



BARNOWL BREAKFAST PRESENTATION – 27 JULY 2017

The role of the Future Risk Manager

Christopher Palm

IRMSA Chief Risk Advisor

The “future fit” Risk Manager

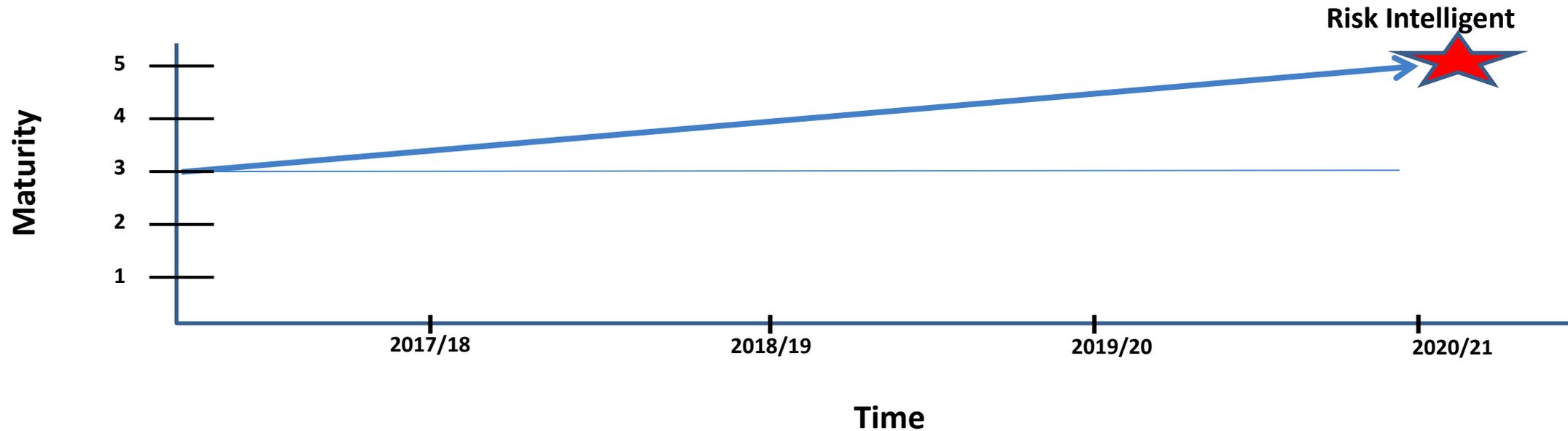
- It has to be about decision making
- More than process ...
- ... becoming a risk intelligent organisation
- Risk intelligent leadership from the CRO’s office
- Sitting at the right tables
- ... what is the value proposition – don’t tell me –show me!
- Tools allowing for scenarios, modelling and ultimately predictive capabilities
- Time ... a day is like 5 years and 5 years like a day ... or is it 50
- People

Being future fit in a changing world – beyond the basics

Acknowledgements

- Corporate Executive Board
- Deloitte
- Eskom
- Harvard Business Review
- IRMSA
- KPMG
- PwC
- RSM: Resolver

Let's create a base – the trusted old maturity curve ...



1 Unaware

- Company at first stages of the RM process.
- Functions are not working as intended.
- Management has no confidence in the risk management process yet

2 Fragmented

- Some functions appear to be effective
- There are still major deficiencies in the process.
- Significant process gaps need to be closed.

3 Top-down

- Clearly outlines enterprise risk management processes.
- There is room for improvement in the process.

4 Systemic

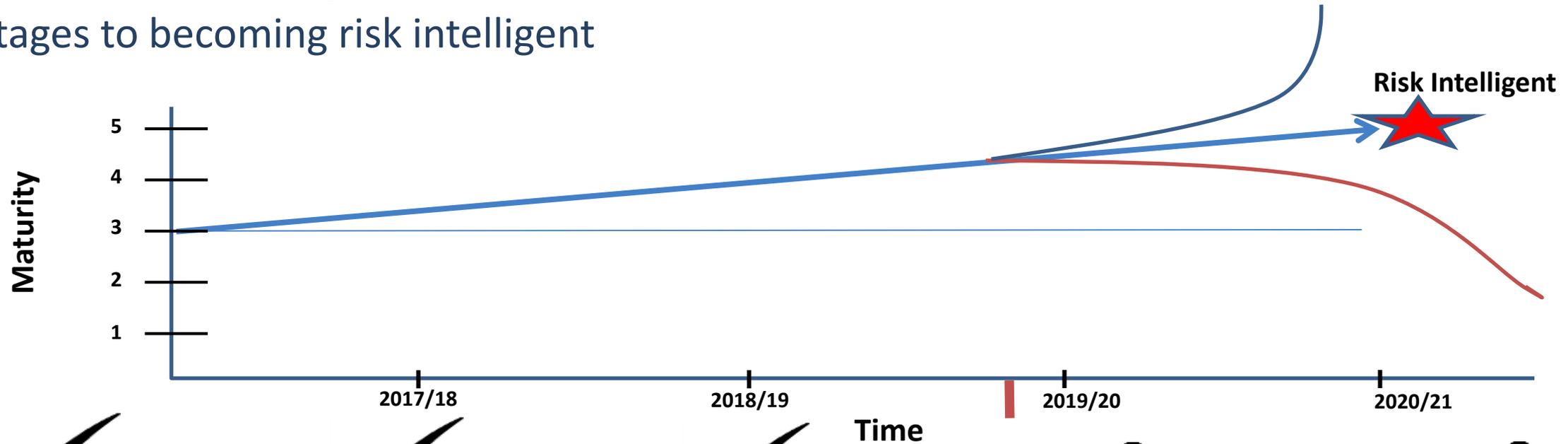
- The ERM function is well directed and controlled.
- Most functions are designed correctly and are in place and effective.

