



*Business
Risk Assessment for ABC Ltd.*



By Royal Charter

In an interdependent, fast-moving world, organizations are increasingly confronted by risks that are complex in nature and global in consequence. Such risks can be difficult to anticipate and respond to, even for the most seasoned business leaders

What can we do to make our company more resilient to significant and unpredictable risks?

Businesses all over have priorities based on their own position compared with the market as well as the market itself. Attention is normally focused onto the areas that the company perceives to have a higher business risk. However this is not so well structured and very often, business risks are not properly visualised or understood, especially as there is a lack of formality in understanding them. There is also a danger of not realising which are the greatest risks and which of them must be focused upon by the organisation. In order to improve business decision making, Risk Management today is rapidly gaining acceptance and is helping organisations manage their businesses better, which in today's hypercompetitive environment is an imperative.

Welcome to Results of Risk Assessment Training & workshops



Resilience is the theme that runs throughout this report. It seems an obvious one when contemplating the external nature of global risks because they are beyond any organization's or nation's capacity to manage or mitigate on its own. And yet global risks are often diminished, or even ignored, in current enterprise risk management.



Organizations that succeed, do so because they are best able to optimize the risk and reward equation for both strategic and Operational issues.

First are "preventable" risks, such as breakdowns in processes and mistakes by employees. Second are "strategic" risks, which a company undertakes voluntarily, having weighed them against the potential rewards. Third are "external" risks, which are "global risks".

The global economic downturn has put an emphasis on risk management and corporates all over are ramping up their understanding and implementation of risk management within their businesses. Governments and regulators also have understood the importance and are increasingly addressing this through stricter and enhanced regulation.

ABC Ltd. has decided to embed risk management principles within its business processes with the key objectives of Ensuring proactive management of strategic risks through effective implementation of a risk management framework in line with ISO 31000. As a prelude to the process, ABC Ltd. had conducted a BRISK assessment workshop on xx August for strategic risk identification and assessment & the report briefs about the outcome of this risk assessment.

Venkataram Arabolu, Managing Director



***The Five Point
Risk Management***

1. Identifying Risks

2. Quantifying Risks

*3. Formulating Strategies to Contain
the Identified Risks*

4. Implementing Strategies

*5. Continuous Monitoring of Risk
Containment Tasks*

Contents

An organization's risk management plan describes how it intends to manage risk. It describes the management components, the approach, and the resources that will be used to manage risk. Typical management components include procedures, practices, responsibilities, and activities (including their sequence and timing)



ORGANISATION INFORMATION



BRISK



METHODOLOGY



NOTE WORTHY OBSERVATIONS



INFORMATION RISK IDENTIFICATION



CO-EFFICIENT OF VARIATION



REMARKS ON FINDINGS



NEXT STEP IN ISMS PROGRAM



Risk Management

(*'risk 'man-ij-mənt*)*n.*

1. The activity of monitoring, assessing, and alleviating risk.

About ABC LTD.

Organisation Name : ABC LTD.
Address : ABC LTD.
Contact person : Mr. XXXXXXXXX
Telephone number : (+91) XXXXX XXXXX
Email : XXXXXX@XXXXX.com
Date : Aug, 2014

Overview

ABC LTD., India's fourth largest private sector Company, is the outcome of the professional & entrepreneurial commitment, vision & strategy of its Founders.

More information need to be put up here about the organization.



ABC LTD. & Risk Management

ABC LTD. has adopted Enterprise Risk Management based on ISO 31000:2009 in order to effectively manage these risks and in working towards its business objectives and goals. BSI's BRISK workshop provides participants the understanding of simplified risk management concepts with practical tools and methods of implementing risk management. The output of the Risk Assessment facilitated workshop would deliver a systematic understanding of the risks inherent within the organization. The proactive identification and attention to the risk management would deliver tremendous long term advantage to ABC LTD.. Customers would have a higher level of confidence and also the company will be better protected against surprises due to inadvertently undertreated risks. The added advantage for the company will also be the exposure to modern risk management techniques and thereby build the capability for using risk management in all aspects of business management.

