

## Risk Management Conversation Starter

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This tool is a guide to start the risk management conversations with your family ownership group and executive team. In either a group planning session or through a survey, gather responses to these questions. Analyze the answers looking for the areas of alignment on responses and the areas where there are divergent viewpoints. Use the results to prompt further discussion

to move toward a consensus viewpoint on your family enterprise risk appetite and to begin the development of your risk management framework.

Not all questions will be relevant to your family enterprise. You may also need to develop additional questions for the risk management circumstances unique to your family and business.

Risk Domain	Questions
<p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>• What is the maximum amount of leverage we will employ as a family enterprise?</li> <li>• What percentage of our total equity are we willing to commit to any one investment or enterprise?</li> <li>• What is happening in our marketplace which will impact our reinvestment rate in order to remain competitive?</li> <li>• How does a continued investment in our legacy business represent our best investment alternative?</li> <li>• Under what scenarios would our dividend rate need to be reduced?</li> </ul>
<p><b>Performance</b></p>	<ul style="list-style-type: none"> <li>• What type of leadership and management capability do we need to manage the risk associated with our planned growth? What is our current capacity in this regard?</li> <li>• To what extent is our next generation leadership development program producing leaders that will assure our continuity as a family enterprise?</li> <li>• Are we willing to commit the capital and talent to manage the risk associated with this new investment?</li> <li>• If we accept this risk, what opportunities are we foregoing in the next 3 years? 5 years?</li> <li>• What checkpoints do we need to ensure we have sufficient family commitment in the long term, and to manage through a significant economic downturn?</li> <li>• What external market factors may impact our ability to generate return on equity consistent with the past?</li> <li>• How might our performance be affected if we make this strategic decision/investment?</li> </ul>

Risk Domain	Questions
<p><b>Reputational</b></p>	<ul style="list-style-type: none"> <li>• Is this business venture consistent with our family enterprise values?</li> <li>• What stakeholders are we dependent on in this venture? How could they impact our reputation?</li> <li>• What cyber security risks do we face? What do we need to do to mitigate these risks?</li> <li>• Does our reputation exceed our capabilities to meet the expectations of the marketplace?</li> <li>• How are changes in cultural norms affecting our reputation in the marketplace?</li> <li>• Under what conditions would we exit from our legacy business? How would this impact our family's reputation?</li> </ul>
<p><b>Relationship</b></p>	<p><u>Nonfamily</u></p> <ul style="list-style-type: none"> <li>• To what extent is our business dependent on external stakeholder(s) in order to be able to create value and compete in the marketplace?</li> <li>• To what extent does our customer concentration expose our company to risk of a sudden downturn in revenue?</li> <li>• To what extent does our supplier concentration expose our company to risk of interruption of our ability to meet our commitments to customers?</li> <li>• Do we have sufficient outside influence within our governance system to ensure accountability for expected behaviors and results?</li> </ul> <p><u>Family</u></p> <ul style="list-style-type: none"> <li>• How are we building relationships and emotional ownership in our family to ensure continuity?</li> <li>• What family participation policies and protocols do we need to effectively manage the family's interaction with the business vice versa?</li> <li>• How are we investing in development of the next generation ownership group?</li> <li>• How do we strengthen our capacity as a family to effectively communicate, resolve conflicts and make decisions together?</li> </ul>
<p><b>Safety</b></p>	<ul style="list-style-type: none"> <li>• What safety risks do we have in our workplace?</li> <li>• How are we addressing these risks?</li> <li>• What safety training do we need in our workplace?</li> <li>• What resources do we require to monitor our safety program and improve it over time?</li> <li>• What recovery measures do we need to adequately handle a major disaster? (i.e., to sustain safe operations, meet customer commitments and recover operating costs)</li> </ul>



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