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INTEGRATED RISK MANAGEMENT GUIDE

HOW TO INTEGRATE RISK FORESIGHTS INTO DECISION MAKING AND STRATEGIC PLANNING

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Improve Your Decision Making, Strategic Planning, Build Resilience and Become a High Performance Organisation

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APPENDIX 1: MINDSET AND BEHAVIOURS SHIFT FOR RISK TRANSFORMATION

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"Risk-informed development allows for development to become a vehicle to reduce risk, avoid creating risks and build resilience. Only resilient development can become sustainable development; sustainable development initiatives will fail unless they are risk-informed. Risk, resilience and sustainability knowledge and actions need to go hand-in-hand" UNDP _ May 2019

Risk Advisor' Note

Mabutho HLUBI

Chief Risk Advisor

In 2005 Inspired by Integrated Risk Management Practices of Kings like King Shaka of AmaZulu, King Mzilikazi of AbaThwakazi, King Bhungane of AmaHlubi, King Mswati of AmaNgwane, and King Sekhukhune of Bapedi I decided on an MBA Dissertation Topic Titled Integrating The Risk Identification Process into The Objective Setting (Decision Making) Process. These Great African Leaders as part of their Governance Structures never made Significant Decisions without consulting their Chef Risk and Spiritual Advisors (i.e., uNdunankulu or Imboni or Isanusi in Nguni Languages) to Inform Decision Making

At the time I had to defend the Research Topic with my life as my Supervisor at the time was against my chosen topic and the Risk Management Hypothesis I had formulated and argued that there was no enough Academic Articles and/or publications on Risk Management.

I had to convince the Research Committee to allow me to allow me to Pursue the Risk Topic and to quote Commercial Publications to formulate my Problem Statement

In 2018 ISO issued a revised Risk Management Standard ISO 31 000, which on the face of it is strikingly similar to the MBA Strategic Management Practice Dissertation I wrote in 2005/06

Fast Forward (2021) 16 Years later the World is still talking about the need for Proactive Integrated Risk Management and the need for Risk Informed Decision Making yet the Call for Action was made as early as 2001 after the Collapse of Enron.

I believe that Risk Management is a Business Enabler and Common Sense. It has always been an Integral Part of Decision Making, Strategic and Operational Planning Processes. It should not be a Compliance Issue or an ISO 31 000 Risk Management (2018) Driven Requirement but an Integral Part of an Organisation's Culture and Way of Life

