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# HOW TO BUILD A RISK REGISTER FOR YOUR BUSINESS



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VENDOR RISK MANAGEMENT

## INTRODUCTION

Every organization needs a systematic and detailed risk management plan for effective risk management. They also need a risk management register. While these terms are often used interchangeably, they are not the same. A risk management plan and a risk register are separate tools used in project management and enterprise risk management (ERM).

The risk management plan outlines the organization's approach to identify, assess, and mitigate risks. The risk register lists all the risks relevant to the organization. It also includes details of risk analyses and how the organization will respond to each risk. A risk register is always part of the risk management plan.

This article will show you how to create an effective risk register that informs and enhances your enterprise risk management program.

## WHAT IS A RISK REGISTER AND WHY DOES YOUR BUSINESS NEED ONE?

The risk register – also known as a risk register log or simply a risk log – is an inventory of risks that currently affect your organization or may affect it in the future. It is a useful document to identify your organization's or project's current and potential risks. These risks may result in losses or prevent you from achieving intended outcomes. The register can also inform your compliance management program and help you fulfill your regulatory compliance responsibilities.

It's essential to create an enterprise or project risk register because it provides a systematic way to identify, manage, and mitigate risks, especially if it includes information like:

- The nature of each risk
- Possible impact
- Risk owner
- Risk response and mitigation measures

With a comprehensive and up-to-date risk log, you can map out a path to address each risk should it become a reality and thus minimize the potential for losses or damage to the organization.

# CRUCIAL ELEMENTS IN A RISK REGISTER

Many risk register templates are available to help you create a risk log.

Here’s one risk register example:

## Risk Tracking Template

Date of last review:



ID	Description of Risk	Impact	Risk Reponse	Risk Level	Risk owner	Notes
1	Supplier delay	Pushes launch	Confirm delivery dates by Phase 2	High	Clarissa	SAMPLE
2	Factory availability	Cost overruns	Stakeholder trip to China	High	Dave, Rajesh & Nina	SAMPLE
3	Steering committee unavailable	Delay launch marketing	Define marketing plans in March	Low	Tyrell	SAMPLE
4						
5						
6						
7						
8						
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10						
11						
12						
13						
14						
15						

Risk register example - Credit: [projectmanager.com](http://projectmanager.com)

You can also create your own risk log in an Excel spreadsheet or with a Kanban board. Regardless of your chosen method, a detailed risk register is essential to define risk priority and plan your response before the risk is realized.

To effectively manage risks and track response progress, your risk log should include all these elements:

- **Risk ID:** Assign a unique ID to each risk to differentiate it from other risks.
- **Risk description:** Include a brief description of the risk by explaining what it means to your organization.
- **Risk category:** Categorizing risks can help with both prioritization and response.
- **Risk probability:** Estimate the likelihood of each risk.
- **Risk analysis (qualitative or quantitative):** Analyze each risk based on its probability and impact in terms of cost, quality, schedule, or other important factors.
- **Risk priority:** Multiply the risk impact and probability to calculate the risk score and determine the risk priority accordingly.

Ensure your risk register is actionable and includes information about the risk owner and risk response. The appropriate risk response is crucial to mitigate its effect. The risk owner is responsible for implementing this response and ensuring that it successfully eliminates or minimizes the risk’s impact.

Also, include a field for risk status. For each risk response action, mark its status as “open”, “in progress”, or “closed”. Adding the status of each risk is a good way to track and communicate whether a risk has been mitigated or not.

It will also ensure that the register is a “living” document that continually delivers value for your organization. You can also create additional status parameters like “not started” or “on hold” for greater granularity.

## ■ ADDITIONAL ELEMENTS IN A RISK REGISTER

You can also include some additional fields in your risk log. One is a risk trigger. This field will help you evaluate how and why a risk happens and guide your response strategy.

You can also add a timeline field to track the mitigation strategy and ensure it stays on track. It will also promote greater accountability and improve risk communication throughout the organization.

The main purpose of the risk register is to help with risk management, not to create an overly detailed, overwhelming document. You may not need all these fields, so only include those that you really need to understand, communicate, and mitigate risks.

## ■ HOW TO CREATE A RISK REGISTER

An effective risk register will present all relevant risk information in one comprehensive and actionable document. Let's go through the steps to create such a register for your organization.

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### ***Step 1: Define your risk identification approach***

Before creating the risk register, outline your approach and methodology to identify, analyze, and prioritize possible risks. To help you along, ask “how” questions like:

- How will we identify risks?
- How will we analyze each risk?
- How will we determine the risk response?
- How will we communicate information about the risk event to key stakeholders?

## Step 2: Identify potential risks

Identify and list all the potential risks that could impact your organization or derail a project. Here are some risks that you should be aware of and analyze as part of your risk management strategy:

- Operational risk
- Strategic risk
- Financial risk
- Credit risk
- Market risk
- Cybersecurity risk
- Regulatory risk
- Third-party risk
- Supply chain risk
- Geopolitical risk

All these types of risks may not apply to your organization, or some risks may be more likely and/or more impactful than others. The point is to list only those risks that affect your organization now or may affect it in the future.

### **Best practices:**

You won't be able to predict or identify all future risks. So do your best to identify and list as many risks as possible when creating the risk register. As you identify new risks, update the register and communicate changes to appropriate stakeholders.

To create a comprehensive list of risks, collect inputs from multiple stakeholders, such as the board, C-Suite leaders, line managers, and employees. You can also evaluate similar projects or case studies to identify risks and understand how that project team dealt with them.

## Step 3: Analyze and prioritize risks

After identifying the risks, determine their likelihood and potential impact. Then rank each risk based on its risk value (RV):

Risk Value (RV) = Probability of occurrence (P) x Cost/Impact (C)

Usually, risks that score high on both probability and impact are prioritized in the risk register and risk management plan over risks that score low on both these parameters.

### **Best practices:**

Describing each identified risk in detail can help with prioritization. Involve key stakeholders in the risk analysis and prioritization effort. Also, communicate all required risk-related information, so everyone is aligned before you start implementing the risk action plan.

## ***Step 4: Create risk response and assign risks***

Create a risk response for each risk. Determine whether you will avoid, accept, control, or transfer the risk. By identifying which strategy will be applied to each risk, you can design the most effective response to mitigate its impact.

Also assign an owner to each risk. Risk ownership is crucial to keep the risk response/contingency plan on track and create greater accountability within the organization.

### ***Best practices:***

The risk response is crucial for risk mitigation and management, so give it some time and effort. Explain each response in detail but be careful not to overwhelm team members with unnecessary information. Clearly state the action items and update the status and timeline fields as necessary.

## ***Step 5: Monitor the risk register***

As mentioned earlier, your risk register is a living document, so you should monitor it periodically. You should also update it whenever you identify a new risk, or when an existing risk changes in terms of its probability or impact. Keep the register up-to-date by adding or removing risk events as necessary and updating the status, timeline, and other fields.

### ***Best practices:***

During the periodic evaluation, assess whether the register is benefiting the organization. If not, find the gaps and determine how you will fill them.

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