



Strategic Risk Management Framework

Risk Management and Strategic Planning

Strategic management is the continuing process of aligning the internal capabilities of the organisation with the external demands of its environment. It involves the formulation and implementation of strategies to achieve the organisations goals and objectives. It is an iterative process, in which management of change, monitoring and review are important parts.

A strategic plan is a comprehensive master plan that states how the organisation is going to achieve its mission and objectives. Anything that has a bearing on that is strategic. Strategic management is the set of managerial decisions and actions that determines the long run performance of the organisation.

Strategic risk management is the identification and management of risks likely to have a material impact on the organisations ability to achieve its mission and objectives.

The risks identified and evaluated as a part of the strategic planning process will be risks that affect the entire agency and its ability to achieve its mission. This is the point at which the agency will identify risks which will prevent the agency from exploiting its opportunities and strengths, expose its weaknesses and fail to address threats to the agency.

Strategic Risk Management

There are two elements to the management of risks at a strategic level and these are:

1. The identification/evaluation/management of risks in the strategic decision making process.

Risks are identified at each state of the planning process, for example:

- Examination and evaluation of current mission, objectives, etc.
- External environmental analysis
- Internal environmental analysis
- Development and evaluation of alternative strategies
- Selection of strategies

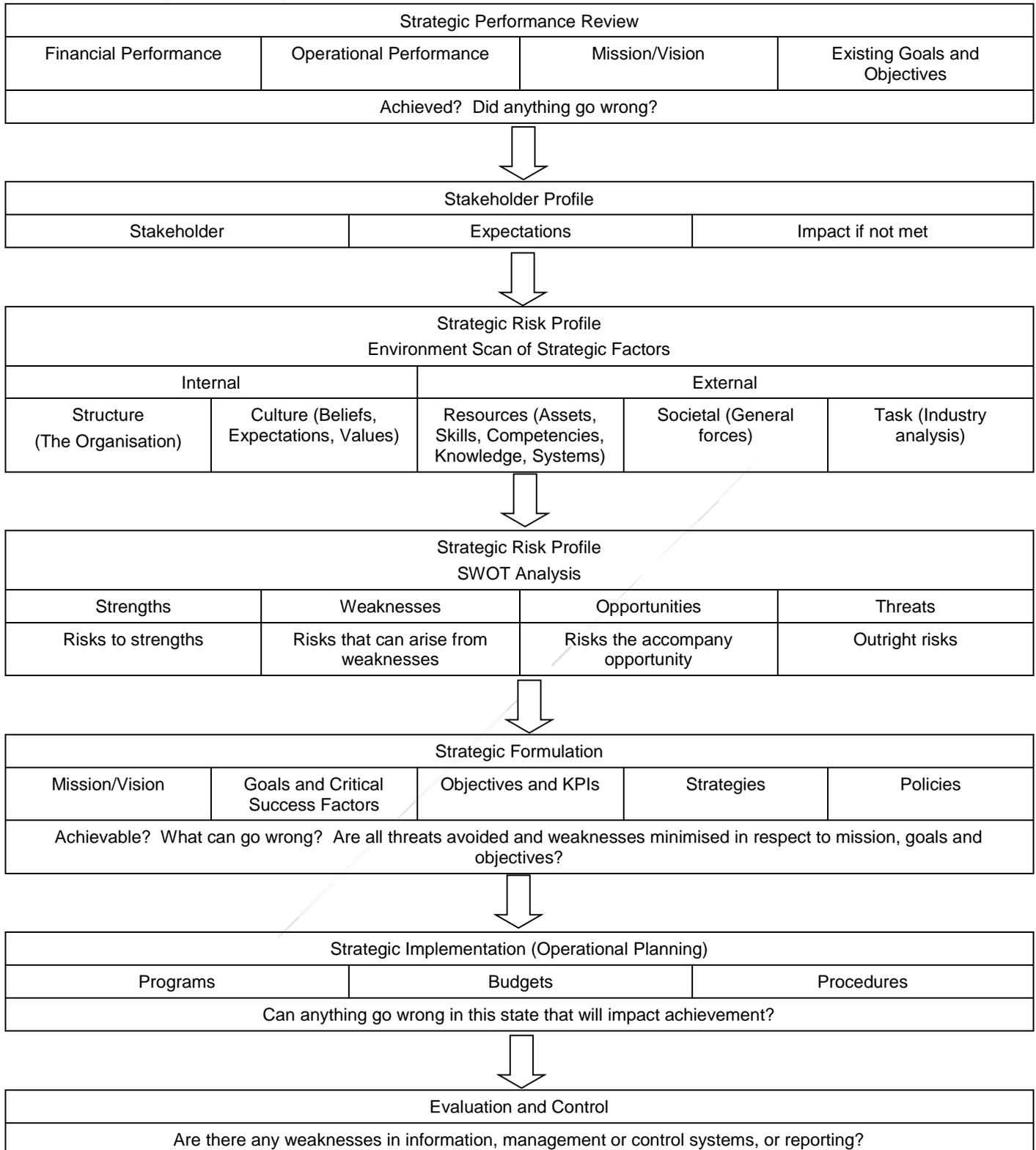
2. The identification/evaluation/management of risks associated with particular strategies (current) and their implementation.

