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Technology for managing risk

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Mind over matter

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Whilst the fundamental principles of the various fields of risk management are well-established, the approach to the management of individual risks – and combinations thereof – is in constant flux; and so, too, must risk software be.

As solutions become more flexible and their capabilities are extended they also become more useful to a broader range of end user organisations. Where once the most sophisticated risk management solutions were only used by larger organisations in a handful of particularly high-risk and/or highly regulated sectors, there is now a wider acceptance of the relevance of software for this purpose.

Managing director, international at Riskonnect, Mark Holt suggests the most important trends in end-user requirements influencing the evolution of risk management software today are a mixture of the technical and cultural.

First and foremost, digitisation of part of the risk management function is on the rise, including process and decision automation. "We are starting to see digital transformations in risk create real business value by improving efficiency and the quality of risk decisions," says Holt. "A digitised risk function provides better monitoring and control and more effective regulatory compliance." Automation of workflow, the use of optical character recognition and robotic processing and interfacing are helping to drive these efficiency improvements.

"The benefits of greater efficiency and productivity include possible cost reductions of 25 per cent or more in end-to-end credit processes and operational risk, through deeper automation," says Holt. At the same time, he suggests, risk ownership is changing both within and outside many organisations, as it becomes a frontline function.

On a technical level, analytics capabilities continue to evolve, while user organisations seek to aggregate, visualise and manage all risk in a single operational view, as this can deliver a competitive advantage alongside further efficiency improvements.

"We are seeing a significant increase in customers looking for an integrated solution to help consolidate and correlate risk information for both insurable and uninsurable risks," Holt explains. "End-users want to easily visualise how risk is interconnected and the assurance in place across the three lines of defence."

Although risk technology is evolving rapidly, there is usually still a clear distinction between risk management information systems (RMIS), traditionally used to manage insurable risks; and broader integrated solutions offering additional capabilities, which may be used in combination with other business solutions and processes.

Riskonnect's RMIS is particularly popular within the manufacturing, transport and logistics, energy and telecommunications sectors, as well as in healthcare and education.

Holt describes the benefits such a system offers one multinational customer which has some 300,000 employees worldwide, and uses the tool to coordinate compliance risk management, replacing inconsistent, spreadsheet-based risk tracking, reporting and mitigation processes. The organisation now has much better visibility of risks across the enterprise, enabling it to identify common risk trends in different parts of the organisation and to mitigate risks more effectively.

Holt also cites the experience of a global FTSE 100 company which had previously gathered risk information through a time-consuming process that involved questioning key risk owners across the business. Replacing this method with Riskonnect's technology means reports delivering the same information can be generated much faster, with far less manual interaction – and a great deal less room for error.

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Taking it further

Other organisations use a RMIS as a foundation upon which to build more comprehensive risk management and reporting systems. One global agricultural business has used Riskonnect's RMIS to create a new incident reporting process. Previously, incident reports were paper-based, making it difficult for senior management to gain a clear picture of incidents occurring across the business, or to identify risk trends and create an effective enterprise-wide risk mitigation strategy.

The business used Riskonnect's Intake data gathering technology to digitise and accelerate risk reporting, allowing employees all over the world to access a user-friendly, mobile-friendly tool. They can use this to create an accurate report in real time, then send that information quickly to whichever part of the business needs to respond. All incident data can now be analysed in a single location, to identify trends and early warnings of other potential incidents.

Other users see the benefit of investing in a risk management solution that offers integrated governance, risk and compliance (GRC) capabilities. Such a solution might encompass full enterprise risk management (ERM) capability and be integrated with other business functions including business continuity and incident management, insurance, quality and safety controls, policy management, audit, compliance and other elements of governance. Riskonnect has developed an integrated, automated risk assessment solution that can provide visibility of all these.

"As the technology becomes more sophisticated and automated there is a danger – indeed, a risk – that an organisation becomes over-reliant upon it and removes some of the human intelligence these tools are developed to complement"

There are other routes organisations might take as they move towards a more integrated view of risk. Holt cites a global manufacturer and retailer of children's clothing, which started off using a Riskonnect internal audit tool, but now also uses its ERM solution to manage insurable risks and health and safety functions. In this case, the new technology replaced a spreadsheet-based GRC solution that had been a practical choice when the business was smaller but could not grow alongside it; beginning to fail as the number of risk owners submitting risk data to it every month reached 200.

The business implemented the provider's internal audit system to improve audit monitoring, then added its vendor risk management solution to address cybersecurity risks associated with its vendors; then a compliance tool; and finally full ERM. It now uses the integrated solution to understand and control risk parameters relating to every part of its operations, including retailing, customer service and supply chains. The solution also enables more effective collaboration between different parts of the business.

