

PLAN FOR RISKS.

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If you don't invest in risk management,
it doesn't matter what business you're
in, it's a risky business.

- Gary Cohn, American Business Leader IBM



Risks

In simple terms, risk is the possibility of something bad happening.

Business Risks -

Anything that threatens a company's ability to achieve its financial goals

Business Risks

Whether you're a small family-owned business or a corporate enterprise, you probably felt many disruptions in 2020 and had to pivot and change course quickly.

Of course, the prognosis for 2021 is more positive with stimulus packages and vaccines, however COVID-19 is still here.

Political risk overtures are also there, as are challenges with technology and the general difficulties many businesses continue to find in pivoting.



Top 10 Business Risks - 2021

According to Forbes, the Top 10 Business Risks in 2021 include...

10. Adaptability to change/ pivot
9. IT Threats/ Cybersecurity
8. Market
7. Competition
6. Operational Manpower Loss

Top 10 Business Risks - 2021

According to Forbes, the Top 10 Business Risks in 2021 include...

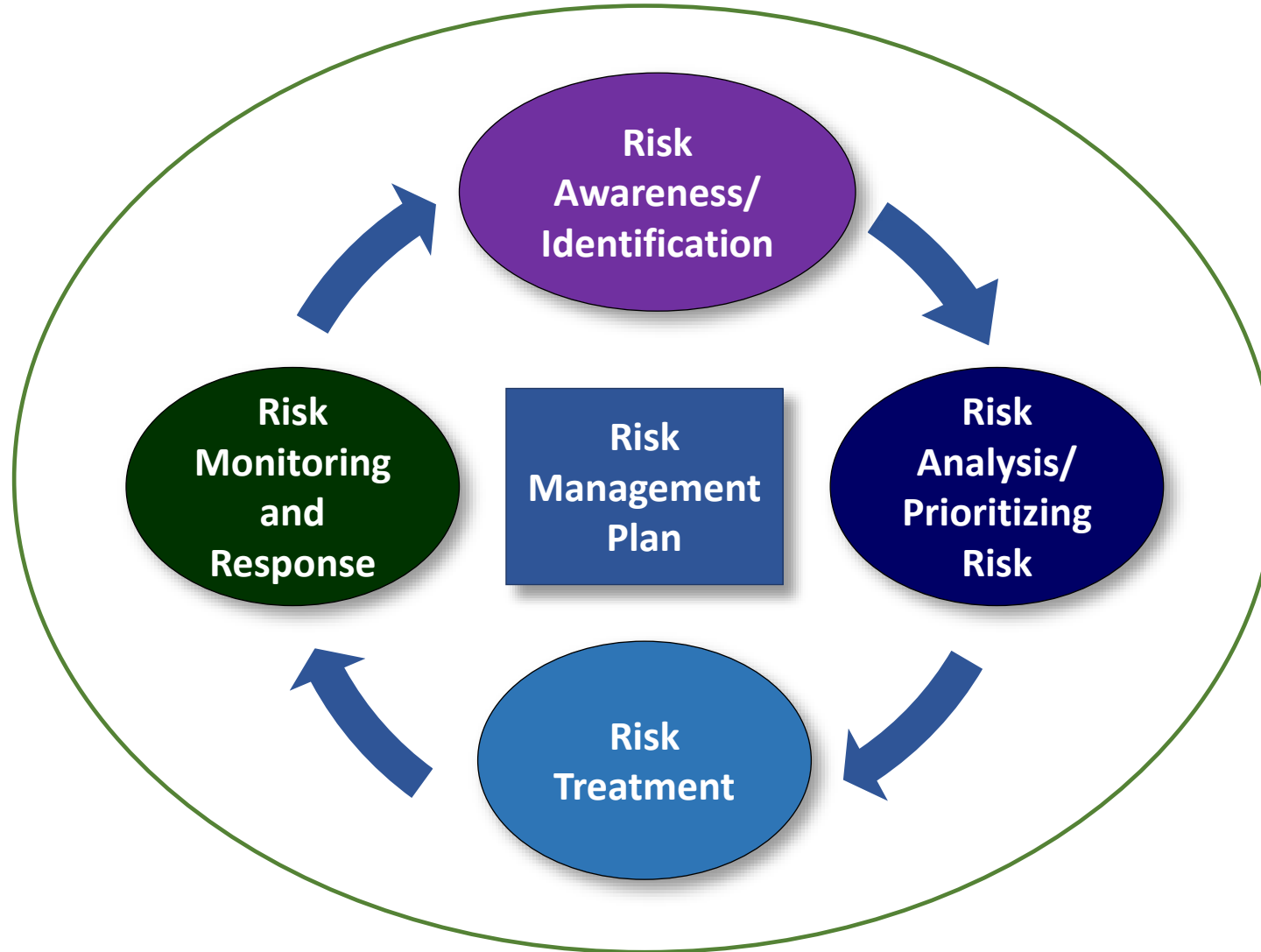
5. Inability to Grow
4. Business Stoppages/ Disruptions
3. Reputational Risk to Brand
2. Political Environments
1. Covid-19/ Global Pandemic

Why Risk Management Matters

Risk management is the process of identifying possible risks, problems or disasters before they happen. This allows business owners to set up procedures to avoid the risk, minimize its impact, or at the very least help cope with its impact



Risk Management Plan





The Risk Management Plan/ The “What Ifs”

Step 1: Identify Risks

(Internal/External)

Step 2: Analyze /Prioritize the Risks

Step 3: Risk Treatment

Step 4: Monitor and Review the Risks

Approaching Your Risk Management Plan

Methods for Identifying Risks:

First an organization needs to identify existing risks and identify possible future risks. Remember to approach identification with proactive thinking.

