

# **The Impact of Turnbull**

## **A personal view**

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## Key company information

- sales of £2.8 billion
- profit of £38 million (£120 million provision)
- order book of £11.8 billion
- number of employees 49,600

Power for land, sea and air

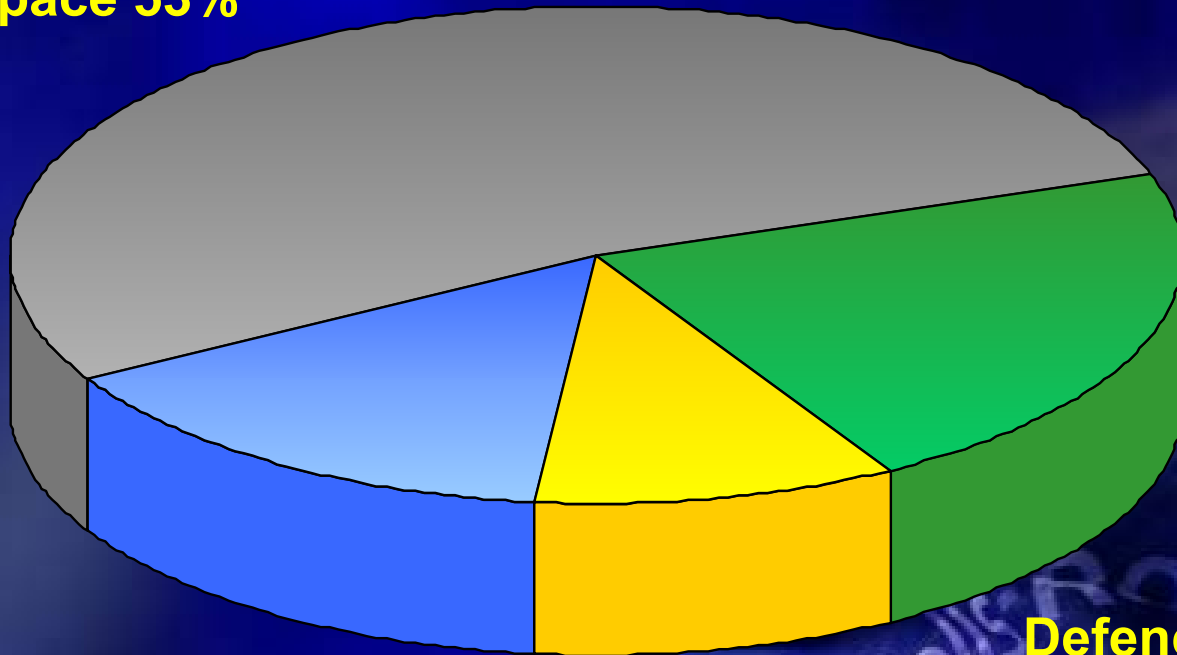


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# Business strengths in main markets

sales

Civil  
aerospace 53%



Marine 15%

Energy 10%

Defence  
aerospace 22%



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# Status prior to Turnbull

- **Engineering Risk -**
  - Detailed risk registers used to plan the work
  - Detailed performance assessments used
  - Need to satisfy the regulators
- **Project Risk**
  - Some areas of excellence but not universal
- **Business Risk**
  - No overall strategy
  - Not consistently used in project / business approval

*Very good at identification, assessment and filing!*



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# General Improvements

- **Process Development**
  - Common Quality system
  - Business process model based on 9 modules (process not functional)
  - All processes based on Gated processes with defined exit criteria.
  - Developed generic risk process.
- **Behaviours**
  - Take rational risks

