Willis Towers Watson

Mitigate and Control

Strategic Risk Management

Many organisations do not have a clear understanding of all risks that exist within their business. They increasingly question what can be done to measure how 'big' risks are, and the effectiveness of mitigation controls (including insurance).

Analyse → Identify → Mitigate → Control

What is Strategic Risk Management?

Strategic risk management is a solution that helps organisations understand the full range of their risks in a consistent and logical way, providing tools to address those which could threaten their ability to achieve objectives.

Understanding the likelihood of a risk occurring, and its potential impact, helps organisations understand the cost, effort, time and ultimately, the return on investment of available strategies including:

- Risk mitigation – reducing the impact of the incident or the likelihood of it occurring
- Risk transfer – passing the risk onto another party, for example, buying insurance or contractual terms with suppliers
- Acceptance – accepting the risk when unable to reduce the likelihood or impact and still want to undertake the business activity or process
- Avoidance – removing the chance of the risk occurring by, for example, choosing not to operate in a particular market (business risk), substituting a hazardous or toxic chemical for something non-toxic (hazard risk) or changing operations to avoid the risk altogether (process risk)

What are the benefits?

Strategic risk management provides assistance to help organisations understand risks, allowing them to quantify and measure those risks in a consistent way. This provides a better understanding of the potential barriers that can prevent an organisation from achieving objectives.

It allows the development of a cost effective, focussed and pragmatic programme of risk treatment and risk reduction.

As a result, an organisation's insurance program can be tailored to meet specific requirement reducing premiums while attaining more favourable terms.

Case study:

A food manufacturer, producing branded products in multiple locations for the European retail and wholesale markets, approached Willis Towers Watson to better understand the risks they face and potential impact should an incident occur.

Using a previously agreed impact and likelihood matrix, risk management specialists worked with senior representatives from across key areas of the business to identify and analyse risk.

This allowed the manufacturer to produce its first formally structured risk register. The tailored register was professional-looking and easy to use, allowing the company to maintain it themselves and present to senior management.

This data also populated a RAPID tool with the results validated through management workshops to complete the process.

Based on the risk register, the manufacturer started addressing the high priority risks, implementing mitigation and transfer strategies where relevant. This in-turn has created more favourable insurance terms.

What will Strategic Risk Management deliver?

Understanding risk is considered to be an essential part of running a business. The ability to identify, quantify and prioritise risk in a consistent manner, and implement cost-effective and focussed risk treatments, is a business necessity.

Risk management is not often part of an organisation's core business but Willis Towers Watson risk advisors provide a highly cost-effective solution.

There are a number of potential components to a strategic risk management review, including some or all of the following:

- **Operational risk analysis**
- **Risk register**
- **RAPID – Risk Assessment, Probability and Impact Diagnostic**
- **Risk partner**

How does Strategic Risk Management work?

Strategic risk management can include a number of components that depend on the scale of the organisation and scope of the project.

Operational risk analysis: Identifies risks within organisations' business operations, affecting areas such as production, manufacturing and business processes.

Operational risk analysis will also reduce the likelihood of the risk occurring and/or the impact of an incident on the organisation, should it occur.

An example would be risk analysis across an IT estate to identify threats and recommend solutions to reduce the risks facing technology infrastructure.

Risk register: Highlights threats to defined business objectives along with the potential causes, consequences and existing controls, scoring them on likelihood and impact. A register includes:

- A risk owner
- A measure of likelihood probability, and frequency allowing consistent evaluation of risks across different categories
- A measure of impact – severity or cost based on, for example, financial, operational or reputational impact
- Defined risk appetite and tolerance levels
- Risk description
- Potential causes and consequences that could make this risk a reality and what would happen if it did materialise
- Current controls and their effectiveness
- Categorisation of risk – for example, financial, regulatory, operational and natural catastrophe
- An evaluation of the priority level of the risk
- Risk action planning

RAPID (Risk Assessment, Probability and Impact Diagnostic): Identifies, evaluates and prioritises key risks to the business. RAPID will provide experienced risk professionals who will help:

- Identify and accurately define an organisation's risks
- Investigate root cause and determine consequences
- Assess impact and likelihood on a consistent basis all risks across the business
- Prioritise and focus on key issues

Risk Partner: Provides a central point of contact for all risk management needs. It acts as an extension to internal risk management functions and assists with the identification of risk exposures, risk control effectiveness and risk transfer needs of the future.

A Risk Partner provides a deeper insight into not only the existing risk landscape but also the risk horizon of the future, helping identify controls and strategies required for the next three to five years.

How much time will it take?

The overall time taken depends on the size, operational activities of the organisation and scope of the project.

A risk partner functions as an on-going resource as much of the work involves collaborating with the organisation to provide advice about handling risk in the short to medium-term future.

Timescales for other aspects of strategic risk management can however be much shorter. As an example, the production of a risk register, using the RAPID tool, can take as little as four weeks from deployment to first draft.

Risk Management for a Complex World

At Willis Towers Watson we deliver risk management solutions through a connected team across the globe. We align our industry expertise and competence to your risk requirements.

Willis Towers Watson takes a fresh, logical approach to risk management; connecting our industry insight and analytical capabilities through our risk advisors, engineering specialists, and risk transfer and placement brokers.

We look holistically at your business. Our solutions are designed to not only link functions but also connect between the asset, business, people, security and other risks to provide you with the control and mitigation support you need.

Other value added services include:

- RAPID – Risk Assessment Probability and Impact Diagnostic
- Business Continuity Management (BCM)
- Audit – Willis Blue
- Business Interruption (BI) Review
- Risk Partner
- Training
- Health and Safety Risk Management
- Fleet Risk Management
- Claims Defensibility Review
- Risk Engineering Surveys

For further details, please contact your local Willis Towers Watson office or visit www.willistowerswatson.com/en.

Willis Limited, Registered number: 181116 England and Wales.
Registered address: 51 Lime Street, London, EC3M 7DQ.
A Lloyd's Broker. Authorised and regulated by the Financial Conduct Authority for its general insurance mediation activities only.

FP1973n/15159/04/16