5 RI

- ERM function is totally effective and efficient
- Totally implemented, user friendly and is "best practice"
- Now to RI

Risk Maturity Assessment Model

Stages to becoming risk intelligent



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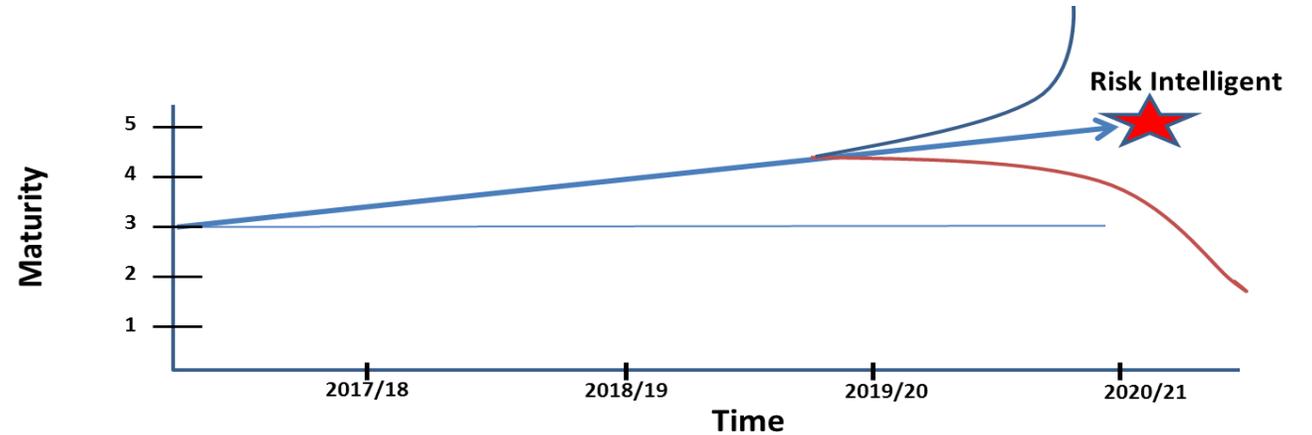
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It's more than just about process

Stages to becoming risk intelligent

ERM elements towards Risk Intelligence

- More than process
- It has to be about decision making – risk for/and reward
- Embed in business processes
- PRACTICAL appetite and tolerance
- Risk Management Information System/s
- Stakeholder Management



1

Initial

The company is at the beginning stages of the risk management process. Functions are not working as intended. Management has no confidence that enterprise risk management has been embedded into the organisation



2

Reputable

Some functions appear to be effective; however there are still major deficiencies in the process. Significant process gaps need to be closed.



3

Defined

Clearly outlines enterprise risk management processes. There is room for improvement in the process.



4

Managed

The ERM function is well directed and controlled. Most functions are designed correctly and are in place and effective.



5

Optimised

The ERM function is totally effective and efficient, totally implemented, user friendly and is "best practice". Nothing more to be done except monitor and review.

Risk intelligence is like moving from IQ to EQ ...

... you need the CULTURE!



It is about decision making

... better and faster decision making!

The risk manager's evolution is that of a strategic advisor

- Uncertainty in today's business environment presents ERM with a unique opportunity to inform strategic decisions by articulating the risks in the right way

Risk for reward

- Failure points in strategic decision making destroy value

The right way - Risk Managers have a unique opportunity to improve decision quality sticking to the risk methodology basics

- ensuring risk-based context for decisions
- ensuring the adoption of a sound risk methodology and risk language
- establishing key risk indicators
- Forge ahead with a practical and well aligned appetite and tolerance

Critical success factors

- Key risk indicators
- Appetite and tolerance
- Sound integration with the decision making model



Leadership from the CRO's office

1. Fundamental assumption of organisational theory and practise; that a certain level predictability and order exists in the world
2. Leads to simplifications that are useful in ordered circumstances
3. Simplicity vs. complexity – broaden the leadership perspective
4. Leadership in the future will require understanding the relationship between cause and effect – along the following 5 contexts
 1. Simple (domain of best practise)
 2. Complicated (domain of experts)
 3. Complex (domain of emergence)
 4. Chaotic – (domain of rapid response)

