

ERM Tool

Using Strategic Risk Analysis to Identify Potential Risks to Strategic Initiatives

BRIEF DESCRIPTION OF TOOL

This template can be used to help business leaders identify potential risks that might impact the success of an important existing core business driver or new strategic initiative. An example of a core business driver may be that the entity is known for providing top-notch customer service and would like to protect and enhance that competitive advantage. An example of a new strategic initiative may be that the entity is hoping to expand its online offerings beyond what it provides today. This tool could be used to help business leaders analyze the risk to either one of these important aspects of their business.

HOW TO USE

Understand the Core Business Driver or Strategic Initiative: The template first prompts (see Sections A-C) business leaders to understand the core elements of the core business driver or new strategic initiative. In Section A within the top half of the template, business leaders are prompted to think about “what must go right” for this core business driver to continue being successful or “what must go right” for the new strategic initiative to work effectively. Then, Section B of the tool prompts business leaders to identify what assumptions they are making about the entity’s ability to be successful with that core business driver or new strategic initiative. Every business has to make assumptions about the future given no one has a crystal ball to see into the future. It is important to understand what assumptions the entity is making about the future. Finally, Section C of the template prompts business leaders to consider how the success of a particular core business driver or new strategic initiative might impact other aspects of the organization.

Identify Risks that Threaten the Core Business Driver or Strategic Initiative: The bottom half of the template (see Sections D-F) is where business leaders will begin to identify potential risks. Section D of the template prompts business unit leaders to think about what risks might emerge that impact what must go right for success to continue. For example, perhaps business leaders note that employees must have deep knowledge of the entity’s core products and services in order to provide high-quality customer service. A potential risk might be that high turnover of knowledgeable employees may occur making it difficult to provide high quality customer service. Section E in the template prompts business leaders to consider factors that might impact key assumptions. Users of the template might identify risks to the entity due to changing or inaccurate assumptions. Those risks would be summarized in Section E. Finally, Section F of the template prompts business leaders to consider how success with the core business driver or strategic initiative might actually create other risks for the entity.

Part I: Strategic Risk Analysis Template

Identifying Potential Risks to Important Strategy

START WITH UNDERSTANDING STRATEGY

KEY VALUE DRIVER	<u>SECTION A:</u> <u>KEYS TO SUCCESS OF DRIVER</u>	<u>SECTION B:</u> <u>BIG ASSUMPTIONS</u>	<u>SECTION C:</u> <u>IMPACT OF EXTREME SUCCESS?</u>
	What must go right for value driver to be successful? (Key people, processes, technologies, etc.)	What are the big assumptions being made?	How affect other parts of our business?
<p><i>Example:</i></p> <p><i>The organization is well-known for its excellent customer service and would like to preserve and enhance that competitive advantage.</i></p>	<p><i>In this section, brainstorm about what must continue going right for the entity to be able to maintain its ability to provide excellent customer service.</i></p> <p><i>Consider the following:</i></p> <ol style="list-style-type: none"> <i>1. Who are the key people involved (internal, external, third party, etc.) who need to be involved in order for us to provide high quality service? What do they need to do well?</i> <i>1. What key systems and technologies must function effectively? What must occur for that functionality to be at the desired levels?</i> <i>2. What other processes are critical to the entity's ability to provide high quality customer service?</i> <i>3. What else must go right?</i> 	<p><i>In this section, brainstorm about what big assumptions the entity is making about its ability to continue providing high quality customer service.</i></p> <p><i>Consider the following:</i></p> <ol style="list-style-type: none"> <i>1. What big assumptions are we having to make about our ability to sustain excellent customer service into the future?</i> <i>2. What is the basis for those assumptions?</i> <i>3. What data are we using to make that assumption?</i> <i>4. What might cause the assumption to change or be flawed from the start?</i> 	<p><i>In this section, brainstorm about what the impact would be if the entity is wildly successful in providing excellent customer service.</i></p> <p><i>Consider the following:</i></p> <ol style="list-style-type: none"> <i>1. What would be the impact on the organization if excellent customer service became even more widely valued by our customer base?</i> <i>2. What would be the impact if the organization could not meet the demand?</i>

Part II: Strategic Risk Analysis Template

Identifying Potential Risks to Important Strategy

APPLYING STRATEGIC LENS TO PINPOINT POTENTIAL RISKS

	<u>SECTION D:</u> <u>RISKS TO KEYS TO SUCCESS</u> <u>OF DRIVER</u>	<u>SECTION E:</u> <u>RISKS TRIGGERED BY</u> <u>ASSUMPTIONS</u>	<u>SECTION F:</u> <u>RISKS OF EXTREME SUCCESS?</u>
	What challenges might emerge to prevent “keys to success”?	What change assumption in future?	What aspects of business impacted by success?
<p>Example:</p> <p>The organization is well-known for its excellent customer service and would like to preserve and enhance that competitive advantage.</p>	<p><i>In this section, think about what might emerge and impact the items noted above in this column about “what must go right.”</i></p> <p><i>For example, what might emerge that might impact some of the key people who need to be involved in order to provide excellent customer service. That is, what “risks” might emerge that threaten what must go right?.</i></p>	<p><i>In this section, think about what might emerge that could change some of the underlying assumptions.</i></p> <p><i>Also, think about what the impact would be on the organization if the assumptions later proved to be incorrect?</i></p>	<p><i>In this section, think about how the success at providing excellent customer service may create risks in other parts of the business?</i></p> <p><i>For example, there may be so much demand for customer service that the entity is unable to meet the demand - leading to long-wait times for customers or overwhelming demand for product or service delivery that create backlogs or out-of-stock situations.</i></p> <p><i>This is a “risk-of” the strategy.</i></p>