

Principles of Risk Management

By Bob Norton



Helping You Break Through Barriers You Can't See

This is a Sample Chapter From a Book In the Secrets of a Serial Entrepreneur™ Series

[Click Here For A Full Catalog Of Our Books
and Tapes For CEOs and Entrepreneurs or
go to www.CLevelEnterprises.com/products.htm](http://www.CLevelEnterprises.com/products.htm)

© 2004 C-Level Enterprises, Inc.
This PDF file may be copied and forwarded in its
entirety as long as it is for free.



508-381-1450

<http://www.clevelenterprises.com/>
info@CLevelEnterprises.com

Principles of Risk Management

Risk Management Paradigm

Risk Is The Possibility Of Suffering Loss.

In a world where 90% of venture capital backed businesses, and as many as 70% of major information technology projects fail, managing risk must be a major job of the CEO and all management teams. Risk must be aggressively managed at all levels of the organization. Though the scope and cost will vary, employees need to be empowered to take risks. It is an integral part of constant improvement, for without improvement, any company will eventually die in today's fast changing world and economy. It follows then, that taking risks must also be an acceptable part of any corporate culture, as there is no progress or reward without some amount of risk.

Risk is ALWAYS there and it can come from both known and unknown factors. It is impossible to bring risk to zero because the unknown factors, by definition, can never all be known, i.e., you can never prove that risk does not exist, just like you cannot prove any negative.

Known factors are the easiest to assess and manage and generally come from the following areas:

1. Your own staff and insuring their skills are at, above, or near the level of your competitors and the market, and there are not key or mass defections to competitors
2. Known competitors improving their products

Principles Of Risk Management

3. New competitors entering your market
4. Failure of your product in various ways:
 - a. Customer expectations,
 - b. Technical failure,
 - c. Integration failure,
 - d. Training failure,
 - e. Adoption failure (causes by improper access to some segment of users to train)
 - f. Poor product ROI (real or perceived)
 - g. Declining development productivity

It is critical to view risk as a fluid and dynamic thing that must be managed, not as a binary “will or won’t happen” thing”.

Early-stage companies must take, and aggressively manage risk, as it is a key advantage they have due to lower costs of failure and the ability to adjust rapidly.

- h. Inability to evolve product due to baggage and legacy issues (at customer sites or in the product)
- i. Poor sales model or one not adjusted to changing circumstances

5. A change in marketplace needs (disruptive technology or shift in customer desires)

6. Lack of customer-addiction (needing to constantly use your product is the long-term goal)

Principles Of Risk Management

All those ways to fail and this is by no means a comprehensive list! Although there are many ways for your product to fail shown in D above, this is actually a better problem to have, because you have some control over the factors here. You can manage these risks more easily than outside factors. A typical risk management paradigm illustrates a set of functions that are identified as continuous activities through the life-cycle of a project.



Functions of Risk Management

Each risk goes through these functions sequentially, but the activity occurs continuously, concurrently (e.g., risks are tracked parallel to new risks are identified and analyzed), and iteratively (e.g., the mitigation plan for one risk may yield another risk).

Function	Description
Identify	
Analyze	Transform risk data into decision-making information. Evaluate impact, probability, and timeframe, classify, and prioritize risks.
Plan	Translate risk information into decisions and mitigating actions (both present and future) and implement those actions.
Track	Monitor risk indicators and mitigation actions.
Control	Correct for deviations from the risk mitigation plans.
Communicate	Provide information and feedback internal and external to the project on the risk activities, current risks, and emerging risks. Note: Communication happens throughout all the functions of risk management.

Principles Of Risk Management

In a development project, the loss describes the impact to the project which could be in the form of diminished quality of the end-product, increased costs, delayed completion, or failure.



The author Robert Norton is in the center
Managing This High Risk With
Training and Expert Help.

Risk Versus Opportunity

Risk and opportunity go hand in hand. Many projects strive to advance current capabilities and achieve something that hasn't been done before. The opportunity for advancement cannot be achieved without taking risk. Risk in itself is not bad; risk is essential to progress, and failure is often a key part of learning. In fact, the best way to succeed is often to

fail, more and faster. But we must learn to balance the possible negative consequences of risk against the potential benefits of its associated opportunity.

