



START RISK MANAGEMENT

Guide to getting started with
enterprise risk management

THE PURPOSE OF THIS BOOK

Instructions and ideas for starting enterprise risk management

To put it simply, when we talk about risk management in a business context, we mean a process of identifying, monitoring and managing negative events and incidents that threaten business operations to minimize or stop them from occurring.

The above definition of risk management is valid but far from intuitive.

Risk management means managing risks, and there are two ways to go about it: Traditional risk management and enterprise risk management.

Traditional risk management is determined by a historical perspective: risks and the process of risk management are viewed looking behind you, as if from a rear-view mirror. In comparison, enterprise risk management, or ERM, is an approach

that tries to do the opposite and looks forward.

The traditional risk management process is reactive and random instead of proactive, proactive, and consistent.

To the unaccustomed, risk as a term sounds like something to be avoided and therefore it's too often understood as a synonym for a threat; as the opposite of an opportunity. Traditional risk management in particular relies on thinking of risks as threats. However, all business activities have set goals. And goals can't be achieved without taking risks.

The enterprise risk management approach aims to guide operations to make decisions about risks that should be taken and avoided.

THIS SHORT GUIDE COVERS:

- Definition of risk and risk management in the context of enterprise risk management
- How to start the enterprise risk management process
- How the risk management process is structured to support enterprise objectives and goals



WHAT IS RISK MANAGEMENT?

Risks, threats and opportunities are part of decision-making and leadership

Risk management is defined through risk, so a great place to start risk management is by defining risk. There's not only one risk, but several, and the definition of risk is similarly varied.

Among other things, the ISO31000 standard defines risk as "the impact of uncertainty on objectives", which includes both negative and positive deviations from assumptions.

The definition is standardized and correct, but often difficult to apply in practice. Only a certain number of risks apply to all businesses, and therefore every organization has to define precisely, simply, and unambiguously what the risk means in their risk management process.

In this guide, and enterprise risk management in general, the risk is

irrevocably linked to business goals and objectives, for the simple reason that's where the value of risk management is found.

Enterprise risk management keeps costs under control by making operational bottlenecks visible, improves profitability by controlling processes, and streamlines resource distribution by revealing the most critical areas and instances. In addition to this, risk management reduces accidents and work-related injuries, maintains compliance, and supports business continuity.

To summarise, enterprise risk management is systematic decision-making and data-backed leadership.



WHO IS RESPONSIBLE FOR RISK MANAGEMENT?

Traditionally, risk management is siloed and critical information rarely reaches the parties who require it in time. There are several reasons for why this is, but when approached with enterprise objectives in mind, risk management is a matter for every employee just as much as all the business goals. Risk management is risk work in action rather than theory, and especially, risk management is not rocket science.

TRUE RISK MANAGEMENT:

POHJOLAN VOIMA

Energy company

"WITH GRANITE WE CREATED A VIEW OF THE ENTIRE ORGANISATION'S RISK SITUATION"

Pohjolan Voima is an energy consortium producing electricity and heat by hydroelectric, thermal, and nuclear power. Over its 75 years of history, the company has developed into an important, sustainable operator that generates well-being broadly across the entire society.

Pohjolan Voima's organisation comprises 11 subsidiaries, 25 power plants from different parts of Finland, and some 100 employees.

The role of operators in the energy sector is of paramount importance for the functioning of society as a whole, so it is no wonder that the role of risk management does not need to be separately justified.

Effective and innovative energy services is deep within the core of Pohjolan Voima's operations. Pohjolan Voima's risk management relies on the company's unique, self-developed risk management model and traditional risk management solutions weren't able to support it.

Pohjolan Voima reviews its operations from multiple angles. Risk management is crucial in energy production and a legal requirement for environmental permits. This calls for a user-friendly, organization-wide solution. Granite guides overall risk management, aids subsidiary development, and supports group-level strategic work. Customization and ease led Pohjolan Voima to choose Granite.

