Step 2. Establish the context

provides a five-step process to assist with establishing the context within which risk will be identified.

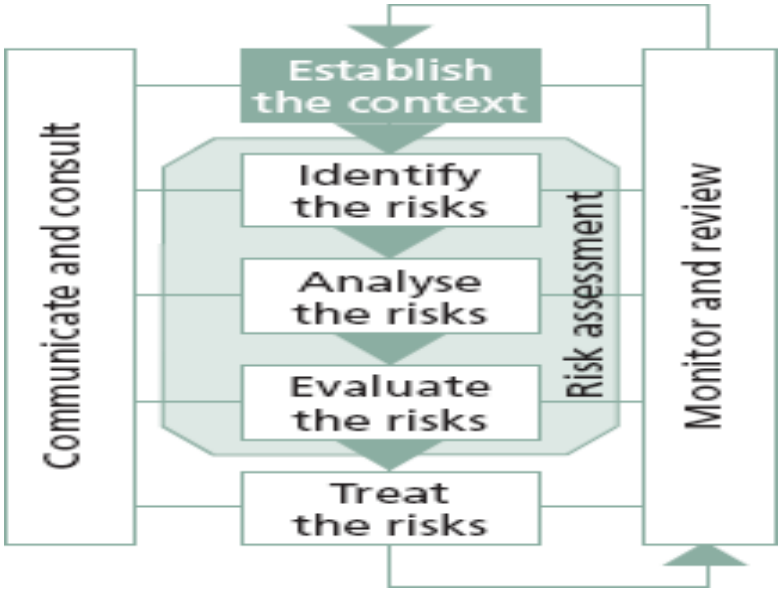
1 Establish the internal context

2 Establish the external context

3 Establish the risk management context

4 Develop risk criteria

5 Define the structure for risk analysis



Risk Management process

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1 Establish the internal context

In establishing the internal context, the business owner may also ask themselves the following questions:

- Is there an internal culture that needs to be considered? For example, are staff Resistant to change?
- Is there a professional culture that might create unnecessary risks for the business?
- What staff groups are present?
- What capabilities does the business have in terms of people, systems, processes, equipment and other resources?

2. Establish the external context

- This step defines the overall environment in which a business operates and includes an understanding of the clients' or customers' perceptions of the business. An analysis of these factors will identify the strengths, weaknesses, opportunities and threats to the business in the external environment.
- A business owner may ask the following questions when determining the external context:
- • What regulations and legislation must the business comply with?
- • Are there any other requirements the business needs to comply with?
- • What is the market within which the business operates? Who are the competitors?
- • Are there any social, cultural or political issues that need to be considered?

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3- Establish the risk management context

- Before beginning a risk identification exercise, it is important to define the limits, objectives and scope of the activity or issue under examination.

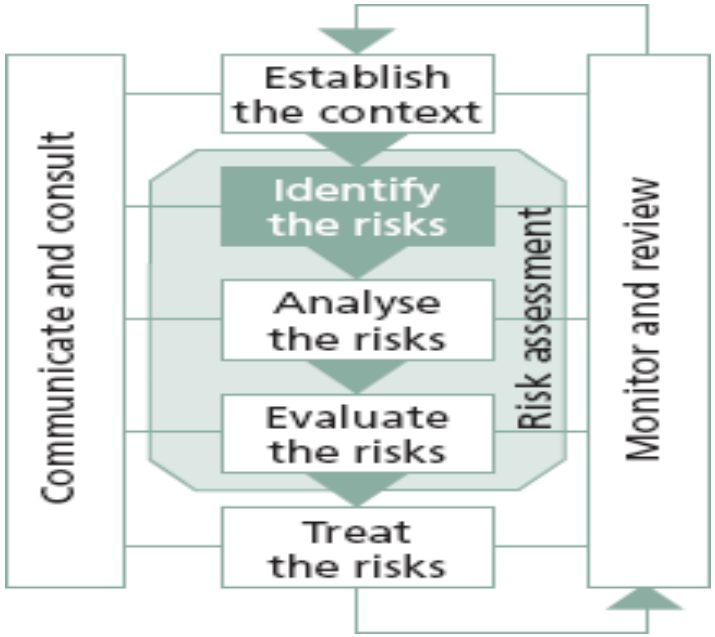
4. Develop risk criteria

Risk criteria allow a business to clearly define unacceptable levels of risk. Conversely, risk criteria may include the acceptable level of risk for a specific activity or event.

5. Define the structure for risk analysis

Isolate the categories of risk that you want to manage. This will provide greater depth and accuracy in identifying significant risks.

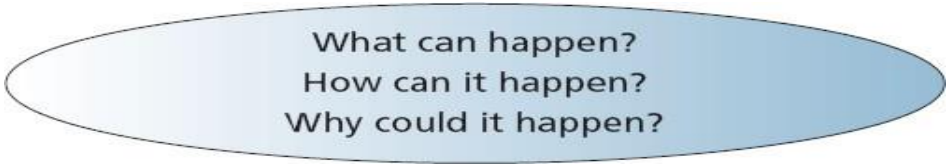
The chosen structure for risk analysis will depend upon the type of activity or issue, its complexity and the context of the risks.