Allow yourself to be pessimistic

Brainstorming -

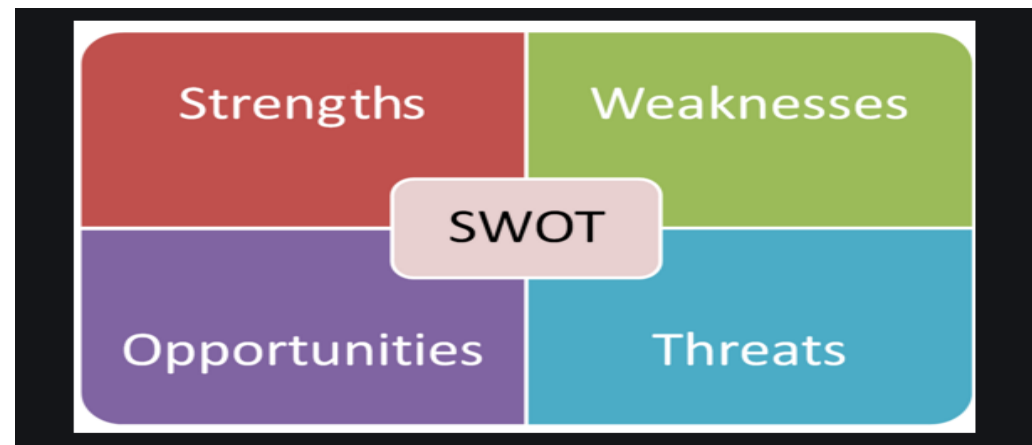
Get input from all members of an organization. We tend to get tunnel vision when we work only in silos. Some of the best risks are identified from those new eyes.



Approaching Your Risk Management Plan

SWOT Analysis -

Strengths-Weaknesses-Opportunities-Threat (SWOT) is very simple and helpful for identifying risks within the organization and external threats. Using this tool while brainstorming can be very effective. Every departments can use this tool to drill down the threats that are unique to them.





Approaching Your Risk Management Plan

Checklist Analysis -

Checklist Analysis is type of technique generally used to identify or find risks and manage it. Be mindful to include all aspects of your organization such previously mentioned

This Checklist can be created from the brainstorming exercises



Approaching Your Risk Management Plan

- Checklist Categories combined from cross functional input
- Financial
- Operations/ Production
- HR/Workforce
- Quality
- Logistics
- Maintenance



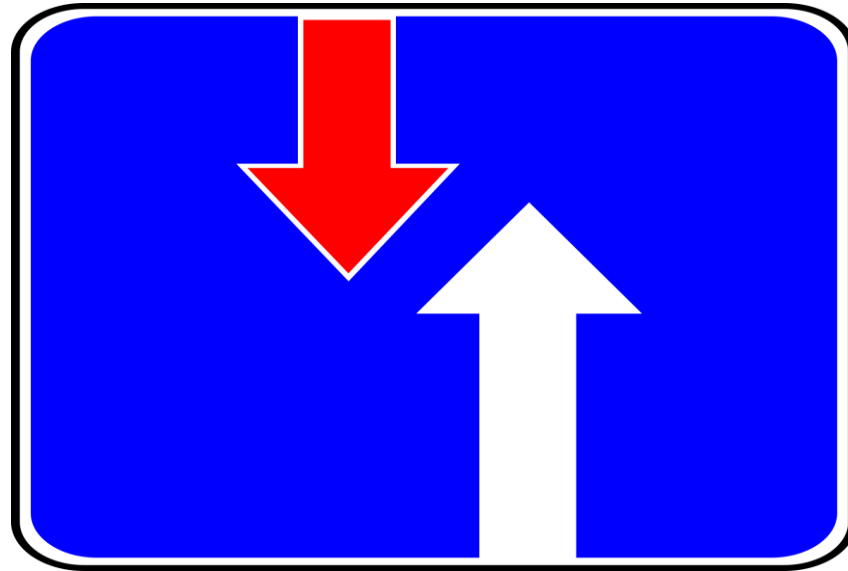
Approaching Your Risk Management Plan

- IT/IS Systems
- Regulatory /Government
- Safety/Health
- Infrastructure
- Climate Change

Approaching Your Risk Management Plan

Now that you have the risks identified...

