

THE CORPORATE RISK THEATER

- KEY CHALLENGES AND SOLUTIONS FOR ERM

Kuwait 5th ERM conference

22-24 January 2019



So the business world and society may change rapidly.
But what if 2 major risks also converge...

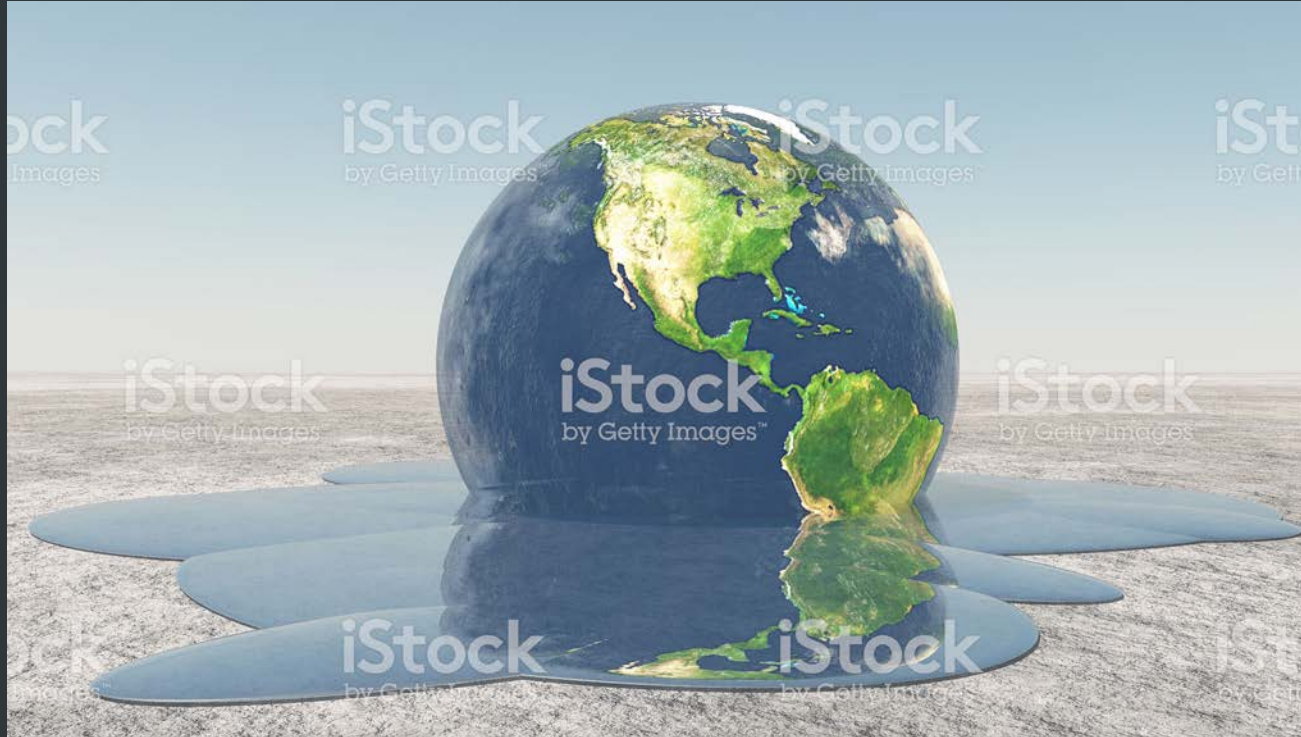


**Geopolitics and trade
turbulence**



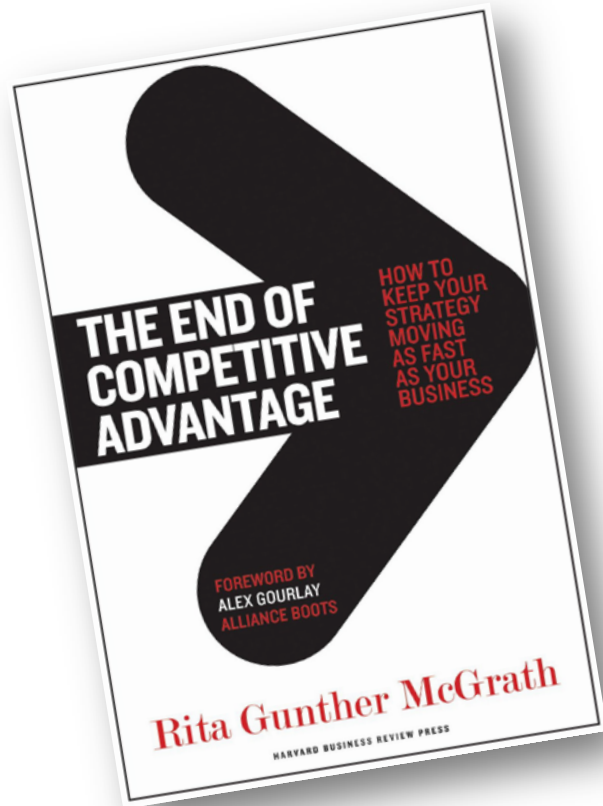
Economic recession

...and we already have another major change agent in the mix?



Climate change

In a world of exponential growth and increasing levels of disruptive change, we must find new ways of managing challenges and risks...

