

Thinking About Risk Management - A Blog Post by David Goldenberg

Risk management and risk mitigation have long been front and center for lawyers. If thinking hard about your risks and how to minimize them has been on your mind, see below for some thoughts or give us a call to help you think about how you can minimize your risks.

Major corporations reach the levels of success we see every day not just through innovation and expertise, but managing to avoid some of the common pitfalls that can doom other ventures. What those on the outside looking in may fail to understand is that this is not due to dumb luck or circumstance, but appraising the risks involved in major decisions beforehand. This is risk management in action.

Risk Management Explained

Risk management is not a “panic button” to be pressed when something is wrong. In actuality, risk management is a set of practices that are put in place well before any decisions are made. When a business has a solid risk management strategy, the times you say ‘I should have...’ are few and far between. If you own a business, you should treat risk management as a part of your business strategy. When you have a decision to make, large or small, the risk management team should take the time to map out what can potentially go wrong, then offer some input on what the company can do in these scenarios. The aim is to try and have a plan, even if they never need to use it.

In addition, risk management can be essential to expose how viable or non-viable a potential idea is. If the risk management process runs its course, you will have a solid foundation on which to evaluate the opportunity, including its potential downside. If the potential risks outweigh the rewards, the company knows it’s better to look elsewhere before investing any time and energy into the project.

It’s easy to boil down risk management into 4 major steps:

- ➔ Risk identification to find the potential risks.
- ➔ Risk impact to determine the consequences of those risks should they come to pass.
- ➔ Risk prioritization to determine what is most likely to happen.
- ➔ Risk mitigation to come up with a plan to limit those consequences.

Risk Management In Practice

So, what are some practical examples of risk management in action? Let's look at the financial world, where risk management is basically a standard part of operations. For example, if you are running an investment fund, a good team will evaluate every single investment not only for the upside, but also ask, 'What potential is there for things to go wrong?'

If you are a small business, you may think you don't have the capacity for a risk management process. However, businesses can still practice risk management on a smaller scale. Say you are a small business owner who is enjoying success and pondering opening up a second location. You would want to implement risk management just like the largest corporation would before rolling out a major initiative. In the small business case, the risks may be spreading yourself too thin and compromising the quality of your goods/services, or potentially not being able to pay the bills on your first store should the second one flop.

Lawyers see the downside of business decisions every day. If you want to think critically about a new project, new product or other major decision, let's have a quick phone call and I will tell you how risk mitigation can give you an edge.