Uncertainty opens the door to risk

By PHILL SEXTON, CSP, ASM

If you were to conduct a SWOT analysis of your organization, and write down the strengths, weaknesses, opportunities and threats that come to mind in one minute or less, what would they be? Write them down quickly. Then think about them for another 60 seconds. What did you write down and why?

Weaknesses you easily identified in one minute likely exist because no one has taken the time to intentionally think about them within a structured process that frames risk within categories of uncertainty for the organization.

Risk

Risk management should focus on an organization's objectives rather than potentials for harm. Strategic objectives for any business are best framed within the economic, environmental and social responsibilities of sustainability, and can include these categories:

- Safety is primarily focused on keeping people, the environment and property/assets safe from harm and damage.
- Expectations are diverse categories such as a team member's goals, client level of service requirements, quality, productivity and the client's expectations for consistency.
- Growth in the amount of revenue, number of clients, increased workforce, and development of people's talents and careers are important objectives to set. Set benchmark goals for each category of growth so that every person in the company understands how and why each will be achieved, and the individual consequences if they are not.
- Profitability for for-profit and non-profit organizations is equally important in that each has a responsibility to generate and manage a profitable revenue stream that allows for reinvesting talent and capital assets. Strategies involving "loss leaders" and providing value "at cost" need to be evaluated on a case-by-case basis. Make sure only a small percentage of these types of deals are being offered (if at all) and be realistic about the cost or consequence to the organization.
- Efficiency goals should be established to increase your company's profitability and reputation. Continuous improvement objectives are enabled by efficiency goals that are focused on increasing productivity; reducing costs (time, materials, equipment); increasing quality; and increasing environmental responsibility.

Uncertainty

When an organization sets strategic objectives, it then needs to address the internal and external factors that cause uncertainty for one or more of the objectives. Opportunities and threats represent the effects of uncertainty.

Categories of uncertainty can include these aspects of your business that should be assessed on at least a quarterly basis:

- Weather can have a significant effect on several drivers of your business, including contracts, work schedules and people's moods and productivity.
- Workforce availability, reliability and productivity are extremely variable factors that require regular assessment (more often than quarterly/seasonally).
- Sales should equally focus on the continuous development of new opportunities and the renewal of existing client relationships and revenue. Healthy growth is reliant on keeping the contracts and relationships you already have.
- Near misses are arguably more important to assess than recordable incidents. For example, 365 days of unrecordable safety incidents do not account for near misses that could have been serious or fatal accidents.
- Unintended consequences are sometimes the result of a solution that causes a new and unpredictable problem. Therefore, intentionally weigh all the pros and cons of a new solution or improvement initiative before implementing it.

Opportunity

The term "no pain, no gain" rings true when assessing and managing risk. The chance for greater opportunity typically requires an organization to take on a greater level of risk. Therefore, you and your organization have a greater responsibility to identify the uncertainty of each risk category and assess the severity and effect each has to the risk and opportunities of your organization. SB

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