

# RISK MANAGEMENT EFFICIENCY PROCESS

The current conditions of great uncertainty caused by the economic crisis have led us to examine the issues related to Corporate Governance, Risk Management and Compliance (GRC) from a new perspective.

Under what conditions can a business obtain benefits from Risk Management activities?

## THE SCENARIO

There is no doubt that GRC issues are underestimated by many Italian companies, often reduced to a question of simple compliance with regulations instead of being seen as a powerful tool for managing the business.

This leads to an over-emphasis on costs incurred and an insufficient recognition of the role that Risk Management can play in strategic and operational business management.

In reality, the true mission of Risk Management systems is to preserve the value created through the business activity, contributing to the prevention of negative events that might not have been considered properly in the business scenario. In the presence of conditions of exceptional uncertainty, such as those we are facing now, the role of Risk Management as a lever in the operating management of a company becomes even more critical.

Under what conditions can a business obtain benefits from Risk Management activities? The following four points show what appears to be rarely considered.

## FOCUSING

Risk Management must always start from a proper identification and evaluation of risks (“Risk Assessment”) to which the company could be exposed, both on a strategic and operational level. Risk Assessment is sometimes performed apart from a company's other decision-making processes, with limited direct involvement from the operational management. Such an approach permits easy identification of a wide range of potential risks, but does not clearly show specific implications for the business. Therefore, it is proper to start from the somewhat obvious conclusion that while risk management is performed in all companies, often it is not structured and is therefore is less effective, despite a real commitment by management. For this reason it is necessary to focus on structures specifically devoted to Risk Management. These structures must provide a tangible contribution to the management of issues that are of special interest to stakeholders and management, while at the same time identifying other areas of risk.

## INTEGRATION

By definition, Risk Management must be an essential part of the strategic and operational decision-making processes. In fact, both the identification of significant risks and the introduction and application of effective and efficient containment measures are possible only when Risk Management is fully integrated with line processes. Risk management can be truly successful only if implemented directly within operating processes and not in parallel to them.

## SYNERGIES WITH ORGANIZATIONAL EFFICIENCY AND PERFORMANCE MANAGEMENT

The integration of Risk Management within operating processes provides ample space for synergies between risk management, organizational improvement initiatives and the management of company performance. Process evaluation to evaluate business continuity risks can also provide excellent opportunities to rationalize the process itself. Weighing corporate budget scenarios with the evaluation of associated risks can help achieve better planning and help reallocate resources. These are only some examples of possible synergies.

## INFORMATION TECHNOLOGY SUPPORT

In conclusion, it must be stressed that all Risk Management activities will provide real added value to the management of the business and will be all the more efficient when they are properly supported by adequate information technology. The areas and applications of IT in Risk Management can be very diverse, starting from compliance, as mentioned at the beginning of this article. The preparation of adequate information technology support, as in all other corporate areas, is possible only if the technical and Risk Management competencies are integrated during the development of this support.



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