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**Creating a Risk Intelligent Enterprise:
Risk sensing**

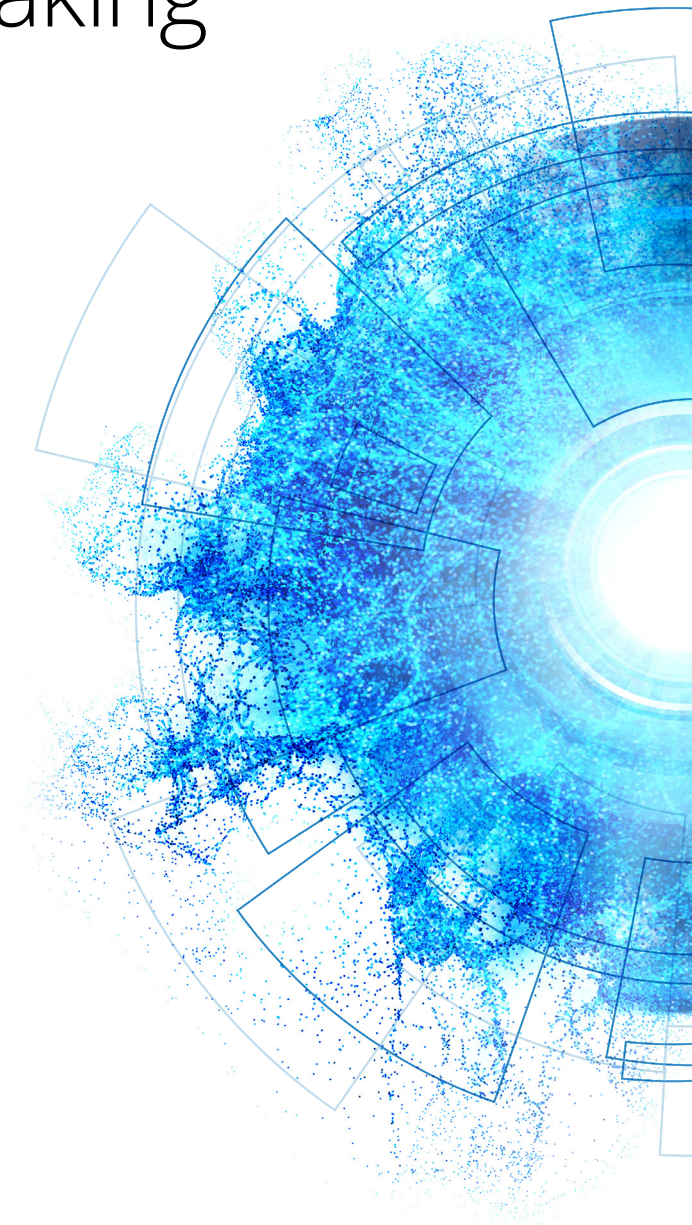
Risk sensing: Insights for sound decision-making

The Risk Intelligent Enterprise runs on data that must be monitored, analyzed, and enriched with human insight to become information of value to decision makers. The resulting risk intelligence must then get to the right people at the right time in a form they can readily apply within their functions.¹

These are challenging tasks for many organizations. Too often, data is analyzed in silos, or access to data sources is incomplete, insights are not actionable, and emerging issues are not identified in a timely manner.

That is where Predictive Risk Intelligence (PRI), a cognitive risk sensing analytics solution, can make a difference and enable smarter decision-making. Many organizations misunderstand risk sensing—one of the four key enablers of the Risk Intelligent Enterprise, together with risk governance, portfolio optimization, and scenario planning and war-gaming. So here is a primer on PRI, which enables the type of risk monitoring, analysis, and mitigation that can operationalize strategic risk in an intelligent manner for the enterprise.

¹ "Reimagining the Risk Intelligent Enterprise," Deloitte Development LLC, 2018.



Three key questions

Risks are emerging more rapidly and from more unexpected areas than ever. That is why so many leaders find themselves blindsided by risk events.

This situation raises questions for senior leaders, including:

- 1 **How do we, as an organization, go about monitoring emerging risks?**
- 2 **What sources do we currently monitor for which risks?**
- 3 **How can we do a better job of proactively planning for risk events?**

At many organizations, the answers to these questions may point to limitations in management's approach to emerging risks—and the reasons some leaders are caught off guard.

First, organizations typically identify risks based on internal interviews with managers and data gathered in surveys within the organization and, perhaps, from external stakeholders. They also often use industry surveys compiled by external providers as a source. These sources lack the immediacy of ongoing risk monitoring, as well as a deep analytical component.

