



ERM - Enterprise Risk Management

Risk as an Asset

“The most successful organizations identify their risks early and convert them into economic value”.

There are two sides of risk that enterprise management constantly deals with across the entire infrastructure. They are:

- 1) The risk that will do damage, if left unidentified and therefore unattended. This includes disruptions and hazards that are jeopardous and should be avoided at all costs.
- 2) The risk that can lead to new ideas, new offerings and new opportunities and therefore must be identified and leveraged for new economic value.

History demonstrates that the vast majority of the most important breakthroughs were developed where someone personally identified risks and carried it through to success, creating new values for society.

For the most part it takes risk to create economic value. It therefore can be argued that risk is an asset! Yes it can be, but only where there is the knowledge and experience in the use of that knowledge that keys the performance to make the transfer from risk to value.

If there is KEP™ (Knowledge, Experience and Performance) then management decisions can be much more precise as it relates to risk.

There are only two (2) options as it relates to the two sides of risk:

1. Identify and mitigate it into new economic value

Or

2. Identify and eliminate it!

The most successful enterprises think of knowledge as a fire which is kindled by someone and then proceeds across the organization and provides the heat and light to identify what is missing and how important it is. Obtaining knowledge and gaining the experience in using it generates respect and increased responsibility for those who endorse it and perform.

Organizations that do not identify the missing knowledge early find there is nothing to start or kindle the fire. They make the most mistakes and waste the most resources.

It is like a single match being lit where nothing is added to the fire and it just burns out with no light and no heat.

Risk enters an organization in many oblique forms. It can seep in, sneak in and leap in, and in numerous cases never even enters the enterprise as it stays in the industry, market, market segment or the trade press.

It is a platitude to say you can not give or use what you do not have or know. The platitude is true, you can't! So often, however, we are all stressed to try to give what we do not have (critical knowledge). This makes it impossible to make precise decisions where intuition is typically used and hopefully not flawed.

In today's world we are on a strange diet of fragmented knowledge and lots of it. So our minds are calorically stuffed with fragmented knowledge which leads to fragmented levels of precision in the decisions that can be factually made.

There are lots of validated reasons for such unprecedented levels of fragmentation that exist:

- Limited access to buyers or potential buyers with knowledge as to their unmet needs
- An over supply of nearly everything in most markets
- A current cycle of limited innovation (over two-thirds of all industry, exceptions such as health care, bio-tech and to some extent telecommunications)

To solve this, one needs to identify the steps, tasks and processes that have to be implemented and executed. This provides an overall process to identify the required knowledge, whether missing or available for a given initiative.

There a number of common issues that frequently impact the level of success of offerings and initiatives.

Some examples of critical missing knowledge that is either fractured or missing in total are as follows:

- An accurate and effective process that identified the buyers needs
- Critical elements of the market message
- Content of the market message for each specific channel
- Importance or lack thereof of each value proposition
- What is important vs. nice to have in capabilities
- Competitions current performance in value propositions
- Risk in the mind of the buyers as it relates to achieving the committed value compared to the competition.
- Size of the market in terms of ready to buy buyers
- What should the capabilities of the marketing organization be, other than promotion?
- What is the effect of the brand on this offering?

The secret to success starts and finishes with KEP™. (Knowledge, Experience and Performance)

- One can be knowledgeable and lack experience and that has risk.
- One can have experience without knowledge and that has risk.
- One can have knowledge, experience and low performance and that has risk.

The solution is to be able to measure the KEP™. NorthPoint solutions (software) provide the perfect technology and approach to identify and assemble the specific measurements required to identify the risk and improve the enterprise performance to “Best-in-Class” (an important benchmark and measurement).

The advantages of using software are:

- Eliminates the fragmentation
- Speeds up the schedule of the initiative
- Requires smaller budgets
- Identifies the missing required knowledge early
- Changes the business process
- Increases the precision of decisions
- Improves the levels of success

This process increases the effectiveness of the enterprises knowledge and it also becomes an educational element that increases the teaming value across organizational silos.

The reason that enterprises identify risk early and are able to use it to their competitive advantage is that they understand risk and know how to use it to their advantage.

Once a process is established it now can be built into the enterprise processes. The two sides of risk are real and are critical to sustained success. It takes talent, Knowledge, Experience and Performance (KEP™) to first identify the risks and then KEP™ to determine what to do with it.

It takes tools to solve the fragmentation of knowledge and it takes technology to identify in a consistent, simple and effective process the critical missing knowledge.

Enterprise Risk Management is a new and important addition to the management process and leading enterprises make it their competitive asset.

Using the risk based approach is becoming an integral part of the successful enterprise as it has made its mark, it's not a fad, it is science based and it is here to stay.