

# ***Assignment 6***

## Introduction to Risk Identification

### **Educational Objective (EO)**

Describe risk identification and its purpose.

### **Instructions**

#### **Activity 1 — Describing Risk Identification**

##### **Game or Group Activity: Jeopardy-style Game**

This activity is written to be presented as a “Jeopardy-style” quiz game. To present this activity as a game, divide the participants into small groups to form teams and ask each team to assign a team leader. Read the questions aloud and then wait for the team leader to provide the correct answer. Assign one point to teams for correct answers. At the end of the questions, the team with the most points wins. Note: The answers to the activity are in the form of a question as required by the Jeopardy quiz show.

##### **Alternate Group Activity Followed by Large Group Discussion**

Divide the participants into small groups. Ask the participants to answer the questions in **Activity 1— Describing Risk Identification**.

##### **Debrief:**

Review the answers with the group.

## Activity 1 — Describing Risk Identification

Questions	Answers
1. These provide quantitative and qualitative information regarding known risks, and are usually contained within a database that can be adapted to various types of analysis.	
2. This risk identification technique can identify risk by comparing current transactions or events to prescribed criteria.	
3. The use of this approach is used to identify and categorize risk can provide a framework for holistic risk identification.	
4. These risks are those with the greatest potential effect on the organization’s ability to meet its objectives and should receive the most intensive risk management focus.	
5. After the risks have been identified in each of the risk quadrants, this can be performed to assign event likelihoods and consequences.	
6. The advantages and disadvantages of using the bottom-up approach of holistic risk identification.	
7. An advantage of this tool includes its ability to identify risks as an integral part of business processes.	
8. A disadvantage of using loss histories for risk identification.	
9. Risk management professionals or consultants can use this risk identification technique to interview various people either internally or externally to identify risks.	
10. This method of holistic risk identification recommends categorizing risks, but in addition to doing so by type of risk, it suggests using a cascading hierarchy, beginning with high-level objectives and cascading down to risks related to the objectives of business units or functions.	

<b>Questions</b>	<b>Answers</b>
11. The disadvantages of using checklists as a risk identification tool.	
12. This risk identification technique analyzes processes within the organization from input to output.	
13. A developed scenario analysis can represent different levels of this.	
14. Employ methods of identifying specific loss exposures that could interfere with achieving an organization's primary goals.	
15. The four risk quadrants.	
16. These analysis methods are often used to identify the risks associated with a new product or procedure.	
17. These holistic risk identification approaches can be combined to develop a global approach to an organization's risks.	
18. This risk identification tool can be divided into the four quadrants of risk (financial, strategic, operational, and hazard) and can be completed by managers in each area of an organization.	
19. The advantages and disadvantages of the top-down approach for holistic risk identification.	

## Answers to Activity 1 — Describing Risk Identification

Questions	Answers
1. These provide quantitative and qualitative information regarding known risks, and are usually contained within a database that can be adapted to various types of analysis.	What are loss histories?
2. This risk identification technique can identify risk by comparing current transactions or events to prescribed criteria.	What is escalation or threshold triggers?
3. The use of this approach is used to identify and categorize risk can provide a framework for holistic risk identification.	What are risk quadrants?
4. These risks are those with the greatest potential effect on the organization's ability to meet its objectives and should receive the most intensive risk management focus.	What are key risks?
5. After the risks have been identified in each of the risk quadrants, this can be performed to assign event likelihoods and consequences.	What is a scenario analysis?
6. The advantages and disadvantages of using the bottom-up approach of holistic risk identification.	What are: <ul style="list-style-type: none"> <li>• Advantages: views of employees are included, which contributes to a realistic observation of the organization's operations and operating environments?</li> <li>• Disadvantages: time it takes to compile and analyze risk indicators and the possibility of details obscuring the desired holistic view?</li> </ul>
7. An advantage of this tool includes its ability to identify risks as an integral part of business processes.	What is computer software?
8. A disadvantage of using loss histories for risk identification.	What is lagging rather than leading indicators of risk?
9. Risk management professionals or consultants can use this risk identification technique to interview various people either internally or externally to identify risks.	What are interviews and workshops?

