

Risk Matrix

No matter the risks, Business strategies continue to grow longer and more complex as companies push deeper into uncharted territory in search of lower costs and extending their market share. As a result, the questions surrounding what managers should do about risk have never been more pressing.

While there are no easy answers—and in most cases, no "right" answers—there are frameworks for thinking about how to manage risk more effectively and reach the right balance with potential return that will show benefits to Staff and Line managers, strategic planners, and C-level executives alike.

The most important part is to identify and evaluate the risks and use a decision framework to design strategies to accept, share, control, or mitigate and control. The guidance from “The Institute of Internal Auditors” and the COSO framework shown below provides a decision-making framework.

I M P A C T	High	<i>Medium Risk</i>	<i>High Risk</i>
		<i>Share</i>	<i>Mitigate & Control</i>
		<i>Low Risk</i>	<i>Medium Risk</i>
Low		<i>Accept</i>	<i>Control</i>
		PROBABILITY	High

Table below presents a format to identify and Assess Business and Operational Risks. The table is built on a Company’s initiative to introduce or strengthen their “rewards program” (such as frequent flier mileage .etc.) as a viable alternative to enhance “Customer-Focused Strategy.”

Risk Matrix

Risk Assessment and Mitigation			
Alternative or Initiative	Risks and Probability	Consequence and Severity	Mitigation Techniques and Strategies
Refine the Rewards tiered-program to appeal to both business and leisure travelers	If all customers redeem their rewards this may call for overbooked flights or worst affect profitability for a given quarter.	Price is of secondary concern for business customers, where-as leisure customers are price sensitive. Failure to identify customer needs will impact customer satisfaction / loyalty and derail profitability.	Partner with industry verticals to off-load the number of free perks they need to pay out to customers. For example each eBay point is worth one cent, and you can use those points to pay for items that are for sale on eBay while helping partners like American and Hilton Hotels off-load the number of free perks they need to pay out to customers. At American, for example, this means the more people who trade in their miles to buy goods on eBay, the more "free" seats the airline can now sell at market prices.

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