RISK MANAGEMENT

2017

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Presentations during the lectures:

- Take Company as example
- Identify The Risks
- Create Risk Card
- Give Proposals how to reduce the risks

RISK RATING TABLE

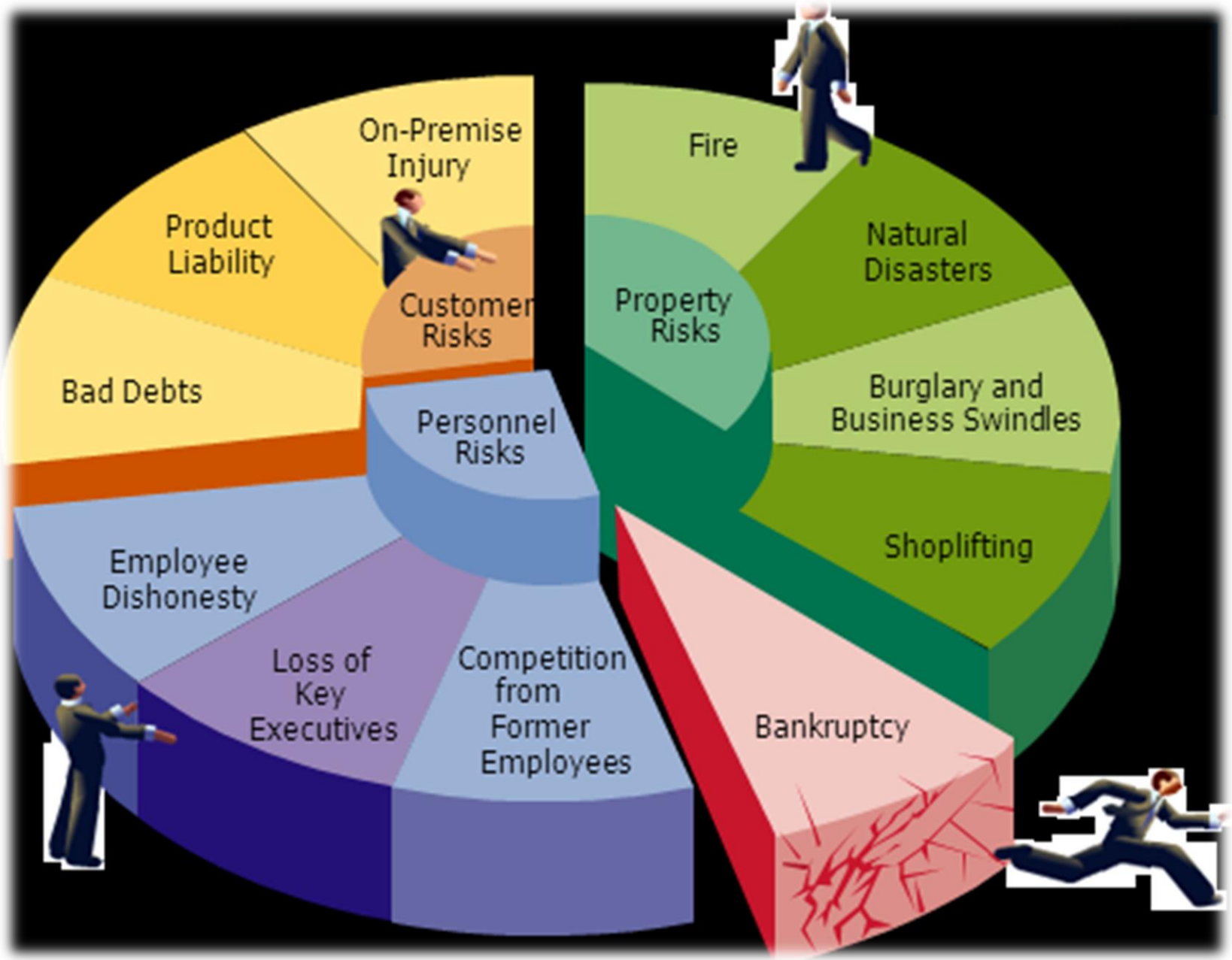
IMPACT					
5	M	H	H	H	H
4	M	M	H	H	H
3	L	L	M	M	H
2	L	L	L	L	M
1	L	L	L	L	L
	1	2	3	4	5

LIKELIHOOD

H = High Risk (Requires a roll of 6 to Avoid the risk)
M = Moderate Risk (Requires a roll of 3 or higher to Avoid the risk)
L = Low Risk (Requires a roll of 2 or higher to Avoid the risk)

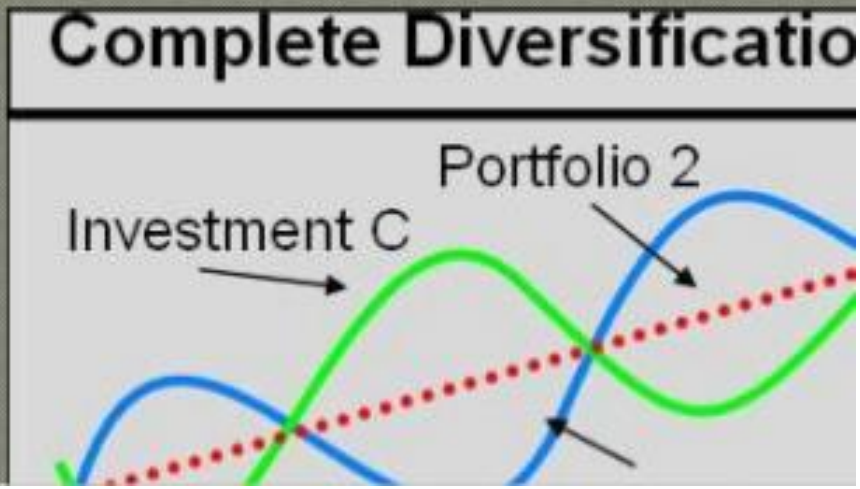
RISK?