*Turnbull has provided a driver for consistent application and communication*



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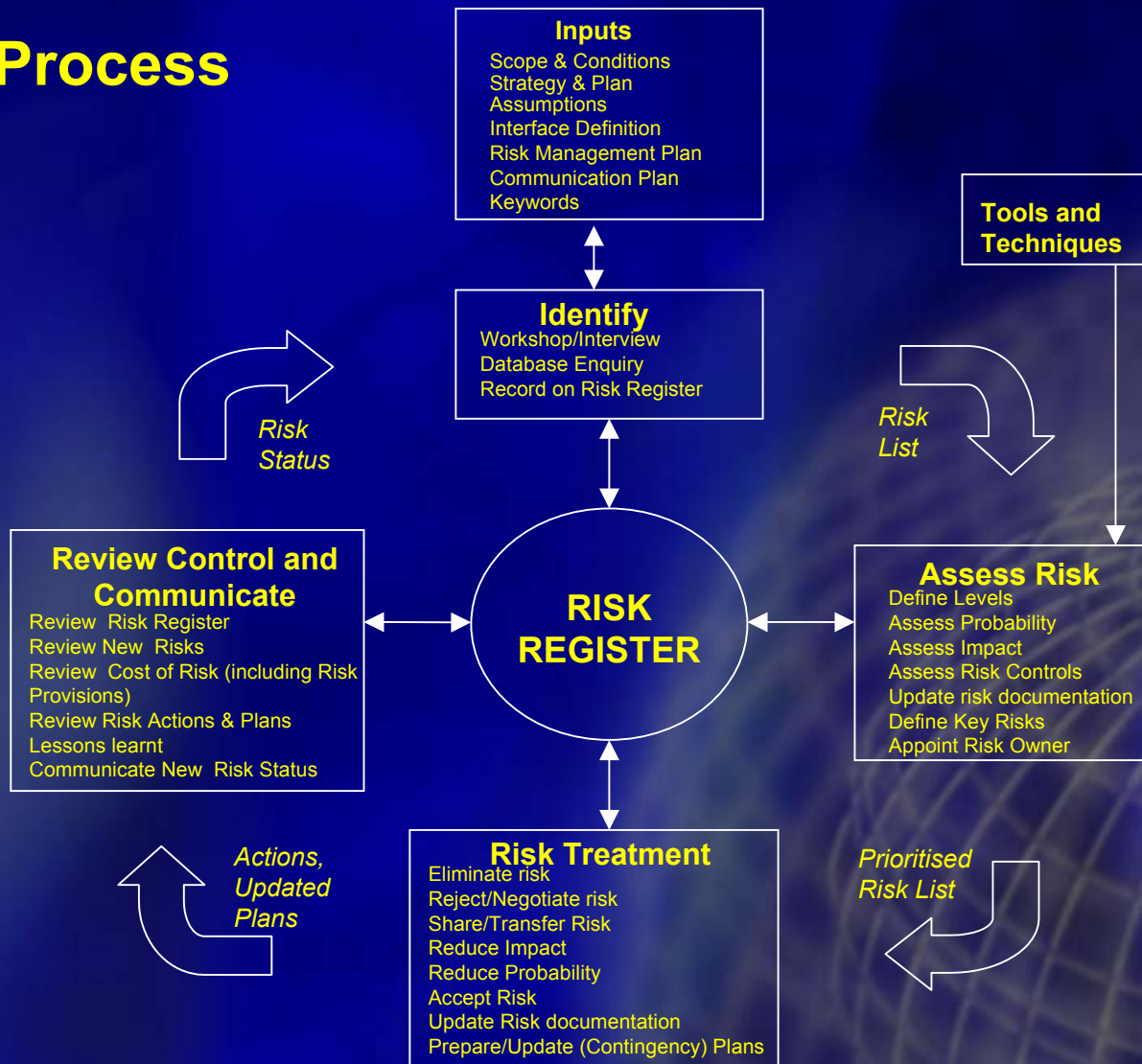
# Risk Improvements

*Objective - be in the upper quartile of companies in the operation of risk management*

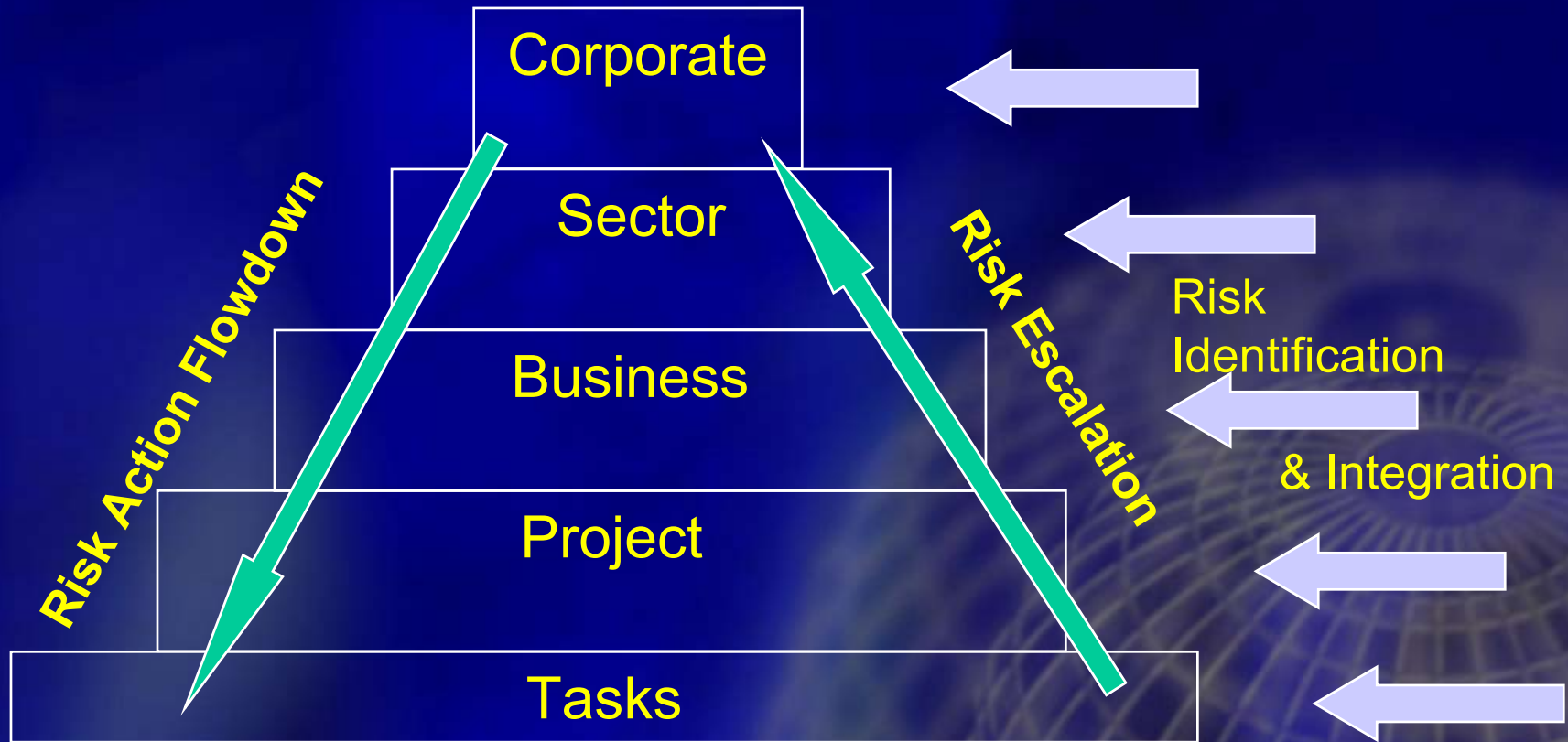
- **Single Risk Process**
  - covers business, project and engineering
  - single set of guides and training modules
  - standard set of risk categories (organisation, customer, etc.)
  - use keywords for identification process (dependant on the type of risk assessment)
  - requires objectives and driver to be agreed
  - standard risk reports / presentations