<b>Questions</b>	<b>Answers</b>
10. This method of holistic risk identification recommends categorizing risks, but in addition to doing so by type of risk, it suggests using a cascading hierarchy, beginning with high-level objectives and cascading down to risks related to the objectives of business units or functions.	What is the COSO ERM method?
11. The disadvantages of using checklists as a risk identification tool.	What is the possibility of failing to identify key risks or not identifying the effects of risks on other areas of the organization?
12. This risk identification technique analyzes processes within the organization from input to output.	What is process flow analysis?
13. A developed scenario analysis can represent different levels of this.	What is severity?
14. Employ methods of identifying specific loss exposures that could interfere with achieving an organization's primary goals.	What is risk identification?
15. The four risk quadrants.	What are strategic, financial, operational, and hazard risk?
16. These analysis methods are often used to identify the risks associated with a new product or procedure.	What are HAZOP and SWOT?
17. These holistic risk identification approaches can be combined to develop a global approach to an organization's risks.	What are top-down and bottom-up approaches?
18. This risk identification tool can be divided into the four quadrants of risk (financial, strategic, operational, and hazard) and can be completed by managers in each area of an organization.	What are checklists?

<b>Questions</b>	<b>Answers</b>
19. The advantages and disadvantages of the top-down approach for holistic risk identification.	What are: <ul style="list-style-type: none"><li>• Advantage: a high-level view of the entire organization and the risks that are central to meeting the organization's objectives?</li><li>• Disadvantages: dependence on reports from middle management to senior management and limited view of risks that may be percolating in various areas of the organization?</li></ul>

## Team Approaches to Risk Identification

### Educational Objective (EO)

Explain how an organization can use each of the following team-oriented techniques to identify its risks:

- Facilitated workshops
- Delphi technique
- Scenario analysis
- HAZOP (hazard and operability study)
- SWOT (strengths, weaknesses, opportunities, and threats)

### Instructions

#### Activity 1 — Describing Team Approaches to Risk Identification

##### Group Activity Followed by Large Group Discussion

Divide the participants into groups. Provide flipchart paper for each group if possible. Assign each group one of the team-oriented techniques below for identifying risk that they will “teach-back” to the larger group. Topics should include an overview, why an organization would use the technique, advantages and disadvantages, and the desired outcome.

Note: Consider timing each part of this activity.

Reconvene the large group and have each group present their content.

- Group 1: Facilitated workshops
- Group 2: Delphi technique
- Group 3: Scenario analysis
- Group 4: HAZOP
- Group 5: SWOT

##### Debrief:

Review the answers with the group.

## Activity 1 — Describing Team Approaches to Risk Identification

### Activity

Prepare your assigned team-oriented technique for identifying risk to “teach-back” to the larger group. Topics should include:

- An overview
- Why an organization would use the technique
- Advantages and disadvantages
- Desired outcome

## Risk Registers

### Educational Objective (EO)

Describe the purpose and the composition of a risk register.

### Instructions

#### Activity 1 — Describing Risk Registers

##### Individual Activity Followed by Large Group Discussion

If necessary, provide participants with a sheet of paper. Ask participants to write a two-minute paper on the use of a risk register to identify and prioritize the risks associated with a project, a process, a department, or an entire organization. Time participants and tell them to stop writing after two or three minutes have passed.

##### Debrief:

Reconvene the large group and ask for volunteers to read their papers and review with the class. Engage participants in a discussion using these questions:

- Why would a risk management professional use a risk register?
- How can a scenario model help an organization identify risk?
- What are the four risk quadrants?

## Risk Maps

### **Educational Objective (EO)**

Describe the purpose and the composition of a risk map.

### **Instructions**

#### **Activity 1 — Describing Risk Maps**

##### **Individual Activity Followed by Large Group Discussion**

Ask participants to complete the questions in **Activity 1— Describing Risk Maps**.

