

Business Risks: Are You Protected?

By Norman M. Goldfarb

Any business is subject to a multitude of risks. Risk management is the process by which organizations prevent or mitigate these risks. Risk management includes good business practices, such as employee training and proper maintenance of facilities. Insurance can protect against losses from many risks. Other risks may be too small or unlikely to be of concern, or impractical to prevent or mitigate. Use the following checklists to identify and prioritize your risks. You can then take appropriate steps to protect your business.

Risk prioritization typically requires categorizing risks as high, medium or low in two dimensions – likelihood and severity. High-likelihood, high-severity risks require immediate attention. Low-likelihood, low-severity risks can probably wait. Prioritizing other combinations, e.g., medium/medium vs. high/low vs. low/high requires a policy and judgment. Once the risks are categorized, apply your risk management time and budget to the combination of preventions and mitigations that produce the greatest risk reduction. Over time, you can methodically reduce your overall risks, although probably not to zero.

Property Exposures

Events such as:

- ☐ Facility and equipment failures due to defects, poor maintenance, or normal wear and tear, that lead to accidents, fires, water leaks, power failures, etc.
- ☐ Natural disasters (earthquakes, floods, windstorms, fires and lightning)
- ☐ Terrorist acts
- ☐ Theft, damage or destruction
- ☐ Computer fraud (internal and external)
- ☐ Computer viruses and other malware
- ☐ New building ordinances or zoning laws, or new enforcement of existing rules

may cause damage, loss of, or loss of use of:

- ☐ Buildings and other facilities
- ☐ Equipment, vehicles, inventory and other property
- ☐ Property in transit or storage
- ☐ Biological samples
- ☐ Clinical study, medical chart, and business records (paper and electronic)
- ☐ Computer data
- ☐ Intellectual property and documentation
- ☐ Cash and securities (on premises or in a financial account)

belonging to your company, employee, customer, supplier or other party.

Liability Exposures

You may incur legal liability due to:

- ☐ Medical malpractice claims by clinical research subjects
- ☐ Professional errors & omissions claims by customers

- ☐ Improper billing (or encouragement thereof) of Medicare, insurance companies, and other third-party payors
- ☐ Accidents during normal business operations or use of your premises, e.g., "slip and fall"
- ☐ Operation of motor vehicles by employees
- ☐ Product liability (injuries or other damage caused by the use of your products)
- ☐ Product recall
- ☐ Pollution
- ☐ Negligence, e.g., failure to adequately supervise a supplier
- ☐ Damage to property of others in your care
- ☐ Libel, slander, defamation of character, invasion of privacy, etc.
- ☐ Unauthorized use of a third-party's name or intellectual property (patent, copyright, trademark or trade secret)
- ☐ Violation of government laws and regulations
- ☐ Mismanagement, actual or perceived (e.g., from shareholder claims)
- ☐ Legal fees and other costs to defend against claims, legitimate or not

Human Resource Exposures

You may incur losses due to:

- ☐ Employee injury, disability or death
- ☐ Discrimination, sexual harassment, wrongful termination, etc.
- ☐ Harm to employees on company business
- ☐ Negligence in administering an employee benefit plan
- ☐ Damages caused by use of alcohol or drugs on your premises or at company events by an employee (or other person)
- ☐ Workplace violence
- ☐ Work stoppage by employees

International Exposures

Outside your home country, these risks require special attention:

- ☐ Government seizures and other acts
- ☐ Criminal acts against personnel (e.g., kidnapping)
- ☐ Unfamiliar laws, regulations and enforcement practices
- ☐ Both countries' anti-bribery and anti-corruption laws
- ☐ Currency exchange-rate fluctuations
- ☐ Insurance exclusions

Other Exposures

The risks listed above and other risks such as:

- ☐ Interruption of website operations
- ☐ Termination of lease
- ☐ Non-performance (e.g., due to work stoppage) by a supplier, subcontractor, shipper or customer

- ❑ Unauthorized use of your patent, copyright, trademark or trade secret
- ❑ Fluctuations in commodity prices, supplier pricing, and interest rates

may damage your reputation, cause interruption of your business, loss of customers, and other serious ramifications.

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