

APM Risk Sig 8th July

The need for an Enterprise Tool in the Management of Corporate Risk

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What is driving Enterprise Risk Management

- Corporate Governance - Cadbury Report (1992), Greenbury Report (1995) and Turnbull (1999).
- Protect Shareholder value / loss management.
- Financial reporting and risk transparency.
- Improved decision making.
- Improved Management Information.
- Improved Responsibility and Accountability.
- Facilitate Opportunity Management.

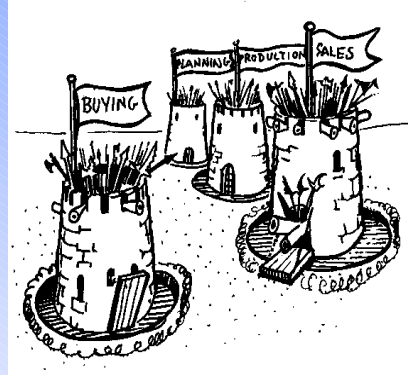


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Current Approach to Risk Management

- Ad hoc approach to risk management
 - Re-inventing the wheel for each scenario or application of risk management
- Use of stand alone tools
 - PC based tools
 - Simple databases and spreadsheets
- Lack of consistency
 - Differing metrics within an enterprise, making it difficult to compare performance across divisions



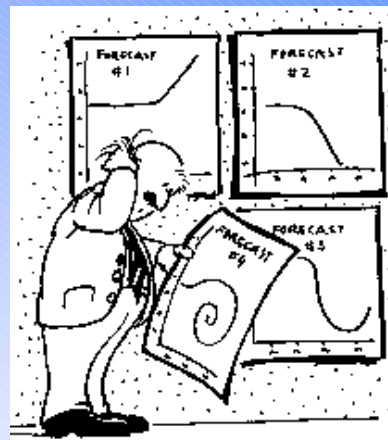
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Current Approach – cont'd

- **Differing Levels of risk awareness / appetite**
 - Each operational area, division assesses using differing thresholds, Little or no interrelationship of risks across operational areas
 - Correlation
 - Cause/effect or parent / child
- **Loss of intelligence**
 - Lessons learnt are lost at the end of the process cycle



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Required Capability

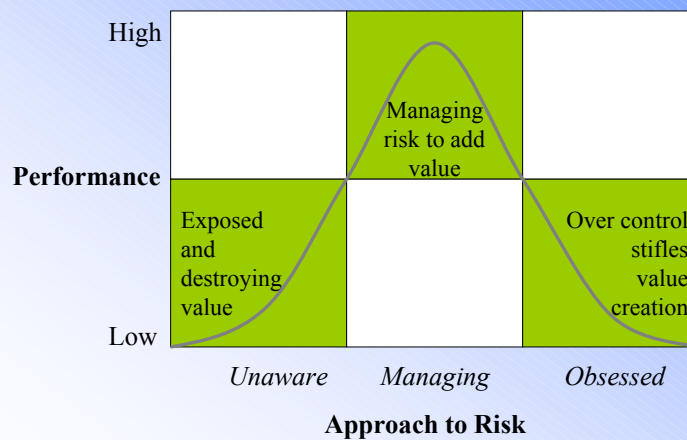
- Align risk appetite and strategy
- Link growth, Risk & return
- Enhance Risk response decisions
- Minimise operational surprises and losses



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Management Approach to Risk.



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Required Capability – cont'd

- Identify and manage cross-enterprise risks
- Provide integrated responses to multiple risks
- Seize opportunities
- Rationalize capital
- Roles & responsibilities



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ERM – Roles & Responsibilities

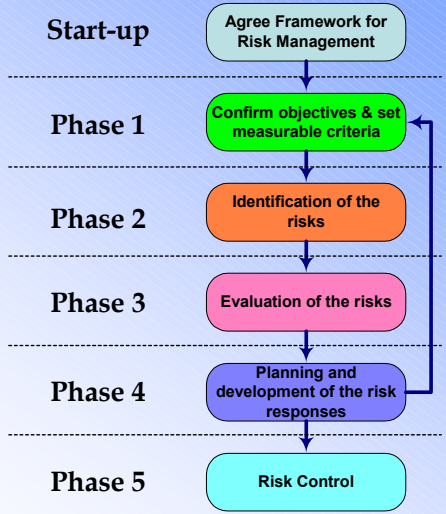
- The board of directors provides direction with regard to enterprise risk management by:
 - Knowing the extent to which management has established effective enterprise risk management
 - Being aware of and agreeing the corporations risk appetite
 - Reviewing the corporations portfolio view of risks and considering it against the corporations risk appetite
 - Being apprised of the most significant risks and whether management is responding appropriately



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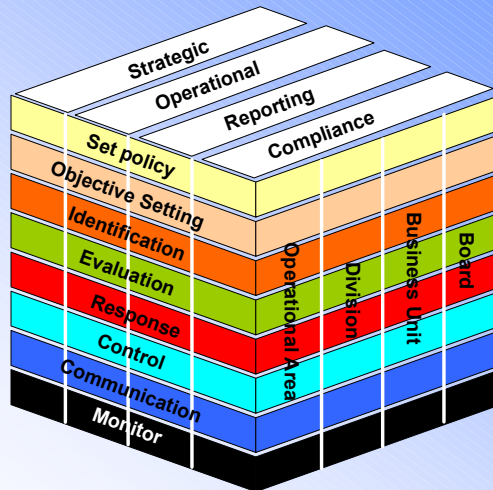
Traditional Approach



