

“If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.”

This quote comes from a translation of the *Art of War* by Sun Tzu, written in China in what is estimated to be 512 BC. You may be asking *“How is this ancient quote appropriate in today’s business environment?”* It is actually an excellent metaphor for the challenges and rewards of risk management.

To adapt it to a business context, let’s pacify and update the quote by removing battles and enemies: battles will be business challenges and enemies will be risks threatening the success of your operations. Simply put, Sun Tzu suggests that knowing your risks is not enough to ensure your success. Knowledge of the processes that may create the risks is also crucial for success. Incidentally, considering risks in a vacuum is also only half a solution.

Obviously, the *“succumb in every battle”* outcome brought about by ignorance of both the processes and the risks needs no further explanation. It is the *“every victory for a defeat”* outcome that deserves particular attention. Let’s take a hypothetical situation where you would consider only your risks with no concern for the business processes. Paying attention to risks will allow



you to put controls in place and thus limit the risks, but doing so without considering how the risks affect your business, or which processes may have created the risks, is ineffective. Some risks are more important than others because they affect key business activities. Without identifying your risks in the context of your processes, you would have to treat every risk as if it is critical. This obviously results in spending more resources than needed in managing the risks and, to follow the metaphor, not having enough soldiers for the next battle.

How is it possible to win a hundred battles then? Mastering your processes is the first step – mapping them, establishing objectives, threats, controls, procedures, etc. Building your company’s road map that will lead you to your objectives is the stepping stone. Business blueprints, creating a common understanding of the organization, and recognizing strategic and tactical business demands will give you the ability to monitor and upgrade performance. The second step would be to add the risks to this blueprint - this conceptual construct. Because your business activities are real and not just con-

ceptual, there are risks that could jeopardize them. Once more, awareness, control, and planning will do the trick and will curb the potential impact or the probability that your objectives will be missed. You could even go one step further and integrate all the factors that may influence performance and strategy: competitors, technology, supply chains, regulations, etc. You’d be taking risk management beyond standard practices and helping your company to successfully execute corporate strategy.

By considering risk management (*know your enemy*) in the context of your business blueprint (*know yourself*), you can understand the legitimate threats to your objectives by utilizing the knowledge of what you have, a vision of where you want to go, and a specific plan to get there. You are now equipped for battle. Utilizing risk management to improve your understanding of the true business landscape will give you the tools to drive improved business performance and emerge victorious!

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