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Enterprise Risk Management (ERM) A Business Enabler or a Compliance Issue?

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Agenda Points

- History of ERM
- Risk Management Drivers
- Risk Management Benefits
- 25% Increase in ROI
- Way Forward

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Need for Risk Management

" The average company today is a **complex enterprise** engulfed by **rapid technological change** and **fierce global competition**.

You have to **assess exposure to risk** on an **ever changing landscape.**"

Arthur Levitt – Chairperson SEC

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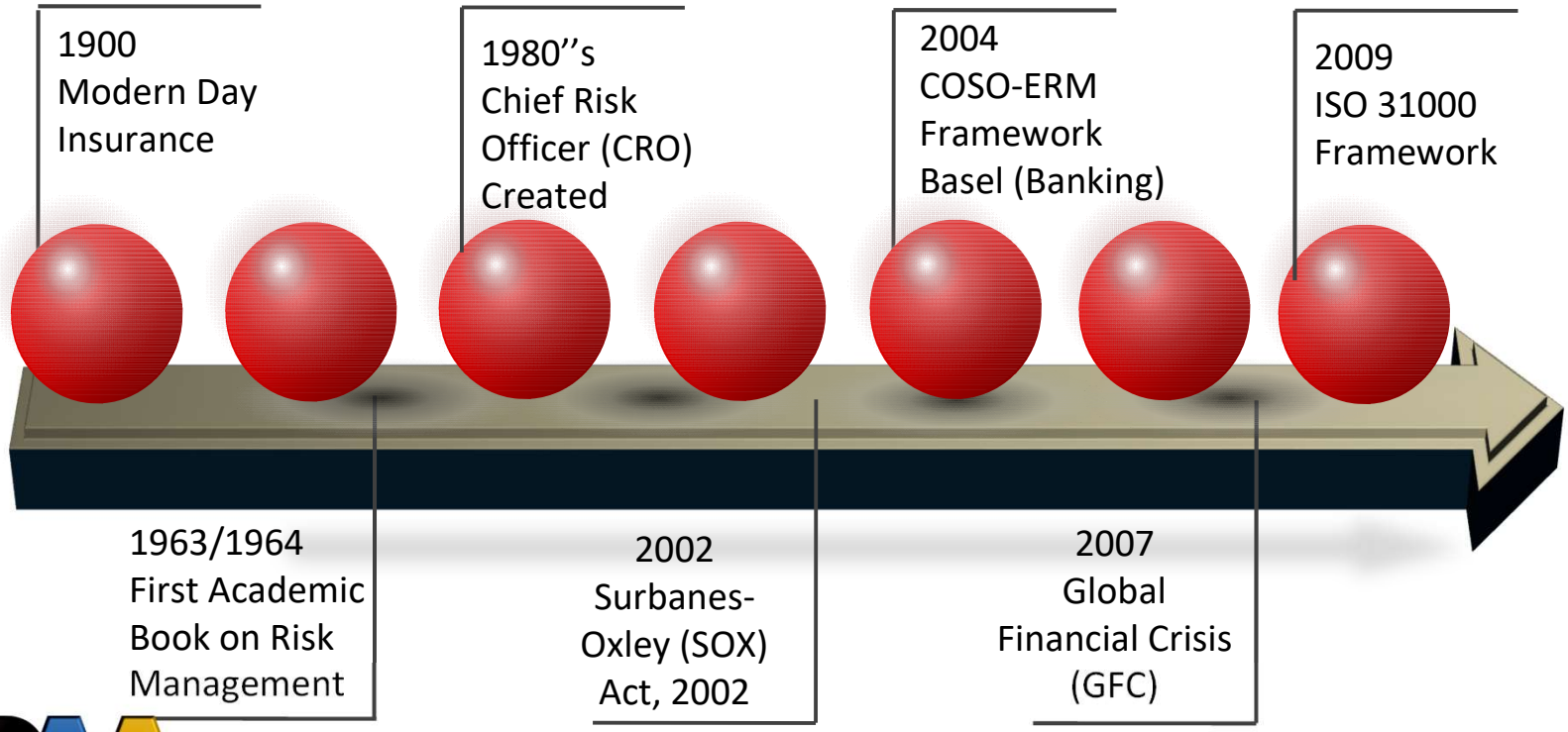
A Brief History



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Philosophy of Risk Management

