

BUSINESS MADE EASY

A man with short, light-colored hair, wearing a blue and white checkered button-down shirt, is smiling broadly. He is sitting in shallow water, with splashes around him. The background is a light, textured surface.

Episode 79

How To Manage Risk In Your Business

Full Episode Transcription

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Good day, good day and welcome the Business Made Easy Podcast where we make business easy. Jason Skinner your host here for another week of the podcast that is all about growing your business, growing your bottom line profit, and giving you a better life as a result. Thanks so much for joining me. If you're new to the show, welcome. I'm glad you found us and uh don't forget to hit that subscribe button if you haven't done so already. That will make sure that you get each week's episode as it drops every uh, Friday morning here in Australia.

If you're returning to the show from uh, you've been listening for some time, thank you so much. I hope business is going well for you and uh, thank you also to everyone who's been leaving reviews on iTunes and your listening devices. They are really appreciated. They do help the show to get found and uh, and do make a really big difference. So, thank you so much for taking the time for that uh, and-and doing that for me. If you haven't done so already and you be keen to leave a review please I would really appreciate that and you can do that at um, just by clicking on um, writing in review in iTunes it is and um, and-and you just uh, leave your review there which be great. It's a quick-quick job to do but goes a long way and really-really appreciate it. So, thanks so much for that.

All righty for those of you who I was uh, who were tuned in last week I shared with you that I have been uh, I've set myself a bit of a running goal and just a bit of an update on that I haven't got too far with that unfortunately but I do have to get out there and uh, do have to get out there and get that goal going. So um, yeah. So, don't forget to keep me accountable uh-uh-uh of ma-- for those of you don't know I-I, um I did announce last week I have a goal that I've set myself that I wanna be able to run the full circuit of my running normal running track which is about 7 kilometres and all the way around non-stop um, and at the moment I sort of get about 500 meters and then I have to uh, take a big breath and then a

walk for a bit and then uh start running again. So, it's a real stop-start exercise. But my goal because I do have a fitness goal for uh 2019 and um, it-it's just probably one of the areas that I haven't got uh, or haven't really focused on enough. I do a lot with my business and a lot in business and uh, the old health and fitness uh, side of things is that area of life that I have to really um, knuckle down with and-and get on top of.

So, don't forget of, I'll be checking in each week until, till I get this thing. I'm gonna do it and um, but yeah, if you-you've got a goal you wanna share with me feel free too. I'd love to support you as well and help you keep accountable so you can just drop me a line at jason@businessmadeeasypodcast.com. More than happy to help you uh keep accountable and focus. I really wanna make 2019 a big year both in business and personally and I know I want that for you too. I want you to have a fantastic year as well.

All righty. Let's get into today's show but before I do uh, if you haven't joined our free Facebook group community yet we're all sharing ideas and supporting each other over there so, businessmadeeasypodcast.com/community. So, that's businessmadeeasypodcast.com/community, love to have you over there. It's a free group, all the business owners, all sharing ideas and helping each other out and um yeah, and then it's not all just problems. It's good stuff that's happening. People having wins, sharing wins that they're having, etcetera. So yeah, check that out over a businessmadeeasypodcast.com/community.

All righty, into today's episode and today, I'm gonna talk about uh, something that -- look, I'll be-I'll be honest. I uh, could do better in uh, it is an area of business that I think every business owner could do better in, but it's an area of business that's easy to forget about too. And I'm going to talk about risk

management today and risk of things happening in your business because the thing is with risk is that, we don't know when things are going to happen to us. This-- there's basically two types of-of things out there. There's-there's situations or things that can happen to us that we can control, so, controllable risk if you like um, and things we can sort of mitigate against but then there's um, sort of uncontrollable risk, there's stuff that we don't have any say over. Uh, we don't have any control over with that-that type of risk. So, there are two basic types of risk um, that our -- that we can fall into in both life personal life and-and-and in business. And what we tend to do is-is um, go along. I guess get quite reactionary, not quite reactionary, very reactionary as I'll explain in-in a second but we can get very reactionary in our business and that's how we get these stressful times that happen to us. So, yes, there are things that we can't control. There are things we can't control but with the things that we can't control, we can control what if. We can control how we react to those- those things that happen and-and we can control our response to those things and take responsibility when those things do happen and that's what risk management is all about. It's basically going through and identifying what types of things that could happen in our business and then having a plan of attack-- oh looking at the likelihood of them happening and the severity if they did happen to us uh what would that be? A catastrophic risk that um, that happened to us or would- would it just be uh, uh look a moderate risk. It's not gonna be a deal breaker but this is our response. So, we that's the other thing we wanna look at is, what is our response but let's define risk first. I mean what is risk? When we're talking about risk in our business, what i- what is it exactly that we're talking about?

