

BGA BUSINESS RISK MANAGEMENT GUIDELINES

1. Introduction

Business risk management should be seen as an ongoing process, rather than a one-off procedure applied to an individual threat. Clubs should continuously reassess threats and actively search for new ones.

Risk management is a structured way of controlling risk. There are various ways clubs can do this, but the following steps outline a typical approach:

- **Identify risk** - to manage risk you have to be able to identify potential threats. This allows you to act proactively in advance of something happening, rather than "fire-fighting" after an event.
- **Risk assessment** - you might not need to invest time and money in reducing risk, but you need to take a measured approach based on an assessment of the importance of the risk to your club and operation. If the risk is serious enough then you need to take some further actions. Some risks may not warrant this further work.
- **Risk mitigation - risk reduction** - with many risks you can implement preventative measures that will significantly reduce the probability of the risk occurring.
- **Risk mitigation - impact reduction** - sometimes you can't reduce the probability that something bad will happen, but it may be possible to reduce the cost if it does.
- **Contingency planning** - often the best you can do is make plans for how you would survive a problem. Contingency plans are what you would do after the worst has happened.

2. Identifying Risk

To manage risks effectively you have to be able to identify potential threats. In the complex world of a gliding club, this can be difficult. However, there are some effective preventative measures you can take.

A good starting point for identifying risk is to bracket your clubs activities, for example flying, ground operations, financial, IT, club and facilities, safeguarding, technical and workshop, etc.

A technique that can help you to identify threats is a **what-if analysis**. This works better in a small group using a **brainstorming approach**. Start with simple questions and scenarios to see if they can help to identify new risks. For example, ask questions such as "what if the tug was grounded for any length of time?", or "what if the clubhouse was destroyed?", and see what plans you need or already have in place to cope with these eventualities.

Another important step in identifying risks is to write them down in a **risk register** as you assess them, so you have a permanent record. You can record in the register what you do about each risk and use it as a checklist when you review your risks periodically.

3. Risk Assessment

Care should be taken when assessing the risks your club may face, so that you do not spend unnecessary time and money avoiding or reducing low level risks.

As a guide, it may be helpful to make your risk assessment based on the following factors:

- the **probability** or **likelihood** of the risk materialising
- the **cost** or **impact** of the problem if it did happen

A **quantitative assessment** of your risks would be the numerical product of these two factors. For example, if a risk has a high probability and a high cost/impact then it will get a high risk assessment. Unfortunately, quantitative measures of risk like this are only meaningful when you have good historical data to work out probability, and cost estimates of some risks change so fast that there is rarely such information available.

A more practical approach is to use a **qualitative assessment**. In this case you use your judgment to decide whether the probability of occurrence is high, medium or low and similarly for cost/impact. You might then take action on risks that are high probability/medium cost, medium/high or high/high, and leave the rest.

Define what you would consider to be low, medium and high cost to your club in whatever terms seem useful, for example:

- **low** - would lose a weekend of flying/limited financial impact
- **medium** - would cause the club to suffer in some way for a period of time/significant financial impact
- **high** - would cause irrevocable loss to the club

Use the same principles for probability. For example, you might classify as "high probability" something that you expect to happen several times a year. You might classify as "low probability" something that you expect to happen very infrequently.

4. Risk Mitigation

If your assessment shows that you have risks that are not acceptable to your club, then you need to take some action to counter them. There are ways to make risk less serious. You could:

- reduce the probability of the problem occurring
- limit the impact of the problem if it does occur

In practice you will often wish to do both. However, generally it is a good idea to work on making risk less likely to happen.

There are a number of measures that you can take to reduce the probability of a problem occurring.

Risk avoidance is the simplest approach to reducing problems. It generally means not doing the things that could lead to the problem occurring. This might mean not entering into an activity or a particular project because it carries a risk. Unfortunately, risk avoidance may mean avoiding doing anything new, and hence not being able to benefit fully from opportunities.

Risk transfer is a more constructive approach. Insurance is a form of risk transfer and is a normal and in some cases legally required part of club business.

In order to reduce the probability of, or vulnerability to a risk, it may be possible to change the way in which you carry out an activity. This is quite appropriate to flying related risk, and usually involves adopting good practice approach based on national requirements and additions appropriate to the location and environment. A similar approach may be appropriate for non-flying risks.

5. Risk – Impact Reduction

This form of risk mitigation accepts that you cannot reduce the probability of a particular problem occurring, and concentrates on making it less costly if it does. It involves assessing what might happen as a result of the problem, and then working out how to reduce the effects.

In many situations, the greatest damage can occur because the problem is unexpected and it is not clear what should be done. Guarding against making the situation worse is a very important part of impact reduction.

This can be avoided by common-sense procedures, which should be part of your risk mitigation approach.

An important part of impact reduction is **early detection of problems**. Where you have a risk that you can't eliminate, you should ensure that you have a fail-safe method of detecting the problem if it occurs and before it becomes a major issue. For example, accident reports are an indication that early detection of problems has failed – noting incidents and acting on them would be more helpful.

Often failures in club process are very obvious. However, occasionally, and particularly in continuous or recurring processes, a failure may occur gradually, and its impact will grow over time. Identifying this type of risk may require external input to help to see the wood for the trees.

6. Contingency Plans

A contingency plan is an impact-reduction measure. It should describe in detail what your club will do if a particular problem occurs.

You may need a contingency plan when:

- you **identify** a risk that you assess as having a high cost/impact and likely to happen
- you try to find ways of **reducing** the likelihood of the event, but you cannot reduce the risk to an acceptable level
- the residual risk is still so large that you need to take a **structured approach** to reduce its likely impact

The **main considerations** that you should address in a contingency plan are:

- **scope** - what particular risk the contingency plan is designed for
- **initiation** - how you will know when to put the plan into action
- **actions** - what sequence of actions you will take in order to control the problem and minimise its impact
- **roles and responsibilities** - who will do what and when

Good contingency plans are usually based on the shared experience of people working together.

An important form of contingency plan is a **disaster recovery plan**. This is typically created to cover the most serious of problems, such as inability to operate off the club's site, the complete loss of infrastructure due to a fire, or the loss of the club fleet due to a hangar collapse. Disaster recovery plans for these examples might involve arranging to co-locate with another club, planning for the rapid acquisition of temporary buildings, or borrowing aircraft and reciprocal arrangements with others, etc.

Disaster recovery plans should be **tested** if possible. A test could be a simple paper exercise where different parts of the recovery procedure are run through by the people involved. This is adequate for simple plans.

Further advice is available at;

www.businesslink.gov.uk

<http://www.glidering.co.uk/bgainfo/clubmanagement/documents.htm>