
CFO/CMO: Making the Connection on Strategic Risk Assessment

Annual Meeting Marketing Accountability Standards Board (MASB)
August 13, 2025 3:30pm-4:25pm
DePaul University Chicago, IL

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DePaul University

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Kellogg Graduate School of Management
Northwestern University

Agenda

1. What is Risk?
2. What is Strategic Risk Management?
 - A. Return Driven Strategy Framework: How Brands Create Value
 - B. Strategic Risk Management Framework: Understanding Brand Risk
 - C. Strategic Risk Assessment Process for Brand Risk
3. Brand Risk Management and Mitigation
 - A. Strategic Life-Cycle Analysis for Brand and for Brand Risk Mitigation
 - B. Brand Purpose Strategy and Risk Mitigation Management
4. Q&A

What is Risk?

Risk is a function of how poorly a strategy will perform if the “wrong” scenario occurs.

Michael Porter, *Competitive Advantage* (1985, p. 476)

What are Strategic Risks?

““Strategic Risks” refers to those events and risks that could impair the organization’s ability to achieve its strategies and business objectives.”

Mark L. Frigo and Richard J. Anderson,
“Creating and Protecting Value: Understanding and Implementing ERM”
COSO 2020

What are Strategic Risks?

“Strategic Risks are those events and risks that are most consequential to the organization’s ability to execute its strategies and achieve its business objectives.” These are the risk exposures that can ultimately affect shareholder value or the viability of the organization.”

Mark L. Frigo and Richard J. Anderson,
“Assessing and Managing Strategic Risks” 2017 IIARF

What is Strategic Risk Management?

Strategic risk management needs to examine how well a business strategy will perform under different scenarios and events... that could potentially result in significant losses, destruction of shareholder value, or a damage corporate reputation or brand.”

Mark L.Frigo, “When Strategy and ERM Meet”

How Do We Manage Risk?



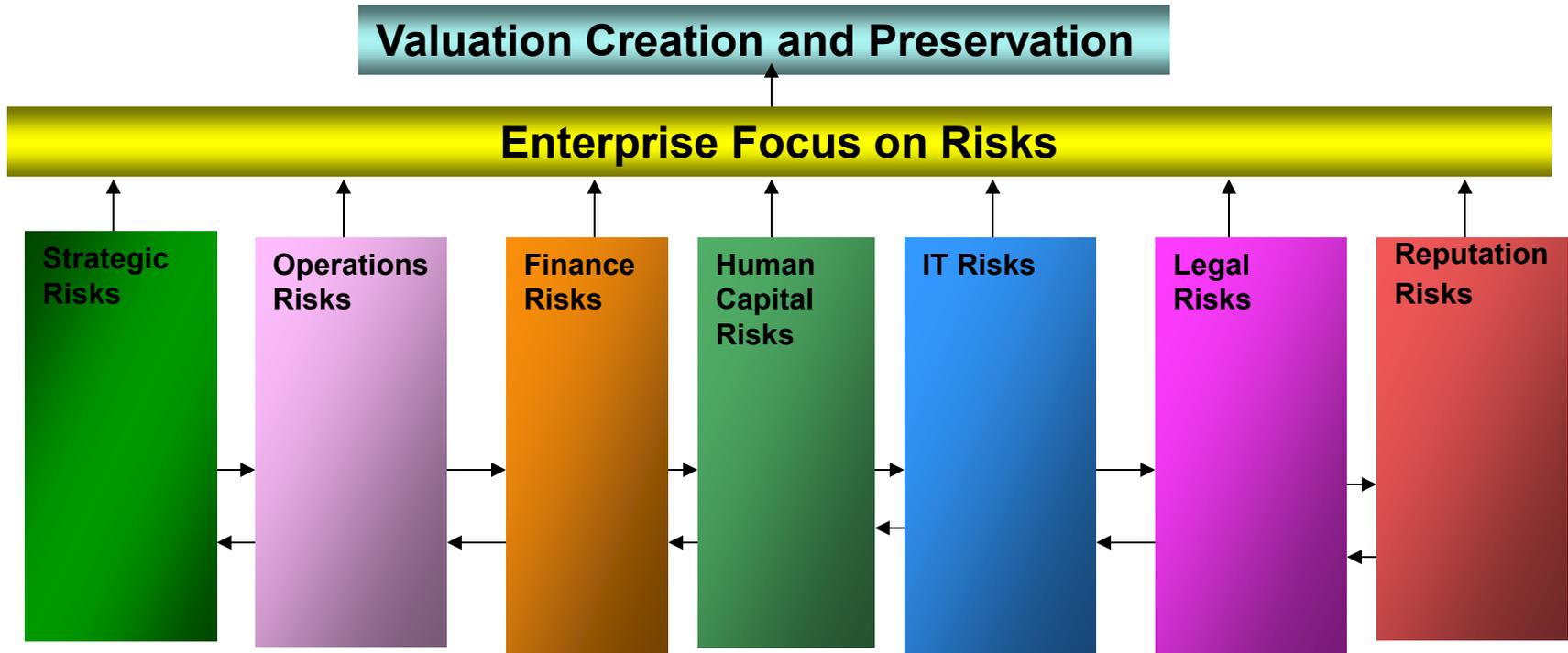
Traditional Risk Management

Many companies take a “silo” approach to managing risk.



“Silo” or “Stove-Pipe” Risk Management

Integrated Enterprise Risk Management (ERM) for Creating and Protecting Value



Key Messages:

1. Need to manage risk in an integrated fashion across the enterprise
2. Risk management not only preserves value but also can help create value

Strategic Risk Management and ERM at the LEGO Group

Figure 2: The LEGO ERM Umbrella:
Adding Strategic Risk



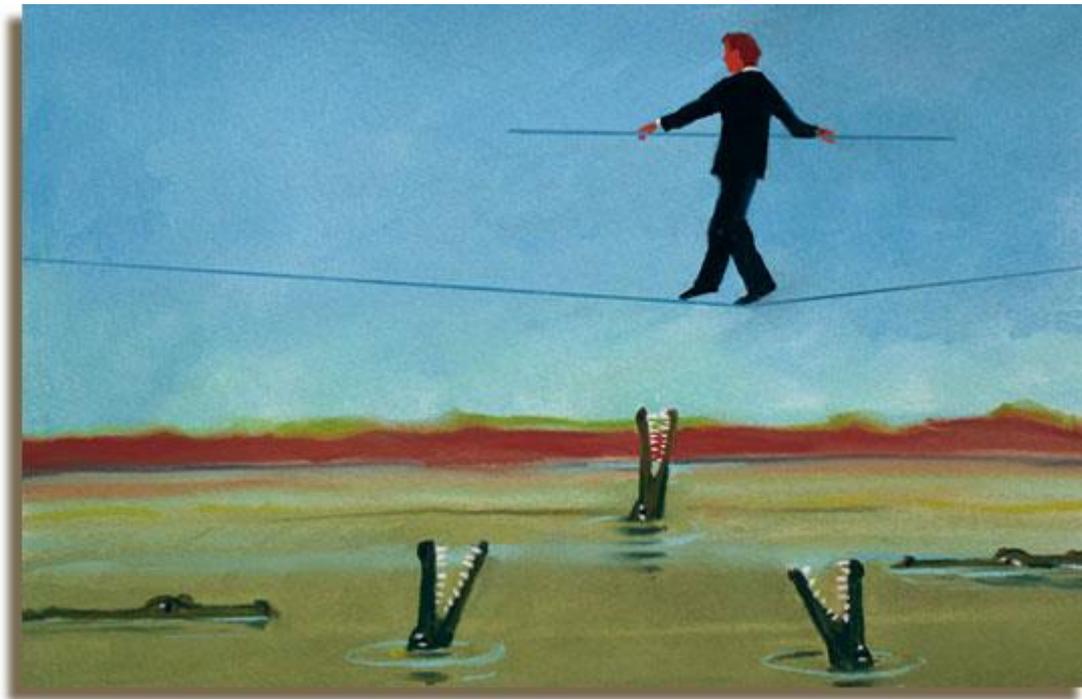
Multidimensional Strategic Risk Profile (Example)

<u>Strategic Risk</u>	<u>Description of Risk</u>	<u>Likelihood</u>	<u>Impact</u>	<u>Velocity</u>	<u>Readiness</u>	<u>Priority</u>
Operations Risk	•Supply Chain Disruptions; Product Liability Events	Low	High	High		1
Reputation Risk	•Damage to reputation caused by company actions and/or partner actions	Medium	High	High		2
Innovation Risk	•Non-traditional competition & failing to fulfill changing customer needs	Medium	High	Low		3
Customer Risk	•Undiversified US customer base	Medium	High	High-Low		4
Sustainability Risk	•Lack of green and eco-friendly products	Low	High	High-Low		5

