

# Steps to develop your risk management plan

## Prevention is the best insurance against risk

By Jessica Newhall

Clatsop Community College  
Small Business Development Center

It has been just over a year since the first COVID-19 case was detected in Oregon. The virus's spread has had catastrophic effects on lives and forever changed what we once knew as our way of life. We mourn for those who have lost their lives, continue to heal the sick, and have come to accept that to protect our future we must take preventative measures to stop the spread of the virus through masks, social distancing and limiting exposure. The rollout of the vaccine is providing a renewed sense of hope and optimism and for our business community there is likely to be a sense of relief as stability seems within reach.



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Mitigating the potential impact of threats like that which we have experienced with this global pandemic is a critical aspect of business leadership. There is a strategic planning exercise that businesses can undertake to analyze their organization's strengths, weaknesses, opportunities, and threats, known as SWOT Analysis (or situation analysis). This framework allows you to solidify what you do well, address areas where you need to improve, uncover where areas of growth can be, and understand what risks might exist.

If your organization had done a SWOT analysis in the fall of 2019 and analyzed the threats that existed, it is unlikely that a global pandemic would have been a bullet point on the list for you or for any small businesses in our community prior to the COVID-19 crisis.

More likely you would have drawn from experience, thinking through the impact the Great Recession and Great Coastal Gale of 2007 had on your business as well as the increased awareness of a threat of a tsunami. This would have likely led to a discussion on what preventative measures you

should take to mitigate the business risk should another major economic downturn, natural disaster or serious weather event occur.

Perhaps your business did not do that exercise in 2019 — and if there is a lesson from this past year it is that to ensure business and financial resiliency you need to constantly be aware of the risks that exist for your business and take steps necessary to prevent, or at least lessen, the chance for that risk to have a catastrophic effect. This process is known as risk management and there is not a better time to undertake this effort than while your experience with risks' impacts is still top in mind. Here are the steps you can take to develop your risk management plan:

**Identify the risks:** This is a time to gather your trusted team together and ask the "what if" questions for your business. Some of the risk categories and examples you may want to consider include:

- Economic/financial risk can include external threats such as economic downturns or internal ones including fraud, embezzlement and poor financial planning.
- Location or operational risk includes dam-

ages to your business that cause business interruption such as fire, product failure, loss of suppliers, theft or loss of employees.

- Technology risks to your business can be computer failure, power outages, cybersecurity, hacking or lack of back-ups.
- Compliance risk includes understanding and keeping up to date with all laws and regulations that govern your business or industry.
- Strategic risk occurs when the business does not have a sound business plan or strong and agile leadership, or it poorly executes business strategies.

**Assess the risk:** What is the potential severity and likelihood of this risk on your business?

**Manage the risk:** What plans can you put in place to mitigate the risk and who will be responsible for these? For example, to mitigate the threat of workplace injury, you will implement quarterly mandatory safety trainings for your staff. Or to mitigate the threat of economic downturns, you will start saving to ensure you have enough cash reserves to outlast several months of disruption.

**Monitor and review:** Risk management is not a one-time effort; it requires continuous assessment and actions.

Your risk management plan should detail your risks and the steps you will take for mitigating those risks for your organization. It is critical to allocate time and resources to preparing it and putting the plan in place.

Of course, not all risks are preventable, mistakes happen and sometimes risk is just part of doing business. You will need to understand how much risk you are willing to take on and act accordingly. Your best partner in managing risk is your insurance provider and one of the easiest risk management steps you can take is to meet with your insurance agent at least once a year to review your policy and discuss your coverage. Risk management is possible, you just need to have a plan and take action.

If you would like to have a facilitated SWOT analysis session or need assistance developing a risk management plan for your business, the Clatsop SBDC is here to help. Just email [sbdc@clatsopcc.edu](mailto:sbdc@clatsopcc.edu).

*Jessica Newhall is the associate director and Small Business Management program manager for the Clatsop Community College Small Business Development Center. She can be reached at [jnewhall@clatsopcc.edu](mailto:jnewhall@clatsopcc.edu).*

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