



## Risk Management ID and Strategies

### Major Types of Risk

- **Monetary** - **Financial and Business Risk** relates to losing monetary resources or incurring unacceptable liabilities
- **Operational** - Risks that relate to doing the right things in the wrong way
- **Product**: Risk associated with production, safety, or shipping
- **Reputation** - Risks that relate to the organizations brand or image
- **Information** - Risks that relate to loss or inaccuracy of data ,systems or reported information
- **People** - The risks associated with employees and management
- **Regulatory** - The risks related to the regulatory environment

3

## Risk Management ID and Strategies

### **Step 1 Generate a list of MAJOR risks and narrow down**

Start with macroeconomic risks, then events specific to your industry, then firm, and then product.

Examples:

- Interest Rate Changes
- Recessions/Inflation
- Owner departure
- Customer decrease or safety concern
- Food safety e coli
- Drought
- Cost increase or limitation of supplies
- Production & Price Changes for Product/Commodity
- Stakeholder-caused risks
- Rainy season ..much too rainy

4

## Risk Management ID and Strategies

### Step 2 Define the consequences and likelihood

#### Consequences: If it happens –what is the result?

- Insignificant
- Minor,
- Moderate
- Major
- Most Severe

#### Likelihood: How likely is it that the event will happen?

- Rare (less than once in 20 years)
- Unlikely (once in 10-20 years)
- Possible (once in 10 years)
- Likely (once in 3 years)
- Almost Certain (once a year)



Monetary (% of income or budget)  
 Reputation  
 Ability to recover  
 Effect on Organisation

5

## Risk Management ID and Strategies

### Step 3 Develop a Risk Matrix

Consequences	Most Severe					
	Major					
	Moderate					
	Minor					
	Insignificant					
		Rare	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

6

## Risk Management ID and Strategies

### • Step 4 Develop Risk Response Strategies

Consequences	Most Severe					
	Major			CONTROL		
	Moderate			TRANSFER		
	Minor					
	Insignificant					
		Rare	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

7

## Risk Management ID and Strategies

### • Step 4 Develop Risk Response Strategies

**Accept:** Severity of a loss is small and frequency of a loss occurring is low

- Scenario example: A/R not all paid or bad debt, bad product have to throw out small amounts.
- Strategy example: do nothing – cost of doing business

**Transfer:** Severity of a loss is large but the frequency of a loss occurring is low.

- Scenario example: loss sales/client, employee strike, cash flow gap for loan pmts or safety or exchange rate changes
- Strategy example: contracts, disability insurance, procedures, hedging, outsourcing, reduce debt use equity

8

## Risk Management ID and Strategies

### • Step 4 Develop Risk Response Strategies

**Control:** Severity of a loss is small and frequency of a loss occurring is high

- Scenario example: Bad debt expense regularly, equipment breakdown, product quality, supplier not consistent quality or amounts.
- Strategy example: collection of account, drop customer, get a new supplier, use a new variety or production technique, or lease versus own

**Avoid:** Severity of a loss is large and frequency of a loss occurring is high

- Scenario example: prices swing low levels often, drought, frost, political instability
  - Strategy example: do not make investment, get out of that business product

9

## Risk Management Example

### • Example: Drinking Water Reservoirs and Distribution Systems



## Risk Management Example

- Evaluate two risks to these systems: climate change, and earthquakes. Where would they be located? How would you prioritize action?

Consequences	Most Severe					
	Major					
	Moderate					
	Minor					
	Insignificant					
		Rare	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

11

## Example: Risk Management ID and Strategies

### FDA Investigates Multistate Outbreak of E. coli O26 Infections Linked to Chipotle Mexican Grill Restaurants

[f SHARE](#)
[TWEET](#)
[in LINKEDIN](#)
[PIN IT](#)
[EMAIL](#)
[PRINT](#)

February 1, 2016

On this page:

- [Update](#)
- [What was the Problem and What was Done About It?](#)



12

## Example: Risk Management ID and Strategies

- **Canadians urged to check their romaine as officials confirm E. coli case Nov 2019**
- TORONTO -- One Canadian became sick last month after eating romaine lettuce linked to an E. coli outbreak from California, the Public Health Agency of Canada has confirmed.
- Grocery giant Loblaw sent out a recall notice to customers on Saturday through its loyalty program, PC Optimum.



13

## Example: Risk Management ID and Strategies

- **Peanut Corp. of America Salmonella Outbreak**



**Year:** 2009

**Cost:** \$1 billion

Salmonella outbreak killed nine people and sickened hundreds. More than 3,913 different products from roughly 361 different companies had to be recalled. Industrywide sales decreased by 25%.

Peanut Corp. declared bankruptcy and went out of business. A former top executive was sentenced to 28 years prison for his role in the outbreak. Meanwhile, the Georgia Peanut Commission estimated at the time that America's peanut producers would lose about \$1 billion between sales and lost production as a result of the recall.

14

- End of slides