Risk Management is a practice with processes, methods, and tools for managing risks in any project. It provides a disciplined environment for proactive decision-making to:

- **Assess continuously what can go wrong (risks)**
- **Determine what risks are most important to deal with**
- **Implement strategies to deal with those risks, including your backup plan**
- **Teach all your managers to constantly look for the top few risks to monitor**

Principles Of Risk Management

The continuous aspect of risk management is, that it is always there and must be managed. There are seven principles which can help provide a framework for effective risk management and allow you to objectively assess how complete a view you have on each risk:

1. Global perspective (do not look only in your backyard for threats)
2. Forward-looking view (understand where the market is going, not just where it is)
3. Open communications - No one can see everything, communication within your team is essential
4. Integrated management - This can mean many things, but communication at all levels both vertically and horizontally is NOT optional.
5. Continuous process - Always assessing and reassessing top risks as things change
6. Shared product vision - Vision is key (read more on [vision](#))
7. Teamwork - A flat organization with EVERYONE talking is required

Summary

Risk management is one of the most important and most often ignored aspects of getting a new company or product to profitability. You must be honest with yourself about what factors are out of your control and how to manage them. You must also be willing and able to assess where you might be wrong in any of your premises that would impact the business and have an idea what you could do if each one proves true. This can range from assuming you can get a high price that proves unachievable, to not understanding the customer does not even want to use your product; for some very subtle reason that you only discover late in the game. Constant contact with customers is the best way to manage many risks. An advisory board of customers can be really helpful in this process too and is fairly cheap and easy to run.

Principles Of Risk Management

It is too easy to get tunnel vision and "not see the forest for the trees" if you cannot be totally objective and most people cannot, then get outside help to assess business and market risks. This will easily pay dividends far beyond the cost. Although this may not be practical for small companies on an on-going basis, it is a great starting point to identify the key risks and begin an internal process to assess each risk that could literally destroy your business. Once these are identified, you can assign the task of monitoring and alleviating each risk to key executives as these may not fall along obvious departmental lines.

The diagram and some structure and text for this article were provided by The Software Engineering Institute (SEI). Additional material and editing has been done by C-Level Enterprises to incorporate specific philosophies developed by us. The SEI is a federally funded research and development center sponsored by the U.S. Department of Defense through the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics [OUSD (AT&L)]. As such, that material is available for duplication freely, though this piece is copyrighted by C-Level Enterprises, Inc.

**Appendix
Other Available Products to Help Your Business Grow More Rapidly**

**Appendix - Other Products For CEOs, Entrepreneurs and
C-Level Executives To Help Grow Your Business More
Rapidly**

C-Level Enterprises, Inc. offers a series of unique books as part of titled “The Secrets of a Serial Entrepreneur™”. These books are all written by Bob Norton and are designed to be used at key points in a company’s development life cycle, and throughout the development of the company. They are a great alternative to high-price consulting services from business launch experts and will greatly increase any entrepreneur’s chances of success. They provide proven frameworks for success, developed by Bob Norton over 15 years as a CEO and 25 years as a serial entrepreneur, to help break through some of the most common and practical traps that growing businesses fall in to virtually all the time; if they have not grown a business before to this size.

The entire series can be seen at <http://www.CLevelEnterprises.com/products.htm> if you are online go there for the most up-to-date information now. Otherwise you can read below. The Books cover the business development steps: Design, Launch, Hire and Manage. And ideally should all be read in that order.

Appendix
Other Available Products to Help Your Business Grow More Rapidly

**Books and Tapes For CEOs, Entrepreneurs and C-Level Executives To
Help Grow Your Businesses More Rapidly and Develop Long-term
Competitive Advantage**

These books are all written by Bob Norton, a serial entrepreneur for over 25 years and a CEO for more than 15 years. Mr. Norton is one of the leading authorities in the world on entrepreneurship, intrapreneurship and growing businesses rapidly. He has participated in eight startup companies, grown two to over \$100 million in sales and several have dominated their respective markets. He has also worked for two multi-billion dollar corporations running product development efforts. His experience goes across all size companies, and many types of businesses in various industries. During his career Mr. Norton has helped created over \$1 billion in new shareholder value just while at those companies. Mr. Norton provides expertise on growing small and medium size companies more rapidly using eleven different proprietary tools and methodologies for business design, development and optimization, which he has developed over the last fifteen years. Many ideas are also contributed from over 1,000 business books in his personal library. He also runs the premier CEO and Entrepreneur Boot Camp in the U.S. today, which is design to cut years off the learning curve of CEOs and entrepreneurs and turn them into world-class CEOs. This exclusive event teaches practical business design and optimization systems in an intensive 3-day training program for any CEO or entrepreneur.

