

Risks into the open and under control?

3



Vulnerability analysis assists risk management

Risk management is work that is carried out to secure a company's profitability and competitiveness, the continuity of its operations and the well-being of its employees.

Risk management begins with the identification of hazards. An SME should know the **risks** related to its activities and operational environment that could cause unwelcome surprises. On the other hand, it is also good to know and take advantage of existing **opportunities** to accelerate success.

SME Vulnerability Analysis is a systematic tool for the identification of hazards and assessment of risks related to the activities of SMEs and for the planning of control measures. SME Vulnerability Analysis quickly provides a **rough general picture of a company's vulnerability**, i.e. the threats related to the continuity of a company's operation.

In the risk chart used for the analysis, a company's activities are divided into six main categories and these are further divided into thirty subcategories. The risks related to each subcategory are examined through **examples**. SME Vulnerability Analysis is not a rigidly fixed checklist to describe all threats in advance, it aims instead to help **SMEs make their own survey** of the risks related to their operations.

This Workbook contains hazard description sheets that describe some of the main hazards in SMEs, and gives brief instructions for their use. It also contains tips about where to find further information or assistance for assessing and solving problems.

The different stages of vulnerability analysis – the identification of hazards and assessment of risks, and the planning of control measures, are described in detail in the SME Vulnerability Analysis booklet.

SME Vulnerability Analysis has been developed in co-operation with SMEs. It has been observed in practice that this method often helps to reveal problems that can easily be eliminated if action is taken. Many control measures can be implemented quickly and at reasonable cost. Some problems, however, may require further analysis, planning and investment.

We hope this booklet helps employees in SMEs to collectively examine and consider the risks involved in their activities and to implement practical control measures for risk management.

SME Vulnerability Analysis

SME Vulnerability Analysis is a rough risk management tool that comprises the following phases:

1. Identification of hazards
2. Assessment and prioritisation of risks
3. Planning, implementation and review of control measures

This booklet contains a short description and instructions for carrying out a vulnerability analysis. Carrying out an examination of vulnerability is done most efficiently **as group work** that combines the **experience** of different employees groups and key personnel.

The instructions in this booklet are intended mainly for **members of analysis workgroups**. More detailed instructions for the **person in charge** of the process can be found in the SME Vulnerability Analysis booklet. The description sheets in this Workbook are intended for the use of both the person in charge and all workgroup members.

Group work and silent brainstorming

Group work is the most efficient way to carry out an analysis of risk and vulnerability. A group that possesses expertise from all fields and employee groups is gathered from within the company. Processing the whole Workbook takes two to three hours. The company's operations can be examined one category at a time, and processing each category takes approximately half an hour, but the order in which they are processed is flexible.

In an analysis meeting, everyone reads the description of the examined hazard by him or herself, and thinks about the issue from a personal point of view. The following points could be considered:

- Has this problem or something similar occurred here or elsewhere?
- Have accidents or near misses related to the risk occurred here or elsewhere?
- In what kind of situations could a minor accident or problem lead to serious consequences?
- Have symptoms of the problem occurred even though an accident has not?
- Are there deficiencies in activities or equipment, but accidents have not occurred because the employees have learned to live with them?
- Has this problem or hazard been discussed before?
- Are changes planned in the company's activities or in the operational environment that could have an effect on the occurrence of the problem or hazard?

Discussion

After reading a description, the group discusses the ideas that have been generated. Views on the risk management control measures can also be presented. The discussion should not be allowed to 'ramble on' too far. Accusations, explanations and excuses do not belong in this examination!

Based on the discussion, the need for control measures is collectively evaluated in accordance with the following classifications:

- **No risk.** The risk is so small that it has no significance to the company, or the described problem is not at all related to the company's field or its operations. 'This is not a significant risk in relation to our activities'.
- **Risk under control.** The issue has been a significant risk to the company but it is under control at the moment. The consequences or probability of the hazard have been reduced. The company has introduced a safer system, for example, or the probability of the event has been minimised as much as possible. 'We are aware of the risk and the issue is taken care of'.
- **Must be taken care of.** The risk in question is significant and it requires further examination or immediate control measures to be taken. These risks may have previously caused significant damage to

the company or they may do so in future. You should also examine risks that are not under your company's direct control, such as new legislation or taxation requirements. It is always possible to be prepared for these risks, too, and changes in circumstances related to them should be monitored. 'Further examination is required, and the issues must be taken care of'.

The conclusion is marked in the quick **assessment chart** under the description. There is room for **comments** next to the chart, such as identified problem areas, other information about the issue and possible agreed further control measures. These can be written down in brief during the examination.

After one area or subject has been processed, the examination of the next one starts under the guidance of the person in charge. All areas or subjects, or those that have been agreed on, are processed in the same way. All problem areas that have been marked 'Must be taken care of' are recorded on the **summary sheet** at the end of this booklet.

1 Personnel

Often, employees are the most important company resource. Even though none of us is irreplaceable, the input of certain individuals may be more important than that of others to a company's operations as a whole. It is common to refer to these employees as 'key personnel'.

1.1 Occupational safety, health and well-being

1.1.1 Occupational safety and health

'In an accident, an employee's arm was severely bruised when it got stuck between the rolls of a machine'.

Accidents can have many contributing causes and it is important to establish both the immediate and root causes in order to prevent a recurrence. There can be two types of **immediate causes** of accidents. The first, an **unsafe condition**, is when plant, equipment, the work environment or system of work is such that it can cause harm e.g. exposure to moving/sharp machine parts, hot surfaces, hazardous substances, workplace traffic, or an untidy workplace, etc. Certain situations, such as the starting or stopping of a process, or maintenance and repair, can also increase the likelihood of accidents. The second type of immediate cause, an **unsafe act**, is when an individual(s) behaves in a way that can cause harm to themselves or others, e.g. an employee climbing up a 40ft-high racking system or engaging in 'horse-play', etc.

The **root causes** of accidents are the underlying acts/omissions that contribute to, or aid development of, events giving rise to accidents. Addressing the root causes of accidents can help an organisation to prevent recurrence. In many instances the root cause of an accident is **lack of management control** and/or supervisor/management behaviour, e.g. inadequate policy definition or procedures.

Accidents can cause long absences from work and at their worst, serious injury or death. Many minor accidents or incidents could have resulted in more serious consequences and like so-called **near misses** are warnings of possible hazards. A lack of preparedness, equipment and first aid skills can increase the seriousness of an accident's consequences.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Comments and further details

Tips for processing or solving identified problems

- Accident/ill health statistical data (including the number of cases and their causes) should be used to help **review** risk assessments, **improve** control measures and **inform** the decision making process. Lessons can be learned from statistics – they can indicate if a particular process or work activity has a developing trend in certain types of accident.
- Further information can be found in the following **SME Risk Management Toolkit** tools: Basic Requirements of Risk Management, Travel and Traffic Risks and Occupational Risks.

