

# Progressive Enterprise Risk Management

Fully Embedded the ERM Process

## Introduction

The globe is still in chaos, with rising levels of public discontent, unpredictable financial markets, unthinkable natural calamities, shifting oil prices, and uncertainty about the state of the global economy.

In this uncertain global era, how do you navigate these challenging waters?

Fortunately, a lot of businesses have understood they needed to implement an enterprise risk management (ERM) strategy. This has made it possible to prioritise and combine risks that were previously addressed separately for the benefit of the whole company.

But stopping here is like trying to drive a jet on a highway; it can move quicker than automobiles, but it isn't operating at its maximum capacity.

Advanced Risk Management surpasses this. Business materiality is the basis for risk evaluation. When a fresh perspective on the risks materialises, effective controls may be put in place to address the issues that are really important to the company. In other words, strategic value generation takes precedence above risk avoidance.

**The following opportunities will be offered by this Course N Carry training programme on advanced enterprise risk management:**

- Reach a strategic level with enterprise risk management (ERM).
- Take advice from worldwide risk incidents
- Establish a transparent risk appetite and attitude procedure.
- Determine the main new hazards.
- Clearly connect risk to decision-making

## Objectives

**Following the completion of this training programme in advanced enterprise risk management, you will be qualified to:**

- Use suitable and diverse risk assessment and identification strategies.
- Align the Enterprise Risk Management (ERM) framework with business performance targets to provide quantifiable value.

- Involve the Board in the evaluation of potential business risk situations.
- To strike a balance between value creation and value preservation, cultivate a culture that supports reasonable risk-taking.
- Make the responsibilities for enterprise risk management (ERM) clear for all staff members, from CEOs to front-line workers.
- Put Key Risk Indicators (KRIs) into Practice for Every Business Line
- Boost the attainment of company goals by establishing a connection between risk management initiatives and performance targets.

## Training Methodology

Since this is an advanced Course N Carry training course, participants should have prior risk-related experience. It is not necessary to prepare in advance; nonetheless, delegates should possess a professional certification and/or a decent educational grade.

Group-live exercises and role-plays designed to mimic audit scenarios and real-world events that assurance professionals can face will be used as the delivery approach. At the conclusion of the course, a brief test will be administered.

## Organizational impacts

All types of businesses will profit from this training programme. With each risk being assessed and analysed according to its potential impact on the company, as well as its financial, legal, reputational, and regulatory implications, it will provide sophisticated tools and methods to redirect the risk process towards business materiality.

**Enhancement of organisational knowledge in the following areas will be possible with this Advanced Enterprise Risk Management training course:**

- The many and diverse methods for identifying risks
- Use of complex methods like Bayesian network analysis, Delphi, and Monte Carlo
- Important Risk Markers
- How to motivate employees to take on risks
- Projects using Enterprise Risk Management (ERM)

## Personal Impact

**Participants in this Advanced Enterprise Risk Management training programme will be able to broaden their own expertise in the following fields:**

- Effectiveness of the risk register
- Motivating risk-taking
- Arranging the ERM procedure
- Arduous risk assessments
- Including senior executives in the ERM process

## Who should attend?

- Heads of Risk
- Managers of Risk
- Directors and managers in charge of the risk management procedure or function
- Internal Audit Chiefs
- Heads of Assurance Functions
- Senior Experts in Finance

## Course Outline

### Day 1

#### Raising the Bar for Enterprise Risk Management (ERM)

- **Features of an Advanced Process for Enterprise Risk Management (ERM)**
  - Board-level dedication to ERM as a crucial foundation for decision-making
  - A committed risk manager at the top of the hierarchy to spearhead the procedure
  - A culture of enterprise risk management (ERM) that promotes complete participation and responsibility at all organisational levels
  - Stakeholder participation in the creation of risk management strategies and policies
  - Communication of risks in a transparent manner
  - Information on operational and financial risk is integrated into decision-making.
  - Utilising advanced quantification techniques to comprehend risk and illustrate how risk management adds value.
  - Identifying new and developing dangers by combining information from external sources with internal data
  - A shift in emphasis from risk reduction and avoidance to value-adding risk and risk management strategies
  - Case studies of enterprise risk management (ERM) in banking and FMCG
  - There will be a new report provided on executive management's role in enterprise risk management (ERM).
- **Maintaining Focus on the Main Goal**
  - All business segments are covered by enterprise risk management (ERM), which is overseen at the corporate level.
  - All hazards are covered by enterprise risk management (ERM), which encompasses all company divisions, departments, procedures, and systems.
  - Recognises and evaluates risky situations, then prepares and carries out a reaction to them.
  - Principal risk factor identification (Vodafone case study)
  - Offers risk-adjusted, transparent corporate performance management