Alternatively, this activity could be assigned as pre-work. If used as an assignment, have participants come to class prepared to share their answers.

**Debrief:**

Reconvene the large group and ask for volunteers to share their answers.

**Activity 1 — Describing Risk Maps**

<b>Questions</b>	<b>Answers</b>
1. Describe residual risk.	
2. How can an impact and time risk map assist risk management professionals?	
3. Describe risk register.	
4. What is inherent risk?	
5. What do the different colors represent in a risk map?	
6. What is the purpose of a risk map?	
7. What is optimum risk?	

## Answers to Activity 1 — Describing Risk Maps

Questions	Answers
1. Describe residual risk.	Risk remaining after actions to alter the risk's likelihood or impact.
2. How can an impact and time risk map assist risk management professionals?	<ul style="list-style-type: none"> <li>• Set monthly, quarterly, or annual priorities</li> <li>• Design and implementation of the risk management process as well as for follow-up in existing programs</li> </ul>
3. Describe risk register.	A tool developed at the risk owner level that links specific activities, processes, projects, or plans to a list of identified risks and results of risk analysis and evaluation and that is ultimately consolidated at the enterprise level.
4. What is inherent risk?	Risk to an entity apart from any action to alter either the likelihood or impact of the risk.
5. What do the different colors represent in a risk map?	Different levels of impact and likelihood combined.
6. What is the purpose of a risk map?	Basic risk maps provide a matrix of the likelihood and impact (consequences) of risks identified on an organization's risk register.
7. What is optimum risk?	The level of risk that is within an organization's risk appetite.

## Identifying Loss Exposures

### Educational Objective (EO)

Describe the following methods of loss exposure identification:

- Document analysis
- Compliance review
- Personal inspections
- Expertise within and beyond the organization

### Instructions

#### Activity 1—Describing Methods of Loss Exposure

#### Identification

#### Game or Group Activity Followed by Large Group

#### Discussion

This activity is written to be presented as a “Jeopardy-style” quiz game. To present this activity as a game, divide the participants into small groups to form teams and ask each team to assign a team leader. Read the questions aloud and then wait for the team leader to provide the correct answer. Assign one point to teams for correct answers. At the end of the questions, the team with the most points wins. Note: The answers to the activity are in the form of a question as required by the Jeopardy quiz show.

**Alternate Activity:** For the alternate group activity, divide the participants into small groups. Ask the participants to answer the questions in **Activity 1—Describing Methods of Loss Exposure Identification**.

#### Debrief:

Review the answers with the group.

## Activity 1—Describing Methods of Loss Exposure Identification

Questions	Answers
1. This source of information can help identify key personnel for whom the organization may have a personnel loss exposure.	
2. This can help identify an organization's property and liability loss exposures and determine who has assumed responsibility for which loss exposures.	
3. These can help an organization identify its loss exposures but do not show how exposures affect organizational goals.	
4. The primary advantage of this information source is that they help identify major categories of loss exposures, such as property, liability, and net income loss exposures.	
5. This source of information enables the risk management professional to explore liabilities that could be increased or created by a loss, and obligations that the organization must fulfill even if it were to close temporarily as a result of a business interruption.	
6. This type of analysis requires expert services to identify conditions that may increase the frequency or severity of loss.	
7. Some loss exposures are best identified by information-gathering visits to critical sites during which particular operations can be discussed with front-line personnel, who are often best placed to identify nonobvious loss exposures.	
8. This source of information is useful in identifying net income loss exposures.	

9. A variety of documents used by an organization can provide useful information regarding loss exposures.	
10. This source of information can be used to identify the amounts of cash either subject to loss or available to meet continuing obligations.	
11. These capture more descriptive information; however, these cannot uncover all the loss exposures characteristic of a specific industry or organization.	
12. Loss exposures can be identified using records such as procedure manuals, mission statements, and risk management policies.	
13. This type of analysis of an organization's own losses or those suffered by comparable organizations can help identify and analyze loss exposures.	
14. Interviews with employees can elicit information about what occurred before the inspection, what might be planned for the future, or what could go or has gone wrong.	
15. Standardized documents published by outside organizations, such as insurers and trade associations, broadly categorize the loss exposures that most organizations typically face.	