The above 4 require leaders to diagnose the situations and to lead in a contextually appropriate ways

5. Disorder – nothing above applies or looks familiar ...

A must read: Cynefin Framework - pronounced ku-nev-in
Welsh for “multiple factors in your environment”

Conventional vs. Inclusive Thinking

Conventional Business Thinking	Futures Thinking
Immediate term	Depth of vision
Own business focus	Cross-disciplinary
Attention to detail	Broad vision
Techno-economic trends focus	Trends and emerging issues
Problem approach	Systems approach
Less attention to connections	Interactions and cross-impact
Continuity assumption	Wild cards and discontinuities
Bottom line focus	Strategic focus
Undiscussables	Speak the unspeakable
Short term focus	Long term orientation
A single future	Alternative futures
Mainstream thinking	Mind changers
Past and present dominate decision making	Future dominates decision making

Risk Management Information System (s)

Tools allowing for scenarios, modelling and ultimately predictive capabilities

- It is not just ONE?
- It is a “War Room”?
- Has to be real-time
- Must have integrity
- Must be intelligent
- Harness the company’s ERM, audit and strategy softwares
- Modelling, scenario planning and predictive capability is like building a puzzle



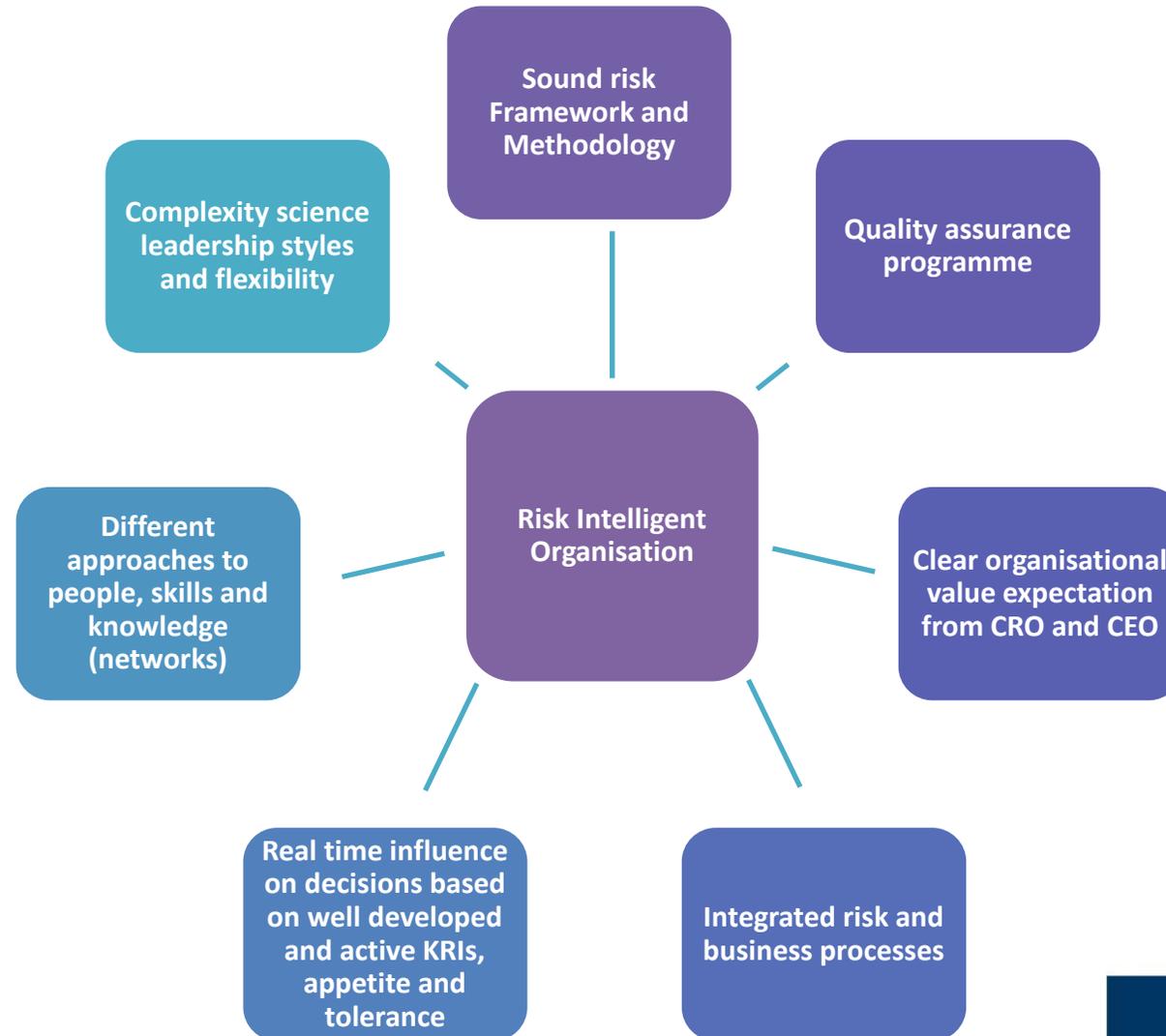
You will need a budget

People and skills

- You can only appoint so many people ...
- Risk process skills are important – BUT you need more
- Supplement the toolbox
- Virtual teams
- Social media
- Collaboration tools
- Collaborate

Most people are social beings – use it!

