

Risk Management Fact Sheet

Risk management is an important process often overlooked in small organisations. A survey compiled in 2003 by Museums Australia Queensland and Regional Galleries Association of Queensland revealed that only 23 of the 150 respondents had a risk management policy or procedure in place.

This fact sheet will help you to develop a Risk Management Policy and systems to implement it. Many other museum and gallery policies and procedures can be affected by a risk management policy and you may need to consider other documents such as Disaster Plans, Exhibition Touring Policies and Collection Management Strategies.

At the end of the document there is a list of very useful resources where you can find more detailed information.

What is risk management?

Risk management is a process used to avoid, reduce or control risks. Some risks can be insured against, others can not. This fact sheet is developed to help organisations deal with their insurable risks but can be applied to all risks.

Ignoring the risks which apply to your business activities or the events you have planned could impact on the following:

- the health and safety of employees, customers, volunteers and participants
- your reputation, credibility and status
- public and customer confidence in your organisation
- your financial position
- plant, equipment and the environment.

A systematic approach to managing risk is now regarded as good management practice.

There are six steps to risk management: Establish the Context, Identify the Risks, Analyse the Risk, Evaluate the Risk, Manage the Risk and Review.

1. Establish the Context

What does your organisation do? Anything that poses a risk to what your organisation is trying to do needs considering, this will include social, economic, legal, technological or environmental factors. You may not be able to control some of these factors but you can minimise the risk they might pose.

In establishing the context you need to also identify the stakeholders, these are the individuals who may affect, or be affected by, any of your decisions on risk management. Stakeholders include employees, volunteers, visitors, insurance organisations, government and suppliers. Each stakeholder will have different needs, concerns and opinions, it is important to communicate with the stakeholders during the risk management process.

Risk criteria are then used to rank risks and decide whether they are acceptable or not. Consider the level of risk your organisation is willing to accept from its environment.

Example:

Your museum/gallery is organising fundraising event. It is an outdoor event that will include a sausage sizzle, pony rides and a public art competition

The factors which will effect the way the event is managed are:

- Physical e.g. fall of ponies
- Legal e.g. potential litigation
- Environmental: e.g. rainfall will call the event to be postponed or cancelled

Stakeholders who need to be involved in managing the risk of the event

- Museum/gallery volunteers
- Local council
- Local community groups
- Local media

Some of the risk criteria identified whether a risk is acceptable or not are

- Likelihood of death or serious injury
- Likelihood of litigation
- Likelihood of detrimental weather
- Likelihood of negative publicity

2. Identify the Risks

Identify the types of risks which arise from your activity and environment, these can be

Physical: this could involve personal injuries, environmental and weather conditions and the physical assets of your organisation

Financial: this could mean fraud, theft, membership fees, insurance costs, loss of funding etc.

Legal: this includes responsibilities imposed by federal, state or local governments

Ethical or moral: involving actual or potential harm to the reputation or beliefs of an individual or organisation

How do you identify the different types of risks?

Look at records of previous activities, events or exhibitions

Examine the results of personal, local or overseas experiences

Interview/survey stakeholders

Analyse specific scenarios.

When you identify the potential risks of an activity, ask yourself the following questions:

- What are the best methods to identify risks that are likely to occur in this arts activity?
- Who should I consult to assist me in identifying risks?
- What sources of risk are relevant to this activity?
- What risks are likely to occur?
- Are the risks internal, external or random?
- What would be the perspective of both internal and external stakeholders to these risks?

Example:

Museum & Gallery Services Queensland t. 07 3215 0820 f. 07 3215 0821

information@magsq.com.au www.magsq.com.au

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In previous years there have been accidents at fundraising events. Although no one has sued your organisation the museum/gallery board are being cautious for future events.

To identify the risk they

- Looked at the records of previous accidents
- Conducted a physical inspection of the museum/gallery grounds
- Talked to stakeholders
- Looked at risk management plans of other small museums and galleries

The risk analysis revealed that the most common source of risk were

- Human behaviour e.g. inexperienced staff
- Natural events e.g. unpredictable weather
- Legal e.g. potential litigation

The major risks identified by the board were

- People falling off the ponies
- Storms, meaning the event has to be cancelled
- Food poisoning

3. Analyse the Risk

In analysing a risk you are deciding on the relationship between the likelihood of a risk occurring and the consequences of the risk you have identified.