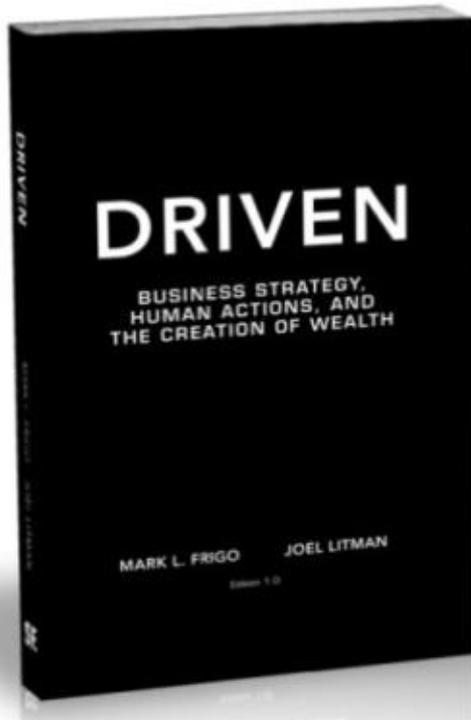
Velocity of Risk



Risk Assessment Tools



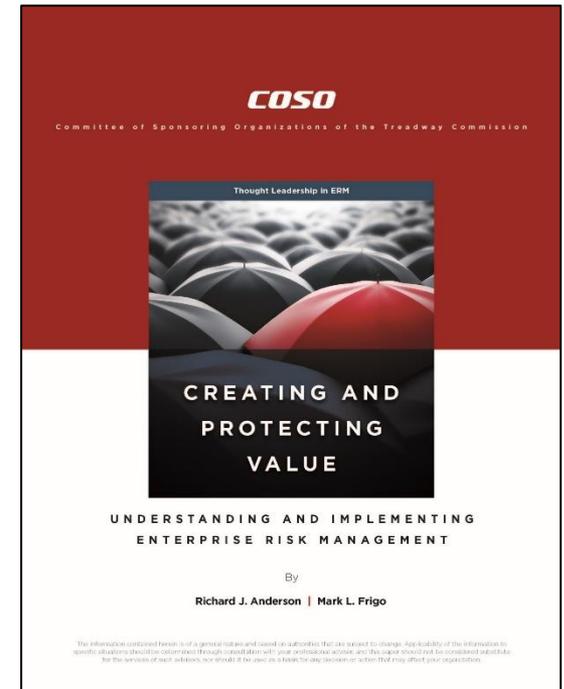
“Strategic Risk Assessment” for Brands DRIVEN the foundation of Strategic Risk Assessment



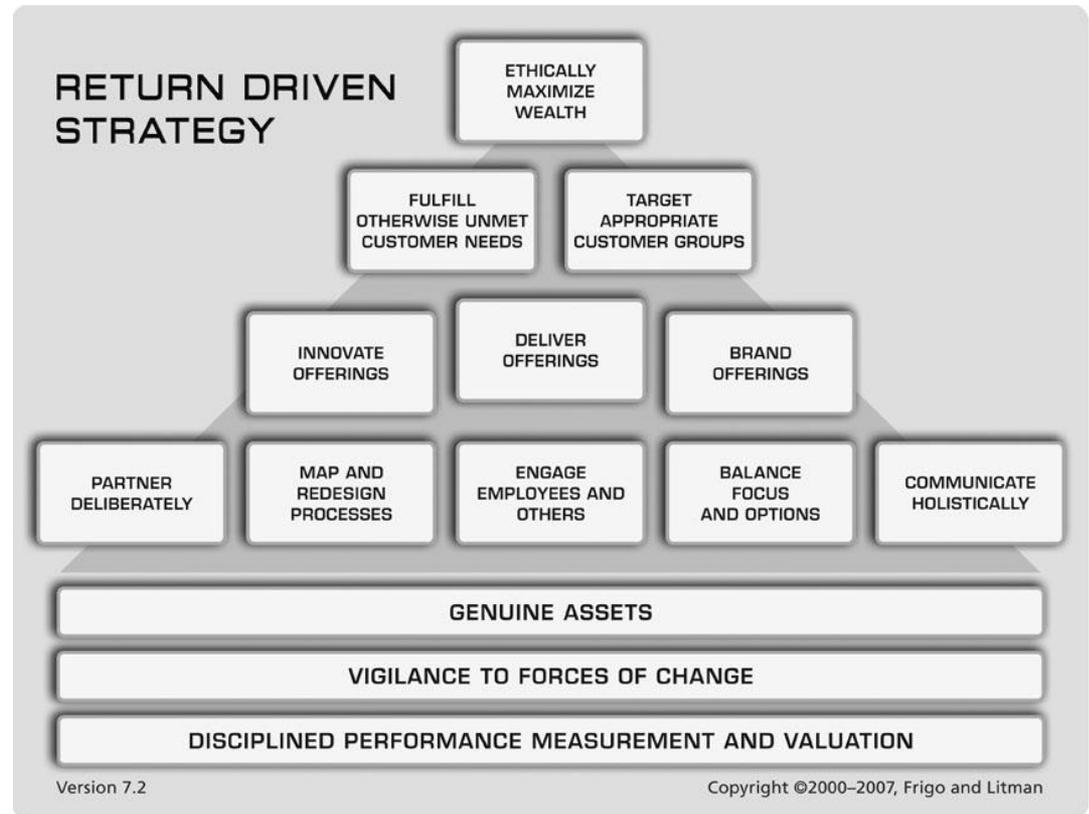
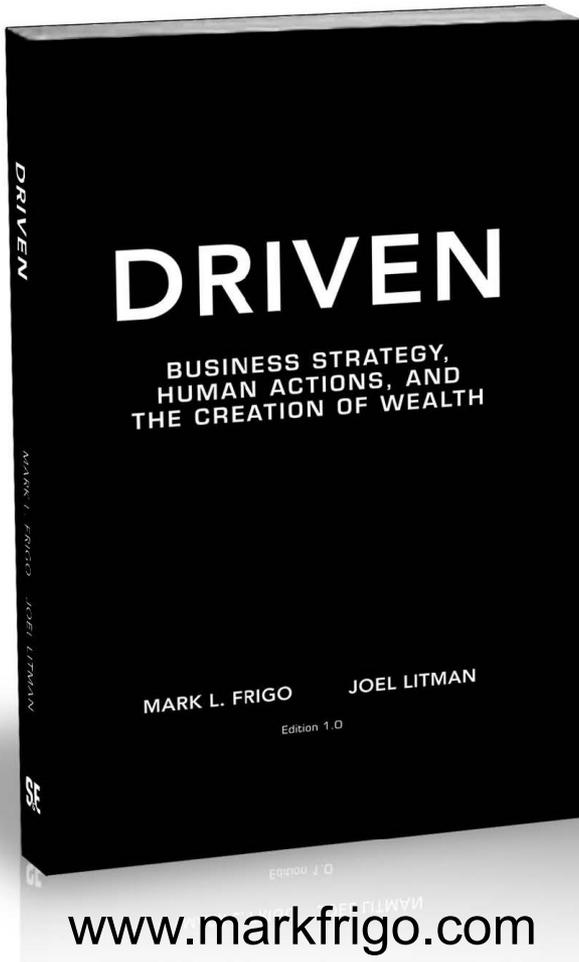
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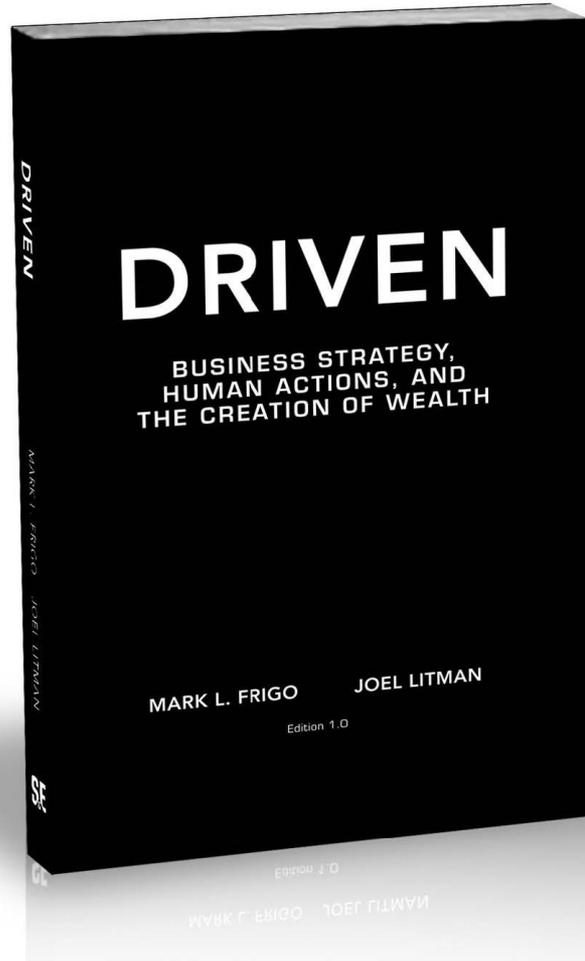
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What can we learn from High Performing Companies?