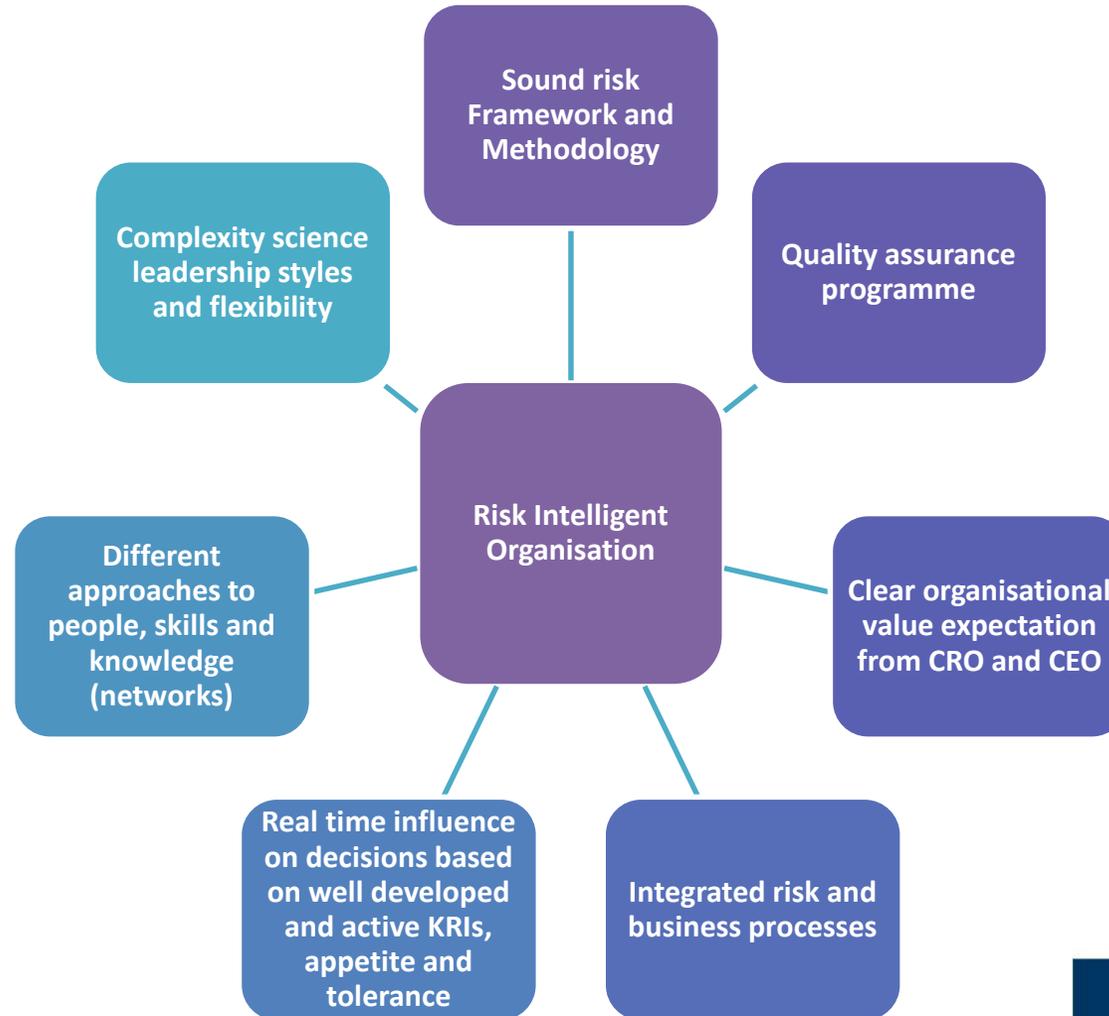
In conclusion ... the future risk managers has to have a toolbox with the following tools therein:



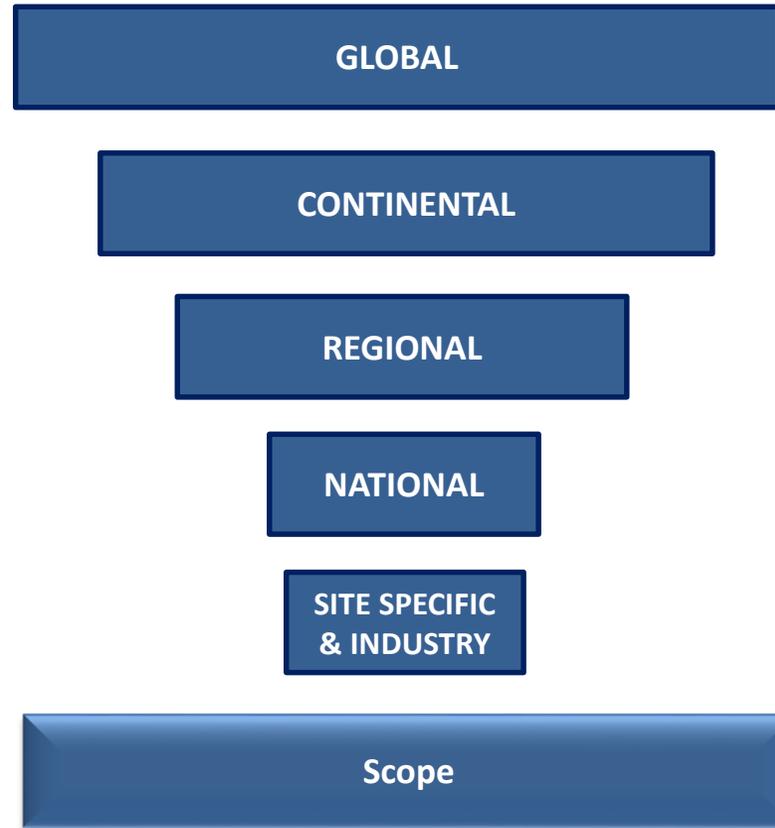
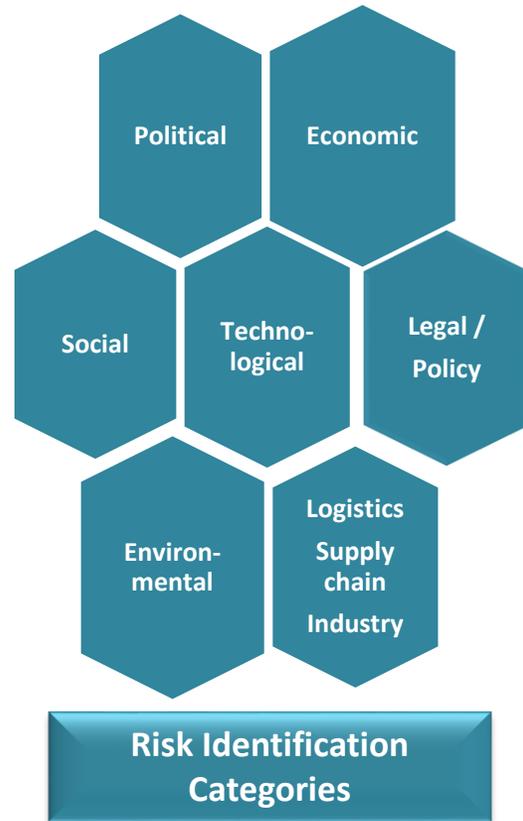
Thank you



In conclusion ... the future risk managers has to have a toolbox with the following tools therein:



Scanning your External Environment



Risk Intelligence Platform

Portal Newfeed OneDrive Sites

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Portal Newfeed OneDrive Sites Michael Fernandez

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Harvard Business Review

Managing Risks: A New Framework



Business risks facing mining and metals 2013-2014

BUSINESS RISKS IN MINING AND METALS 2013-2014
The focus of I&A has changed: The firm capital abundance of capital