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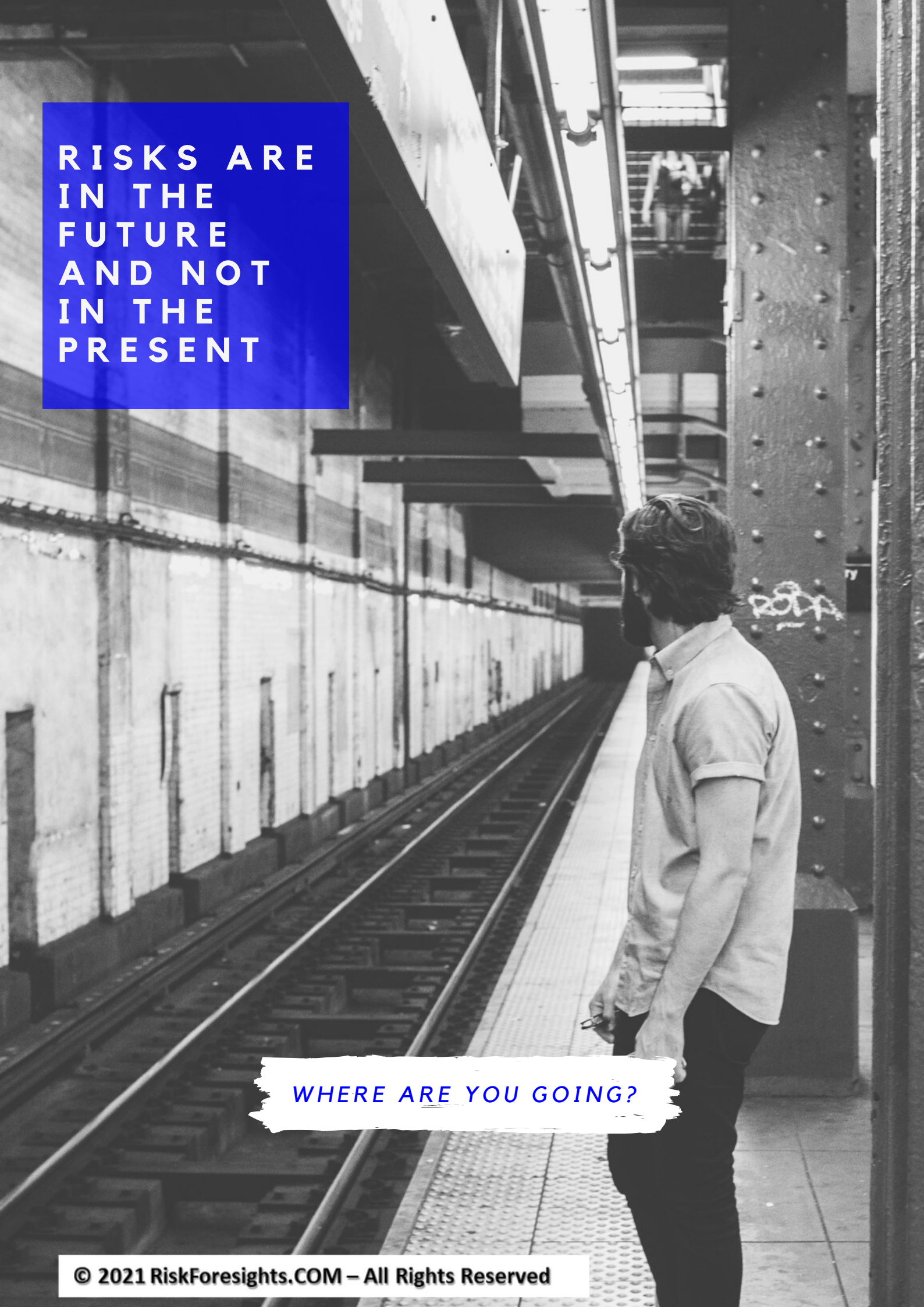

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Integrated Risk Management Guide

OBJECTIVES

- Bringing the Future into the Present so we can Prepare For It Today Through Timely Identification, Mitigation, Exploitation of Risks and Integrating Risk Management into Decision Making and Strategic Management Processes

- Mitigating Downside Risks, turn them into Opportunities and Optimise Upside Risks to Build Resilience and Avoid Strategic Inflection

- To prevent a Strategic Inflection Point, Risk Management should be seen as Strategic, an Integral Variable of Decision Making, Strategic Thinking and Strategic Planning that Brings The Future Into The Present So We can Prepare For It Today. Integrated Risk Management improves Decision Making and embraces uncertainty, uncertainty brings about change and progress to Humanity and it keeps us on our toes, it brings our innovativeness and creativity into the fore

- Learning to Leverage Risk Management Capabilities To Drive Innovation, Creativity, Business Value and Transform into a High Performance Organisation.

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A HIGH PERFORMANCE ORGANISATION (HPO)

TPMC High-Performance Organization

"A High performance organisation is an organisation that achieves financial and non-financial results that are exceedingly better than those of its peer group over a period of time of five years or more, by focusing in a disciplined way on that which really matters to the organisation" Andre de Waal - HPO Centre

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An Introduction Into RiskForesights.COM Integrated Risk Management Guide

Risks are significant anticipated uncertain future Threats and Opportunity Events that have not materialised, but should they materialise they will either have a Negative or Positive impact on the Achievement of your Personal or an Organisation's Strategic and Operational Objectives

Timely Identification and Response to Risks assists Humankind to proactively Influence and Prepare for the Future we all Desire

RiskForesights.COM's Approach to Risk Management provides you with the capability to have Foresight on Future Threat and Opportunity Events that may materialise so that you can do something about them now while focusing on the Present and Current Needs

For Decision Making to be effective, it starts with a basic logical principle which is Integrating Risk Foresights as guided by your Risk Appetite and Tolerance Levels into Decision Making as well as your existing Strategic and Operational Management Processes