# Risk Process



# Risk Escalation & Action Flowdown



- Risk Escalation - Risks outside the control of the area or affecting next levels objectives
- Risk Action Flowdown - Actions to ensure business objectives are met (Business Plan Deployment)



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# Risk in Rolls-Royce

- **RR Risk Committee**
  - Chaired by CEO (+ Executive Directors)
  - Meets at least twice a year
  - Reports to the full Board
  - Reviews Corporate risk register and Sector risk registers
- **Supported by**
  - Project approvals require risk register
  - Reviews of specific projects held on a regular basis (quarterly)
  - Business risk registers support FYC, Budget and approval process
  - Director of Operational Risk reports to Finance Director (who owns the Plan the Business process)
  - Process owners required to review the use of risk management in their processes



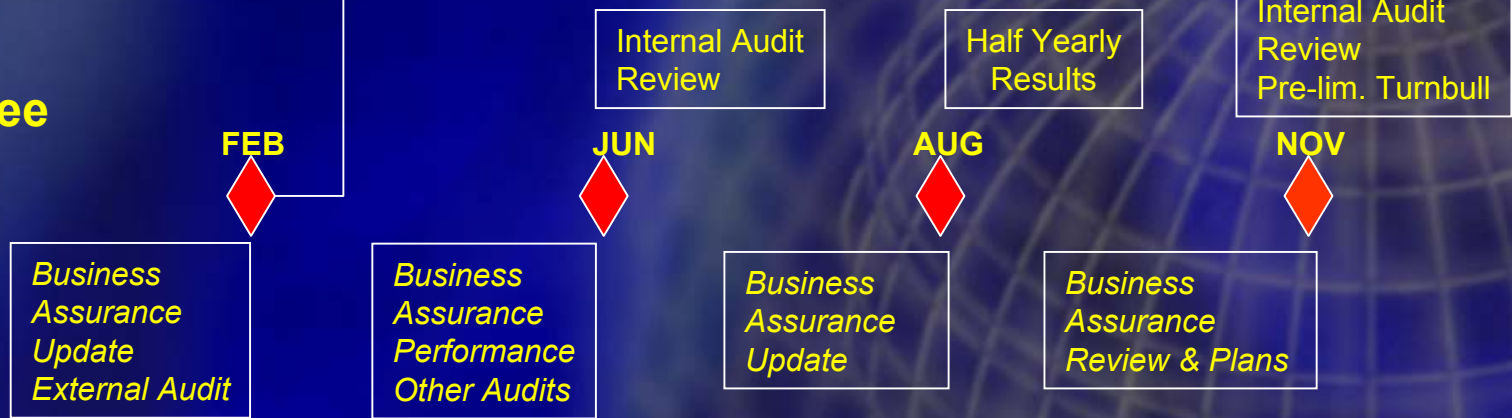
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# Reporting Structure

## RISK Committee



## AUDIT Committee



# Lessons Learnt

- **Must have management involvement and buy in**
- **but also requires risk to**
  - be a single process
  - be part of normal management process
  - be seen to be of benefit
  - be seen as speeding up the approval process
  - concentrate on actions and communication
  - *what gets asked for and measured - gets done*
  - *don't try to be too scientific, its an art not a science*
  - *its about priorities not completeness*

