

Are you a risk-taker? Manage risk for success!

Every initiative involves a risk.

Consciously or not, any business initiative requires managing risk to be successful.

We must always ask ourselves:

What risk do I **want** to take?

What risk **can** I take?

In general, the risk we WANT to take should be lower than the risk we CAN take.

And always, always, we must assess whether this risk we want to take is lower than the **Opportunity** we are pursuing: we must have a holistic view of the final outcome.

How many companies have gone bankrupt for being too laid back and taking too many risks unconsciously, or for being scared and not gambling enough! Being scared is also a risk!

Therefore, organizations that explicitly consider risk show a higher level of management and are more likely to succeed.

The four pillars of any initiative, which generate opportunities and risks, are:

Investment in assets, innovation, branding, quality, talent, training ...: if we do not invest enough, we will not achieve our objectives, whereas if we invest too much, we will be throwing away the money.

Talent Management from the employer and executives to external operators and services: if there is no talent in the company, the decisions will not be appropriate.

Defining Strategy and Objectives, defining where we are going and what goals we are setting needs to include what risks we want to avoid and what risks to mitigate.

Process Design, how we do things in the organization, what priorities we have, how we reflect the values of the company in the day-to-day operations. It needs to include dynamic risk management.

These four pillars:

- operate in a specific context of time and space, currently very **Volatile, Uncertain, Complex and Ambiguous (VUCA)**, which offers potential opportunities and generates threats at the same time
- they allow us **to mitigate** (never completely eliminate!) risks to be able to materialize the opportunities and be successful.

What do we need to know about Business Risk Management without obsessing over it?

1- Risk management can only be done with purpose if there is an **alignment** of Mission, Vision, Values, Strategy and Objectives.

2- Awareness of risk management begins "**at the top**" of the company: with the Board, with the Owner, with the Management Team.

3- Good risk management increases the likelihood of making the chosen strategy possible and of **being successful**.

4- Different strategies involve different levels of risk: it is necessary to **assess various strategies** and choose the one that gives us a risk profile that we can adopt.

5- **ALL the employees** of the company generate and manage risks in their day to day. This awareness must be integrated so that their decisions are appropriate, aligned with the values and culture of the entity.

6- A goal is a chosen level of performance: it involves a **level of risk** inherent, accepted or even desired ("Risk Appetite")

7- The purpose of risk management is **to mitigate its impact and reduce the likelihood** of it happening.

8- The risk can come from two contexts:

a. **External context:** the competition, geopolitical, economic and regulatory changes, fire, health crises, climate change, cyberattack ...

b. **Internal context:** non-aligned executive team, lack of talent, delay in investments, technological obsolescence, non-optimized costs, expiry of patents and exclusivities, poor forecasts, fragile supply chains, inadequate strategy, inefficient processes ...

What good is having a mindset that strategically considers risks?

a- **Anticipate** them to reduce their negative impacts and surprises.

b- Open our minds to **enrich the strategy** and open ourselves to more opportunities.

c- Identify the risks with a **broader vision** for better management.

d- Better **allocation of resources**, aimed at pursuing real opportunities and mitigating prioritized risks.

e- **Focused response** to deviations in performance.

f- More **agile** decision-making.

What is needed to encourage risk management in the organization?

- i. **Culture:** transparent and aware of the facts that lead to generating value, including the desired level of risk.
- ii. **Abilities:** Talent in the organization allows us to understand the internal and external context and to take consistent decisions.
- iii. **Practices:** risk is considered explicitly on a day-to-day basis and is monitored regularly, dynamically identifying new threats that arise.

Therefore, we are faced with a process with several components that feed on each other (Fig. 1).

