Managing Risks during Strategy Implementation
Literature Review

Omer M. Osman, PhD Candidate, Abdelgadir M. Mahmoud, Senior Lecturer
UTM Razak Faculty of Technology and Informatics, Kuala Lumpur, Universiti Teknologi Malaysia

Abstract: The main aim of the various risk management frameworks is to ensure that intended strategies are executed, and the related objectives accomplished, which means that these frameworks give priority to controls. Enterprise risk management frameworks, no matter how well designed and operated, provides only reasonable assurance to management and the board of directors regarding achievement of an entity’s objectives but in the operational level, disregarding the evaluation the track of the strategy plan through implementation stage. These include the realities that human judgment in decision making can be faulty and that breakdowns can occur because of such human failures, and management can override the enterprise risk management process, including risk response decisions and control activities. So, it will be necessary, to develop some frameworks for assessing risks with considering the perspectives of the whole range of strategy stage, and avoid confusing objective assessment during strategy implementation.


1. Risk Management

Many experts have defined “risk management” in different words but still quite accurately, in a wide concept risk management is defined: a formal process for managing risks. The process consists of system definition, hazard identification, identification of accident scenarios, quantification of probabilities and consequences, assessment of risk, identification of risk control options, and decision on implementation, identification and management of residual risk (15). Other definition for Risk management is: the process of planning, organizing, directing, and controlling resources to achieve given objectives when surprisingly good or bad events are possible (16). Illustrated modern risk management philosophy by Gregory M. Carroll (17): risk management philosophy goes beyond "staying out of trouble. “It incorporates the upside of risk—the people and process efficiencies that result when a holistic risk management framework is integrated into all aspects of the business and aligned to specific business objectives. Investing in risk management, as with all other investments, must produce a return.

Risk management has been imposed on public affairs in general and on the business community to extend corporate accountability for the consequences of the potential risks and institute internal control frameworks to circumvent their occurrence. The necessity for risk management processes, with a predominant focus on routine system errors, operational malfunctions, uncontrolled employees and personal accountability of corporate executives (18). The pressure to introduce formal practices of internal controls and personal accountability has clearly led to greater scrutiny of internal processes and reporting systems. However, these practices often promote a defensive corporate mentality, where internal controls may inhibit rather than create a proactive organizational environment that encourages innovative responses to environmental challenges in an uncertain world. What is more, the virus risk management frameworks typically propose the implementation of a uniform and integrated structure across the organization to manage all types of risks often institutionalized around a central corporate risk management function (8).

General risk management process in most frameworks containing four steps:
1) Risk identification,
2) Quantitative or qualitative assessment of the documented risks,
3) Risk prioritization and response planning, and
4) Risk monitoring.

1.1 Risk Identification

According to ISO 31000-2009 (19) the organization should identify sources of risk, areas of impacts, events and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might enhance, prevent, degrade or delay the achievement of the objectives. It is also important to identify the risks associated with not pursuing an opportunity. Comprehensive identification is critical, because a risk that is not identified at this stage will not be included in further analysis. Identification should include risks whether or not their source is under control of the organization. The organization should apply risk identification tools and techniques which are suited to its objectives and capabilities, and to the risks faced. Relevant and up-to-date information is important in identifying risks. This should include suitable background information where possible. People with appropriate knowledge should be involved in identifying risks. After identifying what might happen, it is necessary to consider possible causes and scenarios that show what consequences can occur. All significant causes should be considered.
Robert R. Moeller (8) argued that: the idea is not to just list every possible risk but to identify risks that might impact operations, with some level of probability, within a reasonable time period. This can be a difficult exercise because we often do not know the probability of the risk’s occurring or the nature of the consequences if the organization does have to face the risk.

1.2 Risk Assessment

Some types of risk lend themselves to a numerical diagnosis - particularly financial risk. For other risks - for example reputational risk - a much more subjective view is all that is possible. In this sense risk assessment is more of an art than a science. It will be necessary, however, to develop some framework for assessing risks. The assessment should draw as much as possible on unbiased independent evidence, consider the perspectives of the whole range of stakeholders affected by the risk, and avoid confusing objective assessment of the risk with judgment about the acceptability of the risk (20). There are three important principles for assessing risk:

- Ensure that there is a clearly structured process in which both likelihood and impact are considered for each risk;
- Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities;
- Be clear about the difference between, inherent and residual risk.

1.3 Risk Control and Mitigation

A control is an action or measure that can alter an uncertainty (hopefully for the better) and can include any device, change of practice, use of equipment, re-design of product or process. Generally, the best solution is to eliminate a risk so there is a preference for one control over another so they are ranked in order of effect in a hierarchy of controls (17).

It is important to understand the risk appetite of the business unit being assessed. This is the level of risk that can be tolerated on an ongoing basis. It will vary dramatically from department to department, e.g., marketing vs. finance. Be aware that elimination of a risk is not always the objective and sometimes not even desirable. However, the risk is still worth recording, as it may have an effect on other areas.

