Risk Drivers in the External Environment

- New competitors and partners
- The "new economy" makes business models obsolete
- New business practices and changing technologies
- Global consolidation and convergence
- Increasingly demanding stakeholders
- Corporate governance - increasingly accountable - and demanding - directors
...and Capabilities Are Expanding!

Emergence of Increasingly Effective:

- Risk assessment processes
- Risk measurement and modeling tools
- Scenario planning and simulation tools
- Risk management systems

The key risk drivers and emerging risk management capabilities call for a new approach to assessing and managing risk: EWRM is an effective response.

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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EWRM -- The Premise

- Risk is a fact of life; life is constantly changing
- New economy is creating exciting opportunities and challenges
- Organizations need a new, strategic business process
- That process is Enterprise-wide Risk Management

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity

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A Sketch of EWRM

EWRM:

- Optimizes opportunities, risk, growth and capital
- A systematic approach to assessing and managing risks
- Aggregates risks and opportunities for improving results
- Integral part of the management decision making process
- Enhances Corporate Governance through oversight structure

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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Common Reasons For Implementing EWRM

- Expand corporate governance
- Unexpected losses
- Implement strategic management tool
- KPI shortfalls and tightened margins
- Improve capital budgeting decisions
- Mergers and acquisitions

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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An EWRM Approach Needs a Context

Risk:

"The distribution of possible outcomes in a firm’s performance over a given time horizon due to changes in underlying variables that can have either positive or negative consequences."

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity

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An EWRM Approach Needs a Context

Business Risk:

"The level of exposure to uncertainties that the enterprise must understand and effectively manage as it executes its strategies to achieve its business objectives and create value."

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Risk Management Defined

The discipline of:

- Identifying, sourcing and measuring risk
- Formulating risk management strategies
- Designing and implementing capabilities for avoiding, retaining, reducing, transferring and exploiting risk
- Monitoring risk within acceptable tolerance levels

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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“EWRM is a structured and disciplined approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value”

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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EWRM is Evolving From Classic Risk Management

- Broadened risk focus
- Improved linkage of risk and opportunity
- Increased scope

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Adopt a Common Language to Foster Risk Sensitivity

Sources of Uncertainty:

1. Uncertainties Affecting the Viability of Our Business Model
2. Uncertainties Affecting the Execution of Our Business Model
3. Uncertainties Over the Relevance and Reliability of Information That Support Our Value Creation Decisions

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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The Completed Business Risk Model™ -- EWRM Focuses on All Risks, Enterprise-wide

Source: Enterprise-wide Risk Management: Strategies For Linking Risk and Opportunity
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"The BRMP is a systematic approach to building and improving risk management capabilities."