

# **ERM Tool**

## **Evaluating Risks Linked to Assumptions**

### **BRIEF DESCRIPTION OF TOOL**

Every organization must make assumptions about the future given business leaders do not have a crystal ball to see into the future. Most (if not all) business strategies are based on some assumptions about the entity's ability to be successful.

While assumptions are a normal part of business, it is important to recognize what assumptions are being made and to evaluate the impact to the business if the assumptions are wrong or change over time. Ignoring risks related to assumptions may be catastrophic.

### **HOW TO USE**

This template can be used to guide business leaders in their consideration of risks related to assumptions. In the first column of the template, business leaders identify the five biggest assumptions the organization is having to make about its future. Each of the columns in the template include questions for business leaders to consider for each of these assumptions.

## Evaluating Risks Linked to Assumptions

This template helps prompt business leaders to think about how changing assumptions may create risks for the organization.

As you think about our business model and strategic plan what big assumptions are we making?	What is the basis for our assumption? What data or other information supports the assumption?	How reliable is our assumption?	How are we monitoring conditions that might trigger changes in our assumptions?	What risks might our business face if our assumption is “somewhat wrong”?	What risks might our business face if reality is 180 degrees opposite of our assumption?	What actions, if any, should we take to address these risks?
<p><b>1. <u>Example:</u></b></p> <p><i>Our business may be assuming that our customer service is high quality and better than our peers.</i></p>	<p><i>Anecdotal feedback we receive from customers is generally positive.</i></p>	<p><i>Somewhat reliable. We think we are better than peers, but do not have data to confirm that.</i></p>	<p><i>We periodically conduct customer surveys and we have informal conversations with our customer service reps.</i></p>	<p><i>Our competitors might take some of the market share from us.</i></p>	<p><i>Sales may significantly drop and we may face significant challenges in regaining lost customers.</i></p>	<p><i>We need to gather more detailed information about customer feedback and we need to develop a game-plan to enhance our customer service approaches.</i></p>
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