1.1.2 Work ability and well-being

'Due to illness, the shop will be closed until further notice'.

Illness among key employees may cause difficulties for a company's operation. In addition to employees suffering work-related illnesses, significant business interruption can be caused by a widespread virus e.g. flu. Unless there are arrangements for replacement staff to cover for unexpected absences, production or services may have to be suspended and business lost. Also, absences can place an extra burden on your remaining staff, which may put them at additional risk of injury or illness.

Obviously, you will not be able to prevent your employees from contracting non work-related illnesses, however, you have a duty to protect them from work-related illnesses. There are many causes of work-related ill health, which can include: musculoskeletal disorders due to poor job design that requires straining, twisting, repetitive actions, etc; stress-related illness, due to excessive work-load and hours, etc; noise induced hearing loss, due to exposure to high noise levels e.g. from a pneumatic drill, etc.

Amongst your employees, there may be some who are more vulnerable to workplace hazards e.g. pregnant women, younger or older people or those with disabilities. In a small company, the owner or a key employee may be among this group.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- A workplace and work conditions can be improved through cooperation. “Take care of yourself and your employees.”
- The average absence figures for your sector can be used as a benchmark when assessing your absence levels. Companies that are members of trade or employers’ associations may be able to obtain average absence data from them.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Personnel Risks, Work Ability and Well-Being, Work Community, Occupational Safety and Health, Stress Management.

1.2 Employment risks

1.2.1 Employee retention

'We lost some customers when Cooper transferred to a competitor'.

An unpleasant working atmosphere, an unsatisfactory salary, job insecurity or poor working conditions are examples of factors that may encourage employees to seek other employment.

A change of employment, even by one person, may be a serious blow to a company's entire operations if some special expertise or experience is held solely by the employee who leaves. This expertise can include the use of special machines, product development, the management of information systems (such as orders, production control, invoicing and customer registers) and sales and marketing.

When an employee moves to other employment, confidential information may be transferred to a competitor.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Discussing the conditions at a workplace and collectively looking for solutions improves the atmosphere and job satisfaction. Communicating about the company's situation, future prospects and plans, and listening to employees' views can all enhance feelings of security. A salary increase by itself is not always the right solution!
- Continuity or contingency planning can help a company to recover faster from the difficulties caused by a key employee's change of employment.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Work Community and Stress Management.

1.2.2 Recruitment and assignment

'Disputes emerged at the workplace when the new foreman was unable to perform as a superior'.

Unsuccessful choices when recruiting new personnel or rearranging tasks can cause a lot of harm. The work atmosphere may deteriorate, work is not progressed, friction occurs between staff etc.

People may be doing the 'wrong job', which means their expertise is wasted and their motivation falls. An overqualified person may easily leave the company to find employment elsewhere. A qualified and well-trained person is not always able to act as a good supervisor.

In a family business, personal relationships are important - they can be both a threat and a resource.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Comments and further details

Tips for processing or solving identified problems

- It worth examining everyone's special skills and personal wishes and aiming to utilise these in the best way possible. When recruiting new personnel, clarification is needed concerning the kind of expertise required and what skill would provide additional benefits. It may be worth using an external consultant to help find the right person.
- There may be reasons for requiring new employees to undertake a medical before signing the final employment contract. For example, it would be regrettable to find out after a month, that a new employee is allergic to one of the substances in use.
- You can find further information in the following [SME Risk Management Toolkit](#) tool: Personnel Risk Management

1.3 Expertise

1.3.1 Professional skills

“There is no-one skilled to utilise all the features of the new lathe.”

We are living in a fast changing, ‘globalising’ world, with many technological and regulatory developments. In order to meet these challenges and continue to operate, it is vital that up-to-date expertise is maintained. The use of inexperienced personnel during a holiday period, for example, can cause problems e.g. in customer services, a temporary employee may be unable to deal with all of the customer enquiries.

The development of information technology, machines and devices, and new materials may weaken competitiveness if a competitor can utilise them faster.

Expertise must be maintained through continuous development.

Comments and further details

Are there any risks related to the above-described issues?
No risk <input type="checkbox"/>
Risks under control <input type="checkbox"/>
Must be taken care of <input type="checkbox"/>

Tips for processing or solving identified problems

- The expertise, skill and versatility of employees can be maintained and developed using task rotation and further training. Teamwork provides new possibilities for the utilisation of everyone’s expertise. A training programme (including induction) should be compiled and implemented for new employees.
- Competitiveness can be increased by monitoring developments in your market/sector and by ensuring that your employees have up-to-date knowledge and expertise at their disposal. The latest information and developments can be found by reading industry/trade publications and by attending events such as conferences, seminars, workshops, trade fairs, etc.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Expertise and Personnel Risk.

1.3.2 Use of specialists

“It is estimated that the loss would have been avoided if a professional design firm had been used to plan the structure.”

It is not possible or necessary to do everything yourself. It is worth considering subcontracting tasks that require special expertise to an external source. Even though specialist services are often expensive, they can pay for themselves in terms of saving your own work time. By utilising a specialist, a company can better concentrate on carrying out its core activities.

Problem areas where external specialists may be of use include risk assessment, accounting, account closure, taxation issues, improvement of the work environment, product development, the planning of brochures and marketing, agreement and liability issues with subcontractors and customers, and other legal matters. However, an incompetent specialist can do more harm than good, so check their credentials carefully before engaging them.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Information about specialists in different fields is available through the Small Business Service (DTI); professional bodies e.g. the Institution of Occupational Safety and Health; and trade or employers' associations e.g. Confederation of British Industry, Chambers of Commerce, etc. You may wish to engage the services of a consultant who has special expertise concerning the operation of small companies.
- When selecting a specialist, it is worth finding out about his or her 'track record' by asking previous customers about their experiences of his or her services. It is important to draw up a written agreement with the specialist, specifying the work you require them to do, etc.
- The enforcing authorities (e.g. Health and Safety Executive, Local Authority, Fire Service, Environment Agency/Scottish Environment Protection Agency/Environment and Heritage Service – Northern Ireland, etc.) and insurance companies can provide some services for specialist areas.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Expertise and Personnel Risk.

