Unquantifiable risk
A risk that is totally unexpected / unknown. As these risks cannot be predicted they are difficult to plan for.

E.g.
- Adverse effects on the company's image if a product is not successful
- Environmental - natural disasters
- Political and economic instability (foreign markets)

A contingency plan can be used to manage the unquantifiable elements of risk; in this case a plan of action is put into place that comes into play when the business suffers major disruption to its normal working practices for whatever reason. The contingency plan will provide a strategy for continuing production, sales and other important business functions.

Risks and decision making
- Decision businesses face will come with an inevitability of risk.
- If it is a high risk decision, managers may want to reduce the risk or at least take steps to reduce the risk by gathering data on which they can base decisions.
- If it is a low risk decision they may be more inclined to trust instinct. This links with the type of decision being made.
- With a small tactical decision you may want to rely on what you have always done; with a major strategic decision you may want to be more scientific because much may be unfamiliar.

Methods of risk management

**Risk assessments** (commonly used in terms of H&S) & **Risk registers**
- Helps identify risks and considers how to reduce them
- Ensures policies & procedures are put in place
- Reduces the risk of H&S accidents

**Careful strategic planning**
- The more planning & research goes into a major decision, the more the risk is reduced.
- Could save vast sums on pursuing poor decisions (opportunity cost)

**Contingency planning**
- Allows a plan to be put into place should the risk occur
- May gain a competitive advantage if the firm can recover quicker than competition
- Allows for damage limitation

**HR management policies**
- Can reduce the likelihood of industrial disputes
- Can reduce labour turnover

**Sound financial controls**
- The better the financial management, the lower the risk of a financial crisis

**Internal & External Risk management**
- Prepared to deal with the risk occurring and take action quicker

**Risk management**

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<thead>
<tr>
<th>Benefits</th>
<th>Drawbacks</th>
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<tr>
<td>Able to respond quickly and therefore reduce the damage (this may gain competitive advantage)</td>
<td>Financial cost of creating contingency plans and risk management strategies</td>
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<tr>
<td>The negative impact caused by the risk should be reduced if a well-considered response can be implemented quickly</td>
<td>Management time use din identifying risks and formulating plans</td>
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<td>A firm who considers the risks associated with its strategic decision making is more likely to preempt risks and thus be able to respond</td>
<td>Opportunity cost of wasted time and resources if it turns out not to be needed</td>
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