

1  **Risk Management**
Agribusiness Procedures

2  **What is a risk?**

Andre Gide: One doesn't discover new lands without consenting to lose sight of the shore for a very long time.

Annie Dillard: If we listened to our intellect, we'd never have a love affair. We'd never have a friendship. We'd never go into business, because we'd be too cynical. Well, that's nonsense. You've got to jump off cliffs all the time and build your wings on the way down.

Charles DuBois: The important thing is this: To be able at any moment to sacrifice what we are for what we could become.

Douglas MacArthur: There is no security on this earth. Only opportunity.

Edward de Bono: It is better to have enough ideas for some of them to be wrong, than to be always right by having no ideas at all.

Erich Fromm: Creativity requires the courage to let go of certainties.

George Bernard Shaw: A life spent making mistakes is not only more honorable but more useful than a life spent in doing nothing.

H. Jackson Browne: Don't be afraid to go out on a limb. That's where the fruit is.

3  **What is risk management?**

- Risk management ensures that an organization identifies and understands the risks to which it is exposed.
- Risk management also guarantees that the organization creates and implements an effective plan to prevent losses or reduce the impact if a loss occurs.

4  **What is risk management?**

- A risk management plan includes strategies and techniques for recognizing and confronting these threats.
- Good risk management doesn't have to be expensive or time consuming; it may be as uncomplicated as answering these three questions:
 - What can go wrong?
 - What will we do, both to prevent the harm from occurring and in response to the harm or loss?
 - If something happens, how will we pay for it?

5  **My favorite example of poor risk management:**

6  **The Titanic: What can go wrong?**

1. The ship could hit an iceberg or otherwise be damaged and take on enough water to sink.
2. Food could become contaminated and we could have an outbreak of food poisoning.
3. We could have an outbreak of some other communicable disease.
4. The coal used to run the ship could catch on fire in the holds.
5. Our machinery could break down so that we would be "stuck."

7  **The Titanic: What DID go wrong.**

The ship hit an iceberg and was damaged enough to sink.

- There weren't enough lifeboats for all the passengers and crew.
- The collision "broke" the watertight doors that were supposed to seal off any breach so that they couldn't be closed.
- When the ship tilted, some of the lifeboats became impossible to deploy – they hung over the ship instead of the water.
- There was no training for the lifeboats – no one knew what was on board them, how to deploy them or what to do once in them.
- There was no system identified for who was to go to what boat, or leaders identified for each boat.
- There weren't enough life preservers for passengers and crew and few people knew where they were or brought them with from their cabins.
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8  **Moral of the Story:**

It's not morbid or paranoid to think about what might go wrong – it's SENSIBLE!

9  **Methods of Risk Management**

- Good planning, including extensive CONTINGENCY planning.
- Err on the pessimistic/conservative side in estimates
- Don't just "decide" what to do in case of disaster – write it down and practice it!
- Buy insurance.

10  **Insurance**

There are two types of insurance

- Insurance we have too much of
- Insurance we have too little of

11  **How Insurance Works**

12  **Insurance Terminology**

Premium

- The charge you pay in order to have insurance

Deductible

- The fixed dollar amount that you must pay before insurance "kicks in"
- Increasing deductible will lower premium

13  **Kinds of Insurance**

- Life insurance
- Health insurance
- Disability insurance
- Property insurance
- Automobile insurance
- Worker's compensation insurance (required if you have employees)
- Personal Liability insurance
- Lots more ("leg" insurance; "hole-in-one" insurance)
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14  **Business Insurance**

A small business requires

- Property insurance – to protect the property and its contents
- Liability insurance – to protect against any damage that the company does to another person or that person's property.
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It may also be a good idea to get an UMBRELLA policy – one that will cover expenses above

and beyond what the basic policies will handle.

15  **Assignment: Create the Risk Management Plan for Your Business**

- Remember that this is what you show to potential investors, landlords, etc. It needs to be realistic threats, not just “I may not work hard enough,” or “I didn’t think this through.”
- Risks should include things that someone else will point at your plan and say “but what about this?”
- The plan should include risks and what you will do to minimize them. Insurance is one of the things.
- Risks should be set out in numbered or bullet point form, with the “answer” right behind the risk.

16  **Example:**

- Neighboring businesses object to my business because they are worried about barking and/or pet messes.
 - My plan: When improving the facility before we move in, I will make sure extra insulation is added between my store and neighboring stores, and in the walls and ceiling of my cage/kennel area. I will make sure my neighbors see this up front and know that I am taking extra precautions. With regard to pet mess, the plan is to keep a bag dispenser and pooper scooper handy by the doors for customers to use, and employees will police the front and rear door areas regularly to make sure they stay clean. We’ll also put up clever signs and have a handy garbage can that we empty regularly – no smells! We’ll take treats to our neighbor businesses, letting them know ahead of time we understand they may be concerned and what we’re doing.
 - If there is any kind of problem after we open, we will send an apology and a treat to the offended party, and adjust cleaning schedules to make sure it doesn’t happen again.
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