

Riordan enterprise risk management plan

[Business](#), [Risk Management](#)



Riordan Manufacturing is a Fortune 1000 company that specializes in the plastic injection molding industry. They are an international company with facilities in California, Georgia, Michigan, and China. Their products include beverage containers, plastic fan parts, and custom plastic parts. Riordan prides themselves on their industry leading research and development (University of Phoenix, 2009). The following Enterprise Risk Management (ERM) plan was developed for Riordan Industries, Inc. and its subsidiaries.

The goal of this plan is to help mitigate any legal liability on the part of Riordan by implementing the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (Jennings, 2006). Alternative Dispute Resolution Alternative Dispute Resolution is a way of resolving differences outside of the courtroom. This includes anything from informal negotiations, to formal written arbitration (Jennings, 2006). Currently, Riordan keeps an attorney on retainer but does not have a dispute resolution in process, thus if a conflict were to escalate, they would not have a resolution plan in process.

It is in Riordan's best interest to have a mediation process in place to help settle disputes. The reasoning is mediation is cheaper than other dispute resolution methods, especially litigation, and it protects the confidentiality of the parties involved (Peters and Mastin, 2007). Riordan's internal legal council will work directly with the law firm on retainer to develop a mediation process with varying levels of triggers based on levels of risk. In doing so, Riordan should set up a process for which their internal legal department can handle the brunt of the load to further reduce costs.

Enterprise Liability Enterprise Liability suggests that those who profit from a risk should also bear the cost of accidents that arise from that risk (Keating, 2001). With manufacturing plants in several locations, including internationally, there is significant risk of an accident, of which Riordan would be liable for. Riordan provides employees with basic training and an employee manual outlining relevant laws (University of Phoenix, 2009). However, there currently is not a monitoring system or a proactive detection system in place to detect any transgressions.

In the employee manual, Riordan outlines a rigorous discipline system. However, when looking through employee records, there is no record of any discipline associated with employees who violated the attendance policy (University of Phoenix, 2009). This leads to speculation that Riordan does not follow any of their discipline policies. If these records were obtained in a legal dispute it would leave Riordan extremely vulnerable. Employee records should be centralized and controlled area where they can be properly maintained. Product Liability

Product Liability is defined as, “ Legalresponsibilityof the manufacturers, wholesalers, retailers to the buyers or users of the damages or injuries caused by the use of defective products” (Legal-Explanations. com, n. d.). With several manufacturing locations, Riordan focuses on quality and the elimination of defects in its manufacturing process by applying ISO 9000, and the Six Sigma standards for production, shipping, and quality control (University of Phoenix, 2009). However, they have no company-wide standards in place for dealing with quality control.

For example, the Pontiac site has internal memos discussing quality control issues, yet no one took accountability to take action. Riordan will assume a significant amount of risk if it is discovered that they were aware of the quality control issues, yet took no action. Riordan should immediately implement a whistle-blower policy to encourage employees to report any compliance or quality control issues. In addition, Riordan should set up a team of individuals to work with an independent third party to handle these reports. International Law

Riordan's China location is a joint venture with their Chinese partners handling everything from labor, capital, regulations, and hazardous waste cleanup. The officers and directors of Riordan have no real authority over their Chinese partners, nor do they have any legal counsel there for support (University of Phoenix, 2009). Riordan should extend their internal legal department to include staff with expertise in Chinese regulatory compliance. Tangible Property Tangible Property is defined as the type of property we can see and touch (Jennings, 2006). At each of Riordan's locations, they maintain a variety of tangible property, such as: general office equipment, transportation equipment, and information technology equipment. Riordan must develop a better system to track the purchase, and use of this equipment, including management of leases, maintenance, and general accounting guidelines. Riordan also maintains a supply of raw materials at each location. However, there is not currently a process in place of investigating any missing material (University of Phoenix, 2009). It is recommended that Riordan develop a process for documenting the full

inventory process from delivery to use in order to assist any investigation into missing materials.

In addition, Riordan needs to develop a much more robust security and emergency plan to protect these assets from theft or other damages.

Intellectual Property Intellectual Property or Intangible property is defined as bundles of rights with respect to goodwill, trade names, copyrights, patents, trade dress, trade secrets (Jennings, 2006). Riordan maintains various trademarks, patents, copyrights, software, and trade secrets. The protection of these assets is imperative to their future.

Riordan needs to develop a system to identify their existing intellectual property and how to protect that property, such as: restricted areas to store data, encryption, and conduct background checks on employees – especially those with access to sensitive materials, and the use of non-disclosure agreements. In addition, copyrights, patents and trademarks must be registered and maintained (Jennings, 2006). Legal Forms of Business Riordan is a corporation with, “ unlimited duration, free transferability of interest, limited liability for shareholders/owners, continuity, and centralized management,” (Jennings, 2006).

This eliminates personal liability from officers, directors, and shareholders with the exception of negligence (Jennings, 2006). However, they are expected to act in the best interest of the company. This includes following all applicable tax laws and regulations. Riordan must address the varying finance and accounting systems that each location currently uses. The existing process is slow and because of the manual data entry increases the

chance of error. Riordan should implement one accounting system for the entire company to use.

While expensive upfront, this system will cut down on the amount of manual work that is needed and over time will significantly reduce cost. In addition, Riordan is a publicly traded company, which means it must comply with the Sarbanes-Oxley Act (SOX) of 2002 (Jennings, 2006). With Riordan's current finance and accounting systems, this would be extremely difficult.

Governance Corporate governance is defined as a way in which a company protects itself with a framework of rules and practices by which the Board of Directors ensure accountability, fairness, and transparency (BusinessDictionary. com, n. d.).

Riordan needs to elect a Board of Directors to oversee the management of the company; in addition they will provide guidance for the senior management and any external auditors. As Riordan implements the ERM framework, the board should be consulted to make updates for the amount of risk they want to assume and adjust policy as they see fit. ? References BusinessDictionary. com. (n. d.). BusinessDictionary. com. Retrieved from <http://www.businessdictionary.com/definition/corporate-governance.html> Jennings, M. M. (n. d.). Business: It's Legal, Ethical, and GlobalEnvironment(7th ed.). Keating, G. C. (2001).

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