Mitigation is a fancy word for an action that reduces or eliminates a risk, i.e., how a control is applied to risk. Controls regularly do not act as intended, so mitigation requires change management, i.e. planning, approval, monitoring and review of its effect. The assessment prior to applying a control (mitigation) is referred to as its initial risk. The evaluation of the risk still outstanding afterward is referred to as the residual risk (17).

1.4 Risk Monitoring and Review

Review is the key to effective risk management. Set mile stones throughout mitigation, and review affected area on completion. When properly implemented, review is where risk management creates value and facilitates continual improvement (17).

The frequency of review will depend on the risk rating, the strength of controls and the ability to effectively treat the risk. Each of us has a role to play in continually monitoring known or emerging risks and regularly checking or ensuring that controls are in place and are being used (21).

2. Enterprise Risk Management (ERM)

The US Federal Government organizations to provide guidance and support for ERM (2016) defined Enterprise Risk Management as: ERM is an effective agency-wide approach to addressing the full spectrum of the organization’s significant risks by considering the combined array of risks as an interrelated portfolio, rather than addressing risks only within silos. ERM provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that provides improved insight about how to more effectively prioritize and manage risks to mission delivery (22).

2.1 Outcomes and Attributes of Enterprise Risk Management

ERM supports agencies’ ability to articulate risks, align and allocate resources, and proactively discuss management and mitigation strategies and activities to better equip agencies to deliver on their goals and objectives and potentially improve stakeholder confidence and trust (22). ERM should operate with the purpose of:

- Supporting the mission and vision;
- Integrating existing risk management practices across functional silos;
- Improving strategic planning and decision-making;
- Improving the flow of risk information to decision makers;
- Including diverse viewpoints while driving towards consensus;
- Establishing early warning systems and escalation policies;
- Identifying, prioritizing, and proactively managing risks;
- Identifying opportunities; and
- Supporting budget decisions and performance management.
ERM creates value by enabling senior management to quantify and manage the risk-return tradeoff that faces the entire firm. By adopting this perspective, ERM helps the firm maintain access to the capital markets and other resources necessary to implement its strategy and business plan (23). Gregory M. Carroll (17) added in building shareholder value: One of the most overlooked benefits of enterprise risk management is building shareholder value the mission of any public company. Enterprise risk management enables executives to invest in assets that will deliver a better return for shareholders than assets with the same amount of risk, yet lower return.

2.2 ERM Implementation and Considerations

The implementation of ERM depends on a number of organizational variables and no specific recipe is available to assure successful implementation in any organization. In this section, however, a number of practical considerations are discussed that may provide helpful insights in the implementation process. These include: ERM infrastructure, ERM maturity models, staging ERM adoption for early wins, the role of the management accountant, ERM education and training, technology, aligning corporate culture (12). In other hand COSO (2004) stated that: The attitude and concern of top management for effective enterprise risk management must be definitive and clear, and permeate the organization. The impact of an ineffective internal environment can be far-reaching, possibly resulting in financial loss, a tarnished public image, or a business failure (13).

Implementing ERM can take many shapes. Some organizations have only one person in charge of risk, while others employ a large team. Both approaches have advantages. With a large team, more resources and people are focused on the effort. Having a small ERM staff, however, encourages the organizational units, management, and employees to become highly involved and share responsibility for ERM. A common approach is to have a moderate number of people on the ERM team to facilitate risk workshops, help executives and business units understand their risks, gather data across the organization, and assist in reporting risks upwards to senior executives and the board. Broad representation, objectivity, and a look to “the big picture” are keys (12). Although many approaches to ERM are found in practice, common elements include:

- CEO commitment (tone and messaging from the top),
- Risk policies and/or mission statements, including adapting any company risk or audit committee charter to incorporate ERM,
- Reporting to business units, executives, and the board,
- Adoption or development of a risk framework,
- Adoption or development of a common risk language,
- Techniques for identifying risk,
- Tools for assessing risks, and Tools for reporting and monitoring risk,
- Incorporating risk into appropriate employees’ job descriptions and responsibilities,
- Incorporating risk into the budgeting function, and
- Integrating risk identification and assessment into the strategy of the organization.

2.3 Risk Appetite

Risk appetite, established by management with oversight of the board of directors, is a guidepost in strategy setting. Companies may express risk appetite as the acceptable balance of growth, risk, and return, or as risk-adjusted shareholder value-added measures. Some entities, such as not-for-profit organizations, express risk appetite as the level of risk they will accept in providing value to their stakeholders.

There is a relationship between an entity’s risk appetite and its strategy. Usually any of a number of different strategies can be designed to achieve desired growth and return goals, each having different risks. Enterprise risk management, applied in strategy setting, helps management select a strategy consistent with its risk appetite. If the risk associated with a strategy is inconsistent with the entity’s risk appetite, the strategy is revised. This may occur where management initially formulates a strategy that exceeds the entity’s risk appetite, or where the strategy does not embrace sufficient risk to allow the entity to achieve its strategic objectives and mission.