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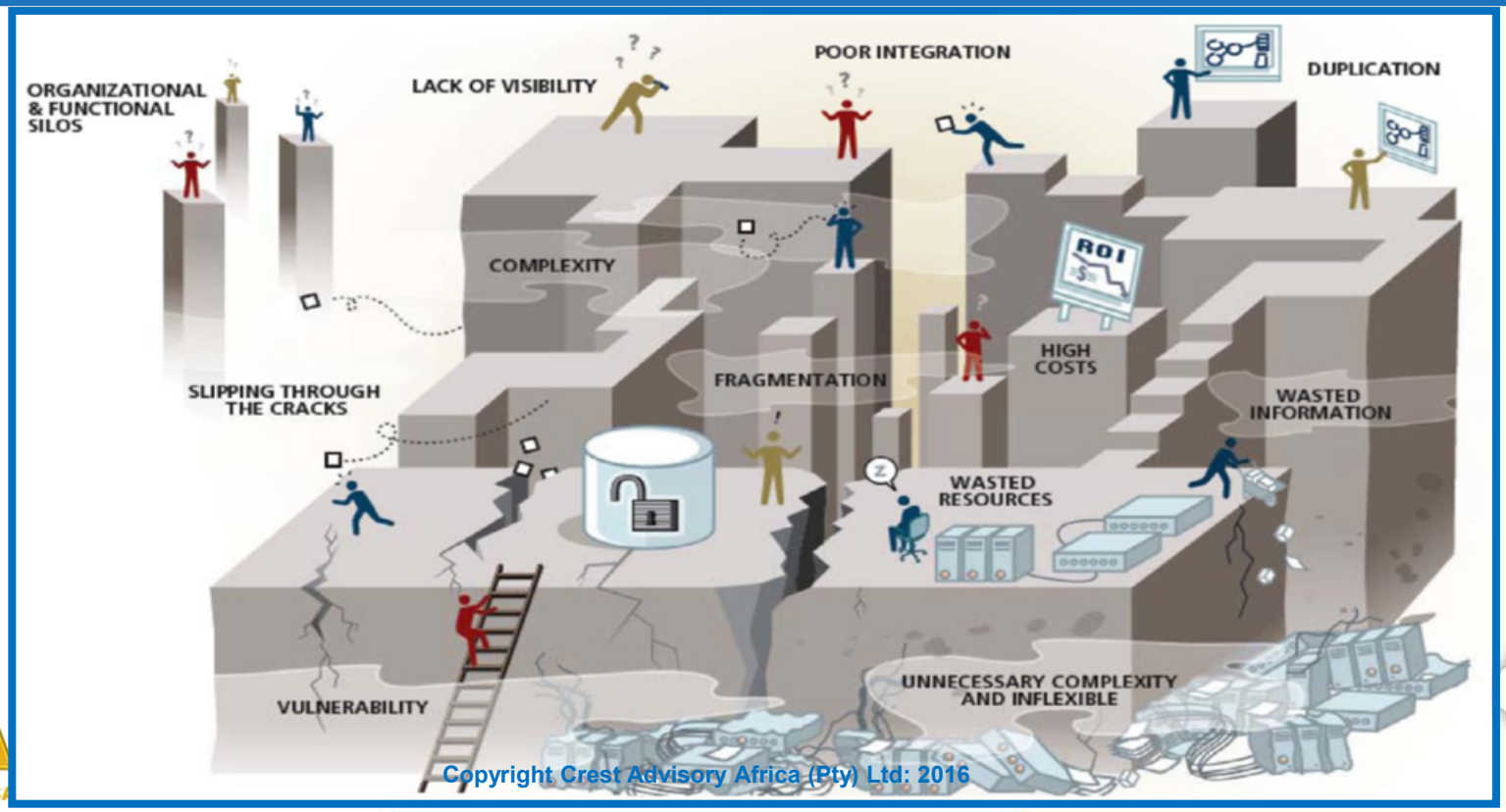
Current Risk State