Elsewhere, a US healthcare organisation uses an integrated solution that provides management of risks related to patient safety and to compliance risks related to data protection and privacy regulations. Other end users include insurance companies using integrated systems incorporating automated claims risk management, linking incidents and claims to assets and policy payments.

"All incident data can be analysed in a single location, to identify trends and early warnings of other incidents"

Besides the changing nature of the risks that need to be managed and the growing range of organisations now using these technologies, the other key influence on the future evolution of risk management software is the development of more advanced automation and artificial intelligence-based tools. Holt suggests that in future risk management technology will make more use of AI capabilities to increase the speed and efficiency of risk data analysis still further, enabling a more granular approach to risk-based decision-making.

Tools like these are enabling an ever wider range of organisations to develop more sophisticated, comprehensive, organisation-wide risk management and mitigation.

For all that new technologies and capabilities can deliver, there is one last thing end users need to bear in mind: the importance of the human element in ensuring best practice in risk management. As the technology becomes more sophisticated and automated there is a danger – indeed, a risk – that an organisation becomes over-reliant upon it and removes some of the human intelligence these tools are developed to complement. The management of risks must, ultimately, be conducted by human beings and based on a strategy appropriate to the specific operational requirements of an end user organisation and the circumstances in which it is operating. Risk management technology may be evolving quickly, but the need for human oversight and strategic vision is just as important as it has always been.

Big data, small data

Risk technology can shrink big data into more manageable information, so it's not just insightful, but actionable. Mark Holt explains how this can work for business

Seeing is believing. That's why conveying risk data in visual formats can make such an impact. When data is visual, it's easier for stakeholders to comprehend complex concepts and detect trends. This can lead to more informed and expedient decision-making, and ultimately, more proactive risk management.

As businesses continue to harness the power of big data to understand organisational risk, they are realising the need for technology that not only captures vast amounts of information, but also surfaces and visualises that information in ways that convey timely and actionable insights.

Data visualisation – the process of transforming text-heavy data into pictorial or graphical formats – is certainly not new. However, now that advanced technology has enabled data visualisation to be comprehensive, dynamic and automatic, its current power is unprecedented.

Risk-minded organisations seeking to surface relevant risk information, and wanting to move away from static, rear-view mirror risk analysis and reports, can actually look to risk management technology to capitalise on the evolution of data visualisation.

Interactive data visualisation

Data visualisation is being brought to the forefront, in part because of the world's preoccupation with big data. However, while big data is significant, it has overshadowed the importance of understanding 'small data' – bite sized chunks of information that are easy for people to process and comprehend.

Countless organisations have deployed an abundance of resources to make sense of the large volumes of data inundating their businesses, only to yield disappointing results. The data is there, but the insights are not; or, they're just too difficult to uncover because they are locked away in spreadsheets with mind-blurring columns, rows, text and numbers.

Data visualisation, on the other hand, provides visuals like infographics, dials and gauges, geographic maps, sparklines, heatmaps, and detailed bar and pie charts, so stakeholders can more easily spot trends or outliers, and make revenue-impacting or risk management decisions at a glance – the main driver for investing in big data initiatives in the first place.

Make no mistake though, pretty data isn't everything. Even the most eye-catching dashboards, charts and graphs mean nothing if they reflect incomplete or out-of-date information; if they showcase surface-level or static data; or even if they are difficult to produce.

If you want to transform your organisation's big data into true business intelligence, be wary of solutions that merely create beautiful reports in a vacuum instead of illustrating actionable insights.

The power of illustrating risk

The ability to illustrate risk across an entire organisation from a single source of truth – regardless of department, line of business or even the actual risks themselves – not only drive business intelligence, but also drive integrated risk management. As such, data visualisation is an important and practical function within web-based risk management technology.

Risk management technology exists so organisations can consolidate risk and insurance data from across the enterprise; surface relevant information from wherever it's hiding; connect it with other internal and external data; and then normalise the data so it's all relatable.

With the right functionality, risk management technology can exploit its deep connection to expansive and critical risk and insurance data to automatically create visuals that take into account the full spectrum of risk. Further, it can make visualising data dynamic – allowing users to instantly manipulate images and drill deeper with more specific queries for any type of information.

Insurance claims and policy data are just two examples of information that can be visualised and analysed from 360 degrees within risk management technology. Related data can be configured and reconfigured visually time and time again, based on what the stakeholder wants to see, or the business problems that specific stakeholders are trying to resolve.

For example, a risk manager may want to see claim severity data from trending, timeline and geographic perspectives to get a handle on incidents; what's causing them; and how they can be prevented at certain locations. A claims manager, on the other hand, might want to see claim severity data through the lens of how

long the most severe claims are open versus less severe claims in order to evolve processes and shorten the claims lifecycle for severe claims.

When it comes to insurance policy data, stakeholders might start out looking at the policies they have in place, but drill down to analyse premium spend versus policy coverage. This could include the types of policies or locations demanding the highest premiums; or the carriers to which premium spend is going, and whether that spend is distributed appropriately to minimise risk.