The Return Driven Strategy Initiative



The Return Driven Strategy Initiative

Global Research on High Performance Companies

Studied >20,000 companies screened globally for a 20-30 year period.

Study the Great: Long-term approach, needs a sophisticated screening beyond one metric (ROI + Growth = Value Creation)

1. **Superior ROI: 10+ Years CFROI about double (2x) or more the cost of capital every year for at least 10 consecutive years, AND**
2. **Disciplined Growth: 10+ Years Asset Growth rates exceeding GDP Growth (while maintaining 2xROI spread), AND**
3. **Superior Shareholder Value Creation: 10+ Years Total Shareholder Returns (TSR) consistent with ROIs and Growth (usually about 2x market or more)**

The Result: “Return Driven Strategy”

RETURN DRIVEN STRATEGY

ETHICALLY
MAXIMIZE
WEALTH

RETURN DRIVEN STRATEGY



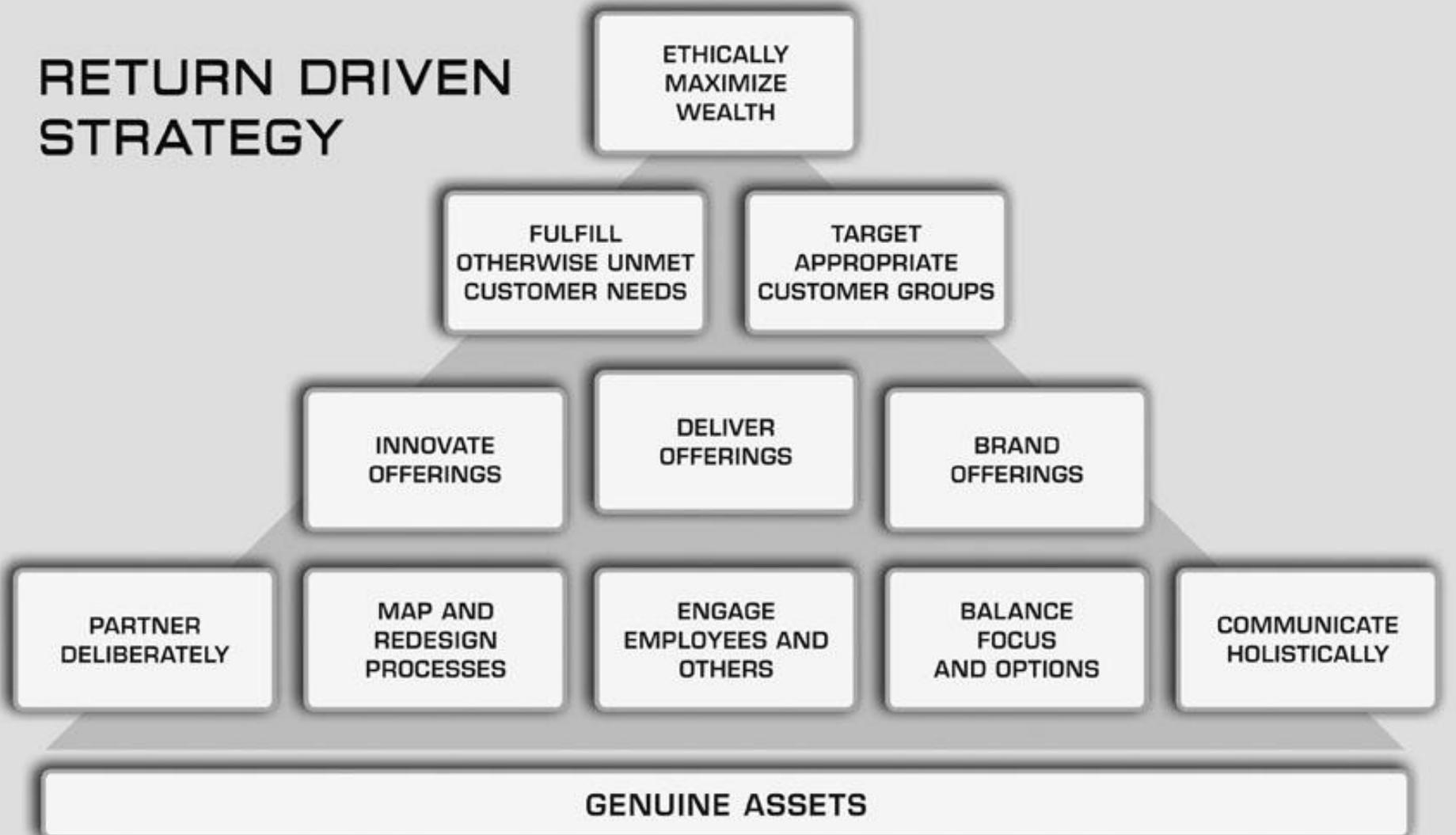
RETURN DRIVEN STRATEGY



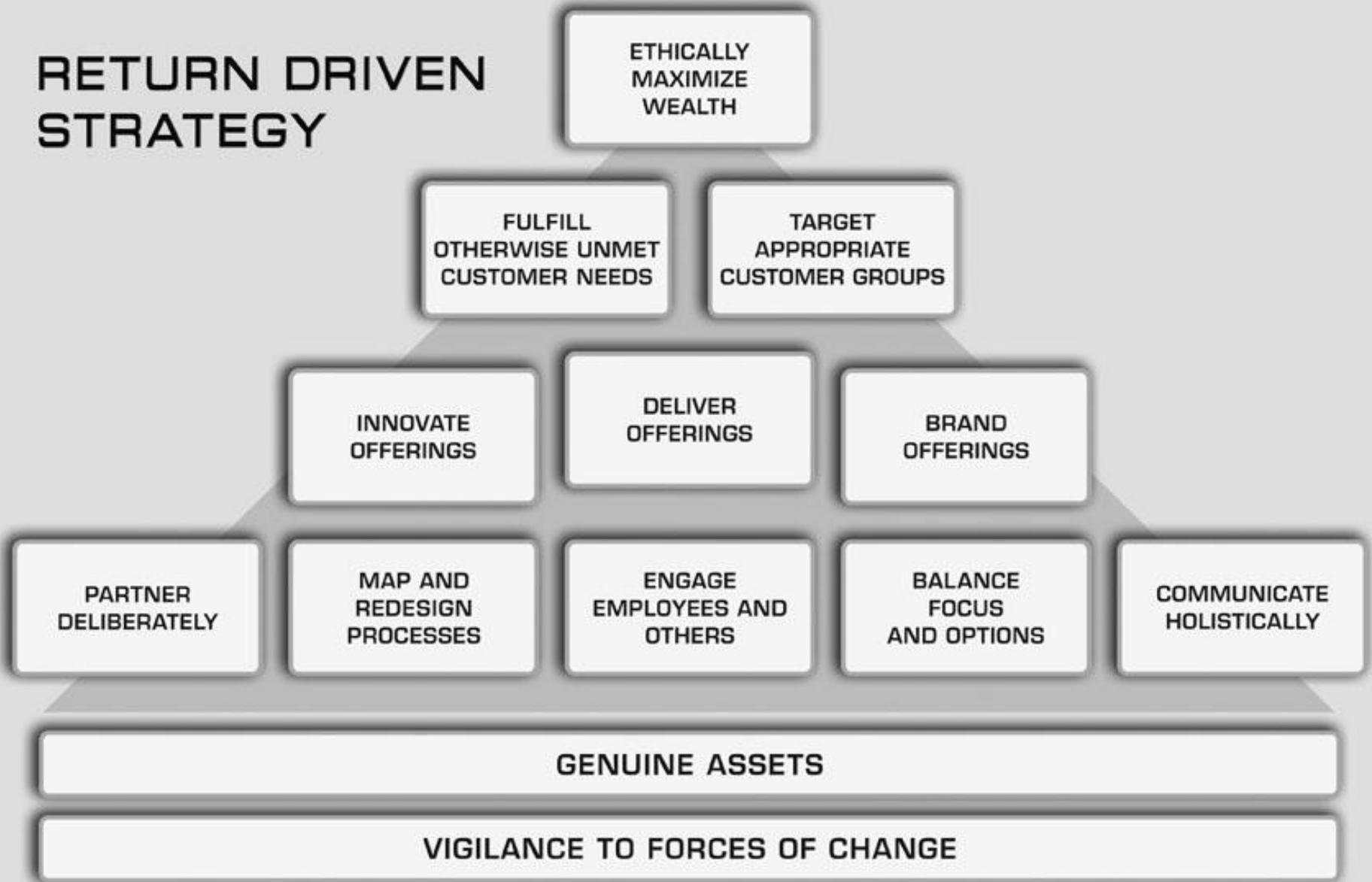
RETURN DRIVEN STRATEGY



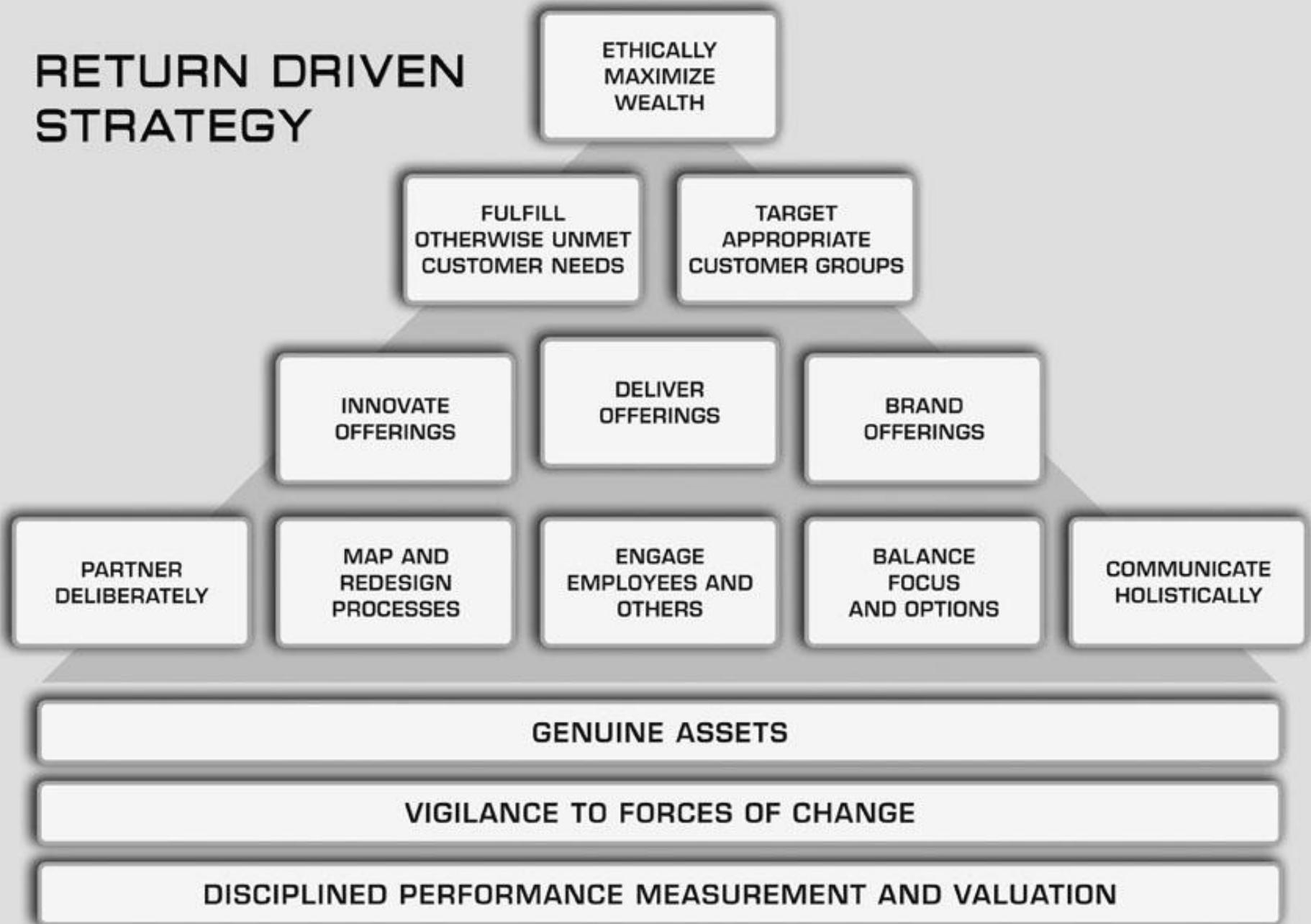
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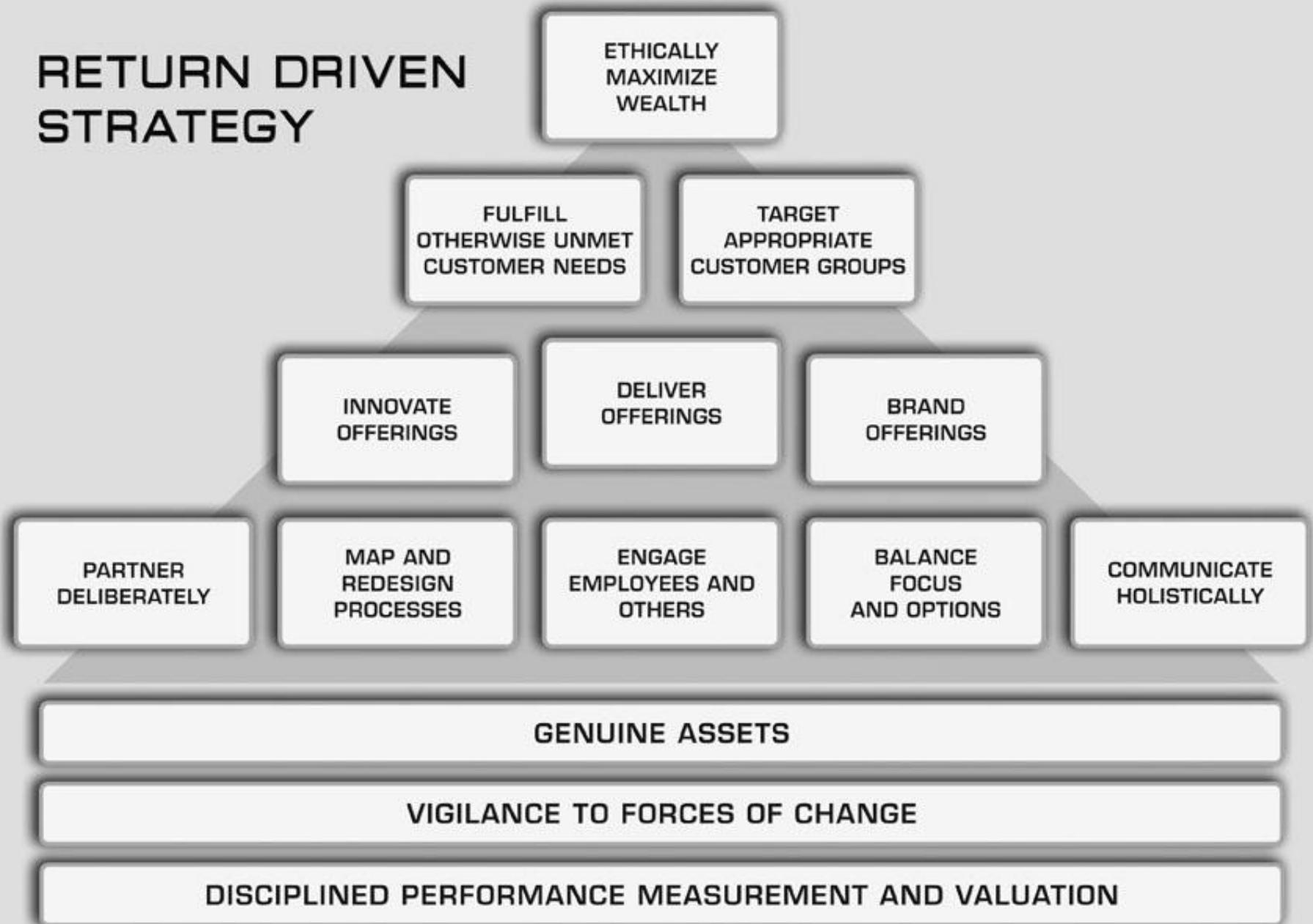
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RETURN DRIVEN STRATEGY



