



Elevating strategic risk management

Bridging the gap between
strategy setting and risk efforts

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Elevating strategic risk management: bridging the gap between strategy setting and risk efforts

The more volatile and complex the external environment becomes, the more crucial it is to embed strategic risk management (SRM) into core decision-making. This article explores the challenges to embedding SRM in your organization and outlines practical pathways, ensuring strategy is resilient, adaptive, and grounded in informed risk thinking.

What is SRM?

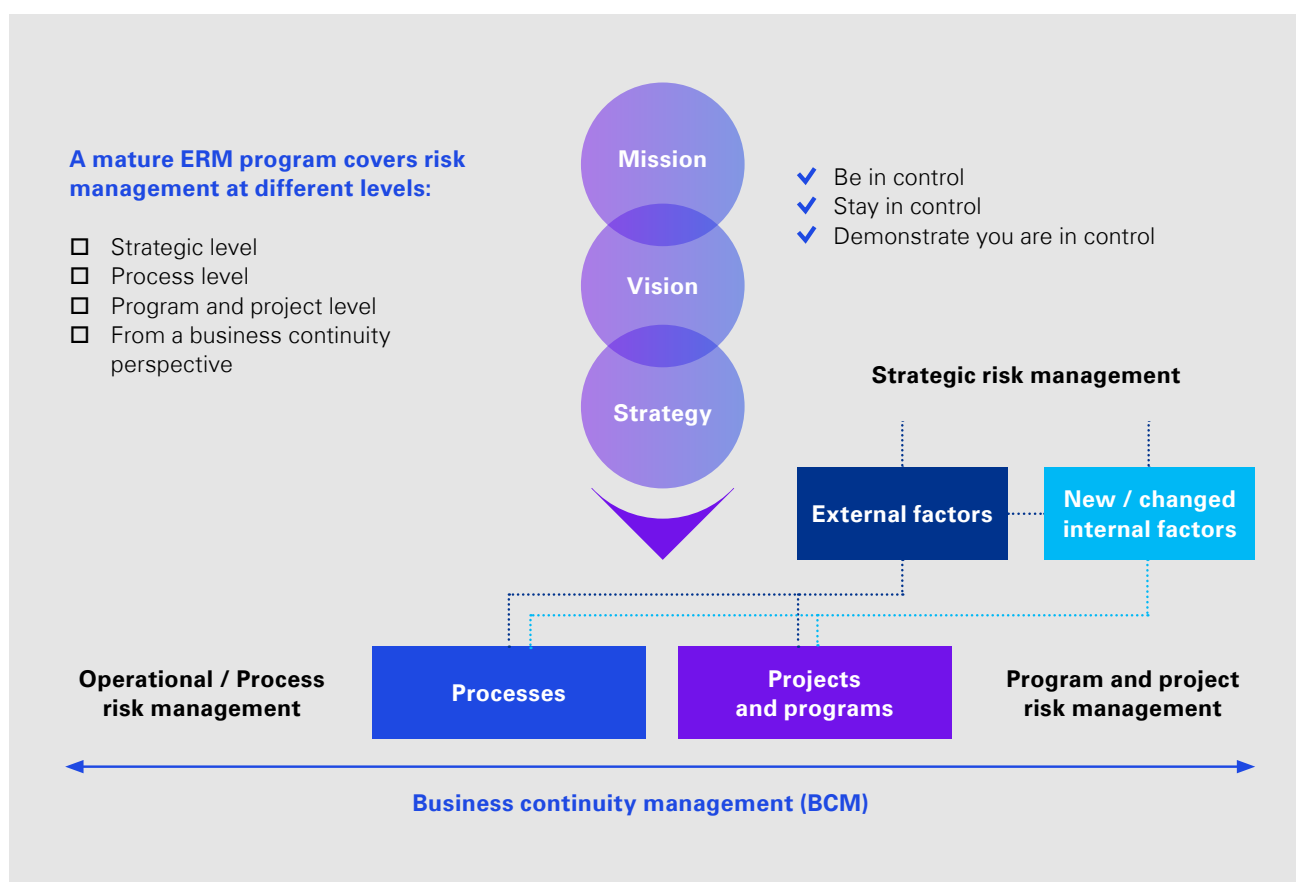
In practice, we observe that organizations interpret the boundaries between enterprise risk management (ERM) and SRM in diverse ways. Some consider SRM a subset of ERM; others treat it as a standalone discipline. Given this variety in interpretation and maturity, we see value in clearly articulating our perspective on what SRM entails, how it complements ERM, and why it deserves focused attention within the broader risk management approach.

