Businesses encouraged to learn from 2009's disasters to be better prepared for risks in 2010

RSM Bird Cameron lists the potential issues that will affect Australian businesses in 2010 and offers tips to combat and survive them

Sydney, 9 November, 2009 – RSM Bird Cameron warns organisations to prepare now for the unexpected in 2010. As 2009 saw company performance affected by natural disasters, the global financial crisis (GFC), rising bad debts and budget deficits, the firm is encouraging businesses to see these as warnings that they need to re-evaluate risk management for 2010. RSM Bird Cameron's director for risk management, Jean-Marc Imbert, shares eight management tips to help businesses survive any potential risks that may turn up in 2010. 1. Beware of fraud Organisational changes have increased the risk of fraud. Executive management focused on executing new strategies has become oblivious to potential fraudulent behaviour, and the number of changes to processes and controls is on the rise due to strategic and structural changes. Imbert says, "To address this risk, businesses must demand much more than fraud risk assessments and controls; they need to recreate a culture of fraud awareness." Businesses should implement an anti-fraud program, perform regular disbursement reviews, and align IT security risk assessment with enterprise relationship management. 2. Scrutinise business relationships Dependencies on the global economy, pressures to reduce carbon emission and lack of available finance will result in more companies experiencing business disruption from customer and supplier insolvency than at any time in the past 20 years. Add to this situation the decrease in lead-time between awareness of a solvency problem and ultimate receivership or liquidation. Boards, audit committees, and executives should continue to assess the process for evaluating their suppliers for vulnerabilities, the viability of business partners and reliability of key partners. 3. Review staff requirements Given the recent signs that the market may be recovering, businesses should evaluate if they have the skilled personnel, IT capabilities and other resources necessary to handle the increase in demand after "right-sizing". The GFC has placed immense pressure on staff to improve performance, which may motivate employees to take high risks or defraud the system. Businesses should evaluate key performance indicators and identify areas that can expose the company to additional risk or fraud. Publicly listed companies are now under intense scrutiny by the media, investors and the general public for supporting policies that reward employees who engage in high-risk behaviour with little to no personal accountability. Imbert advises the development of remuneration committees to evaluate compensation structures, particularly with bonus schemes, to ensure that they are in line with the company's risk appetite and investor expectations. 4. Embrace change The GFC and climate change have indirectly caused many volatile industries to declare bankruptcy. Businesses facing uncertainty should assess their risks and identify opportunities to gain an advantage from their competitors. To reduce risks and stimulate growth, companies may elect to change their structure or offerings. For example, while some automotive manufactures are focusing on decreasing production, other manufacturers have seen an opportunity to increase their market share by manufacturing smaller, more fuel-efficient cars. This is an example of risk mitigation strategy turned risk opportunity. 5. Review shared services model An increasing number of organisations are moving to a shared services model as a way to respond to the urgent need for cost reduction. In addition, shared services providers are operating beyond their traditional scope to take on higher-order activities. Businesses should evaluate their strategy for moving to a shared services model and ascertain whether the changes in process are maintaining stability and integrity of the control structure. 6. Accommodate new tax regimes With increased level of borrowings and budget deficits, governments will have to increase tax revenues from businesses through stricter enforcement of current regulations and the introduction of new taxes. Rapid changes to company strategy may have misaligned with long-term tax plans already in place. Imbert says, "Boards and executives should help evaluate the level of vulnerability to changes in government tax policies and ensure compliance with applicable regulations. They should also ensure that the consideration of tax strategies and risk is embedded in the strategic decision making process." 7. Monitor price fluctuation Companies' resilience to deal with price fluctuation is going to be a major advantage in 2010. Imbert advises businesses assess their capability to monitor triggers of a high price fluctuation, as well as evaluate the preparedness to operate in this environment. 8. Prepare for growth Capacity building was once the "catch cry" but cost cutting initiatives and uncertain future demand is causing concern about companies' ability to deliver when there is an upturn in the economy. Boards and executives should evaluate the company's capability and capacity to grow in areas such as access to skilled personnel, matching capabilities to new demands, and ensuring access to key suppliers. About RSM Bird Cameron RSM Bird Cameron is the largest mid-tier accounting firm in Australia serving the middle market with technical and commercial expertise over the full range of specialist corporate and business advisory services including assurance and advisory, corporate finance, taxation consulting and turnaround and insolvency. 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