

One of the primary responsibilities of boards is to protect the interests of the organization's owners. This involves being aware of the risks the organization faces and applying tools to limit the potential impact of these risks. Eliminating all risks is not the goal because with no risk there is no return. Managing the risks is a key role of board members as they fulfill the discipline of protecting the owners' interests.

Types of Risk	Examples of Risk	Tools to Manage the Risk
<p>Strategic - risks that impact the direction or focus of the organization</p>	<ul style="list-style-type: none"> · changes in technology and society can make key products or services obsolete · lack of congruence with the culture of the target market 	<ul style="list-style-type: none"> · conduct a full strategic planning process every 3 to 5 years; review and update the plan annually · monitor the organization's focus on and progress towards the strategic plan and redirect as necessary · constantly scan the business environment for trends and events that could impact your organization, and discuss the potential impact
<p>Operational - day-to-day risks that could impact the company</p>	<ul style="list-style-type: none"> · occupational health and safety · resource allocation · natural catastrophes · information systems · poor decisions 	<ul style="list-style-type: none"> · follow relevant codes of practice, even if they aren't law · ensure internal controls are in place to minimize the risk of fraud, data loss, or theft · set board policies to guide the organization's work and ensure all staff and board members have access to and understand their application · secure directors' and officers' and general liability insurance
<p>Financial - risks associated directly with money</p>	<ul style="list-style-type: none"> · cash flow · interest rate · foreign exchange · asset value versus debt · share value 	<ul style="list-style-type: none"> · establish written financial policies to guide matters such as borrowing, investing, bill payment, and accounts receivable · prepare budget projections and compare actual to budget monthly · engage third-party auditors annually · determine and monitor key financial risk ratios
<p>Knowledge - risks related to the development, retention, and preservation of intellectual capital</p>	<ul style="list-style-type: none"> · human resources - knowledge and competency of the organization's people · patents · copyrights and trademarks 	<ul style="list-style-type: none"> · have board and staff members sign confidentiality agreements · provide training so people have the knowledge and skills to fulfill their responsibilities · register patents and trademarks whenever you create a new product or service · label proprietary printed material with copyright wording

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<p>Compliance - risks related to satisfying the laws of the land</p>	<ul style="list-style-type: none"> · filing government reports in an accurate and timely manner · following generally accepted accounting procedures · due diligence by board members and staff 	<ul style="list-style-type: none"> · have written procedures for record keeping and reporting; make appropriate documents available to staff and board members · conduct internal audits on a regularly scheduled and random basis · engage an external auditor to conduct an annual inspection of key records and practices · have key staff sign compliance certificates indicating that to the best of their knowledge they have acted prudently · have board members declare potential conflicts of interest in writing annually and at every board meeting, as appropriate
<p>Reputational Risk</p>	<ul style="list-style-type: none"> · ethical breaches · miscommunication · cultural faux pas · discrimination 	<ul style="list-style-type: none"> · identify the organization's values and through hiring, training, and performance reviews proactively manage to ensure these values are upheld · coordinate leadership messages to ensure alignment and consistency through-out · undertake sensitivity training, as necessary