STRATEGIC RISK MANAGEMENT PLAN

U.S. AIR

- Create CRO
  - Determine responsibilities
    - In charge of entire ERM
    - Set implementation goals
    - Help managers establish control
    - Interact w/ CEO, communicate risks
    - Help set "tone at the top"

- Determine risk appetite and align business strategy with this:
  - Determine major strategic risks
  - Assign risk responsibilities to mgmt.
  - Integrate risk roles throughout the organization

- Look at what successful competitors are doing to manage risk.

- Align company culture to risk appetite.
  - Develop training programs for risk mgmt
  - Empower managers with defined risk boundaries
  - Include Risk Mgt in job descriptions

- Measure and evaluate ERM effectiveness
  - Feedback
  - Periodic measurement and review
1) Identify Strategic Objectives
2) Prioritize Objectives
3) Identify 2-3 Strategic Risks associated with each Objective
4) Categorize risks discovered into groups with hope of using one control
5) What is your risk appetite?
   - Are you risk adverse?
   - Are you a risk taker?
6) Communicate risk appetite to shareholders and make sure they agree
7) Assess Probability & Magnitude of each risk prior to any controls in place
8) Based on Risk Appetite decide whether you want to mitigate, accept, reject, or transfer each risk
9) Come up with processes or controls (to risks you want to transfer or mitigate)
   a) If you chose to reduce what type of resources & $ do you need to allocate?
   b) If you chose to transfer seek alliance partners
   c) If you accept, continue to monitor to be sure project stays aligned with risk appetite
   d) If you reject, also monitor to make sure it doesn't become advantageous
10) Appoint a Chief Risk Officer to oversee this process
US Airway

1. Determine Strategic Objectives

2. Determine Risks Associated with Objectives
   - time needed to turn profit
   - supplier refusal
   - loss of customers
   - employee problems

3. Centralize Risks
   - assess probability and magnitude
   of above risks
   - have board rank and categorize
   risks into: AVOID, MITIGATE, TRANSFER and ACCEPT

4. Execution
   - bring in industry experts
   - terminate employees who do not
   believe in the plan; promote
   those who do
   - executive concessions to align
   with pilot concessions
   - determine how to mitigate/transfer risk
   - developing/monitoring progress

committee?
internet updates?
5. Execute controls
   - set boundaries (termination)
   - give feedback to employees
   - take feedback from regional mgt.
   - set up permanent group to lead any future changes/problems

6. wait...
   - this plan will take time to improve status
   - changes are inevitable
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1. Set strategic objectives
2. Identify risks associated w/ above objectives
3. Prioritize these risks (categorize)
4. Establish Risk appetite/Appoint CRO
   - Align corporate w/ stakeholders
5. Quantify the risks (probability & magnitude)
   - compare w/ risk appetite.
6. Decide whether to Accept, avoid, transfer, mitigate risks.
   - set controls
   - allocate people & resources (hand over the keys!)
7. Establish Risk culture companywide.
   - Top down approach (create ownership)
   - est. success measures.
8. Execute & analyze plan
9. Monitor plan - Provide feedback
   - Refine plan.
10. Celebrate!
STRATEGIC RISK MANAGEMENT PLAN

Fire U.S. Air

* upper management; new leadership

objectives:

to lead out of bankruptcy

1. Emerge from bankruptcy and become profitable

   - lower costs
   - simplified fares
   - expanded service

Off-site meeting:

- Identify, prioritize risks
- Identify how risks are being addressed currently vs. what changes should be made
- Assign responsibility for all of the risks

After bankruptcy meeting:

- Monitor implementation of new plan
- Refine plan as necessary
Plans:

1. Change name to remove negative connotations

2. Hire new upper management:
   - CEO
   - CFO
   - CTO

3. Hedge fuel prices

4. Discuss union vs. non-union issues; negotiate lower wages

5. Cut or charge for food/drinks in-flight
I. Assess
   A. Evaluate strategies and risks
   B. Define Risk Appetite
   C. Rank & Categorize risks

II. Shape
   A. Assign accountability & authority (CRO)
   B. Improve risk management & confidence thru training
   C. Consider strategic risks when making decisions
   D. Consider options for managing risk
   E. Establish a common risk culture

III. Optimize
   A. Report to CEO/Board on progress & problems of risk management system
   B. Replace outdated systems
   C. Use portfolio management concepts
   D. Identify key assets & their related exposures
   E. Integrate ERM with other business processes

IV. Anticipate
   A. Identify & implement monitoring processes & methods of feedback
   B. Establish a feedback loop
   C. Develop a knowledge sharing system