Now, risk is really the-the possibility and this is not a technical definition. It's just my-my definition of it really. Risk is-is the possibility of a future event

occurring. That's when we're talking about risk that's really all risk is the possibility of a future event occurring. And we don't know. We don't know when it's gonna happen. We don't know how or if. For instance, I believe uh, there's a cyclone on its way to Australia at the moment, and looking at the weather map. It looks like it's pretty well dead-on uh, coming to the Gold Coast where I live. So um, you know, that's a risk, okay? I can't control that risk but you know, I can control my response to that risk and I can control my preparation for that risk happening. For instance, I could go around clean up the garden. I could go around and you know, tidy up any-any lost um, items that are in furniture, garden furniture or anything it's lost around out in the yard. I can make sure all the windows are locked properly. So, I can mitigate uh, the effects of that cyclone hit you know when it does hit. Um, you know, certainly hope no one else is having cyclones but and then look I don't know that we're gonna have one yet but the weather warning is that they're basically there's one on its way but you get the drift oh I guess is that we can control and prepare for-for these risk events happening you know in our business.

So, what are some of the -- So, that's what risk is. It's a future event potentially happening. So, what are some of the-- some of the risks that could potentially happen in our business? There's a number of them um, you know, financial risk. Um, the economy could turn around and-and work against us. Um, we can't control that but we can control how we prepare for the -- if that event was to occur. Um, competitor risk, we might have uh, some competitors start up and work against us and-and try and you know, take control of us. We could have uh, health risks. Something could happen to us um, that we just can't control with our health that's the other reason where I've got to get running and healthy. Um, we could have staffing risk. You know, we could have our staff leave us. We could have uh, any number of things, big areas and I'm not going to go through

all of those today because they really-- I mean that that, I'm sure you appreciate. There are an enormous amount of-of risk type things that could happen in our business. But what I do wanna talk about today is how you're going to-- I'm gonna give you I guess some practical ideas to um, to help you to-to deal with this risk. And the reason why I want you to do this is because I want you to get clear and-and mitigate and prepare for anything that could potentially um, be a risk to your business. And the reason why I want that for you is that I don't want you to be um, going from you know, going gangbusters and then-and then going nearly broke or you know um, having your week under control then something goes wrong and it blows you out of the water. And I'm gonna share a story that happened to me this very week. There's a reason for this podcast and it's the reason why um- um, going through this process myself at the moment. But uh, I don't want you going from, from you know, from being under control and having things on in order to um, to out of control and things you know, that getting all wobbly and the wheels falling off on your business or- or you or your health or- or whatever. Really the better we can get at doing this process and it's not a very exciting process I've got to tell you but it's such an important process um, in your business about managing and mitigating risk. We wanna manage and mitigate risk. That's what it's, that's what it's- it's all about.

And I'll share with you this story that happened to me this week and you know um, our- our business uh, as a lot of businesses these days is la-- hugely like 100% uh based on the internet working in our business. Um, we have a number of staff I think it's six of us and we all uh, we are all on the computer for the whole day. It's-it's basically on the internet all day um, all our systems and processes are on the internet are based on you know, having the internet um, all their content elected everything, uh-uh our tools are all on the internet. And we have -- for that reason we have a very-very um big internet plan but we also

have like a fast internet plan. We it's- it's fiber-optic into our building uh, fiber optic cable and uh, it's- it's a big pipe of Internet that comes in and serves us all very well and it has done for many-many years. I haven't even given it a thought to be honest. We pay the bill every, every month. It's just a necessity tool that you have to have. Now, for any of you in business and particularly online space it's a- it's a necessary thing. Internet is a critical, critical thing and-and becoming more so for every business these days.