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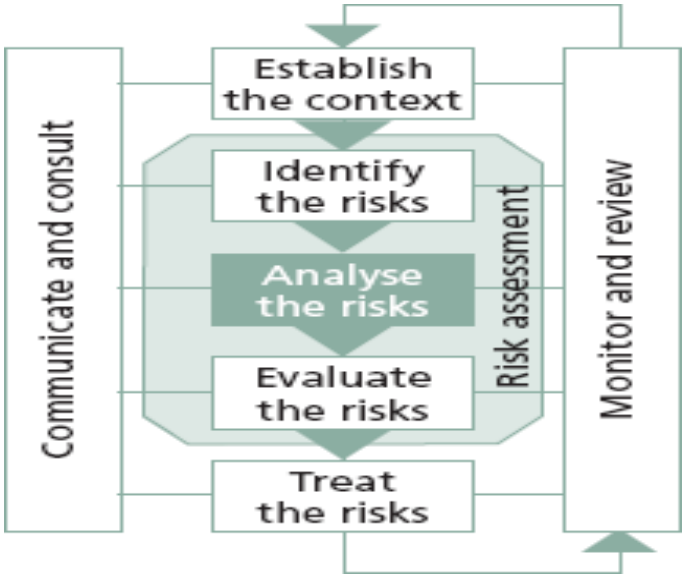
Step 3. Identify the risks

- Risk cannot be managed unless it is first identified. Once the context of the business has been defined, the next step is to utilize the information to identify as many risks as possible.
- The aim of risk identification is to identify possible risks that may affect, either negatively or positively, the objectives of the business and the activity under analysis. Answering the following questions identifies the risk:

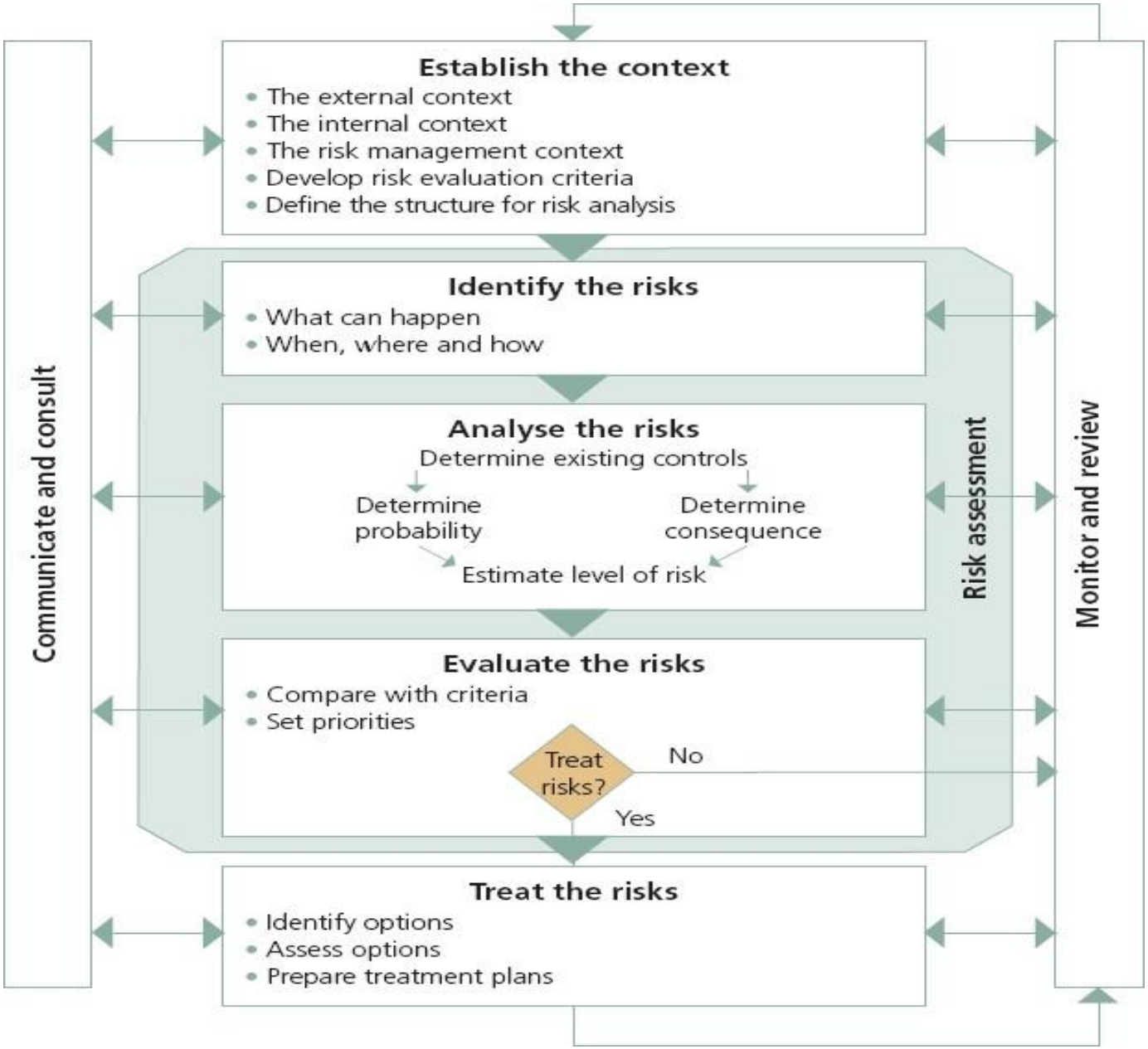


Step 4. Analyze the risks

- During the risk identification step, a business owner may have identified many risks and it is often not possible to try to address all those identified.
- The risk analysis step will assist in determining which risks have a greater consequence or impact than others.



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