Integrated Risk Management Solutions, LLC

James E. Blair, President

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Dear Colleague;

It is the time of year for surveys and one of the increasingly popular subjects for consultants and educational institutions is risk management. Harvard Business Review reports that 2/3 of corporate executives believe that risk management is important, but they then admit that only 10% are taking proactive actions to support effective risk management culture and function. They report continuing emphasis on compliance and audit rather than top level support, governance and cross-silo management of risk.

As the 1st quarter ends optimism is cautious about global business growth. With recovery from the recession, businesses now face the newest of risks – competition. Competition will be fierce and likely uneven. It will come from competitors, suppliers, partners, employees and customers. It will likely involve theft and miss-use of trade-secrets, market and customer data, employee information, business processes, patents and strategic plans. Competition will likely not be "fair" and proactive risk management and scenario planning is a businesses' most effective mitigation tool.

The consistent theme is – "a well governed risk culture where every team member operates with awareness of what might happen to disrupt operations pays off". Organizations with well-defined risk cultures and cross-silo management produce up to 3 times earnings and more than 50% higher revenues (according to a recent E&Y survey). These results confirm the cash flow model of *Integrated Risk Management Solutions.*

How do you turn Risk Management into a Strategic Advantage? The top functional leaders collaborate to 1) identify the material risks to the organization, 2) prioritize risk mitigation actions, 3) regularly measure results and 4) scenario plan to anticipate emerging risks. The risk culture is cascaded throughout the organization and all team members are engaged in protecting the business; and in doing so more confidently serve customers and grow through planning and preparedness. The team is also prepared to respond effectively when "bad things" happen.

Cyber-based risks continue to grow more rapidly than any other organizational threat. As U.S. Cyber-Security Coordinator and Special Assistant to the President Howard A. Schmidt notes "the bad guys are winning" the war on private information. Cyber-thieves are relentless and deploy good technology around the clock to find "holes" in organizational security systems.

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Hackers (LulzSec and Anonymous) appear to be moving from attacks of "embarrassment" to intentional economic damaging incidents that disrupt production, intercept accounting and finance data, and pirate private information. The current breach of Visa and MasterCard credit card account information via a relatively small service provider is a real-time example of attacks through smaller companies within the larger service chain. Have you examined the technical details of operating arrangements with your information system providers?

Risks are with us always.
We take risk to generate cash - poorly managed risk costs cash.

The winning organizations are those that embrace risk and proactively plan to manage risk better than competitors. In the face of increasing risks from competition and the cyber-world, effective risk management and governance is a 2012 business imperative. Survivors and successors will be defined by proactive risk management.
Integrated Risk Management Solutions can help.

Emerging 2012 risks include:

1. Re-invigorated competition.
2. The fragile global supply chain.
3. The increasing frequency and magnitude of risk/disaster events.
4. Intensity of data security breaches – new attacks via mobile & social media.
5. Compliance regulations - Sarbanes, Dodd-Frank, HIPAA, the Red Flags Rule.
6. Health care cost increases and regulations.
7. Insufficiently talented workers.
8. Inaction – the wait and see that stalls investment and growth.
9. Inadequate Risk Management leadership talent.
10. Lack of Enterprise-wide Risk and Response Management practice.

A *Well Risk Managed* organization engages all team members in a risk-centric culture that anticipates risk taking ahead of the marketplace. "Managing Risk Wins"!

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

Sincerely yours,

Attachment

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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.
- In 2012, 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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