Risk management

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What is Risk Management?

Risk Management is a structured approach to managing the risks in business. It involves formalising existing risk management practices, identifying areas that require additional attention, and combining this with a business plan to support the success of the business.

The definition of risk is “anything which can prevent achievement of objectives.” It includes maximising the opportunities within the business as well as minimising the hazards.

Why is it relevant to viticulture and winemaking?

The risks facing businesses in these areas today are becoming greater in number, greater in complexity, and more important to “get right” the first time as it juggles competing needs. The returns from capital invested need to be maximised in a globally competitive market while ensuring the sustainability of operations into the future. New regulations, changes in domestic and global markets, climate change impacts, political decisions, funding restrictions, labour shortages etc all contribute to the change and uncertainty that must be managed by viticulturists and winemakers.

A structured approach to managing business risks enables:

• the allocation of limited resources to the areas of most importance with confidence that the decisions are in the best interests of the business;
• Thinking outside the square on what issues are important and how they need to be managed; (The “way we have always done it” may not be the best way for the future)
• Consideration of risk issues outside our areas of specialist expertise;
• Communicating the key issues to the people who need to work on the issue;
• Presenting the business in a professional, well-managed and proactive manner particularly to third parties whose support the business may need, e.g. funding bodies, regulators and customers.

How do you do it?

Implementing a business risk management system to support a business need not be an onerous task. The key steps are to:

• Identify the risks—hazards and opportunities
• Prioritise the issues—and start with the most important
• Assess how well the risk is currently managed
• Determine what additional Action is required to mitigate the hazard or maximise the opportunity
• Monitor performance
• Review the risk profile of the business annually

What do you need?

It will be necessary to have:

• a user-friendly risk management framework to help guide deliberations;
• time allocated to consider the business, the environment within which it operates, and the external risks and opportunities that present themselves currently and may emerge in the future;
• the involvement of key people in the business; and
• a desire to make the business as successful as possible.

Managing business risks is not an activity that is separate to running the business—it is central to managing business successfully!