



RISK MANAGEMENT

A Risk Your Business Must Take

Hazard Risk

This type of risk encompasses everything from natural disasters to chemical spills. If a company is on the Texas Gulf Coast, it is highly likely the business will suffer hurricane damage at some point. If a business works with chemicals of any kind, the likelihood of property damage or harm to an employee is significantly increased. Forecasting future problems and protecting property and staff becomes critical. There are several risk strategies leaders can implement including insurance, lockout/tagout systems, respiratory protection programs and disaster plans.

Financial Risk

What if a hurricane (hazard risk) destroyed part of a company's building? Now management must account for financial loss of the business being closed while the structure is being repaired. Furthermore, what if the company must rebuild the building to new codes that the structure wasn't subject to when it was first built? This requires even more funds to fix. All of this is financial risk. It's imperative to set aside funds or have insurance in place to account for loss of business, revenue and assets.

Operational Risk

Often weighed in heavily by the HR department, operational risk includes customer satisfaction, product failure and the company's reputation. Ways to predict product failure and avoid customer dissatisfaction are to have checks and balances in place to constantly test and retest a product for its integrity and value. Equally as important is crisis management that helps identify possible problems between a company and its clients that may arise from hazard, financial or operational risks. Also, developing an intentional media plan that quickly responds to situations as they arise will aid in keeping the company's good reputation sound and intact.

Strategic Risk

A risk that involves competition, industry trends and investors must be strategic. Organizational leaders must weigh future endeavors and make plans based on the market, local economy and national economy to produce the best tactics for a solid risk management strategy. As indicated by the old saying "keep your friends close and your enemies closer," risk managers constantly keep an eye on the good and the bad to calculate how their organization fits into each scenario, and possible future outcomes.

Response strategies can be valuable to every aspect of a company. This brief overview is only a small piece of what a comprehensive risk management plan can accomplish. Managing risks effectively is a key practice, and a

Enterprise Risk Management—it may be boring, but it's also necessary. It's simply not smart to operate without this significant detail. Your business may depend on it one day.

So, what is risk management? It's a method by which an organization identifies and monitors risk from all sources to increase value to the organization's stakeholders. In today's enterprise climate, well-built business plans should always contain risk management objectives that fulfill a company's overall goals. Throughout the years, the risk management landscape has dramatically changed. Historically, it was synonymous only with insurance, but now risk response strategies encompass other aspects of business operations as well.

While the face of risk management may be changing, insurance is still a chief and vital part of a complete risk management plan. In fact, it's the foundation of all good response strategies. Keep this in mind, hunker down, grab a cup of coffee and read on for a brief overview of four identifiable risk management areas—hazard risk, financial risk, operational risk and strategic risk.

progressive and proactive way to protect your company's longevity, short-term goals and long-term goals. Serious businesses implement sound risk management objectives.



ABOUT THE AUTHOR

Ron Masters is the president and CEO of MaximGroup, a financial services company in the greater Houston area. As president, Ron manages the operations of all facets of the company's expanded business, overseeing more than 50 employees in three locations and providing commercial insurance, risk management, employee benefits, and other financial services to more than 8,000 clients. A licensed risk manager and Certified Insurance Counselor, Masters serves on the boards of BAHEP, the Myron F. Steves Advisory Council, and the Bay Area Houston Transportation Partnership. He is a former president of the Galveston County Independent Agents Association, former chairman of Clear Lake Regional Hospital, and former board member of Devereux Texas Treatment Network.