

# Vulnerability Analysis

► Risks are always involved in the operations of SMEs and they can be a threat to the continuity of the whole business. Identifying hazards and assessing risks are the first stages of risk management.

## A company's vulnerability

An examination of a company's vulnerability quickly provides a rough picture of **difficult-to-manage threats** related to the company's operations. Identifying hazards and assessing their severity makes it easier to plan risk management control measures.

## Risk management

Risk management aims to secure the well-being of the company and its employees. Good risk management is conscious, planned and systematic, and in addition to common sense it uses proven work methods.

A large proportion of the hazards related to a company's operations are often known. However, there may be differences of opinion or ignorance about the causes and consequences of the hazards, unless the threats have been discussed and agreed. In addition, hazard identification should not be limited to obvious hazards. It is also important to expose hazards that are not noticed in everyday work.

## Assessment of vulnerability

A company can protect itself against possible threats by being aware of its most vulnerable areas and the factors that affect its operations.

At its simplest, vulnerability can be assessed by using the **risk chart** accompanying this card, which illustrates the company's activities and its opera-



tional environment. Risk areas estimated to be problematic can be marked on the sheet in order to quickly identify where risk management should be focused. When these risks are assessed in a **work group**, a common understanding is achieved of the threats to the business and methods for their management.

The Vulnerability Analysis **work book** is intended to be a more in-depth examination of risks. It contains **sheets that describe and help to identify** the key hazards in SMEs, and tips on how to carry out a more detailed risk analysis and how risks can be managed. The booklet also includes a **summary sheet** that can be used to record the identified problems and the risk management control measures.



## Risk management means action

The main stages of risk management are hazard identification, risk assessment, risk control planning and the implementation and review of control measures. Instructions should be prepared both for the occurrence of accidents and for recovery. The situation should be monitored and lessons should be learned from mistakes and accidents.

Simple suggestions for improvements often emerge from a rough examination. At their best, these suggestions are easy to implement without significant costs.

After a company's vulnerabilities have been identified, risk management can be carried out in more detail with aids such as the materials in the **SME Risk Management Toolkit**, which cover different risk areas.

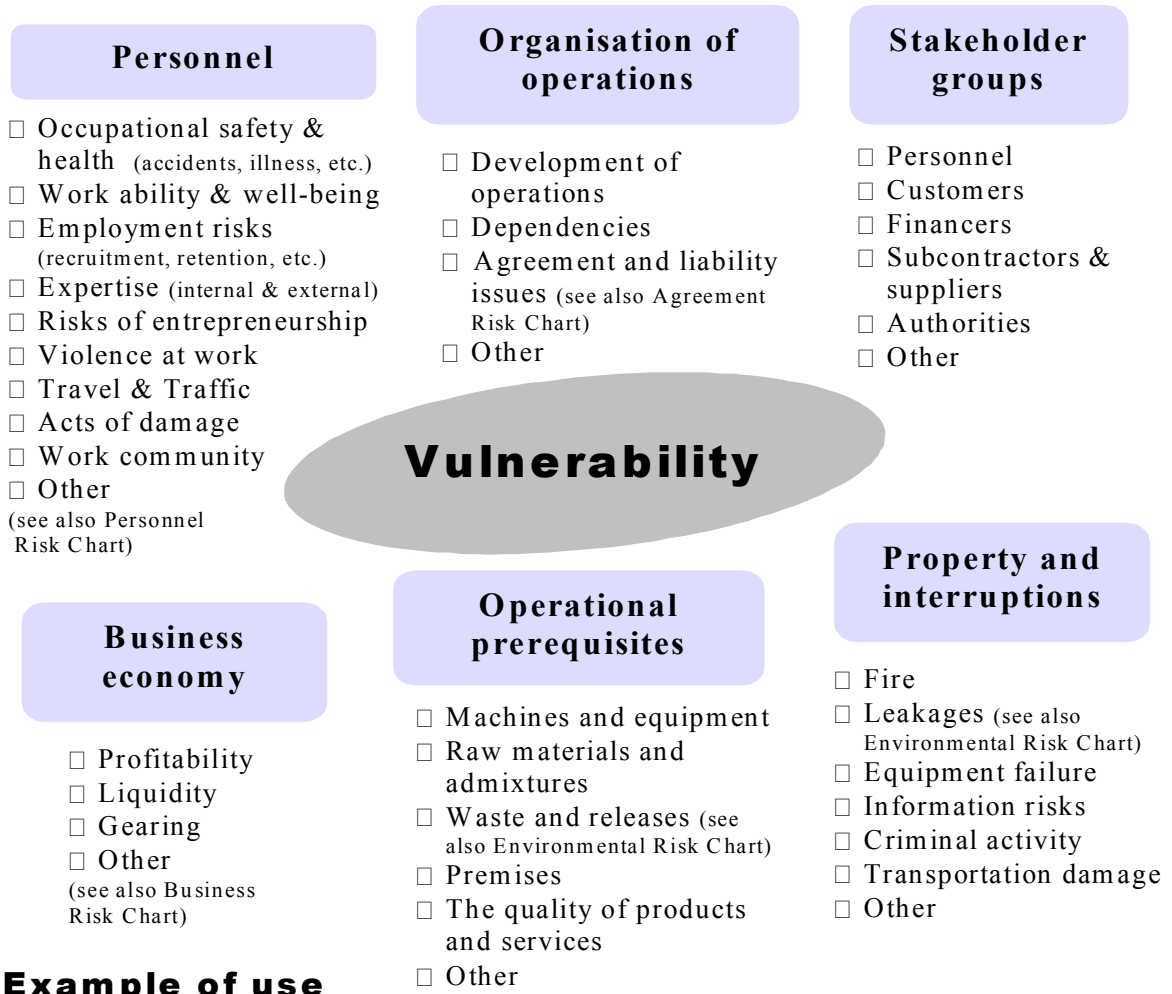
## Changes in the operational environment

A company's operational environment changes constantly. Because all companies operate within a network of business and inter-dependent relationships, it is not possible for a single company to influence or control every change that takes place.

Compared to a larger company, an SME may be less able to tolerate risk and very vulnerable to some changes. On the other hand, small companies may be faster and more flexible when adjusting their operations to meet changes in demand.

# Vulnerability Risk Chart

Company:	Group/assessor:
Object of assessment:.	Date:



## Example of use

Premises – a significant risk     Customers – issue in order     leakages – does not concern us

**Personnel.** People are a company's most important resource. It is important to maintain the ability to work and the skills of all personnel, especially key employees.

**Business economy.** A company must be profitable in order to survive. Costs have to be met. Revenue provides finance for the company's operations.

**Organisation of operations.** Business activities are usually launched on the basis of a service or product idea. When a company has been established and its operations have begun, the operations should be organised and continuously developed.

**Operational prerequisites.** When examining a company's operations, the flow of materials and energy, the machines and equipment, and their control, use and maintenance, should be taken into consideration. Attention should also be paid to premises.

**Stakeholder groups.** All companies have a network of business and inter-dependent relationships. Examining the operational environment helps to identify and manage risks caused by stakeholder groups and co-operation partners.

**Property and interruptions.** Identify hazards and resulting interruptions related to fixed assets such as buildings, machines and IT equipment, and to floating assets such as raw materials and inventories.