

Business Resilience Toolkit

Risk and opportunity in the budget and strategy

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Transcript:

The purpose of your strategy and your budget is to help you achieve your aims, your vision, and to have a positive impact on community and the people you are working to help.

But things don't always go to plan. And too often our strategic plan and our budget assume a straight line from where we are now to where we want to be. It's never a straight line! There are always deviations, distractions, bumps in the road, changes and challenges.

Considering risks and opportunities as part of your strategy and budgeting process can help to identify where things might go wrong, and what can stop you from having the impact you want to have.

Hi, my name is Andrew Ellis and I am a business consultant with CBB.

We hear that risk should be a part of everything we do – but what are some practical ways that we can use it in the strategy and budgeting processes. I want to talk today about a tool I learnt in a multi-million dollar business that I have applied again and again in small businesses too.

The strategic plan and budget are both documents which are subject to many different assumptions. Assumptions are made about work you will win, how competitors will behave, how costs will remain the same or change. Each assumption could be proven too be too conservative or too bold.

What I have seen and believe to be best practice is, at the end of the strategic plan or budget, management should include a table with the top 4-5 risks and top 4-5 opportunities.

The table of risks and opportunities should include:

- ▶ A brief summary of the risk/opportunity
- ▶ An estimated dollar value of the impact
- ▶ (option) an estimated timing for the risk event
- ▶ Sub-totals for risks (negatives) and opportunities (positives) – that's the dollar values
- ▶ Total dollar value of the net risk/opportunity

What are some examples?

- ▶ You've applied for a grant but don't know if you will succeed – so it could be put in as an Opportunity, rather than assumed in the budget.
- ▶ Maybe you had an insurance claim this year but the payout won't be until next year. The board wants it highlighted so that management have the right focus and so it is included in the opportunities.

- ▶ Or perhaps you are launching a new fundraising campaign which has certain assumptions. It might be a risk to not achieve the target so you could have a risk that you do worse, or an opportunity to improve on it.

Once you have used this table in the strategy or budget, you can keep it alive by using it as a management tool to report on a monthly or quarterly basis. That helps with identifying new risks/opportunities and ensuring proactive strategies are undertaken to follow up.

Why not use this model in your next budget or monthly report? If this has been helpful and you want to find out more, then look for the Foreword blog article on this subject on the CBB website.

Related video to watch next: all other videos in our Risk Management series.