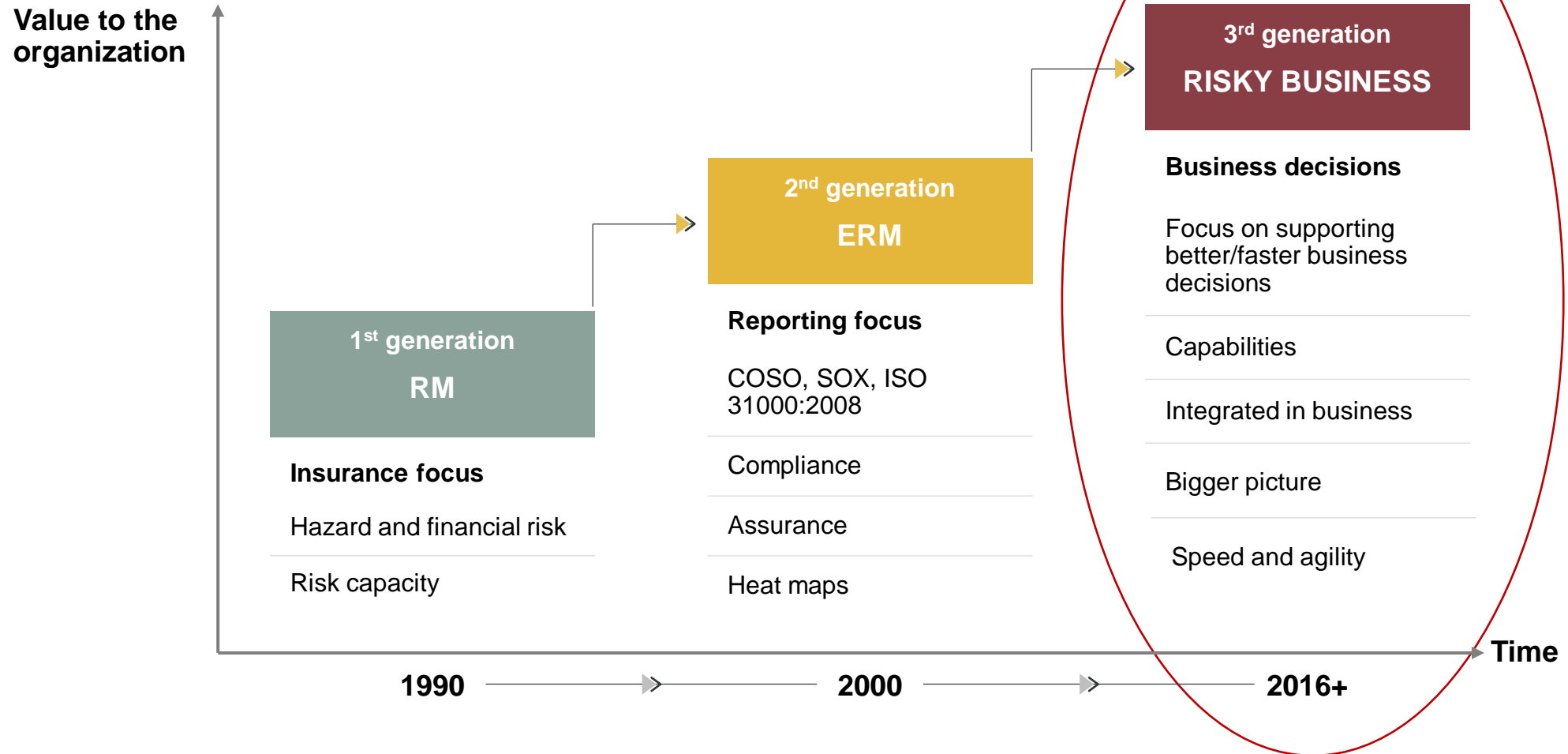


“Competitive advantage lasts shorter and shorter. **Fast and roughly right** decision-making will replace deliberations that are precise but slow.”

Rita Gunther McGrath

HOW WILL ERM RESPOND?

Many ERM programs are stuck in slow motion.
ERM needs to speed up and create real impact



However, this requires two things...

1

**Top management
needs to set new
and ambitious
expectations for
ERM**

2

**The risk
management
function needs to
develop it's
capabilities,