The scope of activity of this company is:

Scope to be added here

The main business objectives of ABC LTD. are:-
1. Achieve revenue growth of X% YOY
2. Expand business to new geographies
3. More business objective to be add here

Business Risk Assessment using BRISK Tool

BRISK tool is a systematic and effective tool to identify risks (threats and vulnerabilities) to the business (Activities/ Processes, Resources and Assets) at the given point of time and compares them with the existing management controls. Through a formal approach the Management System either reduces the Risk or Controls it adequately.

Assessments are performed in different ways, but the most effective and efficient method is the workshop. A successful risk assessment can contribute extensively to an

organization's ability to capitalize on events as they occur. A properly run risk assessment is very efficient and can result in a focused approach to risk and business management.

Workshop format enables participants to both contribute and learn in a natural environment. The result is not only a ranked list of key risks, but a fascinating discussion about the control environment, risk appetite, and individual risk tolerances. As stakeholders walk away from the session their understanding of business operations, objectives and challenges

has expanded and they are equipped with the knowledge and the detailed

analysis to make informed business decisions.

The Methodology & Process:

In a Risk Management Context understanding of ABC LTD., was done through:

- ❖ Identifying company's strategic objectives, stakeholder obligations, statutory requirements and the environment in which ABC LTD., operates.
- ❖ Identifying activities, resources and assets that support the delivery of their product and services.
- ❖ Identifying and evaluating perceived risks (threats and vulnerabilities) that could have a negative impact on the organization's ability to achieve their strategic objectives.
- ❖ Assessing the management controls and its impact to mitigate the risks provides us with information on where further management attention needs to be focused.

According to ISO 31000, risk is the "effect of uncertainty on objectives", and an effect is a positive or negative deviation from what is expected.

Business Risk Assessment was carried out by the Top Management Team of ABC LTD.. This team identified the various Risks (threats and vulnerabilities) associated with its business (Activities/ Processes, Resources and Assets) in particular the effect of the uncertainty on the business objectives. The process involved a structured brainstorming. The list was screened by the group to club together similar risks. The next step involved taking the consensus of all the participants and agree on a selected number of identified risks to be evaluated in depth. These business risks were clearly displayed to the participants and subsequently these Risks (threats and vulnerabilities) were assessed by the Team with respect to:

- ❖ Likelihood of occurrence of the Risk
- ❖ Consequence the Risk has on the Organisation

The participants undertook a structured rating of their own experience, understanding and perception of the business risks. A Risk Factor was calculated which is a combination of Likelihood and Consequence.

The group also evaluated the Strength of Control (Management Controls) identified Risks. These controls could as an example be, Quality control Procedures, Audits, Checks, Inspections, Task observations, Meetings and Authority /Responsibility descriptions, Management information, Insurance Market information, Personnel management, Infrastructure investment, Maintenance, Research, Customer voice determination, Cost measurements and controls, Goal setting, Incentive schemes, Limiting



ISO 31000

contracts (purchases as well as sales), Planning, Management commitment etc.

The average of the business risk factor rated by the participants is then compared with the average of the strength of controls on a graph.

The graph has a direct visual display of the they would be able to focus their attention Risk Factor v/s Strength of Controls. It on. The attention of the management will provides an indication to the management also be drawn to the higher risks. where there is a lower management attention on the business risks and where

This Report details the result of this workshop and Brainstorming session.

Noteworthy Observations:

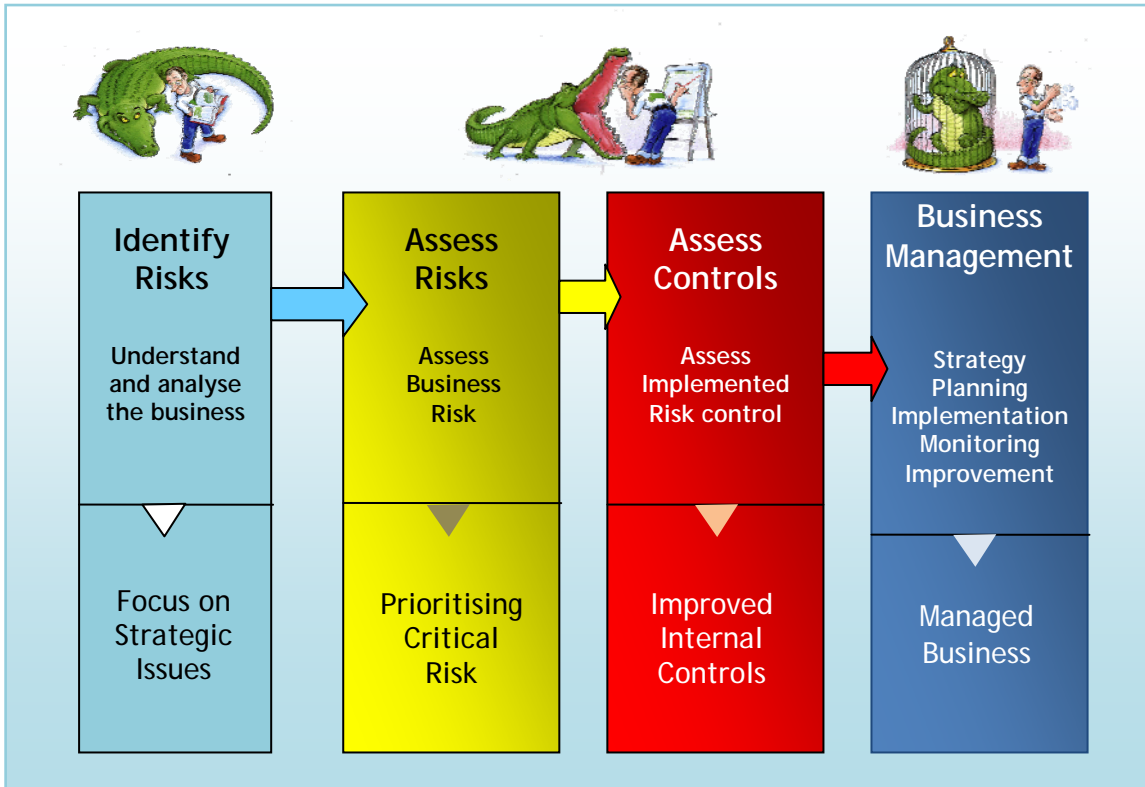
Commitment of top management is well established and to include senior most management in the workshop is a demonstration of the intent of using Risk Management “Proactively”. The business risk assessment indicates a business run and managed well.

This is indicated by the analysis that

- ✓ Company is forward looking with clear strategic aims and also demonstrates a clear Leadership thinking by using a formal Risk Management System. There is good involvement (at all levels including top management), openness and transparency in managing risk.

BUSINESS RISK IDENTIFICATION: BIA and BRA CONCEPT

An overview to the participants about Risk Assessment and Evaluation and how the workshop shall be conducted was presented. The expectations from the participants were detailed and the role of the facilitators was explained. The rules of the workshop were laid down and set.



RISK (threats and vulnerabilities) IDENTIFICATION:

Identification of the business risks as perceived by the operational level team was carried out using structured brainstorming. Risks were identified w.r.t to each Strategic Business Objective.

Through the structured brainstorming session, the participants identified a comprehensive list of Risks in the business. These amounted to **XXX** risks. The next step was to consolidate the common and similar risks as well as remove the duplicate ones. A rapid risk assessment based on consensus was carried out with the team to identify those risks which are crucial. This process is a consensus process and we arrived at a list of **XX** Business Risks (threats and vulnerabilities) as detailed herein below which were subject to a detailed analysis and evaluation.

