



The Top 10 Risks Your Business Cannot Afford to Ignore Part 3 - People

Executive Summary

Transparency of communication and performance across the business together with robust training regimes are key to managing the *status quo* and keeping pace with change.

It has never been more urgent to understand and proactively manage business risk at every level of the organisation in order to at least stay in business and to take advantage of opportunities for growth.

Strategic business review to drive cost-efficiency in order to compete is key to success. The absence of a robust framework and transparent business controls will potentially place additional strain on the business with increased pressure and risk.

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Managing such strategic change requires ultimate leadership and senior management commitment, performance related focus with effective communication and linked training. To balance cutting back on resource while trying to sharpen the focus and strengthen the infrastructure, implementation of a more holistic approach is critical: Working smarter not harder.

Reducing business risk and removing barriers to growth is achieved through internal control systems implemented and working effectively. This improves information reliability, decision making and drives competitive advantage. From a secure footing different strategies can be evaluated, new markets entered and new products brought to market.

High performing companies have an internal control infrastructure underpinning the successful execution of their businesses and risk management strategies. This provides them with a vehicle for sustainable and continuous improvement that propels them towards their goal of reducing their exposure to risk while increasing their profitability.

Contrary to popular belief that internal control is a burden to budgets and management time, quite the opposite can be true when done correctly.

A streamlined, standardised risk management infrastructure, shored up with appropriate technology, can deliver long-term benefits far beyond immediate cost reductions: greater transparency, greater cross-enterprise collaboration, and ultimately greater business value.

The *Top 10 Business Risks* series comprises the following white papers:

Part 1 – Systems

Part 2 – Suppliers

Part 3 – People

Read the other parts in this series by requesting your copy from info@gaelquality.com.

The following section is common to all three papers in the series. Readers of the other parts should turn to page 6 to read about the risks associated with systems to satisfy standards for compliance.

Business Risk

Risk Intelligence in a downturn is even more important and can be a useful guide to protect and enhance value through effective risk management (Deloitte, 2009).

It is the rare breed of business that intelligently manages the full spectrum of risk, that breaks through the organisational barriers that obscure a view of the entirety of risks facing a company and that systematically prepares an integrated response to potentially significant risks. Model companies that do so have been described as ‘Risk Intelligent Enterprises’ (Deloitte, 2006).

				
Section One Compliance Systems Section Two Supplier Management Section Three People Section Four GRC and Business Risk Corrective actions/ Continuous Improvement	On the brink of disaster / failure	Moving forwards but still dealing with unexpected and invasive events (Frequent Firefighting)	Coherent Strategy and team working together to drive business forward	Successful Risk intelligent world class business succeeding at all levels.

Regardless of your risk maturity at the start of the journey, every organisation will ultimately arrive at the same destination (Deloitte, 2006):

- Risk management practices that encompass the entire business, creating connections between 'silos' that frequently arise within large, mature and/or diverse businesses
- Risk management strategies that address the full spectrum of risks, including industry-specific, compliance, competitive, environmental, security, privacy, business continuity, strategic, reporting and operational
- Risk assessment processes that augment the conventional emphasis on probability by placing weight on vulnerability
- Risk management approaches that do not solely consider single events, but also take into account risk scenarios and the interaction of multiple risks
- Risk management practices that are infused into the corporate culture, so that strategy and decision-making evolve out of a risk-informed process, instead of having risk considerations imposed after the fact (if at all)

Risk management philosophy that focuses not solely on risk avoidance, but also on calculated risk-taking as a means to value creation.

The Top 10 Business Risks

The top 10 business risks and barriers to growth reported in two comprehensive recent surveys. Each of these has increased in scale and complexity in the current economic environment, number one being the biggest risk.

These are summarised in Table 1 and have been grouped into four strategic business areas. Each of these Business Areas will be considered in turn within this series of white papers. This white paper considers the risks associated with managing people.

Table 1: Top 10 Business Risks and Barriers to Growth

Section No.	Business Areas	AON 2009 – Business Risk		ICAEW 2008- Barriers to Growth			
One	Systems	Systems /legislative changes	Regulatory	2	Regulatory changes/ Enforcement	7	
		Damage to reputation		6	Product /service quality issues	4	
Two	Supplier Management	Business interruption		3			
		Distribution or supply chain failure		8			
		Commodity price risk		5			
		Third party liability		9			
Three	People	Failure to attract or retain top talent		10	Availability of exceptional leadership talent	3	
					Availability of specialist/ technical skills	2	
					Staff retention	5	
					Availability of general management skills	6	
					Cost of labour	8	
					Basic Skills of employees	10	
Four	Governance, Risk and Compliance (GRC)	Economic slowdown		1	Competition in marketplace	1	
		Increasing competition		4			
		Cash flow/ liquidity risk		7	Funding/ Access to finance	9	

People

Having the right people in the right positions to support a well designed strategic plan is critical at a time where lay offs, restructuring and de-layering are in abundance.