tools and
techniques**

DEVELOPMENT OF ERM:

HOW CAN ERM HELP ORGANIZATIONS
WIN IN A CHANGING WORLD?

The corporate risk theater - we need to recognize and fight two major villains

ISSUES



Captain Hook

ONE SIZE FITS ALL



Darth Vader

ISSUES



We find that risk registers usually **only have about 20% real risks**



... resulting in
duplication of work
and lack of focus on
risk management's
raison d'être

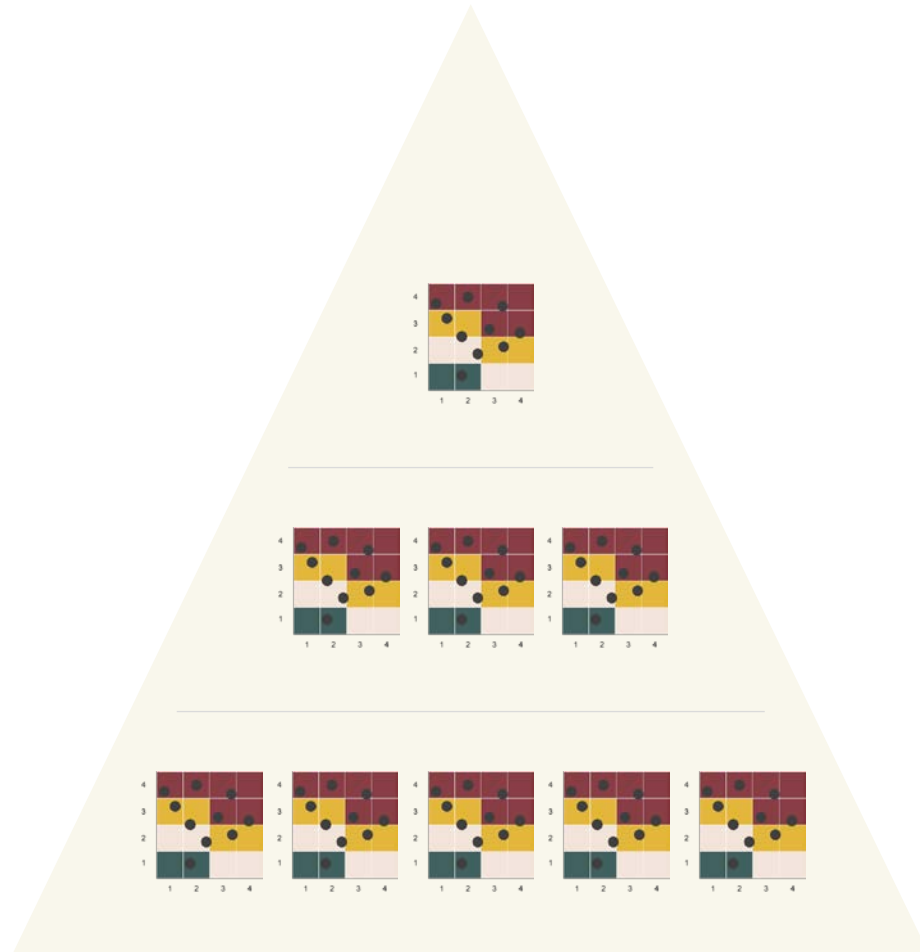
And look more forward. The Risk Life Cycle