The entity’s risk appetite is reflected in entity strategy, which in turn guides resource allocation. Management allocates resources across business units, with consideration of the entity’s risk appetite and individual business units’ strategic plans, to generate a desired return on invested resources. Management looks to align the organization, people, processes, and infrastructure to facilitate successful strategy implementation and enable the entity to stay within its risk appetite (13).

2.4 Risk Tolerances

Risk tolerances are the acceptable levels of variation relative to the achievement of objectives. Risk tolerances can be measured, and often are best measured in the same units as the related objectives. Performance measures are used to help ensure that actual results will be within established risk tolerances. For example, a company targets on-time delivery at 98%, with acceptable variation in the range of 97%–100% of the time; it targets training with a pass rate of 90%, with acceptable performance of at least 75%; and it expects staff to respond to all customer complaints within 24 hours, but accepts that up to 25% of complaints may receive a response within 24–36 hours. In setting risk tolerances, management considers the relative importance of the related objectives, and aligns risk tolerances with risk appetite. Operating within risk tolerances provides management greater assurance that the entity remains within its risk appetite, which, in turn, provides a higher degree of comfort that the entity will achieve its objectives (13).
2.5 Enterprise Risk Management Process

Enterprise Risk Management is a business decision making process to identify and manage uncertainty. The process used in ERM programs is the same as that used in traditional risk management programs, except that now the risk management professional looks to create value and optimize risk opportunities not just preserve assets. The steps in the risk management process (or a variety thereof) include: risk and opportunity identification, risk evaluation and assessment, strategic risk response and implementation, and review, evaluation and monitoring (25).

Enterprise risk management is not strictly a serial process, where one component affects only the next. It is a multidirectional, iterative process in which almost any component can and does influence another. The Committee of Sponsoring Organizations of the Tread Way Commission- COSO-2004 (24) defined ERM as “a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”. This definition goes on to outline interrelated components of enterprise risk management. These disciplines are derived from the way management runs an enterprise and are integrated with the management process. According to COSO (24) ERM Integrated Framework (2004) these components are:

2.5.1 Internal Environment

The internal environment encompasses the tone of an organization, influencing the risk consciousness of its people, and is the basis for all other components of enterprise risk management, providing discipline and structure. Internal environment factors include an entity’s risk management philosophy; its risk appetite; oversight by the board of directors; the integrity, ethical values, and competence of the entity’s people; and the way management assigns authority and responsibility, and organizes and develops its people (24).

2.5.2 Enterprise Risk Management Objective Setting

Objectives are set at the strategic level, establishing a basis for operations, reporting, and compliance objectives. Every entity faces a variety of risks from external and internal sources, and a precondition to effective event identification, risk assessment, and risk response is establishment of objectives. Objectives are aligned with the entity’s risk appetite, which drives risk tolerance levels for the entity (24).

2.5.3 Event Identification

Management identifies potential events that, if they occur, will affect the entity, and determines whether they represent opportunities or whether they might adversely affect the entity’s ability to successfully implement strategy and achieve objectives. Events with negative impact represent risks, which require management’s assessment and response. Events with positive impact represent opportunities, which management channels back into the strategy and objective-setting processes. When identifying events, management considers a variety of internal and external factors that may give rise to risks and opportunities, in the context of the full scope of the organization (24).

2.5.4 Risk Assessment

Risk assessment allows an entity to consider the extent to which potential events have an impact on achievement of objectives. Management assesses events from two perspectives – likelihood and impact – and normally uses a combination of qualitative and quantitative methods. The positive and negative impacts of potential events should be examined, individually or by category, across the entity. Risks are assessed on both an inherent and a residual basis (24).

2.5.5 Risk Response

Having assessed relevant risks, management determines how it will respond. Responses include risk avoidance, reduction, sharing, and acceptance. In considering its response, management assesses the effect on risk likelihood and impact, as well as costs and benefits, selecting a response that brings residual risk within desired risk tolerances. Management identifies any opportunities that might be available, and takes an entity-wide, or portfolio, view of risk, determining whether overall residual risk is within the entity’s risk appetite (24).

2.6 Control Activities

Control activities are the policies and procedures that help ensure that management’s risk responses are carried out. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities – as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security and assets (24).

2.6.1 Communication

Pertinent information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems use internally generated data, and information from external sources, providing information for managing risks and making informed decisions relative to objectives. Effective communication also occurs, flowing down, across, and up the organization. All personnel receive a clear message from top management that enterprise risk management responsibilities must be taken seriously. They understand their own role in enterprise risk management, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There is also effective communication with external parties, such as customers, suppliers, regulators, and shareholders (24).
2.6.2 Monitoring

Enterprise risk management is monitored – assessing the presence and functioning of its components over time. This is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the normal course of management activities. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Enterprise risk management deficiencies are reported upstream, with serious matters reported to top management and the board (24).