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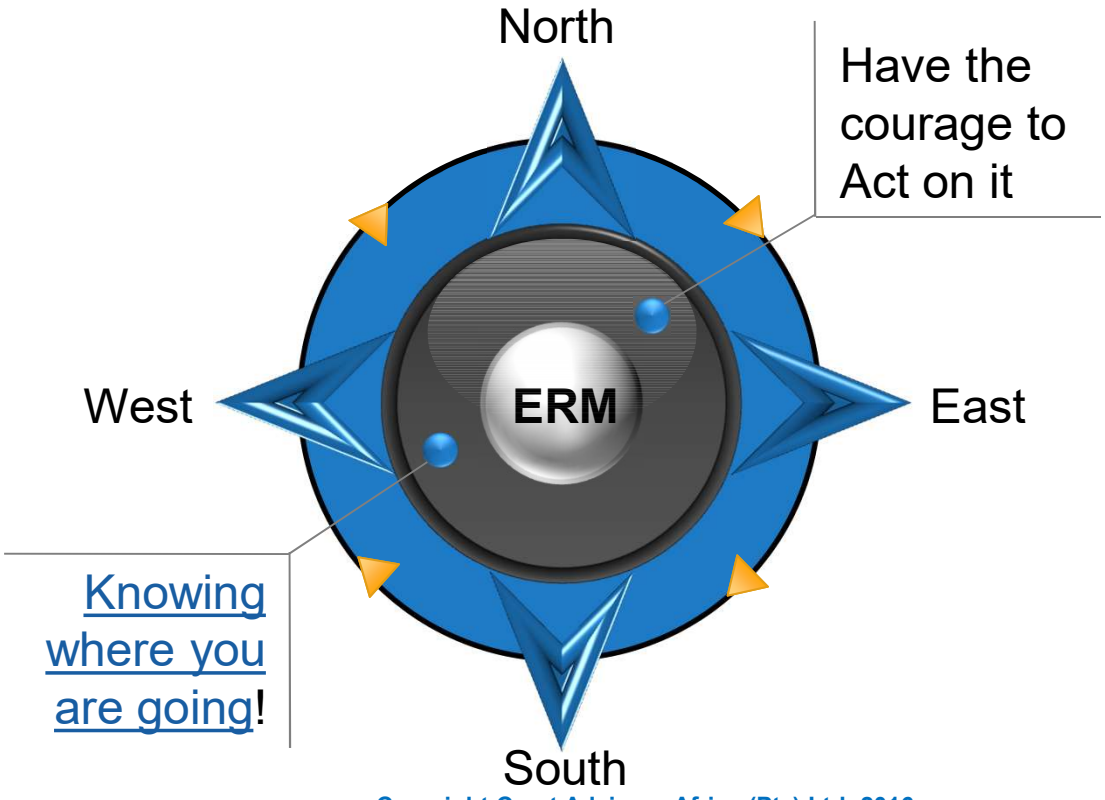
Seeing the Bigger Picture!



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Risk Management Drivers

- Growing Concern Amoungst Shareholders / Board
- Compliance and Implementation of Frameworks / Standards
- Compliance Based Risk Management: 2007
- Economic hardship (Recession)
- Opportunities

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Risk Management Benefits

- Increase The Likelihood Of Achieving Objectives
- Be Aware Of The Need To Identify And Treat Risk Throughout The Organisation
- Improving Reporting Of Risk Information
- Improve Controls
- Establish A Reliable Basis For Decion Making And Planning
- Make Enterprise Decisions With Risk Information In Mind

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Compliance as Risk Driver?

Risk Management Starts

Implementing Risk Management as a Compliance strategy

- Reactive in approach
- Not Customer Focused
- Not Open and Transparent
- Reporting Challenges
- No Drive for Continuous Improvement

Reactively Managing Risk
(Fire Fighter Approach)

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Exploring new Frontiers

1. Creating Shareholder Value
2. Identifying major new and emerging risks / opportunities
3. Major uncertainty (cyber, climate change, global terrorism and geopolitical conflicts)
4. In order to **respond to these risks tomorrow**, institutions must **understand** their interrelationships and potential **impacts today**.

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Global Future Risks

In its ***Global Risks Report 2016***,[7] the World Economic Forum identified five global risks with the greatest potential impact:

- Failure of climate change mitigation and adaption
- Weapons of mass destruction (Global Terrorism)
- Water crises
- Large-scale involuntary migration
- Severe energy price shock

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Proactive ERM

- Risk management should become proactive, not simply minimizing **negative risk** but also **maximizing opportunity**.
- ERM must be a **continuous process**, constantly monitoring and assessing risk in a forward-looking way that provides companies with a path toward opportunity (focused on continuous monitoring, business decision support, and shareholder value maximization)

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Performance-based continuous ERM

- Current new world is more volatile and uncertain.
- The speed of change and the velocity of risk have increased significantly.
- The **uncertain** business environment caused by:
- globalization,
- companies must also deal with shifting consumer preferences,
- emerging technologies,
- demographic and workforce changes,
- climate-change impacts, and
- natural-resource constraints.

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Performance-based continuous ERM

- ERM programs must adapt expeditiously.
- A monthly or quarterly process is no longer sufficient.
- Just as risks and opportunities are changing continuously, ERM programs monitor and respond on a continuous basis.

