Risk Management in Practice

Lecture 3 : Types of Risks in and Organisation

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Undergraduate Diploma in
Occupational Health and Safety

Lecture Aim

- Understand key risk which may be present in an organisation

This lecture aims to provide an overview of Occupational Health and Safety (OHS) and organisational risks which may be present in an organisation. It covers financial risks, psychological risks such as stress, burnout, bullying, and low morale, as well as OHS risks including unsafe equipment, poor ergonomics, and inadequate training. These risks can result in injuries, reduced productivity, legal penalties, and reputational damage.

Learning Outcomes

- Identify key organisational risk categories clearly
- Distinguish financial, psychological, and OHS risks
- Understand causes and sources of risks
- Analyse impacts on productivity and performance
- Recognise interdependencies between different risks effectively
- Appreciate importance of proactive risk management strategies organisation-wide approach benefits

What is Risk?

- Risk is the possibility of harm or loss occurring
- It involves uncertainty and potential negative outcomes
- Risk can affect people, processes, and systems
- In OHS, risk focuses on injury and illness
- Hazards increase the likelihood of risk
- Risks can impact physical and mental health
- Organisational performance may be affected
- Effective risk management helps reduce harm

The Importance of Risk Management

- Risk management helps identify and control potential hazards early
- A proactive approach prevents injuries, losses, and disruptions
- It improves employee safety, wellbeing, and morale
- Effective risk management supports legal compliance and reputation
- Proactive practices enhance productivity, resilience, and organisational sustainability

- https://www.youtube.com/watch?v=kgjrAbx7Lyo

Risk Categories

- Financial risks (losses, budget overruns, fraud)
- Operational risks (process failures, system breakdowns)
- Strategic risks (poor decisions, market changes)
- Compliance risks (legal and regulatory breaches)
- Reputational risks (loss of trust, public image damage)
- Health and safety risks (injury, illness, workplace hazards)
- Psychological risks (stress, burnout, bullying)
- Environmental risks (pollution, climate impacts)
- New Emerging Risk (New Processes, New Technologies)

Internal vs External Risks OHS

Internal risks originate within the organisation and are often under management's control. Examples include employee errors, inadequate training, poor safety culture, equipment malfunction, and process failures. These risks can be mitigated through policies, procedures, and effective OHS management systems.

External risks come from outside the organisation and are typically beyond direct control. Examples include natural (weather) disasters, pandemics, regulatory changes, supply chain disruptions, and technological shifts. While external risks cannot always be prevented, organisations can prepare through contingency planning, risk assessments, and adaptive safety strategies.

Understanding both types is crucial for comprehensive OHS risk management

Financial Risks

Financial risks related to Occupational Health and Safety (OHS) arise when workplace hazards lead to accidents, injuries, or illnesses. These risks can result in direct costs, such as medical expenses, workers' compensation claims, legal fees, and regulatory fines, as well as indirect costs, including reduced productivity, absenteeism, and reputational damage. Companies may also face increased insurance premiums and potential loss of contracts if safety standards are not met. Proactively managing OHS through training, safety protocols, and compliance audits helps mitigate these financial risks, ensuring both employee well-being and organisational stability. Effective OHS management is thus a critical financial strategy.

Operational Risks

- Daily activity Risks
- Process Failures

1. **Definition: Inefficient workflows causing errors, delays, or disrupted daily operations.**
2. **Human Factors-: Employee mistakes due to fatigue, lack of training, or oversight.**
3. **Equipment Malfunction: Machinery or tools failing, halting production or service delivery.**
4. **Communication Gaps: Miscommunication causing errors in task execution or coordination.**
5. **Documentation Errors: Incorrect or missing records leading to operational inefficiency.**
6. **Process Complexity: Overly complicated procedures increasing error likelihood and inefficiency.**
7. **Compliance Breaches: Ignoring standards causing regulatory or safety violations.**
8. **Monitoring Failures: Insufficient oversight failing to detect or correct process errors.**
9. **Emergency Preparedness Gaps** – Ineffective response to fires, spills.

Operational Risks Impact

- Injuries and Illnesses – Worker accidents or health issues affecting productivity.
- Increased Absenteeism – Sick leave or recovery time reducing workforce availability.
- Reduced Productivity – Operational delays due to safety incidents or unsafe practices.
- Financial Losses – Compensation claims, medical expenses, and potential legal costs.
- Regulatory Penalties – Fines or sanctions for non-compliance with OHS laws.
- Reputation Damage – Loss of trust from clients, employees, and the public.
- Equipment and Property Damage – Accidents causing machinery breakdown or facility harm.
- Employee Morale Decline – Unsafe environment reducing motivation and engagement.

Strategic Risks

•Strategic management related to Occupational Health and Safety (OHS) involves integrating safety considerations into an organisation's long-term planning and decision-making. It focuses on creating a proactive safety culture, aligning OHS policies with business objectives, and ensuring compliance with regulations to minimise risks. By prioritising employee well-being, organisations can reduce accidents, enhance productivity, and maintain their reputation. Effective strategic management in OHS also includes risk assessment, resource allocation for safety initiatives, and continuous monitoring, ultimately supporting sustainable growth and organisational resilience.