- Risk occurrences that prevent the business from completely accomplishing its goals are the main focus of ERM.
- **Examining International Cases of Enterprise Risk Management (ERM)**
- Participants will investigate global risk scenarios in an interactive workshop, followed by a discussion on the implications for their own organisations.
- Attitude towards Risk
- Risk must be defined as the need to do things correctly rather than what may go wrong.
- "Ring fencing" risk exposure: never let a single segment of the company affect the whole enterprise
- Deciding on and informing management and stakeholders about your risk-taking philosophy and necessary risk culture
- Realising that your reputation is your greatest asset and your greatest danger, one that you are unable to guarantee
- Avoid waiting until you are compelled by law or regulators to provide proof of your efficient risk management, since this is often too late.
- **The Roadmap for Enterprise Risk Management (ERM)**
- Examine the ERM Environment as It Is Now
- Perform a Gap Analysis
- Organise management retreats and establish priorities.
- Create a prioritised ERM implementation plan.

## Day 2

### Techniques for Risk Measurement in Enterprise Risk Management (ERM)

- **Techniques for Measuring Risk**
- The need of quantitative risk assessment
- Interviews That Are Structured
- **Workshops on risks**
- Expert analysis, or Delphi
- Fishbone analysis, or Ishikawa diagrams
- Analysis of failure mode and effect (FMEA)
- Planning scenarios
- Examination of the root cause
- Monte Carlo simulation
- **Bayesian networks**

- The benefits and drawbacks of each approach
  - Workshops on Risk
  - The effectiveness of workshops
  - Strategies for conducting effective risk workshops
  - Peer groups must be included.
  - Putting together a risk workshop
  - Techniques for Facilitation
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- **Expert Analysis, or Delphi**
- Obtaining agreement from professionals with various experiences and viewpoints
  - Contrasting the views of knowledgeable professionals from various sectors
  - Using experts to determine acceptable risk, such as the ratio of total credit extended to available credit or the establishment of creditworthiness standards
  - Operational illustration
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- **Analysis of Ishikawa (Fishbone)**
- Really useful for assessing risks with many sources
  - Fishbone analysis steps
  - Identification of the problem
  - Both primary and secondary reasons
  - Setting Priority Criteria
  - Creating a fishbone graphic
  - Examining the result
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- **Root Cause Analysis and Failure Mode**
- Assessment of possible processes failure modes
  - The expected impact on results and/or performance of the product
  - Risk-reduction strategies to get rid of, minimise, or manage possible failures
  - Effect, likelihood, and identification standards
  - Calculating the risk priority number, or RPN
  - FMEA worked example
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- **Planning Scenarios**
- Why do recognised dangers tend to be too generalised? For example, losing important employees
  - The need to assess many scenarios for every generic risk
  - The methods and elements of success

## Day 3

## Additional Risk Assessment Methods

- **Analysis of Fault Trees**

- Systematic approach to System Analysis
- Investigates the system from the top down
- Used to look for possible issues
- Calculate your part in the unreliability of the system.
- Operational illustration

- **Monte Carlo Models**

- Mathematical method that enables risk to be taken into consideration while doing quantitative analysis and making decisions.
- Gives a variety of potential outcomes together with the likelihood that they will happen.
- Establishes a probability distribution
- The different distribution types
- Typical (bell curve)
- Consistent
- Triangle-shaped
- Applications for Monte Carlo Models
- Used to determine the cost of complex financial products
- To calculate the value at risk, or VAR
- Choosing whether to extend, reduce, or pause a project

- **Bayesian Networks**

- The Bayes theorem
- Adding extra information to a creative concept to improve decision-making
- Using Bayesian networks
- Will it be cloudy tomorrow?
- Going to the physician

- **New Hazards**

- The line separating one kind of danger from another is unclear.
- Emergent risks are often difficult to predict.
- Early on, they are often high impact / low likelihood.
- Topics to think about
- Political
- Controlling
- Lawful
- Safety
- Technology
- Surroundings

- Understanding
  - Crisis Handling
    - The need of getting ready
    - Planned press releases in advance
    - Categories of crises
    - The distinction between crisis management and emergencies
  - Important Risk Indices (KRIs)
    - The peels of bananas
    - Recognising these beforehand
    - Illustrations of KRIs
    - Updated KRI guidelines
    - How to create KRIs that work

## Day 4

### Advanced Problems with Enterprise Risk Management (ERM)

- The Challenges of the Risk Register
  - Why it's common for the Enterprise Risk Management (ERM) approach to not include management
  - The risks listed are much too broad.
  - Risks are confused with causes and consequences.
  - The only remaining danger is focused on
  - There are several techniques for rating hazards.
  - Benefits are hard to quantify
  - The registration is based on a spreadsheet.
  - The procedure is very intricate.
  - The solution for the risk register
- Success Strategies for Enterprise Risk Management (ERM)
  - Assess your risk maturity using a risk assessment framework, and if necessary, create a strategy to increase it.
  - Adopt the International Risk Standard (ISO31000) and implement the guidelines across the company.
  - Use a single risk matrix for the business; don't create separate ones for each function.
  - Make sure you have a consistent vocabulary for risks and spread the word about them.