1.4 Special risks of entrepreneurship

“A local hotel is up for sale – the proprietor had a nervous breakdown after working 90 hours a week for nearly two years without a holiday”

Entrepreneurship is all about risk taking. Businesses need to speculate to accumulate. However, failing to plan is planning to fail.

Most businesses rely on the ‘go-getting’ attitude and approach of one or two key people. It is therefore vital to businesses that they protect these people, their ideas i.e. intellectual property and their lifestyles i.e. the ‘work/life balance’. To do this effectively, there is a need to adopt proven business techniques such as: action planning; time management; cash flow management; open communication; and succession planning.

There may well be some overlap here with section 1.3.2 “Use of specialists” above.

Comments and further details

Are there any risks related to the above-described issues?
No risk <input type="checkbox"/>
Risks under control <input type="checkbox"/>
Must be taken care of <input type="checkbox"/>

Tips for processing or solving identified problems

- Consider having adequate insurance to cover unforeseen events involving all identified key people. This should include: key person insurance; personal accident/permanent health cover; pension arrangements; and business interruption insurance.
- Make time to take time out. Do not let work interfere too much with family and other relationships. Do you work to live or live to work? Remember that holidays and short breaks are good stress relievers! Create an acceptable work/life balance.
- Protect your ideas and intellectual property by using a solicitor who is aware of patents. Register your ideas by formally writing them down and sending them to the solicitor, so as to establish date of idea and ownership.
- Use the concept of time management and action planning to ensure that best use is made of this scarce resource.
- Do not over commit financially, especially in terms of your own property and savings.
- Consider going into partnership to spread the load. Also think about succession planning, possibly by involving other members of the family.
- Further information can be found in the following [SME Risk Management Toolkit](#) tool: Personnel Risk management.

1.5 Violence at work

"A couple had to give up running a sub post-office, after one of them was seriously injured during a violent robbery of the premises".

Violence in the workplace is increasingly becoming a major concern, especially in the service industries. Violence leads to physical and/or mental injuries, and even loss of life in exceptional cases. All employers have a legal duty to protect employees at work. This includes protection from threats of violence. As with any other work related hazards, there is a need to undertake a full and specific risk assessment which should:

- highlight individuals/groups at risk
- assess the significance of such risks
- develop commensurate control measures, such as systems/procedures and suitable training programmes

Violence (physical/verbal) may include: bullying; harassment; threats; and actual bodily harm e.g. robbery with violence.

Individuals/Groups at risk include: service industries; carers; social workers; unemployment/benefit agencies; hospital/nursing home workers; education; cash handling (delivery/collection); persons in authority; lone workers (especially late at night and early in the morning); and persons coming into contact with drunk/drugged or mentally unstable individuals, etc.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Undertake specific 'violence at work' risk assessment to:
- identify those at risk
- list all significant risks of violence
- develop suitable control measures, including: systems/procedures; training; work planning; non-threatening work environment; use of CCTV/surveillance; use of alarm systems/panic buttons, etc.
- Ensure that all violence at work incidents are reported as required under RIDDOR, and to the Police.
- Consider the provision of counselling/aftercare to minimise post-traumatic stress disorder.

- Further information can be found in the following **SME Risk Management Toolkit** tools: Personnel Risk Management, Violence at Work and Violence Control Measures Checklist.

1.6 Travel and Traffic

"As I was giving 'last minute' instructions to my sales executive on their car phone, a minor collision occurred, causing a long delay. The client got fed up waiting and we lost a very big contract!"

Employers should protect employees whilst they travel as part of their work. Around a third of all accidents on the road involve people at work. Travelling at work can include: internal transport; journeys to and from the workplace; business trips during works time; and overseas travel. Hazards associated with overseas travel may include: political unrest; endemic diseases; unfamiliar laws and customs; natural disasters; climate extremes; poisonous snakes/insects, dangerous animals, etc.

All work-related travel/road risks should be the subject of specific risk assessments which should aim to: identify driving/travelling related hazards; assess which of these hazards give rise to significant risks; and develop control measures to ensure driver, traveller, public and vehicle safety.

In the case of driver/vehicle safety and workplace transport, the UK legislative requirements include not only the Health & Safety at Work etc Act, 1974, but also the Workplace (Health, Safety & Welfare) Regulations, 1992, and the Provision of Work Equipment Regulations, 1998. In essence, the company vehicle is a place of work and is a piece of work equipment.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Introduce the Highway Code to the workplace. This may involve: driver training, authorisation, licensing; fitness to drive medicals; one way systems; speed limits; mirrors; pedestrian crossings; vehicle/pedestrian segregation; provision of reversing alarms on vehicles; visibility checks; and regular preventive vehicle maintenance.
- Introduce an improved vehicle selection policy. Purchase vehicles with good safety features, such as rollover protection; collision protection; ergonomically designed instrument layouts; seats offering good lumbar support; quiet vehicles.

- Develop safe driver programmes including: driver selection and training; defensive driving; Institute of Advanced Motoring; vehicle familiarisation; forward planning of routes and journey patterns; an “is my journey really necessary?” philosophy (NB: video conferencing); safe driving procedures – realistic journey times, rest breaks; drivers’ licence monitoring; non use of mobile phones; no eating, drinking, reading, smoking; no blame culture for vehicle/road accident reporting/investigations; How’s my Driving? reporting scheme, good driver awards and drivers’ handbook.
- Ensure that all vehicles are serviced and maintained in accordance with manufacturers’ guidance.
- Provide information packs for employees driving or travelling overseas.
- Further information can be found in the following **SME Risk Management Toolkit** tools: Personnel Risk Management, Travel and Traffic Risks.

1.7 Acts of damage

“Vandals broke into our workshop and badly damaged a vital piece of equipment – it halted production for nearly a fortnight”.

There are three reasons for equipment failures in the workplace: the first is fair wear and tear, which should be managed via effective, preventative planned maintenance. The second is accidental damage and the third is malicious damage – both of which can be minimised when employees are trusted and treated with respect.

Accidental damage arises in the workplace via a number of causes, including: non adherence to safe working procedures; overloading of equipment – e.g. fork lift trucks, or electrical; rushing the job, cutting corners; poor design of software/hardware interfaces; lack of training; unawareness of data confidentiality; collisions involving internal transport; poor stacking of goods; objects falling from heights. As with injury accidents all damage and near miss accidents should be objectively investigated in order to prevent a recurrence.

