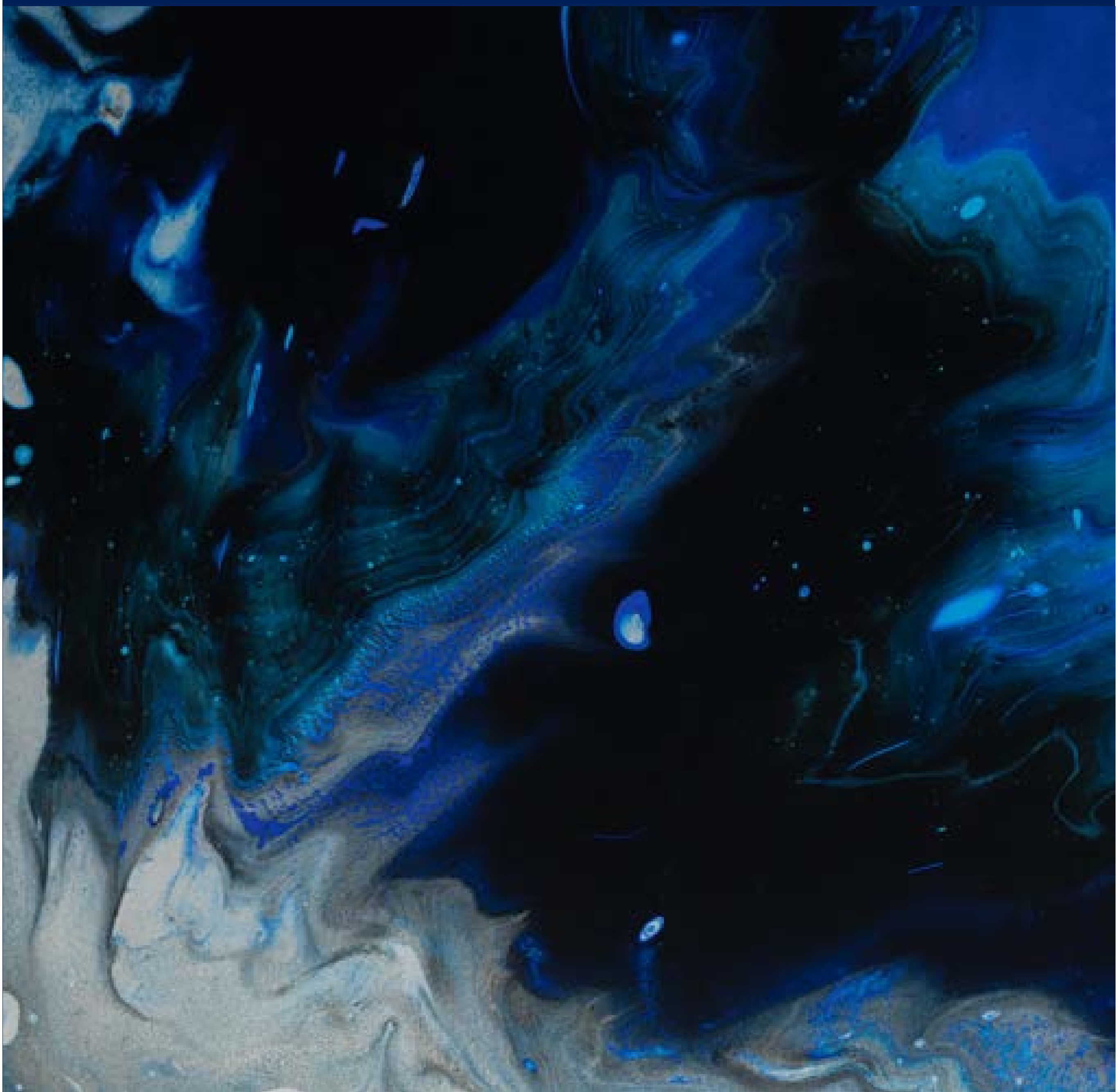
RAFFLES LEGACY LEARNING

BUSINESS STRATEGY MASTERCLASS

BOOK TWO - DEVELOPING YOUR OWN STRATEGY

PHASES OF STRATEGY II



MASTERCLASS COURSEBOOK

RISK MANAGEMENT

Every strategy carries with it a set of risks which require analysis and management. There is no such thing as a low risk/high return strategy in most industries – and the bolder the proposed change, the greater the risks involved.

Understanding and managing risk is an inevitable part of strategy. The following definition of risk can both set priorities on action (based upon relative net risk assessments) and focus investment on that part of the risk equation which can most effectively reduce each individual risk, (addressing one of the four elements in particular).

The unbundled content of risk can be specified as:

- scale of potential harm adjusted by
- probability of occurrence net of
- ability to respond adjusted by
- likelihood of timely response

Analysis and ranking of business risks need to be balanced by a specific approach to risk management, specifying immediate actions in the context of strategy.

Unbundling the elements of risk and opportunity will result in a more scientific definition which allows management teams to know where resources can best be deployed to reduce risk and exploit opportunity.

The constituent elements of risk need to be unbundled and explained. The result is a more scientific definition of risk and opportunity which allows management teams to know in greater detail where resources can best be deployed to reduce risk and exploit opportunity.

As in so many other areas in strategy, improved understanding is not enough. The unbundled elements of risk and opportunity will need to be acted upon in order to be truly valuable.

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A response to immediate risk and opportunity, and a long-term program to address capability to respond to both are essential parts of a successful strategy.

Business risks can broadly be broken down into three categories: financial, operating and contextual. A far-sighted team will have a specific plan of action in all of these areas.

KEY RISK FACTOR	RESPONSE
Lack of support from owning family	• Detailed briefing on regular basis • Board reviews scheduled four times/year • Special Strategic sub-committee of board with family representation
Acquisition target not available	• Investment bank to approach target • Buy strategic stake (if possible) to lock out counter-bidders • Prepare sports range for launch
Organizational resistance	• Visible leadership of change program by CEO • Full participation across organization • Change staff where necessary
Organizational overload	• Regular review of priorities, actions and resource allocation • Quarterly surveys and review of workload and project oversight • Employee satisfaction monitor
NGO's target company as symbol of elitism	• Rapid rollout of engagement and responsibility program

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