**Risk Assessment Report**

**Introduction**

In the corporate sector, risks are inevitable. Marketing strategies change every day and thus, forcing businesses to update their strategic plans to avoid unnecessary risks. Acme Manufacturing Company faces systematic marketing challenges due to the underlying business risks. The most critical hazards affecting the business include financial stability, inadequate strategic planning, lack of skilled labor, challenges in describing risks in the business model, overreliance on previous plans, business interaction risks, and exposure to increased cyber security risks (Fraser & Simkins, 2016). This report aims to conduct a constructive risk assessment based on the CMU Octave methodology framework. It seeks to use the cost-benefit approach to develop an effective disaster recovery solution to mitigate Acme Manufacturing Company’s risks.

* **Framework Selected: CMU OCTAVE**
* CMU OCTAVE framework is the most effective risk assessment framework to use in this analysis to determine profound solutions for the risks affecting Acme Manufacturing.
* OCTAVE is a renowned methodology that stands for the ‘Operationally Critical Threat, Asset, and Vulnerability Evaluation’ as postulated by Chaki, et al. (2016).
* The rationale for choosing this approach is because it identifies and manages information risks and thus, making it easy to find practical solutions for the underlying challenges.
* The framework suits the analysis because it outlines a thorough review process that enables an organization to pinpoint information assets crucial to achieving its goals, threats to those assets, and vulnerabilities that could make those assets vulnerable to those threats (Chaki, et al. 2016).
* The organization can start comprehending what information is in danger by combining the information assets, risks, and vulnerabilities.
* With this knowledge, the company may create and practice a protection strategy to lower the overall risk exposure of its data resources.

**Analysis of the Risks**

1. **Financial stability**: Financial instability is a typical risk in most businesses. It can be evaluated using two main perspectives to understand its impact on the Acme Manufacturing business. The first viewpoint is the rapid technological change in financial services (Fraser & Simkins, 2016). Acme Manufacturing is facing some underlying issues due to a lack of effective upgrades in the financial sector. The second perspective is the slightest uncertainty in the trade policies. The financial stability risk is correlated with other risks affecting the business and thus, creating a meaningful sense of uncertainty.
2. **Inadequate strategic planning**: Strategic planning determine the future of a company. Acme Manufacturing is facing the risk of insufficient strategic planning due to overreliance on its original strategic plans. The reasons for the prevalence of inadequate strategic planning issues include lack of flexibility, lack of accountability, lack of follow-ups, and lack of focus (Fraser & Simkins, 2016).
3. **Lack of skilled labor**: Acme Manufacturing has limited access to technological capabilities due to insufficient skilled labor. It is a critical risk because it inhibits a business from becoming more creative to determine solutions to solve the underlying issues. Therefore, analyzing this risk is an added advantage because it is linked to the other risks affecting the company.
4. **Challenges in describing risks in the business model**: Failure to identify critical risks affecting a business exposes it to more risks both presently and in the future. Acme Manufacturing is facing most of its current threats due to its failure to identify them on time. The trouble is associated with the firm’s leadership type and its risk assessment personnel.
5. **Overreliance on previous plans**: Acme Manufacturing relies primarily on its current strategic plans and, thus, failing to upgrade based on new innovations and new ways of doing things (Fraser & Simkins, 2016). This is a potential risk because a lack of proper upgrade of the plans hinders a firm from being fully competitive.
6. **Exposure to increased cyber security risks**: Cyber security risks are no exception in most businesses today. Acme manufacturing is facing cyberattack risks due to insufficient knowledge on the safety measures to prevent cyber threats.

**Risks, weightings, and overall risk scores**

**Table 1: Acme Manufacturing Risks Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Risk** | **Weightings** | **Overall Risk Score** | **Recommendation** | **Cost-benefit Analysis**  **($$)** |
| **Financial stability** | High | 4 | Reduced | 700,000 |
| **Inadequate strategic planning** | Medium | 3 | Transferred | 200,000 |
| **Lack of skilled labor** | High | 4 | Shared | 500,000 |
| **Challenges in describing risks in the business model** | Medium | 2.5 | Retained | 400,000 |
| **Overreliance on previous plans** | Low | 1.5 | Reduced | 50,000 |
| **Exposure to increased cyber security risks** | Very high | 5 | Avoided | 1,000,000 |

**Mitigation approaches for the retained, reduced and shared risks**

According to Table 1 above, the retained, reduced, and shared risks include challenges in describing risks in the business model, overreliance on previous plans, financial stability, and lack of skilled labor. Acme Manufacturing Company’s mitigation of these risks requires developing strategic approaches. To begin with, in describing risks in the business model, the firm should hire specialized risk assessment personnel to identify all possible and probable risks in each department. Similarly, to prevent the threat of overreliance on previous plans, the company should often develop a new culture of forming new plans (Chaki et al. 2016). For example, it should liaise with its stakeholders to form new plans quarter or semiannually. Lastly, to mitigate the lack of skilled labor, the firm should ensure the deployment of better resources for the employees to advance their skills and knowledge. Also, it should ensure regular training and development programs for the working personnel to comprehend effective risk avoidance strategies. On the contrary, the cost-benefit analysis (CBA) presented in the table will help the company compare the costs and benefits of the recommended risk assessment approach undertaken in terms of reduction, share, and retention (Fischhoff, 2015).

**Disaster Recovery Solution**

The most profound disaster recovery solution for the Acme Manufacturing issues is to use backup plans. Using the Recovery Time Objective (RTO) and Recovery Point Objective (RPO) requirements, a systematic backup plan would hinder the firm from exposure to the aforementioned risks (Faisal, 2018). The rationale for coming up with this decision is that most companies are exposed to potential risks due to insufficient backup plans. However, the solution has significant issues for the company, like incurring more costs. Developing and implementing a backup requires a lot of capital, an added cost to the firm.

In this sense, the risk appetite aligns with the decisions because it adheres to the ISO 22301 standard. The obvious answer and initial step in recovering data loss is backup (Ross et al. 2016). Typically, when we plan something, we also retain a backup plan if it does not work out. Similarly, data backup strategies are crucial from a business standpoint. While picking the appropriate backup category is important, selecting the appropriate backup procedure is more crucial. Overall, Ross et al. (2016) affirms that backup accessibility is essential for a better and more complete disaster recovery plan. Multiple backups are therefore essential.

**Table 2: High-Level Diagram for the Backup Plan Solution**

**Conclusion**

To sum up, the report has provided a comprehensive analysis of the critical risks facing Acme Manufacturing Company. It has recommended the use of a backup plan strategy to mitigate the risks and avoid them in the future. Further, the study has applied qualitative and quantitative approaches to analyze the risks to develop an effective solution. Therefore, if the solution is applied profoundly, the firm will gain a competitive advantage and boost its performance and productivity.

**References**

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