

RISKY BUSINESS

Managing risk would have to be one of the biggest challenges for corporates, particularly when there is an increased focus on corporates to achieve results.

There is ever-increasing pressure from Boards and shareholders for corporates to improve performance and this could mean shortcuts are taken, potentially resulting in disastrous long term consequences.

Risk can be managed

Often it is possible to predict certain events that are may occur in the future. Rather than not securing a deal, many corporates put into place structures that will minimise the effects on a business if that future event arises.

However, if a future event poses a significant risk and the potential expenditure to deal with that event in the future outweighs the benefit of the deal, corporates would need to think carefully about whether the deal is worthwhile pursuing at all.

Key Stakeholders

Risk management is often handled well when a group of internal key stakeholders are involved in identifying risk.

For risk management to make a real difference, risk needs to be analysed on an ongoing basis. Back-up plans should also be considered.

There are some key events in everyday business which should trigger a risk management process being implemented.

Some examples are:

- negotiating a new contract with a supplier;
- adopting a new policy or procedure;
- down-sizing or restructuring, with employees in new roles.

Risk also needs to be monitored. Assessing risk at the beginning is a good start however at a later point in time, previously identified risks may no longer be present, or have changed and this needs to be evaluated.

Conclusion

With a strong risk management process in place, corporates have the ability to reduce their financial and legal exposures and are in better position to make clear & informed business decisions.

If you require any further information in relation to this topic, please contact Ilona Teremi, Partner on (02) 9375 2258 or email ilona.teremi@kreissonlegal.com.au.



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