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ERM Approach

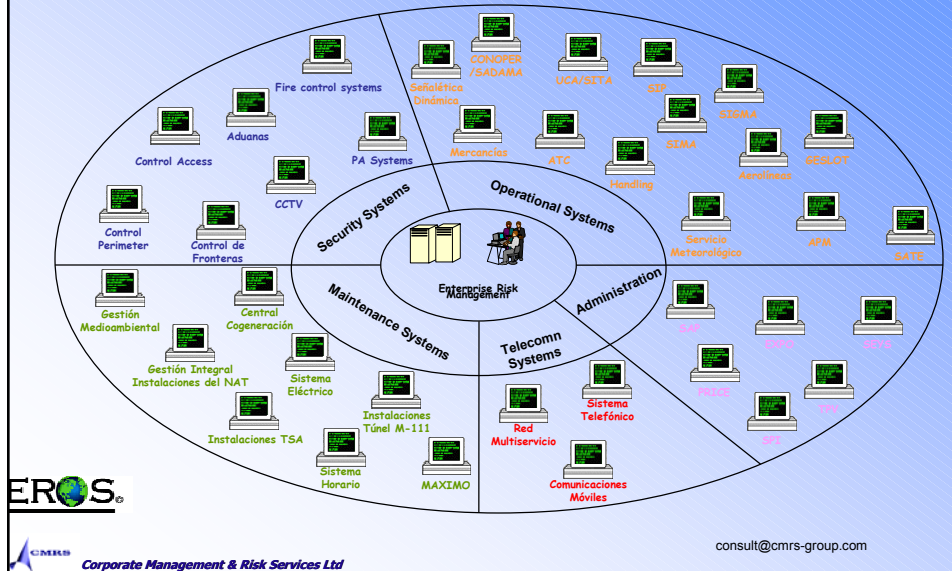


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Reference - COSO Treadway Commission DRAFT

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Example Deployment

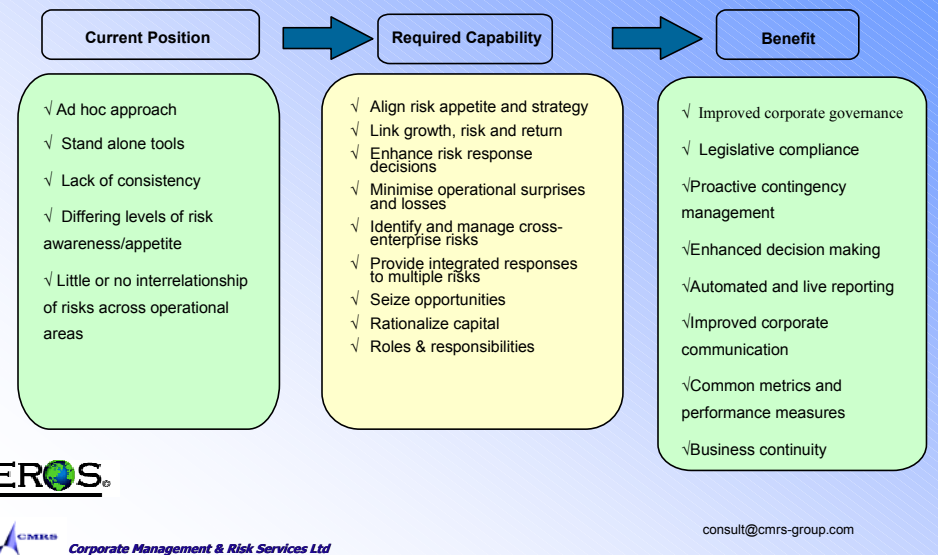


Benefits

- Improved productivity
- Improved corporate governance
- Legislative compliance
- Proactive contingency management
- Enhanced decision making
- Automated and live reporting
- Improved corporate communication
- Common metrics and performance measures
- Business continuity



Enterprise Risk Management – Master Plan



Summary

A corporate risk management application is only the tool you need to achieve that step change in business performance, it is not (despite what it says on the box) a solution in its own right.

- For change to happen people have to do something different, a change of culture and people will not change until they understand what's in it for them.
- To change culture you have to change performance measures.
- To change performance measures you have first to develop a shared vision, a new way of working together.
- No-one should be expected to know the best way to change their way of working, they need help and guidance from people who have done it before.

CMRS Group Ltd

- CMRS have been actively pursuing and engaged in the development and deployment of enterprise risk management tools and solutions. CMRS are also actively involved in the following;
 - Risk & Opportunity Management – Programme based.
 - Operational Risk Management, Design and Implementation.
 - Provision of an Enterprise Risk Management Software Application, **EROS** Enterprise Risk and Opportunity System.
 - Corporate Risk Strategy.
 - Business Continuity.
 - Value Management in the context of risk and shareholder value.



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Enterprise Risk Management – The Future

- Integrated with ERP systems, allowing real time performance against objectives to be analysed and reset.
- For example
 - a brewery sets an objective of bottling a 100 bottles an hour, at 30 minutes a failure in the bottling process reduces the output to 75, immediately response plans can be implemented to achieve the objective or targets re-evaluated based on the probability of achievement.



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