

Strategic Planning, Risk Pricing and Firm Value

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Abstract

Strategic risk management attempts to evaluate which business units have the best profitability given their risk. This exercise is closely linked with risk pricing, although the pricing and risk management exercises have tended to use different methodologies. Linking to firm value is a unifying principle that can make pricing and risk management more consistent, but it is a somewhat difficult approach. Two easier but perhaps less fundamental alternatives are discussed: capital allocation based on pricing principles, and risk pricing from a firm-wide perspective. **Keywords.** ERM; risk pricing; firm value; capital allocation.
