



Managing Risk in Challenging Times

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Risk Advisory

Since the Global Financial Crisis of 2007-2008, the global economy has never really returned to normal. While the global economy has improved, these are still challenging times for businesses.

The decline in oil and commodity prices, the slowdown of manufacturing output in China, slow growth of the major economies around the world and unfavourable exchange rates especially with the decline of the Ringgit against major currencies all contribute to much economic uncertainty and a challenging environment for Malaysian businesses.

At times like this, the risk of doing business increases. As a business owner, do you know what your key risks are and are you prepared for them? There are various categories of risks that a business may face and understanding them is probably a good place to start.

Preventable Risks

These are internal risks arising from within the organisation, which can be controlled and should be avoided or eliminated. Examples include unauthorised, illegal, unethical or inappropriate actions of employees and managers. This type of risk can typically be managed through active prevention by monitoring operational processes and guiding employee behaviour.

Strategy Risks

A business will voluntarily accept some risk in order to generate superior returns from its strategy. For example, your business may assume credit risk when selling products to a customer on credit terms. This type of risk cannot be managed through a rules-based control model. Instead, you need a risk management system designed to reduce the probability that the assumed risks actually materialise, and to improve the company's ability to manage or contain the risk events should they occur.

Risk Management



Some key questions to ask when developing your risk management strategy include:

What is your risk appetite?

How much can you stomach if the risk hits your business?

What is your maximum exposure?

Do you have any mitigating controls to address key risks?

Are members of your senior management team aware of such risks?

Does your senior management team know what needs to be done, who is responsible and by when should such mitigating controls/ management action plans be carried out?

There are different approaches to risk management; the “one size fits all” solution does not work because a risk management strategy depends largely on the context in which a company operates. So does your company have a proper risk management strategy and framework tailored to your business?

Should you need assistance for the above, Crowe Horwath can help. We provide enterprise-wide risk management services tailored to your business needs that can help mitigate the likelihood and impact of adverse events that could affect your business.

External Risks

The Global Financial Crisis, political uncertainty, the decline in oil prices, natural and political disasters – these are external risks that are beyond the control and influence of your business. Because you cannot prevent such events from happening, your management must focus on identifying and mitigating their impact.

While most companies will acknowledge that there are inherent risks involved in operating their business, particularly more so in challenging times, few are prepared for it. Often, people overestimate their ability to influence events that are heavily determined by chance. We tend to be overconfident about the accuracy of our forecasts and risk assessments, and far too narrow in our assessment of the range of outcomes that may occur.

As a business, it is important for you to assess and understand your risks in terms of likelihood and impact whether it is internal or external. This will allow you to put together a risk management strategy.