2.6.3 Roles and Responsibilities

Everyone in an entity has some responsibility for enterprise risk management. The chief executive officer is ultimately responsible and should assume “ownership.” Other managers support the risk management philosophy, promote compliance with the risk appetite, and manage risks within their spheres of responsibility consistent with risk tolerances. Other personnel are responsible for executing enterprise risk management in accordance with established directives and protocols. The board of directors provides important oversight to enterprise risk management. A number of external parties often provide information useful in effecting enterprise risk management, but they are not responsible for the effectiveness of the entity’s enterprise risk management (24).

2.7 Limitations of Enterprise Risk Management

Effective enterprise risk management, no matter how well designed and operated, provides only reasonable assurance to management and the board of directors regarding achievement of an entity’s objectives. Achievement of objectives is affected by limitations inherent in all management processes. These include the realities that human judgment in decision making can be faulty and that breakdowns can occur because of such human failures as simple error or mistake. Additionally, controls can be circumvented by the collusion of two or more people, and management has the ability to override the enterprise risk management process, including risk response decisions and control activities. Another limiting factor is the need to evaluate decision making process considering how to question the key decisions and how to identify points of power to unlock new value (26). Broderick Martinez (44) counted five possible weaknesses of ERM:

a. Lack of framework it touts - There is not a definition of one part, it gives you a little here and there. ERM goal is to address all risk, not just certain parts of risk.

b. Being reactive instead of proactive – There is not a recognizable process for identifying risks before they happen. ERM needs to be a proactive entity not a reactive entity.

c. Discarding insider wisdom – Executives are fall for the experts that tell them what they already know

d. Not calculating mitigation costs – ERM calculates risk identified and probability it “forgets” to calculate the mitigation costs.

e. Failure to rank risks – Risks must be ranked in some sort of priority order. This would give executives something to gage while they are looking into risks.

Vernon L. Grose (45) added many other weaknesses of enterprise risk management:

1) Weakness of ERM is that it lacks the framework it touts. It has no defined process that assures total management of risk.

2) Weakness ERM should be proactive, but it’s not. It’s usually reactive. Because it has no method or process for identifying risks that have not yet happened, it is destined to remain reactive. The sad fact is that – by being reactive – every loss is much costlier than if it had been foreseen and controlled.

3) Risk management knowledge and expertise required was not available from the outside financial experts who had historically provided it. Risks can only be impacted or reduced by those in control of the scene wherein they occur – and it is those very people who are rarely involved in the ERM process even though they have the greatest knowledge and understanding of those risks. ERM discards the wisdom of insiders.

4) As a general rule, ERM measures risk in only two dimensions – severity and likelihood. With little doubt, this short-sighted approach almost guarantees that management will not get involved in addressing it. It may become assigned to a list or a group of similar risks or be classified within a zone of interest. But without a mitigation price tag, management will ignore it. Ignoring mitigation cost assures ignored risk.

5) Executives simply cannot deal with risk until it joins the real world of economics. Cost of mitigation is an absolutely essential third dimension of ERM. Without providing decision-makers with the cost of controlling losses, risk managers will continue to be absent from the boardroom.

6) Weakness is well-known to top executives. They have no unambiguous, universal means for determining what identified risks must be controlled or mitigated versus those that may be accepted without any countermeasure investment. Diverse interests and voices within an organization can and do promote risk as vehicles for securing additional resources. Alarmism and sensational appeals for risk mitigation are not unknown – even in the board room. When and how can a decision-maker feel justified in allocating limited resources to competing candidates for risk control – particularly when great diversity in complexity, function, or cost among them exists?

7) “There are many opinions regarding what risk management involves, how it should be implemented and what it can achieve. International Organization for Standardization (ISO) standard 31000 was published in 2009 and seeks to answer these questions. This guide includes a brief commentary on ISO 31000, as well as providing further information on the successful implementation of risk management”.

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3. Strategy implementation

Strategy definition according to McNichols (1977) is embedded into policy-making, it contains a series of decisions that reflect the basic objectives of the organization's business, and how to use the capabilities and internal resources to achieve these objectives (99). While Strategic planning is a process that brings to life the mission and vision of the enterprise. A strategic plan, well-crafted and of value, is driven from the top down; considers the internal and external environment around the business; is the work of the managers of the business; and is communicated to all the business stakeholders, both inside and outside of the company (100). A strategic plan is a tool that provides guidance in fulfilling a mission with maximum efficiency and impact. If it is to be effective and useful, it should articulate specific goals and describe the action steps and resources needed to accomplish them (101). There are many important steps to remember in the process of strategic planning. They include collecting a meaningful and broad data base, creatively thinking about differentiation, defining gaps, assessing core competencies, and understanding the identifying critical resources and skills (100).

Robert Jonas (102) added that: Just as important as the strategy and the aim it is trying to achieve is the way in which you manage and implement it. An otherwise successful set of strategies will fail if you manage them incorrectly.