SRM is the process of identifying, assessing, and responding to risks that could fundamentally impact an organization's mission, vision, or long-term strategy. While ERM provides a comprehensive framework spanning the strategic, process, and program/project levels, SRM specifically focuses on the strategic tier—where decisions are made that set direction, allocate resources, and shape business models.

SRM focuses on two key domains of risk. The first includes external factors, such as geopolitical shifts, changes in climate regulation, and the emergence of new competitors—developments largely outside the organization's control but with potentially significant impact. The second domain involves new or evolving internal factors, such as digital transformation initiatives, major organizational restructurings, or changes in leadership. These internal dynamics, while more controllable, can still introduce uncertainty and require careful navigation to safeguard strategic objectives.

By integrating SRM into the strategic cycle, organizations gain the ability to:

- Detect disruptive trends early;
- Adapt proactively rather than reactively; and
- Make risk-informed decisions about direction and investments.



Ultimately, SRM acts as a critical input to resilient strategy, helping leaders align bold ambitions with a clear-eyed view of the risks that could reshape them.

Moving toward maturity: strategy-aligned risk management

Organizations can operate at varying levels of risk management maturity, depending on their structure, priorities, and external context. At the basic level, risk management is largely compliance-driven and focused on risk transfer, often from an insurance perspective. Governance structures are typically ad hoc, with limited integration across departments or alignment with enterprise goals.

The intermediate level reflects a more integrated approach. Here, organizations adopt a defined risk framework and begin to view risk from an enterprise-wide perspective. Processes are more structured, and there is a greater focus on identifying and managing known risks. However, alignment with business strategy remains limited.

At the advanced level, risk management is fully aligned with strategy and embedded into decision-making. These organizations treat risk as a source of value creation, not just a defensive mechanism. They employ collaborative governance models, monitor trends for strategic insights, and use data-driven processes to support risk-return trade-offs. A strong risk culture ensures that risk thinking is integrated throughout the organization, from operations to strategic planning.

Basic

Regulatory risk management

- Focus on risk transfer from insurance perspective
- Strong focus on compliance
- No integration and limited alignment across the enterprise
- More ad hoc risk governance structures

Intermediate

Integrated risk management

- Organizational view on risk management
- Defined risk framework
- Functional process but no alignment with strategy
- Focus on known enterprise risks

Advanced

Strategy-aligned risk management

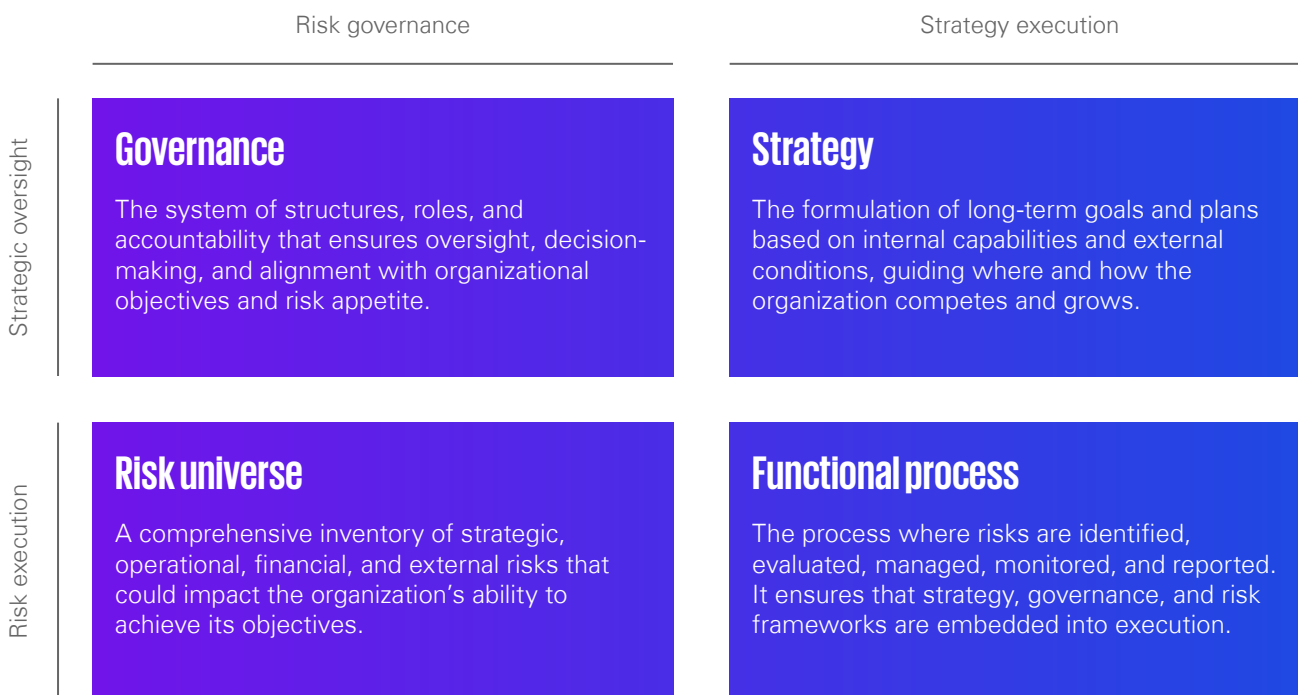
- Value-driven risk management
- Collaborative governance
- Alignment with business strategy
- Decision-making based on risk-return trade-offs
- Integrated, flexible, and data-driven risk processes
- Embedded in risk culture
- Trend monitoring for insights

