



RISK MANAGEMENT TIPS

for start-ups

When starting a new business, a risk management plan is one of the first things business owners should address, but unfortunately, it's one of the most neglected areas for start-ups. This omission is often due to the multitude of distractions that swamp any new business owner, from organising business plans, financing and product designs to plotting marketing strategies and employing staff.

Risk management however, is a fundamental part of every business and **creating a risk management plan** is just as essential to a start-up's success as targeting the right audience or designing the right products. What happens if one of your employees is injured on-site, a customer slips on a floor, equipment is stolen or your data base is hacked?

Managing risks on the fly is the best way to guarantee a start-up's failure and many businesses close their doors simply because they didn't recognise the potential risks involved. So if you are close to starting your own business or have already started trading, here are three steps to creating a much-needed risk management plan.

1. What is your company's risk exposure?

The primary concern of a construction company may be accidents, injuries or deaths of their employees. For a transport company it might be damage to their client's products during transportation and the comfort and safety of their drivers. A café owner may be concerned about both staff and customer injuries, whilst a data storage company might be concerned about hacking. All of these are real risks, but they are not the only risks faced by these companies. To design a successful risk management strategy, new business owners need to identify their company's total risk exposure, not just the one or two that seems the most problematical.

2. Consult all your stakeholders

Your risk management plan must be all-encompassing, so consulting all stakeholders is a good step in the right direction. Stakeholders can include employees, clients, contractors, investors, financiers, insurers and local government agencies. Using the input

from your stakeholders, you can identify high, medium and low risks, but these shouldn't just be hazard-based risks. Depending on your type of business, you might be faced with legal, cultural or religious risks, all of which need to be specified, minimised and included in your risk management plan.

3. Commit to reducing and managing risk

A risk management plan isn't something that gets read once and tossed in a drawer. Employees need to know that a risk management plan exists, what it contains, who is responsible for managing each type of risk and what to do in the event that one of these risks becomes a reality.

Everyone needs to understand and support the risk management plan; sufficient resources need to be directed to enabling the plan to be actioned and to quantify outcomes. The risk management plan needs to be explained to new employees and contractors, and feedback encouraged from everyone involved.

Finally, it's important that your risk management plan is reviewed regularly and that you have the appropriate insurances in place to minimise your losses, if one of these risks becomes a reality.

To speak to an insurance specialist about your risk management plan, contact us today.

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