EFFECTIVE RISK MANAGEMENT

Based on our extensive experience across Pharmaceutical organizations, Risk Management which is the most critical activity has not only taken a back seat but also can be reimagined through the data, analytics and visualization;

Spanning across Information Security and IT Spectrum, we feel that following 5 points are key for effective Risk management and are missed during conceptualization and execution.

1. Risk Management Framework: Absence, Governance or Maintenance

We see that almost all organizations do have a Risk Management Framework and a significant effort has gone in to create it. However, it just sits on a shelf as a beautiful piece of art as it does not get implemented with an intention to manage risks effectively.

The second aspect that hits hard is the Governance and Maintenance of the framework as the world around organizations evolves..regulations, customers, country specific policies and organization specific updates require a strong process and effort around the framework to keep it alive which many Risk Management organizations fail to do.

2. Risk Management Framework: Comprehensiveness

Kesavan tells me that the rigor in documenting the identified risk is another big factor that bites organizations. Yes, articulating (Documenting/ Capturing) the identified Risk is more important for analyzing and mitigating the right spot. We feel there are 3 key tenets for capturing the identified Risk.

Event (Threat)- Cause (Vulnerability)- Effect (Impact) pattern

- Event: What may go wrong
- Cause: What happened wrong
- Effect: Why it can go wrong

To sum it up with an example, Failure of car system is not a risk, meeting with an accident is the risk. We ask this question all the time: why would organizations let this happen when in this age of technology, the data capture can be seamless, controlled and governed.

3. Risk Management: where should I invest my $?

Prioritization helps i.e. trying to focus on risks with High Priority is good but a Risk is a Risk and that is why its logged and to be mitigated. However, with a bigger focus on High Risk areas, in most cases attention towards the low risk in big volume is ignored and over a period of time, these low risks feed into High Risks.

4. Risk Management: Data or Lack of Data

Extending the dimension of missing data governance, many times organization are unable to act on Risks as well as draw intelligence on it in the absence of quality data. Extreme cases are when they manage risks mostly based on gathering and documenting external data as input. For example, Vendor assessment risk, data is dependent on vendor.

Considering the visibility and criticality (Audits), would a data governance body, AI tools for cleansing and reporting a big ask?

5. Risk Management: Criticality Analysis

We always ask the stakeholders of Risk Management committee, who is empowered to assess and define the criticality of Risks and furthermore their impact, remediation, effectiveness et al. but are they competent enough to do the job?

At numerous places, the risk analysis is meaningless and ineffective due to incompetence of the people assigned to define the criticality of the risks. Enabling meaningful information and simpler risk management framework along with continuous improvement of skills can be effective steps to identify potential hazards or threats and to assess the risk likelihood

These 5 are not the end of all concerns as other issues like complex calculations, seriousness in implementing risk evaluations and monitoring the risks also come as hindrance to implement effective Risk Management.

We are not preaching an ideal Risk Management organization as it's a utopia because of people element that's involved everywhere and which cannot be taken away. However, there are few simple but meaningful considerations organizations can ponder to get maximum out of a critical activity already established.

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