

# Business Resilience Toolkit

---

## Managing the three different types of risk

Presented by Andrew Ellis, Business Consultant

---

### Transcript:

When it comes to building the resilience of your organisation through your risk management systems, the first and most important step is to recognise that different types of risk need different mitigation strategies.

Today, we are going to have a quick look at the three different types of risk, with some examples of each, and help you to identify some mitigation strategies to deal with them.

If you can manage each of these risks the right way, it will make your business more resilient.

My name is Andrew Ellis and I'm a business consultant with CBB.

The three types of risk are preventable (or internal) risk, external risk and strategic risk.

**Preventable or internal risks** – are the usual focus of a risk management program or process. For example, it includes safety, environment, cyber, human resources and service delivery risks. The likelihood of these risks occurring ought to be controlled and eliminated or avoided – or where this can't be done, the impact of the risk should be minimised. In some cases, your measures may include reducing both the likelihood of the risk occurring, and the impact if it does.

Risk treatments include: risk policy, risk procedure, risk register, risk mitigation plans, risk ownership, policies and procedures.

For example: the risk of slips and falls in your workplace might be addressed through a WHS policy requiring regular inspections by a qualified person to look for hazards and address them. Regular inspections will reduce the likelihood of an incident occurring; and over time should also create a workplace with less significant hazards which can reduce the impact if a risk does occur.

**External risks** are outside your influence or control. For example: the most obvious external risk this year is the COVID-19 pandemic; but this can also include economic slowdown, competition and market disruption. External risks cannot be prevented and are often a low likelihood/high consequence event – therefore, focus on early identification and mitigation of impact.

Risk treatments include: risk monitoring, business continuity plan and scenario planning for the BCP.

For example: for most organisations, the recent pandemic would have been identified in discussions at board meetings and triggered use of the business continuity plan – whether or not your BCP included the risk of pandemic or not. Response plans through the pandemic might have included activities like increased working from home, increasing supply and deploying PPE and increasing cleaning. None of these actions changed the risk of the pandemic occurring, but reduced the risk of organisations being seriously impacted.

**Strategic risks** are undertaken in order to generate value or deliver your objectives – they are the risks associated with your business model. These risks are not inherently undesirable and may be an essential aspect of providing your service.

Many of the strategic risks can't be managed by standard rules-based risk management. They need regular constructive discussion about managing the risks related to strategic choices as part of strategy formulation and implementation processes.

Hence, the risk treatments for strategic risks include your: risk culture, appetite, delegations, risk structure, strategic planning process.

For example: the risk of sending a staff member in to a client's home without knowing much about that environment or who else was there. This might be addressed with a template risk assessment form that seeks to identify risks ahead of time (say over the phone) and empower the staff member to leave if they don't feel comfortable. These steps can reduce the likelihood of an incident, and in many cases, the impact too.

Alternatively, as organisations grow, they might consider whether to buy or lease new facilities to enable their growth – this can be a significant decision that requires analysis and dialogue. It's also an example of a risk that impacts different parts of the organisation – finance need involvement given the expenditure; HR need to support staff manage change; service delivery staff might need to influence design of the new facility. Strategic risks require more discussion because of their complexity and inter-relatedness.

So there you have it, the three different types of risks to manage are preventable (internal), external and strategic.

If you'd like to read more about this topic, then please head to the CBB website where you will be able to find an article I wrote on this topic.

**Related video to watch next: [How to build a robust risk framework.](#)**