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## **Integration of Risk Management Into Strategic Planning: A New Comprehensive Approach**

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# Integration of Risk Management Into Strategic Planning: A New Comprehensive Approach<sup>1</sup>

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## Abstract

Companies are exposed to a variety of risks related to the development and implementation of their business strategy. There is an extensive amount of literature about enterprise risk management (ERM), yet it is still possible to find a new opportunity to analyze how different kinds of risk information can be objectively considered by senior management to enhance corporate governance and strengthen sound decision-making processes.

Strategy formulation is the main part of the strategic planning process. A robust ERM framework must provide relevant risk information for decision-makers so as to reduce the possibility of selecting a mistaken strategy or overlooking an important one. Most common strategic planning tools do not even take risk into account, which worsens the situation.

Subsequently, it is time to identify and measure strategic risks. They can leverage, hinder or prevent the fulfillment of the strategic objectives. Risk management may also support the development of institutional actions so as to increase the likelihood of reaching expected results. Furthermore, strategic risks should be monitored through key risk indicators to allow the identification of conditions that could lead to a risk event.

This paper aims to introduce a new comprehensive model that integrates risk management into strategic planning. A number of risk tools, improvements to be made by risk managers and a practical application of the model are presented to make possible the establishment and deployment of an effective strategy by the organization.

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