

Student Workbook
BSBRSK501 Manage risk

1st Edition 2017

SAMPLE
Not for training purposes

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Introduction

Features of the training program

The key features of this program are:

- Student Workbook – Self-paced learning activities to help you to understand key concepts and terms. The Student Workbook is broken down into several sections.
- Facilitator-led sessions – Challenging and interesting learning activities that can be completed in the classroom or by distance learning that will help you consolidate and apply what you have learned in the Student Workbook.
- Assessment Tasks – Summative assessments where you can apply your new skills and knowledge to solve authentic workplace tasks and problems.

Structure of the training program

This training program introduces you to the concepts of identifying risk and how to then apply the appropriate risk management strategies. You will develop the skills and knowledge in the following topic areas.

1. Introduction to risk
2. Identifying risk
3. Analysing and evaluating risk
4. Treating risk.

Your facilitator may choose to combine or split sessions. For example, in some cases, this training program may be delivered in two or three sessions, or in others, as many as eight sessions.

Recommended reading

Some recommended reading for this unit includes:

- Anderson, E., 2014, *Business risk management: models and analysis*, John Wiley & Sons, Chichester, UK.
- Queensland Government, 2014, 'Preparing a risk management plan and business impact analysis', *Business and industry portal*, <<http://www.business.qld.gov.au/business/running/risk-management/risk-management-plan-business-impact-analysis>>.
- Standards Australia, 2009, *AS/NZS ISO 31000:2009 risk management – principles and guidelines*, SAI global, Sydney.
- Worksafe ACT, 2012, *Risk management of public events*, available online, *Worksafe ACT*, <<http://www.worksafe.act.gov.au/publication/view/1138>>.

Please note that any URLs contained in the recommended reading, learning content and learning activities of this publication were checked for currency during the production process. Note, however, that IBSA cannot vouch for the ongoing currency of URLs.

Every endeavour has been made to provide a full reference for all web links. Where URLs are not current we recommend using the reference information provided to search for the source in your chosen search engine.

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Section 1 – Introduction to Risk

Before you can undertake risk management, there a number of key concepts that you must understand. This chapter will define risk and risk management, and help you to establish the context in which risk management takes place.

Scenario: Preparing for risk management

You are the new Operations Manager for a chain of shoe repair stores with ten outlets. Your previous experience was in sales management; specifically, departmental areas of management. You have never had this kind of role before.

You note that one of your specific responsibilities is to manage the risks that are likely to pose a threat to this particular organisation. Before attempting to identify the organisation's risks, you first take time to review the concepts of risks, risk management and the organisational context.

From your previous roles, you are very aware of the risks of non-compliance with relevant laws, and so you decide to also review the legislative environment in which this organisation operates.

What skills will you need?

In order to work effectively as a risk manager you must be able to:

- explain risk and risk management
- establish the context for risk management
- explain the importance of relevant legislation.

Understand risk and risk management

What is risk?

Risk is a natural part of our physical, social, financial and competitive environments. It is defined as the chance of something happening that will have an impact on the achievement of objectives or goals in an organisation. Organisations must frequently decide whether various risks are or are not worth taking. For example, risk is considered when making decisions regarding investment or the health and safety of employees. For some organisations, the ability to manage risk better than competitors is a valuable resource that they use to their advantage.

In business, there is a strong correlation between risk and reward. For example, investing in the share market is riskier than investing in government bonds. As a consequence of the risks involved, share markets traditionally offer higher returns than government bonds.

The concept of risk is incorporated into all types of industries – from insurance to engineering to financial investment. Therefore, definitions of risk may vary. Risk is often defined as a combination of the consequence of an event and the likelihood it may occur. Risk may also be defined, as in the relevant risk management standard for this unit, AS/NZS ISO 31000:2009 *risk management – principles and guidelines*, as simply the ‘effect of uncertainty on objectives’.¹

In this workbook, we will combine the above definitions and take the broad view that risk is an event or action that will cause a loss to an organisation’s valuable resources and adversely affect the goals and objectives of that organisation if the event or action occurs.

Risk is the estimated likelihood of occurrence of an uncertain event, and its impact on organisational objectives should it occur.



As shown in the diagram above, either the likelihood (probability) of an event occurring, and the consequence or impact of that event, have an effect on the objectives of the organisation. The combination of these two factors give an organisation an indication of the risk they will be exposed to if the event should occur.

Learning activity: Risk consultants

Many consultants can work with your organisation to identify risk and help in developing and implementing processes to assist in the management of business risk. PricewaterhouseCoopers is one organisation that actively manages risk. Look at their resource:

- PricewaterhouseCoopers, 2008, *Being smart about the risks you take*, available online, PWC, <http://www.pwc.com/gx/en/consulting-services/pdfs/get_up_to_speed2.pdf>.

¹ Standards Australia, 2009, AS/NZS ISO 31000:2009 *risk management – principles and guidelines*, SAI global, Sydney.

Why do PricewaterhouseCoopers believe some risk management systems implemented in companies have made the companies more vulnerable?

Valuable resources

Financial risk is not the only type of threat to organisations. In today's business environment, the loss of reputation or brand value can have far greater impact on the organisation's viability than the loss of some investment funds.

Learning activity: The business of lard

It was once the case that lard – animal fat – was used in place of butter and olive oil in cooking. The use of lard decreased after a book was written that described the unsavoury process of producing lard.

Read more details on the Planet Money blog entry:

- R. Smith, 2012, 'Who killed lard?', *Planet money*, <<http://www.npr.org/blogs/money/2012/02/03/146356117/who-killed-lard>>.

This story illustrates how the loss of a product or an organisation's good reputation can represent a serious threat to business. What other factors contributed to the decreased use of lard in cooking?