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eNOTE IV

Risk Management



*We manage the complexity
Committed to the solutions*

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INTRODUCTION

INTERIM MANAGEMENT

Our Services and Solutions include:

- ENTERPRISE AND PROJECT MANAGEMENT
- MANAGEMENT OF THE BUSINESS TRANSFORMATION
- INTRODUCING COMPANIES TO NEW MARKETS OVERSEAS

Using our Tools Box, **WE DELIVER**, we have developed this eNote in order to make available our rich experience in the field of **Management Buy-out/Management Buy-in** processes along with our proven track record of assisting the companies on this particular.



RISK MANAGEMENT



Since 1960's there has been a growing worry on how to manage and mitigate the risks associated with a project or enterprise. A group of American corporations, operating in the nuclear power and oil & gas markets, after noticing that a significant amount of their resources be wasted in correcting failures that could have been avoided, decided to control the risks along with implementing the necessary action plan and culture transformation.

- Later on, further corporations operating in the car manufacturing, heavy engineering industries and the NASA started to develop their own procedures together with elaborating their business models with the risk management in place.
- With the above in mind, **ERNEL+** have developed the management tool, **Predict 1** by using our tools box , **WE DELIVER**, so as to bridge the above principles with the implementation of ISO 31000.

BENEFITS OF CONDUCTING THE RISK ANALYSIS



It has to be stressed that, following the recent research conducted by a group of prestigious European & American –based Universities, it has been concluded that the risks associated with a project or enterprise cannot be removed permanently in most of the cases; neither be the companies able to eliminate the risks completely. The only options left within the control of the companies are as follows: **Mitigation, Transfer, Avoiding the risks or, even, Acceptance of the risks.**

- However, there is always **specific Opportunities and Advantages** to explore within the company's hands in relation to managing the risks.
- *The Risk Management* assists in **Identifying, Assessing, Planning and Managing** the factors that may positively/negatively impact the objectives of the company. It is agreed that the risks may alter the normal functioning of the company or business mission whereas they can be identified and evaluated accordingly.

BENEFITS OF CONDUCTING THE RISK ANALYSIS

Within **ERNEL+** we have developed and proposed a model to intervene in the following key areas of the company:



BENEFITS OF CONDUCTING THE RISK ANALYSIS



What are the benefits of conducting the risk analysis?

Guaranteeing the continuity and stability of the company

Risk prevention culture being embedded in the company

Response timing optimization. Time = Money

Avoiding further expenditures

BENEFITS OF CONDUCTING THE RISK ANALYSIS

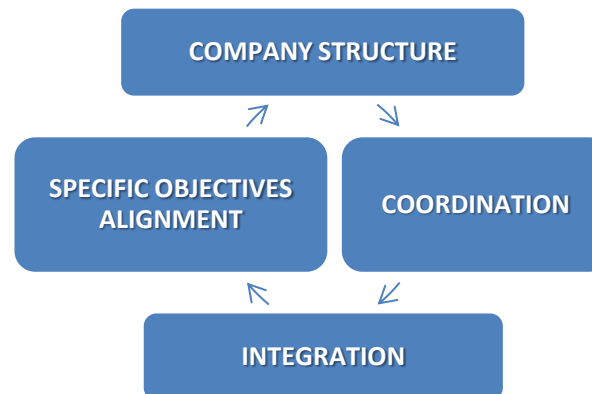
- Fundamental steps in implementing the risk management on the company:



- i. **Assessment of the initial situation** of the company or project. Elaboration of the initial **Risk Map**.
- ii. **Re-defining the staff's responsibilities** pertaining to the risk.
- iii. **Process re-structuring, organization staff chart adjustment** to match with the decision making process.
- iv. **Preparation on the risk report** on the project or enterprise.
- v. **Bringing the risk management vision to the company's organization** so as to stress the benefits of preventing risks as the most sensible approach to be taken.
- vi. **Close monitoring & follow up**

HERRAMIENTA DE GESTION DE RIESGOS EMPRESARIALES

Following the development of our own management tool **Predict 1**, considerations must be given to the process of limiting and evaluating the risks associated with the project or enterprise in accordance with the sequence below:



RISK MANAGEMENT TOOLS

Along with the proven track records and vast experience of our **Interim Managers** in managing the *Risk Management*, the break down list below details our management tool operations, as follows:



RISK MANAGEMENT TOOLS

- Using **Predict 1**, the configuration of the risk matrix will be shown as below which serves to the risk categorization, as follows:



		RISK ASSESSMENT MATRIX					
	VARIABLES	IMPACT					
		VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH	
	OPERATIONS COST	Minimal operations disruption. Delivery is not impacted. $\leq 1\%$ Increase of Operations Cost	Process and Business Operations are disrupted randomly whilst the supply chain and delivery be impacted sometimes. $\leq 2\%$ Increase of Operations Cost	Process and Business Operations are notably disrupted as well as delivery and our commitments at the stake. $\leq 6\%$ Increase of Operations Cost	Process and Business Operations are severely disrupted as well as delivery and our commitments at the stake. $\leq 12\%$ Increase of Operations Cost. Profitability is being seriously compromised	Process and Business Operations are extremely disrupted as well as the company cannot stand their commitments. $> 12\%$ Increase of Operations Cost. Business continuity is at risk as losses arise	
	HEADCOST	$\leq 3\%$ Headcost increasing. Minor impact to the business strategy and/or operations	$\leq 5\%$ Headcost increasing. Fair impact to the business operations. Early warning	$\leq 8\%$ Headcost increasing. Moderate impact to the P&L account. Selling cost soars and are not aligned with business objectives	$\leq 14\%$ Headcost increasing. Severe impact to the P&L account. Selling cost soars and administrative costs are out of range. Profitability is being seriously compromised	$> 14\%$ Headcost increasing. Severe impact to the P&L account. Selling cost soars and administrative costs are out of range. Profitability is being seriously	
	REVENUES- SELLING GOODS	$> 3\%$ Revenues Decrease. Minimal impact to the business strategy	$\leq 10\%$ Revenues Decrease. Early Warning	$\leq 20\%$ Revenues Decrease. Notable Impact to the P&L statement	$\leq 30\%$ Revenues Decrease. Long-term Impact to the Business Strategy and/or operations and P&L account	$> 30\%$ Revenues Decrease. Severe Long-term Impact to the Business Strategy and/or operations.	
	COMPETITORS	Very Minimal/Residual impact to your business strategy and/or operations	Tangential impact to our business strategy and operations. Competitors start to think about your business strategy and/or operations. Early warning	Competitors started off business operations in your market. Fair impact to your strategy and operations.	Significant impact to your business strategy and operations. Mature market.	Your business strategy and operations are extremely impacted. Market is dying.	
	QUALITY (PRODUCTS/SERVICES)	Quality impact is undetectable to the consumers	Quality impact is not being detected by the consumers	Quality of the Product/Service is compromised. Serious impact	Significant Quality deterioration. Huge costs implication to revert situation	Extremely long-term impact to the Quality. Irreversible consequences	
	FIRM REPUTATION	Very Minimal/Residual impact to the firm reputation	Repairable damage to the reputation	Significant damage to the reputation. Notable cost implications to revert the situation	Serious long-term damage to the firm reputation. Likelihood of putting your firm out of the business	Catastrophic damage. Out of the market	
	LEGAL RISKS	No punitive impact to the firm. Minimal impact	Fair legal implications which results in economic and/or administrative sanctions	Significant legal implications to the board members and company.	Serious long-term legal ramifications to the firm, including business continuity be compromised	Extreme long-term legal implications. Business shut-down	
	LIKELIHOOD	EXTERNAL RISKS : (Global Financial Crisis/Politics Harrasement/Change of Laws/Country Investment Risk)	Very Minimal/Residual impact to the firm strategy and/or operations	Tangential implications. Likelihood of laws being changed or financial/political stability compromised in due course. Early warning	New Legal framework and/or investment insecurity are impacting the business operations. Internationalization in jeopardy	Severe implications as a result of changing the legal framework, political instability, financial crisis. Business continuity is severely impacted	
	VERY HIGH	$\geq 75\%$	5	15	25	35	50
	HIGH	$\geq 50\%$	4	12	20	28	40
	MEDIUM	$\geq 25\%$	3	9	15	21	30
	LOW	$\geq 10\%$	2	6	10	14	20

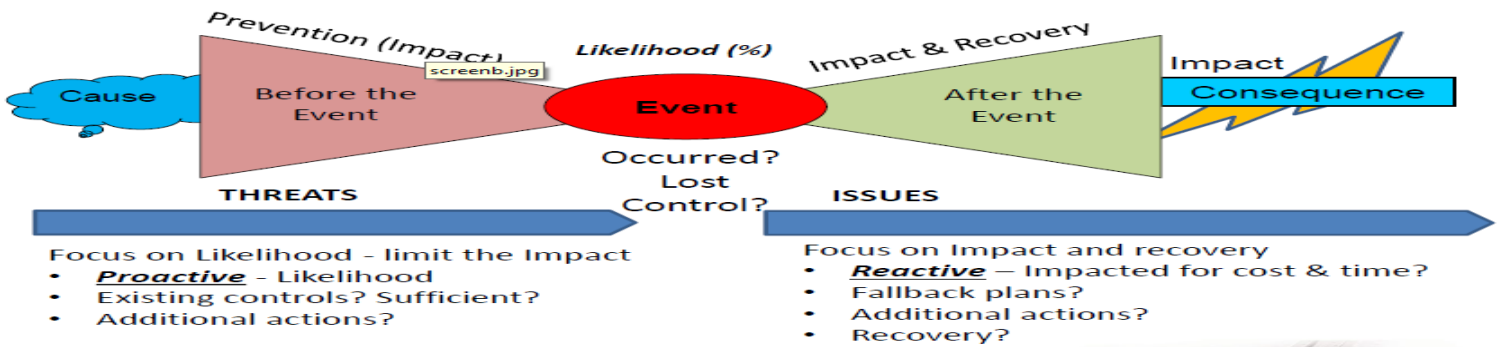
RISK MANAGEMENT TOOLS



THREAT EVALUATION

Likelihood					UNACCEPTABLE	Immediate and urgent action needed.
						Cannot be justified and will not be accepted other than in extraordinary circumstances.
					LIMITEDLY ACCEPTABLE	Urgent action needed. Only justifiable if threat reduction is impracticable or if its cost is grossly disproportionate to the improvement gained.
						Assurance is required that the threat can be maintained at this level or better.
	Impact				BROADLY ACCEPTABLE	

Bow Tie Analysis





CONTACT



ERNEI+
INTERIM MANAGEMENT

C/ José Ortega y Gasset 40, 1º Izq.
28006- MADRID
Spain

 (+34) 91 290 00 36
 (+34) 650 97 62 17

 info@ernelplus.com
 www.ernelplus.com