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7 Key Attributes: Continuous ERM

- **ERM is a continuous management process** that provides Early Warning Indicators (EWI) for business leaders.
- **Strategic risk management** receives the highest priority.
- **Dynamic risk appetite** is well-defined in risk policies to balance business objectives and prudent risk-taking.
- **Risk optimization** is the primary objective of ERM. This is achieved by influencing the likelihood of positive and negative results along the risk bell curve.

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7 Key Attributes: Continuous ERM

- **ERM is embedded into business decisions** at all three lines of defence, supported by integrated risk assessment and analytics (BI to PI).
- **A collaborative dashboard reporting system** delivers ongoing risk and performance monitoring.
- **Performance feedback loops assure** ERM effectiveness and support continuous improvement.

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9 Principles towards Risk Intelligence

- Governing Bodies Responsibility
- Roles & Responsibilities
- Common Definition of Risk
- Common Risk Framework
- Executive Management Responsibility
- Common Risk Infrastructure
- Objective Assurance and Monitoring
- Business Unit Responsibility
- Support of Pervasive Functions

Nine Principles for Building a Risk Intelligence Enterprise

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25% Increase in ROI

"With key findings that indicate that organizations exhibiting mature risk management practices **realize an increased valuation premium of 25%,** risk professionals now have the documented support that is often necessary to gain buy-in from senior leadership," said Carol Fox, RIMS Director of Strategic and Enterprise Risk practice (USA).

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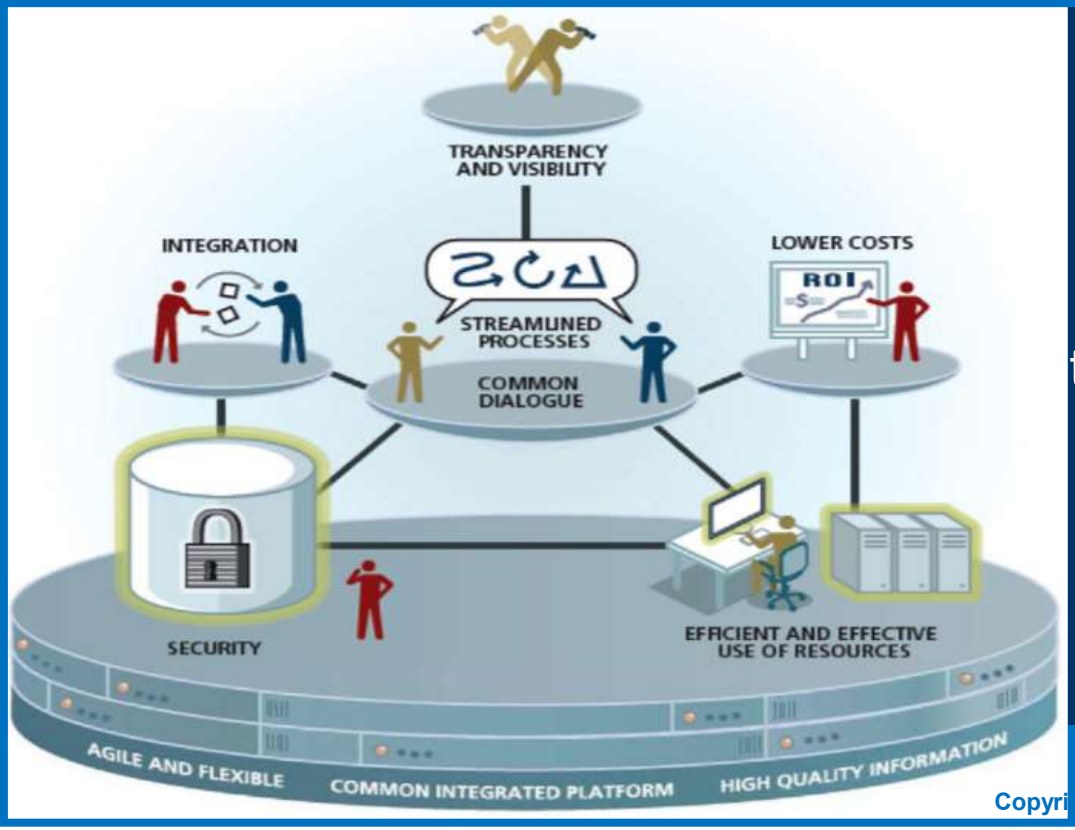
Desired State



Continually improving the businesses sustainability through integrated enterprise risk management and stakeholder assurance

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Risk an Enabler or Compliance Issue?

- Based on te above, is ERM a business Enabler or a Checkbox Exersice?

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Quote

"Risk is like a fire:
If Controlled it will help you;
If uncontrolled it will rise up and destroy you"
- Theodore Roosevelt

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Contact Crest

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