
The many faces of Risk

Mitigating risk in a changing environment



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Entrepreneurship can be a liberating and highly rewarding experience, but these advantages are balanced by inherent risks. Most entrepreneurs give up the safety net of a guaranteed salary and benefits to seek greater - but uncertain – income. They usually bear personal financial responsibility for business loans, which includes mortgaging homes and personal property. And even though some entrepreneurs realize the dream, many will end in bankruptcy.

While risk is inescapable, the savvy entrepreneur will utilize all available methods to manage operational risks, thus improving the possibility of business success. The following risk management framework is useful for businesses:

- Risk Identification
- Risk Assessment and Prioritization
- Solutions Development and Implementation
- Periodic Review and Adjustment

Risk Identification

This process will require a fair investment of time. However, the investment will yield a good payback, when the identification process transitions to risk management implementation.

Risks are present in all aspects of business operation. Major risks are possible in the following areas:

Cash transactions – funds can be lost through theft or fraud, instigated by both external and internal perpetrators. Additionally, risks can exist because of errors by employees.

Internet transactions – some of these risks are specific to cash transactions, but potential loss can expand from cash to include confidential information.

Employment practices – careless or unprofessional conduct can expose a company to expensive lawsuits, bad publicity and poor work relations.

Good intentions must be matched by action

Physical business environment – the work environment should be safe for both employees and clients. Failure to ensure safety and good practices could result in liability exposure and lost productivity.

Regulatory compliance – the IRS and other government agencies require compliance by means of fees, taxes and documentary filings. Some companies are not aware of most statutory requirements, while some ignore these requirements. Both actions can be costly, possibly resulting in interest charges, penalties and revocation of business licenses.

Risk Assessment & Prioritization



Prioritization is necessary, based on the gravity of the risk and available time and resources. Quick fixes (low cost, easy solution) can be implemented as soon as possible, while **most time and resources should be allocated to risks that represent the greatest exposure for the company.**

Risk assessment has several benefits. Ideally it should create a sense of comfort, that the business is effectively managing its risks. However, it is possible that a risk assessment will reveal significant gaps in risk management. Some gaps might be “low hanging fruits,” where a solution is quick, easy and cheap. And some gaps will require thoughtful, structured solutions, involving appreciable cost outlays.

Solutions Development & Implementation



Appropriate solutions will depend on the risk type, management objectives and overall cost. Also, solutions must effectively address the particular risk and should not be subject to short term obsolescence. **Effective solutions are those that respond to risks in a manner that reflects the unique situation of each company.**

Periodic Review and Adjustments

Change is common in business. Transaction types, transaction volume, technology and regulations are changing on a regular basis. Good managers will review their risk management structure on a regular basis, thus ensuring that the risk management tools are keeping abreast of business developments.

GFC’s professionals are experienced and trained in the risk management steps outlined above. Please contact us if you have questions or would like to discuss your particular risk management needs.

How we can help

We are passionate about our client's success.

We are ready to assist you with a broad range of services, including:

- † **Accounting** - Bookkeeping and Financial Statement Preparation
- † **Finance** - Budgeting and Forecasting, Financial Analysis, Management Reporting
- † Management Advisory Services
- † Human Resources Consulting
- † Software Selection and Implementation

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