Malicious damage can result via: theft; embezzlement; misuse of information and work equipment; sabotage/industrial espionage; violations – acts of recklessness. Such incidents are generally premeditated, but in some instances may be a result of workplace stress or conflicts.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Once problems have been identified, the negative impacts of them on the business should be assessed. Thereafter effective control measures should be planned and implemented.
- Control measures should include: clearly defined HR and Security policies; a positive, no blame/fault finding culture, involving praising people for doing things right, and managing that includes regular walkabouts. This should lead to a positively motivated and trusting workforce.
- Create a pleasant working environment, using ergonomic techniques.
- Encourage the objective (and blame/see) reporting of damage accidents, near misses, errors, mistakes and violations.
- Develop specific instruction and training programmes linked to the minimisation of acts of damage.
- From a security viewpoint, consider: access control; spot checks/searches; surveillance (CCTV) systems; inventory checks; key management; email/telephone usage monitoring; and protection of intellectual property.
- Provide adequate supervision at all times.
- Be aware of human reliability and human error concepts.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Personnel Risk Management, Acts of Damage.

1.8 Work community

"The introduction of a 'reward scheme' did not have the desired affect of improving performance – resentment arose because it was not felt to be fairly administered and co-operation deteriorated".

A positively motivated work community, which understands the business objectives and how to achieve them, is the most important asset a company can have. However, if there is conflict within the work community, it can rapidly become divisive and counter productive, thereby harming the company's reputation and image in the market place.

All good management should strive to minimise and resolve such conflicts by understanding and addressing potential causes.

Causes of conflict within work communities can be: poor communication and management; poorly organised work patterns; pressure and focus solely on getting the job done, getting product out of the door; conflicting instructions and priorities; lack of job descriptions; and not knowing where individuals and groups fit within the organisation. Such unrest generally manifests itself as gossiping, quarrelling, harassment, and sometimes graffiti, petty theft, vandalism and arson.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Be aware of group dynamics; informal group leaders; peer pressure and interpersonal relationships.
- Be wise and tactful. Find solutions, don't find fault and apportion blame. Remember to praise people when they do things right!
- Ensure that the payment and reward system is open and understandable.
- Ensure that there is a good two-way flow of ideas, suggestions and information.
- Encourage open communications – use questionnaires and climate tools to assess morale, motivation and general well-being.
- Communication via consultation improves co-operation, which leads to better competency and control, resulting in commitment to achieve organisational goals.
- Consider 'Investors in People'.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Personnel Risk Management, Work Community.

1.9 Other employee risks

Not all the possible employee risks have been described above.

On this page, you can write down any company problems or hazards related to employees that have not previously been mentioned. It is important that as many hazards as possible are identified and that control measures for their management are implemented.

Write down the problems, comments and further details below.

2 Business economy

In order to survive, a company must be profitable. If your **income** is insufficient to meet your outgoings and commitments, you will struggle. Shareholders and/or investors will expect profit from their investment. In this section, risks related to company economics are examined regarding profitability, liquidity and gearing.

2.1 Profitability

“Stiff competition meant that the company folded due to non-profitability.”

Costs can spiral out of control if the cost monitoring system is deficient. Erroneous or missing cost allocations may distort the price of products and services.

A quote or price for a product/service based on a badly compiled cost estimation, can lead to unrealistic and uncompetitive pricing.

Comments and further details

Are there any risks related to the above-described issues?
No risk <input type="checkbox"/>
Risks under control <input type="checkbox"/>
Must be taken care of <input type="checkbox"/>

Tips for processing or solving identified problems

- Sufficiently accurate and up-to-date management accounts are essential for monitoring the business. Operations can be steered in the right direction by monitoring the key ratios of finance and efficiency, such as sales and operating margins and return on capital.
- By utilising accurate cost calculations, it is also possible to better estimate the costs for new products or quotes.
- Make sure that the key ratios describing the profitability of the company are calculated correctly and that they are monitored and utilised in decision-making related to the company's operations. Assistance can be obtained from your accountant.
- Further information can be found in the following **SME Risk Management Toolkit** tool: Business Risks.

2.2 Liquidity

“We had plenty of work, but we ran out of money and so had to file for bankruptcy”.

Even a good company order book doesn't guarantee sufficient liquidity. Significant periodic fluctuations in income and costs can cause disturbances in liquidity. The payment schedules of large customers may be long and cause cash flow problems. Also, temporary disruptions in a customer's payments can have an impact on your liquidity, as can bad debts.

Comments and further details

Are there risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Your liquidity must be monitored with key ratios in the same way as profitability. Liquidity can be planned and monitored with the aid of a liquidity budget. The timing of holiday pay, various taxes and other statutory payments should be taken into consideration in the budget.
- It is possible to negotiate a plan for temporary disruptions in payments in advance with a bank.
- The credit status of customers should be regularly checked.
- Further information can be found in the following [SME Risk Management Toolkit](#) tool: Business Risks.

2.3 Gearing

“Loans that were too large plunged the company into liquidation.”

Too large a proportion of borrowed capital or high interest rates, reduce a company's ability to cope with a possible lowering of its profitability. Significant variations in currency rates can raise the costs of unhedged foreign currency loans to an intolerable level. In order to operate on a healthy basis, a company needs sufficient shareholder equity - business activities are not possible based on borrowed capital alone.

Are there risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- The larger the part of a company's capital that is shareholders' equity, the higher the gearing. High gearing means a better ability to tolerate risk and provides good possibilities for surviving a financial crisis. High self-sufficiency (internally acquired funds) means less external funding and lower interest costs.
- Equity is acquired from an entrepreneur's own investment, from shareholders through an increase of share capital, and by widening the basis of ownership (new business partners). One characteristic of healthy business activity is a low burden of debt.
- Regular contact, meetings and activity planning with an accounting firm are important.
- It is also worth finding out about subsidies and other sources of funding provided by government or European Union grants, etc.
- Further information can be found in the following [SME Risk Management Toolkit](#) tool: Business Risk.

3 Organisation of operations

Business activities are usually launched around a service or product idea. After a company is established and begins operating, its activities should be organised and it should be continuously developed. The following text concerns the operations of an existing business and may not apply to the establishment of a new one.

3.1 Development of activities

‘The market for dressmakers declined when there was increased customer demand for mass-produced fashionable clothing.’

A company can't survive long without competitive products and services that customers wish to purchase. If a company's business is based on one product, sudden changes in the market can be fatal to the whole operation. For instance, when tights entered the market it caused a reduction in the demand for stockings.

If investment in the development of products and services is insufficient, and the changing needs and demands of customers are not taken into consideration, competitors may gain a significant lead in the market.