Second, those sources, as good as they can be, are too limited to position the organization to address today's disruptive risk landscape. Internal observers generally hold siloed views of risk. Surveys not only lack immediacy but are narrow in scope. When actual risk monitoring does occur, it is usually limited to internal processes or to social media listening, with the latter representing only one of several important mediums.

Third, doing a better job of planning for risk events calls for broader, more specific, and real-time data, and for analysis that converts the data into actionable information.

PRI operationalizes strategic risks by helping management answer the questions above and be better positioned to address the issues each one raises. PRI comprises a technology-enabled platform that combines broadly targeted scanning of the digitalized risk landscape—newsfeeds, regulatory and government agency releases, economic data sources, financial markets data, social media, and others—with human analysis and a visually-driven interface to provide relevant, actionable risk information to decision makers.

How does it work?

Risk sensing is often misunderstood in that it includes, but goes far beyond, social media listening. PRI uses cognitive technologies to scan and analyze the digital world's structured and unstructured text, facts, figures, reports, regulatory and legal filings, newsfeeds, data releases, ratings, and opinions for specific emerging risks, risk indicators, and risk events.

PRI combines human insight and advanced analytics to identify, analyze, and monitor emerging risks to the organization's strategy, business model, finances, operations, extended enterprise, technology, reputation, and other drivers of value. Business-driven risk indicators enable machine-learning supported analysis of scenarios to identify emerging risks most relevant to decision makers.

Detecting nascent risks enables management to mitigate those risks before they generate significant damage or costs. Leaders can also identify emerging trends to broaden their view of opportunities and enhance their understanding of related risk/reward tradeoffs.

A true risk sensing capability should include:

- **WIDE-ANGLE FOCUS**

Rather than monitor a limited set of well-known risks, PRI targets an integrated view of critical risks, both known and unknown (see chart on page 5).

- **OUTSIDE-IN PERSPECTIVES**

External analysts who understand the organization's goals and risks can typically provide more objective views than internal parties, and correct for internal biases.

- **LISTENING POSTS**

Listening posts can not only track customer sentiment, but also changes in employee sentiment, regulatory expectations, and numerous other trends.

- **TRACKING AND TRIGGERS**

Real-time indicators enable tracking against baseline metrics and provide triggers (relative to risk tolerances) for evaluating, communicating, and mitigating risks.








- **PRACTICAL APPLICATION**

Risk sensing must be fully integrated into the risk management and risk governance program, rather than sequestered in the analytics function.



An integrated view of critical risks

Our services provide intelligence across multiple domains and critical areas:

 STRATEGIC AND REPUTATIONAL	 EXTENDED ENTERPRISE	 WORKPLACE	 OPERATIONAL	 GEOPOLITICAL AND REGULATORY	 FINANCIAL	 CYBER RISK SENSING
Emerging issues impacting your strategy and brand reputation	Emerging risks and opportunities related to your third-party ecosystem	Sentiment relating to leadership, culture, workplace conduct, and employee voice	Risks relating to products, services, and operational activities	Disruptions relating to trade, global markets, and regulatory change	Trends and events related to financial markets or corporate financial risk	Detect and monitor external social media and digital threats to your brand
Competitive shifts	Supply chain risk	Culture risk	Product quality and safety	Trade compliance	Market risk	Digital risk protection
Innovation and sustainability	Third-party credit risk	Conduct risk	Facilities and stores	Emerging regulations	Financial crime	Situational awareness
Industry convergence	Third-party screening	Voice of employee	Customer experience	Country risk	Commodity risk	Brand protection

Predictive Risk Intelligence in action

A global financial services organization sought an automated analytics solution to monitor third-party vendors and partners who deliver value to their clients. Given the potential impact of these parties on the customer experience, management had to identify risks well before they became events.

Given its over 1,000 relationships, the organization had employed limited, hands-on monitoring of key parties, but knew they needed the coverage afforded by a more automated solution. To test these solutions, management decided to pilot our capabilities on their top 10 third-party relationships.

We configure our PRI platform to provide timely intelligence on those relationships, based on risk indicators emphasizing customer data privacy and service, both high priorities for this institution. This capability also delivered insights on trending public perceptions of those third parties.

