

CE3 Solutions, LLC

Corporate America's New 4 letter word. Or is it?

What is RISK, and how do we best manage it?

Back in College, I remember getting my first Credit Card. My parents advised me that I should be prudent on how I spend my money, make sure I can pay off my balance every month, and don't share my credit card number with anyone. 3 months later, I had an unauthorized charge on my card, as it was used by a cashier who wrote down my number while purchasing an item at a local establishment. That was the extent of RISK back then, and the impact was small.

Boy, how times have changed. 35 years later, RISK for both individuals and businesses is prevalent in every action we take on a day to day basis, and the consequences are far more severe than ever imagined. Basic credit card default has turned into identify theft, bad loans have turned into large corporate government bailouts, and the basic movement of money has turned into Money Laundering and Terrorism funding. In the 1980s, we were concerned about credit card losses and managing financial risk. Today, the amount of risk we have to manage at one time is astounding! Policy Compliance, Economic Risk, Operational Risk, Competitive landscape, Customer Attrition, Identity Theft, Regulatory Adherence, Credit Risk, Legal Risk and Reputational Risk are some of the challenges we have to stay ahead of. Not an easy task managing each individually and managing it collectively can be overwhelming.

While there is not a silver bullet in how to solve the current and ever evolving risk challenges that an organization has on a day to day basis, there are processes and tools that can be used to bring transparency to the risk you are managing, what the impact to your business the risk entails, and how much risk you are willing to take on.

The major philosophical change that many organizations have to make is to change their approach to risk management to be far more proactive then reactive. Proactive Risk Management allows you to better anticipate and plan for potential environmental changes (internal and external, expected as well as not expected), along with obtaining a unified prioritized company view on risk. Some key steps to follow to develop a process to managing your risk, and adjusting to internal and external factors impacting your business, are as follows:

- 1). Establish what your organizations risk-reward business tolerance is.
- 2). Understand the impact of the risk tolerance you are taking on your;
 - Revenue
 - Customers
 - Competitive Landscape
 - Operational Execution
 - Regulatory/Compliance
 - Reputation of your Company
 - Employees
- 3). Building a model and culture of awareness to what risk are forthcoming.

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- 4). Developing a consistent and repeatable risk monitoring process. Establish risk indicators, escalation triggers and reporting requirements as part of a monitoring process.
- 5). Develop business models to quantify the impact of the risk on the key business factors and goals of your organization (% weight of impact on each)
- 6). Integrate your risk management into your day to day management processes and operations.

While proactive management is prudent, surprises will occur. The ability of an organization to build a continuous assessment cycle, while incorporating a structured approach for tracking and evaluating risk mitigation activities, will provide a far greater opportunity to manage risk and avoid risk related business implications. A formalized process will also help the organization quickly assess and mitigate any un-planned instances that do occur.

Risk...the four - letter word that causes many of us grief, needs to be at the forefront of day to day business operations. The implications today are far greater than just profits and losses. That said, the processes and tools can be put in place to protect your business, customers and employees, and reduce the amount of impact.

Mike DeCandido is Chief Operating Officer and Partner with CE3 Solutions, LLC, a boutique management consulting firm specializing in creation and implementation of strategic and tactical roadmaps for businesses to simultaneously improve their customer experience, shareholder/business value, employee engagement, and risk management. CE3 Solutions partners have collectively over 100 years of experience in directly managing these areas with numerous Fortune 500 organizations, while also providing solutions to businesses of all sizes.