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Mindset & Behaviour Shift For Risk Management Transformation

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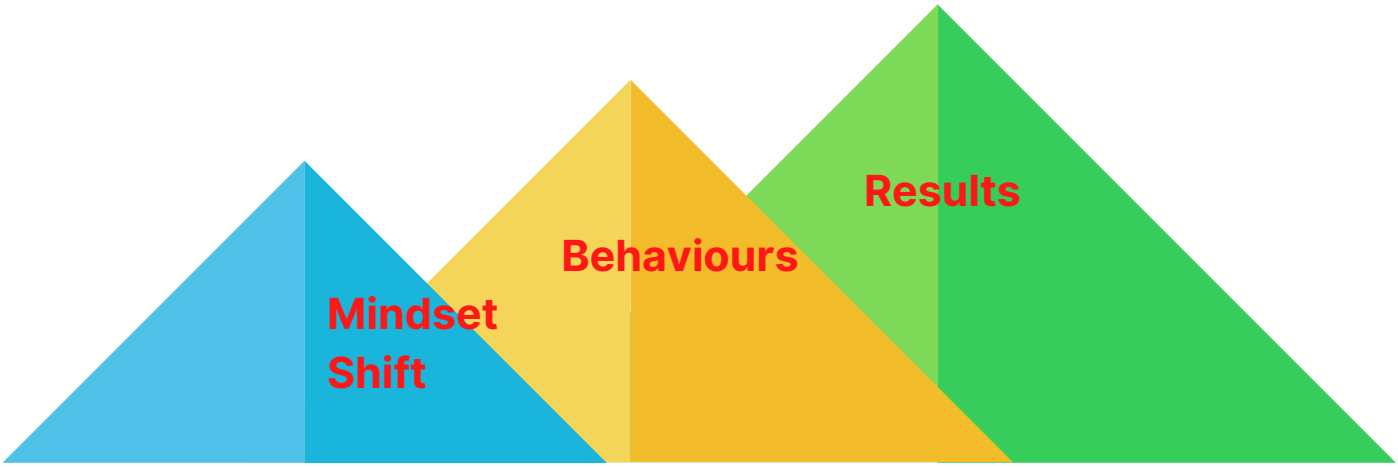
"Organizations that identify and address pervasive mindsets at the outset are four times more likely to succeed in organizational-change efforts than are companies that overlook this stage"



- From Reactive To Proactive
- From Current Issues To Future Scenarios
- From Threats to Opportunities
- From Compliance to Value Driven
- Risk Management Everyone's Business

- Risk Foresights are Part of Our DNA and Culture
- Risk is Part of Our Values
- Risk is Embedded Into Planning and Execution
- Risk KPIs embedded Into Organisation's KPIs
- Risk Agenda Embedded on Strategy and Operations Review Committee Meetings

1. **High Performance Organisation**
2. **Improved Service Delivery by Government**
3. **Improved Organisation Resilience**

Changing people's behaviour is most effective through changing the mindset. Changing the mindsets of people to ensure their thinking results in new desired behaviours. This is sustainable but takes time and effort to influence a change in mindset. But if the necessary time and effort is invested, a person's mindset can lead them to take actions necessary to create momentum and a critical mass of commitment throughout the organization, Dinate Roode (2017)

An important step in getting the change required is defining where the Organisation wants to be. Creating a compelling Risk Informed Vision. The Vision may seem unrealistic but the more you factor anticipated Risks, the more excited and inspired you'll become. Even more important, you will be more open to new ideas and opportunities and that is a great motivator for many people. If your vision is Risk Informed and futuristic you will do whatever it takes to make it happen.

CHANGING YOUR BEHAVIOR TAKES MORE THAN CHANGING YOUR MIND
Developmental psychologist Robert Kegan and education expert Lisa Laskow Lahey have done some of the most insightful work on why this is the case. They argue that, as well as our enormous capacity to develop and change, each of us holds within ourselves a powerful set of assumptions about the world that keep us locked up in certain behaviours; these behaviours are meant to keep us safe from shame and embarrassment. It is easy to see how an attempt to change those behaviours – thereby putting our big assumptions at risk – meets with unconscious resistance, fear, and anxiety. And so it is that we continue to prefer a known hell over an unknown heaven. Until we reflect on our behavioural patterns and until we develop the willingness to reach deep into our self-image and identity, change remains difficult – even change that is deeply desired. **Natasha Bonnevalle**

Imagination is a beautiful thing, but it's not a substitute for practice. For anyone who has ever tried to master a sport or learned to play an instrument, you know that it takes time, dedication, and hard work. No amount of thinking and no measure of emotional effort will get the work done.