SRM methodology

SRM relies on a coherent methodology built on four interdependent pillars: governance, risk universe, strategy, and functional process.

In reality, many organizations display uneven maturity across these dimensions: governance may exist in

form but lack real escalation mechanisms; strategy might be confused with budgeting cycles; risk universes often remain static and disconnected from evolving contexts; and functional processes can fall short in operational integration. Achieving strong SRM requires not only addressing each area individually, but ensuring they work in harmony—enabling a risk-informed, strategically resilient organization.



Governance principles

Effective governance is the backbone of SRM—it ensures that strategic risks are consistently identified, prioritized, and addressed across the organization. At its core, governance creates a structured system of roles, responsibilities, and oversight that fosters accountability, transparency, and timely decision-making. A well-designed governance structure connects all layers of the organization.

Beyond structure, governance mechanisms are essential. For example, regular risk reviews—typically quarterly or bi-annually—ensure risks remain relevant and visible. Escalation mechanisms are triggered by severity, urgency, or strategic importance, ensuring a responsive risk posture. Tooling, such as interactive risk dashboards and Key Risk Indicator (KRI) reporting, supports transparency and enables executive visibility. Together, these governance principles enable strategic risks to be managed proactively and coherently across the enterprise.

Strategic and environmental analysis

SRM starts with a solid understanding of the organization's internal capabilities and the external environment in which it operates. Strategic and environmental analysis is essential because it ensures that risk considerations are not made in isolation but are embedded within the broader strategic planning process. This dual lens enables organizations to align their long-term objectives with both internal realities and external dynamics.

A variety of tools and techniques support the definition and refinement of strategy—each offering insights that can also inform the strategic risk management process when interpreted through a risk perspective. SWOT analysis, for example, connects internal strengths and weaknesses with external opportunities and threats. While not a risk tool per se, it highlights potential vulnerabilities or missed opportunities that, when left unaddressed, can evolve into strategic risks. Similarly, PESTEL analysis maps out macro-environmental factors—such as political, economic, technological, and legal trends. Although these are

contextual observations, they can serve as a valuable foundation for identifying emerging risks. The OGSM framework (Objectives, Goals, Strategies, Measures) helps you set a clear strategy and connect it to concrete actions, which in turn creates touchpoints for identifying risks to strategic delivery. Scenario planning offers a way to explore plausible future states, enabling organizations to stress-test their strategies against a range of uncertainties. Finally, cross-functional workshops bring these tools to life—engaging stakeholders in discussions that help translate strategic analysis into concrete risk insights and mitigation planning. Ultimately, it is up to each organization to make the connection between these strategic inputs and the risks that could compromise them.

The outcome of these strategic exercises leads to a risk-informed strategy, one that is realistic, resilient, and adaptive to change—rooted in a clear awareness of both internal capabilities and the evolving external context.

Risk universe

A clearly defined risk universe is a cornerstone of effective SRM, enabling consistent identification, assessment, and prioritization of risks across the entire organization. It provides a structured inventory of potential threats—for example strategic, operational, financial, and external—that may impact the achievement of business objectives. A key enabler is the use of a risk taxonomy, a standard classification framework that ensures risks are categorized and communicated consistently across business units and functions. To assess the risks in the risk universe meaningfully, organizations apply a risk scaling matrix that standardizes the evaluation of likelihood and impact, forming the basis for response planning. Heatmaps then translate this data into intuitive visual formats, helping to quickly grasp where the greatest exposures lie. To keep the risk universe relevant and responsive, many organizations use risk workshops and interviews to validate current risks, uncover emerging ones, and ensure engagement from across the business.