Strategic Risks – Design Stage

- Risk Assessment – Identify potential hazards early in the design phase.
- Safety by Design – Incorporate ergonomic layouts, protective barriers, and safe workflows.
- Regulatory Compliance – Ensure all designs meet OHS legal standards and industry codes.
- Material and Equipment Selection – Choose safe, durable, and low-risk materials and machinery.
- Stakeholder Involvement – Engage safety officers, engineers, and employees in design decisions.
- Emergency Preparedness – Include escape routes, fire safety, and emergency systems in design.
- Cost-Benefit Analysis – Evaluate safety investments versus potential risks and losses.
- Continuous Review – Monitor and revise designs as new hazards or standards emerge.

Strategic Risks – Resources Allocation

1. Insufficient Training Budget – Limited funds for employee safety training increases accident risk.
2. Inadequate Safety Equipment – Lack of PPE or maintenance funding leads to workplace injuries.
3. Understaffing Safety Teams – Fewer safety officers reduce monitoring and compliance effectiveness.
4. Delayed Technology Upgrades – Outdated machinery or safety systems increasing operational hazards.
5. Lack of Maintenance and Machinery Certification
6. Limited Health Programs – Insufficient investment in wellness or occupational health initiatives.
7. Emergency Preparedness Gaps – Lack of resources for drills, first-aid, or evacuation plans.
8. Poor Hazard Control Funding – Inadequate investment in hazard identification or mitigation systems.
9. Insufficient Monitoring Tools – Limited resources for audits, inspections, or safety reporting

Compliance Risks

Compliance risks in Occupational Health and Safety (OHS) arise when an organisation fails to adhere to laws, regulations, or industry standards designed to protect employees. Such non-compliance can lead to legal penalties, fines, and lawsuits, as well as reputational damage that undermines stakeholder trust. It may also result in unsafe working conditions, increased accidents, and higher insurance costs. Proactively managing compliance through regular audits, employee training, policy updates, and risk assessments helps organizations maintain legal adherence while ensuring a safe, healthy, and productive workplace.

Reputational Risks

Reputational risks related to Occupational Health and Safety (OHS) occur when workplace accidents, unsafe practices, or regulatory violations damage an organization's public image. Negative incidents can erode stakeholder trust, reduce customer confidence, and make it difficult to attract or retain talent. Media coverage of safety failures or legal actions can amplify the impact, leading to long-term brand damage. Proactively managing OHS through strong safety culture, transparent reporting, employee training, and compliance with regulations helps protect reputation and supports sustainable business success.

Reputational Risks

Psychosocial Risks

1. Workplace Stress – High stress levels reduce employee productivity and engagement.
2. Burnout – Chronic stress leads to fatigue, absenteeism, and high turnover.
3. Harassment and Bullying – Creates hostile environment, lowering morale and performance.
4. Poor Work-Life Balance – Increases stress, absenteeism, and dissatisfaction among staff.
5. Mental Health Issues – Anxiety or depression affecting focus, decision-making, and efficiency.
6. Reduced Team Cohesion – Conflicts and poor communication decrease collaboration and output.
7. Increased Errors and Accidents – Stress and distraction raise the likelihood of workplace incidents.
8. Reputational and Financial Loss – Poor psychosocial management can lead to claims and brand damage.

