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How to Streamline Risk Assessment with Lessons from SWOT Analysis

I once worked with a financial risk analyst on a ground transportation project. His risk assessment model included every variable imaginable. Just thinking of the amount of data needed to run the equations was exhausting. Risk assessors tend to rely on sophisticated analytical models. They couch findings in terms of likelihoods and probabilities.

Analytical complexity is fine, if the model is driven by readily available and reliable data. Unfortunately, data are seldom complete or readily available. Data limitations can cast doubts on the findings of risk assessment. Additionally, stating the findings in probabilistic terms may obscure their relevance to a non-analyst

In my opinion, given its importance as a planning tool, risk assessment process needs to be less overwhelming. This article suggests one way to streamline the process and make it readily applicable to more business decisions.

Keeping an eye on the objective

The purpose of risk assessment is to provide decision-makers a logical and informed basis for action. Ideally, the findings help them understand the factors that might (negatively) influence business operations. Ultimately, it allows them to plan on how to minimize risks.

In short, risk assessment facilitates planning. Most people will agree that ease and clarity are desirable qualities in any strategic planning endeavor. It helps to keep it simple.

Does SWOT analysis hold a clue?

Market planners use it. Self-help gurus use it. Combat leaders use it. Can risk assessors use it?

SWOT is the acronym for **Strengths, Weaknesses, Opportunities, and Threats**. A four-quadrant chart, representing the four elements of the analysis, typically summarizes the process.

Used in the context of a marketing plan, SWOT analysis essentially involves itemizing the *internal factors* (strengths and weaknesses) and the *external factors* (opportunities and threats) that (could) affect business performance.

One reason SWOT analysis is so versatile is its simplicity. The process is relatively easy to complete, edit, and update as needed. If done objectively, SWOT analysis is an effective tool for identifying a plan of action.

This means that a simple four-quadrant chart might be helpful in streamlining the risk assessment process.

What are some of the common points worth considering?

Regardless of the risks in question, the core elements of risk assessment are not so different from those of a SWOT analysis.

For example, if you are responsible for your company's information security policy, here is one possible mapping of the key elements of risk assessment and SWOT analysis:

- **Strengths:** Identify and evaluate what you are currently doing well to secure your restricted business data, such as a well-written information security plan, risk review procedures, employee accountability, and use of appropriate technologies.
- **Weaknesses:** Identify what you perceive as weak points in your company's security plan, such as inconsistencies between policy and practice, data storage risks, indiscriminate access to restricted data, and risks posed by disgruntled employees.
- **Opportunities:** Identify cost-effective actions to mitigate or reduce risks, such as improving governance, employee education, adopting new access protocols, and updating technical controls.
- **Threats:** Identify external risks that could affect critical business operations and assets, such as intruders, hackers, terrorists, and natural disasters.

All of this is done in low-tech and easy-to-understand format.

What are some of the benefits of a streamlined approach?

In a dynamic business environment, risks abound. This calls for a risk assessment process that adjusts quickly to changes in related business operations. The process needs to be simple, versatile, yet effective.

I am not advocating that risk assessors should ignore the sophisticated models of risk analysis. Nor should they abandon the various software that claim to automate the tasks of risk assessment.

However, the elements of SWOT analysis may help decision-makers be more agile in leveraging strengths, eliminating weaknesses, optimizing opportunities, and minimizing threats in the ongoing quest to secure business assets.

About the author: Rachel Agheyisi is a business writer who specializes in white papers and case studies that address regulatory compliance and business intelligence issues. Related articles are available on her website at www.reportcontentwriter.com.