

An Insight

Setting The Scene

Global Perspective

Our Discussion

Next Agenda

AGENDA

1

2

3

4

5

An Insight

*"While conventional enterprise risk management (ERM) techniques have done a reasonable job in identifying and mitigating financial and operational risks, research shows that **it is the management of strategic risk factors that will have the greatest impact on your ability to realise your strategic objectives**. Bringing ERM into the forefront of strategic decision making and execution could thus give your business **a decisive edge**."*

Current Industry Challenges

The problem is that risk management can often be run separately from frontline strategic assessments, decision making and monitoring against plans.

- A. Financial risks are typically well controlled and are part of the routine focus of board risk discussions, with strong impetus coming from the increased regulatory, accounting and financial audit focus.

Current Industry Challenges

- B. Operational risks are typically managed from within the business and often focus on health and safety issues where industry regulations and standards require
- C. Hazard risks often stem from major exogenous factors, which affect the environment in which the organisation operates. There is often a danger that as many of these risks cannot be controlled, boards and senior management will not reflect these in their strategic thinking.

Setting The Scene

Boards can thus improve their focus on risk by integrating risk management into their routine strategic evaluation, debate and challenge.

Strategic risks are typically external or affect the most senior management decisions. As such, they are often missed from many risk registers. Your board has a responsibility to make sure all these types of risks are included in their key strategic discussions.

Real Concerns

So how are risk management frameworks evolving in the face of these gaps in how risk is managed and the need for greater integration with strategic management?

Research revealed three major concerns ;

- A. Senior executives are worried that the risk framework and processes that are currently in place in their organisations are no longer giving them the level of protection they need

Real Concerns

- B. boards are seeing rapid increases both in the speed with which risk events take place and the contagion with which they spread across different categories of risk. They are especially concerned about the escalating impact of ‘catastrophic’ risks, which can threaten an organisation’s very existence and even undermine entire industries

Real Concerns

- c. boards feel they are spending too much time and money on running their current risk management processes, rather than moving quickly and flexibly to identify and tackle new risks. As a result, some are not convinced that their return on spending on ERM is fully justified by the level of protection they gain from it

Global Findings

PwC recently conducted a qualitative research study into how various multinational organisations have responded to these challenges

The study revealed four key findings :-

1. *The boards of big organisations do not fully understand the risks that they are running...*

... or how the knock-on impact can spread across risk categories. This in turn makes it harder to manage organisations within their risk appetite

Global Findings

2. Checks and balances at the board level are critical

Does the board have people with enough industry expertise to ask tough questions about executives' decisions? In many cases the answer is no. Even the most sophisticated approach to risk can be undermined by a lack of industry insight

3. In the Internet age, speed and prejudice are all

Information moves instantaneously around the world, and opinion morphs into accepted 'fact'. So corporations must hit the ground running with the right responses delivered at pace. All too often, they are caught unprepared

Global Findings

4. Leadership and culture

There is frequently a gap between what management says about risk and what it does. Are the CEO and board setting the right behavioural example and risk-aware culture, in line with the corporation's strategy? How do organizations encourage risk-based thinking and behaviour?

Rewards perhaps??

Global Perspective

- ❑ shortcomings reveal that current approaches to risk management are no longer fit for purpose
- ❑ important to develop and expand existing frameworks and tools, drawing on outside experience and knowledge wherever possible
- ❑ external viewpoint that independent directors can bring to the boardroom will play an essential part in ensuring this breadth of risk-thinking enhances the development of strategic thinking
- ❑ the challenge your board face is how to make sure the processes used to review and approve strategy can be extended to include an appropriate consideration of risk

Common Strategic Risks

- a. Cyber Risks
- b. Interruptions to supply chain
- c. Regulatory Changes
- d. Technological changes and Innovation
- e. Brand and Reputation
- f. Economic Changes
- g. Retaining workforce
- h. Social Media
- i. Natural Catastrophe

My Thoughts

- ▶ Take into consideration the following, as an example:
 - A. With the onslaught of Natural Catastrophes in the world, Oil and Gas and Power Utilities will have to:
 - Spend more time developing disaster prevention and business continuity planning
 - Spend more resources on emergency services

My Thoughts

- B. Education in Malaysia is facing a decline, as a result companies will have to:
 - Spend more in the future for training
 - Spend executive time in preparing future workforce for the business environment

- ▶ Are these companies prepared for this? How are these accounted for today?

Our Discussion

Enablers

- A. Dear CRO, do you agree with these global perspective?
- B. If so, how do you align these difference in opinion to benefit the organisation
- C. Do you think your current risk framework is adequate in managing these gaps?
- D. What are some of the key features of the framework which makes it so. Failing which, how could it be further improved?
- E. Your take on your specific industry Risk Register

Our Discussion

Format

- A. Breakdown into smaller group discussions
- B. Table your thoughts
 - Group Leader's presentation
- C. MARIM will capture these Strategic Risks for future application

Next Agenda

- A. Outcome will be deliberated and presented by SMEs in subsequent conference

- B. Suggestions?

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The central area is white, providing a clean space for the text.

Have a restful evening
ahead

Industry Specific Common Strategic Risks

1. Energy & Power

- ❑ Cyber Threats
- ❑ Brand & Reputation
- ❑ Extreme Weather Conditions

2. Industrial & Manufacturing

- ❑ Supply Chain
- ❑ Technology & Innovation
- ❑ Brand & Reputation

Industry Specific Common Strategic Risks

3. Products & Services

- ❑ Brand & Reputation
- ❑ Social Media
- ❑ Increased Competition

4. Medical Services

- ❑ Brand & Reputation
- ❑ Technological change & Innovation
- ❑ Increased Competition

Industry Specific Common Strategic Risks

5. Educational Services

- ❑ Brand & Reputation
- ❑ Attracting and retaining talented workforce
- ❑ Increased Competition