Regardless of the business problems that need to be solved, or the stakeholders attempting to solve the problem, with just a few clicks, any user can alter their queries and analyse new visualisations to capture an holistic picture of risk, or the more specific components of risk, of which they are in charge.

Not a data scientist? Not a problem

The number of charts, graphs and visuals that can be used to convey risk with a true interactive data visualisation solution are finite. Formerly, users might have had to compromise on the type of data, or type of visual they selected because of limitations with report creation tools.

The comprehensive and drill-down nature of data visualisations within risk management technology, however, solve that challenge.
In general, the types of analysis users aspire to illustrate using risk management technology, include:

- **Comparative:** How different data compares under similar or dissimilar circumstances
- **Relationship Analysis:** How different data relates and impacts each other
- **Composition Analysis:** How different pieces of data contribute to a broader picture or business problem
- **Trend Analysis:** How different data moves up or down, or stagnates.

The power to illustrate risks through such a complex and comprehensive lens for business intelligence is not as complicated as it may seem. In fact, with interactive data visualisation solutions, business intelligence can be 'self service', which means users can connect and normalise disparate data sources into a single, unified source of the truth; illustrate the data in meaningful ways that don't compromise data accuracy or context; and collaborate and share insights with others.

Web-based risk management technology can help facilitate all of this, and users need not have data analytics experience, or advanced training. Nor do they have to rely on technical resources or other IT teams. The analytics and data visualisation tools are designed for risk managers, not data scientists. Therefore, the resulting actionable intelligence is as easy to create, as it is to consume – improving the speed and efficiency of daily operations across the board.

What's a picture worth?

Data visualisation poses great promise to the risk management and insurance industry – facilitating true integrated risk management, whereby organisations can bring together all areas of risks effectively, and enable insights that have been previously unobtainable. Ask these questions to ascertain whether your current data visualisation techniques truly enable business intelligence:

1. Is your data connected? From Excel spreadsheets and other on-premises software, to data warehouses and cloud-based applications, you likely have dozens of different data sources.

2. Is all your internal and external data normalised and aggregated into a single source of the truth? Can your data sets interact or 'talk' to each other – automatically highlighting relationships to allow for more comprehensive and contextual analysis, and additional queries for information in real time?

3. Do you have easy access to advanced analytical tools? Can you drill-down further by any data subset as and when you need? Can you integrate all of the information you have, analyse it against the 'bigger picture', and use the results to make realistic predictions to guide your daily decisions?

4. Is your data analytics DIY? Are you able to filter, segment and analyse data without in-depth technical knowledge? The best data visualisation tools will allow you to efficiently and independently query the information you're seeking. Further, do you receive customised alerts, outlining what's happening in your business and when, so you can make timely and informed decisions without having to constantly monitor every indicator for change?

"Data visualisation is an important and practical function within web-based risk management technology"

Ask your risk technology vendor about its integrative data visualisation functionality. If a picture is worth a thousand words, the worth of interactive data visualisation is exponential.

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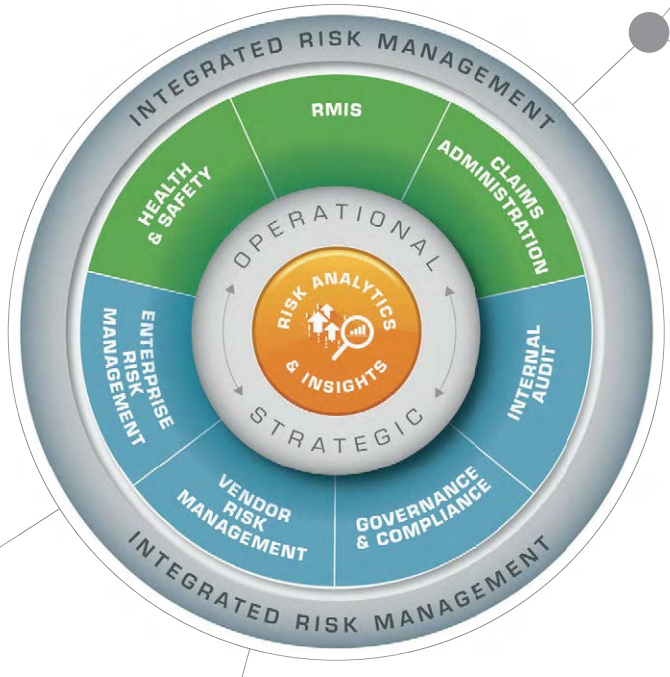
Riskonnect transforms the way you perceive and manage risk by integrating data, connecting risks, and correlating their relationships for a clear view of how risk impacts the entire enterprise.

We are the global leader in integrated risk management technology. And we are relentless in our quest to give customers insights they can't get anywhere else.



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