# Risk and Strategy or Strategy and Risk - Can they co-exist?

Written by:
Oliver Laloux

Many argue that strategy and risk are polar opposites as the former aims to achieve a future desired, improved and better, state whilst the latter aims to identify uncertainties, concerns and problems associated with this future desired state.

Strategy builds up, risk breaks down.

However, those companies with a more mature risk management process regularly and explicitly link their risk management processes to their strategic planning process. Less mature approaches will define strategy in response to a number of business and strategic drivers, a vision and some goals, with focus on internal contexts and information. More risk mature organisations accept that the process needs to be balanced between internal and external forces.

Mondial
Dynamic Pragmatic Innovative

They also accept that risk management adds value before, during and after the strategy process. They achieve some balance in assimilating internal and external factors in determining the strategy and letting risk inform, shape and react to the strategy.

As the Mondial team has recently been involved in a number of strategy/ risk assignments, before, during and after the strategic planning process, we thought it would be useful to share some of the lessons learned.

- Risk should not be looked at only once the strategy has been set, to determine the uncertainties associated with achieving the strategy. Risk should be looked at before, during and after strategy setting.
- Internal scans, whilst important need to look beyond the next 12 month financial cycle and be focussed on what the organisation may look like in the next 3-5 years. Too many organisations put undue bias on the internal environment at the expense of the external environment.
- Any organisation is equally likely to be influenced, negatively or positively, by its external environment as it is by its internal environment, if not more so. A scan of the external environment should therefore receive equal and balanced focus and effort to the internal scan. Involve experts and knowledge external to the organisation where-ever you can and consult internal stakeholders, it will improve buy-in.
- As both internal and external futures are by their very nature, ‘uncertain’, it is important to explore alternatives or a range of scenarios to inform the process. We all know that change is constant but as its acceleration and speed changes, it is valuable to develop scenarios or alternatives that look at different futures as well as different time frames, such as 2-3 years, 5-7 years, or more.
- A consistent and formal approach is necessary. Many tools or models are available to conduct the original, during and after scans. These include SWOT, PESTEL, Porter’s 5x forces, Mintzberg’s 5 P’s and many others. Too many organisations try to fit only one tool or approach for their purpose. Accept that in practice the most successful approaches adapt, merge and create a hybrid approach that fits the organisation, its culture and current performance.
- Once an approach, tool or model has been selected, apply it before the strategy setting to understand the internal and external uncertainties that may affect the organisation. In this way, strategic responses or tactics can be aimed at dealing with risk.

- As strategic alternatives are defined and developed, apply risk management again, during the process, for example against a predetermined future sate that defines what success would look like.
- Risk management adds value again after strategy setting to stress test the future desired situation as well as the means proposed to get there; the strategy. It creates understanding, awareness and treatment plans to deal with the uncertainties facing achievement of the strategy. If done correctly, it becomes a cycle rather than a linear application.

Many argue that risk and strategy are polar opposites as one aims to achieve a desired state whilst the other aims to identify uncertainties and problems associated with the desired state. Applying both consistently and repeatedly provides a more robust, achievable and relevant strategy. The two must co-exist and collaborate to achieve success.

***Oliver Laloux*** *has a BSc TRP-Honours and MSc. He is the CEO of Mondial Consultants and a prior director of a large risk consultancy. Oliver has over 18 years' experience in enterprise risk management and project risk management as well as various elements of health, safety, environmental and quality (HSEQ) management. He has been the lead for numerous similar consulting projects, specialist Enterprise Risk Management (ERM) projects, project governance assignments and due diligence surveys in both South Africa and abroad, including clients in various sectors of industry.*

**Tel:** +27 861 007 662
**Fax** +27 86 564 0005
**Email** info@mondialcons.com
**Website:** www.mondialcons.com

**Office Address**
17 Central Office Park
257 Jean Avenue
Centurion
Gauteng

**Postal Address**
PO Box 7752
Centurion
Gauteng
0049