Unit 33: Establish Business Risk Management Processes

Unit reference number: **J/506/2048**

QCF level: **5**

Credit value: **5**

Guided learning hours: **29**

Unit summary

Business activity carries with it associated risks and uncertainties. Risk can arise internally from decisions such as how to grow a business or it may arise externally from changes in the technical environment. As risks pose a threat to a business, risk-management techniques are developed and applied to anticipate and control risks, minimising and managing risk allows operational continuity, ensuring that the business can better achieve its objectives.

Learners will gain understanding of, and be able to apply, techniques to identify the potential risks that affect a business. Learners will learn how to anticipate the likelihood and consequences of events that carry risks. They will also learn how to develop business risk-management processes and integrate them into standard operations, and learn about the need to monitor and evaluate the risk for change.

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 business risk management models and techniques	1.1 Analyse standards relating to the management of business risk
	1.2 Analyse the factors influencing different types of risk
	1.3 Evaluate the relationship between risk management, business continuity and crisis management
	1.4 Evaluate a range of scenario planning and crisis management models
	1.5 Analyse methods of calculating risk probability
	1.6 Analyse the effectiveness of a range of risk monitoring techniques
	1.7 Analyse the significance of risk governance structures and ownership
2 Be able to develop business risk management processes	2.1 Review periodically the effectiveness of risk management strategy, policy and criteria
	2.2 Take action to ensure that risk profiles remain current and relevant
	2.3 Develop viable and affordable risk management processes that are consistent with business needs and the degree of potential impact of the risk
	2.4 Develop contingency and business disruption processes that are commensurate with the degree of risk to business as usual and organisational reputation
	2.5 Take action to ensure that risk management processes are integrated into operational plans and activities

Learning outcomes	Assessment criteria
3 Be able to evaluate the effectiveness of business risk management processes	3.1 Appraise the suitability of a range of risk evaluation techniques to business risk management
	3.2 Evaluate risk using valid quantitative and qualitative information
	3.3 Identify areas for improvement in identifying and managing risk
	3.4 Encourage a culture that accepts and manages risk

Unit amplification

AC1.1:   Analyse standards relating to the management of business risk

- *Business risk management:* identifying risks; assessing potential impact of risks; managing risks

- *Standards relating to the management of business risk:* business risk-management standards, e.g. ISO 31000:2009 Principles and Guidelines on Implementation, ISO/IEC 31010:2009 Risk Management – Risk Assessment Techniques; business risk-management frameworks, e.g. risk maturity model, Committee of Sponsoring Organizations of the Treadway Commission (COSO), International Risk Governance Council (IRGC) Risk Governance Framework

AC1.2:   Analyse the factors influencing different types of risk

- *Types of risk:* to include operational, financial, hazard and strategic

- *Factors influencing risk:*

  o Operational: e.g. product/service quality, customer perceptions, system robustness

  o Financial: e.g. level of working capital, financial stability

  o Hazard: e.g. legal liabilities, natural disasters

  o Strategic: e.g. capital requirement, competition environment, technical change

AC1.3:   Evaluate the relationship between risk management, business continuity and crisis management

- *Risk management:* to include business context, risk identification, quantifying risks, potential impacts of risks, risk rating, risk control, and monitoring the risk environment

- *Business continuity:* identifying business critical activities; specific risks to business critical activities; maintaining business critical activities when risk occurs; recovering business critical activities; integrating business continuity plan with risk management plan

- *Crisis management:* identifying potential crisis events; nature of the crisis; responding to the crisis; integrating crisis management plans with risk management plans

AC1.4: Evaluate a range of scenario planning and crisis management models

- *Scenario planning:* isolating the matter for analysis; scenario assumptions; creating scenarios and simulations; risk mapping; view alternative futures; scenario outcomes; implications for business strategy and operations

- *Crisis management:* crisis management model (diagnosis, containment, business recovery, implementation of change); management responses to crises, e.g. Perrier Water benzene contamination, BP Deepwater Horizon oil spill

AC1.5: Analyse methods of calculating risk probability

- *Calculating risk probability:* statistical measures of probability; establishing probability of a risk occurring; cost of a risk = (probability of a risk event happening) x (expected cost/loss when the risk event happens); using risk probabilities to manage risk

AC1.6: Analyse the effectiveness of a range of risk-monitoring techniques

- *Risk monitoring:*
  - Techniques: purpose; risk audits; risk reviews; risk re-assessment; risk register update
  - The effectiveness of techniques: e.g. identification, responses, controls

AC1.7: Analyse the significance of risk governance structures and ownership

- *Risk governance:* risk-management strategy and policies
- *Structures for:*
  - Management and control of risk
  - Integrity of risk management framework
  - Quality assurance
- *Ownership:* approaches by owners to risk management; moral hazard; impact of risk-management framework on owners

Information for tutors

Suggested resources

Books

Crouhy M, Galai D and Mark R – *The Essentials of Risk Management: The Definitive Guide for the Non-risk Professional* (McGraw-Hill Professional, 2006)
ISBN 9780071429665

Hopkin P – *Fundamentals of Risk Management: Understanding, Evaluating and Implementing Effective Risk Management* (2nd edition) (Kogan Page, 2012)
ISBN 9780749465391

Websites

www.gov.uk – UK Government website: HM Government portal, a business continuity toolkit

www.irgc.org – The International Risk Governance Council: a risk governance framework

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

Other

The Bottom Line Podcasts and Downloads chaired by Evan Davies and Stephanie Flanders. The podcasts bring together practitioners to discuss current business matters. Many podcasts touch on topics relevant to the unit, for example the podcast on futurology for business considers aspects of risk. They can be searched through and downloaded from www.bbc.co.uk/podcasts/series/bottomline/all

Risk Management (Palgrave Macmillan Journals) – has articles 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, 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 25: Manage Business Risk.**

Unit assessment guidance

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

Assessment in the unit should be holistic and be practically focused. Assessment is based on learner performance at work in an area that requires the learner to be involved in business risk management.

Sources of evidence for demonstrating achievement of learning outcome 1 could include work products, a log or reflective journal and witness statements. These sources of evidence should show clearly how and why the learner made their choices and decisions in relation to the 'business risk' management models and techniques used. Explanatory narratives could identify the learner's specific contributions. The learner should also maintain a log or reflective journal to reflect on the approach adopted for the practical aspect of this unit in learning outcomes 2 and 3, and any lessons learned from putting theory into practice.

For learning outcome 2, work products, such as an action or contingency plan, could evidence the achievement of AC2.2, AC2.3, AC2.4 and AC2.5, along with the use of a witness statement or a professional discussion. A log or reflective journal could be a source of evidence for demonstrating achievement of AC2.1, AC2.2 and AC2.5, allowing the learner to reflect on the effectiveness of risk-management policies and strategies used, reviewed and how this had an impact on further action.

For learning outcome 3, work products could evidence achievement of all the assessment criteria. In addition, a reflective journal could demonstrate how the learner selected the range of data and information, the reason for their choice of techniques used and how a positive approach to risk management was encouraged. A professional discussion or a witness statement could evidence the achievement of AC3.1, AC3.2 and AC3.4, allowing the learner to explain how to evaluate the effectiveness of business risk management processes.

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