You then have to define the level of risk and what it means in terms of managing the risk.

Extreme: An extreme risk requires immediate action as the potential could be devastating to the enterprise.

High: A high level of risk requires action, as it has the potential to be damaging to the enterprise.

Moderate: Allocate specific responsibility to a moderate risk and implement monitoring or response procedures.

Low: Manage a low level of risk with routine procedures.

When you analyse the risks of an arts activity, ask yourself the following questions:

In relation to each risk:

- Are there any controls currently in place to manage the risk?
- If so, is there any remaining risk?
- What is the likelihood of the risk occurring?
- What are the consequences if the risk should occur?
- Therefore, what is the level of the risk?

Example:

Risk	Likelihood	Consequences	Level of risk
People falling off the rides	Possible	Major	High
Storms, meaning the event has to be cancelled	Possible	Minor	Moderate
Food poisoning	Possible	Major	High

4. Evaluate the Risk

In this step you are deciding whether a risk is acceptable

Your evaluation will take into account the following:

- the importance of the activity you are risk managing and its outcomes
- the degree of control you have over the risk
- the potential and actual losses which may arise from the risk
- the benefits and opportunities presented by the risk.

Deciding whether a risk is acceptable

An acceptable risk is not necessarily one that is insignificant. You may decide that a risk is acceptable because:

- the risk level is so low that it does not warrant spending time and money to manage it
- the risk level is low and the benefits presented by the risk outweigh the cost of managing it
- the opportunities presented by the risk are much greater than the threats.

Example

In the case of the fundraising event the museum/gallery board decided that all of the risks were unacceptable and were prioritised as

- People falling off rides
- Food poisoning
- Storms

5. Manage the Risks

The next step in the risk management process is managing your identified risks. You can do this by:

Identifying options to treat the risk

Selecting the best treatment option

Preparing a risk treatment plan

Implementing a risk treatment plan

The options available to manage this risk are to:

Avoid the risk by deciding not to proceed with the activity or choosing another way to achieve the same outcome.

Control the risk by reducing the likelihood of the risk occurring, the consequences of the risk or both.

Transfer the risk by shifting all or part of the responsibility of the risk to another party who is best able to control it.

Retain the risk after accepting that the risk cannot be avoided, controlled or transferred.

What is then the best option to manage this risk?

- Is the option you have decided on feasible and cost-effective? If not, what is the next best option?
- Who will be responsible for implementing this risk management?

By implementing a risk management program you are showing that you have an interest in safeguarding your assets as well as your employees, visitors and volunteers wellbeing, thereby offering a professional image to your clients, members and the wider community. The process of identifying, analysing and

evaluating risks will improve your organisation's ability to make educated decisions.

In addition to presenting a professional image, risk management can make your organisation a more attractive risk to insurance companies, resulting in more competitive premiums and wider coverage.

Example

The museum/gallery board proposed the following risk treatments for the risks identified for fundraising events

- People falling off rides. Control the risk by ensuring people managing the rides are experienced and safety harnesses are used where available
- Food poisoning. Control the risk by keeping food refrigerated, ensuring all food preparation areas are kept clean and gloves are worn by people preparing food
- Storms. Control the risk by ...

6. Review

You will need to constantly monitor and evaluate the strategies you are using to manage risks, as risks do not remain the same. You may find that over time new risks are created, existing risks are increased or decreased, some risks no longer exist and risk management strategies are no longer effective.

Resources

http://www.ourcommunity.com.au/insurance/insurance_main.jsp

<http://www.deir.qld.gov.au/workplace/subjects/riskman/index.htm>

<http://www.safeworkaustralia.gov.au/sites/SWA/AboutSafeWorkAustralia/WhatWeDo/Publications/Pages/Manage-WHS-Risks-COP.aspx>

http://www.volunteeringaustralia.org/html/s02_article/article_view.asp?id=129

reCollections Caring for Collections Across Australia – Managing Collections. This publication is also available online

http://www.collectionsaustralia.net/sector_info_item/3