The outcome is a prioritized, enterprise-wide view of risks that enhances strategic decision-making and ensures that mitigation efforts are focused where they matter most. However, it is important to recognize that this view represents a point-in-time snapshot. To remain effective, the risk universe must be regularly revisited and updated to reflect changes in the organization.

Functional process

The functional process is where SRM becomes operational. It provides the structured cycle through which risks are consistently identified, evaluated, managed, monitored, and reported. It begins with defining the strategic scope, combining an understanding of internal capabilities with external environmental factors to frame the context in which risks should be considered. The identification phase draws on internal and external analyses and is often validated through workshops or interviews with key stakeholders to ensure relevance and completeness. Once risks are identified, they are evaluated for their likelihood and potential impact—typically by members of the management committee—so that the most pressing exposures can be prioritized. Risk response planning follows, ensuring that mitigation actions are not only proportional to the risk but also aligned with the organization’s strategic objectives and risk appetite. Ongoing monitoring through key indicators and periodic reviews ensures that risk exposure is continuously reassessed and that risk responses remain effective. Finally, clear and high-quality reporting is critical—structured in a way that allows executive and board-level stakeholders to make informed decisions quickly.



However, the design and execution of this process differs significantly across organizations. Factors such as organizational complexity, governance culture, regulatory pressure, and risk maturity influence how frequently risks are reviewed, how scope is defined, and which stakeholders are involved at each step. There is no one-size-fits-all model—each organization must tailor the functional process to reflect its strategic priorities, resource capacity, and risk culture.

Success factors for embedding SRM

Successful SRM hinges on integrating risk thinking into strategic decision-making, rather than treating it as a standalone compliance-driven task. Some best practices to achieve this are listed below.

- Early involvement in strategic reviews: Ensure risk professionals are part of the scenario planning and prioritization process.
- Strategic project oversight: Establish tiered oversight based on project complexity and financial thresholds. Include risk teams from project selection to execution.
- Linking strategy tools with risk tools: Bridge the gap between OGSM, PESTEL, and risk universes using shared methodologies or integrated tools.
- Drive a culture of constructive challenge: Encourage senior and mid-level managers to discuss difficult risks, especially those that threaten strategy assumptions.
- Use the risk universe as a living guide: Continuously update strategic risk categories and link them back to real-time business intelligence and external signals.

Emerging risks

Effective SRM benefits from a structured and forward-looking approach to identifying these emerging threats. A critical element of this process is environmental scanning—drawing from reputable external sources that systematically monitor macro-level trends. Reports such as the World Economic Forum’s Global Risks Report (2025), geopolitical outlooks, macroeconomic analyses, and technology foresight publications offer visibility into long-range developments such as supply chain re-nationalization, AI governance, demographic shifts, and the rise of green regulation. These sources help risk professionals anticipate rather than merely react.

At the same time, technological enablers—especially Artificial Intelligence—are redefining how organizations approach early risk detection. Advanced

AI models are now capable of processing and analyzing vast amounts of unstructured data from a multitude of channels, including media coverage, academic publications, policy announcements, patent filings, and even social sentiment. By identifying weak signals and non-obvious correlations, AI can highlight risk clusters or emerging threats far earlier than traditional monitoring tools.

Additionally, the full value of AI emerges when organizations use it to interrogate their own internal data. Company-safe, enterprise-grade AI systems can be deployed securely to analyze internal documentation—such as strategic plans, board presentations, risk logs, customer feedback, or project reports—in combination with external sources. This fusion of internal and external intelligence allows for more tailored, high-fidelity identification of emerging risks specific to the company’s strategic context. When integrated into the broader ERM framework, this capability does not replace human judgment, but it amplifies it, enabling decision-makers to act sooner, with greater confidence and insight.

Ultimately, integrating emerging risk analysis into strategic decision-making enhances organizational agility. It enables proactive mitigation planning and reinforces a culture of foresight—ensuring that leaders can navigate uncertainty with precision rather than improvisation.

Key take aways on SRM

In conclusion, effective SRM is not a one-size-fits-all solution—it must be tailored to the unique structure, methodology, and needs of each organization. Embedding risk management into the organizational fabric with visible leadership support, clear governance, and a strong risk culture ensures that risk insights translate into decisive strategic actions. Furthermore, close collaboration between risk and strategy functions is crucial to maintain alignment and avoid redundant efforts. Finally, staying vigilant on emerging risks through diverse information sources and leveraging advanced tools like AI-driven horizon scanning enables organizations to anticipate and adapt to future uncertainties, securing long-term resilience and success.

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