

MODULE

How to avoid failure and how to handle risks effectively

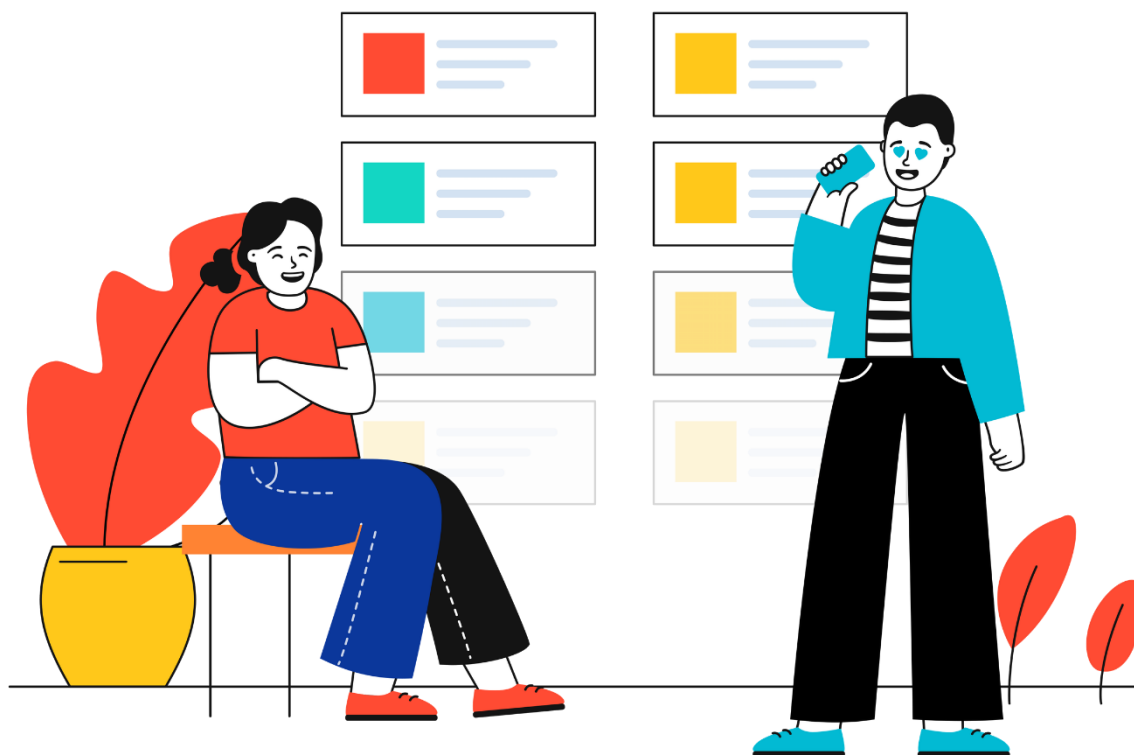
SHORT DESCRIPTION

Risk is an integral part of the operation of any business. Risk management is a skill that will significantly reduce losses as well as help increase revenue in the enterprise. In this module we will learn how to manage risk effectively and how to minimize the risk of failure in a company.

