



Risk: Lift your business head and shoulders above the rest

Risk's new 360-degree view is a business differentiator.

KPMG Powered Enterprise | Risk

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The proactive protector

From economic uncertainty to a global pandemic, launching a new product to opening new premises, today's businesses continually face a multitude of risks. And those risks keep on coming.

Traditionally, risk has been a protective function within a business, preventing it from appearing in the press for all the wrong reasons. While that role has been greatly valued, risk has also had the reputation internally as being the function that slows innovation and operations down by placing unnecessary roadblocks in the path of progress.

That protection is, of course, as important as it ever has been; maybe more so. However, if the risk function is only focusing on protection, businesses are missing out on a significant opportunity. By teaming foresight with the benefit of hindsight, risk can be a true value creator.

"Risk wants to have an integral seat at the table with the business; they do not want to be perceived as a 'cost center,' who is preventing the business from getting into emerging markets and slowing growth," says Eric Parker, Managing Director, Risk, at KPMG in the US.

"Risk very much wants to be seen as helping the business de-risk certain situations, but also striving to put the the business at the forefront of innovation.

By embedding new ways of working, risk can be harnessed and used to build confidence and trust. This can create a true differentiator with customers and other functional operations inside the business, as well as regulators who expect a proactive approach to managing risk and compliance.



Standing still isn't an option for risk

While the risk function may want to be perceived as a value-adding partner, rather than a barrier to efficiency or innovation, there's a significant roadblock preventing many organizations from realizing this: the fear of change.

Taking the right risks is critical to a business's ability to perform, and there is a perception that risk management is too complex and costly to transform. However, given that the world in which businesses operate continues to change at pace, the longer they wait to transform risk, the further behind their competitors they may fall.

Simultaneously, risk management is facing the same pressures as many other areas of the business – they are being asked to do more with less. They're being asked to manage new threats, new vulnerabilities, new risks in the environment – but with fewer resources. And often, the technology across the organization's functions are not integrated, which can create a lack of synergy.

“We encourage business to transform their risk programs and be integral to the business.” says Parker.

Today, there's a heightened need to identify, mitigate, monitor and manage risks in a more timely manner, while at the same time taking a proactive approach and identifying and mitigating risks that have yet to fully emerge.

The way risk functions are perceived and engaged with should be enhanced. The function should be transformed into one with a holistic business outlook that's on the front foot – and by doing so risk can be turned from a negative into a significant positive.



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Eric Parker

Managing Director, Risk, KPMG in the US

Risk: A new value driver

The negative connotation that attaches itself to risk is a consequence of the commonly held belief about the function's downside: keeping the business out of trouble.

However, in most organizations where risk is truly adding value today, there is a focus on the upside.



Getting there is the challenge

By focusing on how risk can be managed from the outset of any strategic initiative versus project, it enables businesses to be competitive, do new things, and go toe-to-toe with its competitors, as well as go to market, launch new products or new initiatives with confidence.

Traditionally, a company would have a new product they wanted to bring to the market and the business would run full speed ahead to get it developed and out the door. Risk rarely got involved until something went wrong, and they had to come in after the fact and manage the problem in a very reactive manner.

"Today, more organizations are saying 'let's have risk and cyber at the table on day one when those new initiatives are getting off the ground,'" says Parker.

"Risk's job isn't to be a naysayer that stops the business from progressing, but to ask the smart questions that they're paid to ask and protect the business from potential downside."

In order to do this, risk management should become more connected with the business. A high-performing risk function enables innovation by providing insight, savings, speed, flexibility, and trust for all areas of the business.

Of course, getting there is the challenge.

KPMG Powered Enterprise | Risk offers new ways to help maintain and reduce risk by fast-tracking transformation. This can help improve business performance, inform decision-making and produce lasting capabilities.

By embedding risk as a key business component, organizations should engage with their risk colleagues on a day-to-day basis, seeking the advice and input of risk and compliance professionals as they design risk assessments, implement key risk indicators (KRIs), and when they face actual issues.

Naturally, efficiencies are very important for the majority of businesses, and Powered Risk enables organizations to realize efficiencies while at the same time building a leading-practice function. By automating processes, efficiencies can be gained, and the resultant time that is saved can be invested in forward-focused, cross-functional strategies.

Risk can help create new value for an organization by providing proactive insights to the business, collaborating in real-time and creating a seamless business and risk technology ecosystem, which can break down silos.