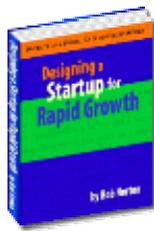
Mr. Norton has appeared on CNBC, Good Morning America and many other regional and national media like Inc. magazine. He provides advice to entrepreneurs and CEOs through consulting, speaking, writing and seminars. He frequently speaks at corporations, associations, and universities on business topics.

These books are targeted at particular problems and stages of development where early-stage ventures commonly encounter critical issues while moving from raw startup with an idea to becoming an established company. They are guaranteed to improve any

**Appendix
Other Available Products to Help Your Business Grow More Rapidly**

business's chances of success dramatically. They can be downloaded immediately and the ideas and systems put into action the same day. Unlike hardcover books, that need to be a certain size to justify the printing, distribution and retail markups, these books will not have lots of redundant information, essentially showcasing the same basic ideas five different ways. They are packed with totally unique content that comes from the experience of a real serial entrepreneur, not just an author who did some academic research, but practical advice and systems for CEOs and entrepreneurs proven to work over two decades. The philosophies and systems used in each are compatible so that, as a set, they will create a framework for successful and rapid business growth.

You can click on each book icon below for more complete information.



DESIGNING



LAUNCHING



HIRING



MANAGING



**ALL FOURS
BOOKS**

The Startup Manual includes all four books plus our proprietary business design tools CD-ROM.

Appendix

Other Available Products to Help Your Business Grow More Rapidly

Books and Tapes Order Form

(Click on Titles For Complete Information and online ordering)

Books & eBooks These are provided as PDF files. Add \$8.95 shipping and handling for each book <u>only</u> if you want a physical hard copy printed and shipped to you.	Unit Price	Printing & Shipping (eBooks Free)	Quantity	Total
<u>Designing a Startup For Rapid Growth and Profit</u>	\$39.00	\$8.95		
<u>Roadmap To Launching A Successful Company</u>	\$39.00	\$8.95		
<u>Hiring The Best People At Early Stage Companies</u>	\$27.00	\$8.95		
<u>How to Manage a Business For Rapid Growth</u>	\$34.00	\$8.95		
<u>The Startup Manual</u> Set Of All 4 books above in 3-ring binder. Save \$10 When all are purchased together	\$129.00	\$10.95		
Audio Taped Seminars With Slides				
<u>Raising Angel Financing (2 CDs + Slides)</u>	\$39.00	\$6.95		
<u>Bootstrapping (2 CDs + Slides)</u>	\$39.00	\$6.95		
<u>The Ultimate Startup Manual</u> All 4 of the above books plus both audiotape programs. This product comes in a three ring binder with over three hours of audio on Raising Angel Financing and Bootstrapping. It is a complete system for starting an early stage company from original idea to first outside financing. It should save or	\$189	\$11.95		

Appendix
Other Available Products to Help Your Business Grow More Rapidly

make you many thousands of dollars.				
(You may deduct \$1.00 for each shipping and handling charge after the first item)				
TOTAL CHARGES:				-

[Click Here To Go To Our Complete online catalog of products for CEOs, entrepreneurs and Senior Executives.](#)

Appendix
Other Available Products to Help Your Business Grow More Rapidly

Entrepreneur and CEO Boot Camp DVD Order Form

Available 8/1/2004

This is the premier training program for entrepreneurs and CEOs in the U.S. today. Almost 12 hours of video documenting a complete CEO and Entrepreneur Boot Camp weekend available by subject, or as a complete set. This is some of the best advice available today on launching and growing businesses from someone who has done it many times. You can replay them and share them with your entire team, which multiplies the power and impact on your company many fold. [See video testimonials by clicking here.](#)

