MODERN LEARNING STUDIO

SHRM LEARNING LAB

RISK MANAGEMENT

Workplace Domain Study Guide

A focused reference for SHRM-CP and SHRM-SCP study.

2026 SHRM BASK aligned

PRACTICAL PERSPECTIVE

This guide develops Risk Management as a Workplace Domain functional area. SHRM frames risk broadly as uncertainty affecting organizational objectives and risk management as coordinated activity used to direct and control an organization with regard to risk. Risk may involve threats or opportunities; the goal is not to eliminate all uncertainty but to understand exposure and make deliberate decisions about probability, impact and response.

STUDY BOUNDARY

The guide focuses on risk concepts, categories, assessment, response, workplace safety and security, emergency preparedness, business continuity, investigations and HR's role in organizational risk management. It does not substantially reteach Ethical Practice, U.S. Employment Law & Regulations, Corporate Social Responsibility, Managing a Global Workforce, employee relations, technology management or general analytical methods.

01 2026 SHRM BASK / WORKPLACE DOMAIN CONTEXT

The 2026 SHRM Certification Prep System places Risk Management in the Workplace Domain together with Managing a Global Workforce, Corporate Social Responsibility, and U.S. Employment Law & Regulations. The Workplace Domain accounts for 14% of both the SHRM-CP and SHRM-SCP exams in the 2026 materials.

Risk Management requires HR professionals to recognize conditions that could affect people or organizational objectives, assess those exposures, support appropriate controls and responses, and participate in preparedness and continuity efforts.

CORE CONTENT AREAS

- Risk and risk-management foundations.
- Risk categories and sources.
- Risk identification and assessment.
- Probability and impact.
- Risk response and controls.
- Workplace health, safety and security.

- Emergency preparedness and crisis response.
- Business continuity and recovery.
- Investigations and information gathering where assigned to risk management.
- Monitoring, communication and continuous review.
- HR's operational and strategic role in enterprise risk.

02 FOUNDATIONS OF RISK

The SHRM materials use the ISO 31000 framing of risk as the effect of uncertainty on objectives. This matters because risk is not synonymous with a bad event. Uncertainty can create a threat to objectives or an opportunity.

Risk management is a coordinated organizational process. It seeks to influence either the probability that an event or condition will occur, the magnitude of its impact, or both.

RISK IS CONNECTED TO OBJECTIVES

An uncertainty becomes meaningful as a risk because it can affect an objective. Risk analysis therefore begins with understanding what the organization is trying to accomplish and what conditions could change the outcome.

03 KNOWN UNKNOWNS AND UNKNOWN UNKNOWNS

Concept	Meaning
Known unknowns	Uncertainties the organization recognizes even though the exact outcome, timing or magnitude is not known.
Unknown unknowns	Risks the organization has not identified or anticipated before they emerge.

Risk management can prepare more specifically for known uncertainties. Unknown unknowns make organizational resilience, adaptability and broad preparedness especially important because the exact event cannot be planned in detail in advance.

04 KAPLAN AND MIKES RISK CATEGORIES

Category	Core idea
Internal and preventable	Risks arising within the organization that should generally be prevented or controlled.
Strategy	Risks deliberately accepted because the organization pursues opportunities that involve uncertainty.
External	Risks arising outside the organization and beyond its direct control.

The categories imply different management approaches. Internal preventable risks call for controls and prevention. Strategic risks cannot simply be eliminated without potentially eliminating the opportunity itself. External risks often require monitoring, preparedness and mitigation rather than direct prevention.

05 ENTERPRISE RISK CATEGORIES

Category	Focus
Strategic	Risk affecting organizational strategy, direction or ability to achieve strategic objectives.
Operational	Risk arising from processes, systems, people or day-to-day operations.
Financial	Risk affecting financial resources, transactions or financial outcomes.
Hazard	Risk involving physical harm, property loss, safety or other hazardous conditions.

A single event can affect more than one category. Categories help organize analysis; they should not create artificial silos.

06 BENEFITS AND BARRIERS OF RISK MANAGEMENT

Effective risk management improves organizational awareness of uncertainty, supports better decisions, helps protect people and assets, strengthens preparedness and can improve the organization's ability to pursue objectives deliberately.

Barriers can include failure to identify risk, weak communication, siloed ownership, inadequate data, resistance to controls, overconfidence, lack of leadership attention or treating risk management as a one-time compliance exercise.

07 RISK IDENTIFICATION

Risk identification asks what uncertainty could affect objectives, where it could arise, who or what could be affected, and what conditions could trigger or amplify it.

Useful identification requires multiple perspectives because employees closest to a process may see operational exposures that senior leaders do not, while leaders may see strategic or external exposures that are less visible locally.

