Business Risk Controls to Consider

There are several types of controls you can put in place to manage or mitigate general business risks:

Compliance Controls: These involve monitoring compliance with external laws and regulations or internal standards to prevent or detect errors and mitigate risk. For example, if a manufacturing company's employees don't follow government safety regulations while building machines, their behaviour can be a compliance risk for the company.

Legal Controls: These are specific types of compliance controls that occur when a company fails to follow a government's rules for companies. Legal risks can result in expensive lawsuits and a negative reputation for companies.

Strategic Controls: These occur when a company's business strategy is faulty or its executives fail to follow a business strategy at all. A company may fail to reach its goals due to strategic risks.

Insurance: Assess liabilities and legal regulations to determine what types of insurance will be required for your business.

Quality Assurance Program: Implement a quality assurance program to ensure the quality of your products or services.

Limit High-Risk Customers: Identify customers who could potentially create a significant risk for your business and develop strategies to manage these risks.

Control Growth: Rapid growth can lead to significant risks. It's important to manage your growth carefully to ensure that you can handle the increased demand.

Risk Management Team: Appoint a risk management team to identify, assess, and manage risks.

Business Properties Safety: Prepare for uncontrollable natural events, such as catastrophic weather events (tornadoes, floods, and hurricanes), which can pose as much of a threat to a business as economic forces.

In the financial services sector, businesses are subject to additional regulations and oversight. Here's how you might amend the controls for a regulated business in this sector:

Regulatory Compliance: Financial services firms must comply with a variety of regulations, such as those related to anti-money laundering, know-your-customer requirements, and data security. Compliance controls should be robust and include regular audits to ensure adherence.

Risk Management Frameworks: Implement risk management frameworks that are recognized in the financial industry, such as Basel III. These frameworks provide guidelines for managing financial risks and for capital and liquidity management.

Technology and Cybersecurity Controls: Given the sensitive nature of financial data, strong controls around technology use, data security, and cybersecurity are essential1. This includes controls to manage risks associated with digital assets.

Financial Controls: These include controls related to financial reporting, fraud prevention, and adherence to financial regulations. The Sarbanes-Oxley Act of 2002, for example, requires public companies to maintain adequate internal controls over financial reporting.

Ethics and Conduct Controls: Financial services firms should have strong controls related to ethics and conduct to ensure fair treatment of customers and maintain trust in the financial system.

Operational Risk Management: This involves the identification and mitigation of risks arising from failures in systems, processes, and people.

Credit Risk Management: This involves assessing the creditworthiness of customers and managing the risk of defaults

Market Risk Management: This involves managing risks related to changes in market conditions, such as interest rates, foreign exchange rates, and equity and commodity prices.

Remember, controls are safeguards or countermeasures put in place to address regulations and ensure a company is operating in a secure environment. By proactively managing risks, organizations can minimize disruptions and protect their assets, stakeholders, and long-term viability.

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