Even when things don't work out as we expected (and they will), and even when we occasionally fall back to our old behaviours (and we will), we will gradually start making the new behaviours our own. It's in practicing that what is waiting to be born will be born. **Natasha Bonnevalle**

Effectively Managing Results supported by Right Behaviours will Transform an Organisation into a High Performance Organisation, Improve Service Delivery by Governments and Improve Resilience.

Integrating Risk Foresights Into Decision Making and Strategic Planning

Note: Risks are uncertain anticipated future Threats and Opportunity Events that have not materialised, but should they materialise they will either have a Significant Negative or Positive Impact on the achievement of your Personal or an Organization's Objectives

The World at Large needs Visionary Leaders who have the ability to anticipate the future and have a clear understanding that the future is shaped by what we do today to optimise and / or exploit Threats and Opportunities lying ahead.

A Risk Intelligent and Informed Leader is someone or anyone, who is in charge of making a business or a country prosper and achieve its Vision. This could be a CEO, President, Sales Director, CFO, Chief Risk Officer, COO, Engineer, Doctor, Economist, Director General, Minister, Mayor, City Manager, Receptionist or even administration staff. Regardless of what your title is, you are a Risk Management Leader and have a unique challenge ahead of you to anticipate and shape our Future. As a Risk Intelligent and Informed Leader you have to be different and go against the grain to avoid blending into the crowd. Don't fall into the trap of confusing Crisis Management with Risk Management.

If you have ever looked up the word 'Education' in the dictionary, you may have found that besides Enlightenment, it can also mean Indoctrination. A Classic Example of Indoctrination are those that say a Risk Intelligent and Informed Leader is a Person with the Tittle Chief Risk Officer / Adviser, Head of Risk, Risk Officer, Risk Champion or whatever the Risk Tittle may be.

Indoctrination is a system that often keeps us shackled to the past — living by the rules of past generations that have no effect on what we want our future to look like. Often, Indoctrination suppresses our creativity and ingenuity as human beings. **"Risk Management is a Culture, Not a Cult. It only works if Everyone lives it, not if it's practiced by a Few High Priests"** Tom Wilson

Where Are We Now Analysis: Before Envisioning The Future of Your Business or Organisation Understand Your Strategic Baseline and Risk Maturity Levels. Use the following tools to understand your current Position or Situation in relation to where you want to be. (Tools – PESTLE Analysis, SWOT Analysis and Porter's Five) At a minimum PESTLE and SWOT Analysis will give you insights into the current business conditions that may in the future be a Source of Risks.

Where Could We Go – Option / Scenario Formulation: As this stage you formulate options and weigh options available to you and your Decision you take should be informed by Strategic Risks you have Identified. Unlike Operational Risks there is no hard and fast rule on how to Identify and Assess Strategic Risk Scenarios, however an in-depth understanding of the current environment such as PESTLE Analysis, SWOT Analysis and PORTER's Five Forces will equip you with information on variables that can evolve to become Threats or Opportunities in the next 3 to 5 Years or more.

At this Stage when you formulate your Vision it should be informed by Global, Regional, Country and Industry Risks as these may be a Source of Opportunities to Exploit in the Medium and Long Term. These Risks should also inform the Strategic Objectives you formulate. (e.g. Setting up New Operations in a Country as it's Strategic Intent it want's to be a leader in 4IR Technologies and will be introducing Tax Incentives For Tech Companies). You should also an understanding of the resources required to optimise downside risks and/or to exploit opportunities identified this should inform your decision as to where Do You Want To go.