SOURCES OF INFORMATION

- Past incidents and loss experience.
- Employee and manager observations.
- Audits, inspections and reviews.
- Internal data and trends.
- External environmental information.
- Changes in operations, workforce, technology or facilities.
- Reports, complaints and investigation findings where relevant.

08 RISK ASSESSMENT: PROBABILITY AND IMPACT

Once identified, risks are assessed to understand how likely they are and how significant the consequences could be. Probability and impact provide a practical basis for prioritization.

A low-probability event can still demand attention if its potential impact is severe. A frequent event with modest individual impact can also become significant through cumulative effect.

RISK MATRIX

A risk matrix combines relative probability and impact to help compare exposures. It is a prioritization aid rather than a prediction of the future. The quality of the result depends on the quality of the assumptions and information used.

09 RISK ANALYSIS AND EVALUATION

Risk analysis develops understanding of the risk: its sources, causes, likelihood, consequences and existing controls. Evaluation compares that analysis with organizational criteria to determine whether additional action is required.

Assessment should distinguish the existence of a risk from the adequacy of current controls. A serious inherent exposure may be reduced substantially by effective controls, while a seemingly modest exposure can become important when controls are weak.

10 RISK RESPONSE

After a risk is assessed, the organization determines how it will respond. The appropriate response depends on the nature of the risk, organizational objectives, available controls, cost and the amount of exposure the organization is prepared to retain.

Response	Meaning
Avoid	Do not undertake or discontinue the activity creating the exposure.
Reduce / mitigate	Take action to lower probability, impact or both.
Transfer / share	Shift or share some financial or operational consequences with another party, such as through insurance or contractual arrangements.
Accept / retain	Deliberately retain the exposure when it is within the organization’s criteria or when further treatment is not warranted.

Accepting risk is not the same as ignoring it. Acceptance should be a conscious decision made with an understanding of the exposure.

11 CONTROLS

Controls are measures used to influence risk. They can prevent an event, reduce the probability of occurrence, detect a problem, limit consequences or support recovery.

Controls should be proportionate to the risk and should be evaluated for effectiveness. A policy that exists on paper but is not understood, followed or monitored is not necessarily an effective control.

12 WORKPLACE HEALTH AND SAFETY

Workplace safety is a central HR risk area because hazards can affect employees, operations, property and organizational objectives. HR may contribute to safety policies, training, reporting, incident response, recordkeeping, communication and coordination with safety specialists.

Detailed OSHA and statutory requirements belong in U.S. Employment Law & Regulations. Risk Management focuses on recognizing hazards, reducing exposure and building systems that support safe operations.

13 WORKPLACE SECURITY

Security risks can involve people, facilities, property, information or access. HR's role can include policies, employee awareness, coordination with security or facilities functions, response protocols and workforce-related controls.

Security should be approached as an organizational system rather than solely as physical access control. People, process and technology can all affect exposure.

14 WORKPLACE VIOLENCE

Workplace violence is treated as a serious safety and security risk. Risk management can include prevention measures, reporting channels, threat-response procedures, coordination among HR, security and leadership, and preparation for emergency action.

HR should follow established organizational processes and involve appropriate expertise. The risk-management focus is prevention, recognition, coordinated response and organizational preparedness rather than independent diagnosis of individuals.

15 EMERGENCY PREPAREDNESS

Emergency preparedness establishes how the organization will respond when an urgent event threatens people or operations. Preparation can include defined responsibilities, communication procedures, evacuation or shelter processes, emergency contacts, training and exercises.

Plans should be usable under real conditions. Testing and exercises can reveal gaps that are not obvious when a plan is reviewed only on paper.

16 CRISIS MANAGEMENT

A crisis is a serious event or condition requiring coordinated organizational response. Crisis management addresses leadership, communication, decisions and actions during the event.

Risk management and crisis management overlap but are not identical. Risk management operates before, during and after events; crisis management concentrates on managing an active high-impact situation.

17 BUSINESS CONTINUITY

Business continuity focuses on maintaining or restoring critical organizational functions when disruption occurs. It asks which operations are essential, what resources they depend on, how long disruption can be tolerated and what alternatives are available.

HR contributes workforce information, staffing contingencies, employee communication, alternate work arrangements, succession or backup capability and support for affected employees.

CONTINUITY VS. EMERGENCY RESPONSE

Emergency response prioritizes immediate protection and control of an incident. Business continuity focuses on keeping essential work functioning or restoring it after disruption. An organization may need both at the same time.

18 RECOVERY

Recovery moves the organization from disruption toward restored operations. Recovery priorities should follow the organization's continuity needs rather than assuming every function must return simultaneously.