Risk is the potential of gaining or losing something of value.


On-Premise Injury
Product Liability
Customer Risks
Bad Debts
Personnel Risks
Employee Dishonesty
Loss of Key Executives
Competition from Former Employees
Fire
Natural Disasters
Property Risks
Burglary and Business Swindles
Shoplifting
Bankruptcy

Portfolio Theory

- Systematic Risk
- Unsystematic Risk



What is risk management?

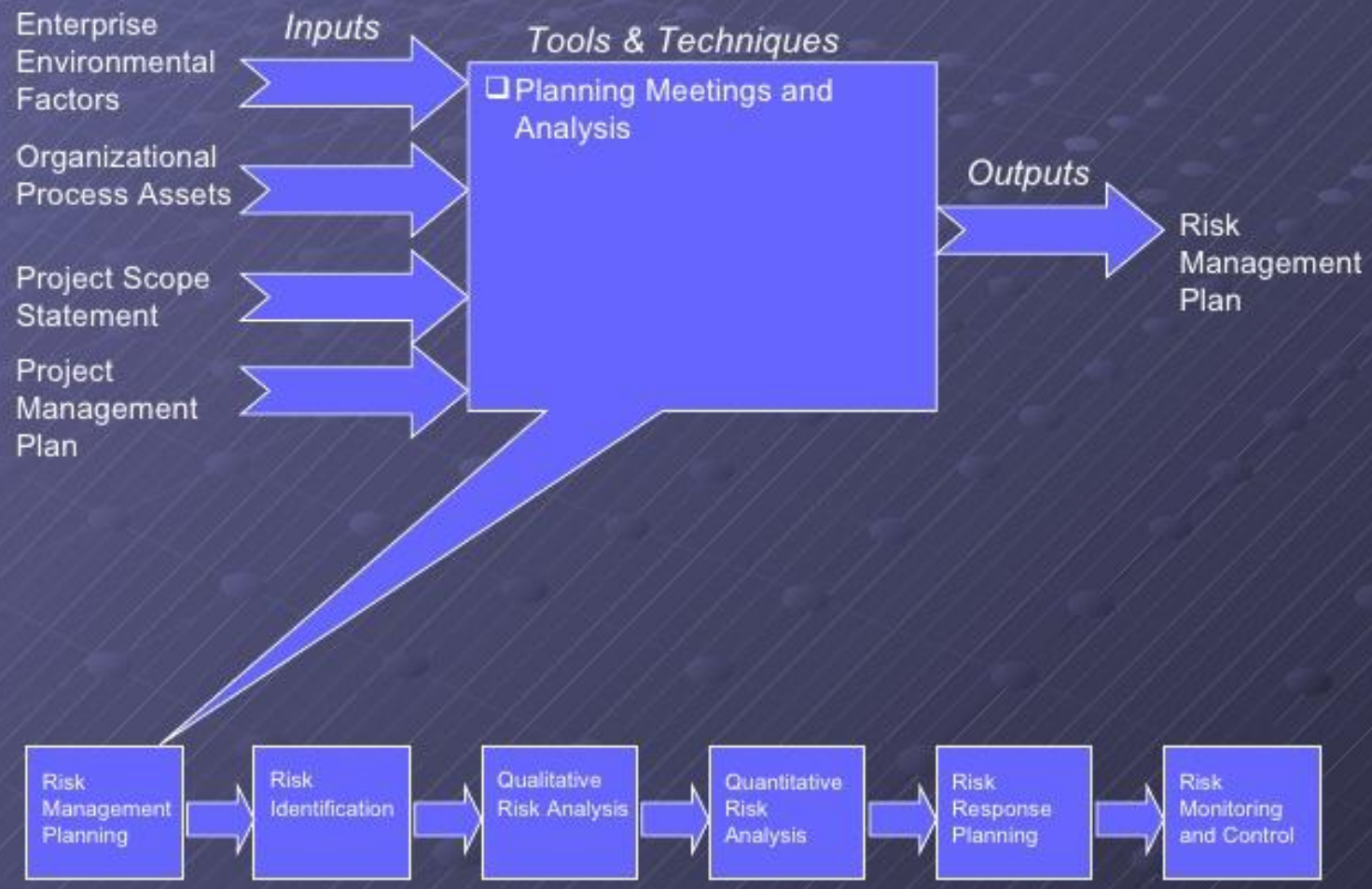
- Risk is an uncertain event that may have a positive or negative impact.
- Risk Management is the process of identifying and migrating risk.

Risk Management Rules:

How do we manage risk?

- Risk Management Planning
- Risk Identification
- Qualitative Risk Analysis
- Quantitative Risk Analysis
- Risk Response Planning
- Risk Monitoring and Control

Risk Management Planning

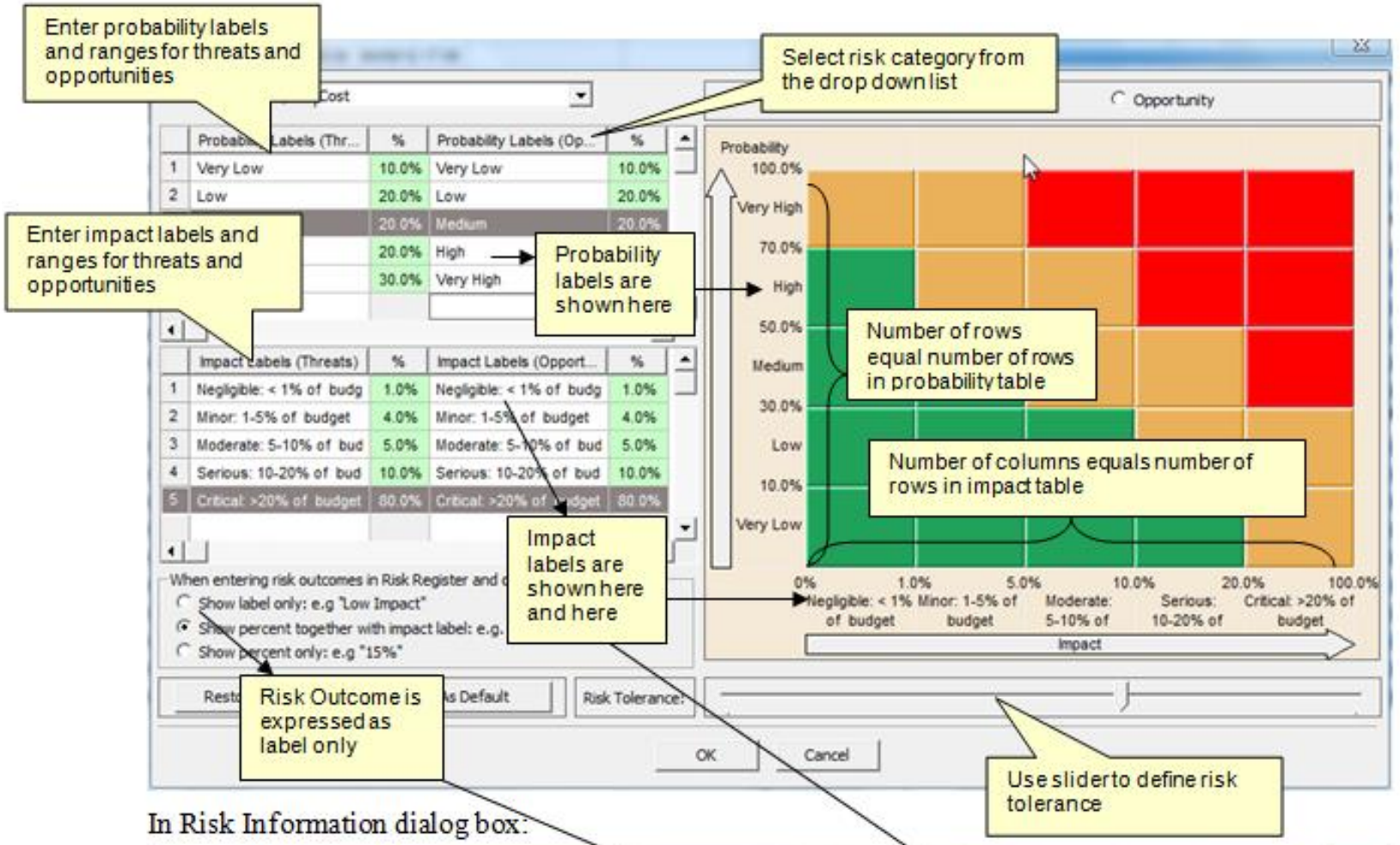


What is a Risk Management Plan?

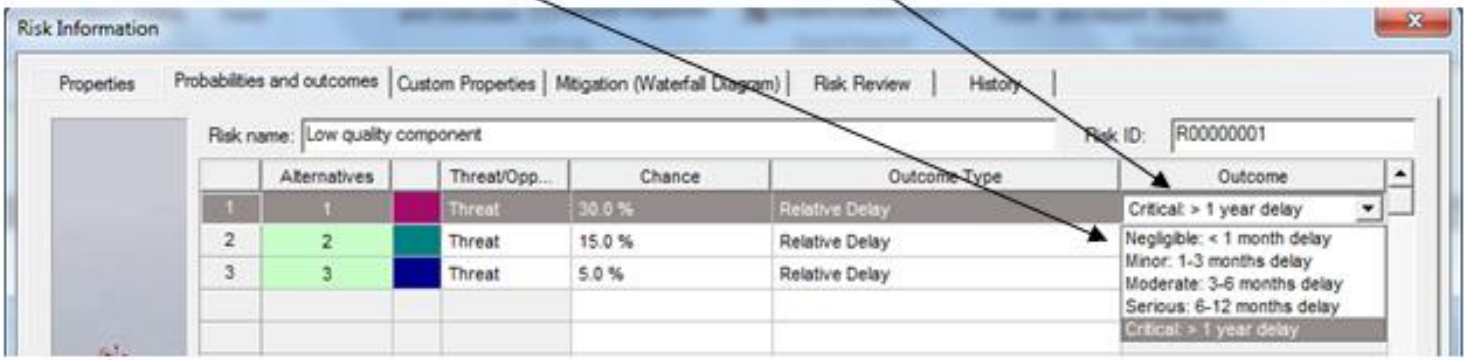
- Methodology – Approch, tools, data etc.
- Roles & Responsibilities
- Budgeting – Resourses to be put into riks management
- Timing – When and how often
- Risk Categories – Risk Breakdown Structure
- Definitions – Risk probabilities an impact

What is Risk management plan?

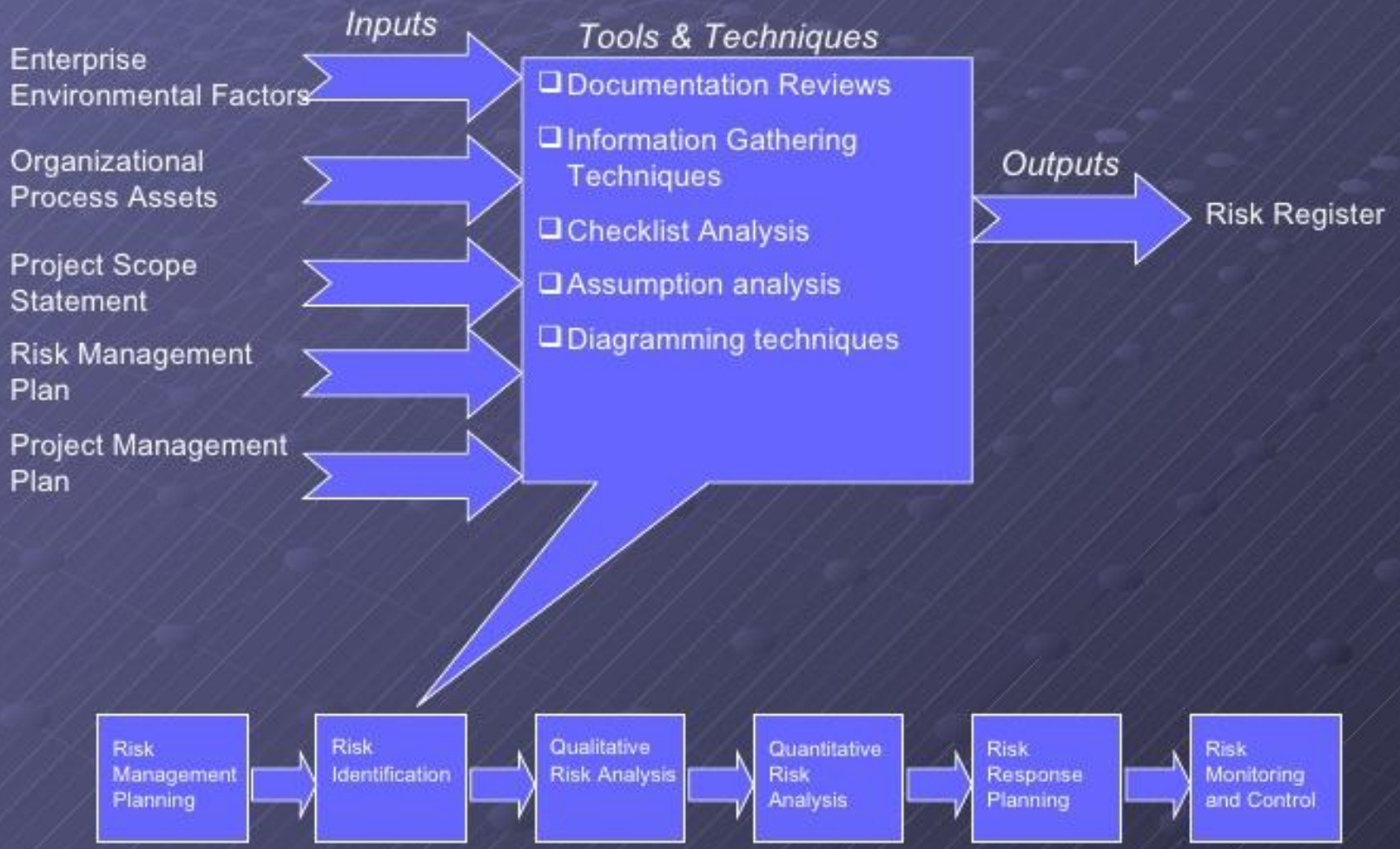
- Probability and Impact Matrix
- Stakeholders
- Reporting formats
- Tracking



In Risk Information dialog box:

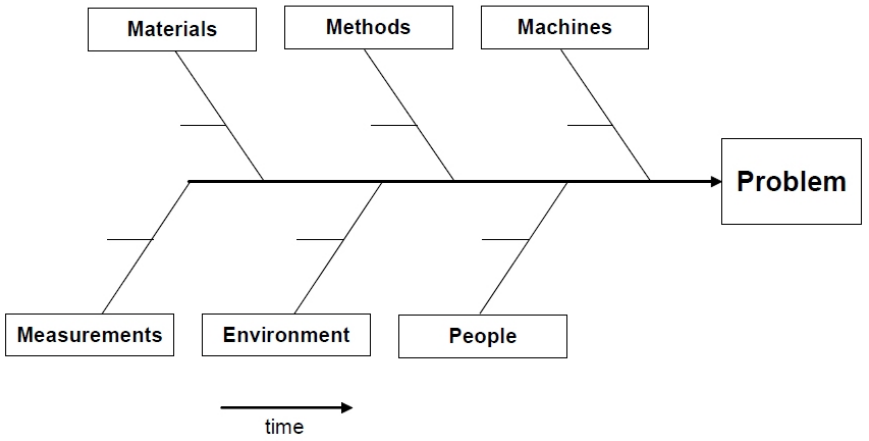


Risk Identification



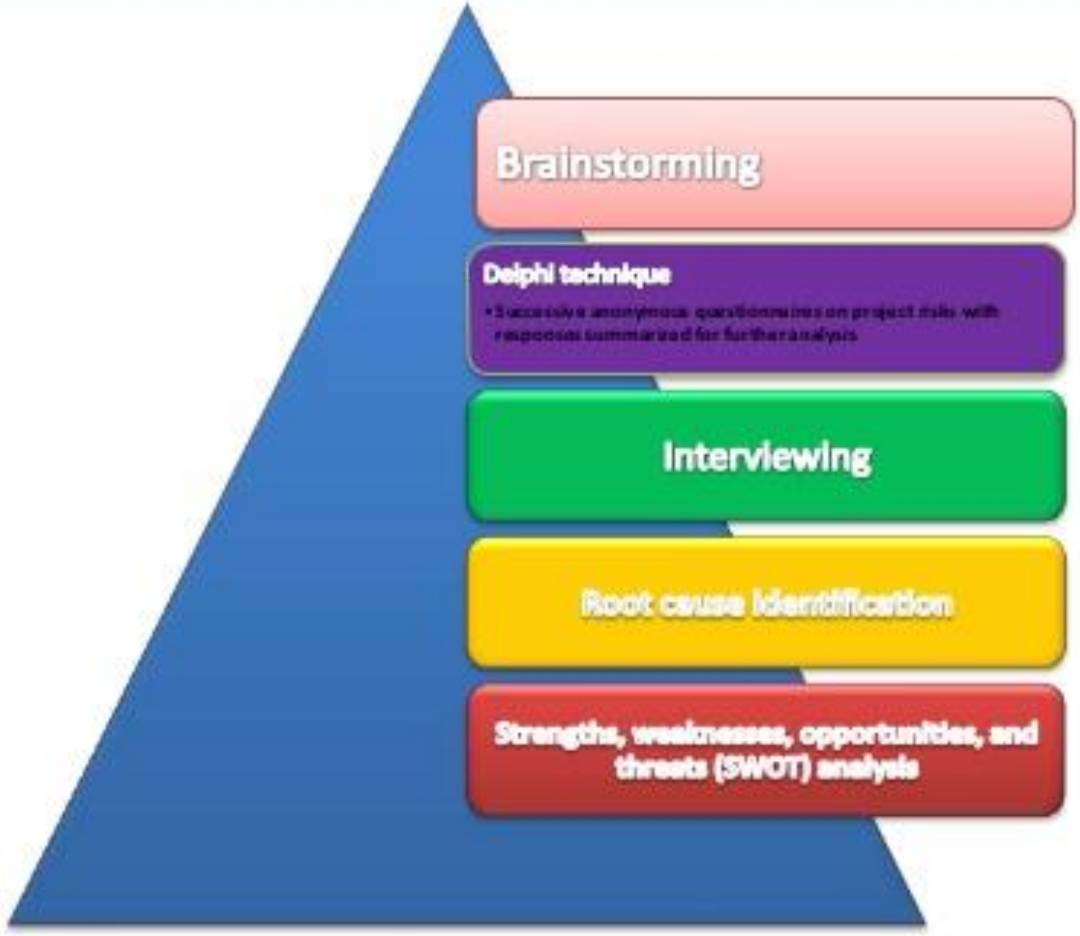
Risk identification?

- Information Gathering Tech
- Diagramms



- Risk Register

Information Gathering Techniques

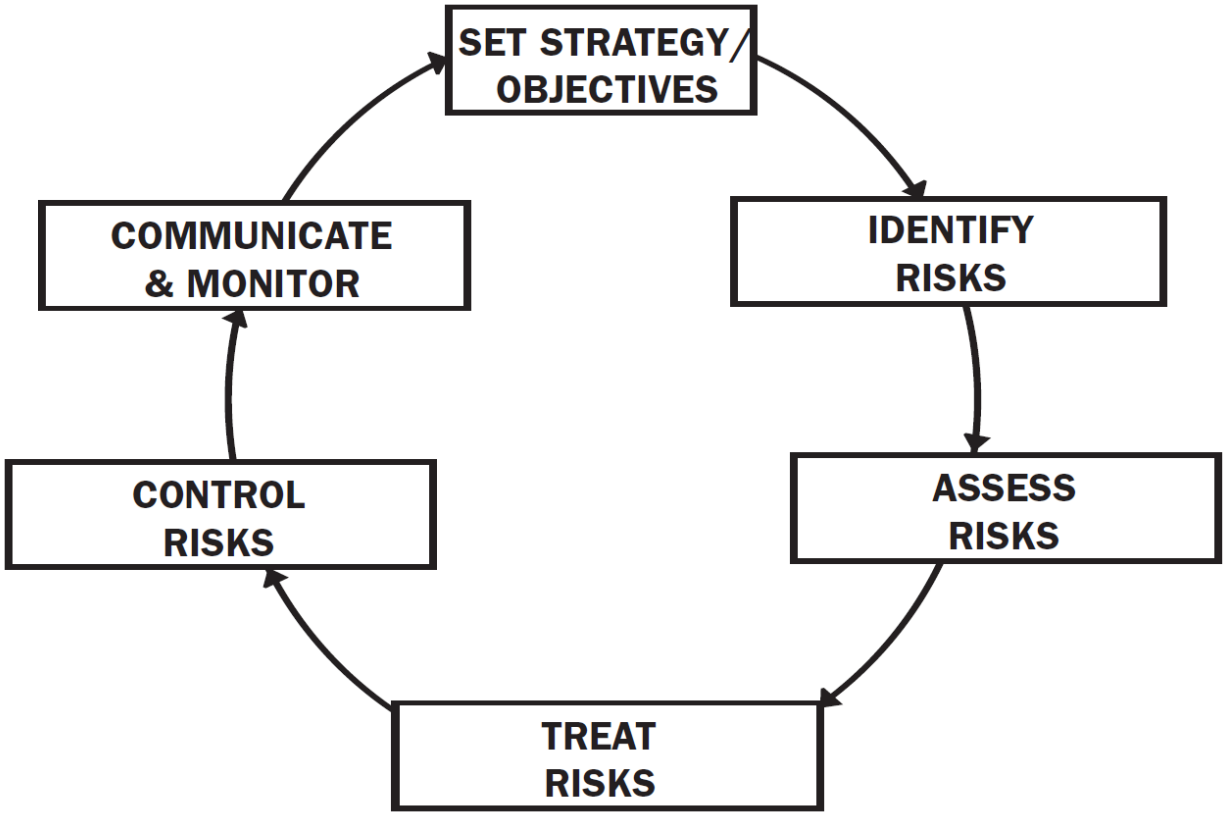


	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**Risk definition**	**Risk response**		**Objective**	**Risk level**							
2						**Logical framework**		**Date 1**		**Date 2**		**Date 3**	
3	**Operational risks**												
4	1.1	The members of the cooperative are using the support of the cooperative in an appropriate way.	Organisation of trainings for co-operants; strengtening of the management of the co-operative and the organisation as a whole	1	Increased production and productivity	**Likelihood:**	Unlikely	**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
5						**Impact:**	High	**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
6						**Risk level:**	38%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
7	1.5.1	The market for seedlings further expands and is not affected by the free-trade agreement	Should the free-trade agreement have a negative effect of the market of seedlings, then no further investments will be made in the seedling production unit. The investments then can be used for regular vegatable production.	1.5	Set-up and expand the seedling production unit	**Likelihood:**	Unlikely	**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
8						**Impact:**	High	**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
9						**Risk level:**	38%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
10	2.1	The current market for vegetables is not affected by the free-trade agreement between Dalekostan and its neighbours.	Reduce production costs through increased efficiency and better management of plant diseases. Get better selling prices because of quality of produce.	2	Less difficulty to sell	**Likelihood:**	Unlikely	**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
11						**Impact:**	High	**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
12						**Risk level:**	38%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
13	3.1	Good trainers in the various fields required continue to be available.	Establishing contacts with various independent experts, educational and research bodies in the country as well as in neighbouring countries	3	The skills and knowledge of co-operants have increased.	**Likelihood:**	Unlikely	**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
14						**Impact:**	High	**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
15						**Risk level:**	38%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
16	**Financial risks**												
17	1.2	The prices of the vegetables do not drop below 0,35€ per kg.	Reduce production costs through increased efficiency and better management of plant diseases. Get better selling prices because of quality of produce.	1	Increased production and productivity	**Likelihood:**	Unlikely	**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
18						**Impact:**	High	**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
19						**Risk level:**	38%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
20	**Objectives risks**												
21	1.1	The families are using their additional income usefully in order to improve their situation.	Sensibilisation of families about the need to invest in their own business, the co-operative, education, etc. and not too much in consumer goods	1	Increased income for families living in the rural area of Nepostoji Selo municipality	**Likelihood:**	Unlikely	**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
22						**Impact:**	Low	**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
23						**Risk level:**	25%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
24	**Reputation risks**												
25		- no risks defined -				**Likelihood:**		**Likelihood:**	Unknown	**Likelihood:**	Unknown	**Likelihood:**	Unknown
26						**Impact:**		**Impact:**	Unknown	**Impact:**	Unknown	**Impact:**	Unknown
27						**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%	**Risk level:**	0%
28	**Other risks**												

Classwork:

- Your last risk?
- How you manage risk?
- The gain or loss?

Enterprise risk management tools and techniques for effective implementation



Some techniques for identifying risk are:

- Brainstorming
- Event inventories and loss event data
- Interviews and self-assessment
- Facilitated workshops
- SWOT analysis
- Risk questionnaires and risk surveys
- Scenario analysis
- Using technology
- Other techniques

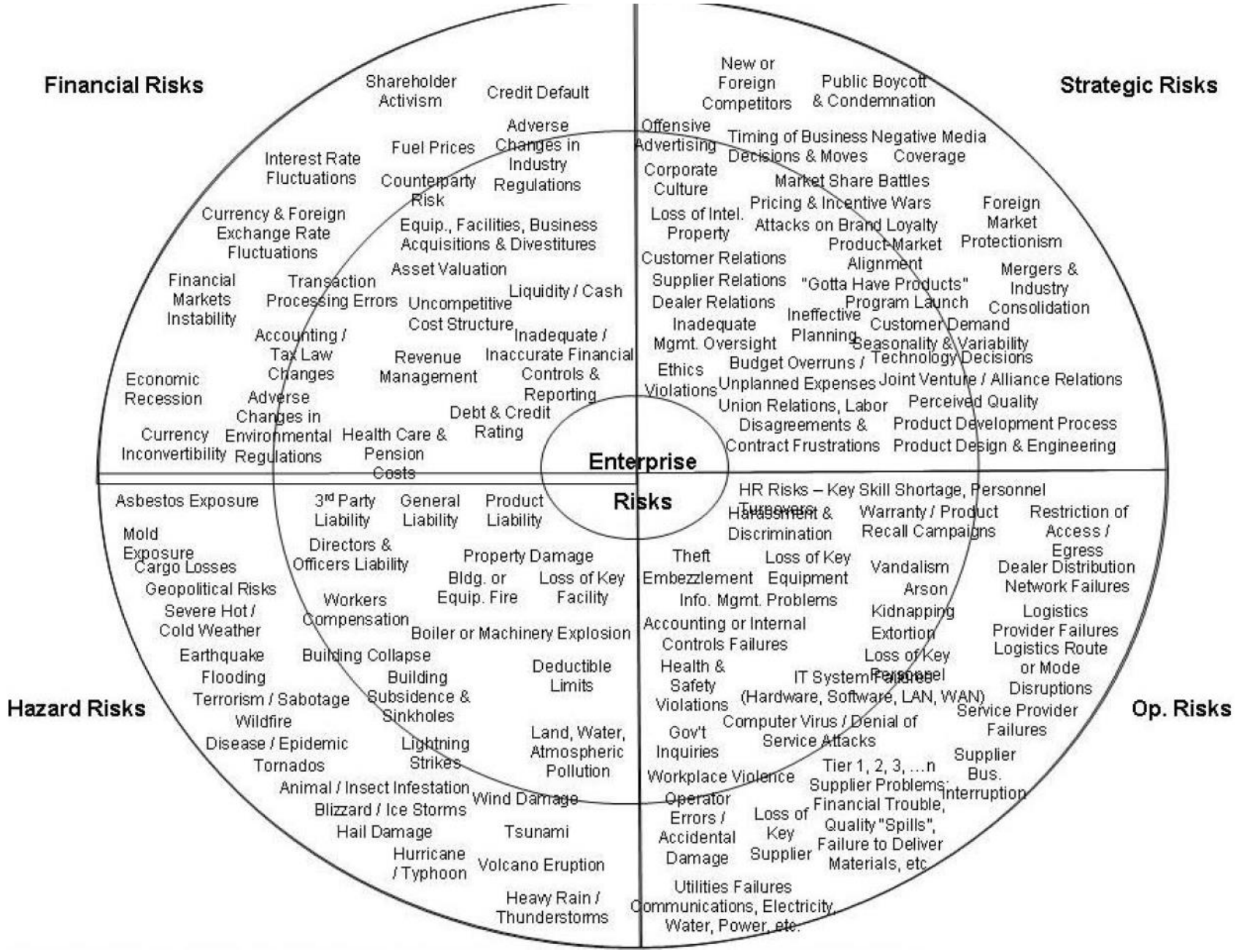

Financial Risks
Strategic Risks
Hazard Risks
Op. Risks
Enterprise Risks
Shareholder Activism
Credit Default
Adverse Changes in Industry Regulations
Fuel Prices
Interest Rate Fluctuations
Counterparty Risk
Currency & Foreign Exchange Rate Fluctuations
Equip., Facilities, Business Acquisitions & Divestitures
Asset Valuation
Financial Markets Instability
Transaction Processing Errors
Uncompetitive Cost Structure
Liquidity / Cash
Accounting / Tax Law Changes
Revenue Management
Inadequate / Inaccurate Financial Controls & Reporting
Economic Recession
Adverse Changes in Environmental Regulations
Debt & Credit Rating
Currency Inconvertibility
Health Care & Pension Costs
New or Foreign Competitors
Public Boycott & Condemnation
Offensive Advertising
Timing of Business Decisions & Moves
Negative Media Coverage
Corporate Culture
Market Share Battles
Pricing & Incentive Wars
Loss of Intel. Property
Attacks on Brand Loyalty
Foreign Market Protectionism
Product-Market Alignment
Customer Relations
Mergers & Industry Consolidation
Supplier Relations
"Gotta Have Products"
Dealer Relations
Program Launch
Ineffective Planning
Inadequate Mgmt. Oversight
Customer Demand
Seasonality & Variability
Technology Decisions
Budget Overruns / Unplanned Expenses
Ethics Violations
Joint Venture / Alliance Relations
Union Relations, Labor Disagreements & Contract Frustrations
Perceived Quality
Product Development Process
Product Design & Engineering
Asbestos Exposure
3rd Party Liability
General Liability
Product Liability
Mold Exposure
Directors & Officers Liability
Property Damage
Cargo Losses
Bldg. or Equip. Fire
Loss of Key Facility
Geopolitical Risks
Workers Compensation
Severe Hot / Cold Weather
Boiler or Machinery Explosion
Earthquake
Building Collapse
Deductible Limits
Flooding
Building Subsidence & Sinkholes
Terrorism / Sabotage
Wildfire
Land, Water, Atmospheric Pollution
Disease / Epidemic
Lightning Strikes
Tornados
Animal / Insect Infestation
Wind Damage
Blizzard / Ice Storms
Hail Damage
Tsunami
Hurricane / Typhoon
Volcano Eruption
Heavy Rain / Thunderstorms
HR Risks – Key Skill Shortage, Personnel Turnovers
Harassment & Discrimination
Warranty / Product Recall Campaigns
Restriction of Access / Egress
Theft
Loss of Key Equipment
Vandalism
Dealer Distribution Network Failures
Embezzlement
Arson
Info. Mgmt. Problems
Kidnapping
Logistics Provider Failures
Accounting or Internal Controls Failures
Extortion
Logistics Route or Mode Disruptions
Loss of Key Personnel
Health & Safety Violations
IT System Failures (Hardware, Software, LAN, WAN)
Service Provider Failures