To effectively embed systems for internal control, businesses must establish and implement a corporate culture that contributes to the continual improvement of internal controls by developing and encouraging adherence to best practices.

In establishing and implementing such a corporate culture, every person at every level and in every area of the organisation should understand their role in maintaining internal controls, which include the satisfaction of standards for compliance, and in actively participating in controlling and minimising risk.

Engaging and enabling staff, offering a clear career path and providing satisfying work conditions and adequate reward will all be important to support the business strategic vision (Deloitte, 2007).

A well-run business encourages the engagement and motivation of senior management with the appropriate experience and expertise by optimising job satisfaction, motivation and staff retention.

As well as ensuring that staff understand their responsibilities, senior management must encourage them to participate in actions required to maintain internal control. To ensure the effectiveness of internal controls, management must plan, organise, direct, and control actions relevant to internal control.



Process Change

Transparency of communication and performance across the business together with robust training regimes are key to managing the status quo and keeping pace with change..

Lack of availability of key information changes at the point of use is often responsible for routine system failures, commonly attributable to silo-management. Examples include price, promotions and specification changes.

With respect to continuous improvement, staff can be a business's greatest asset. Many will be able to identify the cause of inefficiencies such as equipment rate reductions, changeover delays, unrecorded minor stoppages and unnecessary wastage, as well as to possibly provide the solution.

If only there was an easy method of communication and mechanism for preventing failure and systematic improvement.



Training

Failure to link document change to training often results in a lottery of compliance and potential business chaos, especially in times of dynamic change.

Training and competence are vital in ensuring that everyone in the business understands their role in maintaining compliance, and in actively participating in controlling and minimising risk, and that everyone has the relevant expertise and experience to carry out their responsibilities.

The benefits of training are often overlooked, with reviews of staff competence going unscheduled, and remote departments authoring documents that are unavailable at the point of use and out of synchronisation with staff and process changes.

A robust system will have processes in place that are supported by appropriately trained and/or competent staff. Paper systems may be adequate where change is negligible and the size and nature of the business and workforce allows it.

For most businesses, paper systems are not fit for purpose, and more sophisticated solutions are required in order to support and embed dynamic as well as routine change.

An integrated software solution can deliver a broad range of benefits that include:

- Ownership of the document by the appropriate department
- Availability of documents at the point of use
- Training of individuals linked with controlled documents
- Re-training needs flagged against document revisions
- Validation of training and competence



Headcount Reduction

Awareness, clarity and communication are the main safeguards against making personnel cuts that unwittingly sabotage risk management effectiveness (Deloitte , 2009).

Headcount reduction can have especially significant risk management implications across the business (Deloitte, 2009), and maintaining adequate cover for risk management processes can be more difficult than maintaining cover for core processes.

Risk management responsibilities are not often formally identified, defined or documented, and this can allow staff throughout the business who are perhaps less risk-aware to make decisions, despite lacking an understanding – or even an awareness – of the bigger picture.

Mapping business risk management processes is fundamental to providing the necessary clarity for risk intelligent decision making. Risk responsibilities embedded in job descriptions, work instructions and training/competence requirements is an essential element.

Communication is the tool for driving both awareness and clarity through the organisation.



Integrated compliance management – the Q-Pulse advantage

With businesses under continually increasing pressure from customers, regulators and third parties, integrating compliance systems throughout the organisation is of paramount importance. With an integrated solution, businesses can demonstrate compliance as well as contribute to stability and growth.

With Q-Pulse from Gael, your business can integrate compliance-related processes and activities through a streamlined, standardised framework to increase transparency, cross-enterprise collaboration, and business value.

From documenting and distributing policies and procedures to identifying opportunities for continuous improvement, Q-Pulse increases the visibility and control of compliance systems to secure greater buy-in from stakeholders and to achieve greater transparency of compliance-related information.

And by intelligently managing key risks throughout the enterprise with Q-Pulse, your business can drive long-term stability and growth and firmly anchor compliance in the corporate culture, beyond meeting minimum legal standards to present opportunities for further growth and improvement.