"If you truly ingrain risk management and compliance management into everything you do, you can build trust in the organization and you can also build that trust outwardly with your customers, suppliers, employees and regulators" says Prasanna Govindankutty, Principal, Advisory, Cyber Security Services at KPMG in the US.

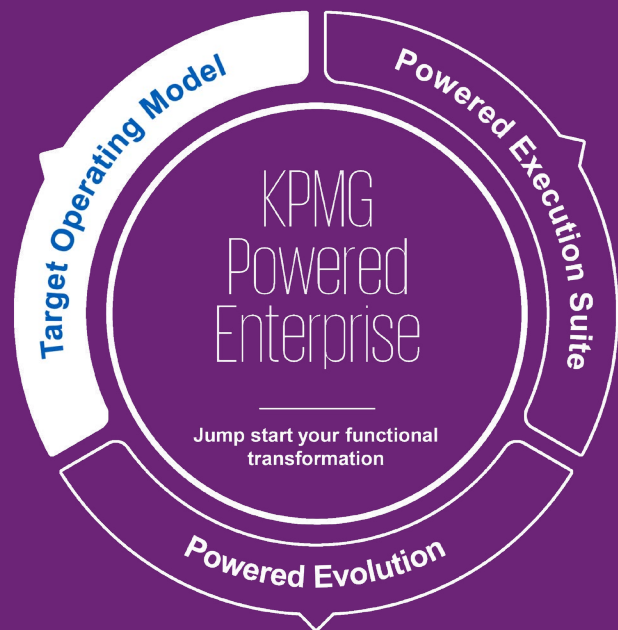
"Customers are more willing to share their data with you or buy your new products with greater confidence because you have gained their trust. Powered Risk is an enabler to do just that."

And to operate a transformed risk function, a new **target operating model** is needed.



The transformation of risk

Powered Risk's well-established accelerators and pre-configured solutions to help transform an organization's risk function while also allowing enough flexibility to tailor to their needs.



Throughout a transformation process, the experienced Powered Risk team works with clients to identify areas of strength and weakness, and their current and desired maturity.

The **KPMG Target Operating Model**, comprised of six key areas, works together striving to achieve optimum outcomes: in functional processes, people, service delivery models, technology, performance insights and data, and governance.

For example, from a people perspective, roles and responsibilities, including governance and oversight, should be formalized. Processes, supporting data and reporting should be harmonized to provide permanent solutions instead of temporary fixes.

There is a heightened expectation that the technology the risk team uses is moving at the same pace as the technology in the rest of the business, and it's important for organizations to be at the same level of technology in every function.

"As business processes and data evolve, risk management's interaction model should also change – businesses should not work in modern day tech while the risk teams work on dated solutions," says Parker.

By taking a holistic view of the business as well as the risk function, organizations can quickly see areas of opportunity for their teams. To realize those opportunities, new ways of working should be embedded in the day-to-day.

And by doing that, businesses can truly differentiate themselves from their competitors, the risk function can add value, and create a more sustainable organization that can evolve and be successful in the future.

Evolving function, evolving threats

As a function, risk should be at the forefront. It should be given license to proactively assess the landscape the business is operating in today, and create preemptive measures to protect – often before other stakeholders realize there’s a threat at all.

By being part of the strategic conversations about new initiatives, risk teams can work in unison with other departments, identifying threats and opportunities, and guiding stakeholders to better outcomes.

By earning the trust of colleagues – and helping them earn the trust of their customer – a risk function can become the indispensable collaborator it wants to be.



Key takeaways

1. **Risk has traditionally been a reactive and defensive function** – however, it has significantly more potential.
2. By building trust with internal stakeholders and customers, **risk teams can be a significant value driver in any organization.**
3. By integrating risk with other departments at a strategic level, **potential project threats can be identified early and solutions found.**
4. By introducing **well-established processes and systems** to the risk function, **significant efficiency can be realized.**
5. A functional transformation, together with a new target operating model, can **accelerate change, enabling businesses to succeed over the coming years.**

Discover more

How Powered can help:

- 🔗 **A new vantage point**
- 🔗 **KPMG Powered Enterprise**
- 🔗 **KPMG Target Operating Model**

Insights from KPMG:

- 🔗 **Shaping the future**
- 🔗 **Connected. Powered. Trusted.**

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