As our businesses are going concerns, there are strategic plans in various states of implementation. Therefore, the particular approach for your agency must reflect the current situation.

The following flow diagram shows how risk identification becomes an integral part of the strategic planning process.



Example Strategic Planning Process





1. Strategic performance review

Strategic Performance Review			
Financial Performance	Operational Performance	Mission/Vision	Existing Goals and Objectives
Achieved? Did anything go wrong?			

Review how the organisation has performed against previous goals/objectives:

- a. Were they achieved?
- b. Did something prevent you from achieving your goals/objectives?
- c. Were all performance targets met?

This review will highlight anything that should be taken into account for future planning.

2. Stakeholder Profile

Stakeholder Profile		
Stakeholder	Expectations	Impact if not met

Identify who the organisations' stakeholders are and their expectations. In addition, it is important to consider what the consequences will be if their expectations are not met.

This should sharpen the focus and ensure that the strategies you are adopting will meet the needs and expectations of the stakeholders.

3. Environmental Scan

Strategic Risk Profile Environment Scan of Strategic Factors				
Internal		External		
Structure (The Organisation)	Culture (Beliefs, Expectations, Values)	Resources (Assets, Skills, Competencies, Knowledge, Systems)	Societal (General forces)	Task (Industry analysis)

Environmental scanning identifies factors which influence what the organisation will do and how it will do it. It covers both the internal and external environmental factors. From the environmental scan the organisation can assess where its sits in relation to industry, society's expectations, and how it is situated to appropriate respond to market trends or demands.



4. SWOT

Strategic Risk Profile SWOT Analysis			
Strengths	Weaknesses	Opportunities	Threats
Risks to strengths	Risks that can arise from weaknesses	Risks the accompany opportunity	Outright risks

A SWOT analysis is used to identify strengths, weaknesses, opportunities and threats. These risks are then evaluated in terms of impact upon achievement of objectives.

5. Strategy Formulation

Strategic Formulation				
Mission/Vision	Goals and Critical Success Factors	Objectives and KPIs	Strategies	Policies
Achievable? What can go wrong? Are all threats avoided and weaknesses minimised in respect to mission, goals and objectives?				

In this stage, strategies are identified to achieve goals and objectives whilst being focused on the organisations mission/vision. An assessment of the risks and opportunities associated with each proposed strategy and the potential for impact upon the achievement of objectives, should be an integral part of this step.

This is the creative stage of developing strategies that will deliver the organisation's goals and objectives, mission and vision without exposing it to unacceptable risk.

6. Strategy Implementation

Strategic Implementation (Operational Planning)		
Programs	Budgets	Procedures
Can anything go wrong in this state that will impact achievement?		

Once the strategies are decided upon, the process of implementing them carries a new set of risks. Each of these risks need to be identified and appropriate risk minimisation strategies built into the implementation plan.

7. Evaluation and Control

Evaluation and Control
Are there any weaknesses in information, management or control systems, or reporting?

There needs to be system reviews which ensure that the process is implemented efficiently and effectively and progress needs to be reported. Mechanisms need to be put in place to monitor the implementation of the strategic plan and identify any new risks arise. The annual strategic review process needs to be programmed so as there is an opportunity for a formal review.