Taking a strategic approach to risk management

About the author

Fabio Accardi
Rome, Italy

Fabio Accardi is Head of the Internal Audit Department and Ethics Officer at Astaldi S.p.A., a leading international construction group, specialising in large and technologically complex infrastructure. Astaldi has been listed on the Milan Stock Exchange since 2002.

Fabio has a degree in Economics from Naples University and an MBA from SDA Bocconi School of Management, Milan. He is a registered Italian CPA, registered auditor and associate and member of the teaching staff of the Italian Association of Internal Auditors. He is also a visiting professor on the Business Administration course at the University of Rome Tor Vergata and lecturer and member of scientific committee of the Executive Program in Compliance Management held at LUISS Business School, Rome.

f.accardi@astaldi.com

When we think of risk we usually think of danger and the chance of something bad happening. This then gives you two things to consider: the likelihood of it happening and the potential damage it may cause.

Nevertheless, most successful business people understand that taking risks is essential. They also understand the premise that risk and return work in tandem: the higher the return you're looking for, the more risk you need to take.

Risk management and its role in corporate governance

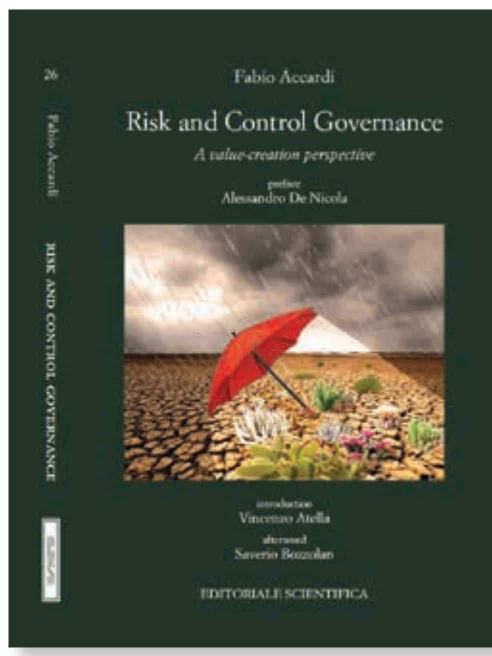
The way we've just defined risk is relevant to the way we examine it in a strategic context and how we deal with it from a governance point of view. In particular, once you've defined your corporate mission, strategies and objectives, you must identify the risks that threaten these aims and then decide the steps you'll take to mitigate those risks. Indeed, when you define your business strategies you must actively consider your appetite for risk and how much risk you are prepared to tolerate. After all, there is no point setting a business strategy or objective if you are unwilling to tolerate the risk you need to take to achieve it.

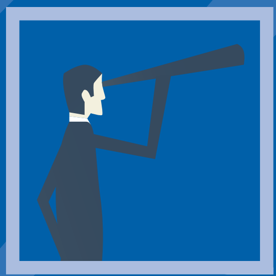
To develop the right risk management and control processes it is useful for all stakeholders to discuss the issues and reflect on the main factors that will determine your approach to risk management. In this sense, it is important to consider modern environmental factors that now significantly affect any approach to risk management.

These include:

- Technology
- IT and fraud related risk
- Environmental changes and natural disasters
- International politics
- Interest rates and foreign exchange fluctuations
- Inconsistent energy supplies
- Uncertain employment markets
- Business failures.

These risk factors have led companies to manage risk in a more systematic and interdisciplinary way using complementary and alternative solutions to the traditional ones, which merely transferred risk to the insurance sector using insurance policies.





Russell Bedford International
3rd Floor, Paternoster House
St Paul's Churchyard
London EC4M 8AB
United Kingdom

T: +44 (0)20 7410 0339
E: info@russellbedford.com
W: www.russellbedford.com