Kit Fai (103) discussed that: The strategic planning processes entail a number of well-defined steps carried out in sequence including data collection and analysis, strategy development, evaluation, selection and implementation. The process explores a variety of critical variables and suggests possible cause-and-effect relationships that impact on the operational and business performance of a firm. This helps a firm to assess its current and future position, identify critical factors and find methods of assuring success (103). The formalization of the company's strategy, management of company growth and internationalization, considering the needs of the local market, choosing a market to operate, the organization's adaptation to the environment where it is located; internal analysis (resources and capabilities), identification of competitive advantages, price management and product mix, quality management, innovation and human resources, establishing and managing partnerships and cooperation agreements between organizations (99).

Yang Li, Sun Guohui and Martin J. Epple (85) defined Implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plans stated objectives. Implementation was found to be a highly complex and interactive process with many variables impinging upon it—more of a spring than a simple cascade. Many factors influence the flow and content of the spring (105). Strategy implementation is also portrayed as a lively process by which companies identify future opportunities. Strategy implementation may be viewed as a process inducing various forms of organizational learning, because both environmental threats and strategic responses are a prime trigger for organizational learning processes. Strategy implementation is an iterative process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment (85).

3.1 Successful Factors of Strategy Implementation

Critical success factors are defined as the handful of key areas where an organization must perform well on a consistent basis to achieve its mission. Critical success factors can be derived through a document review and analysis of the goals and objectives of key management personnel, as well as interviews with those individuals about their specific domain and the barriers they encounter in achieving their goals and objectives” (84). Yang Li and Sun Guohui Martin J. Epple (85) added: we can define strategy implementation as a dynamic, iterative and complex process, which is comprised of a series of decisions and activities by managers and employees—affected by many interrelated internal and external factors—to turn strategic plans into reality to achieve strategic objectives. Sara Khodaveysi (104) discussed more accurate: Critical success factors were introduced by John F. Rockart and the MIT Sloan School of Management in 1979 as a way to help senior executives define their information needs for the purpose of managing their organizations (106). Rockart traced his CSF work to its conceptual antecedent, “success factors,” introduced by D. Ronald Daniel in 1961. Daniel had discussed the problem of inadequate management information for setting objectives, shaping strategies, making decisions, and measuring results against goals. Daniel asserted that organizational planning information should focus on “success factors,” (104).

Table 1 contains the definitions of the terms typically used to describe strategic planning elements. Understanding these elements and their relationship to one another supports not only strategic thinking and planning, but also the effective use of CSFs (Critical Success Factors).

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>An organization’s mission is its primary business or purpose; it describes what an organization does, for whom, and its benefit. The mission of an organization is not a time-bound objective.</td>
</tr>
<tr>
<td>Vision</td>
<td>A vision is an ideal that an organization intends to pursue. It links the organization to the future by articulating instantiations of successful execution of the mission. An organization’s vision is a source of inspiration and can be broader than the organization’s capabilities. It might, in fact, describe what can be achieved in a broader environment if the organization and others are successful in achieving their individual missions.</td>
</tr>
<tr>
<td>Goals</td>
<td>Goals are broad, measurable, aims that support the accomplishment of a mission.</td>
</tr>
<tr>
<td>Objectives</td>
<td>Objectives are specific, quantifiable, lower-level targets that indicate an accomplishment of a goal.</td>
</tr>
<tr>
<td>Guiding principles</td>
<td>Guiding principles are directive statements that articulate the constraints an organization chooses to place upon the way it achieves its goals. Guiding principles embrace core values and are used to shape an organization’s strategy. Guiding principles reflect long-term intentions, but are not necessarily permanent.</td>
</tr>
<tr>
<td>Enablers</td>
<td>Enablers are external conditions or organizational strengths that facilitate an organization’s ability to accomplish its goals or objectives</td>
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<td>---------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Barriers</td>
<td>Barriers are external conditions or organizational (internal) weaknesses that hinder an organization’s ability to accomplish a goal or objective.</td>
</tr>
<tr>
<td>initiatives</td>
<td>An initiative is a specific set of actions that implement a strategy.</td>
</tr>
<tr>
<td>Actions</td>
<td>Actions are specific steps to achieve a goal or objective. Actions typically have assigned staff and schedule constraints.</td>
</tr>
<tr>
<td>Performance measures</td>
<td>Performance measures describe performance targets relevant to each objective.</td>
</tr>
</tbody>
</table>

### 3.2 Sources of Critical Success Factors

John F. Rockart (106) argued that: we have seen that CSFs (Critical Success Factors) are applicable to any company operating in a particular industry. Yet Anthony et al. emphasized that a management control system also must be tailored to a particular company. This must suggest that there are other sources of CSFs than the industry alone. And, indeed, there are. Rockart has isolated four prime sources of critical success factors:

1. **Structure of the particular industry:**
   
   As noted, each industry by its very nature has a set of critical success factors that are determined by the characteristics of the industry itself. Each company in the industry must pay attention to these factors. For example, managers of supermarkets will ignore at their peril the critical success factors that appear in Exhibit I.