RETURN DRIVEN STRATEGY



STRATEGIC RISK MANAGEMENT

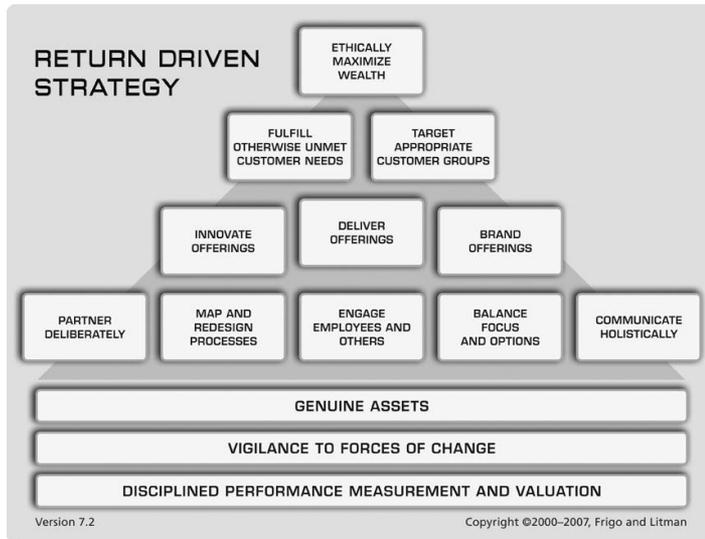


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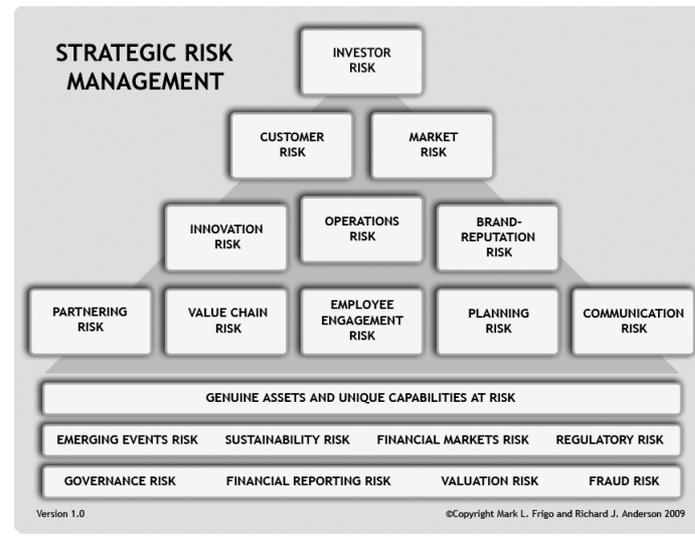
©Copyright Mark L. Frigo and Richard J. Anderson 2009

The “Resilient” Organization

What can we learn from High Performance Companies?



Return Driven Strategy Framework
Describes the strategic activities necessary to create shareholder value

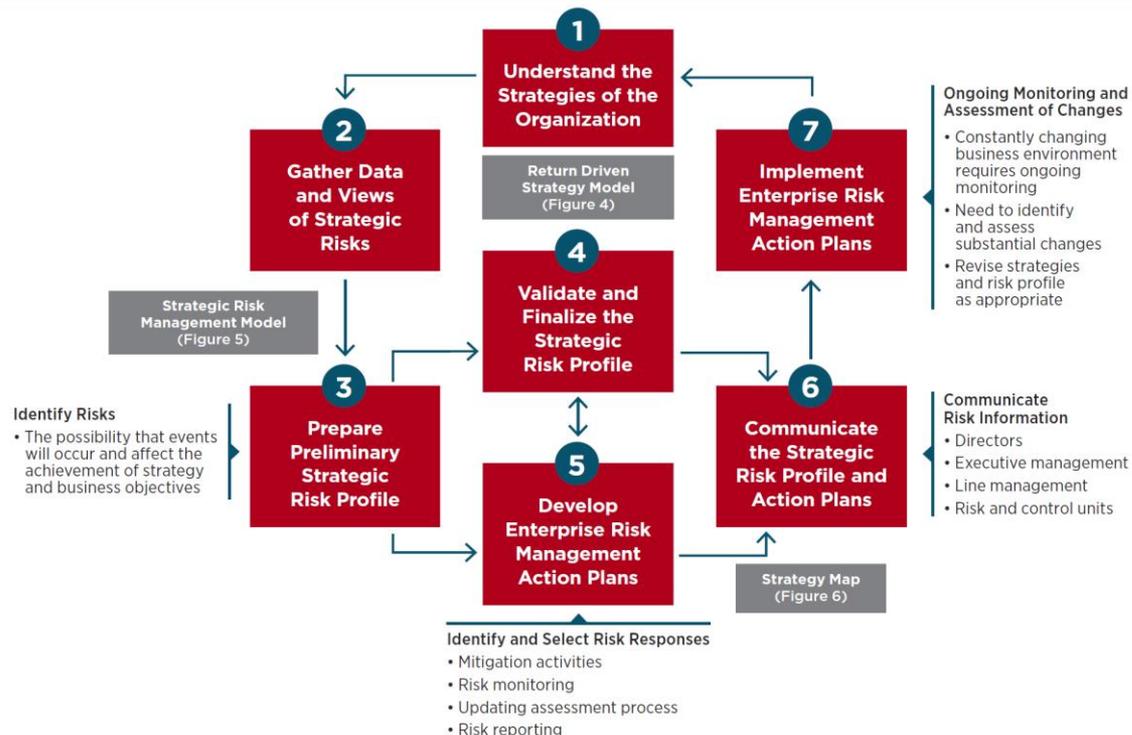


Strategic Risk Management Framework
Describes the interrelated risks of an organization and how they impact shareholder value

The Strategic Risk Assessment Process

“Creating and Protecting Value: Understanding and Implementing ERM”
(2020) COSO Richard Anderson and Mark L. Frigo

Figure 3. Strategic Risk Assessment Process

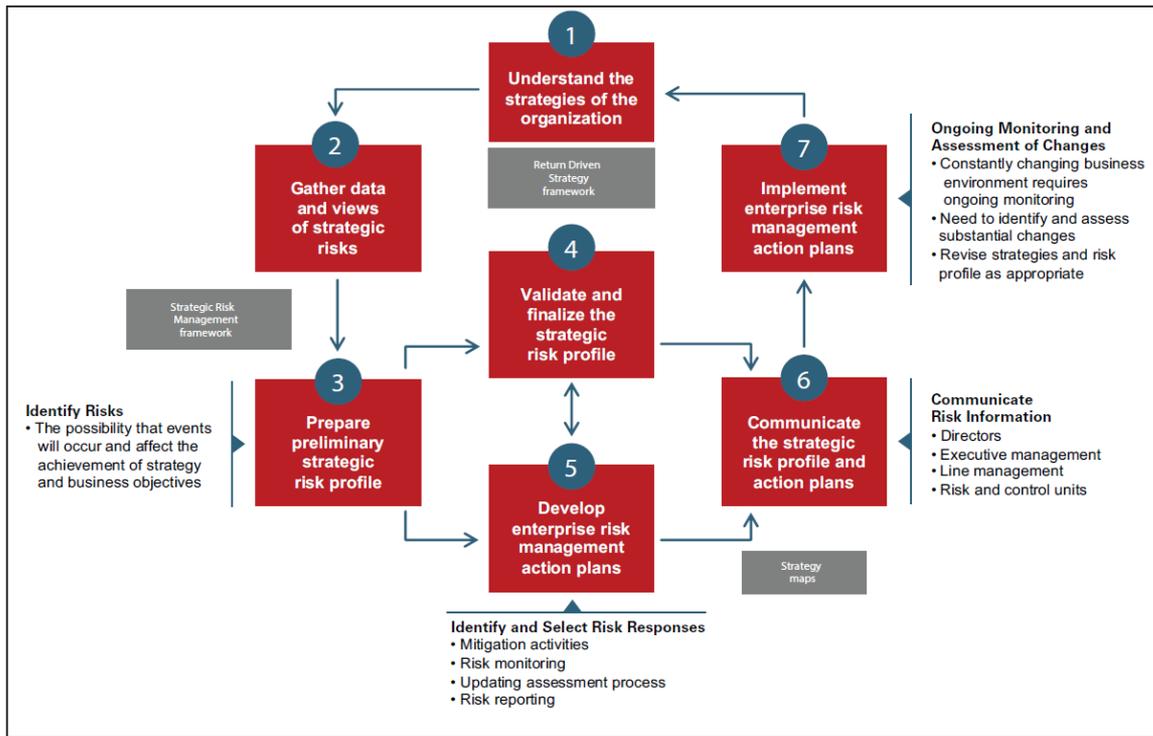


Source: Adapted from Frigo, Mark L., and Richard J. Anderson. "Strategic Risk Assessment: A First Step for Risk Management and Governance." *Strategic Finance* (December 2009) and Frigo, Mark L., and Richard J. Anderson, *Strategic Risk Management for Directors and Management Teams* (2011). Used with permission.