Where Do We Want To Go – Option Selection: Here you firm up your Vision and Decide what your Focus Areas and related Strategic Objectives will be, to achieve your Vision. You need to have clarity on the Risk Scenarios associated with the Vision you have set yourself and the related Strategic Objectives. An In-depth understanding of Strategic Risk Scenarios will assist you to set SMART Strategic Objectives. (e.g. Understanding a Risk Scenario that relates to a prolonged Economic Stagnation due to the COVID Scars taking too long to heal, will certainly inform what Strategic Objectives you set for your FinTech Start-up)

What Will Help us Get There – Mobilise Support and Resources: When you decide what Financial (Budget) and Non – Financial Resources are needed to successfully execute your plans include Risk Optimisation and Exploitation Action Plans. Risk Optimisation and Exploitation Plans should be an Integral Part of your Strategy Blue Print and Operational Plans. There is no need for separate Risk Registers that are monitored separately in a Committee called a Risk Committee. When you Communicate and Cascade your Strategy, include Significant Risks, Risk Optimisation and Exploitation Plans as an Integral Aspect of your Strategic Plan or Operational Plan.

What Do We Do Now – Implementation: Risk Management KPIs should be set as an Integral Part of your Organisation's Annual Performance Plans. As you monitor the implementation of your Strategy and taking corrective action where required include Risk Optimisation and Exploitation Plans. Review and Reporting on the effectiveness of your Risk Management Initiatives should be done as an Integral Part Strategy and Operational Performance Reports. There is no need to develop separate parallel Risk Management Procceses that do not add value in managing the business.

RISK LEADERS ARE STRATEGIC THINKERS, INNOVATORS AND CREATORS

"RISK MANAGEMENT IS A CULTURE, NOT A CULT. IT ONLY WORKS IF EVERYONE LIVES IT, NOT IF IT'S PRACTICED BY A FEW HIGH PRIESTS"

-TOM WILSON

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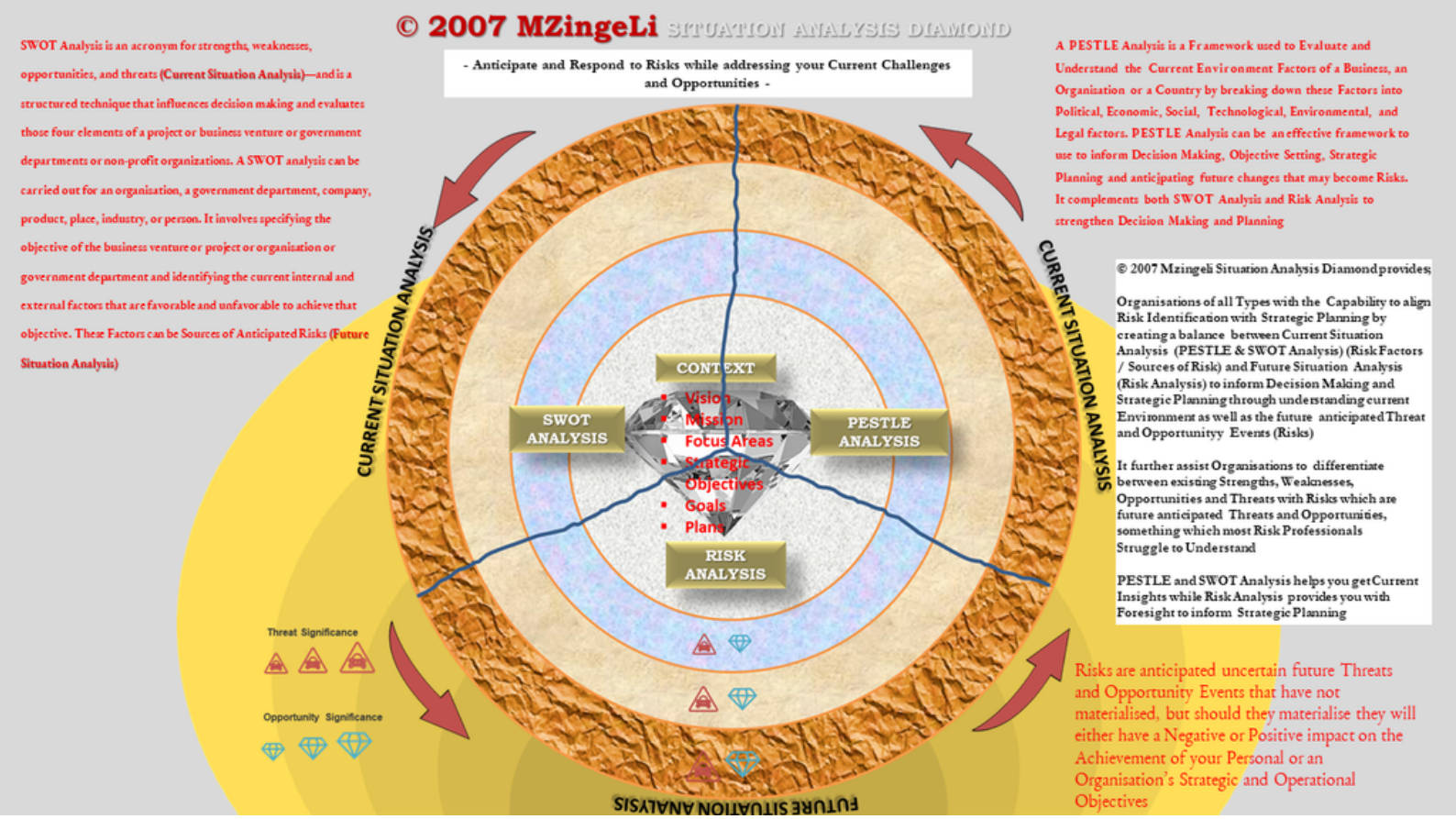

