Business Resilience Toolkit

Monitoring risk

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Transcript:

The key to business resilience when a crisis comes or a major strategic risk hits you, is the early warning and recognition of that risk.

It's for this reason alone that risk needs to be part of the agenda and conversation each time the management team or board meet.

Not all risks can be mitigated through the usual compliance activities like having a risk policy and an annual review of the risk register. If you have already watched our video on *Managing the three different types of risk* then you will recognise that regular review and reporting on risk is an important factor in managing both strategic and external risks.

Hi, my name is Andrew Ellis and I am a business consultant with CBB.

Does your board or management team have a regular part of your agenda to talk about new and emerging risks?

We're going to look today at five tips to help you with monitoring and reporting on risk. Putting these five tips in to place will help make your organisation more responsive to risk, and more resilient overall.

1. Ensuring a well-constructed risk register is in place and reviewed regularly for changes. A robust risk register is the first step because this foundation ensures that many of the procedural and systems risks are being addressed already. If managed in Excel or a database, the register can be easily filtered by criteria like the risk level or action due date to be reviewed.

2. Risk appetite is discussed, understood and calibrated across the board and management, with changes made to the risk appetite as context changes. For example, as the organisation finds itself in a better financial position – there might be more appetite to take on more financial risk, that could have greater impact.

3. Making a report on new/emerging risks a regular part of the board reporting template helps the Board and management team to identify and consider the risks in a timely manner. This report provides a focus for discussion about the strategic and potential external risks facing the organisation. It can lead to exploratory discussion at the board table of these risks – which might not necessarily solve the issue – but can give management and/or the board more to consider and actions to take.

4. Monitoring relevant internal KPIs to look for emerging internal trends and risks. For example: staff turnover, safety incidents, customer satisfaction, audit results – all of these can point to changes in the risk profile and indicate new or emerging risks which require attention.

5. Involvement in industry forums and conference attendance to hear from thought leaders on how the market is changing and new risks that are emerging. One of the worst examples I have seen is where an organisation did not invest in keeping up to date in this way and found itself operating on an outdated business model which financially cost them in lost revenue and surplus, hindering their ability to have broader social impacts.

Early identification of risk will give you more time to prepare and respond – and build resilient strategies for managing the business.

Wrapping up, we can see the importance of monitoring and reporting on risk so that external and strategic risks are adequately dealt with.
Having a robust risk register and risk appetite statement, making a report on new/emerging risks part of your board report template, monitoring internal KPIs and staying in touch with external changes through industry forums and conference attendance – will all help to build a more resilient business.

If you'd like to read more about monitoring and reporting on business metrics including risk, there are a range of articles on our Foreword blog which can be found on the CBB website.

Related video to watch next: all other videos in our Risk Management series.