

5 Critical questions to help transform risk into value

1 How do KPMG firms identify and evaluate the signals of change?

To be able to take advantage of disruptions, you need to anticipate them early. When you're blind to the risks you face, you are also blind to related opportunities. As the first step in KPMG's Risk Based Strategies approach, KPMG professionals will work with you to identify and evaluate the signals of change most relevant to your business. We'll help you answer questions like, "How are our customers and competitors changing?" and "What new technologies or innovations could impact our business model?" From there, we'll help you understand the speed of specific disruptors, and determine how each disruptor could positively or negatively impact your organization, your industry and your business environment.

Ask yourself

- What signals of change (e.g. trends, innovations, new business models) should be on your radar right now?
- How are these changes accelerating?
- How could these signals affect your customers or operations – positively or negatively?

2 Where are our headaches?

Once you understand the signals of change most relevant to your business, KPMG firms can help you assess how these innovations, changes or disruptions are or may impact your organization's profit levers. We'll help you understand how resilient your income streams and operations are and identify where profit levers are being negatively impacted or creating volatility or vulnerabilities for your organization.

By reviewing the performance of your products, services or internal organization, we can help you understand your current challenges and how these might be exacerbated by change. We can also make sure your operations and activities are well aligned to be successful in the future.

Ask yourself

- How resilient are our income streams and operations?
- Where are our vulnerabilities when it comes to potential disruptors?
- How can we make our business processes, products, services and customer activities fit for tomorrow?

3 Do we have the right appetite for risk?

Every organization takes calculated risks. During this step KPMG professionals help you understand your appetite for risk by looking at what calculated risks you're currently invested in and their anticipated rate of return. By understanding your appetite for risk now, we can help you see whether you're taking too little risk in pursuit of your objectives or too much. We can also help you assess how much more risk your organization is willing to accept in pursuit of value so that you can make conscious choices about how you will address the signals of change and disruptors faced by your organization.

Ask yourself

- What risks are we taking now and what is our estimated return and probability of success for each?
- How much risk are we willing to take to pursue value associated with identified disruptors or signals of change?

4 How do KPMG firms convert insights into action?

Once you understand the disruptors facing your company, the potential risks and value posed by them, and the actual amount of risk your organization is willing or able to take, you will be well positioned to make proactive risk based strategies to respond to risks and/or to pursue specific opportunities.

To help you turn insights into action, KPMG firms can work with your organization to align risk-taking opportunities with your business strategy and growth agenda and to define the investments and initiatives that can best help you achieve the value identified. Throughout the process, we'll also help you ensure any activities are developed with your customers in mind.

Ask yourself

- How urgently do we need to respond to signals of change?
- Which specific signals of change require a creative response?
- How can we design and implement initiatives that create value and respond to our customers' needs?

5 How do we re-risk the downside?

Often companies freeze at the last moment when it comes to taking a significant risk because they are overcome by inertia, fear of failure, or the need to de-risk the downside associated with a new initiative or solution. While no initiative comes without risk, using the Risk Based Strategies approach can give you added confidence that you have evaluated your options appropriately and are making the right decisions at the right time to achieve your desired outcome even in the face of disruption.

Ask yourself

- Are we confident that we are taking the right approach to achieve value?
- Have we minimized our downside risks?
- How can we incorporate risk based strategies into our long-term strategic and operational planning processes and our corporate culture?