Whilst it can be appropriate to 'rest on your laurels' in a stable market, you should also continue to look ahead and strive to develop/improve products, production and services. Expansion may become desirable at some stage, but it may also be necessary to downgrade operations in certain situations. Both situations bring their own risks.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- The product range should contain products that are at different stages of their lifecycles. New products and services should be developed early enough to replace products whose demand is falling. You should be familiar with the competition, though ideas should not be copied without careful assessment. Your product range should be based on sound market research and customer demand, so that it doesn't expand in an uncontrolled way.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Project Risks and Business Risks.

3.2 Dependencies

"A door factory's stocks built up due to a long strike in the construction industry. Production has already been halted for two weeks."

A company's operation is dependent on many factors. Customers' changing needs or problems can cause disturbances to a company's activities. Even temporary problems with deliveries from subcontractors may cause interruptions in production.

Today, many companies develop networks and supply-chains. This means that a company's success is influenced by the operation and success of other companies. When assessing dependencies, issues such as the effects and results of interruptions on a company's business should be considered. Hazards associated with dependency can include failure to meet your delivery dates because your supplier has let you down, thereby causing you to incur possible penalties or lost business. Interruption risks may also arise from accidents or illness affecting a business partner or the long-term absence of the your own key employees. In addition, causes of interruptions can include raw material shortages, plant or machinery breakdowns, power cuts, fires, burglaries, manufacturing faults, a sudden fall in demand and mounting stocks, strikes, etc.

Interruptions can result in shutdowns, the loss of customers, lay-offs and even business closure.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Situations and events that can lead to a short or long-term interruption in operations should be examined. Events that are outside the company's control, such as strikes in other industry sectors and their effects, should be considered.
- Insurance companies offer a variety of different insurances to cover interruption risks - become familiar with them and compare their terms and conditions.
- Further information can be found in the following **SME Risk Management Toolkit** tools: Business Risks and Dependency can be a Big Risk.

3.3 Agreement and liability issues

"The whole deal was cancelled because the trial sample failed to meet the set criteria."

Customers expect that the products and services they purchase meet agreed specifications and quality standards and are fit for the purpose.

Those whose activities cause environmental damage are liable for the remediation costs as well as possible fines i.e. 'the polluter pays' principle applies.

Comments and further details

Are there any risks related to the above-described issues?
No risk <input type="checkbox"/>
Risks under control <input type="checkbox"/>
Must be taken care of <input type="checkbox"/>

Tips for processing or solving identified problems

- Product and service specifications should be defined in both purchase and sales agreements.
- All agreements should be in writing and those concerning subcontracted services should clearly define the liabilities of each party and the responsibility for insurance.
- A solicitor should be used when drawing up agreements. Trade or employers' associations may have ready-made agreement templates for a variety of situations. The following factors should be covered in any agreement: legal requirements, general terms and special conditions.
- Companies should ensure key employees are sufficiently knowledgeable in business law to recognize when a solicitor is required. It is essential to have a clear company policy on how agreements will be arranged, together with relevant instructions for employees.
- Further information can be found in the following **SME Risk Management Toolkit** tools: Agreements and Liabilities, Business Risk, Product Risk and Project Risk Management.

4 Operational prerequisites

Products or services are the foundation of business ideas. A company lives or dies through its products or services - what it offers to its customers must provide the cash flow to finance the company's operation.

It is important to identify the internal and external prerequisites for a company's operation. In a company engaged in production activities, the risk management process must consider the use of substances and energy; plant and machinery; and the control measures required during operations and maintenance. Premises should also be taken into account, in both the production and service sectors.

4.1 Machines and equipment

"We regret that our printing house is unable to process images in digital format. As a result, the delivery of your brochure order will be delayed by two weeks."

Product quality may suffer if machines don't have the features and capacity to meet the required performance. The repair and maintenance of machines and devices can cause interruptions if there is a problem with availability of service and spare parts. However, excessive stocks of spare parts and unnecessary servicing represent needless costs. Almost all companies, regardless of business sector, use a variety of devices and systems for the processing and communication of information. These devices must be able to meet modern demands – older, slower or faulty equipment may impede the efficiency of a company's operation.

Interruption in the supply of utilities such as gas, electricity, water, compressed air, heat or steam may also stop machinery.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Selection of appropriate machines and equipment and careful investment planning are a part of continued efficient production.
- Unscheduled production downtime can be minimised by ensuring regular servicing and planned preventative maintenance. It is essential to have service agreements for special devices with the supplier or authorised service company. It is important to have reliable back-up equipment/systems for critical operations.

4.2 Raw materials and admixtures

“Production had to be interrupted for two weeks because raw material deliveries were delayed due to a strike and there was no alternative raw material supplier.”

Interruptions are more likely to occur in the supply of important raw materials when a company relies on a sole supplier. The storage of raw materials for long periods of time or in poor conditions can cause a decrease in quality, deficit or excess costs.

The properties of some substances mean that they pose special hazards, e.g. flammable or toxic chemicals. Also, some substances are incompatible for storage together because they may react with one another and create a greater hazard than when stored separately.

The quality of raw materials can vary between suppliers and cause problems to a company’s production. Even admixtures, that may seem insignificant, can cause operational difficulties or interruptions if the supply is inadequate.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Alternative suppliers should be available for all significant raw materials and admixtures.
- Examine the quality systems of your suppliers.
- Instructions for correct storage can be obtained from the raw material supplier.
- There are legal requirements for the safe labelling, transportation, handling, use, storage and disposal of hazardous substances.

4.3 Waste and releases

“As a result of overfilling a container, oil was released into the river. Cleaning up the pollution will cost thousands of pounds.”

All activities produce some waste, and responsibly dealing with your waste is part of good business practice. There is also a legal requirement to do this and an increasing demand from environmentally conscious consumers.

Where hazardous waste is produced during production, special care must be taken for its correct handling, storage and disposal. Authorities granting permits and licences will set specific conditions/limits for releases/emissions and waste management. If you need to dispose of special waste e.g. asbestos, you must engage the services of a licensed waste disposer and it must be correctly labelled.

Badly handled chemicals can cause harmful releases to the ground, watercourses or the air. Storing and handling chemicals in a way that is contrary to regulations increases this risk. Noise, light, dust and odours can all pollute the environment.

