone's attention and energy on one written set of risks, strategies, and other visuals is extremely powerful.

- 1. Identify Risks** – Identifying risks is more difficult than it appears. By their very nature, risks involve some event or some outcome that is unexpected. As well, we are often influenced by our generally optimistic personalities, so identifying future negative events can be difficult. Be sure to remind the group to be specific. Think of risks as events that, if they occur, will have a negative effect. Stating risks as specific events will make the rest of the analysis much more meaningful (and easier).

If there are several people involved in your management team, brainstorming can be an effective tool. Try using the questions under the Identify Risks section (page 2 of RiskChoices) to promote discussion. One specific brainstorming technique is where each person in the group has 3 minutes to write down 3 risks on a clean sheet of paper. Then the sheets are passed on to the next person who adds 3 new risks in 3 more minutes. No discussion is necessary at this stage. The process is repeated until each sheet returns to its owner. This can be a great way to identify a large number of risks in a relatively short time, and people are often more comfortable doing this in written form. The final step is for the group to rank all of the risks and choose the top 4 or 5 (RiskChoices is designed for up to 5 risks).

- 2. Assess Risks** – RiskChoices uses a simple “High, Medium, or Low” ranking system to measure both the impact and probability associated with each identified risk. The “Assess Risks” table (#2) provides some basic guidelines, but the key thing is to be consistent. If you like, you can make up your own units, such as “high-low” or “medium-low.”
- 3. The Risk Matrix** – The purpose of this chart is to show, in visual form, the same information that is presented in the tables. It also helps you to visualize the importance (both impact and probability) of all identified risks at the same time. The blue shading represents the degree of acceptability of each risk. For example, risks that are in the darker blue zone are less acceptable (and require more immediate action) than those in the lightly shaded area. The shading is intended to portray the imaginary line, or frontier, that divides acceptable risks from unacceptable risks. Of course, the location of this line will be different for everyone because of our varying attitudes toward risk. One tip for plotting risks on the matrix: identify risks by their number from the Identify Risks table.

4. **Develop Risk Strategies** – This task consists of brainstorming responses to the risks you have identified; start with those that show up as most important on the risk matrix. Remember that there are only 4 classic risk responses: accept, transfer, reduce, and avoid. Every possible response will be some variation or combination of these 4. Record your responses in the Develop Risk Strategies section of the worksheet.
5. **Reassess Risks** – The idea here is to determine what affect your potential risk responses would have if they were implemented. Once again, rank each risk for impact and probability, assuming that all of the listed responses have been implemented. Then re-plot your rankings on the risk matrix using the risk's identification number plus a letter (for example, if the original risk was plotted as 3, then the re-assessed risk might be 3-a). If the addition of your risk management strategy means that a risk is now judged to be acceptable, you've been successful. If not, you'll have to go through the process again until you can accept or avoid each risk.

**Final Suggestions** – When you're finished the process, you probably won't have *the answer*, but you will have a much better idea about your business's risks, and how to manage them. In the cases I've been involved with, the RiskChoices worksheet has become the "take home" result, because it provides a record of the process as well as your discussions and decisions.

To be effective, the RiskChoices process has to have at least one champion: someone who understands the system and its objectives, and is willing to lead the discussion. If you will be the leader, make sure you read the RiskChoices examples and other material carefully, and if you have questions please contact using the information below.

**Conclusion** – Obviously, this isn't a perfect system, nor is it an exact science. However, RiskChoices usually generates a lot of discussion about risk and risk management, and also provides an organized record for future consideration. In the end, it provides a more-or-less structured system to help you identify, measure, and manage the risks that challenge your business.

Business Management Innovations Branch, Olds (403) 556-4240  
Ted Darling (403) 948-8524 email [ted.darling@gov.ab.ca](mailto:ted.darling@gov.ab.ca)  
Dean Dyck (403) 340-7007 email [dean.dyck@gov.ab.ca](mailto:dean.dyck@gov.ab.ca)