Understanding your business risks

Running a small business is a constant balance of risk vs. reward – will that technology investment or extra staff member provide the return you need in the right timeframe? This is to say nothing of the challenges associated with cashflow control, changing legislation or maintaining a growing reputation.

Running a small business has always meant taking calculated risks, indeed it's often a key step on the path to growth. However, there are several other areas of risk which are harder for SME owners to control in today's fast-moving business landscape. These risks can take the form of new legislative and regulatory requirements, cybersecurity vulnerabilities or changes in consumer spending habits.

Small businesses can use standards to protect against these risks, build resilience and boost confidence. They deliver critical assistance to small businesses and help optimize every aspect of running a company. Think fundamentals like product and service quality, IT security, customer service and complaints management, winning new business, compliance, brand reputation and so on. Standards also help SME owners reduce costs, enhance productivity and improve profits.

There is even an international risk management standard, ISO 31000. It is designed to help businesses embed systems for ongoing risk analysis and assessment, covering most activities from planning, operations, safety and communication. This helps small business owners to improve confidence – both their own and that of partners, suppliers and investors. Certification to ISO 31000 demonstrates a clear commitment to risk management, which in itself can be a useful reputation builder.

Small businesses reduce their risk exposure with every standard they implement, as well as improve their ability to respond to unexpected events as they occur. For example, ISO 27001, which covers information security, helps SME owners protect against hacking, phishing and data loss from human error. It also helps response and recovery in the event of a data breach or cybersecurity incident.

Here are three other areas in which help small businesses should look to reduce their risk exposure.

Staff risks

Perhaps even more than larger corporations, every member of staff employed by a small

business is critical to its survival and future success. Supporting employees by providing a safe and happy working environment is important. Poor staff wellbeing increases the likelihood of absenteeism, staff turnover – damaging productivity and even overall reputation. Small businesses can use ISO 45001 to make sure their health and safety policies are appropriate, and will be able to use ISO 45003, which is under development, to support employees' mental health.

Quality risks

Quality encompasses many things – from the way a small business is run and managed, to how consistently good an SME's products and services are. It's an ideal area for risk management attention, as it can make a huge difference to performance. ISO 9001 is the world's most recognized quality management standard, helping business owners bolster their entire operation. It helps reduce risk through continuous improvement, cost reduction and sustainable management processes.

Supplier and cashflow risks

Every business has its suppliers, as well as those businesses that it supplies. The way that an SME manages its supply chain in relation to these different partners has a real influence on its ultimate success. One of the main reasons for this is cashflow – getting your invoices paid on time will mean that you don't have to delay payment to your own suppliers and risk important relationships. Internationally recognized standards, such as ISO 28000, help small businesses build an understanding and awareness of all their supply chain risks, and create strategies to reduce exposure.

These are just a few of the ways that standards can help SME owners reduce their risk in important business areas. A further big advantage is that if you're already following a particular standard, you will find regulatory and legislative compliance much more straightforward.

Bullet point summary

- Standards help protect SMEs against a range of business risks, reduce costs and increase productivity and profits. They help you respond to unexpected events and make regulatory and legislative compliance easier.
- The international risk management standard, ISO 31000, helps businesses embed systems for ongoing risk analysis and assessment, covering most activities from planning,

operations, safety and communication. Certification demonstrates a commitment to risk management.

- Strengthen protection against hacking, phishing and data loss from human error – as well as aid recovery in the event of a cybersecurity incident – with ISO 27001.
- Poor staff wellbeing increases the likelihood of absenteeism, staff turnover and damages productivity and overall reputation. Use ISO 45001 to make sure your health and safety policies are appropriate, and look out for ISO 45003 to support employees' mental health.
- ISO 9001 helps business owners bolster their entire operation and improve quality in all areas. It reduces risk through continuous improvement, cost reduction and more efficient management.
- Good supply chain management has a real influence on SME success. Internationally recognized standards, such as ISO 28000, help small businesses build an understanding and awareness of all their supply chain risks, and create strategies to reduce exposure.

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