[Read more about Pohjolan Voima case here](#)

HOW WELL DO YOU KNOW YOUR OWN ORGANISATION'S RISK SITUATION?



Traditional risk management approaches risks as threats, which is why it tends to emphasise the biggest and most current obstacles. It is, of course, good to know what are the biggest risks that threaten your operations and how you should prepare for them, but it is equally important to extend the same scrutiny to open business opportunities as well.

HOW TO MANAGE RISK?

Risk management helps you to achieve your goals and develop your operations systematically

When the risk is defined on paper and understood in practice, the risk management process can begin. Here are five stages of risk management.

1. RISK IDENTIFICATION

There are many methods for identifying risks. However, the basis of systematic risk identification is cooperation between people in varying roles. Some employees are responsible for operational work, while others work in administration. Both of these perspectives are required to comprehensively identify the risks related to the organization's operations.

Risk identification methods can include collecting individual and repeating experiences, using checklists for common risks and threats, or holding, for example, a risk workshop where risks are identified in a guided environment.

2. RISK ASSESSMENT

Risk assessment is important so that the nature and characteristics of the identified risks are brought into focus and, above all, written down or otherwise recorded. During the risk assessment phase, the probability of risks and their consequences, if they materialize, are assessed.

The magnitude of the risk is most often formed by multiplying the value of the probability of the risk by the value of its impact.

For enterprise risk management to yield results, it is good to understand risk assessment as a continuous process in which already identified risks are reassessed while new risks are identified.

It's advisable to align risk reassessment with everyday work and around the times when business goals and enterprise objectives are reviewed and examined.

With the risk assessment process, the risk level of the operation is compared to the predefined risk tolerance, the level of controls, and the opportunities created by risk-taking.

3. RISK PRIORITISATION

Once the risks have been assessed, it's time to prioritise the risks. Not all risks are equal, and the purpose of risk assessment is to separate critical and urgent risks from less acute risks.

Risk prioritisation enables a comprehensive overview of the risk situation on all levels of the organisation, which is necessary for enterprise risk management, and guides what mitigation functions and risk treatments should be applied for managing the situation.

4. RISK MANAGEMENT MEASURES AND RISK MITIGATION

Risk prioritisation makes it possible to separate and compare risks. Since all risks cannot and should not be managed uniformly, it is resource-wise to prioritise the most critical risks.

An effective risk management process guides risk management measures during other business activities as part of everyday work.

Along with enterprise risk management principles, risk mitigation measures add risk to the risk register and increase the understanding of the risk situation, which creates opportunities for anticipation and proactive risk management work.

5. RISK MONITORING

Even though the main responsibility for risk management is often assigned to a limited group, risk management and especially risk management mitigation measures are more or less concerns for the entire organisation.

There are risks involved in all business activities, and everyone's work is determined by the risks that apply to it. Therefore, the systematic communication of the risk situation and the different stages of the risk management process to the various stakeholders of the organisation is an important part of enterprise risk management.

The person in charge of risk management often faces resistance from both the management and people doing the operational work, so in terms of the success of enterprise risk management, it is important to ensure that the scope of risk management fits the organisation's current needs, the risk management process can be kicked off swiftly, and that its results are reported systematically and transparently.

+1 RISK MANAGEMENT BONUS: ENTERPRISE OPPORTUNITY MANAGEMENT

Traditional risk management struggles in the modern business environment because it emphasises the threat side of risks and ignores the opportunities.

Traditions of risk management aim to minimise risk and this pulls away from the heart of the business, into its silo.

This is less than optimal for the development of risk management, but it can be remedied. With the right mindset, it is not difficult to align the risk management process with enterprise risk management.

Above, we describe how the risk management process begins with the identification of risks and we present practical ways to identify risks that can be used to get your risk management process started.

Identifying risks also begins the path toward enterprise risk management. The difference is where you focus; on creating a risk register or supporting enterprise objectives with concrete actions.