2. **Competitive strategy, industry position, and geographic location:**
   
   Each company in an industry is in an individual situation determined by its history and current competitive strategy. For smaller organizations within an industry dominated by one or two large companies, the actions of the major companies will often produce new and significant problems for the smaller companies. The competitive strategy for the latter may mean establishing a new market niche, getting out of a product line completely, or merely redistributing resources among various product lines.

   Thus, for small companies a competitor’s strategy is often a CSF. For example, IBM’s competitive approach to the marketing of small, inexpensive computers is, in itself, a CSF for all minicomputer manufacturers.

   Just as differences in industry position can dictate CSFs, differences in geographic location and in strategies can lead to differing CSFs from one company to another in an industry.

3. **Environmental factors:**
   
   As the gross national product and the economy fluctuate, as political factors change, and as the population waxes and wanes, critical success factors can also change for various institutions. At the beginning of 1973, virtually no chief executive in the United States would have listed “energy supply availability” as a critical success factor. Following the oil embargo, however, for a considerable period of time this factor was monitored closely by many executives—since adequate energy was problematical and vital to organizational bottom-line performance.

4. **Temporal factors:**
   
   Internal organizational considerations often lead to temporal critical success factors. These areas are of activity that are significant for the success of an organization for a particular period of time because they are below the threshold of acceptability at that time (although in general they are “in good shape” and do not merit special attention). As an example, for any organization the loss of a major group of executives in a plane crash obviously would make the “rebuilding of the executive group” a critical success factor for the organization for the period of time until this was accomplished. Similarly, while inventory control is rarely a CSF for the chief executive officer, a very unusual situation (either far too much or far too little stock) might, in fact, become a high-level CSF.

4. **The Strategic Nature of Corporate Risk Management**

   Collis and Montgomery (9) defined corporate strategy as a modification of the company’s activities, put emphasis on the value creation through the configuration of the company’s activity portfolio and the coordination between the various business units. The allocation of resources between those units also constitutes an important strategic dimension at that level. In order to ensure the growth and development of their company, and especially its survival, senior executives have a choice between a strategy of development within the same sphere of activity, or specialization, a vertical integration, and a strategy of diversification within two or more business sectors.

   Strategic risk relates to risk at the corporate level, and it affects the development and implementation of an organization’s strategy (9). Strategy risk is a function of the compatibility of an organization’s strategic goals, the business strategies developed by management to achieve those goals, the resources deployed against these goals, and the quality of the implementation (27).

   Michel Crouhy, Dan Galai, Robert Mark (28) added more: Strategic risk refers to the risk of significant investments for which there is a high uncertainty about success and profitability. It can also be related to a change in the strategy of a company vis-à-vis its competitors. If the venture is not successful, then the firm will usually suffer a major write-off and its reputation among investors will be damaged. (Business dictionary- 2017) defining strategic risk as: A possible source of loss that might arise from
the pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment. Alexander Roberts (9) illustrated the concept that: Strategic risk includes risk relating to the long-term performance of the organization. This includes a range of variables such as the market, corporate governance and stakeholders. The market is highly variable and can change at relatively short notice, as can the economic characteristics of the country or countries in which a given organization is operating. The corporate governance risk of the organization includes risk relating to the reputation of the organization and the ethics with which it operates. Examples include the reputation of the organization and its desire to maintain that reputation, perhaps at the expense of innovation or new developments. Stakeholder risk includes the risk associated with the shareholders, business partners, customers and suppliers. Shareholder attitudes can change quickly if dividends fall.

Some typical examples of strategic risks are listed below (9):
The strategic plan might be incorrect: (Incorrect assumptions may have been made.
• The environment may have been incorrectly assessed
• Sufficient resources may not be available
• The plan might not actually represent where the organization really wants.
• The original strategic plan may have been correct but internal changes may have compromised it: (Internal reorganizations may have led to a loss of efficiency- Required changes in operational processes may not have been introduced- Planned changes may not have delivered what was required).

• The original strategic plan may have been correct but external changes may have compromised it.
• The external environment may have changed significantly: (New competitors may have emerged.
• New competing products may have been released- Statutory controls may have changed).

Above discussions abstract that: Strategic risks are risks that relate to the fundamental decisions that the directors take about the future of the organization. It includes decisions for the type of resources, mergers and acquisitions and exit strategies. These will impact on costs, prices, products and sales, and also the sources of finance. Though, factors that influence strategic risk can be include in:

• The type of industries or markets which the business operates.
• The state of the economy.
• Actions of competitors.
• The stage in the product life cycle.
• Price fluctuation from inputs.
• Level of operating gearing.
• Its research and development capacity and innovative skills.
• Significance of new technology.

