

- ▶ describing risk
- ▶ litigation

## 6.2 Vocabulary Risk management and digital risk

*'Risk is good. Not properly managing your risk is a dangerous leap.'*

EVEL KНИЕVEL

## Glossary PAGE 157

cease and desist  
order  
ERM

## Brainstorming

**1** Work with a partner. You have opened a small coffee shop next to a university. Brainstorm a list of possible risks that you may need to manage. Try to sort your list into categories.

## Reading

**2** Read the article and answer the questions.

- 1 Does the article refer to any risks you didn't think of in Exercise 1?
- 2 What four categories of risk are mentioned?
- 3 What three strategic advantages of Enterprise Risk Management (ERM) are discussed?

## Enterprise RISK Management

by Joanne Sammer

Although most companies have their bases covered should they meet with fire, theft or flood, such hazards represent only a small portion of the myriad risks they face. A survey of the Fortune 1000 found that 58% of companies that suffered a stock drop traced it to strategic risks, most commonly competitive pressures and a customer shortfall. Operational risks accounted for losses at 31% of the companies, and the remaining 11% attributed their losses to financial risks. None of the businesses cited hazard risks as the reason for their losses.

To begin dealing proactively

with financial, operational and strategic risks, organizations can adopt enterprise risk management (ERM). In a nutshell, ERM allows organizations to examine all the risks they face, measure the potential impact of those risks on the long-term viability of the company, and take the appropriate steps to manage or mitigate those risks. In general, the range of risks most businesses face includes hazard risks, such as property damage and theft; financial risks, such as interest rate and foreign exchange fluctuations; operational risks, such as supply chain problems or cost overruns; and strategic risks, such as misaligned products. The key to ERM success is to address all those risks in an integrated fashion. ERM is a compelling tool for a number of reasons. First, the process of identifying, quantifying and prioritizing risks makes them more

prominent and real to executives and managers who may not have given risk management significant thought before. Second, a holistic approach to risk management takes the entire concept beyond the traditional parameters of what is insurable. It greatly expands the company's definition of risk to include anything that threatens the organization's continuity. This approach also divides the concept of risk into those risks that can help a company grow and those that will only lead to loss. Risk identification at the level of granular detail is not necessary and can even be detrimental to a thoughtful ERM effort. 'If a risk does not impact company performance, don't look at it,' says a risk management consultant. 'If someone smashes a company car, it is probably not material to business performance.'

**3** Read the article again and underline all the risks it mentions. Sort them into hazard risks, strategic risks, operational risks and financial risks.

**4** Unscramble these verbs from the article which collocate with the noun *risk*.

- |            |             |            |             |
|------------|-------------|------------|-------------|
| 1 acef     | 2 adel hitw | 3 accimnx  | 4 aaegmn    |
| 5 aegiimtt | 6 defiinty  | 7 afinqtuy | 8 eiiiprrtz |



## Internet research

Search for the keywords *internal external operational strategic financial hazard risks*. Find as many examples of different types of risk as possible. Consolidate your list with those of other students.

## Describing risks

5 Mark these verbs and expressions from the article *a, b or c* according to their function.

a) linking losses to risks b) characterizing risk c) taking action

- 1 to trace to ☐
- 2 to take the appropriate steps ☐
- 3 to threaten the organization's continuity ☐
- 4 to account for ☐
- 5 to have one's bases covered ☐
- 6 to impact company performance ☐
- 7 to cite as the reason for ☐
- 8 to identify risk at the level of granular detail ☐
- 9 to be material to business performance ☐
- 10 to attribute to ☐
- 11 to measure the potential impact ☐
- 12 to have an impact on the long-term viability of the company ☐

6 Use words and expressions from Exercises 4 and 5 to fill in the spaces in the text.

All techniques for (1) \_\_\_\_\_ with risk belong to one or more of Dorfman's four Ts:

**TOLERATE:** a viable strategy for small risks which are not (2) \_\_\_\_\_ to business performance. It may also be appropriate if their probability can be quantified as very small, or if insurance would (3) \_\_\_\_\_ for such high expenditure that it would impact company performance more than the risk itself.

**TREAT:** this means identifying methods that (4) \_\_\_\_\_ the severity of the loss, and taking the appropriate (5) \_\_\_\_\_ to reduce any impact on the long-term (6) \_\_\_\_\_ of the company.

**TERMINATE:** avoiding risk completely can be (7) \_\_\_\_\_ as the reason for choosing not to enter a market or accept an order; however, if this also means not earning profit, it may in fact threaten the organization's (8) \_\_\_\_\_ more than (9) \_\_\_\_\_ an acceptable level of risk.

**TRANSFER:** some risks may be transferred to another party, for example, by insurance. However, companies that may think they have their (10) \_\_\_\_\_ covered by outsourcing business processes need to measure the potential (11) \_\_\_\_\_ of new risks they may (12) \_\_\_\_\_ as a result.

## Listening

7 What specific risks do you think e-businesses are vulnerable to? Brainstorm a list.

8 2:12 Listen to an interview with Steve Leach, Managing Director of Brand Intelligence and answer the questions.

- 1 What are 'passing off', 'cybersquatting', 'hacking' and 'protest issues'?
- 2 How does Brand Intelligence stop this type of abuse?

9 Use words from the box to fill in the spaces in the paragraph.

abuse desist issue litigate monitor perpetrators pursue reversal

When they locate areas of brand risk, damage and (1) \_\_\_\_\_, Brand Intelligence track (2) \_\_\_\_\_, initiate (3) \_\_\_\_\_ and then (4) \_\_\_\_\_ progress. When necessary, they will (5) \_\_\_\_\_ 'cease and (6) \_\_\_\_\_' orders, and in the worst cases, (7) \_\_\_\_\_ for damages or (8) \_\_\_\_\_ criminal and civil action.

10 You also heard these words in the interview. Which does not belong in each group?

- 1 masquerading, freeloading, trading, defacing, cracking
- 2 boycott, infringe, bombard, scan, pirate
- 3 open, exposed, malicious, vulnerable, defenceless

## Discussion

11 Work in small groups. You work for Imports Unlimited, a Web-based company that imports low-cost popular consumer goods from China.

Consider the various strategic, operational, financial and digital risks you face, and the strategies and techniques you would employ to manage them.

Present your plan to the class.

IMPORTS  
UNLIMITED.COM



Amazing  
electronics

at

amazing  
prices