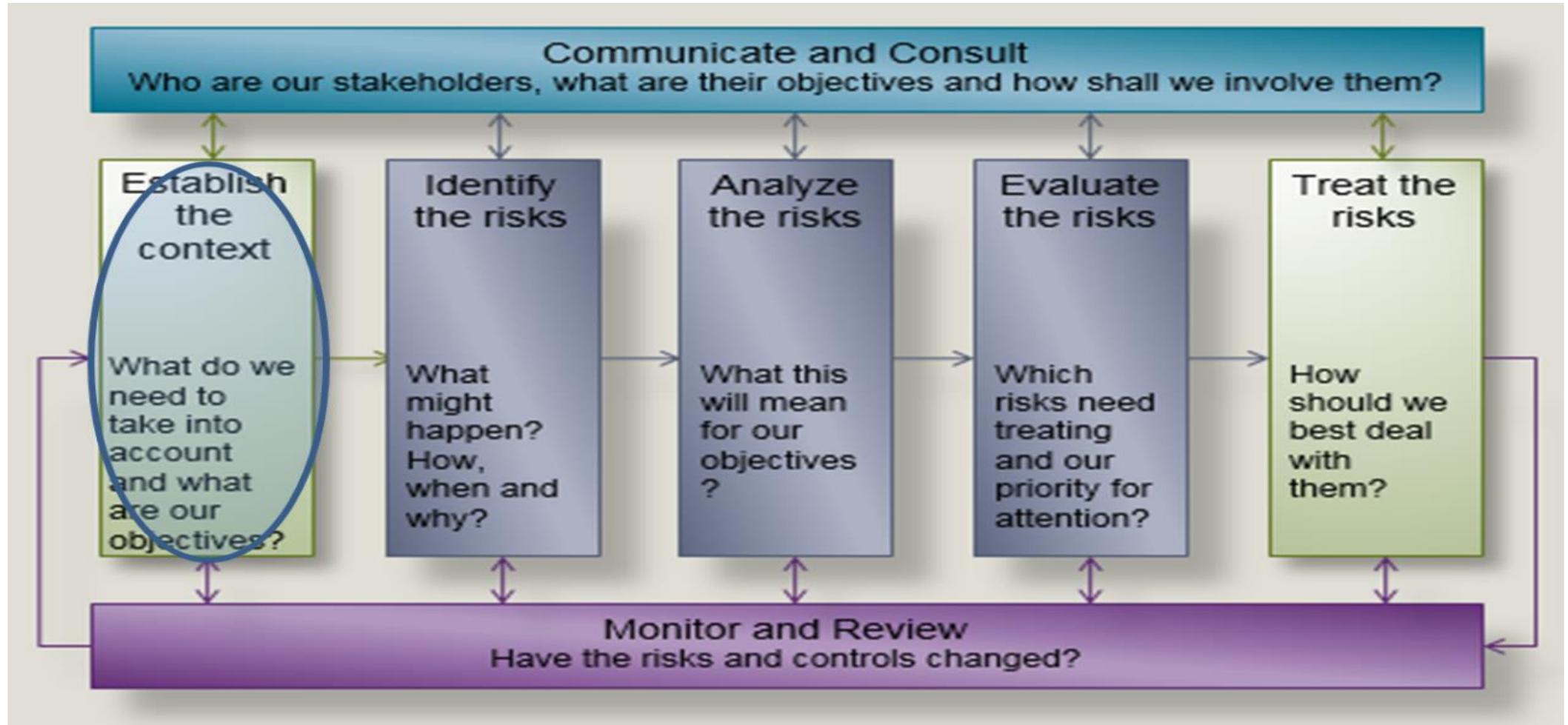
WEF GLOBAL RISKS 2014
Transformational shifts in our economic, environmental, geopolitical, societal and technological systems offer unparalleled opportunities, but the interconnections among them also imply enhanced systemic risks. Stakeholders from across business, government and civil society face an exciting imperative in understanding and managing emerging global risks which, by definition, respect no national boundaries. [Read More](#)





AFRICAN RISK LANDSCAPE
The Economist has made a monumental 50+ turn on Africa in the short space of seven years. The magazine started Africa as 'the hopeful continent' on the cover of its July 2000 issue. The magazine also led the world to the continual war, strife in famine and corruption that ravaged the continent. The dramatic shift in opinion was demarcated in the December 2011 issue, which featured an article entitled 'The hopeful continent: Africa Rising'. [Read More](#)

Risk Management Process



Quick check in?

- **Risk** is the effect of uncertainty on objectives (ISO 31000)
- **Strategic risk** - Any internal or external event or scenario that could change an organisation's ability to achieve its strategy and strategic objectives (Dr. D Gampel)
- **Risk appetite** – amount and type of risk that an organisation is willing to accept (ISO 31000)



