



James E. Blair, President

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Dear Colleague;

Catastrophes Happen!

Your business is exposed to catastrophes every day. Risk incidents come in all shapes and sizes, and appear to be occurring with increased frequency and magnitude. Lloyds of London estimates the annual global impact of cyber breaches to be \$400 billion (21% of the 117 million records breached this year are with health providers causing lifetime risks to personal information). The 10 year cost of Hurricane Katrina is an estimated \$150 billion. The 2 year cost of the Colorado floods of 2013 is \$2 billion. Volkswagen will endure losses and claims exceeding \$50 billion. Only a small portion of these costs are insurable, and claims payments are typically delayed for 1 to 2 years. Is your business Risk Prepared?

Everyone Faces Risk!

These examples only highlight the reality of business today. Risk Awareness drives a culture that engages everyone; in your business, your suppliers and at home. We have arrived at a set of circumstances that justify attention to detail with a constant eye on risk planning and preparedness.

The reality is that machines and data systems cannot keep up with, or leap frog, natural and man-made risks. The cyber “bad-guys” out-think and anticipate technology solutions at virtually the same pace that solutions are developed. Business and infrastructure leaders are challenged each hour by cyber-threats that evolve at the speed of light.

Given this risk landscape, the optimum solution is effective Risk Management and Governance. The establishment of a Risk Aware Culture that anticipates the risks of every initiative and operational activity, and prepares appropriately will carry the day. And, it does not cost much!

Scenario Planning Is The Key

Given the dynamics of risk and catastrophe, anticipation is fundamental to your business future. *Integrated Risk Management Solutions* has learned that clients are best served when they infuse risk awareness and anticipation into the fabric of the business. Since we cannot effectively prevent harsh risk events, the best solution is preparedness through Scenario Planning. This activity is not difficult or expensive and it arrives from the questions a CEO/COO asks each day about the range of outcomes from business activity. Proactive businesses establish a Risk Governance Team comprised of the top leaders of Operations, Finance, Sales, Legal and Human Resources (and IT where appropriate) that use the 90-90 plan (meeting with a structured agenda for 90 minutes every 90 days).



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Scenario Planning can be as simple as “how are we prepared to meet demand that exceeds our plan”, or “how will we respond if the supply chain or information system fails”? Most important is “how will we know fast and first”? “How will we respond and who is in charge”?

The “how will we know fast and first” question is answered by a culture where everyone is **All Eyes On!** When an incident is noticed, a clear path of reporting to executive management is understood. The dynamics of risk require the effort of every member of the organization. The “how will we respond and who is in charge” question is defined by the cross-organization leaders that comprise the Risk Management Governance Team. They will have anticipated and prioritized the manageable risks of the organization and are prepared to take action in the most effective manner.

Organizational Intelligence

The best asset your business has is its people who hold and develop Organizational Intelligence in their daily activity. The benefits of stimulating and harmonizing the natural evolution of intelligence inherent in your organization are beyond definition. The establishment of the Risk Governance process defines the character of the business. It brings a focus to Risk, Preparedness, Mitigation and Response.

Consultants are great, but we don’t know your business like you do. [Integrated Risk Management Solutions](#) engages your knowledge owners in prioritizing the material impacting risks, establishing a focused Governance processes and aligning resources across organizational silos to mitigate risks, anticipate the unexpected and respond quickly to situations.

Personal Preparedness Planning

Everyone should build a Personal Preparedness Plan. It establishes a foundation for personal protection. When an employee thinks through a personal response scenario it immediately strengthens your business. The dynamics of catastrophe and risk situations now demand Risk Management on a personal as well as organizational basis. The result is a Risk Prepared and nimble organization that anticipates and responds in a manner which distinguishes your company among competitors and customers.

[Integrated Risk Management Solutions](#) provides the Advisory services to help strengthen your business. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member’s Business



Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a “Risk Awareness” culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:
 - Safety - Security - Information Security - Health & Wellness
 - Absence* - Theft - Fraud Prevention - Revenue Inefficiency
 - Audit - Compliance - Investigations - Settlements
 - Claims - Insurance - Crisis Management - Emergency Response
- * Incidental absence can increase the costs of employee health and wellness programs by 2X.
- Risk costs are incurred in multiple corporate silos hiding the “Total Cost of Risk.”
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2014, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are “the source” of risk.
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2015 Global Risks Defined by:

World Economic Forum

- Interstate conflict
- State collapse or crisis
- Unemployment/underemployment
- Spread of infectious disease
- Profound social/political instability
- Cyber-attacks – Data theft
- Extreme weather event(s)
- Terrorist attack
- Failure of national governance
- Fiscal crisis

Executive Opinion Survey*

- Fiscal crisis – key economies
- Liquidity crisis
- Oil price shock
- Infrastructure neglect
- Water crisis
- Organized crime escalation
- Terrorist attack
- Profound political instability
- Large scale cyber-attacks
- Violent interstate conflict

*WEO Survey January 2015

Manage Your Risks Well!