

Enterprise Risk Management

PRESENTED BY

Thinus Nienaber



Introductions

Why are You here?

- Where are You coming from?
- Where are You going?



What do You expect?

- From the intervention?
- From Yourself?



Let's share!

Let's learn!



Ground Rules?

Cell phones

Time

30 Second Rule

Respect

Ethics

Calculators

Ask ????????

Ask ??????????

Do !!!!!!!!!!!!!!!!!!!!!

Life Changing Approach!

- When you change your **THINKING**,
you change your **BELIEFS**
- When you change your **beliefs**,
you change your **EXPECTATIONS**
- When you change your **expectations**,
you change your **ATTITUDE**
- When you change your **attitude**,
you change your **BEHAVIOR**
- When you change your **behavior**,
you change your **PERFORMANCE**
- When you change your **performance**,
you change your **LIFE**

(Dr Walter D Staples)

Program

Prescribed Book: Valsamakis, A.C, Vivian, R.W, and Du Toit, G.S. 2010. *Risk Management*. 4th edition. Sandton: Heinemann.

Module guide: Refer p 12/93.

Facilitation sessions.

Additional reading.

Own research.

Continuous thinking and learning.



Principles of Management Applied to Managing Risk.

Learning Unit 1



Learning Outcomes.

- Identify a case for risk management;
- Provide reasons to manage risk;
- Link the functional approach to management, to risk management;
- Select a definition of risk management;
- Produce a risk management model;
- Evaluate the historical development of risk management.



Why do we need Risk Management?

The only alternative to risk management is crisis management and crisis management is much more expensive, time consuming and embarrassing.

JAMES LAM, *Enterprise Risk Management*, Wiley Finance 2003.

Without good risk management practices, government cannot manage its resources effectively.

Risk management means more than preparing for the worst; it also means taking advantage of opportunities to improve services or lower costs.

Sheila Fraser, Auditor General of Canada



9

Why study Risk Management?

- Increase risk awareness – What could affect the achievement of objectives? What could change? What could go wrong? What could go right?
- Increase understanding of risk – sensitivities. What makes my risks increase/decrease/disappear?
- Promote a “healthy” risk culture – It’s safe to talk about risk. Open and transparent.
- Develop a common and consistent approach to risk across the organization. Not intuition-based.



10

Why study Risk Management?

- Allows intelligent “informed” risk-taking.
- Focuses efforts –helps prioritize. Top 10 list. Or top 3. Or...
- Is proactive.... not reactive – Prepare for risks before they happen. Identify risks and develop appropriate risk mitigating strategies.
- Improve outcomes – achievement of objectives (corporate, clinical, etc)
- Really comes down to simple good management
- Enables accountability, transparency and responsibility
- And maybe even mean survival



1

Criteria when Reducing Risks.

Cost beneficial

Benefits from risk management measures are higher than costs incurred to reduce risks.

Risk aversion

people are risk averse even to point where costs are higher than benefits.

Policy-based decisions

Company policies for other than risk reduction benefits risk positions.

Authoritative reasons

Legislation and codes of practice.



2

Management.

Functional approach to management:

1. Planning
2. Organising
3. Leading
4. Controlling

Levels of management

- Strategic management
- Operations management
 - Middle management
 - Lower management



13

Questions?



14

Basic principles, concepts, definitions

A risk is **ANYTHING** that may affect the achievement of an organization's objectives.

It is the **UNCERTAINTY** that surrounds future events and outcomes.

It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.

Enterprise wide approach that is **comprehensive, inclusive and proactive.**



15

TAKE SMALL BITES..... IRM IMPLEMENTATION



Definition of ERM

*“... a **process**, effected by an entity's board of directors, management and other personnel, applied in strategy setting and **across the enterprise**, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”*

Source: *COSO Enterprise Risk Management – Integrated Framework*, 2004.
The Committee of Sponsoring Organizations of the Treadway Commission (COSO)



17

Definition of Risk Management.

Risk management is a **managerial function** aimed at **protecting** the **organisation** and its **people, assets** and **profits** against the **physical** and **financial** consequences of risk. It involves **planning**, **coordinating** and **directing** the **risk-control** and the **risk-financing** activities in the organisation.



18

Risk Management Model.

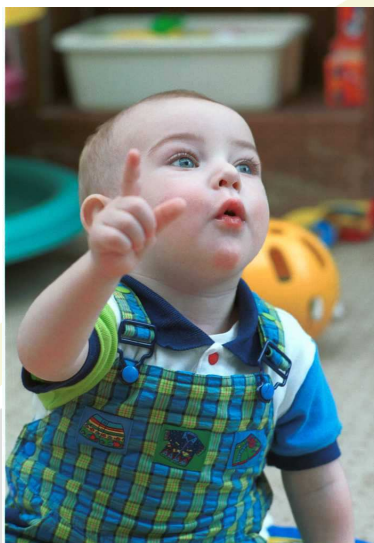
Elements of risk management model:

- Objectives
- Identification
 - Identification – hazard
 - Analysis
- Risk evaluation and assessment
 - Expected average loss vs maximum possible loss
 - Strength of organisation
- Risk control
 - Implement Risk Management programme
 - Three responses to risks
- Risk financing
- Programme monitoring and administration



19

2003 Institute of Risk Managers.



Thank you.

