

Strategic Risk 2.0

Quantifying Strategic Risks and Aligning Risk with Strategy

Many companies are increasingly looking for ways to understand risk and strategy, both qualitatively and quantitatively, and to move beyond the typical methods of complex decision-making which often is subject to human decision bias. A better understanding of external risk, coupled with a powerful engine to quantify uncertainty, can lead to better insights with a greater number of possible alternatives. This, in turn, drives better decisions and higher company value.

Strategic insights

Many organizations find the process and output from a role and intent analysis especially useful in understanding:

- **Risk:** Where does risk lie among business units, within segments, and across the portfolio. How does external risk and uncertainty create opportunities?
- **A Proper frame:** Asking key questions can help confirm you are solving the right problem. Many companies don't find the frame until there is disagreement well after project kick-off.
- **A full set of alternatives:** Any decision makers rarely are given more than two alternatives: "go" or "no go." Move from "good enough" to a meaningful set of alternatives from which to choose.
- **A probabilistic understanding:** Developing ranges for inputs and observing the outputs allows a better position to discuss how risky each alternative truly is.

Leading practices

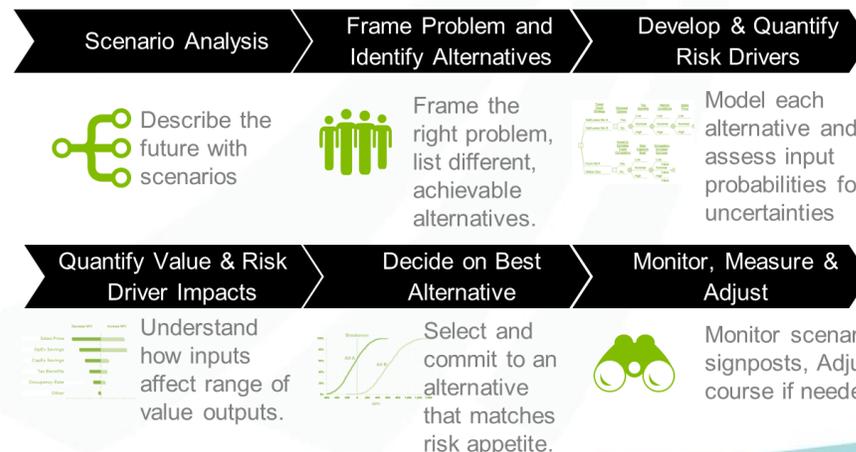
Some leading practices that allow organizations to make better decisions include:

- **A structured risk assessment** and scenario analysis that effectively describes 2-4 outcomes in your industry, along with executional risk issues that can impact your project.
- **An effectively framed problem** to demonstrate that the right issues are being solved.
- **A set of distinct and creative alternatives** that are achievable and actionable.
- **Information that is relevant** and descriptive of the problem being solved, and an assessment of probabilities that considers inputs from the structured risk assessment.
- **A quantitative model** and logical analysis that measures the value of alternatives, allowing selection of the alternative that is in line with the risk appetite of the stakeholders
- **Effective facilitation of key stakeholders** to gain alignment and commitment to action
- **Clarity of choice:** Be in a better position to make a decision that captures the most value. Instead of avoiding risk, take advantage of it.

Understand Risk, Make Better Decisions



A Path to Better Strategic Decisions



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