As a result, the enterprise gained:

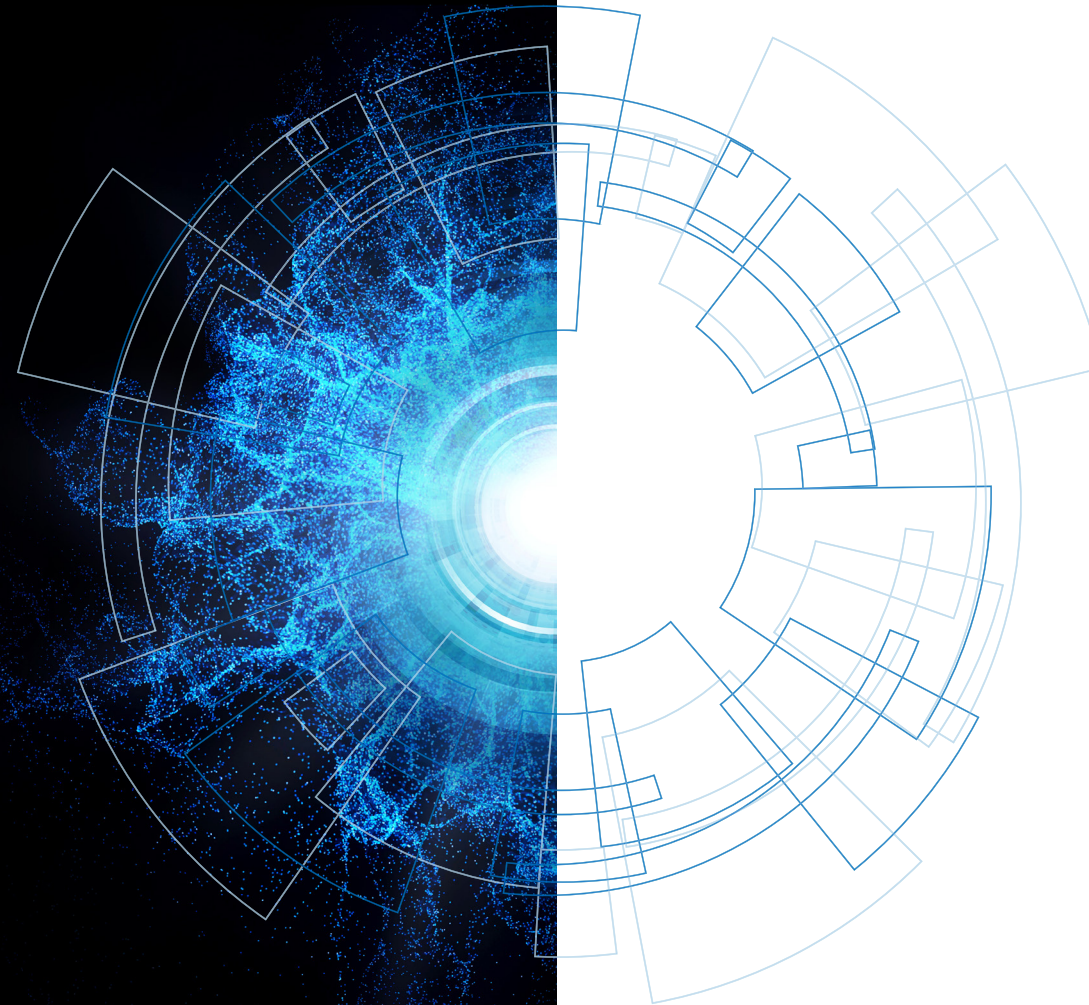
- **Deeper insights into third-party risks** and greater understanding of how those parties' cultures and approaches to relationships and data privacy could impact customers and the enterprise
- **An automated analytics solution** to monitor risks of—and opportunities for—third-party relationships going forward
- **A predictive risk intelligence capability** that management can selectively or globally extend across the company's third-party ecosystem of vendors, partners, and channels

Like many enterprises, this company had been underutilizing technological capabilities in risk monitoring. Realizing the importance of third parties to their business, management decided they needed a way to monitor this ecosystem, which was simply too large and dynamic to cover with only internal resources.

What to expect

A Risk Intelligent Enterprise develops high-quality risk information and applies it in planning, decision making, and risk management and governance. While that may seem to be an obvious necessity, most risk monitoring efforts are too narrowly targeted, focusing primarily on known risks and failing to scan enough potential sources. Many organizations unknowingly (and detrimentally) limit the breadth and depth of their data sensing, risk analysis and monitoring.

A flexible platform integrating scanning and analytical capabilities with human curation and insight forms the foundation of a risk intelligent approach to risk management and governance. It also enables the Risk Intelligent Enterprise to assess and prioritize risks, allocate risk-related resources, and enhance the transparency and quality of decision making at all levels across the enterprise.



Contacts

Please share this perspective with your teams and contact us when you're ready to start your Risk Intelligence journey.

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