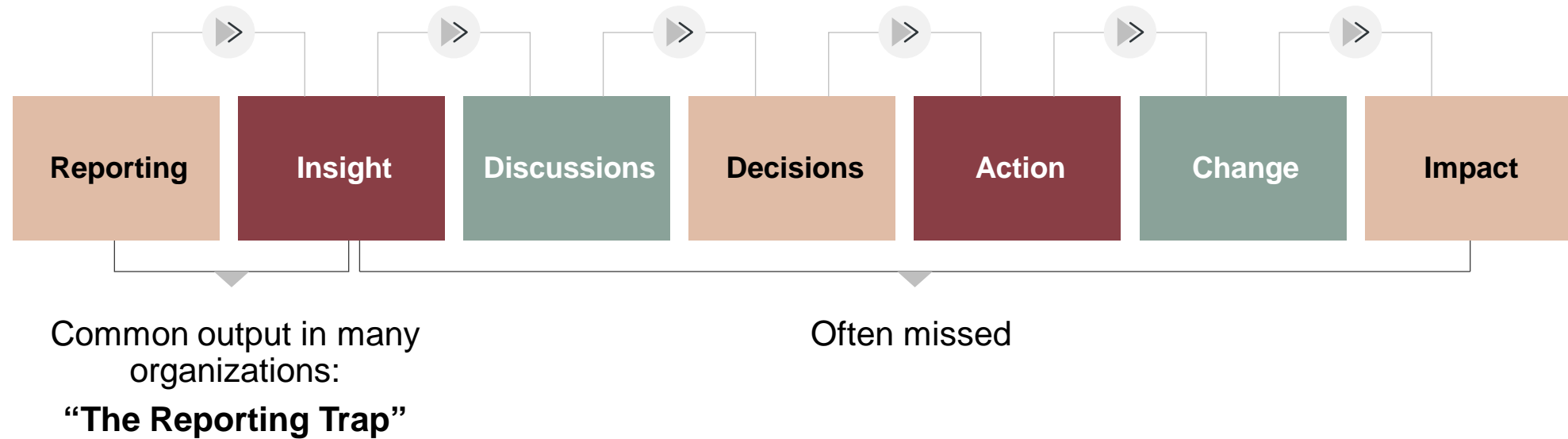
ONE SIZE
FITS ALL



The heat map speaks risk language – not business language resulting in the risk function spending too much time on consolidation and reporting...



...which results in the primary “product” of ERM being REPORTS...



ERM need to be elevated and resourced so it doesn't get stuck in the reporting trap