Those whose activities cause environmental damage are liable for the remediation costs as well as possible fines i.e. ‘the polluter pays’ principle applies.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- It is worth finding out whether it is possible to use the waste produced by your operation (segregation, reuse, recycling and recovery). Your waste may be a useful raw material for someone else, and someone else’s waste may be a raw material for you. Enquiries about reuse, recycling and recovery can be made at the Environment Agency/Scottish Environment Protection Agency, recyclable waste centres or waste management companies.
- The handling and disposal of hazardous wastes are controlled by regulations. If you have any doubts or require further information you should contact the Environment Agency/Scottish Environment Protection Agency/Environment and Heritage Services – Northern Ireland or local authorities.
- Further information can be found in the following **SME Risk Management Toolkit** tools: Environmental Risks and Basic Requirements of Risk Management.

4.4 Premises

“We can’t meet the increased demand because our cramped premises don’t allow us to assemble more machines or increase our raw material stocks.”

Your business premises need to be appropriate for your operation. If they are too small, cramped conditions can cause problems, however, if overly large, they will incur extra cost. Premises can also be impractical in other ways: doors may be too small, heating and lighting may be difficult, accommodation may be spread over too many floors and may be in poor condition, etc.

Self-owned premises tie-up a company’s capital, but renting premises can create problems such as uncertainty about the continuity of the lease and the possibility of unexpected rent increases. All premises, whether for production or office use must have access to adequate welfare facilities (e.g. toilets, hot and cold running water, etc.). Location is also important as difficulties may arise if the premises are situated away from good transportation routes.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- If your premises are unsuitable, keep an eye out for better premises nearby. Local authorities may offer modern premises for new business ventures.
- Premises with good housekeeping and a good working environment are safer to work in, improve employee morale, and project a positive company image to customers.

4.5 Quality of products and services

“Faulty gadgets manufactured by Thingamajig Ltd have caused three accidents – compensation is likely to be high.”

Quality standards can only be met if there is adequate resource e.g. appropriate production equipment, raw materials, supplied parts, employee skills and a quality control system. Deficiencies in any contributing resource will have a detrimental affect on the quality of the end product or service.

Faulty and misused products can cause harm to their users. Inadequate instructions often contribute to misuse and can lead to accidents. Manufacturers and suppliers have a legal duty to ensure their products are safe for use and must provide clear instructions where necessary. Failure to meet this duty can cause manufacturers and suppliers to incur significant product liability damages, as well as enforcement action.

Environmental friendliness and recyclability may also be required of your products.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- The criteria that products and services must meet should be defined in both purchase and sales agreements. Quality standards must also be agreed when drawing up subcontracting agreements, ensuring the quality standards of subcontractors are compatible with that of the client. Evidence of an effective quality control system is an indication of reliability.
- Customer satisfaction can be achieved by meeting the agreed quality standards (i.e. to specification; on time every time; and to cost). Effective production planning and management help achieve high-quality operations.
- Legislation and European product standards (such as the CE marking) place a variety of demands on products. Insurance companies offer product liability insurance to cover compensation claims that may arise from product faults or misuse.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Environmental Risks and Product Risks.

5 Stakeholder groups

Regardless of the field of operation, a network of business and interdependent relationships is formed around every company - without it business activities would be impossible.

The management of stakeholder relations represents modern thinking in business management. A thorough knowledge of a company's operational environment helps a business to identify and manage the potential hazards caused by stakeholders.

Your personnel (see section 1.1) customers, investors, suppliers, competitors and local community/society are all examples of stakeholders and most of these are examined in other areas in this booklet.

5.1 Customers

"Our largest customer changed its supplier without warning. We'll have to lay-off some of our employees."

Neglecting the needs of customers and underestimating the importance of customer feedback may result in loss of custom. It is important to satisfy your largest customers in order to retain their business, however, small customers may one day become large ones, and so must also be treated well.

A rapid increase in customers and orders may cause problems with production and liquidity. Delayed payments from a customer can also adversely affect a company's liquidity. A narrow customer base may be sensitive to economic fluctuations.

Unfair competition may endanger the operation of a company.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Trade fairs and promotional events are a part of marketing, and large companies often seek cooperation partners/subcontractors at such events.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Project Risks and Business Risks.

5.2 Financers

“During the good years, we got carried away with tempting foreign currency loans. Now we are penniless.”

Poor communication with financers/investors during good times can cause problems when additional funding is needed.

A large amount of borrowed capital or foreign currency loans weaken a company's ability to cope with different risks e.g. the possible lowering of its profitability (see section 2.3 Gearing).

The availability of subsidies and other financial aid should be explored and secured where appropriate – once secured, they must be effectively used.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- There should be regular communication with the bank and other financers/investors.
- Information concerning financers/investors and various sources of funding can be obtained from Trade or employers' associations, Small Business Service, Chambers of Commerce, etc. These sources also have expertise and services intended for SMEs.

5.3 Subcontractors and suppliers

“Fire-damage to door stocks at Saw and Plane Ltd meant that they could not supply doors to a manufacturer of holiday homes, who in turn failed to deliver to their customers on time.”

Dependence on a single subcontractor/supplier means that changes or disturbances in their operations may seriously affect your own. Delays in deliveries or quality problems from your subcontractor/supplier can interrupt your own deliveries and result in the loss of customers.

Unclear boundaries of liability between a subcontractor and a company may cause serious repercussions.

Interruption and liability insurances cover at least a proportion of financial loss – but cannot replace lost customers. Accidents to, or caused by, your subcontractors can cause significant delay, losses, bad publicity, etc. It is important that you carefully select and control subcontractors.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- It is common for today’s businesses to outsource and subcontract work, as economies can be achieved in this way and risks shared.
- Alternative suppliers should be found for the most critical subcontracted services. The quality and health and safety performance of subcontractors should be compatible with your own. Evidence of an effective quality control system and health and safety management system are indications of reliability.
- **Agreements** concerning subcontracting and other agreements should always be made **in writing**, and the liabilities of all parties should be made clear. The responsibility for insurance must always be included in agreements. A solicitor’s assistance should be obtained when drawing up agreements. Trade or employers’ associations may have ready-made agreement templates for a variety of situations.
- The credit status and solvency of subcontractors should be regularly checked.
- Further information can be found in the following **SME Risk Management Toolkit** tools: Agreements and Liabilities and Business Risks.

5.4 Authorities

“Environmental Health Officers have investigated the release of odours from Dishwater & Co and have demanded the installation of a purification system.”

When starting business, a company is required to give appropriate notification to the authorities and to obtain relevant permits and licences. Failure to comply with legislation, bye-laws, standards, and permit/licence conditions pertaining to your business, represent a significant risk and can result in prosecution and/or prohibition of operation.

If an enforcing authority deems it necessary to intervene in your activities (e.g. to give notices, warnings or recommendations) it is usually a sign of poorly managed affairs.

