

Risk “Research is a way of taking calculated risks to bring about incalculable consequences.

— [Celia Green](#)

Heading Off Risks With Predictive Risk Intelligence.

Across industries, stakeholders expect risk monitoring to provide intelligence that supports strategic decision-making. Predictive risk intelligence could help solve many of the more complex challenges.

Boards, shareholders, regulators, customers, and business partners increasingly expect organisations to provide a view into what could go wrong in the future and a real-time view of issues they currently face — not just insights on what went wrong in the past. Moreover, they demand organizations demonstrate that they can execute quickly on risk-management decisions.

Organizations can get an early warning system on emerging risks, potential loss and risk exposures, and external threats by using predictive risk intelligence (PRI). With PRI, organizations can enhance their ability to detect and monitor risks and make more informed decisions faster.

Advances in PRI are increasingly recognized as cornerstones to effective risk-monitoring programs. Respondents to the Deloitte and Forbes Insight Survey reported that risk-management programs help them increase operational resiliency; realize the value of new technologies; improve cost effectiveness and accelerate time to market, among other benefits. That only half of survey respondents acknowledged that they leverage comprehensive risk analytics to make strategic business decisions suggests a need for a more holistic risk-monitoring methodology.

Risk-monitoring Strategies

Risk monitoring occurs throughout the risk-management lifecycle and can be broken down into three categories:

Reactive Risk Monitoring —The initial monitoring mechanism through which the organization tracks and reports loss events after they happen.

Integrated Risk Monitoring — A discipline, process, or initiative that an organization has assimilated with overall business strategy.

Predictive Risk Monitoring — A technique that helps organizations discover potential risks and threats, including types of risk that are not covered by existing risk indicators.

How Predictive Risk Intelligence Works

PRI can help turn risk, controls, and performance information into insights, preparing organizations for a more refined understanding of emerging risks. Such a capability also can help shift risk reporting from a periodic basis to real-time.

Typically, the PRI process would include the following steps:

- Defining PRI scope

- Identifying precursors of risk events
- Determining data sources
- Developing static and self-learning predictive algorithms
- Initiating PRI generation

Applying technology across the PRI lifecycle generates faster and more reliable risk information, while also creating an effective risk-monitoring process. One example of how technology is applied to PRI is within data collection, where robotic process automation (RPA) might be applied to collect data on a real-time basis. With more data collected over time, risk analysis techniques such as regression and event tree analysis improve in accuracy.

Industry-wide Benefits of Predictive Risk Intelligence

Across all industries, stakeholders expect risk monitoring to provide intelligence that supports strategic decision-making such as investment in products and technologies, new business models, and the development of advanced risk strategies.

Using predictive risk intelligence, organizations can develop a refined understanding of emerging risks to enhance their ability to avoid situations where high-risk individuals are concerned, understand the geopolitical climate and countries with a high perception of corruption, and improve techniques for holding business accountable for involving both internal and external relationships in the risk-monitoring process.

Source: RIMAN, Wikipedia, Deloitte & Touche

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