

# Risk – the seven biggest mistakes

Let's take a look at the seven biggest mistakes associated with **managing risks and opportunities** in your business:

**Ignoring it** – this is the biggest mistake of all – you simply must put a robust process in place to identify and manage risk. Failure to anticipate risk can result in delays, overspend or worse. There are five simple steps: Identification, Assessment, Design Response, Implement Response and Review/Adapt.

**Not engaging with key stakeholders** – this is a recipe for missing critical risks and/or opportunities. You need to have a broad and balanced contribution from all quarters to ensure adequate coverage and buy-in.

**Reviewing it only once** – things change and you need to be responsive to emerging risks and opportunities in addition to pruning those that are no longer relevant. Regular review ensures that resources remain properly focused.

**Not monitoring response effectiveness** – it is essential that your responses be confirmed as effective both in terms of outcome and ongoing return on investment; if not, you must adapt. It is important, therefore, that measurable success criteria be established and monitored continuously.

**Misaligned scoring system** – your scoring system must reflect your scope of concern and address diverse stakeholder needs. Moreover, it must align with your risk appetite (or tolerance). If it does not then it will be difficult to prioritise the risk responses effectively. Also, it helps to establish thresholds that enforce specific levels of response [eg. do something within 24 hours].

**Inappropriate risk responses** – keep it simple and avoid devising elaborate risk responses that cannot be justified (eg. cost more to implement than they actually mitigate). Of course, this has to be balanced with the SFAIRP [so far as is reasonably practicable] requirement for HSE [health, safety and environment] risk and, also, other contextual drivers. Ultimately, you need to understand the return on investment for your risk management activities.

**Analysis paralysis** – it is important not to get bogged down in the process of scoring – you are just trying to get a handle on the priority of the response. The '80:20' rule should prevail and it's always the risks that you have missed altogether that bite the hardest. Spending quality time reviewing risk and implementing some kind of response is the biggest contributor to success.

*If you'd like some specific help with your risk management concerns please drop us a line at [info@sigmarose.com](mailto:info@sigmarose.com) or simply call the number below.*