



TenRiskSM Examples

TenRiskSM applies to a group of ten operational risk areas addressed under an OpsAuditTM. For each of the TenRiskSM areas, Visage evaluates the business to answer ten fundamental questions related to operational risk and performance excellence. This service helps Visages clients proactively identify and manage operations risks. Examples of risks that can be found can include:

Business Operations Risk

1. Organizational misalignment from conflicting goals and objectives, misapplied resources and ill-conceived business plans. For example, a marketing and sales plan for a new product introduction may be designed in such way that operations are not capable of meeting target dates.
2. Inappropriate business drivers, such as:
 - a. Cost system driving production for products with no demand, resulting in excess and obsolete inventory.
 - b. Cross-divisional charges that are creating inappropriate behavior.
3. Continuous business process improvement initiatives that are sub-optimizing one process in favor of another process.

Personnel and Staffing Risk

1. Inconsistent application of HR policies and procedures with regard to employee appraisal system, compensation, or rewards and punishment, resulting in low employee moral.
2. Existence of sub-culture issues that impact productivity such as the creation of a substitute process that is costly and undermines control.
3. Lack of consistent documentation and employee follow-up on orientation and termination procedures.

Asset Management Risk

1. Lack of physical control.
2. Vendor relationships with key employees.
3. Inappropriate or lack of management of outsourcing activities.

Information Systems Risk

1. IT systems that do not meet business needs.
2. Immature processes for configuration management, increasing the number of errors, down time and unsatisfied customers.
3. Disaster and recovery procedures are non-existent or never exercised.

Communications Risk

1. Disclosure process inappropriate.
2. Mission, goals, and plans of the company are not well known at various levels of the organization.
3. Bearers of bad news are frequently chastised for bringing bad results or problems to management creating a culture of apathy or silence.

Security Risk

1. Financial and personal information of employees and customers are accessible over the Internet.
2. Lack of policies and enforcement of PC protocol and acceptable use standards.
3. Lack of or non-existent monitoring of hazardous materials (physical) or mission critical operations (process).

Management Risk

1. Top management sets a corporate culture tone that is deceptive in reporting methods.
2. Lack of a process for monitoring internal controls and disclosures.
3. Reporting relationships and decision-making practices do not encourage or support best practices or full use of the talents of the organization

Supply Chain Risk

1. Lack of a back up plan, including a disaster plan, in place so that the supply chain is not interrupted
2. Lack of an ability to track, measure, and check the quality of the goods—and the process—moving through the supply chain.
3. New product introduction process not well defined.

Ethical Risk

1. Lack of or inconsistent enforcement of company's Code of Ethics.
2. Reporting as true that which is untrue; reporting as untrue that which is true. Not reporting in order to place the corporation in a better light, especially with the intent to mislead in order to make personal or corporate gains at the expense of those who are not informed.
3. Culture is "anything goes to meet the numbers" creating risk of deceptive practices in achieving results. For example, a sales person in this situation might "create" orders while management looks the other way, with an attitude of "we'll straighten it out later," in order to meet sales goals.

Reputational Risk

1. Lack of timely and appropriate responsiveness in situations where corporate reputation has been damaged.
2. Lack of attention to customer or vendor complaints.
3. Company does not have policies in place to ensure social responsibility.

"Prior to Enron numbers were everything, but now investors need added assurance and trust in the management teams that produce the numbers. This is where clear and complete communications of companies' non-financial qualities becomes essential."

-- Dominic Jones, Best Practices For Online Governance Disclosure, The Corporate Board, March/April, 2003