

ENTERPRISE RISK INSIGHTS

MATURITY OF RISK MANAGEMENT SYSTEMS

The current Covid-19 pandemic, increasing cyber attacks and the unbroken trend towards global warming remind us all just how vulnerable companies are and the importance of an effective risk management system.

Risk management cannot always stop risks from materializing. It serves to anticipate threat scenarios to allow companies to prepare as best they can for their occurrence. The aim is to protect the company, its assets and employees. Preparing for the worst-case scenario is essential because, depending on the business model, only around 30–40 % of corporate risks can be transferred to the insurance market. In order to be able to manage these risks, a value-oriented risk management is essential.

In its anniversary year (50 years), Kessler Consulting Inc. once again provided risk management advice to a whole host of companies from both the private and public sectors and from a variety of industries. In this article, we discuss some of the key insights we have gained from the Swiss market. What risks are on our clients' minds and how can you improve the

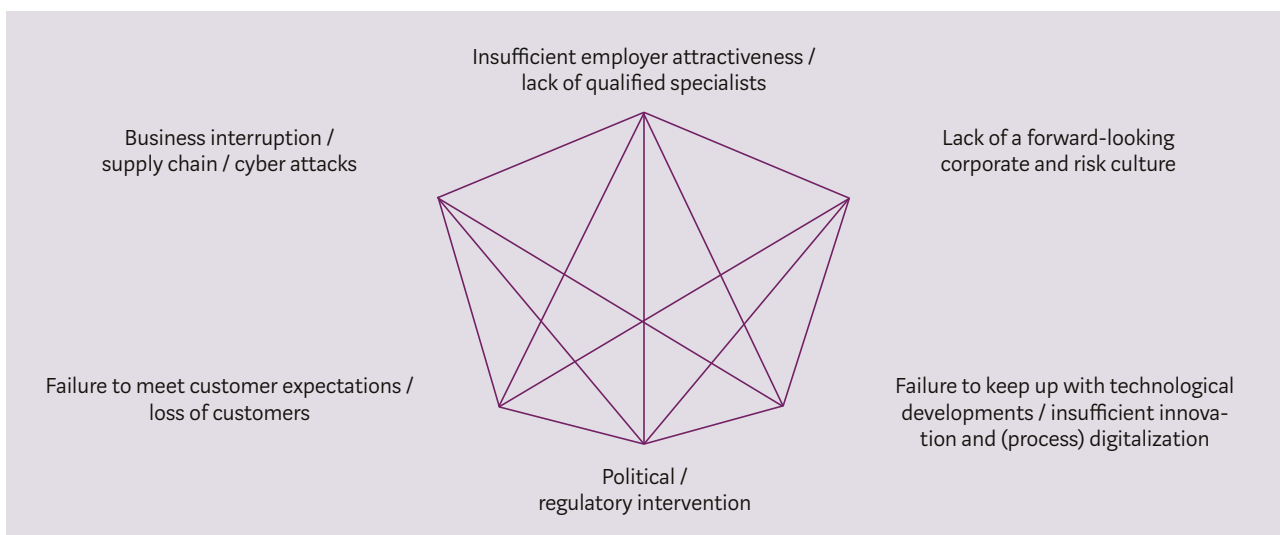
maturity of your own risk management system to create optimal value?

TOP 6 CHALLENGES

In the context of a benchmark analysis, we have summarized the top 6 challenges facing our clients in a whole number of different sectors of the economy across Switzerland.

Interestingly, we have found that it is not only current and operational issues, such as business interruption or cyber attacks, that are high up on management agendas. Long-term strategic challenges are becoming increasingly relevant. This development shows the strong link between strategy and risk, confirming that risk management and strategy processes have to be aligned in order to ensure sustainable development. Risks resulting from the political or regulatory environment are good examples. Any strategy has to be tailored to reflect these circumstances. This is particularly obvious in the health market.

The graphic also illustrates that risks are not isolated events or developments, but that they are intercon-



nected and have a significant impact on each other. For example, a shortage of specialists or insufficient employer attractiveness are key factors that can result in a lack of innovation and an adverse corporate culture. This in turn leads to a failure to meet customer expectations and, in extreme cases, can result in a company losing customers. This is why it is advisable to look at risks in terms of their knock-on effects on other risks, and to bear this complexity in mind when identifying effective measures.

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Risk management is increasingly shifting to the top of senior management agendas. Nevertheless, our findings show that many companies are struggling with the design and implementation of their risk management. Risk management is not lived sufficiently. The following questions are often the trigger for projects: what level of maturity is to be achieved in order to create the necessary/defined added value for a specific company? How is an effective risk culture to be achieved? Do we have the “right” risks on our radar? Are our risk governance structures working, or how can we design the interfaces to other corporate processes such as SWOT, ICS or compliance? These issues need to be addressed if a company wants to make its risk management system more mature and, as a result, more effective.

RECOMMENDATIONS FOR CONTINUOUS IMPROVEMENT

In order to address the uncertainties and issues mentioned in this article, as well as to achieve continuous improvements within your risk management system, we recommend that you:

- Initiate open and dynamic risk dialogue within your organization
- Organize risk workshops to challenge the way things have been done to date and collect new input
- Review and update your risk portfolio / risk landscape at regular intervals
- Improve your risk governance, in particular by establishing clear responsibilities
- Firmly establish a scenario-based approach in preparing for the worst-case scenarios and develop corresponding action plans
- Quantify your risk-bearing capacity

We would be more than happy to use our long-standing experience to support your company in this process.

YOUR CONTACT PERSONS

SIMON KÜNZLER
Head Risk Consulting
lic. oec. HSG

+41 44 387 88 66
simon.kuenzler@kessler.ch

NOEMI BENJAMIN
Risk Consultant
M.A. HSG

+41 44 387 88 36
noemi.benjamin@kessler.ch