7 Simple Steps to Compliance

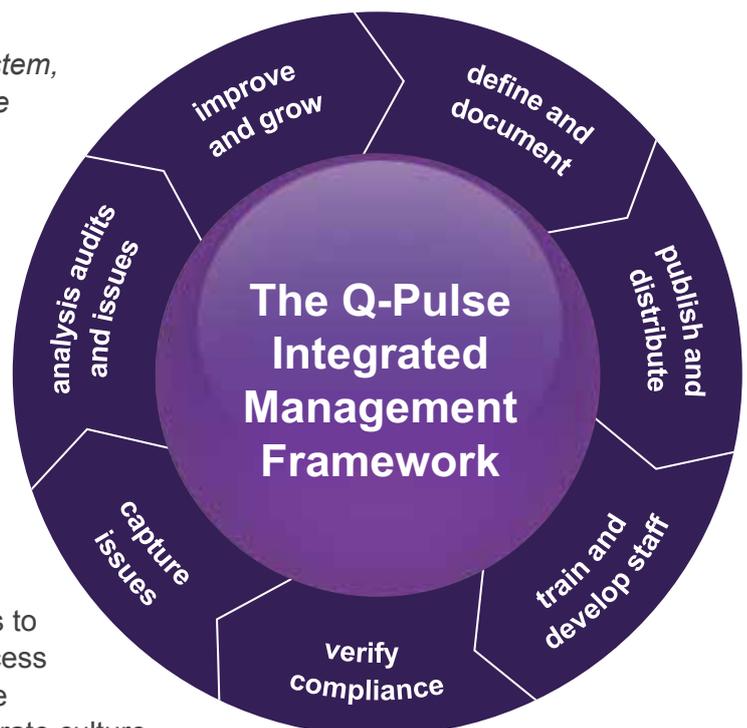
The Q-Pulse Integrated Management Framework comprises 7 simple steps:

1. Define and document

Define and document the scope of your system, policies and procedures, all with appropriate Document Control.

With risk-relevant policies and procedures directly available, your business can define and document responsibilities for risk management to ensure that all management and staff can understand their role, and can be aware of and acknowledge their responsibilities, in controlling and minimising business risks.

And by automating the control and visibility of changes to risk management documentation throughout the enterprise, your business can motivate all stakeholders to participate in the change management process to ensure that non-routine as well as routine change can be firmly anchored in the corporate culture.



2. Publish and distribute

Publish and distribute your management system to all appropriate personnel, via secure web access, including supply chain.

By publishing and distributing its management systems to stakeholders and participants throughout the enterprise, your business can establish and implement policies and procedures which can develop and encourage adherence to best practices that are consistent with your existing corporate culture.

And with the real time status of internal control performance available on demand, you can significantly increase the visibility and control of internal systems, in order to secure greater buy-in from management and staff as well as to build greater commitment, motivation and participation from senior management.

3. Train and develop staff

Create a framework to demonstrate staff competence and capability and therefore train and develop staff.

With a streamlined and standardised framework to maintain and improve the training of staff, your business can validate staff competence regularly to ensure that management and staff understand their role in supporting internal systems and in contributing to the understanding of day-to-day operations.

And by ensuring that management and staff know their responsibilities, you can encourage them to take greater part in systems-related activities, in order to [...] and to successfully plan, organise, direct, and control systems-related activities.

4. Verify compliance

Verify compliance of your policies and procedures through regular internal audit and prove/demonstrate adherence to legislation.

With a systematic and holistic framework in which all audit programmes can be integrated, your business can achieve greater visibility and transparency of communication and performance across the business, in order to demonstrate compliance to customers, regulatory authorities and certification bodies.

And by centrally managing all external, internal and third-party audits, you can increase the availability of information related to business process change, in order to break down organisational silos, to coordinate efforts to prevent their formation, and to reduce the exposure to risks associated with internal systems.

5. Capture issues, NCs and complaints

Capture issues, NCs and complaints, create action plans and track through to completion all within one single, integrated system.

By capturing issues, NCs and complaints within a single integrated system, your business can increase the visibility of changes to internal systems, in order to enhance the capabilities of staff in identifying issues with internal controls, in reducing failure rates and in identifying opportunities for improvement.

By enhancing the capability of staff to report issues, non-conformances and complaints, your business can improve communication in order to promote understanding and clarity throughout the enterprise, and establish a reporting culture that contributes to the continual improvement of internal control.

6. Analyse audits and issues

Analyse audits and issues, incidents, occurrences and audit findings and determine the root cause with detailed graphical analysis.

By putting key performance indicators in place for systems-related activities and actions, your business can monitor and measure real time system performance across the enterprise, to identify performance gaps and trends, reduce operating costs and drive improvements in performance.

And by analysing systems-related performance across the business, you can successfully demonstrate adherence to internationally-recognised best practice throughout the enterprise, as well as to applicable laws and regulations to customers, regulatory authorities and certification bodies.

7. Improve and grow

Improve and grow by identifying trends and concerns, highlighting costly repeat issues and implementing improvement projects.

By achieving greater visibility and control of systems-related information, your business can ensure that internal control systems can be embedded effectively within its operations and that non-routine as well as routine change can be firmly anchored in its corporate culture throughout the business.

And by ensuring that non-routine as well as routine change can be firmly anchored, your business can establish and implement a corporate culture consistent with its overall objectives, in order to contribute to the continual improvement of communication and performance across the enterprise.

Contact us now at info@gaelquality.com to read the other parts in this series, or to find out how you can effectively manage people throughout your business with Q-Pulse.