2017 Top 10 National and Industry Risk Rankings

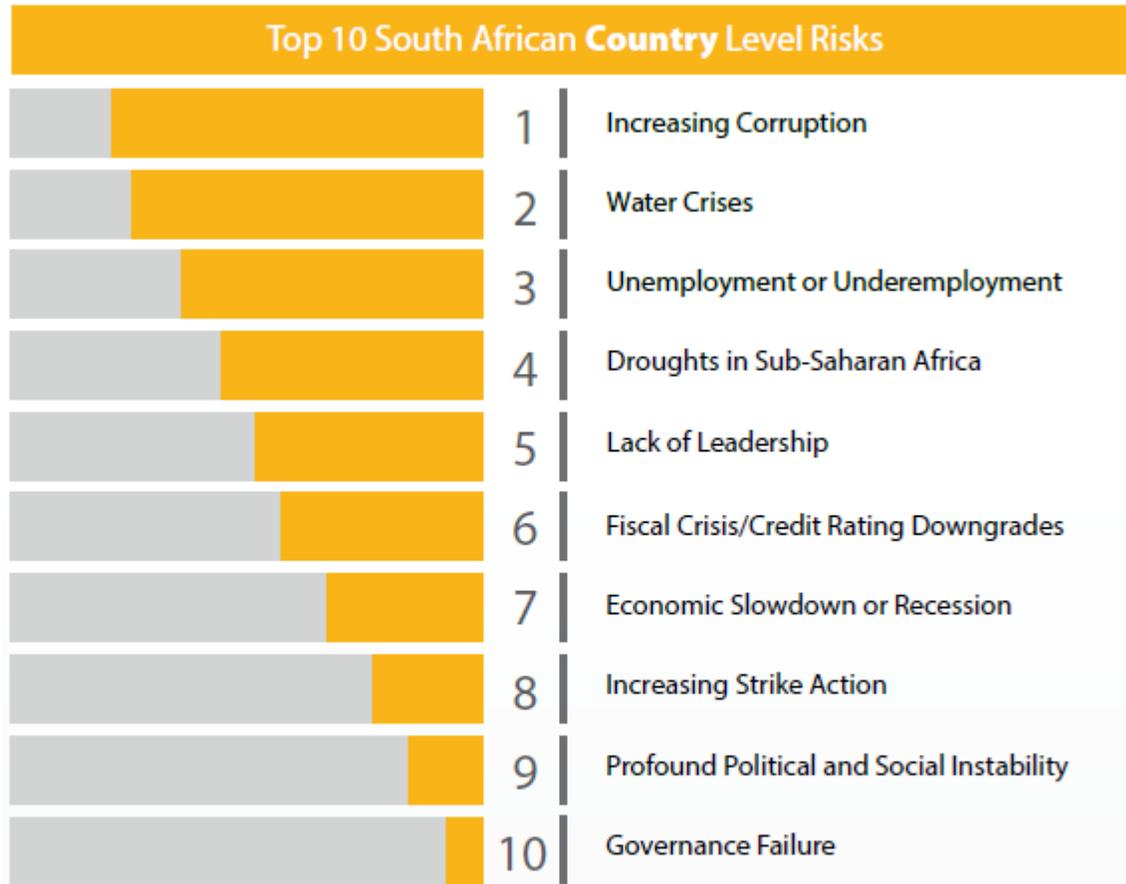


Figure 1: Top 10 South African Country Level Risks

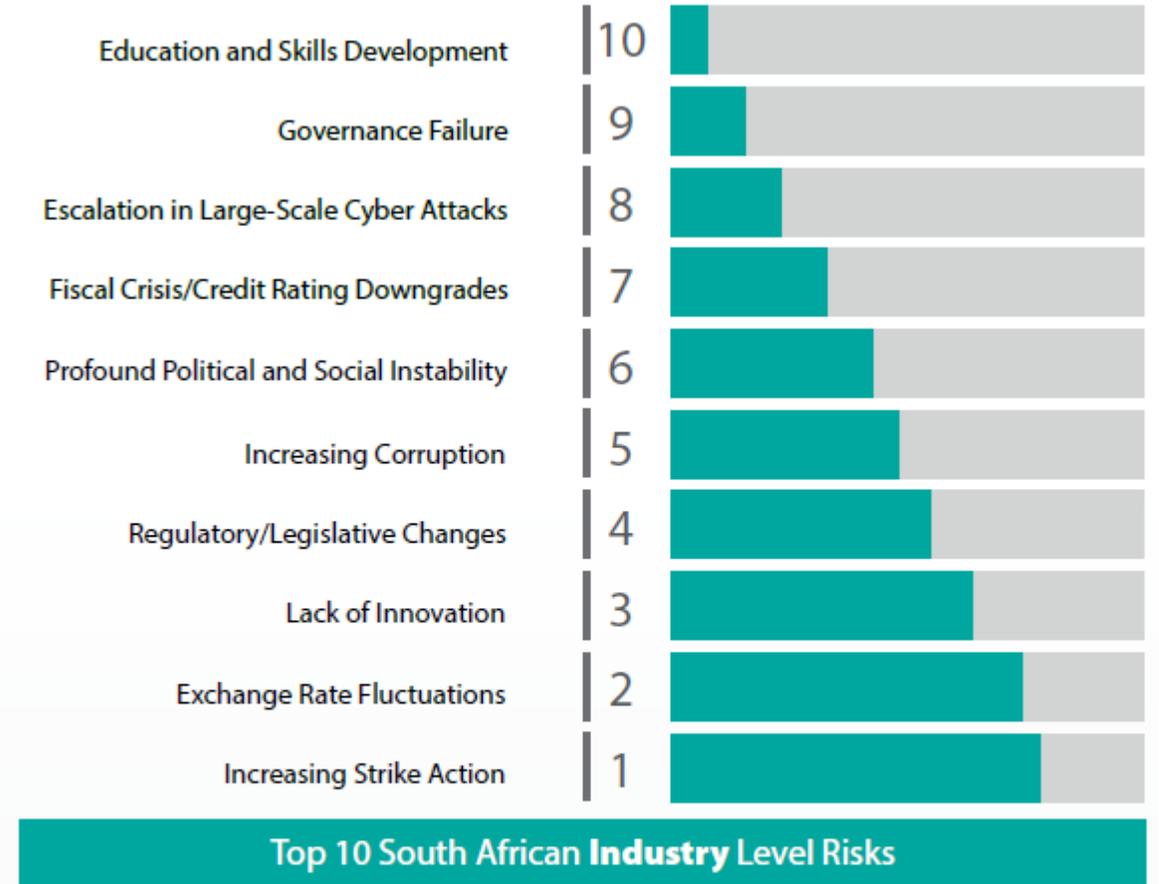
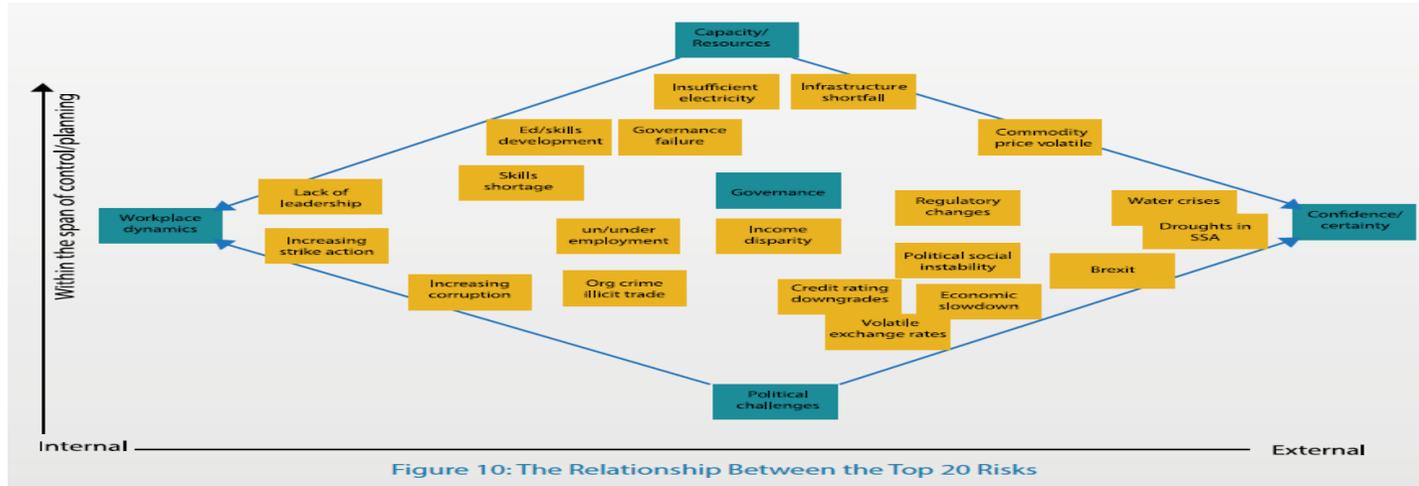
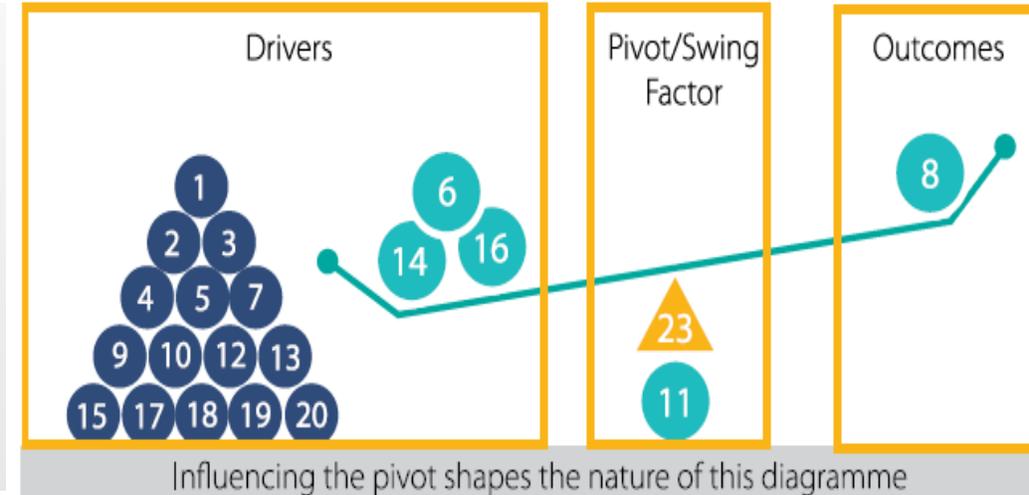


Figure 2: Top 10 South African Industry Level Risks

Causal Loop and Risk Inter-connectedness



- **Governance is the pivot** to managing drivers and shaping outcomes of those drivers
- Balance between people and value - how you get people to achieve a certain objective through a certain process of doing things
- Not just a means-to-an-end – it is **achieving a win-win** – something in it for the people = inclusive capitalism (mutual gains)
- **Will not achieve this balance without the proper internal and external contexts** – understanding both your internal (controllable) and external (uncontrollable) environments



1	Droughts in SSA	12	Severe income disparity
2	Increasing corruption	13	Volitile exchange rates
3	Lack of leadership	14	Regulatory changes
4	Increasing strike action	15	Infrastructure shortfall
5	Water crises	16	Political/social instability
6	Economic slowdown/recession	17	Brexit
7	Unemployment/underemployment	18	Volatile commodity price
8	Credit rating downgrades	19	Increase in organised crime/ illicit trade
9	Education/skills development	20	Insufficient electricity supply
10	Skills shortage	23	Confidence/certainty decreases
11	Governance failure		

Figure 11: Active - Passive Map of Prioritised Risks