**Level 3: Future Proofing Strategy**

**Teacher Note:**

**Discussion Questions**: These are designed to stimulate discussion and deepen understanding of managing risks.

**Activity:**

**Choose either activity 1 or 2.**

**Activity 1:** Managing Risks on a Primary Production Agribusinesses.

**Activity 2:** Risk Management in an Agribusiness Supplier.

**Managing Risk Is Riskier Than Ever.**

<https://kpmg.com/nz/en/home/insights/2024/09/future-of-risk.html>

**Risk Management?**

Risk management is the process of identifying, assessing, and controlling potential problems or uncertainties that could affect a business. It helps organisations prepare for challenges, reduce losses, and take advantage of opportunities to grow and succeed.

In a year marked with both new and ongoing challenges, the demand for strong and robust risk governance and management capabilities has become more crucial than ever for many organisations across Aotearoa New Zealand.

This shift in perception is paving the way for organisations to integrate risk management into their strategies, allowing them to navigate uncertainties more effectively while seizing new opportunities for growth and innovation.

The role of risk functions is broadening to ensure organisations stay resilient and adaptable in a continuously evolving environment.

KPMG’s 2024 global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organisations align risk management with strategic objectives, closer collaboration across the business will be essential.

Three notable focus areas include:

1. Linking strategy and risk

Facilitating a regular and clearer dialogue between Boards and Management, for integrating strategy and risk to better manage uncertainties and seize opportunities. The traditional C-suite is now evolving into an R-Suite, where executives take an active and collaborative role in managing risks to align to the business strategy.

1. Driving informed decisions through digital enablement

Equipping business leaders with accurate, timely and comprehensive information that is future focused is critical to making informed decisions. Digital enablement plays an essential role in this transformation, driving the evolution of the risk function to meet the demands of a rapidly changing environment.

1. Viewing risk as a value enabler

By articulating the value of risk management, leaders can effectively shift the perception of the risk function from being the ‘department of NO’ to a wider service embraced by all employees. To successfully navigate the current complex world we live in, the C-suite should embrace risk as an enabler of value, and view risk as an opportunity for growth to fundamentally transform their approach.

Key themes and statistics

**Shift from C-suite to R-suite**

* **C-suite:** Historically, the C-suite—or "chief" suite—was focused on traditional executive functions like finance (CFO), operations (COO), and marketing (CMO). The primary metric of success for these leaders was maximizing profit and efficiency for shareholders.
* **R-suite:** The R-suite adds critical, long-term perspectives to the traditional C-suite functions. While the "R" can represent different things, it most often includes:
  + **Risk:** Rather than a siloed function, risk management becomes a company-wide strategic focus. Every executive must consider financial, operational, and reputational risks in their decision-making.
  + **Resilience:** The R-suite focuses on building a resilient organization that can adapt and thrive amidst constant change, disruption, and uncertainty.
  + **Responsibility:** Leaders must now account for a wider range of stakeholders, including employees, customers, and society. This includes a growing emphasis on Environmental, Social, and Governance (ESG) initiatives.
  + **Revenue:** Beyond traditional revenue growth, the "R" perspective emphasizes sustainable and long-term revenue creation.

Why the shift is necessary?

* **Relentless Disruption:** The modern business landscape is characterized by constant change, from technology and data to shifting customer and employee expectations.
* **Heightened Scrutiny:** Corporate leadership is under increasing pressure from investors, employees, and the public to address broader social and environmental issues.
* **Digital Acceleration:** While technology offers new opportunities, it also introduces new risks like cybersecurity threats and the need to manage vast amounts of data effectively.
* **New Executive Roles:** The traditional C-suite structure is evolving to meet these challenges with roles like the Chief Sustainability Officer (CSO) or Chief Risk Officer (CRO), but the philosophy of the R-suite suggests these responsibilities must be integrated into every executive role.

The C-suite must become the R-suite. Risk is the business of every member of the C-suite, and CROs should spread risk ownership across the organisation, working with business leaders to build risk into their strategy and make it part of their everyday thinking.

**61% of executives surveyed inside and outside the risk function expect to see a significant increase in the level of risk they will be responsible for in the next 3-5 years.**

Risk as a value creator across the business

Integrate and connect risk into business decision-making

Leverage digital acceleration and data analytics

Build a risk-centric workforce

**These are the five key steps towards transforming your risk management function:**

1. Establish a risk vision

To foster a risk-aware culture, conduct a workshop with key stakeholders to discuss key threats, setting a vision, objectives and guiding principles to align the executive team for the transformation.

1. Develop an enterprise-wide risk management strategy

The risk strategy — which should align directly with the organisation's strategic goals — outlines key risk areas and integrates risk management into business processes

1. Develop a communication plan

This plan should set out the objectives of risk management transformation, along with appropriate communication channels, to gain support across the C-suite and throughout the organisation.