“The CFO and Strategic Risk Management” *Strategic Finance* (January 2021)

Mark L. Frigo and Richard J. Anderson

Figure 1: Strategic Risk Assessment Process



Source: Adapted from Mark L. Frigo and Richard J. Anderson, "Strategic Risk Assessment: A First Step for Risk Management and Governance," *Strategic Finance*, December 2009, and *Strategic Risk Management: A Primer for Directors and Management Teams*, 2010.

STRATEGIC MANAGEMENT

The 2017 ERM framework, *Enterprise Risk Management - Integrating with Strategy and Performance*, from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) highlights the importance of integrating risk management in setting strategy as well as in driving performance. We recently coauthored a paper for COSO titled "Creating and Protecting Value: Understanding and Implementing Enterprise Risk Management" (libby: 36UFPKs) based on the COSO ERM Framework to help boards and executive teams understand the role of ERM within the organization. Reflecting our continuing work at DePaul University's Strategic Risk Management Lab, as well as our work with boards and executive teams, the paper includes overall guidance and an outline of tangible steps that can be used by CFOs to help develop an effective ERM program and to develop effective briefings on ERM initiatives for boards of directors.

THE CFO AND STRATEGIC RISK MANAGEMENT

Finance leadership has the opportunity to create and protect value by understanding and implementing successful ERM initiatives. **BY MARK L. FRIGO, PH.D., CMA, CPA, AND RICHARD J. ANDERSON, CPA**

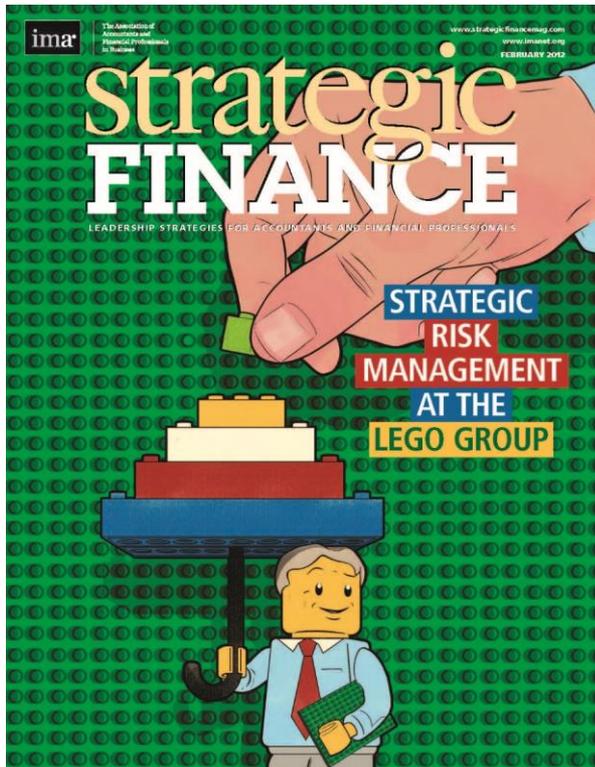
THE ULTIMATE purpose of strategic management is to enable companies to create long-term sustainable value, which requires effective risk management. Over the past two decades, enterprise risk management (ERM) has been receiving increased attention from boards and executives. In that time, ERM has also undergone significant evolution in its development and uses. Many valuable lessons have been learned about its benefits, objectives, and role in the organization.

SF: Your paper describes a strategic risk assessment process. What are the key advantages for a company in using this process for CFOs, boards of directors, and executive teams?

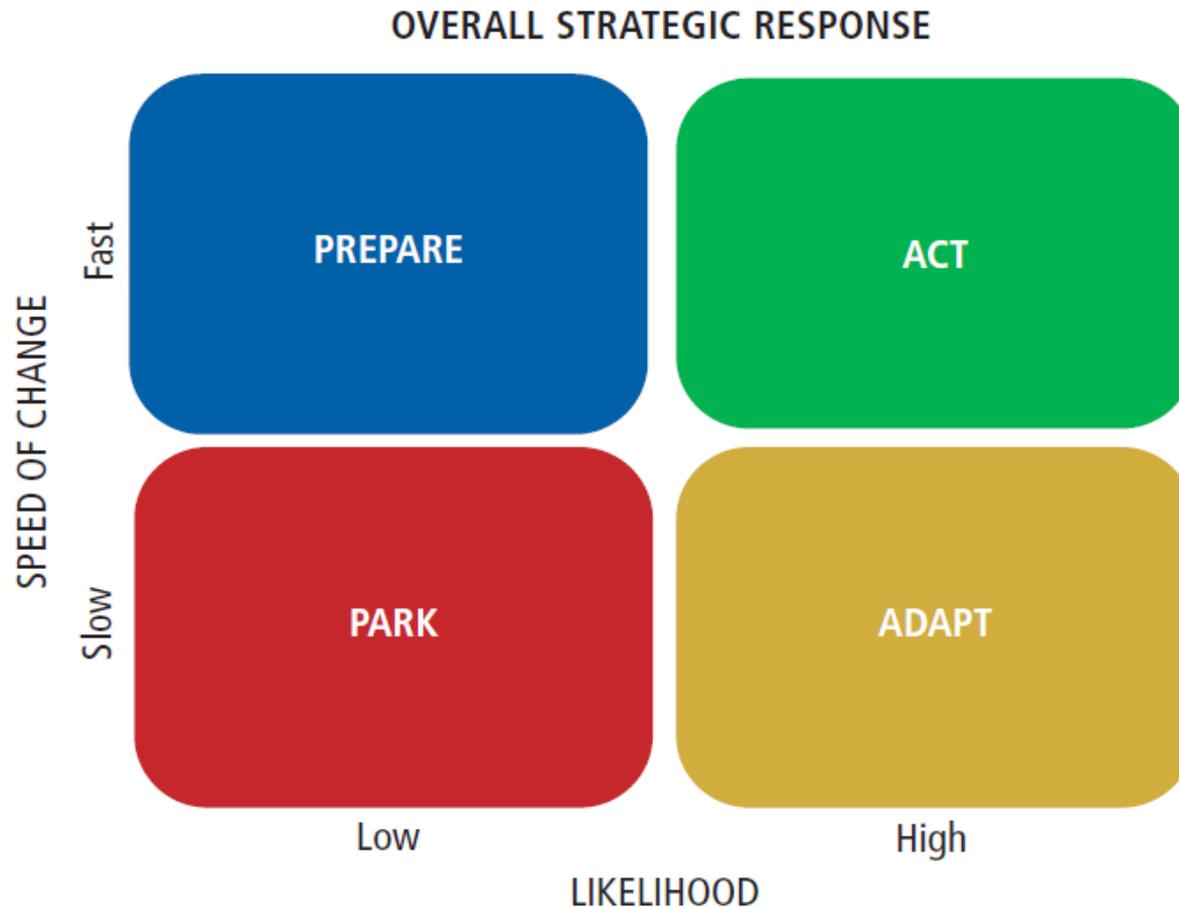
MLF/RA: The strategic risk assessment process aligns risk assessment directly with the key strategies of the company (see Figure 1). The process uses the Return Driven Strategy framework in step 1 to understand the strategies of the organization, the Strategic Risk Management framework in step 2 to gather data and views of strategic risks, and strategy maps in step 6 to communicate the strategic risk profile and action plans. This brings significant benefits to the executives and board members. First, it makes the risk assessment process very clear and understandable for executives and boards by clearly showing the relationship between the risk assessment and key strategies of the company. This positions the risk assessment as a valuable and practical undertaking, rather than a theoretical or conceptual exercise.