CONTENT

Risk management in the enterprise

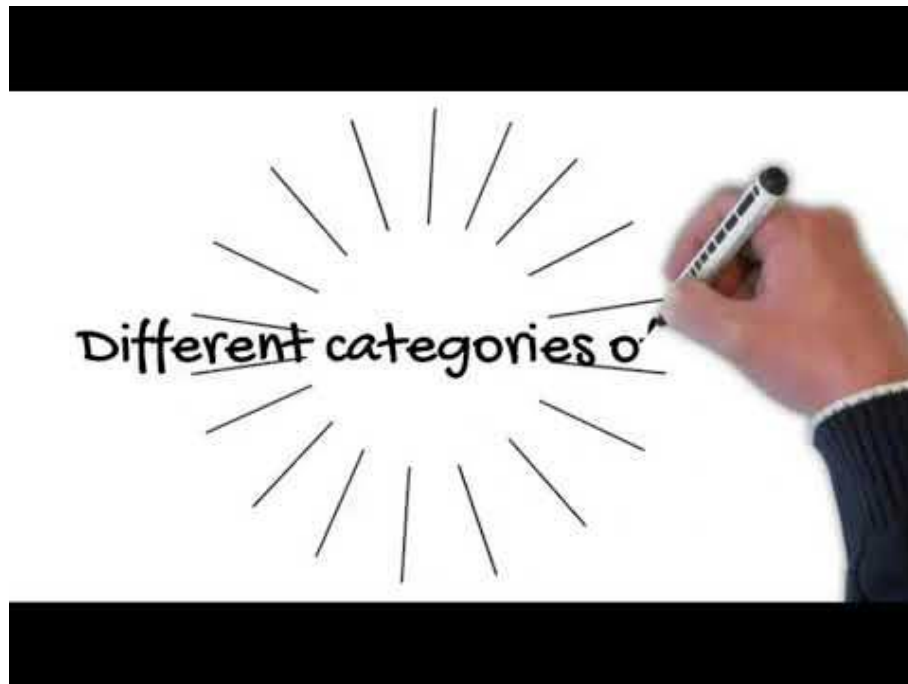
Firstly, let's define the term "risk management." Risk management, according to the Encyclopedia of Management, is "decision-making and implementation of actions leading to the achievement of an acceptable level of risk by the entity." Thus, it is a process that involves the diagnosis and control of risk, the purpose of which is to develop stable financial results and create conditions for the further development of the enterprise.



Individuals making business decisions should be aware of the risks that are associated with the decision. However, awareness alone is not enough, the entrepreneur should also know how the decisions taken can bring the right effect for the enterprise and how to minimize the risk of failure. An appropriately selected risk management system helps to identify risks early on and make the right decisions quickly, which may affect the success of the company. Every entrepreneur should remember that a risk cannot be completely eliminated, it can only be minimized. This is not an easy process; therefore, it is worth knowing how one should proceed with risk management and what stages it consists of.

The following video will answer basic questions about enterprise risk. Learn what enterprise risk is, the types of risks and how to manage them.

Video 1: What are Business Risk?



Source: <https://www.youtube.com/watch?v=2ZJ-Fhk-g6U>



TIPS

- Develop an operational framework that fits the size, scope and complexity of your enterprise.
- Identify internal and external systems that are either critical to your operation.
- Create a risk assessment schedule
- Keep in mind that there are different categories of risk that may affect your enterprise.

How to handle risks effectively?

As we mentioned in the previous section, running a business involves risks that cannot be fully eliminated. However, there are ways that will partially reduce the negative impact of risk. It is also important to mention that risk management should cover all areas of the business.

Every entrepreneur should remember that risk management is a process that requires a proactive approach and constant work of monitoring the effectiveness of actions to minimize risk.

Here are some steps to get your business risk management right:

1. Planning - The first and fundamental step in risk management is to prepare adequately for the process. At this stage, an enterprise should prepare appropriate procedures, documentation and risk management techniques.
2. Risk Identification and Analysis - The second step is to identify potential risks; it is important to focus on their nature of scope and type. To identify risks, focus on areas that are conducive to risk, i.e., commercial, market, political and social areas. Proper risk analysis in these areas will allow you to determine how likely your business is to fail.
3. Planning risk countermeasures - create a plan to prevent or minimize the occurrence of potential risks. At this stage, you should focus on developing appropriate techniques to help you combat the risk.
4. Risk monitoring and control - The final stage, consists of two parts. The first part is the implementation of a risk management system, and the second part is the monitoring and oversight of actions that are designed to potentially prevent risk.

Want to learn more ways to minimize your risk? Take a look at the video below!

Video 2: 10 Ways To Minimize RISK In Business



Source: <https://www.youtube.com/watch?v=NQ9f6ITxeT0>



TIPS:

- Identify risks and minimize them - this will help you implement an appropriate plan to manage risk
- Set priorities - Conduct a thorough risk analysis
- Be positive - Any risk can create opportunities

Techniques and benefits of risk management

Effective risk management involves skillful assessment, which is why there are techniques and tools that provide a broader context and a better view of an issue. These include checklists, cause-and-effect diagrams, assumption analyses, group techniques (e.g., brainstorming), probability trees, etc. An entrepreneur who has decided to implement a risk management system can combine the above techniques to make the risk management assessment as effective and reliable as possible.