1. Identify risk management skills and plan to fill any gaps

A risk management mentorship program can stimulate interest in training and explain how risk impacts people in their daily jobs.

1. Create a data quality improvement plan

Enhance the accuracy, timeliness and completeness of risk management data by assessing and improving data governance, collection, storage and analysis.

**Discussion Questions on Risk Management**

1. What is risk management, and why is it important for businesses?
2. How are organisations in New Zealand changing their approach to risk management according to the article?
3. What does it mean when the article talks about the “R-Suite” replacing the traditional “C-suite”?
4. Why is it important for business leaders to have access to accurate and timely information when managing risks?
5. How can viewing risk as a “value enabler” change the way employees feel about the risk function?
6. What are some of the new tools and technologies businesses are using to improve risk management?
7. According to the article, what are the five key steps to transform risk management in an organisation?
8. How can better communication help organisations manage risk more effectively?
9. Why do you think the article emphasizes the need for a “risk-centric workforce”?
10. What role does data quality play in managing risks for a business?

**Answers**

1. What is risk management, and why is it important for businesses?  
   Risk management is about spotting and dealing with possible problems before they happen. It is important because it helps businesses stay safe, avoid big losses, and find new opportunities to grow in the future.
2. How are organisations in New Zealand changing their approach to risk management according to the article?  
   Organisations are making risk management part of their overall strategy and encouraging everyone, especially leaders, to work together on managing risks.
3. What does it mean when the article talks about the “R-Suite” replacing the traditional “C-suite”?  
   It means that leaders like CEOs and CFOs are now also responsible for risk management, not just their usual jobs, making risk a shared priority across the company.
4. Why is it important for business leaders to have access to accurate and timely information when managing risks?  
   Because good information helps leaders make smart decisions quickly, especially when things are changing fast.
5. How can viewing risk as a “value enabler” change the way employees feel about the risk function?  
   It can help employees see risk management as a helpful part of the business that creates opportunities, rather than just something that stops ideas or says “no.”
6. What are some of the new tools and technologies businesses are using to improve risk management?  
   Businesses are using advanced data analytics, artificial intelligence (AI), and digital tools to better understand and manage risks.
7. According to the article, what are the five key steps to transform risk management in an organisation?

* Set a clear risk vision
* Develop a company-wide risk strategy
* Create a communication plan
* Identify and fill skill gaps in risk management
* Improve the quality of risk data

1. How can better communication help organisations manage risk more effectively?  
   Better communication helps everyone understand risks and work together to handle them, making the whole organisation stronger.
2. Why do you think the article emphasizes the need for a “risk-centric workforce”?  
   Because when all employees understand and care about risks, the business can avoid problems and take advantage of opportunities more easily.
3. What role does data quality play in managing risks for a business?  
   Good data helps make sure risk decisions are based on accurate, complete, and timely information, which leads to better results.

**Activity: Managing Risks**

**Choose either activity 1 or 2.**

The activity can be completed in groups or individually.

**Activity 1: Managing Risks on a Primary Production Agribusinesses**

**Objective:**  
Understand how risk management helps primary production agribusinesses deal with challenges and make better decisions.

**Instructions:**

1. Imagine you run an agribusiness that grows vegetables or fruit or berries or produces milk or meat. (select one you are familiar or interested in)  
   Your agribusiness faces different risks like bad weather, pests, price changes, machinery breakdowns, or rising fuel costs.
2. Identify 3 possible risks your agribusiness might face.  
   Write them down.
3. For each risk, think about:

* How likely is it to happen? (High, Medium, Low)
* What impact would it have on your primary production agribusinesses? (Big, Medium, Small)
* What can you do to reduce or manage this risk?

1. Choose one risk and come up with a simple plan to manage it.  
   For example, if pests are a risk, maybe you could use natural pest control or buy insurance.
2. Discuss with a group or the class:  
   How does managing these risks help the primary production agribusinesses stay successful over time?

**Activity 2: Risk Management in an Agribusiness Supplier**

**Objective:**  
Explore how a company like Ballance Agri-Nutrients manages risks to support farmers / growers and keep their business viable.

**Instructions:**

1. Imagine you work for Ballance Agri-Nutrients or selected agribusiness, which supplies fertilisers and other products to farms/ orchards across New Zealand.
2. Identify 3 risks this business might face.  
   Examples could include: supply chain disruptions, changes in government regulations, or price fluctuations in raw materials.
3. For each risk, answer:

* How likely is this risk to happen? (High, Medium, Low)
* What impact could it have on the business? (Big, Medium, Small)
* What actions could the company take to manage or reduce this risk?

1. Choose one risk and create a simple risk management plan.  
   For example, if supply chain delays are a risk, the company might diversify suppliers or keep extra stock.
2. Discuss with a group or the class:  
   How does effective risk management help Ballance Agri-Nutrients support farmers / growers and stay competitive and viable?