4	Financial	X	16%
5	External	X	19%
	Total	XX	100%

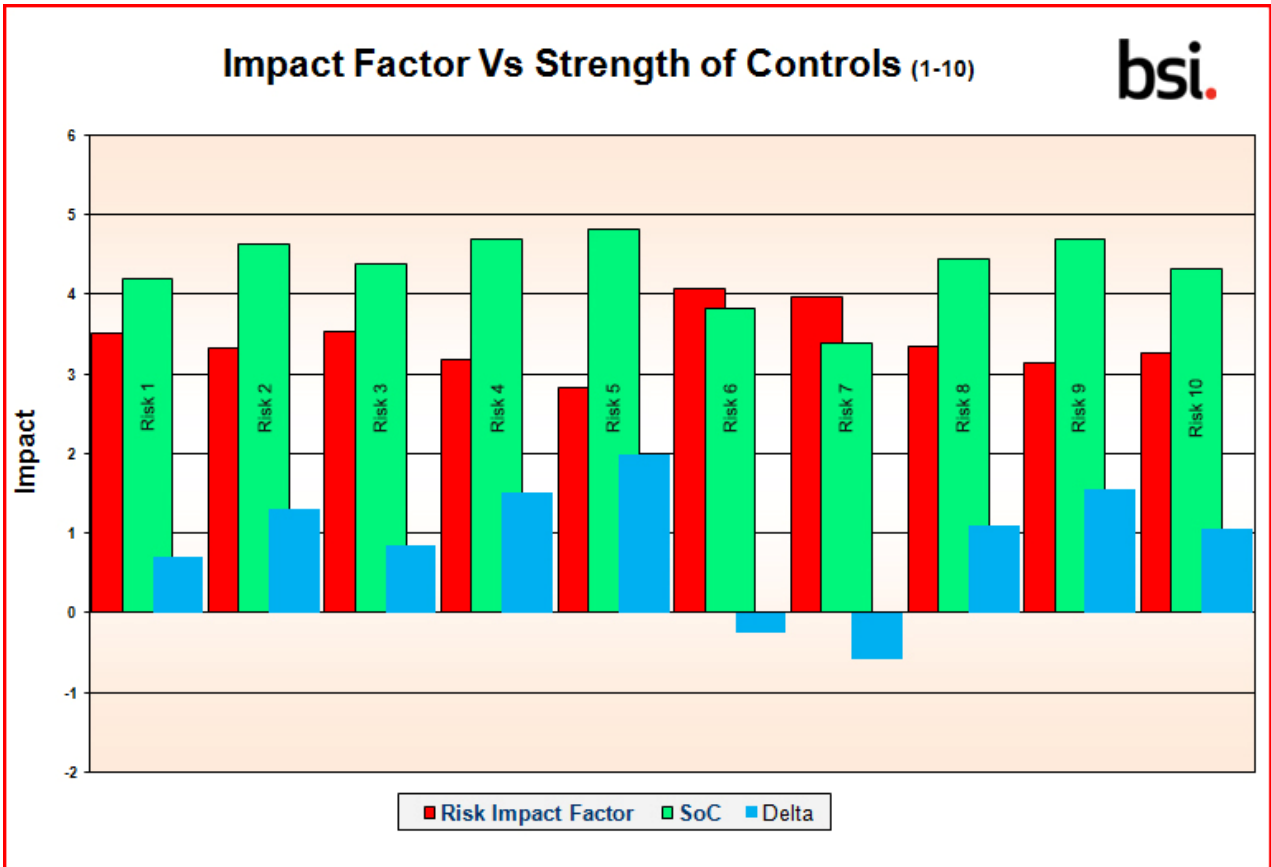
Evaluation of risk and strength of control

Using the Electronic Response Card the participants rated the **XX Risks** on the Likelihood of their Occurrence and their Impact / Consequence on the business / organisation on the whole.

The participants also evaluated their existing level of the Strength of Controls for each of the risks on a Scoring Scale of 1 to 6. The Qualification Criteria was explained as well as the Risk itself and how it relates to ABC LTD.'s own business and was available to the participants members before and while the scoring was carried out. This data was captured into the BRISK tool and results obtained generated the Impact Factor v/s Strength of Controls for each of the risks.

