

# **Unit 25: 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
<p>1 Understand the management of business risk</p>	<p>1.1 Explain what is meant by business risk</p> <p>1.2 Analyse business risk identification theories and models</p> <p>1.3 Explain measures and techniques to mitigate business risk</p> <p>1.4 Explain their own level of authority in managing risk</p>
<p>2 Be able to address business risk</p>	<p>2.1 Monitor work in line with organisational risk procedures</p> <p>2.2 Identify potential risks using agreed risk criteria</p> <p>2.3 Assess identified risks, their potential consequences and the probability of them happening</p> <p>2.4 Communicate to stakeholders the likelihood of the risk occurring and its potential consequences</p> <p>2.5 Explain organisational business risk management policies</p>
<p>3 Be able to mitigate business risk</p>	<p>3.1 Develop risk management plans and processes that are proportionate to the risk and the available resources</p> <p>3.2 Implement risk management plans in accordance with organisational requirements</p> <p>3.3 Monitor on-going risk-related developments and amend plans in the light of changing circumstances</p> <p>3.4 Keep stakeholders informed of any developments and their possible consequences</p> <p>3.5 Evaluate the effectiveness of actions taken, identifying possible future improvements</p>

## 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, e.g. 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 requirements and context. Learners need to apply the knowledge specific to their organisation to meet this AC*

- *Level of authority*: roles; responsibilities; accountability

## Information for tutors

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### Suggested resources

#### Books

Boddy D – *Management: An Introduction* (5th edition) (Financial Times/Prentice Hall, 2010) ISBN 9780273738961

British Standards Institution (BSI) – *BS ISO 31000: Risk Management – Principles and Guidelines* (BSI, 2009) ISBN 9780580675713

Dallas M – *Value and Risk Management – A Guide to Best Practice* (Blackwell, 2006) ISBN 9781405120692

Slack N et al – *Operations Management* (6th edition) (FT Prentice Hall, 2009) ISBN 9780273731603

#### Websites

europa.eu – European Union: provides information on current EU legislation

www.gov.uk – UK Government website: information on risk management

www.hse.gov.uk – Health and Safety Executive: provides information on risk assessments

www.infoentrepreneurs.org – Info for Entrepreneurs: information on potential risks and risk management

www.managementhelp.org – Free management library: provides a range of materials on risk management

### Assessment

To pass this unit the evidence that the learner presents for assessment must demonstrate that they have met the required standard specified in the learning outcomes and assessment criteria and the requirements of the Assessment Strategy.

To ensure that the assessment tasks and activities enable learners to produce valid, sufficient, authentic and appropriate evidence that meet the assessment criteria, centres should apply the *Unit assessment guidance* provided and the requirements of the Assessment Strategy given below.

Wherever possible, centres should adopt a holistic approach to assessing the units in the qualification. This gives the assessment process greater rigour and minimises repetition, time and the burden of assessment on all parties involved in the process.

#### Unit assessment requirements

This unit must be assessed in the workplace in accordance with the Skills CFA Assessment Strategy for Business Administration, Customer service and Management and Leadership in *Annexe A*. Simulation is not allowed for this unit. All evidence of occupational competence should be generated through performance under workplace conditions; this includes evidence of achievement for knowledge-based learning outcomes and associated assessment criteria. **This unit is barred with Unit 33: Establish Business Risk Management Processes.**

## Unit assessment guidance

This guidance supports assessors in making decisions about how best to assess each unit and the evidence needed to meet the assessment requirements of the unit. Centres can adapt the guidance for learners and the particular assessment context, as appropriate.

To provide the evidence for this unit the learner will need to be involved in the process for identifying and managing business risks. The evidence to demonstrate achievement of all learning outcomes is likely to come from a combination of learner work products, professional discussion or reflective accounts and witness testimonies.

For learning outcome 1, the evidence could be provided in a professional discussion or a reflective account which explains what is meant by business risk and the measures and techniques to mitigate business risk AC1.1, AC1.3. Work products such as reports, emails or letters could be used to provide evidence for AC1.1, AC1.3 but must be in sufficient depth to satisfy the command verb of explain. A reflective account could be used to analyse the business risk identification theories and models (AC1.2). For AC1.4 the learner will need to explain in a professional discussion or a reflective account the level of authority they have in managing risk within their organisation.

For learning outcome 2, the learner could use witness testimonies from their line manager or colleagues, which show how they have monitored work in line with organisational risk procedures (AC2.1). Work products such as reports, letters or emails supported by witness testimonies could provide evidence on how the learner has identified potential risks using the agreed risk criteria and assessed the identified risks, their potential consequences and the probability of them happening (AC2.2 and AC2.3). Copies of written communication appropriately anonymised, to stakeholders on the likelihood of the risk, the potential consequences, any developments and the consequences would provide evidence for AC2.4 and AC3.4. A professional discussion or a reflective account could be used to explain the organisational business risk management policies (AC2.5).

For learning outcome 3, the learner will need to develop and implement risk management plans and processes that are appropriate for the risk, the available resources and in accordance with organisational requirements. The evidence for AC3.1 and AC3.2 will be copies of the risk management plans supported by witness testimonies from line manager or colleagues. For AC3.3, the learner will need to provide evidence that they have monitored and, where relevant, amended the risk management plans. A professional discussion or a reflective account could be used to evaluate the effectiveness of the actions taken and to identify possible areas for improvement (AC3.5).

Evidence of Recognition of Prior Learning (RPL) can also be used within the unit to confirm competence. Whenever possible the learning outcomes in this unit should be assessed holistically across the qualification.