- Identifying risks might include a variety of situations, such as the loss of important persons (quantity, location, etc.).
  - Establish insightful Key Risk Indicators (KRIs) to alert you before hazards occur.
  - Create a tabular or graphical record of the Board's major risks.
  - Realise that effective corporate governance depends on a grasp of risk.
  - Organise an upper management workshop on reputation risk.
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- **Risk Tolerance and Appetite for Risk**
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- What does risk appetite mean?
  - The distinction between tolerance and desire for risk
  - Establishing danger boundaries
  - Risk assessment
  - Creating statements on risk appetite
  - Samples of remarks expressing a risk appetite
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- **Managing Enterprise Risk (ERM) and Making Decisions**
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- Enforce the submission of a comprehensive risk analysis for each significant proposal that is sent to the Board or senior management for consideration.
  - Each year, align major risks with company goals.
  - Make sure you overdeliver on your promises rather than the opposite.
  - Invite the important members of your team to a risk workshop.
  - Examine the biggest shocks and near-misses you had within the last 12 months.
  - Realise that "it probably is" if anything seems too wonderful to be true.
  - Prepare press releases ahead of time to address any potential emergencies.
  - Ask all major executives to name three possibilities twice a year, then organise a high-level session to prioritise and debate them.
  - Create a record of corporate opportunities.
  - Provide unique rewards for the finest concepts that lower risk or take advantage of possibilities.
  - Unless there is evidence of a clear financial or other major advantage, do not invest time and money on risk mitigation.
  - Determine how much revenue is needed to compensate for every dollar, dirham, or riyal lost as a result of inadequate risk management, and utilise this multiplier as a business motivator.

## Day 5

### Additional Enterprise Risk Management (ERM) Aspects

- **Enterprise Risk Management (ERM) and Assurance**
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- Making sure the functions of your assurance providers—such as internal audit, compliance, risk management, insurance, and security—are coordinated to prevent effort duplication

- Why should your risk register include agreed-upon actions from internal audits?
  - Make sure you treat environmental risk seriously, even if your industry is the financial services sector.
  - Make sure your business continuity strategy is well tested and that it addresses all potential scenarios.
  - Find innovative approaches to help the most disadvantaged members in the larger community you serve.
  - Updated guidelines for coordinating assurance and RM
- **Motivating Your Employees to Take on Risk**
    - Make sure that your employees understand that risk management is a business process rather than a passing trend or the newest project.
    - Make risk management a topic of discussion at staff meetings.
    - Realise that your staff members won't be motivated to manage risks unless doing so would benefit them.
    - Don't assign the same management too many risks.
    - Work with your management to finish as much of the risk programme as possible. Don't depend too much on consultants; take responsibility for the process.
    - Recognise that management would often overstate the risk in order to get a plan approved (if you allow them)
    - Realise that risk is the organization's lifeblood, and ensure that you have personnel to regularly take this pulse
- **Project and Joint Venture Enterprise Risk Management (ERM)**
    - Early on in a project, identify the risks that are involved.
    - Acknowledge that there is little chance the project will be completed on schedule, under budget, and with all of the stated goals.
    - Prioritise the three factors: time, money, or functionality. Determine which one you are ready to give up on first.
    - Before giving a contract, do risk workshops with the selected vendors or contractors.
    - Before executives attend each partner meeting, provide them with a clear brief on the choices that may or may not be taken by them.
    - Demand that your executives provide written evaluations after each of these sessions.
    - Establish a precise procedure for evaluating joint ventures and partnerships.
    - Don't assume that just because a joint venture works well in year one, it will continue to work well in years two and beyond.
    - Request that your internal audit department participate in all important systems and projects at crucial junctures during the development process.
    - Make sure every operation you outsource has a right to audit clause, and make use of that right.
- **The Golden Rules of Enterprise Risk Management (ERM) in Projects (with case studies)**
    - Include risk management from the beginning of the project.
    - Detect hazards at the outset of the project.
    - Spread the word about the dangers.

- Take into account both possibilities and threats.
- Give the dangers top priority.
- Examine the hazards thoroughly.
- Create and carry out risk mitigation strategies.