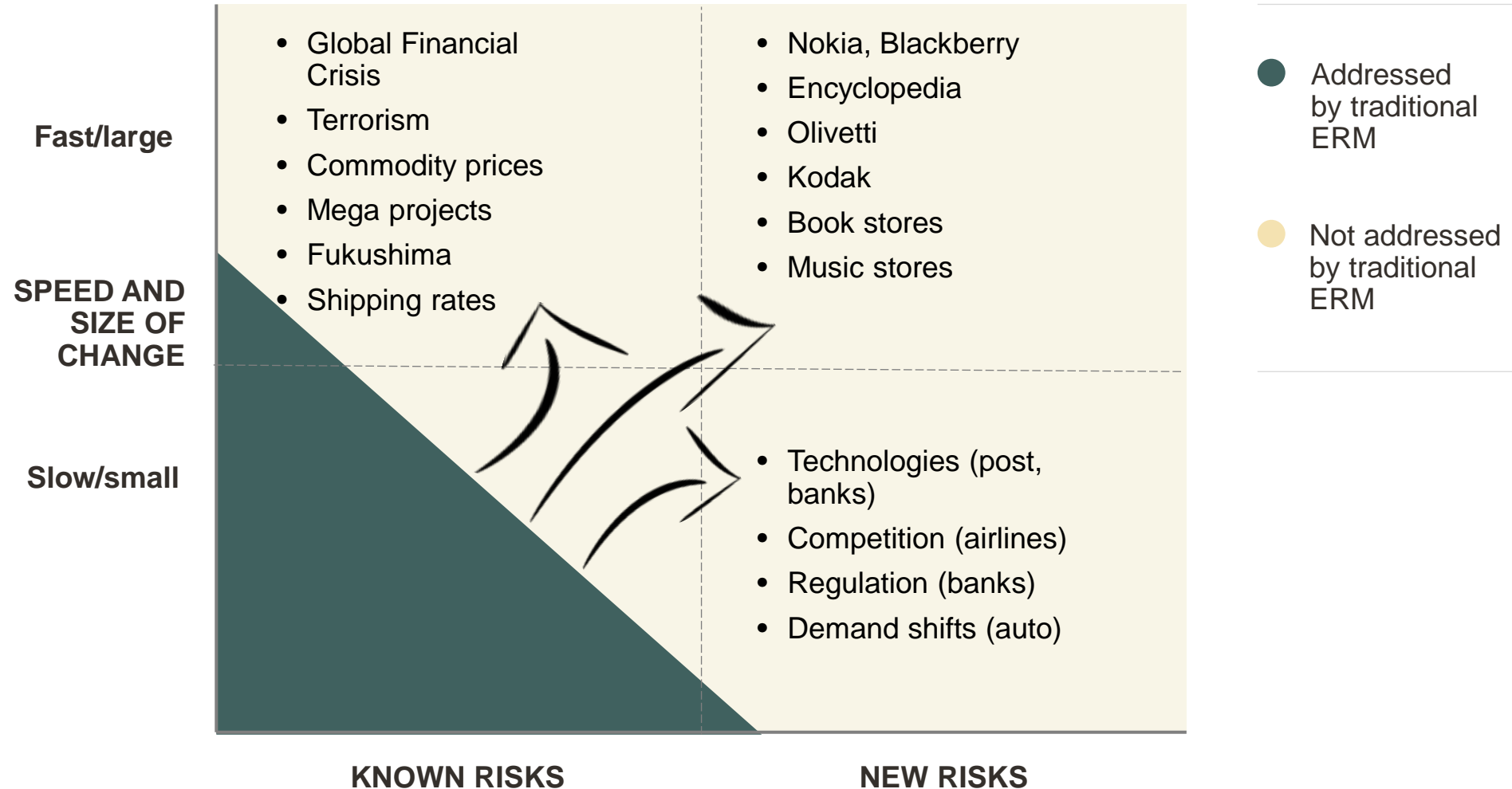
THE "WHY?"

- EXECUTIVE MANAGEMENT TO
UPDATE THEIR WHY AND ASK
FOR MORE IMPACT FROM ERM

ERM needs to re-align and tailor approaches to stakeholder needs by clustering it's work along three buckets



And ERM needs to redefine the scope of risks. We need to do much more than just operational and persistent risks...