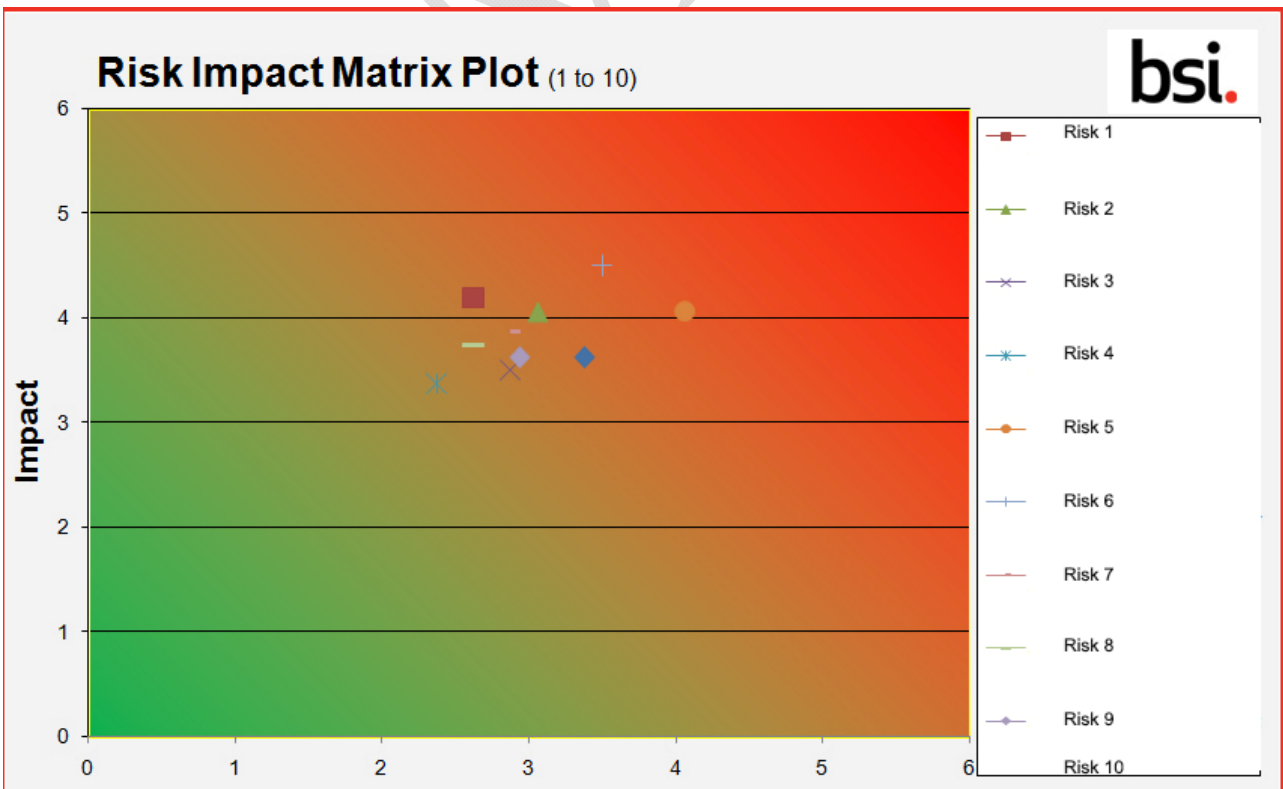
Please refer Annexure 2 for rating of risks and strength of controls.





Graph depicting Impact Factor Vs Strength of Control (1-10 Risks)

RISK IMPACT MATRIX IMPLICATIONS



Risk Impact Matrix Plot (1-10 Risks)

The Risk Impact Matrix plots all the risks on Likelihood to Impact scale. A study of the distribution pattern of the risks reveal that the under noted **XXrisks** are located in the Critical zone of High Likelihood and High Consequence (4 and above on a scale of 1-6 for both Likelihood and Consequence) and hence need the most controls. It is an interesting point to note that the shortlisted risks through the consensus process indicate that the participants chose the most relevant risks and did not pick up noise. This indicates a high level of maturity in understanding the business Risk issues.

Key Critical Risks

1	Ineffective Customer Service			
2	Non-implementation of Planned Strategy			

We have now short-listed all those risks whose level is high and strength of control is low. These risks are crucial as they need further treatment. The organisation should pay immediate attention to these **risks on PRIORITY**.

Priority risks

1	Ineffective Customer Service			
2	High Cost of Funds			

Co-efficient of Variation:

A study of the rating pattern by the participants was also carried out to assess the variance of the participants thought process, risk understanding and the controls. This is expressed as the co-efficient of variation. We are pleased to report that the variation in understanding in this group is low and that indicates a common understanding of the risks in the business

Remarks on the findings:

Risks as in the table **Priority Risks** above are located in the Critical zone of High Likelihood and High Consequence need the most controls, however these have a high risk exposures, since the strength of controls are lower. From the analysis it is apparent that Management needs to draw an immediate action plan for the above noted risks by increasing the controls.

Next Steps:

Risk Mitigation options for ABC LTD. is through:

- a. Terminating the Risk
- b. Treating the Risk
- c. Transferring the Risk
- d. Tolerating the Risk



This analysis helps ABC LTD. have a clear understanding of the Risks in the business, considering the Internal and External Context.

