

Client	The client is one of the world’s leading providers of communications solutions and services. The principal activities include networked IT services, local, national and international telecommunications services, and broadband and internet products and services.
---------------	---

Project Name	Risk Appetite & Enterprise Risk Management (ERM) improvement project:
---------------------	---

Project Start Date	March 2010	Project End Date	July 2010
---------------------------	------------	-------------------------	-----------

Industry	<input type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Fund Custody & Investment Services	<input type="checkbox"/> Investment banking
	<input type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management
	<input type="checkbox"/> Retail banking	<input checked="" type="checkbox"/> Corporate
	<input type="checkbox"/> Broker / Dealer	

Category of Service	<input checked="" type="checkbox"/> Performance measurement and monitoring	<input checked="" type="checkbox"/> Regulatory compliance and reporting
	<input checked="" type="checkbox"/> Portfolio risk management	<input checked="" type="checkbox"/> Business process improvement
	<input checked="" type="checkbox"/> Specialised risks	<input checked="" type="checkbox"/> Training and people change
	<input checked="" type="checkbox"/> Data Quality	<input checked="" type="checkbox"/> System selection and implementation

The Challenge	<p>The aim of the project was to review and improve the risk intelligence on which business decisions were based. The client required assistance to define statements of risk appetite and to develop a consensus view of the next steps to further develop the existing risk infrastructure and competency at both a group and subsidiary unit level.</p> <p>Prior to the engagement of advantage, efforts regarding risk management had focused on establishing appropriate governance and raising risk awareness by focusing on process (essentially the use of risk registers with a risk aggregation to Group). Key to the next stage of development was to:</p> <ul style="list-style-type: none"> • define the statement of risk appetite (an articulation of the risk/reward trade-off pursued at a group and subsidiary level); and • align resources, risk infrastructure and capability to manage risks within this accepted boundary; • undertake risk training to assist key personnel to identify opportunities to grow the business and brand.
----------------------	--

Approach and Solution	The approach to risk appetite was to work with senior personnel to define the initial statements of risk appetite in a pragmatic manner, starting with existing metrics and statements that provide an “inferred” appetite, but with a view to building additional measures in subsequent years. The primary objective was to
------------------------------	---

work with senior management to embed risk appetite as the means on which performance would be measured and monitored. Draft statements of risk appetite were developed at a group and subsidiary level.

The enterprise risk management (ERM) assessment followed the risk appetite work stream, and was based on a consensus view of how senior management wanted to use ERM to deliver the agreed business objectives. The advantage Integrated Risk and Performance Management diagnostic tool (“IRPM Tool”) was used to determine the areas where the client can improve their ERM capability. ERM assessments were provided for the Group functions and two subsidiaries.

The training requirements were defined as part of recommendations of how best to improve ERM at the group and subsidiary level, and further develop with a view of how best to improve the risk culture of the enterprise.

Results and Benefits

Deliverables were addressed to three audiences within the governance structure: at the Group level to the Board of Directors and the Committee charged with overseeing risk management; with the respective CEO and CFO of the subsidiary; and to the respective risk management team at the group and subsidiary levels. The challenge was to present risk focused solutions that delivered business value.

The recommendations were developed through consultation with the target audience to build a consensus view where possible. Key recommendations were tied back to business benefits, and, then prioritised on an ERM roadmap. These two views were presented as an ERM business case which formed part of the written Report(s).

The outcome was a clear line of sight between business strategies, the definition of risk, how the management of these risks would increase or destroy business value (determined with reference to Shareholder Value in this instance), and the order in which suggestions for improvement should be addressed – supported by a business case.

The most significant outcome was a reenergised approach to risk management resulting from an improved understanding of how risk management can assist with managing both the upside (opportunity enablement) and downside (risk management). Further, the challenge has been laid for how the risk function can earn the right for a greater participation in making business decisions – moving ERM from safeguarding enterprise value to maximising enterprise value.

Software used

avantage IRPM® proprietary software – which can present the ERM assessment on “one page” which helps engage senior management, whilst providing supporting evidence for the risk professional from a detailed analysis of the risk infrastructure and capability.