How to save your business money with effective risk management

No business is without risk.

Unsurprisingly, if you improve upon how risk is managed within a business then the outcome should be the achievement of your corporate objectives. If this is the case then invariably, risk will have been discussed at Board level and its importance will have then naturally filtered throughout the organisation.

Having identified the risks facing a business it is then a priority to plan and prepare in case these risks materialise. When it comes to risk management it can be a bit of a juggling act – how much time and money spent to mitigate a risk should take into consideration the impact the risk will have on the business and likelihood of the risk occurring.

On its own this is a huge benefit to any organisation, but risk management has also been shown to make a real difference to the bottom line. We are sure you can think of some of your own but here are some real-world examples of how effective risk management can save your business money.

1 Less risk = Fewer insu rance claims

If you can effectively reduce the risks in your business, then you will reduce the number of insurance claims received. For example, if an employee was to be injured at work, they would be entitled to compensation, this would increase a company's insurance premium. With the correct mitigations such as equipment training and an appropriate working environment, the likelihood of an employee sustaining an injury would be lowered, and insurance claims would be reduced also.

2 Reduced insurance premiums

A reduction in insurance premiums can generate significant savings. Insurance premiums are usually calculated based on the risk exposure faced by an organisation. Risk management can reduce the overall exposure to the business and will therefore result in lower insurance premiums.

3 Lower borrowing rates

Many organisations have certain standards or compliance regulations that they need to adhere to. Demonstrating compliance in accordance with these will ensure that when audited a good level or standard is achieved. Adherence to standards will mean the organisation will be offered better rates for borrowing capital and they will have a greater choice of providers available to them also. Good risk management will essentially help with an organisation's credit rating and has the potential to reduce costs through improved borrowing rates. Fairly obviously, a business is considered less of a liability if it can demonstrate good risk management and compliance.

4 Conscious risk taking

Making decisions about the risks you are willing to take and to what level will also help you save money. You may be currently paying for controls that mitigate a risk completely, but this may not be necessary. Managing risks to the correct level, in accordance with your risk appetite, can save you money.For example, if the impact of a risk is low and the likelihood of the risk occurring is low then you don't need to spend an exorbitant amount of money mitigating the risk. The money you save in this instance could be spent controlling other more significant risks to reduce the likelihood of this risk occurring or reducing its impact.

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5 Save valuable resources

With effective risk management, time, money and resources will be saved. This is because less time will be spent resolving the issues of poor risk management. With less time being spent on resolving these issues, time, money and resources can instead be focussed on running the business and generating increased profits.

6 Emergency planning

Preparing for unforeseen circumstances or emergencies enables companies to overcome the emergency more quickly and with greater funds in their pocket. Without effective risk management in place, an organisation may not be able to recover from an emergency and all the hard work, money and resources and associated costs will be wasted.

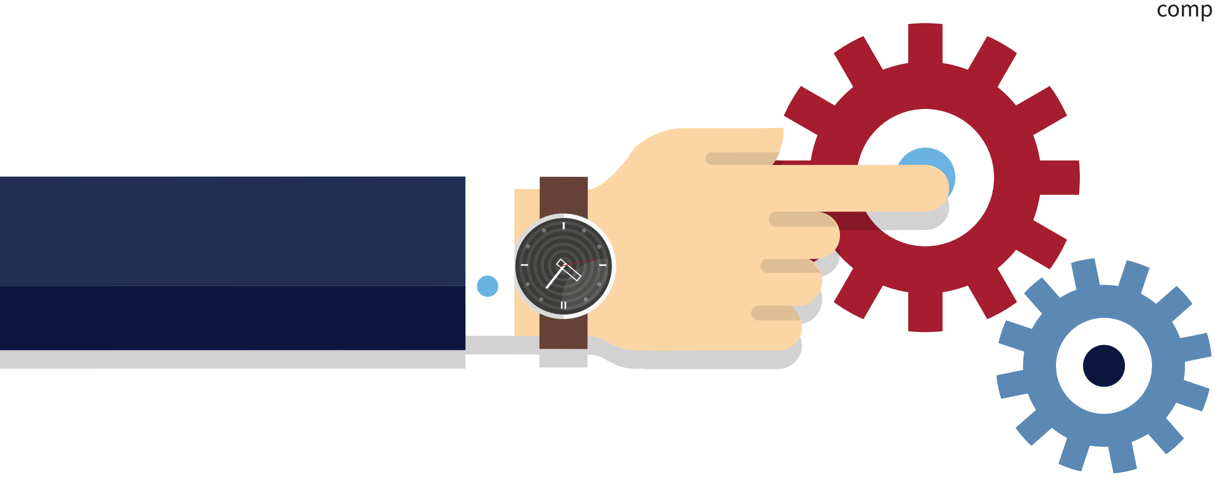
Risk management is of paramount importance to businesses. It helps identify issues that could prevent business objectives being met. With the right controls and mitigations in place the impact of risk will be reduced, so the business can operate with minimal disruption.

7 Project management

The obvious risks of overspend or over run will be top of any Project Managers agenda when planning for, and managing, any large project. It is because of this that risk management is integral to the process and as a discipline it is present in all project management methodologies. When things go wrong the consequences can be devasting, both financially and reputationally, remember the failed central government IT projects back in the 90’s that reputedly wasted over £26bn of tax payer money?

8 Enterprise risk management software

Enterprise risk management software can assist to optimise both strategic and operational efficiency ensuring that there is no duplication or indeed any holes, in your risk management planning by providing a centralised single source of truth. Linking risk to actions, audit recommendations and other forms of compliance within this centralised tool enables a more holistic approach to be achieved so that past mistakes can be learned from and reliance on individuals’ knowledge is lessened. Auditability of ERM systems means that you can see what changes and updates have been made and by whom, allowing easy review of amendments and aiding your compliance.



If you'd like to know more about how JCAD's risk management tool, CORE, can save you money while improving your compliance, please get in touch for a demo.

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