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LEADING THE WAY

Time to re-evaluate how your company addresses risk

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Some companies have established risk management processes, while others are thinking of ways to develop them. No matter the size of the company, market shifts and business changes are intensifying overall risks.

The PwC Global Survey reports 75% of executives feel risks to their businesses are increasing. Even more worrying, these shifts are opening capability gaps in risk management.

To close the gaps, companies expect to make significant progress towards greater risk maturity in four areas — aligning business and risk strategy, adopting and applying risk appetite statements, managing stakeholder expectations and improving risk monitoring and reporting.

Are you confident about your risk management?

Early-stage organisations must put the basic elements of risk management in place, de-siloing risk processes by extending them across the organisation.

Developing organisations must link business and risk strategy, consolidate risk reporting and build an organisation-wide risk culture.

Risk leaders with the most mature risk management systems must put in place regular reviews, evaluation and updating of their processes, incentives and risk culture.

What are other companies doing?

Our survey has revealed that satisfaction levels of most companies are growing for most areas of risk competency.

What this means for your business

The aims of risk management are sustainability — making sure the odds favour a company's survival — and the ability to capitalise on change. This means continuing to look forward and becoming ever more sensitive to the complex interplay of risk and opportunity.

Early-stage organisations must ensure the right resources are focused on risk management, starting the process of de-siloing their risk processes by extending them across the organisation.

These organisations should:

Produce a formal risk strategy document and implement it at the business unit level.

Roll out a formal stakeholder management/communications process to monitor and manage the company's relationship with employees, investors, regulators, community activists and other internal and external stakeholders.

Develop an internal audit function that provides support in building the risk compliance infrastructure.

Transform risk monitoring from an ad hoc activity to a regular process, starting at the board level.

Develop a formal risk culture analysis and perform it regularly.

Create risk-adjusted performance incentives, starting at the board and senior management levels.

Developing organisations that have passed the early stage can start to develop more robust risk assessments, monitoring and auditing around hot areas including technology risk (especially cybersecurity issues), regulatory risk and business transformation.

Companies in the CIPS (consumer, industrial products and services) and TICE (technology, information, communications and entertainment) sectors should implement customer needs monitoring.

Developing organisations should:

Align risk and business strategy documents.

Apply their risk appetite statement beyond business units to the entire organisation.

Continually assess and measure the alignment of risk management posture and activities across the three lines of defence.

Initiate regular monitoring of risk activities and aggregation of data and analysis at business unit level.

Make risk-monitoring results and in-depth analysis part of regular reports to senior management.

Expand risk culture analysis organisation-wide and benchmark the process regularly.

Link business incentives and risk strategy and apply across the organisation.

Risk leaders should regularly review, evaluate and update the company's processes, incentives and risk culture.

Risk leaders should:

Embed risk strategy across the organisation and regularly review and update that strategy.

Apply the risk appetite statement to all business decisions across all business and functional units, dynamically reviewing and updating risk appetite criteria.

Update and assess the effectiveness of their integrated stakeholder management/communications strategy.

Regularly test and upgrade risk monitoring and reporting.

Continuously measure the effectiveness of risk culture training tools.

Review and update risk-adjusted performance incentives to make sure they remain integrated with strategic and tactical plans at all levels.

For further information, please contact Varunee Pridanonda, partner for governance, risk, compliance and internal audit services. She can be contacted at varunee.pridanonda@th.pwc.com