

## **Unit 22: Manage business risk**

**Unit reference number: L/506/2004**

**QCF level: 4**

**Credit value: 6**

**Guided learning hours: 27**

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### **Unit summary**

Every organisation will face risks and each risk could be a potential threat to their success. Managing business risks is the process of identifying threats and then effectively implementing activities to manage or reduce the impact of the threats. This involves reviewing the business processes, identifying any potential threats and the consequences and then taking appropriate actions to address the potential threat.

In this unit you will gain an understanding of the potential risks which could have an impact on organisations and the processes which could be implemented to identify the consequences and effect of the potential risk. You will gain an understanding of the processes which could be implemented to mitigate the business risks. You will be responsible for identifying potential risks for your organisations and in assessing the consequence of these risks. You will have the opportunity to develop risk management plans, monitor on-going risk related developments and to evaluate the effectiveness of the actions taken.

## Learning outcomes and assessment criteria

To pass this unit, the learner needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria outline the requirements the learner is expected to meet to achieve the unit.

Learning outcomes	Assessment criteria
1 Understand the management of business risk	1.1 Explain what is meant by business risk 1.2 Analyse business risk identification theories and models 1.3 Explain measures and techniques to mitigate business risk 1.4 Explain their own level of authority in managing risk
2 Be able to address business risk	2.1 Monitor work in line with organisational risk procedures 2.2 Identify potential risks using agreed risk criteria 2.3 Assess identified risks, their potential consequences and the probability of them happening 2.4 Communicate to stakeholders the likelihood of the risk occurring and its potential consequences 2.5 Explain organisational business risk management policies
3 Be able to mitigate business risk	3.1 Develop risk management plans and processes that are proportionate to the risk and the available resources 3.2 Implement risk management plans in accordance with organisational requirements 3.3 Monitor on-going risk-related developments and amend plans in the light of changing circumstances 3.4 Keep stakeholders informed of any developments and their possible consequences 3.5 Evaluate the effectiveness of actions taken, identifying possible future improvements

## Unit amplification

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### **AC1.1: Explain what is meant by business risk**

- *Business risk*: definition; relationship between risk and probability; different types of business risks, i.e. strategic risks, compliance risks, financial risks, operational risks, reputational risks; emerging risks, e.g. cyber risks, environmental liability
- *Influencing factors*: internal factors; external factors; factors out of the control of the business; factors controllable by the business; increased business costs, increased competitors or competitor activity, changes in the economic climate, new UK and EU legislation or regulations

### **AC1.2: Analyse business risk identification theories and models**

- *Techniques for identifying business risks*: e.g. risk analysis, risk management planning, business impact analysis, cost benefit analysis
- *Models for identifying risks*: SWOT analysis for identifying internal, external factors; PESTLE analysis, key external factors which impact on a business; **SLEPT** analysis, the social, legal, economic, political, technological influences; decision trees; Monte-Carlo technique, Delphi model

### **AC1.3: Explain measures and techniques to mitigate business risk**

- *Risk management*: assessing and prioritising risks; analysing impact and consequences; level of risk, low, medium, high; implementing appropriate processes, methods and tools to manage risks; monitoring and reviewing processes
- *Reducing risks*: implement quality processes; mitigation strategies, e.g. avoidance, acceptance, transference, control

### **AC1.4: Explain their own level of authority in managing risk**

- *The knowledge to meet this AC depends on the particular organisational context and the learner's role in that context. Learners need to apply the knowledge specific to their organisation to meet this AC.*
- *Level of authority*: roles; responsibilities; accountability