

Use business risk analysis to prevent a crisis before it hits

[Business](#)



Wishful thinking isn't enough to prevent a crisis from torpedoing your business. Stringing together a plan made of guesswork also won't reduce the painful results.

When your business is in jeopardy, you need concrete plans to manage the damage. And while these plans will work during the crisis, they also help to prevent the crisis from ever happening.

We make a mistake by wondering if we're at risk. Instead, we should assume we are at risk and use Business Risk Analysis to reduce the probability of it becoming a reality.

The risks out to get you

Risks differ by department and the type of business you run. For example, construction workers have a greater risk of physical injury or death on the job. The company can be found liable for the injury, which puts them at risks to lawsuits and monetary losses.

All businesses are at risk of monetary losses. These losses happen when customers leave or when trends shift. Or when expenses and costs skyrocket.

Besides monetary, these are the common risks associated with any business:

- Safety and security
- Revenue losses
- Increase in expenses
- Legal expenses and loss

Business Risk Analysis helps to reduce the impact of these risks.

How to identify risks

Start with the bulleted list above. Pick each one and list what would be the result if they were to go wrong.

Let's go back to the construction worker example. If a worker were to be injured on the job, and he wouldn't be able to work for a long period of time, how would that affect the state of the business? And if this worker were to sue the company, what would be the effect on the business? And what if the worker won the lawsuit?

We play the "what if" game until there's no more answers. Then we list these risks in order of importance.

For example, if you were a cyber security business a leak of digitalized information wouldn't only be an "Oops!" moment. It would ruin the company's reputation, lose customers, and open up yourself to lawsuits.

Unlike with construction, data breaches would jeopardize the whole operation. It's also more plausible than an employee being hurt on the job, right?

This is risk assessment and it's exactly how it sounds. You're assessing the amount of risk a scenario may cause the company. You're covering all your bases. And by doing so, you're actively preventing these risks of ever happening.

It's more practical than crossing your fingers and hoping for the best.
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Precautions or paranoia?

It's better to be paranoid. Assume these risks could become a reality tomorrow. Create a plan to reduce the effects of each risk. Is it plenty of work? Yes. But it can be the one factor that plugs the hole in what would've otherwise been a sinking ship.

Business Risk Analysis will keep everyone focussed. It will limit the flailing if a crisis hits the company. And everyone will understand where to distribute resources without question.

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