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

6 Property and interruptions

Hazards related to property often cause interruptions in operations if they occur – sometimes for a long time. When assessing property hazards, those related to both fixed assets (e.g. buildings, machines and IT systems) and floating assets (e.g. raw materials, materials and supplies, and finished goods inventories) should be assessed, including the extent of possible interruption.

6.1 Fire

“A fire started by a grinding machine interrupted the company’s operations for several months!”

Even a small fire in your company’s premises or adjoining buildings can quickly and easily spread out of control. Examples of fire hazards include flammable substances, hot processes and surfaces, ‘hot work’ and activities that generate dust, etc.

There is a legal duty to assess the fire risks in your premises and to implement appropriate control measures, which can include:

- Minimisation of flammable materials and sources of ignition
- Early detection devices e.g. heat or smoke detectors
- An adequate alarm system, capable of alerting everyone in the building
- Evacuation routes, emergency exits and safe assembly areas – all with appropriate signs
- Fire fighting equipment e.g. sprinkler system, portable fire extinguishers, etc.
- Means of preventing the spread of fire e.g. firebreaks, firewalls, fire doors, etc.
- Emergency procedures and evacuation drills

Early warning systems can allow safe evacuation and fire-fighting systems to be triggered and also the emergency services to be summoned.

You should not discount the possibility that your company could be the target of an arson attack.

Even a small fire can cause significant smoke and water damage.

Comments and further details

Are there any risks related to the above-described issues?
No risk <input type="checkbox"/>
Risks under control <input type="checkbox"/>
Must be taken care of <input type="checkbox"/>

Tips for processing or solving identified problems

- Employee training and regular exercises in the use of fire fighting equipment reduce the risk of destructive fires.
- Fire hazards and emergency plans should be discussed with the fire authority, as well as your insurance company.
- Good housekeeping; regular servicing of machines/equipment/electrical wiring; and correct storage of flammable liquids/gases, all help reduce fire risks.
- The hazard and consequences of arson can be reduced by improving the lighting and surveillance of outdoor areas and by storing rubbish, waste paper and other combustible materials safely and securely.

6.2 Leakage

“A pipe burst and water leaked into the storeroom. The electricity supply and some finished goods stocks were damaged.”

Leaks can result from equipment failure in a company’s own operations, malicious damage, a burst water main or an accident in adjoining premises, etc. Sewers near premises can overflow after heavy rain or melting snow and the overflow can enter buildings. There can also be widespread flooding and property damage due to prolonged and heavy rainfall, particularly if your premises are located in a flood plain.

In addition to water, other fluids can cause damage when they leak. Depending on the characteristics of the leaking substance, the consequences can include personal harm and also fire, environmental and property damage.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Regulations concerning the storage of hazardous substances also require adequate bunding arrangements to contain any leakages.
- To prevent water damage, roofs, drainpipes and gutters should be kept clear and in good repair. The possibility of heavy rains and flooding in the yard etc. should be taken into account when storing items outdoors. The danger of water damage indoors should be considered when deciding the location of equipment such as electricity distribution boards, computers, etc.

- All pipelines should be marked indicating the substance contained and its direction of flow. The locations of pipeline shut-off valves should be clearly marked. Access to shut-off valves should be unobstructed so that leakages can be stopped as quickly as possible in an emergency.
- Suitable absorbent materials, receptacles and personal protective equipment to deal safely with the hazardous substance in question, should be available in case of leakages.
- Further information can be found in the following [SME Risk Management Toolkit](#) tool: Environmental Risk.

6.3 Equipment failures

“Due to bearing damage, a machine axle was broken. A new part had to be ordered from an overseas supplier.”

All machines and equipment may break down at some point. This can happen at the least convenient time and the part that breaks may be vital and difficult to replace.

A lack of spare parts or inadequate servicing of machines and equipment can cause business interruptions. Neglecting to monitor the condition of equipment may allow sudden failure to occur and halt production, or it may impair the quality of the manufactured goods.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- In order to prevent equipment failures and to ensure safety, machines and equipment should be used only for the purpose for which they are designed, and the permitted load or capacity should not be exceeded.
- Well-implemented planned preventative maintenance and stocks of essential spare parts increase the reliability and lifespan of machines, as does condition monitoring during use. Essential servicing of machines and equipment should not rely solely on the expertise of one person.
- The servicing and availability of spare parts for the most important machines can be ensured via service agreements.
- Subcontractors for carrying out critical functions should be found in advance.

6.4 Information risks

“Due to human error, the wrong files were deleted. There were no backups for the customer databases and invoicing.”

In the modern information technology era companies utilise computer software for a variety of tasks. These can include planning and management of orders, production management, invoicing and customer databases. An equipment failure, computer virus, a small fire or water damage can destroy a substantial amount of important information.

Activities or issues that should be kept confidential are part of most companies' operations. Careless handling and storage of documents, drawings and files etc. increases the hazard of 'information leaks'. Many service companies and their employees may also possess information concerning people outside the company – there is a risk of this material getting into the wrong hands.

Comments and further details

Are there any risks related to the above-described issues?
No risk <input type="checkbox"/>
Risks under control <input type="checkbox"/>
Must be taken care of <input type="checkbox"/>

Tips for processing or solving identified problems

- Backup copies of files must be made regularly and they should be stored separately from other files in appropriate facilities or in a separate building.
- Clear instructions should be provided for archiving and copying important/confidential documents. How these instructions are followed should be monitored.
- A backup system should be considered in case of computer and IT system failures. Methods for manually performing the most significant operations should also be examined.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Information Risks and Acts of Damage.

6.5 Criminal activity

“The stocks of Shop Ltd were destroyed in a fire. The police suspected arson because the fire seemed to have started in the rubbish bin next to the wall.”

Valuable machines, equipment, raw materials and finished goods in a company may all attract thieves. Drugs or other intoxicating substances may also attract interest. Inadequate lighting and a remote location assist the activity of burglars and vandals. Rubbish containers and other combustible materials that are kept next to the walls of a building attract arsonists.

Visitors to a company’s premises may acquire confidential information from carelessly handled papers, and they can use it in a way that harms the company. In some occupations, violent or threatening behaviour from customers is a hazard.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Regular security checks, camera surveillance, access control equipment, alarm equipment and systems, reliable locking systems and proper fences prevent unauthorised access to the area. Security is also improved when items of property are marked – marked property is difficult to sell even on the black market. Further information is available from the police, insurance companies, security firms and other experts in the field of security.
- Insurance companies provide fire protection instructions in how to prevent arson.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Crime Risks, Information Risks and Acts of Damage.