Post-event review can identify what worked, what failed and what should change in plans, controls, training or resource allocation.

19 INVESTIGATIONS IN THE RISK CONTEXT

Investigations can help determine facts, causes and contributing conditions after incidents, allegations or losses. Within Risk Management, investigation findings can reveal control failures and opportunities to prevent recurrence.

Detailed employee-relations investigation procedures, legal standards and disciplinary processes belong in their respective curriculum areas. Here, the emphasis is the use of reliable fact finding to understand and manage organizational risk.

20 INSURANCE AND RISK TRANSFER

Insurance is one mechanism for transferring or sharing specified financial consequences of risk. It does not eliminate the underlying event or operational exposure.

An organization can insure a loss and still need prevention, safety and continuity controls. Risk transfer therefore complements rather than replaces risk management.

21 MONITORING AND REVIEW

Risk conditions change. New technology, workforce arrangements, facilities, vendors, markets and external events can alter both probability and impact. Risk management therefore requires ongoing monitoring rather than a one-time assessment.

Incidents, near misses, control failures and changing trends can provide evidence that the risk profile or response needs revision.

22 RISK COMMUNICATION AND OWNERSHIP

Risk management depends on clear ownership: who monitors the exposure, who can make decisions, who implements controls and who must be informed or escalated to when conditions change.

HR frequently works across functions because workforce risks intersect with operations, finance, legal, IT, security, facilities and leadership. HR should neither assume sole ownership of enterprise risk nor treat workforce risk as someone else's responsibility.

23 HIGH-VALUE DISTINCTIONS

Risk vs. issue

Risk concerns uncertainty affecting objectives. An issue is a condition or event that already exists and requires action.

Threat vs. opportunity

Risk can involve adverse or favorable uncertainty; it is not limited to threats.

Known unknown vs. unknown unknown

A known unknown is recognized but uncertain; an unknown unknown has not been anticipated.

Internal/preventable vs. strategic risk

Preventable risks should generally be controlled; strategic risks are accepted in pursuit of organizational opportunity and therefore require active management rather than automatic elimination.

Strategic vs. external risk

Strategic risk arises from choices the organization makes; external risk originates outside its direct control.

Probability vs. impact

Probability concerns likelihood; impact concerns magnitude of consequences.

Risk identification vs. risk assessment

Identification determines what risks exist; assessment analyzes and prioritizes them.

Risk avoidance vs. mitigation

Avoidance removes the activity or exposure; mitigation reduces probability or impact while the activity continues.

Risk transfer vs. risk elimination

Transfer shifts or shares consequences; it does not make the underlying risk disappear.

Risk acceptance vs. inaction

Acceptance is a deliberate informed response; inaction may simply reflect failure to manage the risk.

Control vs. policy

A policy can be a control, but only if it meaningfully influences behavior or exposure. Written existence alone does not establish effectiveness.

Emergency response vs. business continuity

Emergency response addresses immediate protection and incident control; continuity maintains or restores critical operations.

Crisis management vs. risk management

Crisis management addresses an active serious event; risk management is the broader ongoing discipline surrounding uncertainty and objectives.

Risk Management vs. U.S. Employment Law & Regulations

Risk Management addresses exposure and organizational response; the law guide owns detailed statutory and regulatory requirements.

Risk Management vs. Ethical Practice

Risk Management asks how uncertainty affects objectives and how exposure is managed; Ethical Practice addresses professional integrity, ethical decisions and conduct.

Risk Management vs. Analytical Aptitude

Risk assessment uses evidence, but general research, data analysis and analytical methods belong in Analytical Aptitude.

24 FAST RECOGNITION

MLS STUDY AID — These cues are derived from SHRM Risk Management content. They are not official SHRM exam wording.

Cue	Recognition signal
01	The question asks what could prevent or affect an organizational objective: think risk identification.
02	The risk is known but its timing or outcome is uncertain: known unknown.
03	The organization knowingly pursues an opportunity with uncertainty: strategic risk, not automatically a risk to eliminate.
04	The exposure originates outside the organization and cannot be directly prevented: external risk; emphasize monitoring, preparedness and mitigation.
05	The question gives likelihood and severity information: assess probability and impact before choosing treatment.
06	The organization stops the activity producing the exposure: risk avoidance.
07	The organization keeps the activity but lowers likelihood or consequence: mitigation.
08	Insurance is proposed: recognize risk transfer, not elimination.
09	A serious event is occurring now: immediate safety/emergency or crisis response can take priority over long-range analysis.
10	The immediate incident is controlled but critical work must continue: business continuity becomes central.
11	A plan has never been tested: exercises and review may be needed to determine whether the control actually works.
12	The scenario primarily asks about a statute or legal entitlement rather than exposure management: U.S. Employment Law & Regulations may be the stronger curriculum signal.

