

BP spill highlights importance of active risk management

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Despite encouraging news regarding the capping of the damaged oil well and the progress made in cleaning up the Gulf of Mexico, BP continues to face mounting fines, reparations payments and negative publicity. While such "tail events" are by nature hard to predict, the oil spill serves as yet another reminder of the importance of risk management for any organization.

The incident has highlighted several key risk areas that companies need to consider. These risks extend from basic operational and business process risks, to catastrophe and reputational risks. While hard to quantify, reputational risk is an increasing concern for businesses and as incidents such as the spill indicate, the costs involved can be enormous.

David Zach of Methodware North America believes the event will prompt many businesses to reassess their risk approach, *"I'd expect that organizations across all industries will be looking again at their processes. Are the risks and controls up to date and effectively owned, is risk management integrated within the business and are the processes audited regularly? For many US companies, maybe it's time to make this a corporate focus."*

Restoring reputational risk can be an expensive and difficult proposition after a significant event like the oil spill - more incentive to address risk mitigation and prevention. As part of its response, BP has made a full commitment to claims and cleanup costs.

For the latest on the cleanup effort, click [here](#).