

a practical guide

for SMEs

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ISO 31000

Risk management



ITC



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Foreword

Risk is intrinsic to doing business. With empirical evidence showing that 50 % of small and medium-sized enterprises (SMEs) close down before completing their fifth year, it is clear that operating a business can be a risky endeavour. Risk has consequences in terms of economic performance and professional reputation, but there are also environmental, safety and social considerations. These risks may be internal or external, direct or indirect. Despite the underlying element of uncertainty, it is often possible to predict risks, and to set in place systems and design actions to minimize their negative consequences and maximize the positive ones. Those risks that arise from disorder can be controlled through better management and governance. In this manner, businesses that adopt a risk management strategy are more likely to survive and to grow.

Large firms are better equipped and relatively well structured to deal with risks while maximizing benefits. By contrast, due to various limitations, SMEs are more exposed to the negative aspects of risks. However, due to their flexibility, and if provided with the right tools, they can tap into opportunities to increase their market share, grow and manage risk more effectively.

It is well known that SMEs constitute the vast majority of enterprises around the world, and serve as the mainstay of trade and economic growth. They serve as key drivers of innovation, social integration, and employment, representing 60 % of private sector jobs. Given the importance of SMEs to economic growth and development, attention to the issue of SME risk management becomes quite essential.

SMEs have little guidance on how best to manage risk and where to turn to for advice. Studies find that while most SMEs adopt some form of loss prevention and reduction measures, they do not engage in a formal risk management process and a vast majority totally ignore risk treatment.

ISO 31000:2009 — *Risk management — Principles and guidelines*, provides a set of principles, a framework and a process for managing risk. Using ISO 31000:2009 can help organizations of all sizes increase the likelihood of achieving

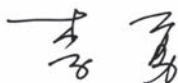
their objectives, improve the identification of opportunities and threats, and effectively allocate and use resources for risk treatment.

With a view to helping SMEs improve their preparedness and effectively manage risks, ISO, ITC and UNIDO have decided to join efforts and develop this guide on ISO 31000:2009. This publication aims to help SMEs better understand the requirements of ISO 31000:2009, compare their risk management practices with the internationally recognized benchmark, and align their practices according to the international standard.

We hope this guide will serve as a practical and beneficial resource for SMEs in their efforts to improve their competitiveness and increase their participation in international trade through better recognizing and managing their risk portfolio.



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