6.6 Transportation damage

“Some of the products decayed because the truck was stuck for a week at the customs in Dover.”

Goods need to be adequately packed and protected to prevent damage during transportation, especially if something unexpected happens. It is important to select a reputable carrier with appropriate transport (e.g. refrigerated for perishables) and experience in the safe delivery of your particular product. If you select the wrong carrier with inappropriate transport, your product may be damaged and you may have to carry the

loss. Also, it should be remembered that if your product spills or leaks during transportation and causes environmental damage, you might be liable for clean-up costs.

An unreliable transport company can delay the delivery of your product to your customer and can cause loss of business. Similar hazards exist even when using your own transport for deliveries. Delivery vehicles can be involved in road traffic accidents, causing injury to people, damage to the vehicle and to the product - even minor incidents, or road-works, can cause significant delays. If your goods are to be transported by rail, sea or air they may be delayed due to industrial action at any stage during their journey.

Dangerous goods cannot be transported by road, rail or inland waterways unless the transporter has advice from a Dangerous Goods Safety Adviser (DGSA). If you are the consigner of dangerous goods for transportation, you must supply the DGSA with all relevant information/datasheets about the dangerous material concerned.

Comments and further details

Are there any risks related to the above-described issues?	
No risk	<input type="checkbox"/>
Risks under control	<input type="checkbox"/>
Must be taken care of	<input type="checkbox"/>

Tips for processing or solving identified problems

- Investigate different transport options and make the most appropriate choice for your particular operation and products - the cheapest is not always the best!
- Insurance companies provide a variety of insurances for transport risks.
- Further information can be found in the following [SME Risk Management Toolkit](#) tools: Environmental Risk and Travel Risk.

Risk assessment

After the identification stage, the hazards or problems that have been marked '**Must be taken care of**' are examined and the risks are assessed. The same group that identified the problems can carry out the examination and assessment. New members can be added to the work group who have relevant knowledge, experience, etc. of the specific hazards.

A **summary sheet** has been developed to support risk assessment and the planning and implementation of control measures. Identified problems or hazards are first written down in the **Hazard or problem** column on the sheet. There is an empty summary sheet at the end of this workbook that can be copied as required. The SME Vulnerability Analysis booklet contains an example of how the summary sheet can be used.

Issues should be written down on the summary sheet, as concisely as possible – but in such a way that everyone working in the company understands what it is about.

Specifying causes of hazards

In order to evaluate the magnitude of a risk, it is necessary to examine the causes and consequences of the hazard in detail. These issues have often already been discussed in connection with hazard identification. However, some situations require more discussion and, sometimes, the use of an external specialist.

In the **Causes of hazards** column on the summary sheet, write down the cause of the problem or hazard or the factors that can contribute to its existence or the extent or severity of its consequences. Remember that there may be more than one cause for the same event.

Specifying the consequences of a hazard

In order to evaluate the magnitude of a risk, you have to consider the extent and severity of consequences of the hazard. Generally, you should examine the worst possible situation and the most serious and wide ranging consequences. Write down the consequences in **the Worst/typical consequences** column on the summary sheet.

Evaluating the magnitude of a risk

The priority of risk management control measures is based on the magnitude of the risks, which depends on a **combination** of two factors:

- **Probability:** The more often or more likely that a harmful event will occur, the greater the risk; and
- **Consequences:** The greater the loss when harmful event occurs, the greater the risk.

Risks can be assessed according to various scales. The magnitude of a risk can be characterised with words (**trivial – intolerable**) or numbers (**1–5**), for example.

Estimate and write down the magnitude of the risks you have identified in the **Magnitude of risk** column on the summary sheet. Remember that **assessing the magnitude of a risk does not make the risk larger or smaller!** It only helps to prioritise and direct risk management control measures correctly.

Risk management: control measures

Suggestions for control measures may have already been made when a hazard was first identified. Agreed control measures, responsible persons and implementation schedules are written down in appropriate columns on the summary sheet.

Not all hazards can be eliminated, so the implementation of the control measures for those that remain must be prioritised according to the level of risk, with the highest risks being tackled first. However, if control measures for small risks are cheap and easy to implement, they should be done straightaway. When planning risk management control measures and their schedules, it is worth thinking about how these can be integrated into the company's other activities e.g. future maintenance work, investments, training events, employee arrangements, etc.

Identified hazards can be managed with a variety of methods. The primary aim is to prevent the occurrence of accidents or to reduce their consequences. Some key methods of risk management are presented below.

- **Avoiding risk.** Avoiding risk is not always possible and can often only be achieved if a company refrains completely from the activity in question. The risks related to a dangerous chemical, for example, can be avoided by changing to a safe chemical, and the risks of export activity can be totally avoided by operating only in the domestic market.
- **Reducing risk.** Reducing risk is an essential part of risk management. Influencing the probability or consequences of an event can reduce a risk. In other words, you have to implement control measures so that the hazard in question occurs as rarely as possible or that the consequences are as small as possible - or preferably both.
- **Transferring risk.** A risk can be transferred to another party **by agreement**. Typical of this are transportation and subcontracting agreements in which a contract can be made with a reliable and professional company to carry out a task that contains a risk. Insurance is also an option. Insurance companies offer an abundance of insurance products for the needs of SMEs. The cost of insurance premiums can be influenced by your management of risk i.e. poor risk management can mean higher premiums. It is not possible to insure against all business risks.

- **Keeping risk.** Risks are a part of business activity. Certain risks are kept and any losses are absorbed by the company (this can happen if risks are not fully identified). A common example of retained risk is the 'excess' that an insured party agrees to pay – this means that they keep the risk that is below a certain monetary value (i.e. the excess).

Suggestions for the management or further examination of identified risks can be found in the last section of each subcategory: "**Tips** for **processing** or **solving** identified problems".

Responsible person and schedule

To ensure that actions are carried out, their implementation should be assigned to a named a **responsible person** or persons. Not everything can be done immediately, some problems will require further examination, planning or even the arrangement of funding, and an **implementation schedule** should be agreed.

Further meetings are arranged at suitable intervals – once a month or a couple of times a year, for example – to monitor the implementation and efficacy of the control measures. Risks that are now under control are ticked or marked with OK in the Done column on the summary sheet.

We wish you every success in hazard identification and risk management!

Risk Management Control Measures: Planning, Implementation and Review

Company	Object of assessment	Group/Assessor	Date	No. of pages
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Hazard or problem	Causes of hazard	Worst/typical consequences	Magnitude of risk	Control Measures	Schedule and person responsible	Done

Next meeting and convener:
