



Don't be a statistic: How to manage your organization's risk

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Webinar starts at noon CT



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Presented by

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About the speaker



Cindy McSwain

Senior Vice President
Outsourcing Services

Leads AGH's outsourcing services
10+ years outsourcing experience
10+ years audit experience

Member of AICPA, KSCPA and numerous civic organizations

Food for thought



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

Gary Cohn

*Former President of National Economic Council and
former President and COO of Goldman Sachs*

Learning objectives

The key takeaways

Learning objectives

1. Understand the definition of organizational risk
2. Identify the types of business risks facing your organization
3. Learn how to manage those risks

Polling question #1

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Understand the
definition of
organizational risk

Organizational risk

What is it?

Underlying principles.....

1. Every organization exists to **realize value** for its stakeholders.
2. Value is **created, preserved or eroded** by management decisions.

Organizational risk is...

...a future possibility that may prevent you from achieving a business goal.

...anything that threatens the ability to generate revenues/profits at target levels.

...something that can threaten an organization's sustainability.




Organizational risk cycle



Polling question #2

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Identify your
organizational risks

Find your risks

Every organization has a unique set of risks

Types of organizational risk

1. **Strategic** – goals of the organization
2. **Operational** – processes that achieve goals
3. **Reputational** – public image
4. **Financial** – safeguarding assets
5. **Compliance** – laws and regulations
6. **Other**

Types of organizational risk

Strategic

Risk that your organization's strategy becomes less effective or viable.

Strategic risk

Examples:

- Product obsolescence
- New competition
- Technology disruption
- HR needs



Operational

Risk of inadequate or failed internal procedures, systems or policies.

Operational risk

Examples:

- Undocumented processes
- Phishing / cyber breach
- Human error
- Safety/OSHA
- Suppliers



Reputational

Risk of public loss of confidence in your organization or industry.

Reputational risk

Examples:

- Activism
- Community perception
- Actions of employee
- Actions of organization



Types of organizational risk

Financial

How your organization handles its financial assets.

Examples:

- Lack of internal controls
- Debt load
- Customer diversity
- Product diversity



Compliance

Risk of losses and penalties for failure to comply with laws, regulations and contractual terms.

Compliance risk

Examples:

- Environmental
- Health & safety
- HR
- Taxes
- Quality



Types of organizational risk

Other

Threats, events, and other risks resulting from natural disasters, political transformation, etc.


Examples:

- Economic change
- Political transformation
- Natural disasters



Polling question #3

Please answer for continuing education credit

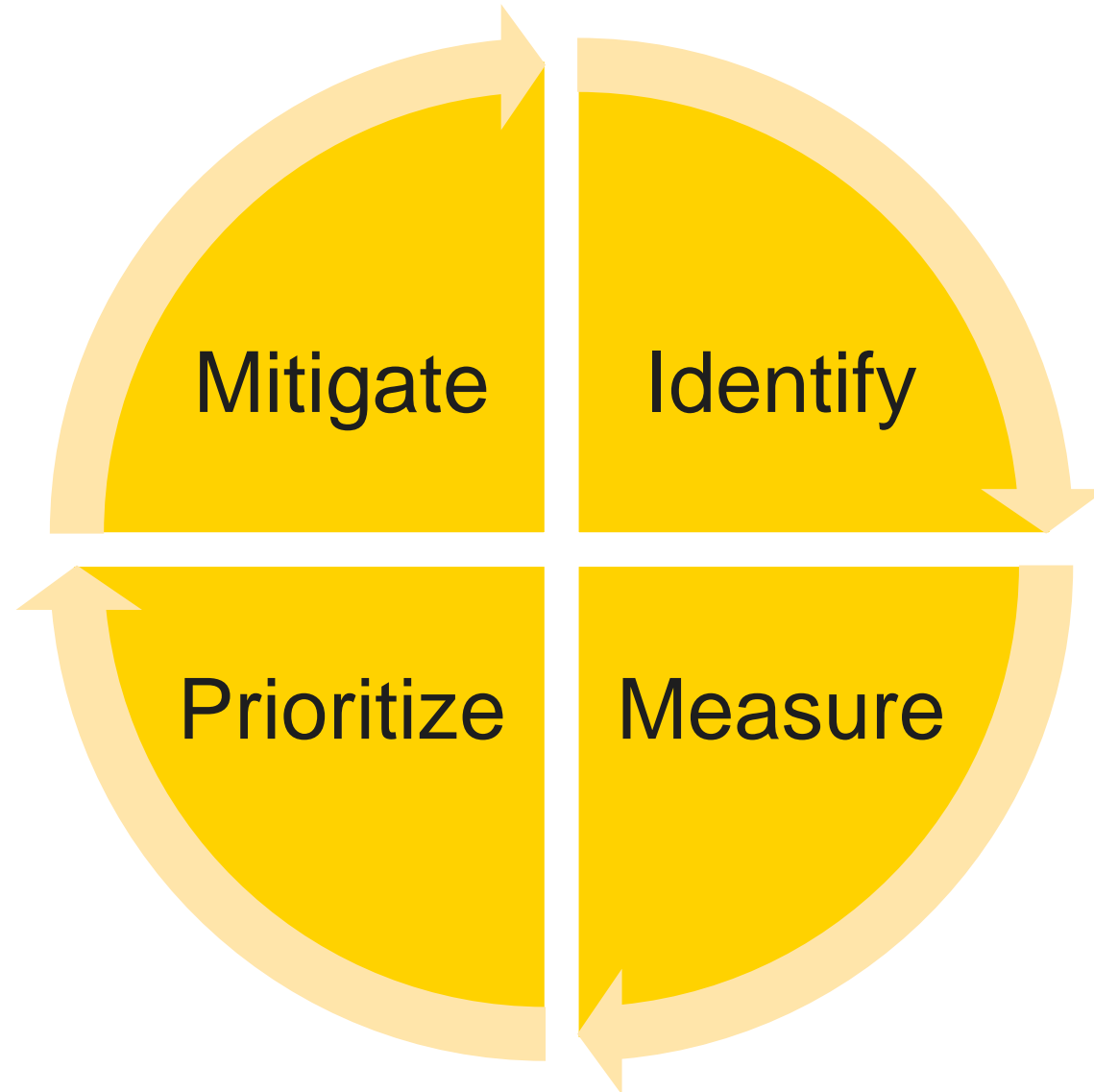


Manage your risks

Managing your risk

How to manage various risks

Risk Management Cycle



Risk vs. Reward

The purpose of risk management is
not to completely eliminate risk;
rather to **optimize the risk-reward** ratio
within the bounds of your risk tolerance.

Risk management: Identify

Identify

Which business assets and/or external assets might be damaged?

Consider

Employees, customers, buildings, reputation, environment, etc.

Ask

What can happen?
How can it happen?
Why can it happen?
When can it happen?
Where can it happen?

Risk management: Measure

Measure

The harm that can be done to company assets.

Estimate

What is the probability the harm will happen?
What is the potential impact if the harm were to happen?

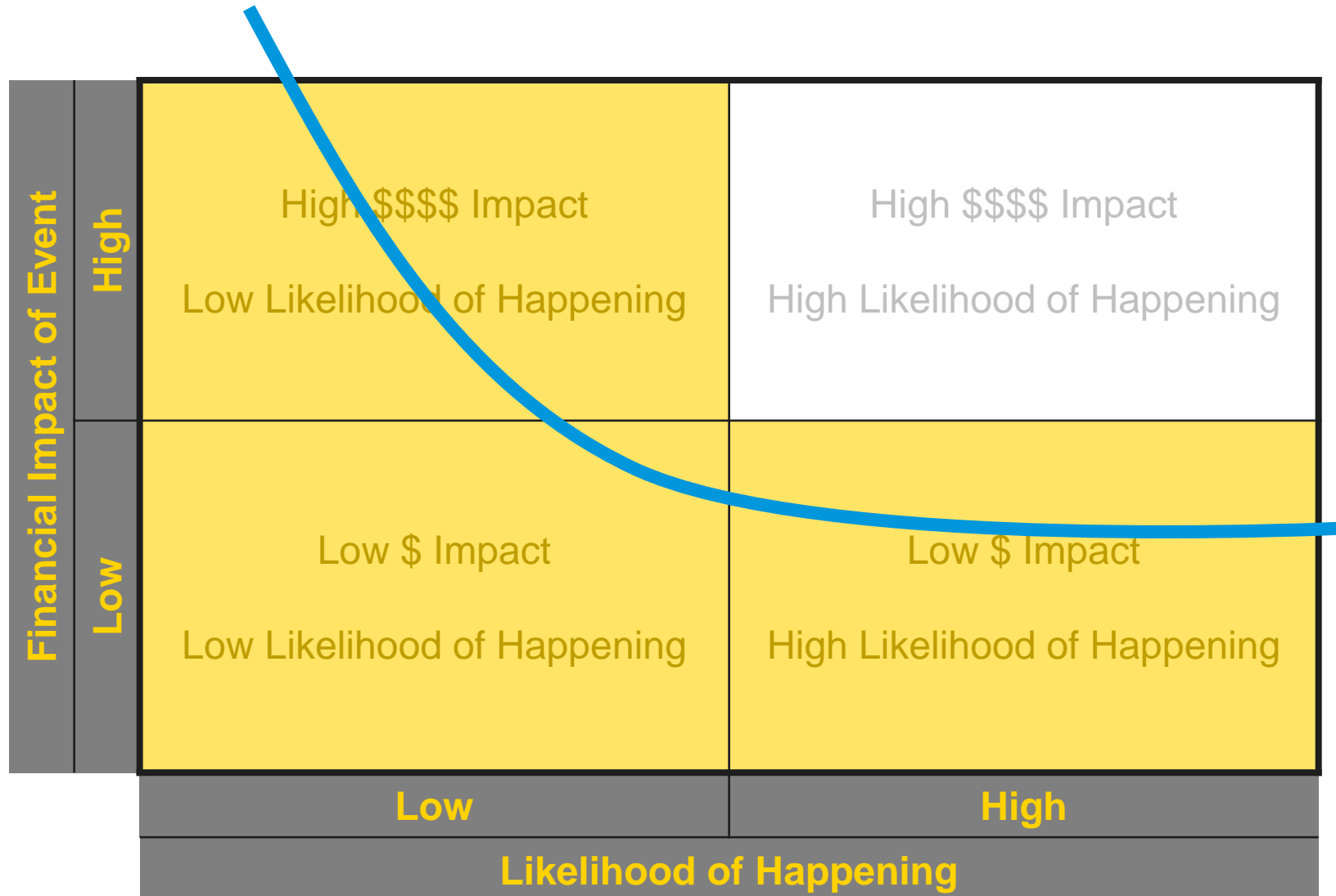
Decide

What is the required time and effort needed to mitigate the risk?
What are the financial implications of mitigating the risk?

Risk management: Measure

Financial Impact of Event	High	High \$\$\$\$ Impact Low Likelihood of Happening	High \$\$\$\$ Impact High Likelihood of Happening
	Low	Low \$ Impact Low Likelihood of Happening	Low \$ Impact High Likelihood of Happening
		Low	High
		Likelihood of Happening	

Risk management: Measure



Risk management techniques

Avoidance

- eliminate / withdraw

Reduction

- optimize / mitigate

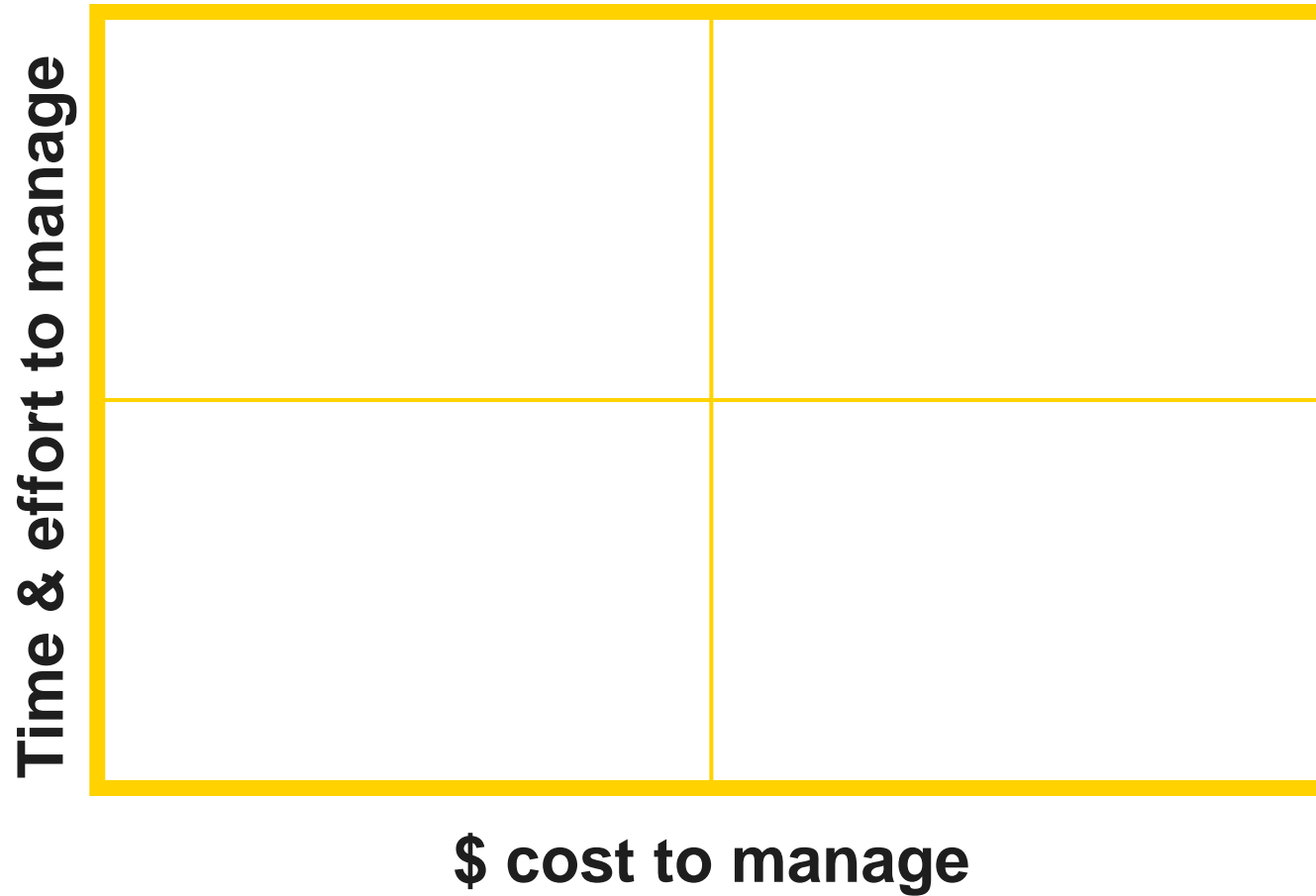
Transfer

- outsource / insurance

Retention

- accept and budget for it

Risk management techniques



Risk management techniques

Financial Impact of Event	High	High \$\$\$\$ Impact Low Likelihood of Happening	Time & effort \$ cost to manage
	Low	Low \$ Impact Low Likelihood of Happening	Low \$ Impact High Likelihood of Happening
		Low	High
		Likelihood of Happening	

Risk management process

Identify options

Avoidance
Reduction
Transfer
Retention

Select the best response

Develop action plans

Implement

Always re-evaluate

Risk management assessment tool

Risk	Current Management of Risk	Comments	\$ Impact	Likelihood	Risk Score (Impact x Likelihood)	Steps Needed	Cost to Mitigate	Responsible Party	Target Date
Employee Injuries	Work Comp	Need safety training	5	5	25	Design training program	\$2,000	Jack	Q1 '19
HR Compliance	Bookkeeper handles	Don't know	4	3	12	HR Audit	\$2,000	Jane	Q4 '19
Internal fraud	None	One person does everything	4	2	8	Analyze and segregate	\$5,000	Joe	Q4 '19
Loss of owner	Life Insurance	No succession plan	3	2	6	Make plan	\$5,000	Jill	Q2 '19
IT Ransomware	None	Everything at office	2	3	6	Offsite backups, plan	\$3,000	Jane	Q4 '18

Score	\$ Impact	Likelihood
1	Insignificant	Nearly unlikely
2	Mild	Moderately unlikely
3	Moderate	Likely
4	Significant	More than likely
5	Catastrophic	High probability

Polling question #4

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Remember!

A quick recap



Helpful resources on AGHUniversity.com

AGHUniversity.com

On-Demand
webinars

Risk management
topic

Helpful resources on AGHUniversity.com



Cybersecurity: Protect your organization from cybercriminals

A review of the most dangerous and prevalent cyber threats and practical advice for defending against them.

Helpful resources on AGHUniversity.com



Information risk is business risk: Find and manage yours

An introduction to a risk management
assessment and process

Helpful resources on AGHUniversity.com



Information security: A primer for business leaders

An introduction to basic information security principles

Helpful resources on AGHUniversity.com



Top five human capital risks - And what to do about them

A review of the top 5 HR risks and strategies to mitigate them



Don't forget

You can't eliminate all organizational risk, but you can manage it.

Identify, measure, prioritize and manage your organizational risks.

Food for thought



**Risk comes from
not knowing
what you're doing.**

Warren Buffet

Chairman and CEO of Berkshire Hathaway

Thank you for attending



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