Computer Virus / Denial of Service Attacks
Gov't Inquiries
Supplier Bus. Interruption
Tier 1, 2, 3, …n Supplier Problems
Workplace Violence
Financial Trouble, Quality "Spills", Failure to Deliver Materials, etc.
Operator Errors / Accidental Damage
Loss of Key Supplier
Utilities Failures
Communications, Electricity, Water, Power, etc.

EXHIBIT 3A. RISK IDENTIFICATION TEMPLATE

Please list the major strategies and/or objectives for your area of responsibility.

Please list the major risks your unit faces in achieving its objectives. List no more than 10 risks.

Please assess the overall risk management capability within your area of responsibility to seize opportunities and manage the risks you have identified.

EXHIBIT 3B. MAJOR STRATEGIES/OBJECTIVES FOR YOUR UNIT

Please list the major strategies/objectives for your unit.

EXHIBIT 3D. RISK MANAGEMENT CAPABILITY

Use the following categories* to assess the overall risk management capability within your area of responsibility to seize opportunities and manage risks using the scale at the bottom of the page.

Internal Environment	VL	L	M	H	VH
Objective Setting	VL	L	M	H	VH
Event Identification	VL	L	M	H	VH
Risk Assessment	VL	L	M	H	VH
Risk Response	VL	L	M	H	VH
Control Activities	VL	L	M	H	VH
Information/Communication	VL	L	M	H	VH
Monitoring	VL	L	M	H	VH

What is your level of concern with respect to the overall risk management capability of your area of responsibility to seize opportunities and manage risks? Please circle the most appropriate response:

VL= Very Low L=Low M=Medium H=High VH=Very High

QUALITATIVE AND QUANTITATIVE APPROACHES TO RISK ASSESSMENT

Qualitative
Risk identification
Risk rankings
Risk maps
Risk maps with impact and likelihood
Risks mapped to objectives or divisions
Identification of risk correlations

Qualitative/ Quantitative
Validation of risk impact
Validation or risk likelihood
Validation of correlations
Risk-corrected revenues
Gain/loss curves
Tornado charts
Scenario analysis
Benchmarking
Net present value
Traditional measures

Quantitative
Probablistic techniques
cash flow at risk
earnings at risk
earnings distributions
eps distributions

GLOSSARY

IMPACT—The significance of a risk to an organization. Impact captures the importance of the risk. It can be measured quantitatively or qualitatively.

INHERENT RISK—The level of risk that resides with an event or process prior to management taking mitigation action.

LIKELIHOOD—An estimate of the chance or probability of the risk event occurring.

OPPORTUNITY—The upside of risks.

RESIDUAL RISK—The level of risk that remains after management has taken action to mitigate the risk.

RISK—Any event or action that can keep an organization from achieving its objectives.

RISK APPETITE—The overall level of risk an organization is willing to accept given its capabilities and the expectations of its stakeholders.

Case study

- Analyze riks management
- Identify impacts of risks
- Define future strategy of company
- SWOT analyze