## Answers to Activity 1—Describing Methods of Loss Exposure Identification

Questions	Answers
1. This source of information can help identify key personnel for whom the organization may have a personnel loss exposure.	What are organizational charts?
2. This can help identify an organization's property and liability loss exposures and determine who has assumed responsibility for which loss exposures.	What is a contract?
3. These can help an organization identify its loss exposures but do not show how exposures affect organizational goals.	What are checklists?
4. The primary advantage of this information source is that they help identify major categories of loss exposures, such as property, liability, and net income loss exposures.	What are financial statements and underlying accounting records?
5. This source of information enables the risk management professional to explore liabilities that could be increased or created by a loss, and obligations that the organization must fulfill even if it were to close temporarily as a result of a business interruption.	What is a balance sheet?
6. This type of analysis requires expert services to identify conditions that may increase the frequency or severity of loss.	What is a hazard analysis?
7. Some loss exposures are best identified by information-gathering visits to critical sites during which particular operations can be discussed with front-line personnel, who are often best placed to identify nonobvious loss exposures.	What are personal inspections?

<p>8. This source of information is useful in identifying net income loss exposures.</p>	<p>What are income statements?</p>
<p>9. A variety of documents used by an organization can provide useful information regarding loss exposures.</p>	<p>What is document analysis?</p>
<p>10. This source of information can be used to identify the amounts of cash either subject to loss or available to meet continuing obligations.</p>	<p>What is the statement of cash flows?</p>
<p>11. These capture more descriptive information; however, these cannot uncover all the loss exposures characteristic of a specific industry or organization.</p>	<p>What are questionnaires?</p>
<p>12. Loss exposures can be identified using records such as procedure manuals, mission statements, and risk management policies.</p>	<p>What are organizational policies and records?</p>
<p>13. This type of analysis of an organization's own losses or those suffered by comparable organizations can help identify and analyze loss exposures.</p>	<p>What is loss history analysis?</p>
<p>14. Interviews with employees can elicit information about what occurred before the inspection, what might be planned for the future, or what could go or has gone wrong.</p>	<p>What is expertise within and beyond the organization?</p>
<p>15. Standardized documents published by outside organizations, such as insurers and trade associations, broadly categorize the loss exposures that most organizations typically face.</p>	<p>What are risk assessment questionnaires and checklists?</p>

## Identifying Risk

### **Educational Objective (EO)**

Given a description of a business operation, recommend techniques for identifying and mapping risk.

### **Instructions**

#### **Activity 1 — Identifying and Mapping Risk Case Study**

##### **Group Activity Followed by Large Group Discussion**

Divide participants into three groups and ask participants to read the scenario in **Activity 1— Identifying and Mapping Risk Case Study**. Ask participants to:

- Explain whether they would recommend that Laura use a team approach to risk identification and, if so, which one.
- Design a risk register of the Pharmacy's risks.
- Create a risk register for Pharmacy for the highest level of risk being identified that a pharmacist fills a prescription incorrectly, resulting in serious injury to a customer.

##### **Debrief:**

Reconvene the large group. Ask the first group to present their recommendation for risk identification; the next group to present their design for the risk register; and finally the last group to present the risk register for the highest level of risk. Review with the class.

## **Activity 1 — Identifying and Mapping Risk Case Study**

Laura is the risk manager at Pharmacy, Inc., a national chain of retail pharmacies. She is working on a project assigned by the chief risk officer (CRO) and the chief executive officer (CEO) to identify Pharmacy's risks. The CRO wants to develop a holistic approach to Pharmacy's risks. Both the CRO and CEO want to identify as many of Pharmacy's risks and their potential effects on the organization as possible.

<b>Activities for Identifying and Mapping Risk for Pharmacy, Inc.</b>
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