Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

BRENTWOOD
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Assignment Cover Sheet

1.i. The following stages form the basic steps in creating an Enterprise Risk Management Plan:

- Risk Analysis and Assessment
- Business Continuity and Contingency Planning
- Response and Resumption
- Business Recovery
- Review and Re-evaluation

1.ii. Creating an awareness of the need for risk management and its benefits can be done by:

- Emphasizing the possible risks to a company and by making comparisons to other companies that have suffered severe business disruption and also successfully managed crisis events.

- Explaining potential impacts on a company in respect of key performance indicators, such as market share, customer service levels, costs, staff turnover and profitability.

- Pointing out the use of risk management by similar organisations, especially competitors in the same industry.

1.iii. The three sources from which business risk originates are:

- The company's mission, structure and culture.

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

- The company's business partners (can be the supplier and sub-contractor chains).

- The assets and resources owned or controlled by the organisation.

1.iv. Every business is impacted by events and a poor response to those events could in extreme cases, result in the loss of the business. A "Contingency Pan", is a plan that has been developed in advance for various situations that may impact a business. Although negative events probably come to mind first, a good contingency plan should also address positive events that may also disrupt operations.

It is important that a complete and current "Contingency Plan" is in pace at all times and should include disaster recovery, business continuity and business resumption measures and it must also have a list of business mission – critical operations to ensure a focused response when necessary.

1.v. The following approaches can be used in collecting inventory data:

- Performing a thorough and detailed-level (micro) inventory;

- Executing only a high-level or macro inventory;

- Carrying out a combination of both a high-level and where required, a detail-level inventory.

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

1.vi. The following factors should be considered when rating the possible severity of impact of a performance failure:

- Failure tolerance - which is an indication of the maximum acceptable length of time for the loss of an essential element or operation of a business.

- The impairment level of the failure - which is the maximum impact that will be felt due to the failure if it is not resolved quickly.

- The time horizon from failure to full impairment - which is the time difference (if there is one) between the failure event itself and the full impact of its effect.

- A contingency plan – which should reduce the ultimate impact experienced through performance failure.

1.vii. Special attention should be given to the following conditions when creating a legal risk strategy:

- Areas where the effect of an interruption to operations far outweighs the remedies available.

- The possibility of such a problem occurring seems likely.

- Recovering from the potential problem is difficult and expensive for the business.

1.viii. A business must be prepared for a worst-case scenario, even if the best risk-avoidance efforts have been planned and implemented. For example,

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

if multiple incidents occur across organizational or geographical boundaries, accompanied by disruptions to communication and power supply, the business needs a means to collect, filter, prioritize and escalate issues to the appropriate management levels.

Therefore, the main objective of contingency planning is to ensure that operational reliability and stability is maintained, so that the company survives such worst-case events.

2. A "Business Impact Analysis" must be conducted as a first step before the creation of the formal risk management programme. The purpose of such a high-level impact assessment is to identify and prioritize mission-critical operations and their associated risks. If a complete and current contingency plan is in place, it should have a list of mission - critical operations to a company. A business impact assessment can be done if a contingency plan does not already exist and by ensuring that the following is done:

- All business operations are identified;
- A questionnaire is designed that will assist in prioritizing mission-critical operations;
- Meetings with enterprise management for completing the critical business operational questionnaires;
- Questionnaire responses are allocated and tabulated;
- A prioritized list of mission-critical operations based upon tabulated questionnaire responses are available.

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

This strategy will allow a business to quickly identify the areas that would suffer operational, financial, legal and/or regulator loss in the event of an interruption to a business activity. Management should rate the impact that an interruption in a company operation/s could have on the critical success factors for the company by using the severity of such impact as the main rating factor. These critical success factors include:

- Internal controls
- Safety and security
- Communications
- Revenue generation
- Reputation
- Legal
- External reporting

All of these aspects must be listed and examined for each of the operations or business functions listed. A company may also solicit assistance from their supply chain partners, where these partner's risks could have a bearing on the company's critical success factors.

The company must then identify the impact that an incident could have on a specific business function and prepare an estimate of the loss that will be experienced for the duration of the expected disruption. This process would also need the additional input from business unit managers and members of the risk management team who facilitate this process.

The next step in the business impact analysis is to prioritize the list of business functions to identify what is truly mission-critical for the business.

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

For each of the functions identified, the following classifications indicating a recommended recovery timeframe should be attached:

i. Highest category of availability – this means that immediate resumption of business functions is essential.
ii. Short period of downtime can be tolerated – four hours or less downtime would be acceptable for these functions (work however, must be resumed within four hours).
iii. Resumption of function is required the same day, but a specialized alternative site is not required.
iv. 24 hours of downtime is acceptable for this business function.
v. 24 – 72 hours allowed for business to resume for this function.
vi. More than 72 hours is acceptable for resumption of the business function.

It is important that all internal and external dependencies be taken into account and documented when creating the list of business functions and resumption criteria.

3. When a risk assessment approach has been selected, it is always advisable to use an appropriate assessment survey tool. A set of comprehensive and business-unit specific questions can be developed to assist in risk assessment interviews that are planned to be held with key staff from each functional area of the business. The following is an example of a survey tool for a small brick manufacturer and supply company:

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

BRICK KILN (PTY) LTD

A. Business Operations:

1. Production – what factors might interrupt the production of our bricks?

2. Distribution – what factors might interrupt the activities with our distribution channels:
   - Our suppliers of raw materials?
   - Our wholesalers of our bricks?
   - Our retailers of our bricks?

3. Customer service – what factors could disrupt relationships with the purchasers of our bricks?

4. Post sales service – what factors could interrupt servicing of our wholesalers and retailers of our bricks?

5. Changing markets – what factors could be costly as a result of changes in consumer demand for bricks?

6. Changing technology – what factors could prove costly as a result of changes in technology in brick manufacturing?

7. Legal or government – what factors could interrupt or be costly as a result of existing or new laws and regulations regarding manufacturing and the demand and supply of bricks in the country?

B. Business Liability:

Student Name:	Anton Krause
Student Number:	1634
Course:	Diploma in Business Risk Management
Assignment NO:	Thirteen

1. Product – what hazards exist due to our bricks being used or misused or might be potentially defective?

2. Environment – what hazards could prove costly due to pollution or other accidents through our manufacturing?

3. Facilities – what hazards exist because of our physical brick manufacturing facilities or operations?

4. Employees – what risks exist from current and former employees of ours?

5. Trading partners – what hazards exist from buyers and suppliers of goods and services?

6. Third parties – what hazards exist from unrelated parties?

7. Risk to our physical or intellectual assets?

8. Catastrophes – what hazards exist from floods, earthquakes and similar occurrences on our operations?

9. Governmental – what hazards could prove costly as a result of governmental actions in the brick manufacturing industry (i.e. strikes)?

10. Computer systems – what hazards could disrupt telecommunication systems in our business?

11. Property exposures – what hazards exist from fire, explosion, utility failures or similar type occurrences in our business?

Student Name:	Anton Krause
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Assignment NO:	Thirteen

C. Financial Considerations:

1. Fixed Assets productive – what factors could interrupt sources of long-term debt and equity funds to financial assets?

2. Working capital – what factors could interrupt sources of liquid assets and short-term debt (i.e. asset seizure under UNICITRAL arbitration)?

Student Statement:

By submitting this assignment, I confirm that this is my own work.

Student Signature	Anton Krause	Date	22nd August 2016

For Tutor / Assessor Use Only

Total Marks	
Marks Obtained	
Percentage / Grade	