When your risk management process is developed for both their recognition and capturing opportunities on all levels of your organisation risk management becomes a function of leadership.



THE COMPLETE PICTURE OF RISK?

Although it is deceptively easy to think so, the risk is more than just slippery floors and work-related accidents. Mundane, everyday risk management decisions can easily divert one's thoughts away from the overall picture, and the principles of traditional risk management do not really help to broaden the view. The traditional risk assessment relies on ensuring against the worst-case scenarios, but real-life risk events also include those that cannot be covered by insurance. Enterprise risk management helps to focus attention on, for example, reputational risks, and data security breaches, but also to clarify the opportunities that exist in the market.



Eija Simonen-Riikonen

Resource Director, Suur-Savon Sähkö

"In today's world, using Excel for risk management is no longer sensible. Comprehensive and result-oriented risk management requires appropriate tools. "

[Read more](#)

TRUE RISK MANAGEMENT: LOCALTAPIOLA

Insurance company

"WE NEEDED A MODERN SOLUTION FOR MODERN ENTERPRISE RISK MANAGEMENT"

The LocalTapiola is a well-known company that offers a variety of insurance, investment, and savings services to more than 1.6 million customers. The regulations oblige financial operators to perform systematic risk management. In a large organisation, the need for comprehensive risk management requires risk management solutions that support extensive operations and enable the unification of the risk management reference framework and the risk management model.

Originally LocalTapiola began cooperation with Granite to be able to assess and manage the risks and requirements of its operations, but Granite's risk registers, risk structures, and the customizable risk classification created to support the operations proved that Granite's tools are suitable for risk assessments and analysing done with LocalTapiola's customers as well.

Granite's risk management tools, such as Granite ERM, enable a clear and up-to-date overview of LocalTapiola's risk situation. Reporting that promotes risk management measures is a core feature of the solution, and its easy customisation made implementation agile.

Granite's ease of use has helped to adopt the software as part of LocalTapiola's daily operations. Risk mitigation measures guided by Granite ERM are carried out daily, while deeper risk assessments are carried out following the instructions of the central organisation at least twice a year, in spring and autumn. [Read more here](#)



UNDERSTANDING YOUR OWN BUSINESS ENVIRONMENT

At the heart of successful risk management is the understanding the nature of your operating environment and, above all, defining the operating environment. A good risk management process covers all operational risks and potential problem areas, without forgetting proactive measures. The operating environment also determines the appropriate risk management methods.

RISK MANAGEMENT: RIGHT TOOLS FOR THE JOB

Anyone is capable of effective risk management if they're allowed to.

The most important part of risk management is that it's started. Pen and paper are one way to get going with traditional risk management if you remember to digitalise your data at some point.

The next step is that you keep your risk management process going. How long the risk management process can be kept intact with traditional tools depends on what kind of results you expect to derive from risk management.

Are you recording and managing risks because you have to because you've been forced to do it by regulations or partners? Or are you looking to utilise the certainty and readiness that up-to-date data can bring to decision-making and leadership?

These are questions only companies and organisations who engage in meaningful risk management can answer. Although risk management is not rocket science, the tools you choose for risk management reveal how serious your organisation is about leading its work through goals and objectives.

The selection of the right tools and solutions affect primarily how

up-to-date the information you base your decisions is and how easily that information is available.

The goals for traditional risk management aren't often set particularly high, but the comprehensive benefits of enterprise risk management do not truly come to fruition if the enterprise risk management process can not be properly implemented on every level of the organisation. In this task pen and a notepad just do suffice, and neither does your chosen spreadsheet solution. The adage of you getting what you measure applies to risk management also.

Choosing the proper risk management solution requires the organisation to understand what their objectives and goals require, but also that they understand the level of their risk management maturity.

Granite's platform and risk management tools are designed to support a swift start and implementation of risk management in a way that allows our customer's risk management maturity to grow and evolve.