develop fit for purpose risk identification and assessment techniques

Unlike Operational Risks there is no hard and fast rule on how to Identify and Assess Strategic Risk Scenarios, however an in-depth understanding of the current environment such as PESTLE Analysis, SWOT Analysis and PORTER's Five Forces will equip you with information on variables that can evolve to become Threats or Opportunities in the next 3 to 5 Years or more (e.g. Young Population in Africa is a Source of Opportunities the next 5 Years of Youth who will be comfortable using FinTechs as Banking Platforms).

© 2007 Mzingeli Situation Analysis Diamond provides;

Organisations of all Types with the Capability to align Risk Identification with Strategic Planning by creating a balance between Current Situation Analysis (PESTLE & SWOT Analysis) (Risk Factors / Sources of Risk) and Future Situation Analysis (Risk Analysis) to inform Decision Making and Strategic Planning through understanding current Environment as well as the future anticipated Threat and Opportunity Events(Risks)

It further assist Organisations to differentiate between existing Strengths, Weaknesses, Opportunities and Threats with Risks which are future anticipated Threats and Opportunities, something which most Risk Professionals Struggle to Understand

PESTLE and SWOT Analysis helps you get Current Insights while Risk Analysis provides you with Foresight to inform Strategic Planning

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ERM Maturity Level

How well Integrated is the Risk Management Process to Decision Making, Strategic and Operational Planning and Execution Processes

Timely Identification & Mitigation of Risks

Do you Identify and Mitigate Risks well before they materialize, or you only See and Respond to Risks once they have materialized

Risk Adjusted Budgets and Targets

Do you proactively factor Risks into your Budgeting Processes, or you reactively adjust your Budgets once a Risk Event has materialized

Movement of Risk Factors / Sources of Risks

Tracking of Risk Factors / Sources of Risks to determine how likely or unlikely the Risk Event may materialize

Risk Losses or Gains

Tracking of Losses or Gains as a Result of Risk Events Materializing

Rise or Decline in Insurance Premiums as a direct Impact of Risk Management Practices

Margins above Peer Performances

Tracking if your EBITDA Performance is above that of Peers

Service Levels Failures and/or Successes in Government

risk management leading and lagging kpis

A Performance Indicator or Key Performance Indicator is typically described as a Type of Performance Measurement which evaluates the success of an Organisation or of a Particular Activity in Which and Organisation Engages In. KPI.ORG describes Key Performance Indicators (KPIs) as “the critical (key) indicators of progress towards an intended results. KPIs provides a focus for Strategic and Operational Improvement, create and analytical basis for decision making and helps focus attention on what matters most” What has results in visible outcomes gets done.