Second, the process results in the identification of a manageable num-

Dr. Mark L. Frigo and Hans Læssøe (LEGO Group) International Conference – Vancouver 2011



Brand Risk can be “High Likelihood” + “High Speed” Strategic Response: ACT or
“Slow Speed” “High Likelihood” Strategic Response: ADAPT

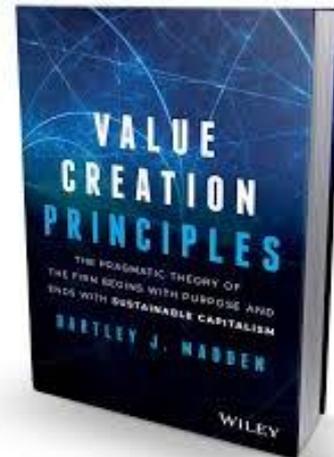
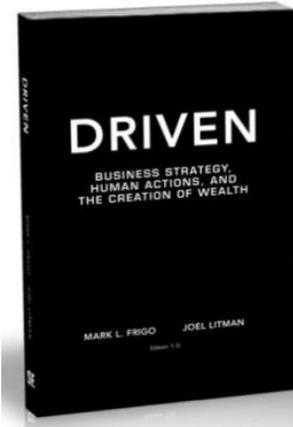
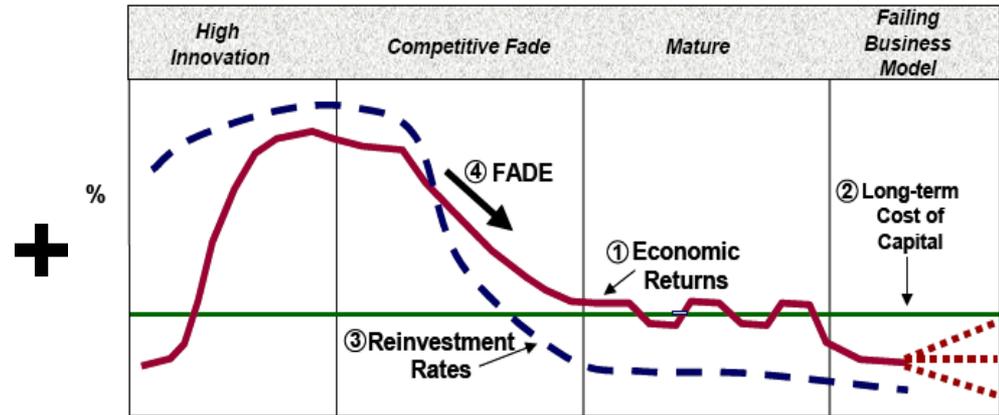
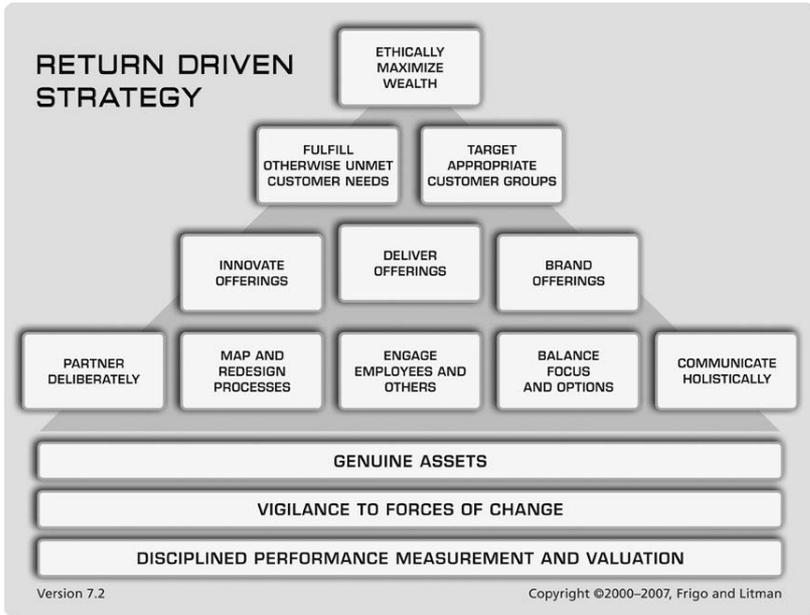


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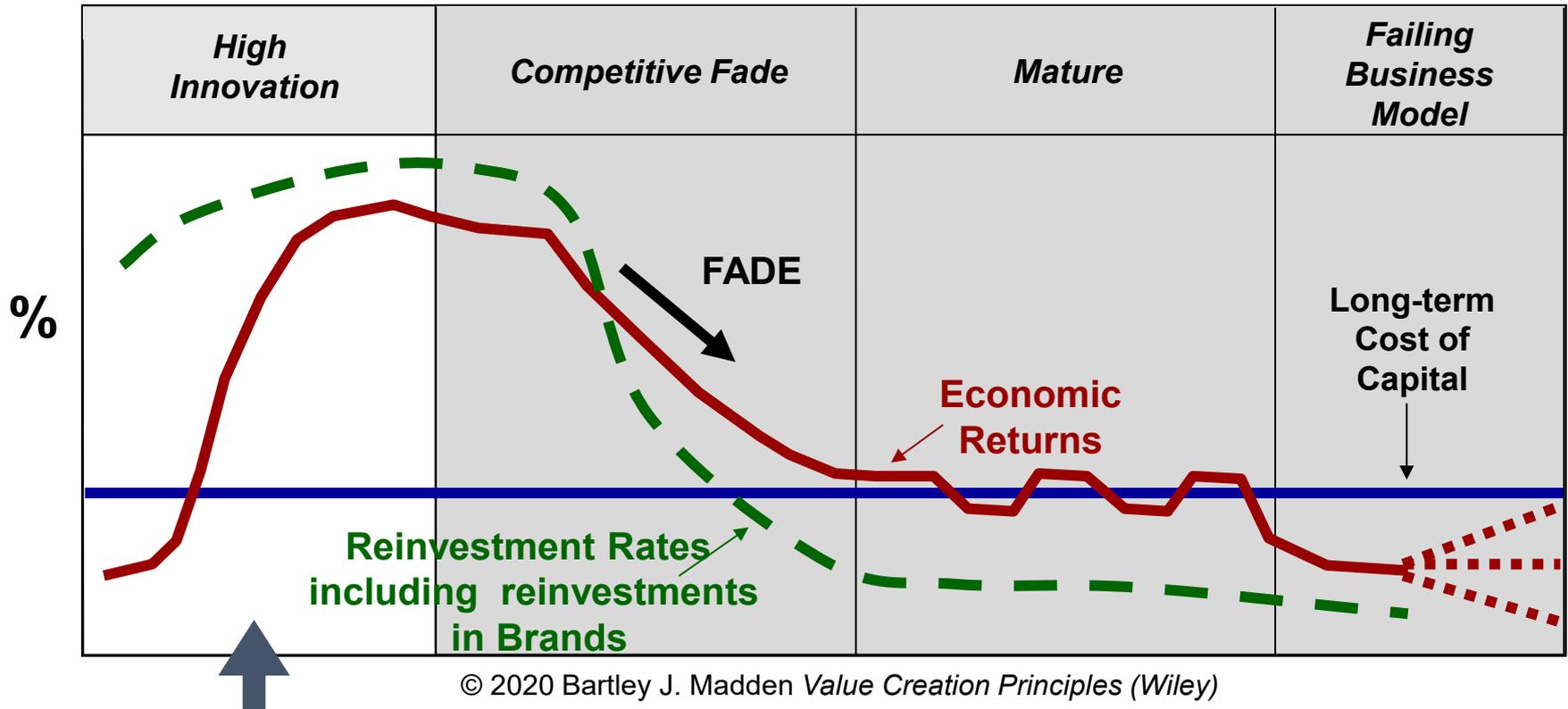
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“Strategic Life-Cycle Analysis - The Role of the CFO” *Strategic Finance* (October 2020)