The CEO Boot Camp DVDs The Art and Science of Business Design™	Unit Price	Shipping and Handling (eBooks Free)	Quantity	Total
1. Roadmap to a Successful Vision – Included free with any other DVD ordered. Plus our Risk Management tool and Boot Camp Preview.	\$44.95	\$5.95		
2. Market Research – Marketing Steers The Enterprise	\$89.95	\$5.95		
3. Competitive Positioning (also includes Risk Management and business optimization system)	\$89.95	\$5.95		
4. Entrepreneurial and Intrapreneurial Marketing	\$89.95	\$5.95		
5. Rapid and Efficient Product and Service Development	\$89.95	\$5.95		
6. Managing The Sales Process	\$89.95	\$5.95		
7. Finance, Financing and The Financial Plan	\$89.95	\$5.95		
8. Developing Your Team - The Skill Set Matrix, Management Methods and the Employee Development Ladder	\$89.95	\$5.95		
9. Operations and Customer Service – The Corporate Dashboard	\$89.95	\$5.95		
10. Hiring Sales Winners	\$89.95	\$5.95		

**Appendix
Other Available Products to Help Your Business Grow More Rapidly**

11. Everybody Needs a Branding Strategy	\$89.95	\$5.95		
The complete CEO and Entrepreneur Boot Camp DVD Set Contains All DVDs Listed Above. Over 11 hours of the most valuable video you will ever watch. This package also includes the full 300 page manual with all slides, articles, our proprietary business design tools CD-ROM and plus a Rapid Growth By Design™ system wall poster that pulls it all together after you have listened to the entire set.	\$799.00	FREE		
		TOTAL: _____		

[Click Here or Call For CEO and Entrepreneur 3- Day Boot Camp Seminar Dates and Locations in October, December, January \(7 Day Caribbean Cruise\) and March 2004](#)

**Appendix
Other Available Products to Help Your Business Grow More Rapidly**

Shipping and Billing Information	
Card Type	Circle one: <input type="radio"/> Visa <input type="radio"/> Master Card <input type="radio"/> Discover
Cardholders Name:	<input style="width: 90%;" type="text"/>
Credit Card Number:	<input style="width: 90%;" type="text"/>
Expiration Date:	<input style="width: 40%;" type="text"/> MM/YY
Cardholders Signature:	<input style="width: 90%;" type="text"/>
Ship To:	<input style="width: 90%;" type="text"/>
Street Address, Apt. #	<input style="width: 90%;" type="text"/>
City/State/ Zip Code	<input style="width: 90%;" type="text"/>
Country (if outside US)	<input style="width: 90%;" type="text"/>
Daytime Phone	<input style="width: 60%;" type="text"/>
E-Mail Address	<input style="width: 70%;" type="text"/> (Please print clearly)

FAX To: (801) 672-9640 Or Call (508) 381-1450

Note: All orders outside of the United States: Add five dollars for each video, nine dollars for each physical book, above regular shipping costs.

**Appendix
Other Available Products to Help Your Business Grow More Rapidly**

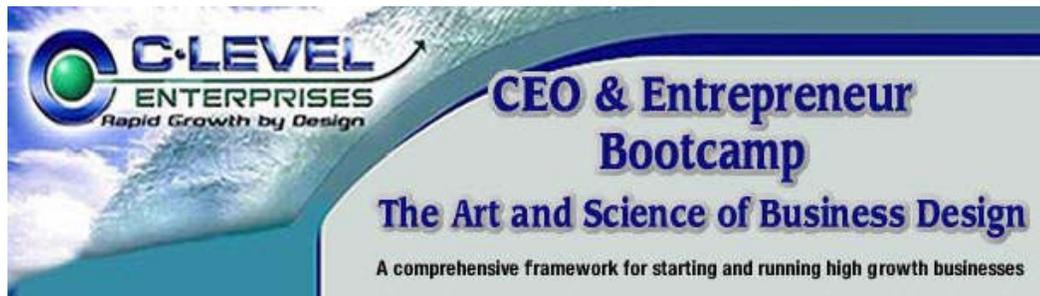
This complete collection of four eBooks is also available as a package at 30% off, with over 300 secrets of a serial entrepreneur and hundreds of pages of valuable "How To" content from someone who has done it before.

**Sign-up for No Charge Mini-course on Raising Angel Financing just by
clicking here to send an email to this address:**

<mailto:bob3-66436@autocontactor.com>

This free mini-course on raising angel financing will help you understand why today angel financing is far more important than institutional venture capital financing and far more accessible.

