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THE COMPLEXITIES OF GLOBAL RISK MANAGEMENT

The rapid global expansion of businesses, markets and entire economies offers benefits and opportunities. But along with those positive aspects come the potential for loss and other negative consequences — all due to the unavoidable occurrence of risk as a function of growth and change. Systemic risk governance will require greater cooperation — and perhaps even a confederation — between governance mechanisms and industry in order to set a bar for acceptable risk and to minimize damage arising from global interaction. The task is formidable, but new tools are being developed to help various industries cope with global compliance issues.

Identifying and Assessing Risk

In the Information Technology (IT) arena, tools have long been in existence for identifying and quantifying risk. Perhaps because of the fact that the IT world functions within concepts of logic — but also within daily cyber-vulnerability — this area of governance is more disposed toward methodologies for risk assessment and risk profiling: One missed risk factor in IT might not remain local or contained but rather may quickly spread enterprise-wide. However, the same principles of risk assessment and management can be applied to functions beyond IT if threat and vulnerability assumptions are correctly employed.

Prediction and Impact

Identifying the potential for harm to assets or interests requires breaking down risk analysis to both qualitative and quantitative processes. Proper analysis will examine the "what if?" and the "how bad?" The likelihood of facing a particular risk must be factored in along with the impact of the risk upon exposure to it. Quantitative analysis evaluates the assets or interests that require protection. If the cost of protection outweighs the value of the asset or interest, then simple cost/benefit analysis dictates that mitigation against such risk is not worthwhile.

Uncertainty and Ambiguity

Unless an organization has prior experience dealing within a particular society, environment or economic market, it is the pending unknowns that pose a significant risk factor. Uncertainty about foreign risk can be reduced by utilizing business intel services that can be mined for their real-time information as to political, currency, regulatory and other variable factors. Industry-specific tools exist that, if integrated into a company's governance-management system, can reduce the complexities associated with 21st-century global risk. But the gap between demand and availability of solutions remains.

Regulatory Technology Lag

Enterprise globalization, despite its enhancement by fast-paced technological interconnectedness, has not yielded uniform global regulatory mechanisms — at least not yet. The evolution of global governance tools is developing much more slowly than the operational expansion processes they are designed to serve. In response, governments, private industry and global risk-management professionals will need to work in concert to remedy the global governance gap.

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