So, I haven't really given it a thought. I've just been going along happily going into work. Now, yesterday morning I had a heap of stuff to do. My- my day was planned. I had um, clients to see and help um, and I had um, a lot to do in the morning. So, I got up extra early and should have gone for a run actually but I didn't. Uh, and then what happened was that I um, got up, I went to work early had breakfast at-at the office and um, went to log on and start working and no internet. They had the little yellow cursor down on the bottom left, right-hand side of the screen and uh, this is just with a little indicating no internet going, okay. Maybe the, the modem needs rebooting. So it went into the-it went into the um what a big file server room, computer room, went in there, rebooted the modem, rebooted everything, go to that'll- that'll fix it. Come back to my desk, nothing, nothing, nothing. Oh, my God. What -- like all I could see in front of me was all of the things that I had to get done today. You know, it was like, "What? Not now." You know, not now. It was the worst time. I had clients coming in as I said and I had to get a heap of stuff out before uh, before they came in. So, so what you know, there's that there's a thing like a simple thing a machine or-or technology in this site-- it's technology risk that we're talking about here.

Technology risk that has really left me exposed now all of a sudden. Now, none of the staff were in yet. So, I did have the capacity that you know, the time if you

like to- to um, try and get it up running before they came in but basically if I didn't they were all going to be sitting around with nothing to do. They were going to be looking at each other going, "What?" You know, and costing the business money. That's basically what that's a cost. So, you know, this is what I'm talking about um, basically I-I couldn't uh, I had to react to that situation. I wasn't in control of that situation in my business at that point in time. I had the option to be in control of it prior to that but, but at that point when that thing happens it's happening to me. So, I'm reacting to it. It's a reactionary uh, it's a reaction to a-- it's not a risk anymore. It's an event. So, this risk what was a risk has now turned into an event that I now have to react to. So, basically everything that I had planned to do I had to stop and this is what happens to us in business so many times over and over again. I see with- with uh, clients when I'm helping and coaching them basically where you know, they- they go away with a plan but they haven't actually implemented a risk strategy and looked at potential risks in their business.

So, short of it is that uh, our internet um, I rang our internet provider and they had no idea why it had gone down um, all they could do is log a support call with the technicians and uh, we were, we were out of internet all day. Um, the whole day was down with internet, so basically all we had was our phones if we wanted to get email and um, all the staff was sitting around. They couldn't do any work. So, I actually had to send them home and um, while I saw clients. I still have my appointments to see. I was able to see my clients which was thank- thankful for that. So, now I'm was inconvenienced in that regard but I had to send my staff home and basically find a solution for- for the uh the internet.

Now, what I did learn from the internet provider was that they didn't know when it was going to be up again. So it could be 24 hours, could be 48 hours. I

didn't - I had to find a solution. So, I'm running around town all over town trying to get-- talking with our IT people but I ended up having to get like a um, a 4G type um, mobile box type thing that I could plug on to our network and, and get it working. And what I found out in um, in fixing this. I went boy with this story too much longer but what I found out in fixing this is that I could have had a backup modem on my current system. So, I could have had uh, like uh, this 4G box that sits there and monitors the monitors the internet and if um, the main internet drops out this one cuts in and all-all you know, automatically keeps everything going without any disruption to the business whatsoever. It's a very-very simple inexpensive thing to have but I didn't have it and the reason why I didn't have it is I didn't do a risk assessment on our technology. I haven't, I haven't done one. Um, and this is what um, I'm sort of talking about. If you're an internet type business and your business -- have you got a back-up plan? Do you have some- some sort of risk assessment plan that if this event happens um, my business is going to keep going. For instance if you're an online business and you, you're relying on your WordPress site etcetera, have you got a back-up plan if someone hacks your site uh, or your service provider disappears or goes down or what anything like that. Because particularly in an online business you're talking big dollars. If your sites not up and running it's big dollars. Um, for me where it's kind of a bit of a mix of-of internet and um, physical people in an office, people not working. That's a big cost for my business. So, um, the short of that is if I had have done a-a-a like a technology risk assessment. Actually sat down and strategize, okay. What are all the key things around my technology that I have to have working or uh, what is my plan of attack um, if these events happen? Uh, what's the, what's the extremity of this happening? S what's the- what's the result of that happening on my business. If it does happen is it severe? Is it or is it a moderate risk or you know, what sort of impact is it going to have? And what I would do is actually start a spreadsheet. I love spreadsheets being in