4.2 Strategic Risk Management
Risk management practices can be linked with the corporate strategic management process. The risk management and strategic planning cycles are largely corresponding and thus should make it possible to coordinate and integrate the activities of the two processes. Thereby, top management concerns about overarching strategic issues can frame a general direction for the risk management activities, while decentralized risk considerations can provide useful inputs from the field to the central strategy concerns (30). It is argued that the introduction of conjoint and complementary processes of central integrative planning approaches and the ability to take decentralized responsive initiatives to changing conditions and experiment with effective solutions can lead to superior risk outcomes. The potential benefits of combined central risk integration and the ability to respond with autonomous initiatives is analyzed based on empirical evidence and provides support for this proposition. That is, we round off the discussion of effective risk management practices by demonstrating that central controls may be a necessary prerequisite, but are insufficient by them to manage contemporary risk environments characterized by uncertainty, unpredictability and unknowability. In contrast, it seems like combinations of central integrative risk management competencies with decentralized responsive risk initiatives generally lead to the best risk–return performance out- comes. These general observations are illustrated in a concrete case of an organization that recently and successfully introduced a set of risk management practices based on integrative risk and strategic management processes. The basic success factors in this venture include support from top executives, use of effective processes dismissing bureaucracy, inviting engagement and providing influence, adopting suggestions for change, getting everyone on board and demonstrating the potential benefits to the business (30).

4.3 The Integrative Strategic Risk Management Process
Risk management and strategic management coincide in the way both processes refer to a sequential analytical chain of activities comprising identification of environmental conditions, assessment of the potential consequences of those conditions, formulation of corporate actions to achieve strategic aims within reasonable risk boundaries, and follow-up activities to monitor and evaluate corporate performance and environmental developments. Both of these processes should involve key constituents in the organization to draw on the insights of operational managers that are located closer to the real actions and by engaging people widely in the organization with the relevant insights and knowledge (18).
In this sense, both processes operate across different organizational levels and, therefore, the integration of the two processes should also take place across all hierarchical levels in the corporation (18). In addition to promoting the active involvement of managers in different parts of the organization, the various elements of the risk management and strategic management processes also relate to similar elements of the process. Hence, the initial part of the strategic management process comprising the development of mission statement, analyses of external and internal environmental conditions, and the outlining of a strategic intent, for example, based on extensive SWOT analyses, all operate at the strategic level aimed at providing a common understanding of the strategic position of the corporation and outlining the overarching aspirations for future corporate activities. This level of process activity corresponds to the initial identification of important environmental risk factors and efforts to determine the contours of the corporate risk landscape (29). The subsequent development of a strategic plan with related business plans at operational entities takes place at the tactical level, where concrete steps that could be taken to achieve the intended outcomes are outlined. This corresponds to the pursuit of concrete risk management objectives and the enforcement of exposure limits on operational entities. Finally, the strategic plans require that actions are taken in the operational entities in line with the long-term strategic aspirations, which then takes place at the operational level. This implies subsequent actions where middle- and line-managers take charge and engage the organization in the business execution needed to reach outcomes in line with the overarching strategic intentions. In the risk management process, this corresponds to the conduct of daily business activities across organizational entities, while operating within the established corporate risk objectives (29).

4.4 Strategic Risk and Enterprise Risk Management

Integrated risk management means not only identifying and evaluating risks which may individually affect the attainment of the firm’s objectives, but also their overall approach and the implementation of strategies for the company as a whole in order to manage them (29). In other words, it may be defined as an overall, integrated approach through which a company, whatever its industrial sector, evaluates, controls, operates, finances and oversees risks, wherever they may come from, in order to reach its objectives and increase its short and long-term value for its stakeholders. The main objective of ERM is to identify, manage and mitigate risks and to seize all opportunities for the whole company. It is an approach which provides a risk management framework articulated around identifying particular circumstances or events which may have an influence on the company’s objectives, evaluating the occurrence of risks and their prevalence, identifying responses or strategies to attenuate them and establishing a monitoring process. These different ways of looking at IERM were explained by the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2004) in its report “The Enterprise Risk Management – Integrated Framework” where enterprise risk management is defined as a “process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity’s objectives” (24).

ERM is therefore a true paradigmatic shift noticed in companies where company senior executives wish to reposition themselves regarding risk. In these companies, rather than concentrating on one risk at a time, senior executives look at all events and actions which may keep the company from attaining its objectives and which have an incidence on the company’s value. Although it may not always be possible to control the effects of those various risks, their causes can be identified and managed in relation with the company overall objectives. For that, senior executives need to have a thorough knowledge of all potential risks, their relationship to one another and their impacts on the company objectives (29).

Within an Enterprise risk management (ERM) context, the risk management strategy is developed in view of the company’s overall strategic objectives and the adjacent risk management activities are supposedly integrated with corporate business processes. The link to the overall corporate objectives should ensure alignment between risk strategies, major business objectives and the overarching corporate mission. In the absence of such a strategic embeddings, there is no business policy context, and the risk management exercise could end up becoming a formal checklist drill. Since risks are inherent in all strategic decisions and business activities executed by a company, the risk management practices should be an integral part of the corporate business processes. This is also important because risk situations are managed and controlled better by actors that are close to the possible sources of the new exposures (30). Enterprise risk management thrives on a different mindset compared to traditional risk management some of the distinctive characteristics of the ERM frameworks include the following points (30):

- The aim is to create competitive advantage and exploit natural hedges rather than primarily focusing on losses and costs and gaining protection from traditional risk-transfer solutions.
- Different risks are integrated across the organization and managed centrally instead of being managed separately in specialized units.
- The risk management process is linked to strategic objectives incorporated in business plans where traditional risk management practices are loosely linked to objectives.
- The risk management perspective is extended from a primary focus on financial market risks and insurable hazards to consider also operational and commercial exposures.
- The risk management activities are incorporated into the core business processes as opposed to being practiced as an ad hoc checklist exercise.

