

# Risk management and business planning

## Evaluating the impact of risks and opportunities for your organization

Comprehensive risk management is a crucial component of the business processes in large organizations. The planning, budgeting and forecasting tools used by the company also constitute an essential element.



Unit4's FP&A integrated solution for business planning and risk management combines the best of both worlds. The impact of risk is simulated directly in business calculations such as balance sheets and P&L statements. As a result, users can make precise statements about the probable developments for specific key figures.

Complying with legal documentation and monitoring regulatory obligations is only one of several components of an effective risk management system. Apart from external stipulations, the broad concept of compliance also comprises all aspects specified by internal specifications, values, rules and, finally, an organization's own strategy.

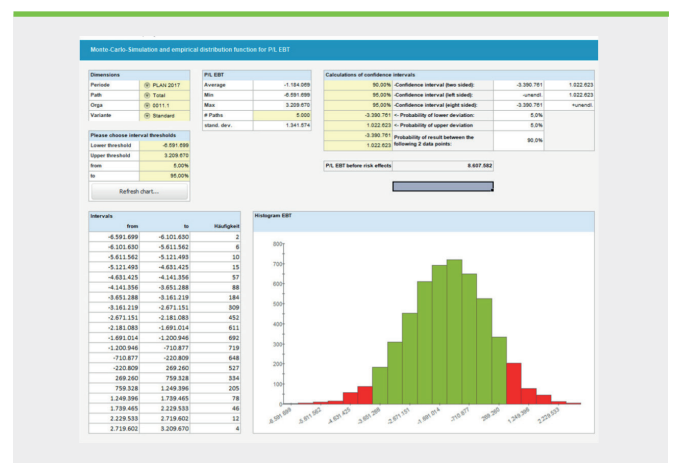
In addition, most organization's use controlling tools for operational business management (e.g., P&L, balance sheet and cashflow calculation) as well as planning for individual departments (e.g., sales or human resources).

Usually, the solutions for risk management and planning are largely isolated from each other. At best, they are connected at specific points in time. In most cases, however, it's not possible to get an integrated overview of how business planning is influenced by risks.

For this purpose, it would be necessary to provide financially correct simulations of P&L statement, balance sheet and cashflow based on risks.

### Typical questions:

- Below which EBT will we not fall in the next observation period with a probability of 95 percent?
- What is the probability of the company's equity not falling below EUR 10 million?



Risk-based business planning: Monte Carlo simulation of the P&L statement

## The answer:

- Unit4 FP&A Risk Management and Business Planning is the first solution capable of simulating and quantifying the direct impact of internal and external risks on business calculations. Organizations can either add probability calculation functions to their existing risk management system or they can implement a comprehensive solution for risk-based business planning.
- Independent from the tool in use, the Unit4 FP&A software accesses integrated financial planning data in real time and carries out simulations of the business calculations that are most relevant for finance teams. Depending on the degree of strategic risk acceptance or aversion, those simulations then enable statements like „With a probability of 95 percent, our EBT will not fall below EUR 3.28 million. “

Regardless of the tool you are using, and the functions already covered – Unit4 FP&A provides you with a customized solution tailored to your specific situation and requirements.

If your company has already calculated complex individual risks with Monte Carlo simulations, the results can be imported to Unit4 FP&A and can then be integrated into the overall risk simulation.

## The challenges:

- Isolated view of legally required and strategically significant risk analysis elements and business-related calculations
- Varying degrees of IT support required for risk management and planning functions within the company
- Rigid planning based on traditional financial planning instead of simulations and probability distribution

## One solution for all requirements:

- Proven risk management workflow: allocating roles, identifying risks and opportunities, determining incident rates, defining risk management measures, tracking risks and measures
- Holistic view on risks due to the calculation of their impact on P&L and cashflow as well as accruals and depreciation
- Calculating not only the incident rate, but also the severity of the risk 's impact with Monte Carlo simulations
- Visualizing risks and damages with risk fields (gross/ net risk), risk maps or bubble charts

Combining all analysis in personal dashboards for a clear overview.

## Benefits

- Considering legal obligations as well as strategic targets for risk management while ensuring a business-related perspective
- Calculating distributions based on probability scopes that are easy to evaluate for users from specialist departments (triangular distribution)
- Additional use of rectangular distributions for risk calculation
- Using familiar functionalities for planning and risk management

## About us

Unit4, provides Corporate Performance Management (CPM) solutions for the areas of analysis, reporting, controlling and business planning. With its portfolio, Unit4 FP&A supports the sustainable improvement of decision and management processes in companies of all sizes and from all industry sectors. [www.unit4.com](http://www.unit4.com)