Just like any other KPIs, Effective Risk Management KPIs should:

1. Provide objective evidence of progress towards achieving a desired outcome
2. Measure what is intended to be measured to help inform better decision making
3. Offer a comparison that gauges the degree of performance change over time
4. Track efficiency, effectiveness, quality, timeliness, governance, compliance, behaviours, economics, project performance, personnel performance or resource utilisation.

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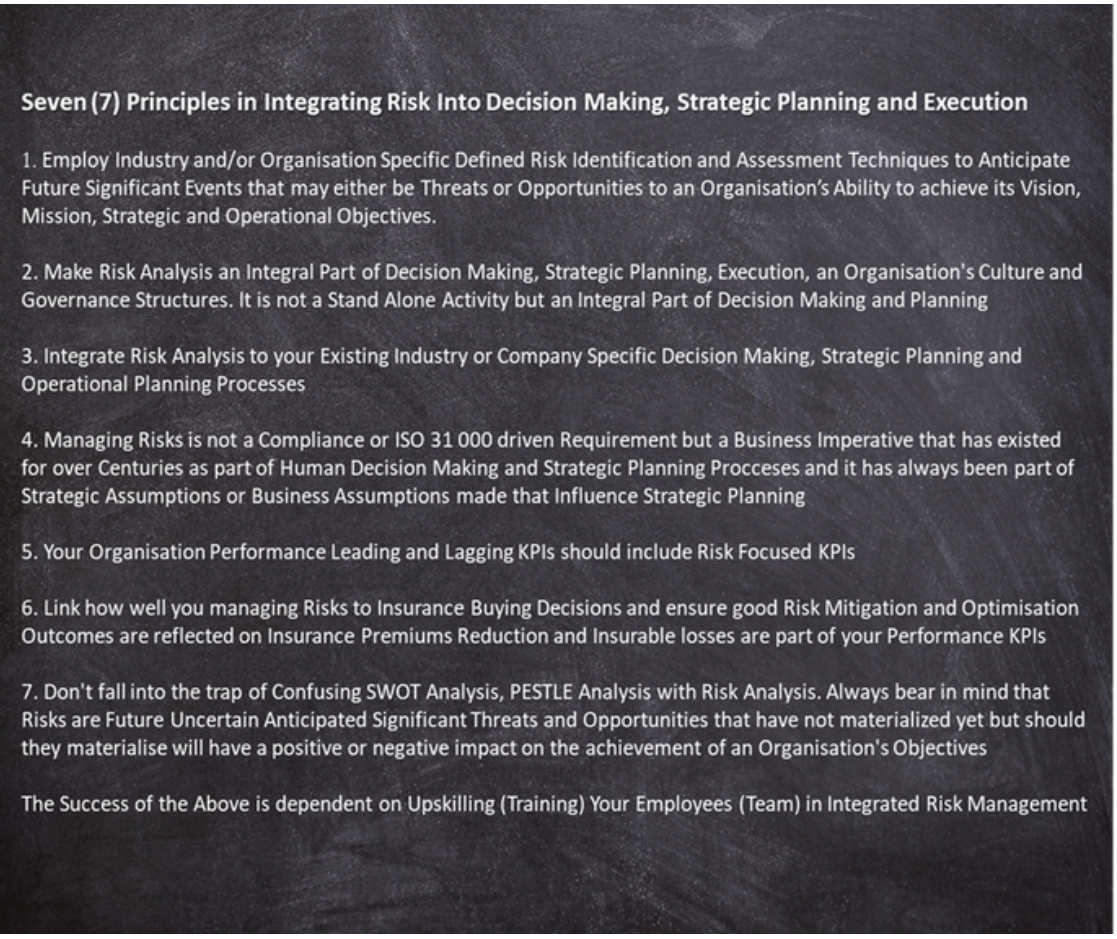

SEVEN PRINCIPLES
Enabling Your Business

key principles of integrating risk foresights into decision making and planning

Risk Management Culture: The Success of Integrating Risk Insights Into Decision Making and Strategic Planning, is dependent on Upskilling (Training) Your Employees (Team) in Integrated Risk Management as well as walking The Talk by Senior Management and having very clear Risk Management KPIs that are an Integral Part of all Employees Performance Management and Development System.