a cab but what I would do is actually have a- have a list down uh, just a brainstorm of all the, all the potential risks and then I would rate those risks. Now, there is a model that you can get and if anyone's interested I do, I do have a template around that you can drop me a line at jason@businessmadeeasy podcast.com and I'll try and help you out there, but um what I would do is actually list down all the potential risks and then on next column I would say easy to um, just have a rating scale on a 1 to 10. You know, is this a number one risk. Uh, it's very-very low or is it an extreme risk of the number 10 that um, that-that uh basically if it happened it would be devastating to my business. And break it out in two key areas you know, financial risk, technology risk, um, customer risk, product risk, um, competitor risk. You know, or break it into some key areas and then under those lists the sub risks under to those just to get clear about that. Now, I normally do these risk assessment sessions when I'm doing a strategic planning session with a client. So, if I have someone above a business owner that I'm helping and I'm coaching them, then we'll se-- we'll always set aside uh-uh a strategic planning session where we will actually focus on um, risk. What if-what if this happens? And I urge you to do the same. If you haven't um, if you haven't done so, I would urge you to, to do this. And it's very-very easy to forget about it as I say particularly if you're a sole trader or an entrepreneur, you know, soulpreneur or you're a smaller business and you haven't got the, the resources to-to-to just -- you don't know where to start. Um, that's why I do those sessions. So to help, help business owners in those think. I'm not flogging my services here. I'm just saying get help if you need help to um, to help you in this area because it is really-really important. You know, um, I don't know what our internet outage cost us yesterday. I haven't sat down to qualify it but I know it would be in the thousands of dollars and um, you know, I could have avoided it by sitting and doing that risk um, risk assessment.

So, I hope I'm making my point clear there. You really do need to um, you really do need to make sure that you get that sorted um, get that risk sorted.

Um, natural disasters things like that you can't really-you can't really control those but you can control what happens if you've got proper insurance you know. So, that's another thing. Um, you can insure against risk events happening. So- so, make sure your insurances are covering you with, with potential um, uh you know things- things that are going wrong but- but get that spreadsheet going as I said if you- if you get stuck um, drop me a line at jason@businessmadeeasy podcast.com, more than happy to help you with getting that sorted and-and making sure that your um, you know, you- you actually um across this.

Now, again, I said it's not a very exciting job. Um, you don't have to do it every day but what I would do is I would address it regularly no, no less than once a year where um, uh, you know, we basically assess um, completely we-- whether because the environments are changing all the time too. Um, and-and you know back on my, um my internet story, um not that it's a very interesting story but they. So, many things came out of it I said to my wife Melissa yesterday um you know, I learned so much today from this experience while I was so angry and so stressed at the time. Um, I learnt so much at the end of the day. When I sat down and evaluated while I could have done better. Um, there were so many learnings out of that because when I ran around town to get try and get the modem that I needed to plug into um, the backup 4G thing into my um, uh into my system, I learnt that um, the particular modem that I needed for out to-to get our system work again was no longer available its superseded technology and what that meant is that if I had have assessed my technology risk a bit earlier and properly I would have known that our current technology was out of was not sort of the

best um, for what we needed at the time and you know, it would have made even that process a lot easier. So there's just so many things steps that um, that I could have done. I can't change it. Uh, but what I could have done is actually done a proper risk assessment in my business on that technology piece. So, and we do it for, for other things but I just didn't think because the internet was just one of those things that always just seems to work. So, um, yeah. Anyway, lesson for. [chuckles] I learned a lesson the hard way and um yeah, it's something I've gotta-gotta watch for future. But what I will say to you is um, this can happen to any business. Um, if you've got a lawn mowing business or a handyman business not maintaining your tools um, you know they work-- they're working okay today but are you getting them serviced regularly? Are you getting them sharpened? What's your um, servicing plan for your lawn mowing business or you know, what--where--how often do you um, change the blades or you know, have the-- in the motor on that that equipment serviced. Um, if you've got a mobile van ve-- you know, a business or cars are important in your business, do you have a-a-- I have all insured properly with adequate insurance and for the drivers that are driving them? Uh, do you have um, a-a servicing plan where their-their service regularly? How often are they serviced? Because all these things you just forget about them until such time as um, as-as you know, something goes wrong and then again as I said you're reacting to the situation and that's why we get into this blaming mentality too, blaming the situation that's happened to us when we can avoid that and avoid that negativity. And I tell you what I was [chuckles] I was rollerblading yesterday all-- in all sorts of ways. [chuckles] So uh, you know um, my poor wife she-she- she puts up with a lot but it, but-but you know, from now on you know, we now have a new motive on the way which is going to be compatible with our backup modem and this is what I want you to consider in your business too. I want you to think about what areas are crucial and what areas do I need to have uh, a plan and-and are they up