**The Art and Science of Business Design CEO and Entrepreneur
Boot Camp**



**The Premier CEO and Entrepreneur Boot Camp
in the World Today.**

**Developed and Delivered by a successful serial
entrepreneur and 15 Year CEO who has grow two
businesses from \$0 to over \$100 million in revenue
and generated over \$1 billion in shareholder value.**

**Two Days That Will Change Your Life, Accelerate Your Business,
and Accelerate Your Career**

Appendix
Other Available Products to Help Your Business Grow More Rapidly

*Learn How To Turn Any Enterprise Into A
High-Growth \$100 Million Business*

In this intensive seminar, you will learn how to design and run businesses for high growth and profit from very successful, "been there, done that" experts. It is a complete integrated system for designing and running businesses compiled over 15 years from over 1,000 business books and field-tested. Experts offer you the most important systems, tips and techniques for success that they've learned during their distinguished careers, while also letting you know how to avoid many common business missteps by employing systems using the latest research, techniques and best practices available today.

[Click Here For More Information If You are Online, or read more](#)
below.

Call (508) 381-1450 or email <mailto:Seminars@ClevelEnterprises.com>

What is The CEO and Entrepreneur Boot Camp About?

Join Bob Norton, a serial entrepreneur who has grown two businesses to over \$100 million in sales, for an intense two-day Boot Camp filled with 312 secrets on starting and running companies for fast growth. Learn to greatly improve your strategy, vision, business design, and management skills using a complete system developed over 15 years as a CEO incorporating some of the best ideas from 1,000 business books. You will learn to use 11 proprietary tools that will radically improve any business in any industry.

Nothing ever fully prepares you for stepping into the role of a CEO or Entrepreneur.

The Art and Science of Business Design details how to design, plan and manage each of any enterprise's key disciplines - Sales, Marketing, Finance, Operation and Product Development. As a CEO and Entrepreneur, you need to know how these departments interact and even compete. You need to know how to recruit, hire, motivate and manage the best people in each discipline. You must also know how to get them to work together so that everybody is on the same page.

In "The Art and Science of Business Design" you will learn to:

Appendix
Other Available Products to Help Your Business Grow More Rapidly

1. Design and position a business for more sustainable competitive advantage and higher barriers to entry.
2. Optimize your business model for minimum risk and capital investment.
3. Better define the exact skills you need on your team and learn how to select people and interview for skills you do not have yourself.
4. Raise capital in any market from the best sources without giving the company away.
5. Inject entrepreneurial spirit into ANY organization, large or small, and improve product development productivity by a factor of FIVE times the average or more.
6. Develop a marketing, communications and messaging plan, and a marketing department, that is accountable to a return on investment.
7. Develop and improve your corporate vision to better attract investors, employees and customers.
8. Plan, design and manage a sales department and select strategies, tactics and channels that will work for your business.
9. Hire the best people in every area and understand what personality types work best in each business area to create superior results.
10. Adjust your management style, risk, appetite and executive decisions based on your company's stage of development as it grows from a raw startup to a significant business.
11. Manage employees and develop them into more valuable assets for your company's benefit and theirs.
12. And much, much more than what we can list here.

If you are an entrepreneur intent on growing your business to \$50 million or more in sales, you really can't afford to miss this unique event.

Admission includes:

- A sure-fire business and career-booster that is not available anywhere else. The skills developed in this seminar will allow managers to move up in any organization
- A complete system that will bring high-growth to any business
- More cutting edge, how-to content than you'll find in some 3 to 5 day seminars
- Reference materials you'll use over and over again, including a complete 350+ page manual that includes all the slides, handouts and tools presented in the seminar

Appendix

Other Available Products to Help Your Business Grow More Rapidly

- A BONUS CD-ROM containing the key tools, forms and templates that could save thousands of dollars in expenses. (This is a \$499 value sold separately)
- Each attendee will receive one hour of consulting from our President and Founder, Bob Norton, at our offices in Milford Massachusetts. This is a \$400 value
- An e-book from our "Secrets of a Serial Entrepreneur Series". Four titles all written by Mr. Norton- even more will be available shortly
- Breakfast, lunch and snack break both days
- A 100% money-back guarantee (see web site for details)
- Free parking.