

Strategy models and frameworks

The Strategic Risk Model



The **Strategic Risk Model** illustrates how to recognise the risks standing in the way of strategy success, understand the nature of the underlying uncertainty, and decide how to mitigate any harm or exploit any opportunity arising from that uncertainty.

The Strategic Risk Model, and associated **Strategic Risk Register**, feature in Goal Atlas Director, Mike Baxter's book '[The Strategy Manual: A step-by-step guide to the transformational change of anything](#)' and are also covered in our [Strategy Workshops](#).

The Strategic Risk Model & Strategic Risk Register

How to use it:

The Strategic Risk Model is the basis of the Strategic Risk Register. The register can be used to analyse and describe strategic risks, to identify the underlying 'uncertainty' that a risk introduces and then explore the potential harm and exploitable opportunities available as a result of that uncertainty.

Explanation:

As strategy progresses across its lifespan, there are many things that can knock it off course – these are *strategic risks*. At the heart of all risk lies uncertainty. Certainty gives rise to consequences; uncertainty gives rise to risks. This uncertainty, as far as strategy is concerned, raises the potential for harm, for opportunity or, often, for both. For strategy to work well it is important to be able to recognise the risks standing in the way of strategy success, understand the nature of the underlying uncertainty, and decide how to mitigate any harm or exploit any opportunity arising from that uncertainty. If you are surprised to see risks connected to opportunities, you've been missing out. There is a whole world of possibilities waiting to be discovered for anyone open-minded enough to look for the positive implications of uncertainty, not just the harm it can cause.

In order to identify the risks associated with strategy you need to understand the different types of risk to look out for, for example:

1. **Marketplace risks.** Your customers don't end up buying what they said they wanted. Your competitor launches the very same product you were about to spend a year developing. Advertising prices soar, making your perfectly crafted marketing campaign unaffordable.
2. **Remote risks.** Other risks in your operating environment may initially seem remote but could quickly turn into strategy-killers. A global pandemic, maybe. Or a trade war involving a country where some of your key suppliers are based.
3. **Knock-on risks.** These risks are triggered by events that have no direct impact on your strategy at all, but their knock-on consequences are what cause you the problems. A simple example might be a new company taking up tenancy in the building next to yours, which has no impact on your business until they start recruiting your key staff, who they've bumped into in local coffee shops and bars.
4. **Internal risks.** Strategic risks are not just things that happen to you from the outside world. You are a source of risks yourself, and these could have a big impact on your strategy. Your cash-flow is disrupted because bad debts weren't pursued vigorously enough. Your website crashes in the middle of a peak trading period. Your newly-launched product needs to be recalled due to a safety issue.
5. **Emergent risks.** These are the risks that arise due to the changes brought about by strategy. Changing one aspect of your organisation will often put other aspects under strain. These risks can emerge from strategic change through two routes. The first is internal to your organisation. Marketing innovation disrupts sales. Sales innovation disrupts operations. Operational innovation disrupts finance. The second route to emergent strategic risk is from strategic change that has an impact on the operating environment, and the operating environment then responds. An example of this is how your competitors respond to the launch of your new products.

Strategy:

Prepared by:

Date:



Strategic Risk Register

What is the risk? (name it, label it, define it)

What is the uncertainty?

What is the potential for harm?

What are the potential opportunities?

How could the harm be mitigated?

How could the opportunity be exploited?



RISK

The Strategic Risk Model: Downloadable Image Asset



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