The Risk Analysis and Risk Evaluation have given the organisation 10 Priority Risks which must be addressed.

The following are some suggestions for the organisation to consider:-

Although this Risk Assessment covered the Risks, the organisation could benefit through a formal risk management approach in the organisation, with the intention to Institutionalise Risk management throughout the organisation. The use of the standard ISO 31000 and BS 31100 would give the organisation good insight on managing risk using the best practices that are used by good companies of the world.

It is also suggested that post the Corporate Risk Assessment and Evaluation, the Business Stream and/or Unit level Risk Assessment be conducted. At the Corporate level, the Operational risks and other such internal risks do not get covered in depth. Risk assessment is a snap shot in time and it is recommended to have such assessments on a regular basis and when the internal and or external environment sees large changes.

BSI proposes a risk Management capacity building program for effective implementation of the risk management principles and processes in ABC Ltd. **Please refer next page for details.**

BSI Risk Management Capacity Building Program

(includes **BRISK** facilitated workshop, **CRISP** Certified Risk Professional Training)

Build internal capability | Increase competitive edge | Reduce Risks | Enhance your reputation

XX days Capacity Building Program designed to facilitate compliance to the best practice principles of **Risk Management** (reference ISO 31000)



Annexure 1: Raw list of risks

All the risks identified in brainstorming session to be listed in “Annexure 1: Raw list of risks” below are the sample risks.

Sr. No.	Name of Risks
1	Non adherence to account opening procedure
2	Non generation of sufficient liability through trade products
3	Mis-selling
4	Effective Customers service
5	Un planned growth
6	Implementation of planned strategy
7	speed of implementation of strategy
8	incomplete documentation
9	Forged Documentation
10	Concentration of customers
11	Product portfolio planning
12	Staff attrition
13	Foreign currency
14	Regulatory risk
15	Regulatory reporting on liability
16	Liability Sustainability

Annexure 2: Criteria for rating of risks and strength of controls

Risk probability

Definitive chance that Risk will occur (above 90% probability)	6
Very High chance that Risk may occur (above 75% probability)	5
High chance that Risk may occur (50% to 75% probability)	4
Moderate chance that Risk may occur (35% to 50% probability)	3
Small chance that Risk may occur (10% to 35% probability)	2
Negligible chance that Risk may occur (less than 10% probability)	1

Risk Impact

Extremely high (–ve) impact on business (above US\$ 100 mill.)	6
Very high (–ve) impact on business (US\$ 50 mill. to US\$ 100 mill.)	5
High (–ve) impact on business (US\$ 10 mill. to US\$ 50 mill.)	4
Moderate (–ve) impact on business (US\$ 1 mill. to US\$ 10 mill.)	3
Low (–ve) impact on business (US\$ 25,000 to US\$ 1 mill.)	2
Negligible impact on business (up to US\$ 25,000)	1

Strength of controls

Efficient & Effective Control	6
Efficient Control	5
Effective Control	4
Neither effective nor efficient	3
Low Control	2
No Control	1

(END OF REPORT)

Workshop facilitated by:



Venkataram Arabolu, has expertise on Risk Management, Strategy, Leadership, Business Development and General Management and Project Management in India and Internationally. His experience covers Oil & Gas, Construction and Project Management and Management advisory and Consulting. He is a graduate from IIT Delhi & has attended AMD Programme at IMD, Lusanne. He has created the BRAT tool and has professed Risk Management for over 15 years.

Venkataram Arabolu, Managing Director, BSI Group India



Premanand Ramakrishnan has more than 20 years of work experience including 9 years in the Process Industry, Corporate Management, followed by 11+ years in Management System Certification Industry. He is head of BSI India's Training Business since Aug'13 and also a member of Executive Leadership Team in BSI India. He is an Engineer in Production & Industrial from MNNIT, Allahabad & a BSI approved auditor for ISO 9001, ISO 14001, OHSAS 18001, ISO 22301, SA 8000, ISO 10002.

Premanand Ramakrishnan, Director - Training, BSI Group India



Vinay Sharma has expertise on developing and deploying enterprise wide online and offline tools. He has worked on Managing online assets and softwares for CRM and Marketing automation. He is a graduate with Masters in Business Administration from ICAFI University.

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