Integrated Risk Management Solutions, LLC

James E. Blair, President

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Dear Colleague;

Risk Management – The Next Strategic Opportunity!

You and your teams spend enormous resources developing strategy to capture new markets and improve operations. Significant time is expended on data gathering, market trends, analysis, financing, operational "fit", suppliers and sales. It is all focused on distinguishable performance and reputation to exceed stakeholder's expectations. It is all about operations and marketing excellence!

New initiatives are approved, budgets allocated and expectations established. Your Board and executive team are optimistic. However, in a great majority of cases the initiatives miss the goals established in the plan; more money is needed and revenues fall short of forecasts. Why? Because the plans were not developed with a Risk Management mind-set that contributes valuable insights into pitfalls that plague every change and project. All the good strategy is at risk without proactive Risk Management.

Your business, like all others, already spends 7-10% of revenue on risk functions. Knowing what these expenditures produce is a valuable assessment. What do you get for $100K spent on information security or $50K spent on compliance and ethics? How does your safety record impact costs of medical treatment for injuries and employee absence during recovery, off-the-job? What is the ROI from an operations audit program that can find 6-20% of revenue that flows somewhere else besides the bottom line?

It all becomes clear through a Strategic Risk Management process that provides top-level governance and oversight, aligns departmental risk functions, measures performance and anticipates the future.

New Strategy evolves from a **Well Risk Managed Organization!**

Executives have alternatives in deploying effective Risk Management programs:

Option 1 is engaging an accounting and audit firm to conduct a review of company operations, interview employees and stakeholders, identify risks and provide lists to management who determines action plans. This option costs significant dollars and often leaves the organization with a large binder, large bill and no buy-in.

Option 2 is engaging a Risk Advisory firm like *Integrated Risk Management Solutions* to work with the Senior Management team to create a top-down Risk Management culture that engages the entire team in risk prevention and preparedness.

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Through facilitation that focuses on identifying “material” impacting risks the Senior team determines the financially important risks. Then, based upon prioritization, the team directs risk mitigation programs that are expected to produce measurable results. Alignment of departmental risk functions occurs and all team members become engaged in Risk Management.

Of all the risks currently emerging in organizations, most pale in comparison to Cyber-Risk. The depth and breadth of risks will challenge government and business for the next decade and no technology solution is on the horizon. Year-to-date more than 5M accounts have been breached by hackers that reside both internal and external to organizations. The impact is in the $100 millions of dollars and threats are from all countries. Cyber-security insurance is increasingly challenging to qualify for, to afford and collect upon. Seems ominous!

Rather than spending more *valuable risk dollars* on technology and/or insurance, consider the deployment of Risk Management throughout your organization. Every pair of eyes and ears becomes focused on taking risk smarter than the competitor; or hacker. Each employee and supplier understands the value of the computer systems they use and the data they manage. Everyone respects the need to secure information throughout the organization, including with suppliers and customers. Each learns the signals and response processes when “something unusual” appears. This “All Eyes On” approach is the most cost effective Risk Management mitigation tool available and it all evolves from a top-level governance process and leadership.

Integrated Risk Management Solutions will work with you to gain a Strategic Advantage.

I look forward to your thoughts and questions – please contact us.

Sincerely yours,

Attachment

The Holy Grail of Risk Management

“embracing risk management as a business enabler rather than as a compliance driven “necessary evil” (RiskHub April 1, 2011).

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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."
- 70% 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 2013, 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 and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular operational reviews can improve revenue efficiency by up to 20% of revenue.
- Bottom Line: Synergy from a holistic focus on risk reduction, cost/revenue efficiency, operational loss reduction, underperforming 3rd party vendors and fraud often produce one of the most impactful cash flow opportunities available.

Manage Your Risks Well!

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