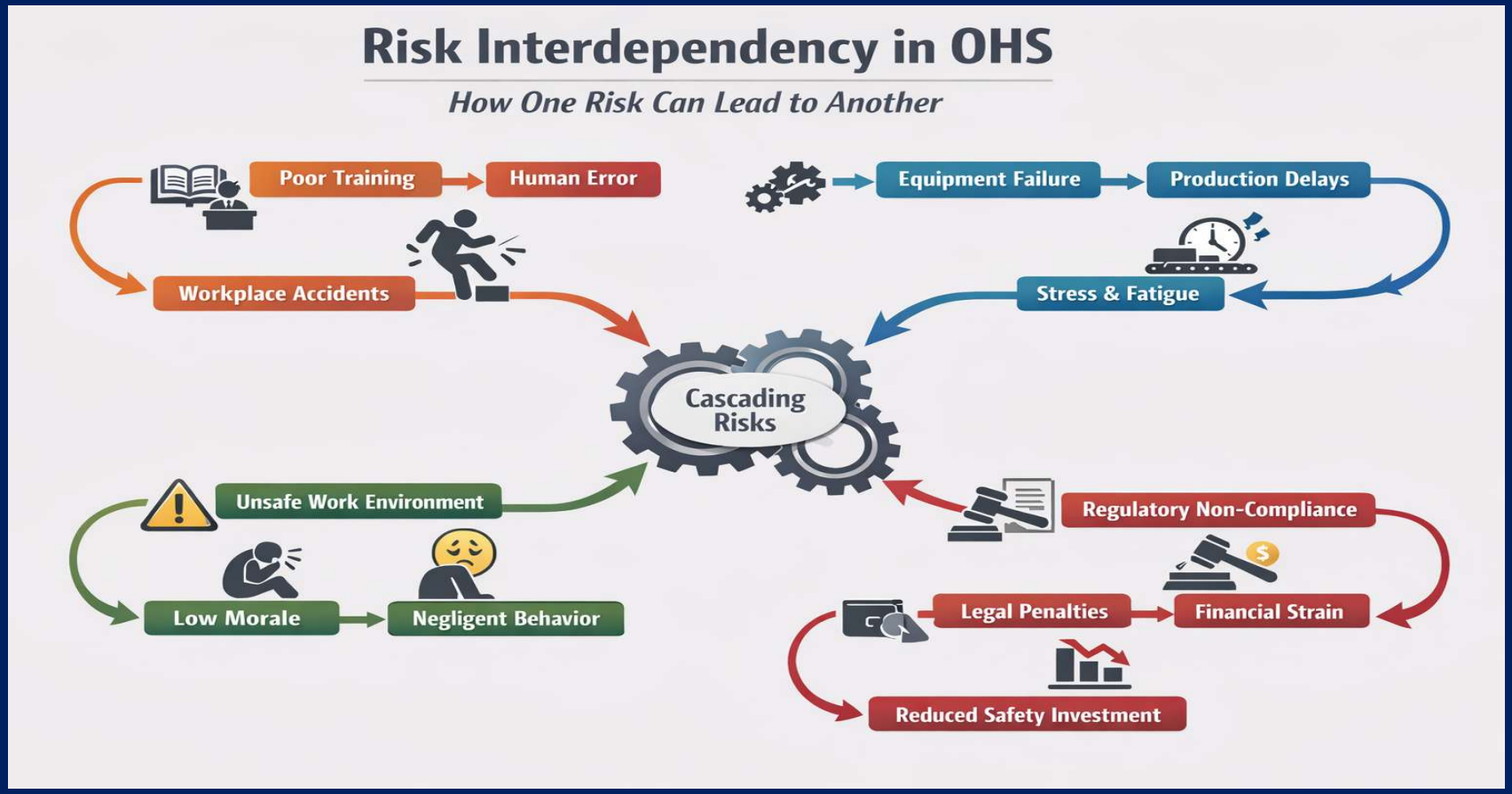
Environmental Risks

1. Chemical Exposure – Toxic substances can cause illness, injury, or long-term health issues.
2. Air Pollution – Poor air quality affects respiratory health and employee productivity.
3. Noise Pollution – Excessive noise can lead to hearing loss and increased stress.
4. Temperature Extremes – Heat or cold stress can cause fatigue, illness, or accidents.
5. Natural Disasters – Floods, earthquakes, or storms disrupt operations and endanger workers.
6. Waste and Hazardous Material – Improper disposal can create safety hazards and environmental damage.
7. Ergonomic Hazards from Work Environment – Poorly designed workspaces increase injury risk.
8. Water Contamination – Unsafe water sources can cause illness and operational disruption.

New Emerging Risk

1. Remote Work Challenges – Ergonomic issues and isolation affecting health and productivity.
2. Cybersecurity Threats – Data breaches impacting operations and employee privacy.
3. Automation and AI Integration – Job displacement and safety risks from machinery.
4. Climate Change Impacts – Extreme weather affecting operational safety.
5. Chemical Exposure from New Materials – Emerging substances with unknown health effects.
6. Nanotechnology Hazards – Health risks from nanoscale materials in production.
7. Gig Economy Risks – Temporary workers with limited safety training.
8. Stress from Technological Overload – Information overload causing mental fatigue.
9. Biological Hazards – Exposure to new pathogens in labs or workplaces.
10. Diversity and Inclusion Challenges – Discrimination and workplace inequality affecting mental health.
11. Environmental Sustainability Pressures – Unsafe handling of eco-friendly materials.
12. Advanced Robotics Risks – Interaction with collaborative robots causing accidents.
13. Electric and Autonomous Vehicles – Safety risks in transport or delivery operations.
14. Hybrid Work Environment Hazards – Balancing office and remote safety measures.

Risk Interdependencies



Key Takeaways

- Risks in the workplace directly affect both people and organisational performance. Unsafe conditions, poor ergonomics, exposure to hazardous materials, and psychosocial stressors can lead to injuries, illnesses, and reduced employee morale.
- These human impacts translate into operational consequences, including absenteeism, lower productivity, increased errors, and higher turnover, ultimately affecting the organisation's overall efficiency and profitability.
- A proactive OHS culture helps mitigate these risks by embedding safety into daily operations, decision-making, and organisational values. This includes regular training, hazard identification, employee engagement, and strict compliance with safety regulations. By prioritizing prevention over reaction, organizations not only protect their workforce but also enhance performance, maintain regulatory compliance, reduce financial losses, and foster a resilient, high-performing work environment.

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