CASE: NEW TOP MANAGEMENT EXPECTATIONS

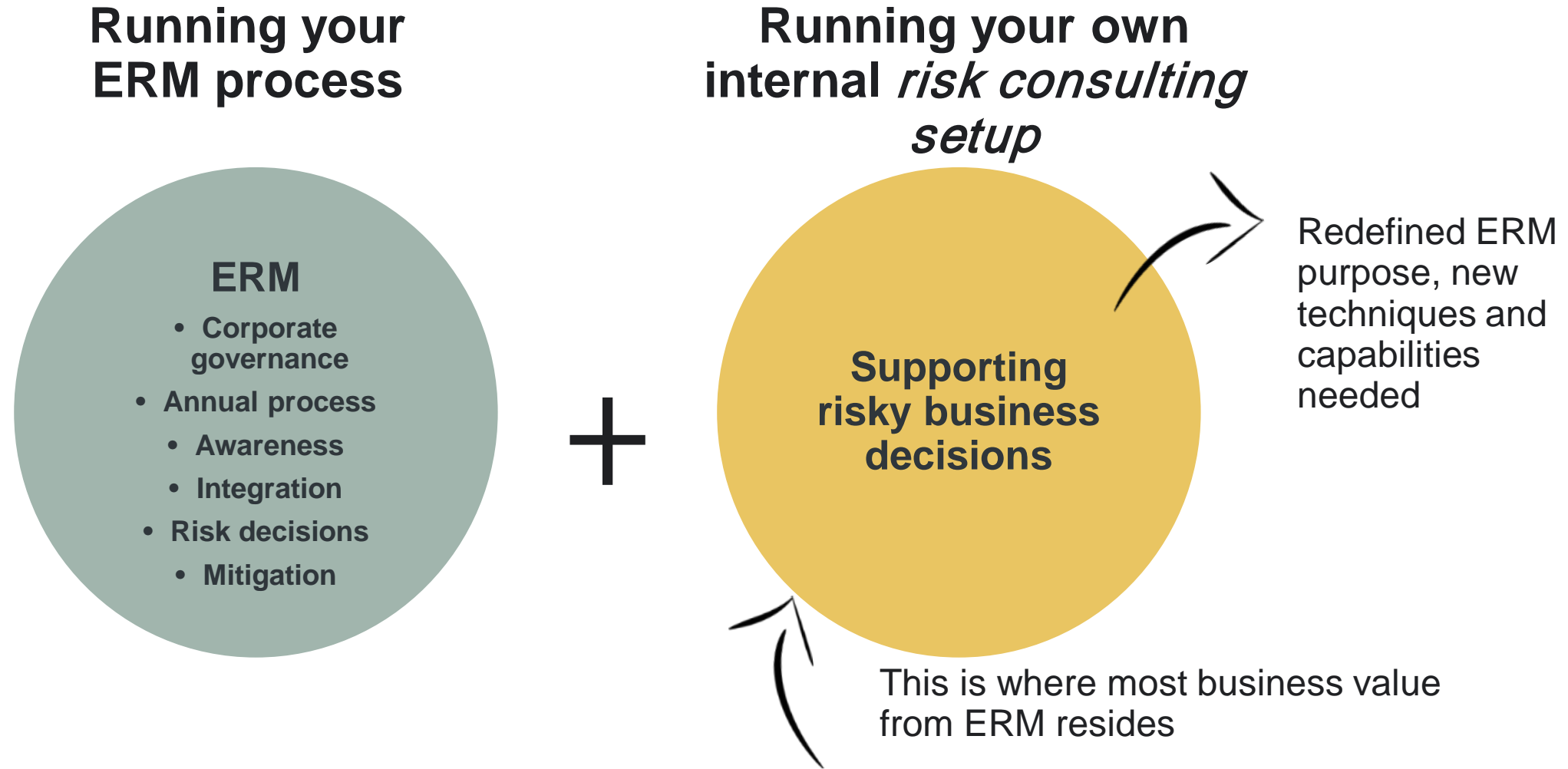


Case:

Global conglomerate

Moving beyond risk
reports to meet top
managements new
expectations

One way to get there is to build new consulting capabilities into the risk team



CONCLUSION

Recap...

**New ambitious goals
by top management**

+

**A new strategy for
the risk function**

+



- Demand more decision support
- Resource the risk function – it can't be done by 1 person...

- Update purpose
- Add new skills / capabilities
- Add new tools and techniques
- Avoid the reporting trap

- Expand the scope of ERM
- Consider emerging, strategic and persistent risk buckets

More on how to develop risk culture rather than risk bureaucracy in the workshop later today



QUESTIONS?

Thank you



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CHANGE WITH IMPACT.