



RISK ASSESSMENT

I used the Risk Assessment tool and process with my board of directors. We were surprised to see we could take steps that would mitigate several risks at once and improve our product and service offerings. The tool also gave all of us great peace of mind. - CEO, Independent Living.

Introduction

Every risk has two attributes: probably and consequence. Getting hit by a meteor has terrible consequences but tiny probabilities. There are four ways to mitigate risk: one can accept it, share it, insure again or shed it. Assessing risks is a basic duty of a board of directors and your attorney. Use this tool annually and when facing a transformation, like a merger, succession or relocation.

| RISK ASSESSMENT CHECKLIST | | Risk assessment | |
|--|-----------------------|--|--|
| For: Acme Manufacturing Company By: General Counsel, CEO When: 15-Nov-17 | | <input type="checkbox"/> Does not apply Risk: High, Medium, Low | It takes courage, but profit risks should be considered and of the consequences definitions and discussion Level 3 issues. |
| 0 DISCIPLINE | | | |
| 0.0 Practice area | | | |
| 0.0.0 Practice | | | |
| 0.0.0.0 Practice | | | |
| 1 STRUCTURE | | | |
| 1.1 | Ethics and the law | M | H |
| 1.1.1 | Business ethics | L | L |
| 1.1.2 | Intellectual property | H | H |
| 1.1.3 | Dispute resolution | L | H |
| 1.1.4 | Antitrust | L | L |
| 1.1.5 | Compliance | H | H |
| 1.1.6 | Contracts | L | H |
| 1.2 | Market position | M | M |
| 1.3 | Ownership structure | M | M |
| 1.5 | Governance | L | L |
| 1.5 | Planning | L | L |
| 1.6 | Facilities | M | M |
| 2 MARKETING & SALES | | | |
| 2.1 Market research | | | |
| 2.1.1 | Market size | L | L |
| 2.1.2 | Market segmentation | L | L |
| 2.1.3 | Customer research | L | L |

Benefits

The Center's tools minimize omissions, improve communications and foster collaboration. The **Risk Assessment**:

- Puts new investments (risks) into their full context
- Helps managers appreciate the broadest executive perspective
- Clarifies the scope for insurance coverage and cost

Difficulty Moderate
Estimated time required 60-90 minutes per Level 1 discipline
Special skills None

Instructions (have The GM's Index of Terms open)

The Risk Assessment should be run annually, though of course the first time is hardest. Looking at all one's risks can be uncomfortable at first, but the result is much higher shared confidence. Participants should be as objective and realistic as possible.

1. Run through the list and put an "X" by irrelevant issues.
2. Take one section at a time, though you'll likely jump among the issues.
3. Avoid purely hypothetical risks, but don't avoid potential catastrophes.
4. Respond first to risks with both high probability and consequence.
5. Decide whether to Accept, Share, Insure or Shed each big risk.

Members can contact the Center for assistance: info@theindex.net

Make It Better

Member should share ideas for improving any of the Center's tools and how they're taught and formatted. It's also great to suggest new applications or brand-new tools.

RISK ASSESSMENT CHECKLIST

For: Acme Manufacturing Company
 By: General Counsel, COO
 When: 15-Nov-17

Risk assessment
 Does not apply
 HML High, Medium, Low

It takes courage, but professional managers ask, *What can go wrong?* Risks should be considered in two ways: their *probability* of occurring and of the *consequences* of them occurring. See [TheIndex.Net](#) for definitions and discussion. Use Data Group/Ungroup to hide/see Level 3 issues.

0 DISCIPLINE

0.0 Practice area

0.0.0 Practice

0.0.0.0 Practice

| | | Probability | Consequence | Risk #1 | Risk #2 | Assume/Share/Insure/Shed |
|--------------------|----------------------------|-------------|-------------|---------------------------|--------------------|---------------------------------|
| 1 STRUCTURE | | | | | | |
| 1.1 | Ethics and the law | M | H | | | |
| 1.1.1 | Business ethics | L | L | New dilemmas with growth | | Update code of ethics |
| 1.1.2 | Intellectual property | H | M | Patent on Widget expiring | | None |
| 1.1.3 | Dispute resolution | L | H | Open dispute Supplier X | | Set aside \$100K for resolution |
| 1.1.4 | Antitrust | X | | | | |
| 1.1.5 | Compliance | H | M | New Regulation 123 | New Regulation XYZ | Track more closely |
| 1.1.6 | Contracts | L | M | | | Revise standard contract, PO |
| 1.2 | Market position | M | H | | | |
| 1.3 | Ownership structure | M | H | | | |
| 1.5 | Governance | L | L | | | |
| 1.5 | Planning | L | L | | | |
| 1.6 | Facilities | M | H | | | |

2 MARKETING & SALES

| | | | | | | |
|-------|---------------------------------|---|---|--|--|--|
| 2.1 | Market research | L | L | | | |
| 2.1.1 | Market size | L | M | Regulation X will threaten submarket X | | |
| 2.1.2 | Market segmentation | L | L | Rapid customer consolidation will threaten submarket Y | | |
| 2.1.3 | Customer research | L | L | Buying habits not shifting quickly | | |
| 2.1.4 | Competitor analysis | | | [DVM: How link to 1.2?] | | |
| 2.2 | Channels of distribution | M | H | | | |
| 2.3 | Pricing and promotions | | | | | |
| 2.4 | Marketing communications | | | | | |
| 2.5 | Sales management | | | | | |
| 2.6 | Customer service | | | | | |

3 OPERATIONS

| | | | | | | |
|-----|------------------------------|---|---|--|--|--|
| 3.1 | Quality | H | H | | | |
| 3.2 | Work process | | | | | |
| 3.3 | Production technology | | | | | |
| 3.4 | Supply chain | | | | | |
| 3.5 | Logistics | | | | | |
| 3.6 | Inventory | | | | | |

4 INFORMATION & ADVOCACY

| | | | | | | |
|-----|-------------------------------|---|---|--|--|--|
| 4.1 | Applications | M | H | | | |
| 4.2 | Internet | | | | | |
| 4.3 | Data and reporting | | | | | |
| 4.4 | Research and analysis | | | | | |
| 4.5 | Communication System | | | | | |
| 4.6 | Information Technology | | | | | |

5 HUMAN RESOURCES

| | | | | | | |
|-----|----------------------------------|--|--|--|--|--|
| 5.1 | Management | | | | | |
| 5.2 | Organizational Structure | | | | | |
| 5.3 | Employee Relations | | | | | |
| 5.4 | Training and Development | | | | | |
| 5.5 | Compensation | | | | | |
| 5.6 | Recruitment and Retention | | | | | |

6 FINANCE

| | | | | | | |
|-------|----------------------------------|---|---|---------------------------------------|--|--|
| 6.1 | Financial accounting | L | L | | | |
| 6.1.1 | Financial statements | L | L | Errors, incomplete financial literacy | | |
| 6.1.2 | Financial audit | X | | Last audit was clean | | |
| 6.1.3 | Accounts payable | X | | | | |
| 6.1.4 | Accounts receivable | L | L | | | |
| 6.2 | Managerial accounting | | | | | |
| 6.3 | Budgeting and forecasting | | | | | |
| 6.4 | Financing | | | | | |
| 6.5 | Cash management | | | | | |
| 6.6 | Risk management | | | | | |