

Risk reverse

Risk is one of the fundamental drivers of the global economy. Companies are using risk to make better business decisions. By **Greg Case**

THE NATURE OF RISK IS changing, reflecting shifting management priorities. Senior management and risk managers have traditionally been concerned with operational and financial risk, but now they have to deal with issues as diverse as reputation, sustainability, labour unrest, business interruption, pandemics and the impact of new regulation around the world.

Risk is the chief concern of business leaders worldwide, according to Aon Corporation's Global Risk Management Survey, which polled 320 companies from 29 countries, 70 per cent of them publicly owned. Respondents report a continuing top-level priority for risk identification, quantification and analysis. Managing risk on an enterprise-wide basis is emerging as a new priority, replacing the current focus on regulatory compliance and reporting. This is positive news. Organisations that use risk management to make better business decisions by incorporating risk/return considerations into all aspects of their business are more likely to secure competitive advantage and improved stakeholder value.



Greg Case: Risk is the number-one issue keeping chief executives up at night

Let no one convince you that risk is altogether a negative. Risk is one of the fundamental drivers of the global economy. Without it, business leaders cannot take the initiatives or make the investments required to succeed.

Everybody talks about risk from a downside perspective, but risk is much more about opportunity. Risk is a building block for opportunity, it is married to innovation, it provides the impetus for ongoing development and it is essential to maintaining reputation.

Risk is the number-one issue keeping chief executives up at night, yet many corporate leaders and

their companies experience serious turmoil because they misunderstand it. Only 50 per cent of businesses in the Asia-Pacific have a written plan to deal with risk, compared with 61 per cent in Europe and 57 per cent in the Americas. Damage to reputation tops the list of risks business leaders in the Asia-Pacific are most concerned about, closely followed by weather and natural disasters, business interruption, market risk and third-party liability.

In Australia, corporate governance is the number-one local risk concern. Risk oversight and management have emerged as board level

priorities. Boards in the Asia-Pacific region and Europe lead the way in having established or partly established policies on risk, and 87 per cent of respondents report board involvement.

The role of the chief risk officer is most common in highly regulated sectors such as insurance, investment and finance. However, it is gaining ground outside those areas and may become critical in the changing global-risk landscape. With or without a CRO, the use of risk committees is likely to increase, ensuring a more integrated and systematic focus on risk across organisations. CROs and risk committees may become the catalysts in the way risk is managed at an enterprise-wide level.

Risk must be recognised, attacked and embraced at all levels, with an emphasis on thinking ahead to find solutions and a strategy on how it will be managed. The present economy demands we understand risk. We must create sophisticated solutions to address rapidly evolving risk. Companies that change their approach to risk have a unique opportunity to improve their balance sheet and grow their business. ●

Greg Case is president and chief executive of US risk management services company Aon Corporation. He visited Australia to address a risk conference.