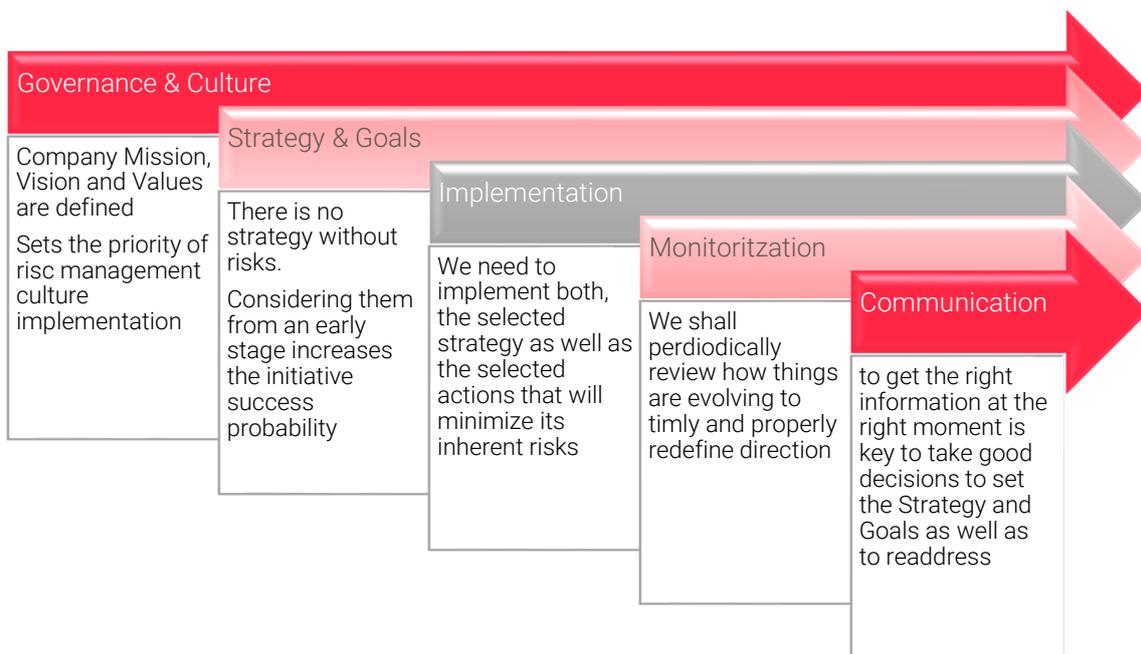


Fig 1: Components of the Risk Management process

How can we prioritize the identified risks?

We cannot act on all the identified risks and therefore they must be prioritized according to their **Severity** (assessed according to Probability and Impact if they occur) together with the criteria of:

Adaptability, how the organization would be able to adapt and respond.

Complexity considers the scope, nature and interconnections of risk in its management.

Speed, time required for it to impact significantly.

Persistence, expected duration of the effect.

Recovery, the ability of the organization to return to an acceptable level of performance.

Conclusions: The field of Business Risk Management can become overly complex, with a specific Board Committee and company division. But if there is no company culture that encourages opportunities and avoids problems at all levels, it will be of truly little use (and very high cost).

In today's changing and uncertain environment, **integrating risk mindset** into the day-to-day decision-making and management practices of **each employee** generates a great **competitive advantage**. It is therefore necessary to permeate its culture, so that decision-making, at all levels, is appropriate and adds value. It applies to any decision, from the most strategic to those taken day to day. And that is why it is a cultural element and arises from the government of the entity.

Depending on the business model and its values, a company may be more prone to risk or be averse to it. Or be very prudent in some areas and very aggressive in others. This approach is totally right and must be a decision made with a holistic vision, to seize opportunities and avoid failure.

Ultimately, it is about creating value, making opportunity to outweigh risk.

How do I incorporate the awareness of risk management and value creation into my day-to-day executive life?

When thinking about a relevant action that I want to undertake or decision to execute, I do not design only one but several alternatives and then I assess what impact they might have on the elements I consider key:

- when I anticipate a positive impact, an opportunity will open up,
- when I anticipate a negative impact, I will be generating a risk.

And with this more global view of alternatives, I end up deciding what I want to do. All I need is a sheet of paper, a pen and most of all to know what I want to achieve and what I want to avoid. When feasible, I involve the team in the process to encourage an open-minded holistic mindset.

Implications: Generating value involves taking a risk. If we want the initiative not to be drowned out by the risk, we need to define the **Strategy** based on a well-founded analysis of the opportunities we are pursuing and their inherent risks. This strategic analysis can only be carried out by a **High-Performance Executive Team**, which is aligned, knows how to make decisions with a holistic vision and permeates the **entire organization** of a culture that always seeks to add value and **multiply results**.

If you want to multiply results by working holistically on the Strategy with the skills of the Executive Team, contact me at

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If I see that I can't help you, I will give you strategic advice on what I think would be best for your organization.

Article based on COSO - Enterprise Risk Management, in which Cinta Lacasa is certified, and in its experience as an executive and a consultant.