We need a robust system to prioritize



Approaching Your Risk Management Plan

Methods for Prioritizing Risks:

After we identify risks in our organizations, we need to consider the frequency and severity of the risks, thus prioritizing.

When we approach prioritizing, organizations can adapt methods that works for them.



Approaching Your Risk Management Plan

Methods for Prioritizing Risks:

Considerations can include:

- Internal/ External
- Severity of Risk
- Frequency of Risk
- Costs to treat risks
- Impacts



Approaching Your Risk Management Plan

Prioritizing Risk Tools Risk Assessment Matrix

RISK ASSESSMENT MATRIX				
SEVERITY PROBABILITY	Catastrophic (1)	Critical (2)	Marginal (3)	Negligible (4)
Frequent (A)	High	High	Serious	Medium
Probable (B)	High	High	Serious	Medium
Occasional (C)	High	Serious	Medium	Low
Remote (D)	Serious	Medium	Medium	Low
Improbable (E)	Medium	Medium	Medium	Low
Eliminated (F)	Eliminated			

Approaching Your Risk Management Plan

- Review based on probability | likely
- Types of Disruptions based on Context
 - Happens every week vs. once in 10 years
 - Speed of Risk (How quickly impacted)
 - Fire, Tornado - fast
 - Pandemic - medium
 - Loss of employee knowledge - slow
- Devastation (How large the impact)
 - Financial Loss
- Any potential change to the organization has impact probability of occurrence!

	insignificant	minor	moderate	major	critical
almost certain	Moderate	Major	Critical	Critical	Critical
likely	Moderate	Major	Major	Critical	Critical
possible	Moderate	Moderate	Major	Major	Critical
unlikely	Minor	Moderate	Moderate	Major	Critical
rare	Minor	Minor	Moderate	Moderate	Major



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Succession risk

The chance that a critical role will become vacant and cannot be filled satisfactorily before the vacancy has unacceptable impact on the organization

Vacancy **risk** The chance that a critical role will become vacant, and no candidates can be found, or will accept the role



Approaching Your Risk Management Plan

Succession Risk Plans

According to the National Association of Corporate Directors, fewer than one in four private company say they have a formal succession plan in place

Approaching Your Risk Management Plan

Now that we have our risks prioritized, we look at the approach to manage or treat the risks.



Approaching Your Risk Management Plan

Risk Treatment

According to its definition, Risk Treatment is the process of selecting and implementing of measures to modify risk.

Risk treatment measures can include avoiding, transferring, mitigating, escalating risks and accepting risks



Approaching Your Risk Management Plan

Risk Treatment

Avoid- Eliminate the risk by removing the risk altogether

Transfer - Shift the impact of the risk to a third party

Mitigate- Reduce the probability of the risk



Approaching Your Risk Management Plan

Risk Treatment

Escalate - Escalate risks outside the scope

Accept - Acknowledge the risk but agree to take no action until the risk occurs



Approaching Your Risk Management Plan

Risk to Business	Truly know risks?	Documented Plan?	Process?	Explanation
Low - Complete	Yes	Yes	Yes	5W2H – Action Plans with process and assigned responsibility / High Risk
Medium - Partial	Yes	Yes	No	Action Plan – No process flow or responsibility
High - None	No	No	No	Uh oh.....

Approaching Your Risk Management Plan

Risk Treatment Tools/ Techniques

- Documentation Reviews
- Brainstorming
- Questionnaires
- Focus Groups
- Delphi Technique
- Root Cause Analysis
- Swot Analysis (STRENGTH, Weakness, Opportunities And Threats)





Approaching Your Risk Management Plan

Do You Have Metrics? Are they Effective

Metrics can be indicators for risk treatment

- Drop in Sales of 5%

May not be a disruption or normal business fluctuation; No significant reaction

- Drop in Financials of 20%

Communications response to internal | customers | suppliers

- Drop in Staff of 20%

Communications internal | execute cross training plan

Approaching Your Risk Management Plan

Risk Monitoring

Risk monitoring is the process which tracks and evaluates the levels of risk in an organization. The findings which are produced by risk monitoring processes can be used to help to create new strategies and update older strategies which may have proved to be ineffective.



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Risk Monitoring

- Risk audit.
- Project teams may have defined risk responses
- Variance and trend analysis
- Technical performance measurement
- Reserve analysis
- Meetings



Approaching Your Risk Management Plan

	Who?	Scope	Action	Date
Communication Plan	Joe	Addresses catastrophic events (fire, flood, pandemic only)	Team uses Slack MS Teams	6/20
Product/Service Plan	Bill	Priority manufacture / service	Control Plans	6/20
Customer Plan	Sue	Daily Updates Impact	80/20 Plan	7/20
Supplier Plan	Amy	Daily Updates Impact	80/20 Plan	7/20
Human Resources Plan	Jeff	Redundancy	Cross train	5/20
Financial Plan	Aaron	P&L, Income drive action, Limits to spending / expense and CAPEX	Short Term	5/20


This plan should be periodically reviewed...

Disruption plans are specific to the risk to the business. Each disruption that is severe or highly likely should consider its own plan.

Thank You!

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