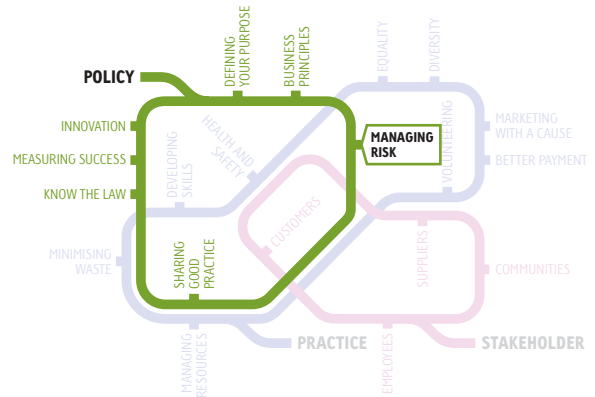


IDENTIFYING BUSINESS RISKS ALSO HELPS YOU IDENTIFY OPPORTUNITIES



This is one of a series of +points on The Journey – a route map designed to help you build a business that people value. Check out other +points on www.smallbusinessjourney.com.

WHAT'S THE POINT?

You CAN protect your business and improve your reputation by anticipating, understanding and managing your risks.

WHY?

- Understanding the range of potential risks – social and environmental as well as financial – helps you to avoid or manage them.
- You can choose which risks you take and cut down on fire fighting.
- You can meet the expectations of customers and employees more consistently.
- You can avoid falling into costly black holes that may open around you, or your suppliers.

EXTRA BENEFIT TO YOUR COMPANY

- You will have more confidence to seize all the opportunities to make money, save money or improve relationships with people important for your business.
- Evidence of managing risk and sound internal controls can mean better access to capital.
- You will build trust and reputation by being on top of all your business issues.

The Small Business Consortium is a group of organisations who share a common goal. They include AccountAbility, Arts & Business, British Chambers of Commerce, Business in the Community, CSR Europe, Federation of Small Businesses, The Forum of Private Business, Institute of Directors, Lloyds TSB and Scottish Business in the Community. Their work is supported by the DTI, www.societyandbusiness.gov.uk. These materials are created by Corporate Culture, www.cc-plc.com.

LIVING PROOF

BOVINCE LTD

A family-run firm in the potentially 'environmentally-damaging' printing industry, Bovince Ltd was established 50 years ago. In recent years, the management have been increasingly concerned about the business risks associated with environmental legislation, and have set out to meet the challenge by committing to the highest standards of environmental control in all areas of significant business impact. This has included the introduction of new screen process technology to increase efficiency and reduce pollution. The company has achieved two ISO quality assurance standards and established a performance-reporting regime accredited by the European Eco-Management and Audit Standard.

THE RESULTS

By addressing environmental risks, Bovince Ltd has not only complied with the law, it has also ensured that it is well-prepared for future changes in legislation. The company's reputation as an environmentally-responsible company has created new markets with organisations who select suppliers on green performance as much as cost and quality; investments in new technology have also led to real savings by reducing chemical use and waste. The company's commitment to reducing its environmental risk has also won it a number of awards.

WHO ELSE IS MAKING A POINT?

- **RIC Chemicals Plc** is a family business based in Romford, Essex, which exports pharmaceutical products to a vast number of countries including Latvia, Lithuania, Ukraine, Romania, India, Russia, Argentina and Brazil. The business and financial risks are significant and it requires thorough research to understand local trading conditions and find reliable distributors and partners. But that is not all. Inevitably customers find cheaper sources, turnover falls and new customers must be found to replace the lost business. To address these risks, RIC chemicals have developed an 'added value' concept to help attract and maintain a loyal customer base. The company now helps local distributors and partners to develop, register, brand, package and market their own products.

The results: This risk management strategy, based on partnership with local manufacturers, provides a stable customer base for the raw materials and laboratory equipment that RIC Chemicals supplies. It also creates a supplier base for the hospital, health service and over-the-counter pharmaceutical products that the company exports around the world.

WHY IS THIS IMPORTANT?

- Over 40% of companies studied considered early warning of potential issues could help prevent crises and the associated negative impact on business – reducing knock-on effects on corporate reputation, or non-compliances with market requirements which could force costly product recalls. Source: ERM Research report
- Companies are aware that the public now holds them even more accountable for their environmental, social, and economic activities – and their effects – but less than 30% have programs to systematically identify and evaluate these sustainability-related risks. Source: The PwC 2002 Sustainability Survey
- About 1 in 6 shoppers say that they frequently buy or boycott products because of the manufacturer's reputation. Source: Cowe and Williams, "Who are the ethical investors?"

HOW TO GET STARTED IN A SMALL WAY

- List the risks that are significant for your business – remember they may relate most directly to your suppliers or your employees but have potential knock on effects for you.
- Focus on the important ones and set up clear policies and controls to manage them.
- Think about what level of risk you are comfortable with and establish your limits.
- Identify simple performance markers and watch the information feedback.
- Train directors to consider the wider risks faced by the business.
- Designate responsibilities.
- Involve employees and suppliers in discussion about risk and how you tackle it.
- Keep it simple.

WHO CAN HELP YOU TO GO FURTHER?

Strengthening the performance of your business in the ways outlined here is really just a matter of common sense. But if you are committed to the management of business risk then it often pays to get help.

National Help

The Association of British Insurers (ABI) publishes a range of reports on how companies might manage the range of risks arising from the social and environmental impacts of business. **www.abi.org.uk**.

The Forum of Private Business offers information and assistance on many management issues, including risk management, through its member information service contactable at **mis@fpb.co.uk**.

Local Help

Check with your Chamber of Commerce or Business link organisation for local business networks that could give you the chance to talk to companies who have been through this process. www.businesslink.gov.uk (England) www.bgateway.com (Scotland) www.businesseseye.com (Wales) www.investni.com (Northern Ireland).

Online Help

www.smekey.org Especially for SMEs – this easy to use website contains downloadable software ‘The Guide’ which helps you develop a sustainability strategy to manage all forms of CSR risks.

www.iosh.co.uk Although principally for health and safety professionals, the Institute of Occupational Safety & Health has a free downloadable risk management toolkit for SMEs. It takes a holistic view of all types of business risk management and helps users to develop a complete risk management system.

www.icaew.co.uk/risk The Institute of Chartered Accountants for England and Wales has published a practical guide which is designed to help establish good practice for the management of risk among small and medium-sized enterprises of all types.

IT'S COMMON SENSE

This briefing paper is one in a series of +points that make up The Journey – a route map designed to help you build a business that people value. You need only do one if you like. It's your journey. It doesn't have to be time consuming or complicated. It's basically common sense.

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