RISK MANAGEMENT: RIGHT TOOLS FOR THE JOB

How to choose the right risk management solution for your organisation?

EASE OF USE

Successful enterprise risk management requires a variety of perspectives on the organisation's operations and business, which makes the straightforwardness and ease of use of the risk management solution of utmost importance.

CUSTOMISABILITY

Although the vast majority of the principles and objectives of risk management are common in all organisations, every company has its own unique strategy and business goals. This is why the chosen risk management solution must adapt to the prevailing process and operations and not the other way around.

DEPLOYMENT

In the world of ever-scarce resources, it's vital to preserve your strengths and best ideas for the actual risk management work and not waste them on lengthy and complicated deployment processes. Risk management tools that support quick and agile deployment allow you to concentrate on what really matters and allow the operations to develop.

REPORTING

The fruits of your labour only come visible when quantified, so when choosing a risk management solution great heed should be paid to how the solutions' reporting supports your goals and objectives.



WHAT IS GRC?

GRC is an acronym for Governance, Risk and Compliance (Governance, Risk Management and Compliance). Its goal is to make the operations of the organisation more efficient, share information effectively, avoid overlaps, and report on tasks and events promptly, i.e. enable the achievement of goals. The principles of enterprise risk management are a natural part of GRC thinking.

TRUE RISK MANAGEMENT:

RISK MANAGEMENT IN HEALTHCARE

Pohjois-Savo hospital district & Kuopio University Hospital

"NOW THAT REPORTING RISKS EASY SIMPLE AND EASY RISK MANAGEMENT HAS REALLY TAKEN OFF"

The pillars of the operation of the Pohjois-Savo Hospital District and the Kuopio University Hospital are quality and efficiency, which aim for the best possible treatment with 30 specialties and about 4,500 employees.

For a long time, the Pohjois-Savo Hospital District attempted to describe and evaluate its activities using traditional methods of risk management, but soon the goals demanded appropriate, purpose-built solutions, especially to produce an up-to-date picture of the organisation's risk situation.

Visibility into what is being done is a key factor in the development of the Pohjois-Savo hospital district's risk work, and **one of the most praised features of Granite is the change log, where all changes made to the system are automatically saved.** In this way, it is easy to locate them for closer inspection if necessary.

Systematic risk identification and evaluation with Granite produce an overall picture of the situation in the hospital's work. Combined with continuous risk management workshops, Granite's diverse range of services have supported the emergence and development of general enthusiasm for risk management throughout the organisation.

[Read more about the case.](#)



DYNAMIC OR STANDARDISED RISK MANAGEMENT?

Traditional risk management methods have been part of the business world for a long time and have become standards, often along the lines of COSO or ISO3001. These standards are also updated over time, but despite that, the fact traditional risk management relies on avoiding and reducing risks can't be avoided. Alternatively, the principles of enterprise risk management adapt better to changes and, above all, to the inherent approaches of the organisation. There isn't just one right way to do risk management, it all depends on what you are aiming for.



Gary Ellison

Senior Risk Manager, Vaultex UK Ltd.

"Out of all the options out there Granite became our **overwhelming favourite.**"

[Read more](#)

PRACTICAL BEST PRACTICE FOR RISK MANAGEMENT



Scattered messy
spreadsheets
updated manually



Granite - the most practical software
for best practice risk management.



Expensive
complicated
enterprise IT

Practical Best Practice - what does that mean?

In the fast-paced world of modern business, effective risk management is no longer a choice but a necessity. We believe in a balanced approach to risk management, that fits neatly between the two extremes: manual hassle and pricey enterprise solutions. Our goal is to provide a straightforward, user-friendly, and cost-effective method that enables your organisation to tackle potential risks as exciting opportunities, rather than terrifying threats.





Book a demo call with our experts right away. We can do a short demo, set up a free trial, and discuss your specific needs.

[Book a 15 min call](#)