Transparency and Risk Disclosure: The Outcome of an Effective Risk Management Programme is Timely Identification of Risks, Proactive and Effective Optimisation and/or Exploitation of Risks.

Disclose the Top 6 to 10 Risks your are anticipating the the context of your Organisation and how effective you are managing these Risks (both Downside Risks and Upside Risks)

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"Did You Know that, In Southern Africa it is a well-Known Fact that Kings like King Shaka of AmaZulu, King Mzilikazi of AbaThwakazi, King Bhungane of AmaHlubi, King Sekhukhune of Bapedi etc. as part of their Governance Structures never made Significant Decisions e.g., Going to War Without Consulting their Chief Risk Advisors (uNdunankulu or Imboni or Isanusi) to Inform Decision Making ?

Yet There Are Schools of Thought that Want To Sell The Idea that Strategic Planning and Risk Management is New and a Eurocentric Invention?"

– MABUTHO HLUBI

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STRATEGY - RISK - GOVERNANCE - CULTURE

RISKFORESIGHT.COM PLATFORM

01 A World 1st One Stop Access Global Strategic Foresights and Risk Foresights Digital Knowledge Management Platform

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04 Strategic Thinking and Risk Foresights Thought Leadership Blog

05 Strategy and Risk Reports, Academic & Opinion Articles, Risk Management Frameworks and Templates

06 Seasonal Strategic and Risk Foresights Digital Magazine Publication

07 Industry and Organisation Specific Strategic Risk Assessments, Risk Advisory and Assurance

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ABOUT
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"We Bring The Future Into The Present So We Can Prepare For It Today"

RiskForesights.COM is a World 1st Global One Stop Access Strategic Foresights and Risk Foresights Digital Knowledge Management Ecosystems Platform that provides timely Strategic Foresights, Risk Foresights and Training to Entrepreneurs, Leaders, Decision Makers, Risk Professionals, Students, Investors, Corporate Partners, Experts.

"We Envision A World Where, Decisions We Make Today will be Driven by What We Want The Future To Look Like and Every Decision Maker, Researcher, Learner, Leader, Professional Can Effortlessly Tap The World's Collective Research Insights and Foresights on Strategic Thinking, Risk Management, Digitalisation Knowledge, Reducing Ignorance and Make Risk Informed Decision, Where Strategic Insights and Risk Management Knowledge Available Somewhere Informs Critical Decisions Everywhere. Where 4IR Technologies Will Be At The Core of The World's Developments"

RiskForesights.COM Founder

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11 & 13 Letaba Road, Eastcliff, 2190

Phone: +27 (0) 65 888 2150, Email: info@riskforsights.com, Web: www.riskforesights.com

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MINDSET & BEHAVIOURS SHIFT FOR RISK MANAGEMENT TRANSFORMATION

FROM	TO
REACTIVE	PROACTIVE
STAND-ALONE PROCESS	INTEGRATED INTO STRATEGIC MANAGMENT PROCESSES
AN AFTER THOUGHT	PART OF OUR DNA / CULTURE
COMPLIANCE DRIVEN	VALUE DRIVEN
THREATS FOCUSED	THREATS AND OPPORTUNITES
CURRENT ISSUES	FUTURE EVENT SCENARIOS

DON'T LET FEAR STOP YOU

FROM RISK REGISTERS → TO RISK EMBEDED STRATEGY AMD OPERATIONAL PLANS

FROM STAND-ALONE REPORTS → TO INTERGRATED STRATEGY & OPERATIONAL REVIEW RESPORTS

FROM STAND-ALONE RISK COMMITTEES → TO INTEGRATED STRATEGY AND OPERATIONS REVIEW COMMITTEES

FROM STAND ALONE RISK COURSES AND RISK STANDARDS → TO RISK MANAGEMENT MODULES BEING PART OF ALL TERTIARY LEVEL COURSES

FROM STAND-ALONE RISK KPIS → TO INTEGRATED BUSINESS PERFORMANCE LEADING AND LAGGING KPIS

FROM RISK MANAGEMENT CONSULTANTS → TO STRATEGY AND RISK MANAGEMENT DIGITAL KNOWLEDGE MANAGEMENT ECOSYSTEM PLAFORMS

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