

8 Surefire Ways to Improve Your Risk Management Program

Operational disruptions, system downtime, fraud, fines for noncompliance, market changes, and technology shifts are just a few of the risks organizations are battling today. Any organization still managing risk with old-school silos and walled-off data is at a huge disadvantage compared with more forward-thinking competitors. You need a comprehensive, proactive approach to risk management to stay ahead in constantly changing conditions.

At risk-mature organizations, risk management is part of every decision. These companies know what risks to avoid and what risks are strategic opportunities. They have the processes, tools, and insight to make decisions confidently and adapt quickly.

No matter what your starting point, you can improve your risk management program to make more informed decisions. Here are eight ways to get started.



- 1. Formalize your risk management process.** Following a standardized process for assessing, managing, and monitoring risk can help you prepare for countless threats of varying scope and severity. Simply going through the process raises awareness of risk, educates employees across the organization about risk, and ensures no risks are accidentally overlooked.
- 2. Identify your risks.** Brainstorming sessions, risk surveys, and interviews with experts are all valuable techniques for identifying risks. It's also important to categorize threats as internal or external to ensure you have the proper risk mitigation measures in place. Internal threats like fraud can be just as devastating to the business as threats coming from outside the organization.
- 3. Assess your risks.** Risk assessments are the bedrock of an effective risk management program. They determine the potential impact risks may have on people, property, and operations. Traditional methods for assessing risk heavily rely on emails to request, collect, and verify information from risk owners and other stakeholders. And it takes time to validate, reformat, and consolidate freeform data – especially if you must repeatedly follow up on missing or questionable input.

Automation streamlines assessments and eliminates duplicate tasks, which speeds up the process and significantly reduces errors and inconsistencies. Customized questionnaires with prefilled fields and drop-down menus make it easy for the frontline to submit data, photos, documents, etc. Reminders are automatically sent to those who forget to respond. And any data submitted outside established parameters gets flagged for further investigation.

- 4. Measure the likelihood of occurrence and impact.** What are the odds that this risk will happen – and how bad might the impact be? What is considered high risk by one team might be considered low risk by another because of subjective opinions and unconscious bias. Establishing a standardized way to identify, assess, and categorize risk will ensure risks are prioritized in line with overall business strategy and resources allocated appropriately.

Heat maps can help you identify high-priority risks at a glance. They are color-coded grids that illustrate the probability and severity of risks by quadrant. The right upper quadrant, for example, typically shows high severity/likelihood risks that could cause the greatest damage. Heat maps also can often be filtered by category, department, location, or functions to further refine your analysis.

The Importance of Accurate Risk Data

The future of the business can depend on knowing which risks to take and which to avoid – and data is the driver of those decisions. With so much at stake, having accurate, complete, and consistent data is essential.

Know what data you are collecting, why you're collecting it, and where it comes from. Be as forward looking as possible and focus on the data needed to accomplish your goals. All stakeholders must have access to the same high-quality data to understand risk exposure and control effectiveness to identify and resolve problems quickly.

The right software brings all your risk data together into one place to give you a clear view of your risks, how they interconnect, and the impact on the organization. It automatically validates, standardizes, and formats data, saving time and improving accuracy. Software also makes it easy to roll up insights to the enterprise level – or drill down into detail for frontline decision-makers.

- 5. Define your risk appetite.** Risk appetite is the amount of risk an organization is willing to accept in pursuit of strategic objectives. A well-defined risk appetite statement provides clear guardrails for all functional areas to manage risk exposure in the same way.

An organization with a higher risk appetite is willing to take on greater uncertainty in exchange for the potential for greater growth. An organization with a lower risk appetite is willing to sacrifice some growth for more stability. Note that regulatory and legal requirements may also need to be factored into risk appetite.

- 6. Decide on your response to each risk.** Once you have identified your risks, calculated the likelihood of occurrence and potential impact, and measured that against your risk appetite, you have to decide what to do next. You have four basic options:
 - **Avoid the risk** if the consequences would be too damaging to the business.
 - **Accept the risk** in certain situations as part of the cost of doing business.
 - **Transfer the risk** to a third party, typically through insurance.
 - **Mitigate the risk** through controls to continue essential activities, while protecting the business.

Continue to monitor risks, reassess threats, and apply lessons learned to keep refining your program. Risk management software simplifies the process and makes sure nothing slips through the cracks.

- 7. Review existing controls.** A control is a policy, procedure, training, or other formalized check to make sure things are done in a certain way to reduce risk.

Are your mitigation efforts working? Examine existing controls and mitigations to identify gaps or areas that need improvement. Risk is not static, so regularly review your controls to ensure continued effectiveness.

Regulators often require highly regulated sectors to provide proof of adequate internal controls. The financial services industry, for instance, must have measures in place to flag unusual activity like high-value transfers, overseas activity, or duplicate figures.

- 8. Report on your risk status.** How you report on risk matters. As boards become more involved in enterprise risk management as a strategic tool, it's increasingly important to present risks in a meaningful manner to support better decision-making at the top – and down through the ranks.

Pull your risk data into a cohesive narrative that can be customized for each audience. Three tools to consider are:

- **Dashboards** offer visual representation of important data. The view can be customized to track status, responses, outstanding items, overall progress, and more. You can also layer in KRIs, KPIs, and other strategic indicators for added insight.
- **Relationship diagrams** illustrate how risks interconnect. They show how a single risk can trigger a cascade of related risks that reverberate through the organization. Understanding these hidden dependencies can help you understand the full magnitude of a risk.
- **AI integrations** can accelerate many risk management processes. With the appropriate prompts, AI can populate risks assessments and ratings to use as a starting point in further analysis and discussions.

Every management team is engaged in risk management in some way – even if the “system” is nascent. In today’s ever-changing risk environment, world-class risk management programs still should be on the lookout for ways to improve.

Efforts to standardize, automate, and communicate your risk management processes will most certainly pay off. Organizations with mature risk programs consistently outperform their less mature peers from a financial perspective. They have the tools and insight to quickly adapt to changing conditions.

Advanced risk management software that collects all risk-related information in one place makes documenting and monitoring risk easier, faster, and more cost-effective. And leaders get reliable, accurate, and complete information to confidently make the right decisions for the business and its future.

For more on linking risk management and business strategy, please visit [Riskconnect.com](https://www.riskconnect.com).

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