Using Risk Management as an Enterprise Business Strategy to Achieve Peak Performance

ABSTRACT

In the continuing set of articles on risk management we focus on how to leverage it into a management strategy that can become a better process and will consistently be a competitive asset to achieve "Best-in-Class", peak performance.

MAKING RISK MANAGEMENT AN INTEGRAL PART OF YOUR MANAGEMENT PROCESS

Historically risk has had different levels of management attention depending on the flexibility of what is required in reported performance. The more important potential impacts are in either optics or in terms of performance leadership; the concept of risk takes a different form of attention.

There are two types of risk with an example of each:

1. Risk that is to be avoided at all costs.
    a. Example - develop new offering without the knowledge of the buyers unmet needs.
2. Risk than can lead to new innovative capabilities
    a. Example - develop new capabilities that buyers have not thought of and they find impressive, validating their support.

Wisdom and KEP™ (Knowledge, Experience and Performance) is required to identify and understand the differences. Based on number (2) above, risk can be an asset. But only if there is a process that is effective that identifies what it is, where it is, and what and how to convert it into economic value.

First and foremost, is developing a risk based management system as part of the basic fundamental business process that focuses on the following;

1. Identify the required missing knowledge.
    a. Independent studies have validated the following:
        i. 61.2% to 64.3% of the enterprises face making crucial decisions without the correct information.
        ii. There is 192% of data available versus used. So there is nearly two times the amount of data available versus used
        iii. There is only 33% to 44% of the knowledge available versus required to make accurate and more precise decisions.
2. Mission the IT organization to deliver the following:
    a. Deliver the right information to the right people with the right quality and reliability at the right time.
3. Determine that the management team has the KEP™ (Knowledge, Experience and Performance) to manage the process.
4. Mission the organization to think, identify, manage, measure and report risk.
5. Acquire risk based tools to aid in developing the strategy and executing the process

This is a test of just one element of risk management metrics called Time to Market (TTM). The test is for a buyer needs assessment:

1. Do we know the important unmet needs of the buyers?
    a. Do we know who the target buyers are and will they buy now?
    b. Do we know what message what buyers want to be able to say about their solution?
    c. How many buyers will purchase a solution for their unmet needs?
2. Do we know how buyers will view this offering as a solution to their unmet needs?
    a. Do we have internal bias as to what buyers and customers want and are willing to buy?
3. Do we know what our sales cycle is going to be and who we should sell to?
4. Do we know what our Brand Index is in this market for this offering?
5. Do we know what are our real value propositions are in the mind of buyers?
    a. Which value propositions are important and how do they score their current solution?
    b. How important are they and what is the gap between what they have and what they need?
    c. Which ones are not important?
6. Do we know what the risk is in the mind of the buyers / customers to purchase our offering?
7. Do we know what the risks are to achieve the revenue plan?
    a. Is the revenue plan achievable given the enterprise program for this offering?
8. Do we know what the threats and the impacts of the competition are and what is their current performance scored by buyers?
9. Do we know what the market launch strategy should be for maximum impact?
10. Do we know what the buyer's criteria are for purchasing this offering / solution and is the enterprise ready to support a purchase?

SUMMARY

Adopting a risk based management strategy means that its awareness has to be elevated across the entire enterprise. It takes a vision and commitment to change the infrastructures thinking such as the mission of marketing from promotion to understanding in-depth the market and buyer needs. It means that the market message is treated as a science, understanding that it effects the sales cycles and brand (just for starters). Understanding that there can be a gradual and unsuspected erosion and obsolescence of the current solutions in the market. Understanding that Web 2.0 and Web 3.0 will fundamentally change the relationship and connection to buyers. We will discuss that in one in the next article.

Step one then is to pick a few of the important metrics such a Time to Market (TTM). Step two is to identify the knowledge required to make this into a strategic advantage. Assign ownership to identify the required missing knowledge and where the risks are.

The secret is to start where some of the important discussions that had to be made and were made without the data, information or knowledge required assuring there was no unidentified risk.

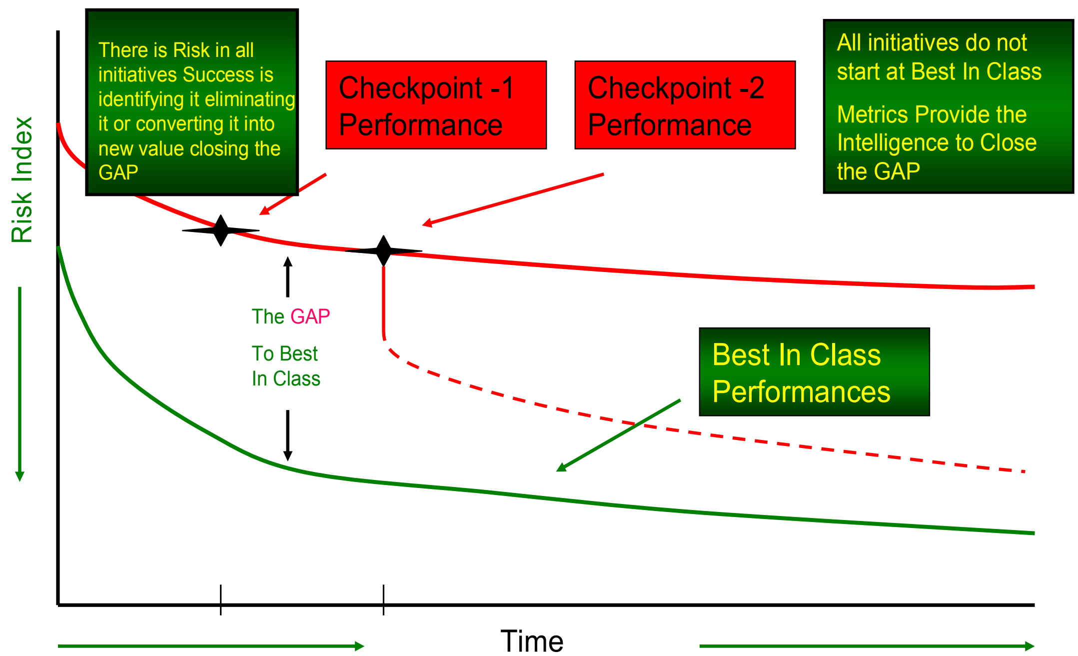
Get the high KEP™ (Knowledge, Experience and Performance) personnel assigned to identity and validate what was missing in order of priority.

The next article will focus on some of the key metrics to make part of your risk management suite and its impact on where one spends their enterprise resources.

ADDENDUM

Risk and the Performance Curves

Initiative Benchmarking Compared to Best In Class



This chart demonstrates that at any time and maybe every time there is risk in every initiative. That is not the problem, the problem is what is it and where is it and how to make a fundamental change to the curve to achieve “Best-in-Class”.