

Strategy and risk - Why are so many strategies not attained?

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Many of our clients are often confused as to how to apply risk management thinking and principles to their strategic planning process. As with any good risk mature organisation, the process can be deceptively simple, if one accepts that risk mature organisations consider uncertainties in any and all key decision making processes.

Establishing or reviewing a strategy is not much different, typically, an organisation will scan and understand its internal environment (what's going on inside the organisation), it will scan and understand its external environment and it will clearly establish who its stakeholders are and how they influence/ affect the organisation, in order to ultimately set the strategy, or make a range decisions about its future.

A range of tools can be used to answer these questions, including PESTEL, SWOT, Porter's five forces, competitor analysis, stakeholder analysis and others. In ISO 31000, risk language, this is called context setting. Once the context is understood, more mature organisations will then go about setting themselves goals and objectives of what the organisation wishes to achieve in the next 12, 24 or even 60 months.

This will be coupled to gaining a more detailed understanding of its capacity, or the money, people, systems and processes it has in place and what can be achieved by using these optimally.

In each of those processes, there exist some uncertainties. Remember the definition of risk being 'the effect of uncertainty on objectives'.

If various uncertainties are recognised debated and documented at each step of the strategic setting process, internal environment, external environment, stakeholders, goals and objectives, the whole process becomes more meaningful as the uncertainties that exist with each element can be better understood, evaluated and taken into account during each of the deliberations. By doing this, an organisation inherently builds a level of resilience in its goals and objectives and quite importantly, strategies can be set to deal with the actual risks or uncertainties.

Ultimately, risk thinking can help stress test the various objectives or goals by creating an understanding of the range of uncertainties that can affect reaching the objective. Very often it then becomes evident what strategic goals are 'risk heavy' or 'risk light'. The strategy itself can also contain a range of plans that assist in managing the risks associated with the achievement of a strategic objective.

Those organisations that follow this process, generally achieve and exceed their strategic goals. Those that do not rarely do. Still wondering why?

Would you invest in an organisation that has not taken uncertainty into account when establishing where it wants to be next year, by 2020 or later?