

Risk Management

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Risk management is the process of forming reactionary plans to situations that are threatening to your business. Certain risk assessment techniques will help determine the initial level of risk, ways in which to stop or minimise the risk and strategies to be put in play. Huge catastrophes such as 9/11 and the global finance melt-down forced boards of directors and management to ask wider questions about what can go wrong, which transformed the status of risk management from a passive role to an active one. “Five years ago, risk management was associated with making sure that an organisation’s assets are insured or making sure that the organisation is complying with the relevant laws and regulations,” says Charlene Wilson, PAG’s Risk Management specialist.

A determination of the specific risk factors applicable to your business should be made. The biggest factors are generally those that go unnoticed:

- **Economic inequality – a downfall of certain big players in the market could worsen poverty, reduce jobs and increase the dependents on the state thus increasing the corporate tax burden on businesses that are still operational;**
- **Commercial/White collar crime;**
- **Increasing natural resource constraints – this especially refers to freshwater reserves that could raise the food prices and the level of human suffering;**
- **Shortages of electrical supply – backup generators is one way of ensuring your business is not affected;**
- **Scarcity of skills – human capital is necessary for the survival of a business and needs to be secured.**

PAG’s risk management strategy is based on the Enterprise Risk Management guidelines, which are best practice as described by the Committee of Sponsoring Organisations (COSO). These methodologies are defined through continued research and development and are benchmarked against international best practice. The recession resulted in uncertainty for employers’ future earnings prospects, which means that recruitment decisions have to be strategic because of an even bigger financial impact today. “People are more sophisticated in being able to fraudulently represent themselves,” warns Wilson. One of the main reasons is financial stress, which results in many falsifying their qualifications in order to succeed in the job market. PAG has mastered the art of minimising this risk with tried and tested strategies of selecting and placing candidates. Organi-

There are a variety of risks facing South African businesses, “*some of these include legal and regulatory risks, human capital risks and operational risks*” Wilson explains



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sations have to look beyond traditional employment references and requesting additional checks which should be performed before and after interviewing the candidates. Some of the areas that require attention are

criminal record checks, identity number validation and verification, credit checks, qualification verification; personality profile index as well as carry out a thorough interview process which should include detailed questions. This will help achieve a sense of the applicant as well as determine his/her way of dealing with work-related or personal issues. “The risks of employing the wrong person are severe and could have financial, legal and reputational consequences for a company,” says Wilson. It is therefore very important to find the right person for the job. Hiring the “wrong person,” could affect your organisation’s productivity, efficiency, culture and bottom line.

Risk management is an essential part of running a successful business and ultimately driving a profitable bottom line. It is in your interest to plan an efficient risk management plan that is thorough and covers the possibility of even the smallest factor that could threaten the day to day running and overall state of the company. 🌟