to spec, are they up to spec. You know I just can't stress that enough. So, risk um, as I said it's not a very sexy topic. It's not something that you're just gonna -- it's just not gonna light you up but I do want you to set aside some time in your business if you haven't done so update a risk register have a risk register there.

I used to be on the board of a company, a large company and um, one of the things we would open every board meeting with a risk uh, risk review, are there any areas of risk what areas and we sort of pick off, five- five or so things and address each of those has that been looked at recently. Who's gonna take action for that and-and just-just identify those risk areas and we would do that every month and-and that way everything got looked out every month and-and that's what I'm-I'm sort of encouraging my coaching clients to do as well so that um, because it's one thing to grow your business but um, and-and this is-this is the other important point.

Um, business is very expensive like to start a business I'm sure you'll agree that you've gone and got good-good money from the bank and savings and you've put it into something called a business. And you know, that is worth protecting and-and-and you should be protecting it. You know, you buy assets. You buy equipment as I say you're putting time and energy and money and blood and sweat and tears and stress into this business and building it. You also have a responsibility as the business owner to protect it. And-and ensure that it's-it's- it's um—its- that-that investment is protected because you imagine starting a factory with all this plant equipment and things like that and-and then you go away and um, you don't put the proper insurance in place or proper servicing you know, you're really-really exposing yourself to- to an expensive um, liability really on your-on your book so, I really want- I really want you to drive on, drive that point home for you, make sure you do a risk assessment in your business no

matter how big or small your business is, it is- it is a valuable-valuable uh, asset to have. And can I also add another point regarding a risk assessment, think of it as a risk register if you like, think of it as an asset of your business because if I was going to buy a business or if I was a bank lending money to- to business for finance um, and the business owner came in to me and said, "Hey, here's my business plan. Here's my strategic plan. Here's my cash flow. Here's my risk register. Here's my risk exposure." And I could see that as a document, I go, "Wow! This, this is a really well run and protected business." Like not only here's all the- all the what we're going to do is etcetera but here's and how we're gonna finance it and although how we're gonna run it but here is how it's gonna be protected as well. And again, if you're sitting at home now and you're, you've got a small um it's just you or one your one man, one man band, you still have the same risk. So, so please uh, assess those assess those carefully and write them down.

All right. There we go. That's risk for you. As I said it's not very exciting but it is very important and it's a valuable-valuable asset to have in your business at risk register. If you need a hand with any of it you just drop me a line at jason@businessmadeeasypodcast.com. I am here for you. Alternatively jump over into the Facebook group and join that group there at uh, businessmadeeasypodcast.com/community because I want to help you there as well. So, there's two places there that you can get some help with this topic very important topic. I hope you found this valuable um, as you uh, going on to your next podcast or whatever it is you're getting up to now just have a think about your business. I want you to have asked that question, have I looked at all the risks and assess my uh, course of action and risk uh, done a risk uh, assessment plan in my business. And uh, if the answers no then I want you to book your time in your diary to do so, immediately.

All righty. So, take action guys. Okay. That's all I've got time for this week. Thanks so much for joining me. I'm glad you have joined me and until next week. I'm gonna hand you over to Mia. She's gonna take us out. And uh, here's to your success. Take us out Mia. All the best guys. Bye.

Thank you for Tuning In

We hope you enjoyed this episode.

If you have any feedback or questions about the content in this episode please don't hesitate to drop me a line at jason@businessmadeeasypodcast.com I would love to hear from you.

Other things that you might like to help grow your business.

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Thank you again,
I appreciate you!

*Regards
Jason*