

# Risk Management



## Build Your Organization's Effectiveness



Agriculture producers are no strangers to risk, especially those outside their control – crop failure, transportation issues, and changes in the market. For an agricultural organization, these types of risks can have a ripple effect. When producers are going through a hard time financially, it may result in lower membership. Events on a national level can take staff and board member time away from other essential business. A decrease in a certain type of commodity being produced can mean less financial resources. In addition to risks specific to the agriculture industry, many risks are common to all organizations. Taking time to consider the risks that may affect the important work you do is critical.

### Identify risks

To address risks, the first step is to identify them. In the course of day-to-day business, it is easy to overlook what might have a negative effect on your organization. As a board or leadership team, take some time to ask the following questions:

- What could potentially happen that would affect our organization and its work?
- What is the likelihood of something happening?
- What are the potential effects?
- What can be done to reduce the likelihood of something happening or the impact on the organization?
- What can our organization do to prepare for the potential risk?

### Risk Matrix

Risk Matrix can help you consider the **likelihood** of the risk occurring by choosing unlikely, likely or very likely. Next, what **impact** might there be on the organization, staff, members or the public? Choose from minor, moderate or major impact.

↑ Likelihood	Very likely	Medium 2	High 3	Extreme 4
	Likely	Low 1	Medium 2	High 3
	Unlikely	Low 1	Low 1	Medium 2
		Minor	Moderate	Major
	→ Impact			

1 **Low** – There will be little or moderate impact if the risk occurs and it is unlikely or the risk is likely to occur but the impact would be minimal.

2 **Medium** – The potential impact of the risk is moderate and it is likely to occur or the risk is significant but it is unlikely to happen. The impact may also be minimal but the risk is very likely to occur.

**3 High** – Either the likelihood or impact is considerable, the other is less significant.

**4 Extreme** – The impact is major and it is highly probable the risk will occur.

## Manage risks

Ultimately, the organization must decide what they will do about the risks they identify. They can decide the risk is minor and that they are willing to live with the consequences, or they can decide to reduce the risk by changing behaviour or the environment. They can also decide to get rid of the risk completely or shift the liability somewhere else.

### OPTIONS FOR MANAGING RISK



Risk management should be a regular agenda item so that any concerns can be raised promptly. As well, it should have a specific place on your strategic planning agenda, with time given to adequately address all the risks your organization faces. An audit committee should be created to review financial and other risks on a regular basis and present them to the board.

## How to approach risk

Risk management discussions should also consider the culture and health of the organization. Some organizations operate with a no risk, no gain philosophy, while others prefer to play it safe. Think about your organization's approach and whether it is the right one for each situation. As well, consider the health of the organization:

- Is it in good standing financially?
- What is the reputation of the industry and the organization specifically? Is there something that needs to be rebuilt at the moment and a risky endeavour is not a wise option?
- Think about the staff, and in particular, the leadership. Are they experienced in handling this level of risk? If not, efforts need to be made to reduce or eliminate the risk or teach people in leadership how to handle risky decisions.

For more information, refer to these guidebooks:

- *Board Governance* - Alberta Agriculture and Rural Development
- *Running Effective Meetings* - Alberta Agriculture and Rural Development

Adapted from Volunteer Canada, Ottawa, Ontario 2002, *Director's Liability: A Discussion Paper on Legal Liability, Risk Management the Role of Directors in Non-Profit Organizations*, [www.volunteer.ca](http://www.volunteer.ca).

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## Other points to consider

- Are you ensuring everyone is following your risk management procedures?
- Do you regularly inspect your property for potential risk factors and deal with any safety concerns?
- Are you following proper screening practices when you hire staff or accept new members on to the board?
- Do your minutes accurately reflect the decisions made at meetings? For more information see the following resource: *Meeting Minutes: Best Practices*
- Does your organization complete all required regulatory reporting in the proper time frame?

## For more information

- Go to [manitoba.ca/agriculture](http://manitoba.ca/agriculture) and click on **Industry Leadership**
- Email us at [leadership@gov.mb.ca](mailto:leadership@gov.mb.ca)
- Visit your local **Manitoba Agriculture Office**