A company that has successfully implemented and maintained a risk management system can expect a number of benefits, including:

- Greater likelihood of achieving desired objectives
- Greater control over the identification of business opportunities and threats
- Minimization of losses
- Increased effectiveness and efficiency of conducted activities in the company
- More active management of the company
- Reduction of costs
- Maximization of profits
- Reduction of uncertainty
- Possibility of implementing long-term objectives
- Increased enterprise security.

Video 3: Benefits of risk management



Source: <https://www.youtube.com/watch?v=sc4yz9XTCrE>



Tools that make risk management easier

Enterprise risk management involves the need for new procedures. An entrepreneur who wants to minimize risk should look at innovative solutions that will help him in this process. Nowadays, there are many programs that enable risk management. First, we will focus on the traditional SWOT Analysis, which is a basic tool for building an enterprise strategy and business plan.

SWOT analysis is a tool that will allow you to easily identify Strengths, Weaknesses, Opportunities and Threats of your company. Learn more about how to use the SWOT analysis in the video below:

Video 4: How to Use SWOT Analysis



Source: <https://www.youtube.com/watch?v=EJ4uVsSqQ9k>



For entrepreneurs who are looking for more innovative solutions, we suggest the **Createfly** platform. It is a tool that provides visual templates that help you identify, analyze and control your enterprise risks. On the platform, you can easily and quickly create a risk management plan. It is perfect for people who have good digital skills. The platform comes with different subscription packages, but it is also available in a free version.

Check out other tools that will help you manage risk effectively: <https://startinfinity.com/blog/risk-management-software>

Is it possible to avoid failure in business?

Every path to success involves making decisions, some tend to affect the operation of the business and some do not. Can you be 100% sure that your business will succeed? No, but you can influence it in many ways.

Running your own business is not easy, as statistics show most young companies fail within the first year of business, so let's find out what you need to do to avoid failure and minimize the risks associated with business failure. Even if your business plan sounds great and you think everything is going well, you need to be prepared for failure!

Here are some tips and tricks that can help you avoid failure

- When creating your business plan, think about who you want to create your service or product for, try to "step into the shoes" of your customer and consider what will matter to them when they make a purchase.
- Learn to defend your vision - your services will be exposed to the judgement of others, so analyze your idea in depth, fend off criticism and look for answers to your doubts, this will help you avoid poor decisions when you decide to open your own business.
- Get rid of bad habits - changing your habits can significantly contribute to your professional success!

Video 5: Two reasons companies fail -- and how to avoid them | Knut Haanaes



Source: <https://www.youtube.com/watch?v=XVXmYD0UPRQ>



GUIDELINES/TIPS

- 'If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business.' – Gary Cohn

- 'Managing risk is very different from managing strategy. Risk management focuses on the negative-threats and failures rather than opportunities and successes.' - Robert S. Kaplan
- 'Test fast, fail fast, adjust fast' - Tom Peters

EXTERNAL RESOURCES/ TOOLS

<https://creately.com/usage/risk-management-tools-templates/> - Risk Management Plan Templates

https://grid.is/landing/visualize-spreadsheet-models?utm_source=google&utm_medium=cpc&utm_campaign=2021-09-014-prosp-models&utm_term=models&gclid=CjwKCAjw2bmLBhBREiwAZ6ugo-ioLjxiJWZCpPyLHK_Q3aRqdbqbnv8xiirF6_J8uEBJ-iqY28njihoChAEQAvD_BwE – Scenario Analysis Tool

<https://www.projectmanager.com/blog/risk-management-tools-techniques> - The Best Risk Management Tools & Techniques for PM Pros

<https://www.ntaskmanager.com/blog/best-risk-management-software/> - The 19 Best Risk Management Software of 2021

<https://www.investopedia.com/articles/financial-theory/09/risk-management-business.asp> - Identifying and Managing Business Risks

<https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2021/02/23/14-smart-ways-to-manage-business-risk/> - 14 Smart Ways To Manage Business Risk