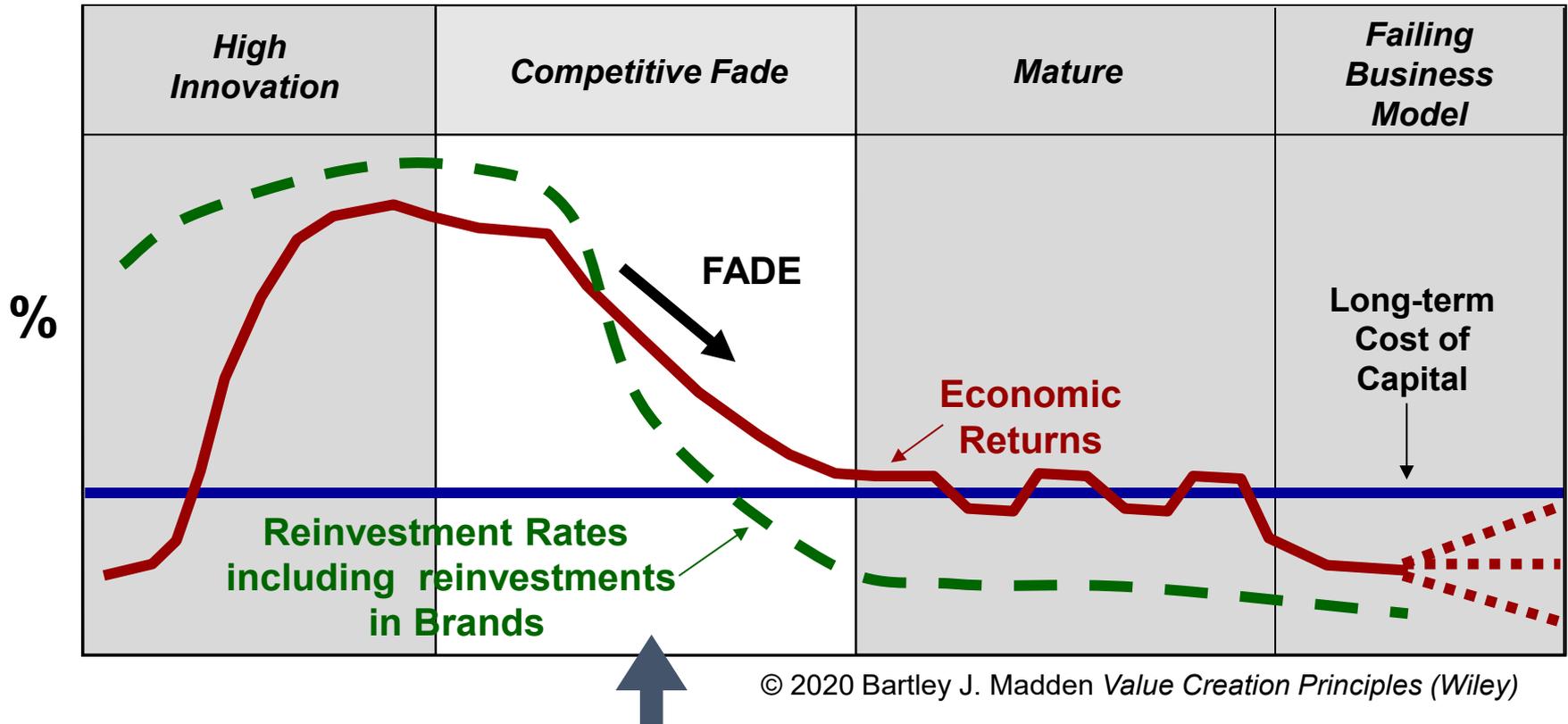
KEY STRATEGIC LIFE-CYCLE ISSUES



Quickly confirm or disconfirm the critical business assumptions that determine if the business can create significant value. Experiment and learn how best to scale up and secure competitive advantage.

Brand investment strategy: “Create/Build the Brand” “High Level of Investment”
(Q: What companies are here?)

KEY STRATEGIC LIFE-CYCLE ISSUES



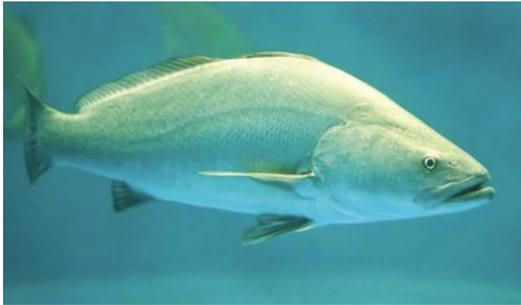
Organize for both efficiency gains and innovation in order to produce a favorable fade of economic returns and reinvestment rates. Build or acquire capabilities that can provide sustainable competitive advantage.

Brand investment strategy: “Reinvest in the Brand to Resist the Fade”

(KraftHeinz failed to invest in its brands) (**Q: What companies are here?**)

Brand Purpose as a Strategy to Mitigate Brand Risk

Totoaba brand



Brand Purpose as a Strategy to Mitigate Brand Risk

Aquaculture startup



Situation

Objective:

- High Volume
 - Return on investment
 - Sustainable supply

Problem:

- Low consumption of fish in Mexico
- Lack of consumer differentiation of white fish

Solution:

- Introduce in high-end, fine dining restaurants
- Use restaurant awareness to grow supermarket distribution

Brand Strategy

Target high-end restaurant customers

Positioning:

When you choose Totoaba, you will enjoy a superior white fish experience with unique flavors that will become one of your favorite dishes.

(Cuando eliges Totoaba, disfrutarás de una experiencia de pescado blanco de calidad superior con sabores únicos que se convertirán en uno de tus platillos favoritas.)

When you choose Totoaba, you will enjoy a superior white fish experience with unique flavors that will become one of your favorite dishes.



It has exquisite, firm, and juicy flesh

When you choose Totoaba, you will enjoy a superior white fish experience with unique flavors that will become one of your favorite dishes.



Brand Risk

Threat?

Brand Purpose as a Strategy to Mitigate Brand Risk

Reputation for sustainability practices

Taking pride in Mexican heritage



Mexico is the only place in the world



where you can taste and enjoy it.



totoaba

santomar

El tesoro del Mar de Cortés

"The Treasure of the Sea of Cortez".

Our Recommendations- Bobby Calder and Mark L. Frigo

1. First step, have a dialog with the CMO and CFO about how to align Finance and Marketing around Brand Value and develop a process for measuring it.
2. Present your ideas to the CEO about how the company can make better strategic reinvestments in the Brand using Competitive Life Cycle Analysis to avoid the competitive fade.
3. Develop a “Strategic Brand Valuation Briefing” and “Strategic Brand Risk Assessment” with CFO, CMO and CEO and communicate it internally (Board of Directors).

Questions

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About the Speakers



Bobby Calder, PhD is the Kellstadt Professor of Marketing in the Kellogg School of Management is also a Professor in the Medill School of Journalism, Media and Integrated Marketing Communications. His work is primarily in the areas of brand strategy, consumer psychology, health care, and media, and content marketing. Currently he chairs the International Standardization Organization's (ISO) committee on Brand Evaluation. This is an international committee with representatives from eighteen countries. Its goal is to develop standards for the valuation and evaluation of brands. To date, two standards have been published, ISO 10668 and ISO 20673.

At Northwestern he has served a Chair of the Marketing Department and Director of the MMM Program, a joint Kellogg program with the McCormick School of Engineering, focusing on design thinking. Formerly he taught at the Wharton School at the University of Pennsylvania and the University of Illinois. Also, he worked for the consulting firm Booz Allen and Hamilton. Calder is a graduate of the University of North Carolina at Chapel Hill.

About the Speakers



Mark L. Frigo, PhD, CPA, CMA, CGMA is founder of the Center for Strategy, Execution and Valuation and the Strategic Risk Management Lab in the Kellstadt Graduate School of Business at DePaul University in Chicago. He is the Distinguished Professor Emeritus of Strategy and Leadership at DePaul. Author of seven books and over 145 articles, his work is published in leading business journals including *Harvard Business Review*. Dr. Frigo is a Certified Public Accountant (CPA), a Certified Management Accountant (CMA) and holds a Ph.D. in Econometrics. He is co-author of best-selling book *DRIVEN: Business Strategy, Human Actions and the Creation of Wealth* which is used by CFOs and management teams to drive superior performance and forthcoming book on *Creating Greater Long-Term Sustainable Value*. Dr. Frigo has presented keynotes, executive education programs, and executive workshops throughout North America, Europe and Asia-Pacific. Dr. Frigo is an advisor to CFOs, CEOs, CMOs, executive teams and boards in Fortune 500 companies in developing strategy and valuation. For articles, videos, books and knowledge products for CFOs please see www.markfrigo.com or contact him at mfrigo@depaul.edu