



RISK IS NOT A DIRTY WORD – it is a Positive Review Of Possibilities

“Focus is easily drawn to matters illuminated. However, refinement, being the ingredient of greatness, is achieved after understanding happenings cloaked in shadow.”

Gordon Barrett

We live in a world where we are encouraged to simplify the business process, cut costs including those of employees by engaging technology. In addition, we are also encouraged to look forward, maintain positive thoughts and to some extent, ignore the lessons history offers.

As a consequence, we have come to interpret the word RISK, as associated with negativity - and a distraction from selling. Furthermore, any cost related to risk management is rarely recognised as providing a positive return for the business.

As accountants would say, “For every negative, there is a positive!” What if we could turn our thoughts around and view RISK in a positive manner and not just a cost? In other words, thinking of risk management as a positive way of fully understanding situations to identify costs/cost savings, or more importantly, an opportunity to make a profit.

It also should not be forgotten, that a risk identified can be evaluated and if possible, eliminated, or the confirmation of a positive opportunity. A risk not seen, is a potential disaster waiting to happen, or a missed profitable opportunity.

In the first instance, identify all the factors involved in a situation, and maybe a change of process before fully committing to it. The objective is to reduce the chances of unforeseen circumstances or damaging losses, whilst accurately estimating increased profits.

For example: if there is risk to our businesses, isn't this same risk identical for our suppliers, customers, finance providers etc.? (Put another way, assuming we're supplying a valued service to our customers, our suppliers and finance providers benefit from having a secure resource – our company. Should we fail, their resource vanishes, often leaving unpaid debts, or, at least, a reduction in their cashflow and profits.)

If you understand this concept, identifying and removing risk in your business then reduces risk for your suppliers and financiers. As a result, your business is more valuable to them when compared to your competitors. This can provide you with great leverage over your competitors, particularly during financially difficult times.

With few exceptions, as the recession depends, many businesses will experience hard times. If there is one thing we do know however, it is that great opportunities continue to be available for businesses with solid reputations and the means of taking advantage while others suffer misfortune.

Here are four simple situations, which may be available to a business with a solid reputation and an understanding of the positive opportunities associated with current risks - which others may not have identified:

1. **your supplier suffering cashflow problems, may offer a discount for cash; or**
2. **due to your research, you are aware the supplier may not be able to survive, and so you prepare your business for alternate suppliers;**
3. **a customer is failing and you can “engineer” a chance for early payment to avoid a potential preferential payment request and loss;**
4. **you may be able to buyout a competitor which is having financial problems at a favourable price:**

By understanding what's at RISK, or realise possible flaws in a project or situation, our knowledge expands exponentially. Understanding RISK also reduces levels of uncertainty, which in turn, improves our enthusiasm, abilities and drive for success. Identifying “RISK” therefore should be welcomed, encouraged and accepted as a professional and personal developmental opportunity.

R **Reputation** in business is everything. All wise business people are looking for reliable people to do business with because they know it saves them time and money.

A bad reputation leads to lost purchasing and sales opportunities, as costs increase exponentially. For example, the cost of credit, or having to pay cash because your supplier(s) are no longer willing to put up with late payments.

Maintaining a positive reputation provides access to better opportunities and reduces costs. Other benefits include positive business partnerships, or being recognised as maintaining efficient interactions with your stakeholders.

I **Investment** is everything you put in your business, which includes your capital, any finance obtained, expertise, time, emotional well-being, and commercial contacts.

Maintaining a positive investment in these assets is critical for growth and long term survival.

S **Selling** is an essential component of business. It includes the sale of product and/or your services and proficiency; plus, the positive attributes of your business. Your business's stakeholders are always looking at how you manage the entire business relationship.

K **Knowing** your stakeholders is of critical importance. Not every existing or potential stakeholder(s) can be trusted. Failing to adequately identify your stakeholders, can be costly to all three attributes above. Alternatively, many positive outcomes are possible when you know all aspects of your stakeholders.

SUMMARY

In truth, both our private and business lives contain risk in almost everything we DO, or DO NOT DO.

By understanding what's at RISK, our knowledge expands exponentially. Therefore, the concept of RISK should be welcomed, encouraged and accepted as a professional and personal developmental opportunity. The outcome of properly understanding RISK as a positive concept provides a platform for reducing costs, or reducing losses and accurately projecting profits – before you're fully committed to a situation.

Your proficiency at implementing risk management can greatly enhance your company in the eyes of your customers, suppliers and financiers, which, in turn, sets you apart from your competitors and provides you greater leverage.

It also should not be forgotten, that a risk identified can be evaluated and if possible, eliminated, or the confirmation of a positive opportunity. A risk not seen, is a potential disaster waiting to happen, or a missed profitable opportunity.

If you wish to discuss the contents of this article further, or are interested in more details on how to prepare and implement Risk Management; or you require information on other credit issues, please visit our website or contact our office using the below details.