4.5 Limitations of the Strategic Risk

Corporate misconduct in the past has created growing public pressures for changes in corporate governance and risk management regulations (30). Current risk management practices are frequently focused on financial risks and insurable hazards...
managed in rather isolated silos within the organization, while operational and commercial risks take a back seat. In this context, public policies demand more integrated, systematic and comprehensive risk management approaches to ensure that companies have the right control systems in place. However, the business environment is dynamic, which means that companies are faced with risk factors characterized by uncertainty, immeasurability and low ability to forecast. Therefore, risk management is not just a matter of having the right controls in place, but should also ensure flexibility within the organization in support of effective responses to new risks. Enterprise risk management is offered as an example on a new risk paradigm. The aim of ERM is to provide the companies with frameworks and structures that enable them to be more anticipatory and effective at evaluating, embracing and managing risks. However, the ERM frameworks may display a number of deficiencies (31):

- They are inherently control frameworks with limited emphasis on the need to create risk awareness and enhance responsiveness.
- They represent hierarchical organizational structures that may reduce flexibility and speed of decision-making.
- They impose formal risk management practices without relationship to the company’s strategy-making process.
- They propose a joint structure to handle all types of risks across the organization, which is insufficient to deal with multifaceted risks (31).

A common critique of ERM is that it is construed as a control framework and establishes a formalized extension of the corporate audit with a view to regulatory requirements. Although the different ERM frameworks emphasize that risk management should be developed in the context of the company’s overall strategy and be part of the core business processes, the fact is that the main aim of the various frameworks is to ensure that intended strategies are executed and the related objectives accomplished, which means that these frameworks give priority to controls.

Torben Juul Andersen and Peter Winther Schröder (30) described that: the various frameworks provide suggestions on neither how new business opportunities can be identified and assessed, nor how alternative strategies should be evaluated. Consequently, the risk management practices within these frameworks are not an integrated part of the company’s strategy formulation and objective-setting processes. This may be a critical deficiency; as general risk evaluations are essential complements in strategic decision-making. However, these potential shortcomings are not surprising as the various ERM frameworks have emerged as responses to widely reported corporate scandals that have happened over the past decades, with an aim of protecting against the adverse economic effects of the implied corporate risks. Accordingly, the ERM frameworks have without a doubt strengthened the control environment in the corporate sector and thereby reduced the losses accruing from many negative events.

However, the danger in imposing comprehensive and rather control-oriented frameworks is that the risk management process becomes a formal checklist drill serving to satisfy restrictive regulations and create comfort that executives and board members have done their duty if things should go wrong. Even worse, implementing a very restrictive ERM framework may constrain creative thinking and hold back the development of responsive solutions to changing conditions. To the extent that this happens, the formal risk management process can become a straitjacket as opposed to an effective enhancer of good risk practices as intended. As a consequence, the introduction of ERM frameworks may turn into a heavy-duty bureaucratic exercise, where the upside benefits are reduced and the downside risk effects are superseded by excessive administrative costs. A complete and fully documented control of all of the company’s potential exposures may require substantial staff resources, resources that often are not provided specifically for the purpose. In some cases, experienced managers and functional staff must handle the risk management exercise simultaneously with their daily business duties and they often breathe a sigh of relief when the bureaucratic exercise has been completed. As a result, a proper risk awareness culture may not be fostered and, worse, potential changes in the risk landscape might not be identified in a timely manner because they are forgotten in formal reporting practices. (18) Eli Noy and Shmuel Ellis (46) added: Managers are well aware of the importance of risk as a material part of strategy formulation. This is demonstrated by their adoption of a defined risk strategy and the inclusion of a risk aspect in their decision processes. But the definition of risk is usually not formalized, so managers cannot assure that the risk strategy is consistent in the company.

CONCLUSION

The literature review addresses many findings and concepts from risk management framework; the important and latest is enterprise risk management framework (ERM). Effective enterprise risk management, no matter how well designed and operated, provides only reasonable assurance to management and the board of directors regarding achievement of an entity’s objectives but in the operational level, disregarding the evaluation the track of the strategy implementation. Achievement of strategic objectives is affected by limitations inherent in all management processes which include the realities that human judgment in decision making can be faulty and that breakdowns can occur because of such human failures as simple errors or mistake. Additionally, the introduction of ERM frameworks may turn into a heavy-duty bureaucratic exercise, where the upside benefits are reduced and the downside risk effects are superseded by excessive administrative costs. Therefore, risk management is not just a matter of having the right controls in place, but should also ensure flexibility within the organization in support of effective responses to new risks.
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