

# Risk Management

## Introduction

Risk Management is the process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of failure. (Institute of Risk Management, 2003)

Risk Management is a strategic management activity involving a systematic approach to the management of risk. By formalising the practice of risk management it is possible to reduce operational costs to a business by diminishing the risks incurring accidents or loss.

Service industries' profitability depends on people using facilities and services. Any perception that a business premise or its practices are unsafe can be damaging to the reputation of the business. Prioritising the application of risk management to every aspect of a business ensures that risk or damage to either the business or individuals is greatly reduced or removed.

## What is Risk Management?

Risk Management is a strategic and systematic approach which:

- Carefully examines the diverse activities of a business
- Is continuous and developmental
- Identifies potential risks
- Assesses those risks for potential frequency and severity
- Removes those risks which can be eliminated
- Reduces the effect of those that cannot be eliminated
- Increases probability of successful actions taken to investigate risk
- Supports financially the consequences of the risks that remain.

## Key aims of Risk Management

Risk Management is a quality management system which ensures that business is conducted to the highest possible standard with the best quality of customer care.

The result of this will also be a reduction in costs associated with risk taking. Key aims should be:

- Improved written policies and strategies for risk management
- Safer business practices
- Safer business premises
- Increased staff awareness of risk taking and risk management
- Better education and training for staff on risk management
- Reduction of potential financial loss.

### Where do risks occur?

Risks may occur in any element of a business organisation. All of these elements have a critical influence on the manager's ability to control risk. Risk Management is concerned with compiling information about the risk elements of the business which are usually easily identified by the organisation or are within its level of expertise.

The Risk Management review brings together the knowledge and the expertise to provide an estimate of the probability of an incident happening and then puts in place solutions to prevent or mitigate that occurrence.

The key elements to review within this process may be both internal and external. They include:

<i>Strategic</i>	Competition/Customers/Industry/Management
<i>Financial</i>	Accountancy Systems/Credit/Interest/Exchange Rates
<i>Operational</i>	Absence Management/Recruitment/Staff Turnover/Buildings and Associated Operations/Supplies and Suppliers
<i>Hazard</i>	Environment/Equipment/Health and Safety/IT Systems

### Risk Assessment

In the hospitality, leisure and tourism industries a systematic and regular Risk Assessment procedure is vital. Undertaking a Risk Assessment is time consuming but business failure is the possible alternative. Producing standardised documentation is helpful in formalising the process and in ensuring that all risks are clearly identified. There are also legal and insurance implications for ensuring that a successful Risk Assessment is completed on a regular basis.

A large organisation may have a dedicated Risk Manager who would ensure that all aspects of the assessment are undertaken or delegated to appointed staff. In smaller organisations a manager with significant training and knowledge of the business, including its Health and Safety Policy, business procedures and overall methods of operation, should be responsible for its completion. The Risk Manager should also compile lists of appropriate external emergency services so that all staff have access to points of contact in case of incident or emergency.

The elements of an assessment should be small enough to be manageable but big enough to identify the start and completion of the process. For example, running a food service area may be a significant element of a business operation but in assessment terms it may be split into a number of parts, which should be assessed separately.

It is very important that interviewing and listening to staff, as well as observation and measurement, forms part of the assessment. This should

include preliminary discussions with those who work in the area to identify the scope of each assessment.

### Legal requirement

*The Management of Health and Safety at Work Regulations 1999 and their Approved Code of Practice require a Risk Assessment to be undertaken and, where more than five persons are employed, a record must be made of any 'significant' findings of the assessment and also of any specific group of employees identified by the assessment as particularly at risk.*

### Risk Identification

The Risk Assessor should approach Risk Identification in a systematic way. This should include all the elements identified previously: Strategic, Financial, Operational and Hazard.

Useful questions to ask are:

- What could go wrong?
- How could it happen?
- What would be the effect on the business and any individual?
- What should be done to remove, minimise and manage the risk?

Risk can arise from a single factor or a series of small factors, which can combine to cause loss or injury. Some risk is inherent in the operations of most businesses. The object of risk assessment and analysis is to determine how often the risk is likely to happen, what will be the financial effect on the organisation and how can the effect be minimised.

### Legal requirement

*Employers should be aware that an employee's act or default in violation of The Management of Health and Safety at Work Regulations 1999 may not reduce the employers' liability nor does it provide a defence in any criminal proceedings that may result.*

## Further Reading

### Health & Safety Executive publications

Website: [www.hsebooks.com/Books/](http://www.hsebooks.com/Books/)  
HSE Books, PO Box 1999, Sudbury, Suffolk CO10 2WA.  
Tel: +44 (0)1787 881165  
Fax: +44 (0)1787 313995

### HSE publications website

Website: [www.hse.gov.uk/pubns/index.htm](http://www.hse.gov.uk/pubns/index.htm)  
Information Line: +44 (0)8701 545500  
Publications Line: +44 (0)1787 881165

## Useful Risk Management publications

- A Guide to Risk Assessment Requirements – IND(G)218 – Free
- Risk Management – Frequently Asked Questions
- Five steps to Risk Assessment – IND(G)163 (rev1) – Free
- Five steps to Risk Assessment (Case Studies) ISBN 07 17615 804
- Good Practice and Pitfalls in Risk Assessment, Research Report 151, Health & Safety Laboratory, 2003
- Article 6(2)(a)-(i) of Council Directive 89/391/EEC (OJ No L 183, 29.6.89, p. 1)
- Fire Precautions (Workplace) Regulations 1997, Part II
- The Management of Health and Safety at Work Regulations 1999.

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## Publications

A Risk Management Standard – **Free to download**

### DISCLAIMER

This HCIMA Management Guide is intended as a brief summary to the topic. While the information it contains is believed to be correct, it is not a substitute for appropriate professional advice. The HCIMA can take no responsibility for action taken solely on the basis of this information.

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