Risk is an integral part of any quality strategic planning process. A strategic plan that has not taken into account current and future risks is incomplete and can lead to the development of a business plan that will take the organization in the wrong direction. But our experience has shown us that risk does not get the attention it requires in most strategic planning efforts, particularly in deep future planning.

There are three primary processes in most strategic planning efforts:

1. A current environmental scan, which may include process mapping and analysis as well as the more usual survey of the ‘as-is’ state of the organization and the marketplace.
2. The development of a strategy, based on the environmental scan, which should identify the to-be state of the organization and which can include an organizational strategy, long term strategic plan, and/or a short term business plan.
3. The implementation of the strategy, which often includes a restructuring of the organization to better align it with the current reality as determined by the environmental scan, the strategic plan, and as detailed in the business plan. This may include changing the organizational structure, moving people into different positions, removing people, hiring new people, shifting product focus, realigning the organization to changing customer requirements, or making any number of alterations to maximize desired performance.

Some more thorough strategic planning processes will include a deep future planning effort which will include the development of a series of possible futures and will involve a war game mechanism where there are a series of ‘test drives of the Strategic Plan’ in these new worlds to determine how things might change in the near, mid, or longer term.

It is our experience that the strategic plan will have more validity, a better probability of success, and reap great benefits if, at each stage of the development of the strategic plan, a risk analysis occurs. This is necessary to ensure that all of the forces of the environment have been identified and all of the ramifications, both intended and unintended, have been identified and analyzed. We have found that following this process of conducting a structured risk analysis significantly improves the quality and success of the strategic plan, the business plan implementation, and will facilitate the more effective and efficient allocations of the organization’s resources going forward.

The framework for the process of risk analysis has four primary steps:

* Identify of the risks
* Dimension of the risks
* Develop a risk management/mitigation strategy
* Develop a risk management/mitigation plan from the strategy

Identify the Risks: We have found that most of our clients believe at the outset that they have a good idea of what the risks to their organization are. And it turns out that they do usually have a good concept of the risks that face the organization today *as they view the organization, its goals, and objectives*. We have also found that there is rarely a consensus on the organization’s mission, core competencies, strategic objectives, or long term direction. In addition it has been our experience that there is little to no consensus on the ramifications or consequences of the current or future risks.

Hence, the process of identifying the risks requires more care than might be initially contemplated. Dunkirk has developed a tool set we use in a series of facilitated meetings that has proved successful in identifying the salient risks to the organization and its strategy.

Dimension the Risks: In the analysis of risk we have found it very helpful to translate the concepts, size, severity, ramifications, and consequences of the risks into numerical values. By ‘numerisizing’ the risks we can better deal with measurement, rank ordering, and mitigation development in a manner which is compatible with the budget process. This is an important feature, because at the end of the day risk management is about the allocation of organization’s resources.

Develop a Risk Management/Mitigation Strategy: The development of a risk management strategy, which includes risk mitigation, in concert with the larger strategic plan is important to ensure that the risks to the strategy and the organization are properly viewed, linked, and aligned to the strategic plan. A de-linkage between the risk management strategy the strategic plan can have serious negative effects. In the risk management strategy development, the organization needs to determine what its goals will be in risk management, its ‘risk horizon’, what can be mitigated, what should be mitigated, and how this strategy will benefit the organization.

Develop a Risk Management/Mitigation Plan: Once the overall risk strategy has been developed in accord with the strategic plan then a risk management and mitigation plan can be developed in concert with the shorter term business plan. The allocation of resources to manage and mitigate risks will be made at the risk management/mitigation plan level and must be tied to the budget process.

Conclusion: Risk Analysis is important at each step of the strategic planning process. Without a robust Risk Analysis the strategic plan has less of a chance to identify and manage those forces in the environment and can leave the organization unprepared for what is next.

Dunkirk Partners has developed a Risk Identification and Analysis process that we tailor to each client’s specific requirements that has proved to be very successful. This process follows the primary steps outlined above and also includes a set of client specific analyses that makes the resultant strategic plan and the follow on business plan more effective and efficient.

We provide solutions that really work.

Stewart Brown

Principal

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