25 2026 SHRM BASK CONNECTION

The 2026 BASK differentiates responsibilities applicable across HR career levels from advanced HR responsibilities. In Risk Management, foundational application emphasizes recognizing workplace risks, following established controls, supporting safety and security processes, responding appropriately to incidents, and participating in continuity and investigation activities. Advanced application emphasizes enterprise risk perspective, strategic prioritization, governance, preparedness, leadership advice and evaluation of risk-management systems.

ALL HR PROFESSIONALS — APPLICATION

- Identifies and communicates workforce and workplace risks through established processes.
- Supports risk assessment, controls and mitigation activities.
- Applies safety, security, emergency and continuity procedures within assigned responsibilities.
- Supports incident response and fact gathering.
- Monitors risk information and escalates conditions requiring broader action.

- Participates in implementation and review of risk-management practices.

ADVANCED HR PROFESSIONALS — APPLICATION

- Integrates workforce risk into enterprise and organizational strategy.
- Advises leaders on significant risk exposures, tradeoffs and response priorities.
- Develops or oversees risk-management, preparedness and continuity approaches affecting the workforce.
- Coordinates cross-functional governance and accountability for significant people-related risks.
- Evaluates changing risk conditions and the effectiveness of organizational controls and response systems.

For final production, the active 2026 BASK remains the controlling authority for exact proficiency-indicator wording. These statements synthesize the source-supported operational-versus-advanced distinction into instructional language rather than reproducing the BASK verbatim.

26 EXAM-LEVEL APPLICATION — OPERATIONAL / SHRM-CP VS. STRATEGIC / SHRM-SCP

Dimension	Operational / SHRM-CP	Strategic / SHRM-SCP
Risk identification	Recognizes and reports workplace or workforce exposures.	Establishes enterprise approaches for identifying emerging and significant workforce risks.
Assessment	Uses established probability/impact methods and available evidence.	Determines risk priorities and evaluates strategic implications and interdependencies.
Controls	Implements and monitors established controls.	Designs, evaluates or changes risk-control strategy and governance.
Safety/security	Supports procedures, training, reporting and incident response.	Oversees organizational safety/security strategy and advises leadership on systemic exposure.
Emergency response	Follows and supports established emergency processes.	Shapes preparedness, governance, resources and cross-functional crisis capability.
Continuity	Supports workforce continuity actions and communications.	Integrates workforce capability into enterprise continuity and resilience planning.
Investigations	Supports reliable fact gathering and documentation.	Uses investigation patterns and findings to address systemic risk and control weaknesses.
Leadership advice	Escalates significant risks through appropriate channels.	Advises senior leaders on risk tradeoffs, priorities and organizational response.

The SHRM-SCP response is not automatically the most cautious or the one that eliminates all risk. Strategic risk management requires matching the response to organizational objectives, the nature of the exposure, evidence, authority and the organization's ability to manage uncertainty.

27 CURRICULUM CROSS-REFERENCES

Related guide	What belongs there rather than here
Managing a Global Workforce	Global operating strategy, international mobility and cross-border workforce management.
Corporate Social Responsibility	CSR, sustainability and organizational responsibility as a distinct Workplace functional area.
U.S. Employment Law & Regulations	Detailed statutory, regulatory and compliance requirements.
Ethical Practice	Professional ethics, integrity, conflicts of interest and ethical decision-making.
Analytical Aptitude	General research design, evidence evaluation, metrics and analytical methods.
Business Acumen	General financial, economic and business-environment concepts.
Employee Relations	Detailed workplace investigations, discipline, conflict and employee-relations processes.
Technology Management	Technology governance and systems; Risk Management addresses technology only where it creates or controls organizational exposure.

28 SOURCE FOUNDATION

Controlling source:

- 2026 SHRM BASK — active exam authority for SHRM structure, terminology and proficiency-level expectations.

Primary instructional source:

- SHRM Certification Prep System — 2026 Workplace Domain, used as the current authority for Workplace Domain scope and Risk Management placement.

Supporting SHRM source used only where consistent with current material:

- SHRM 2024 Workplace — Risk Management, retained in the approved study-materials collection. It provides detailed instruction on risk definitions, known and unknown uncertainties, Kaplan and Mikes risk categories, enterprise risk categories, risk-management processes and workplace risk applications.

Curriculum-control note: detailed employment law, employee-relations investigations, ethics, technology management and general analytics are reserved for their own study guides.

Fast Recognition note: Fast Recognition is an MLS-created study aid, not official SHRM exam wording.