



NZ Society for Risk Management

Key note speech

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Liz Taylor, FIRM FBCI

Chartered Insurance Practitioner

Author of Practical Enterprise Risk
Management

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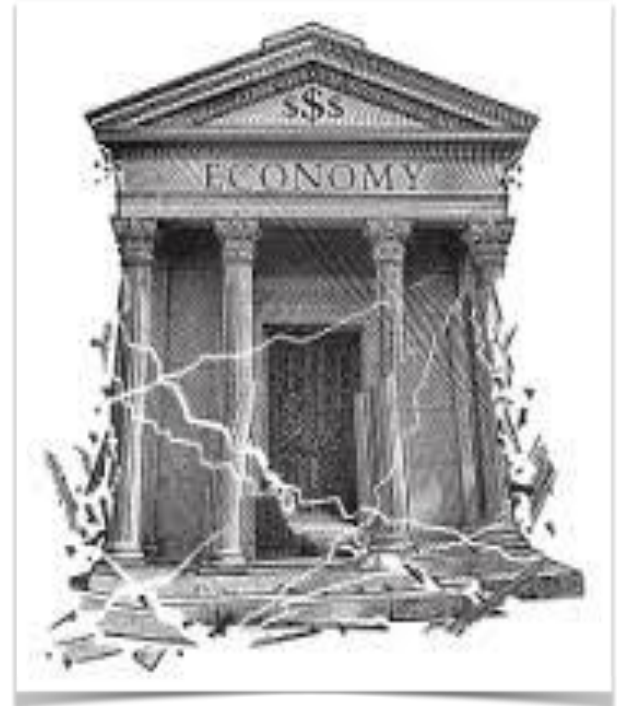
Polish Burglar



Risk managers
learning new
skills



Reserve Bank of NZ





About the Polish burglar and risk taking

- Good risk management is
 - Imperative for managing successful change
 - About
 - anticipating and diminishing threats
 - protecting sources of value
 - enabling value-creating risks to be taken in a calculated way, with reduced likelihood of failure or loss.
 - Done well, it enables an organisation to seize opportunities to create and protect value for all its stakeholders
- It is not about keeping the ship in harbour



Reserve Bank of New Zealand

- Some ERM models are abstract and are captured by a risk-by-list mentality that ultimately diminishes their relevance.
- Others don't take the helicopter view across the broad spectrum of risks and therefore don't pass muster at Board level as truly reflecting an institution's risk profile.



Accenture survey 2013

- Executives from 446 organizations
- Seven industries & two public services subsectors
- All C-level executives involved in risk management decisions.
- Geography: Europe (35%), North America (31%), Latin America (9%), and Asia Pacific (25%).
- Revenues: About half the companies (46%) had annual revenues over \$5 billion, and 54% between \$1 billion and \$5 billion.
- Respondents
 - Chief Risk Officers, (CROs, 25%), Chief Executive Officers, (CEOs, 20%), Chief Financial Officers, (CFOs, 25%), Chief Compliance Officers, (CCOs, 22%), and Chief Operating Officers (COOs), risk controllers, and internal auditors (combined 8%)



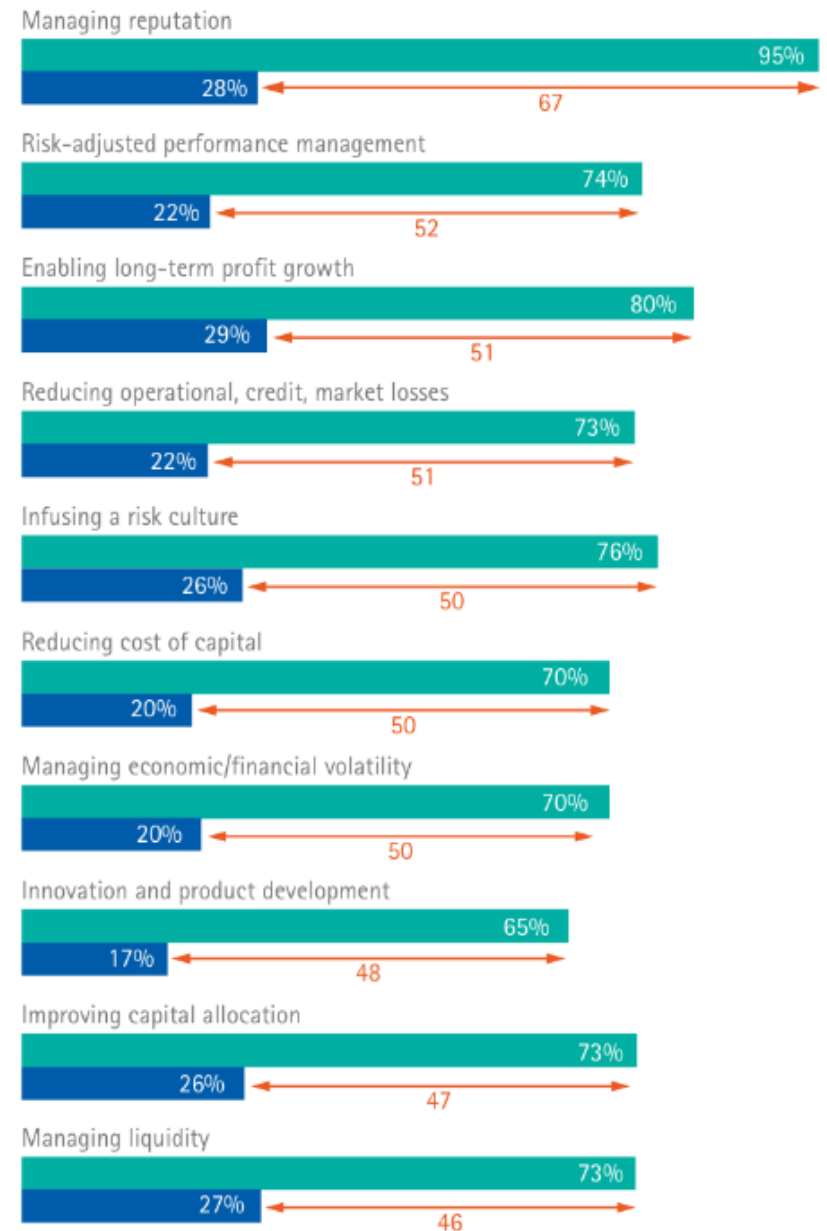
Gaps between ERM importance and achievement

Questions:

To what extent have risk capabilities helped your organisation achieve the following.... Vs

How would you rate the importance of your risk organisation as a means of achieving the following

- Total share of surveyed respondents who rated the risk organization as "critical" or "important" in achieving the goal
- Total share of surveyed respondents who feel their risk capabilities have helped achieve the goal "to a great extent"
- ↔ Gap, in percentage points, between importance and achievement



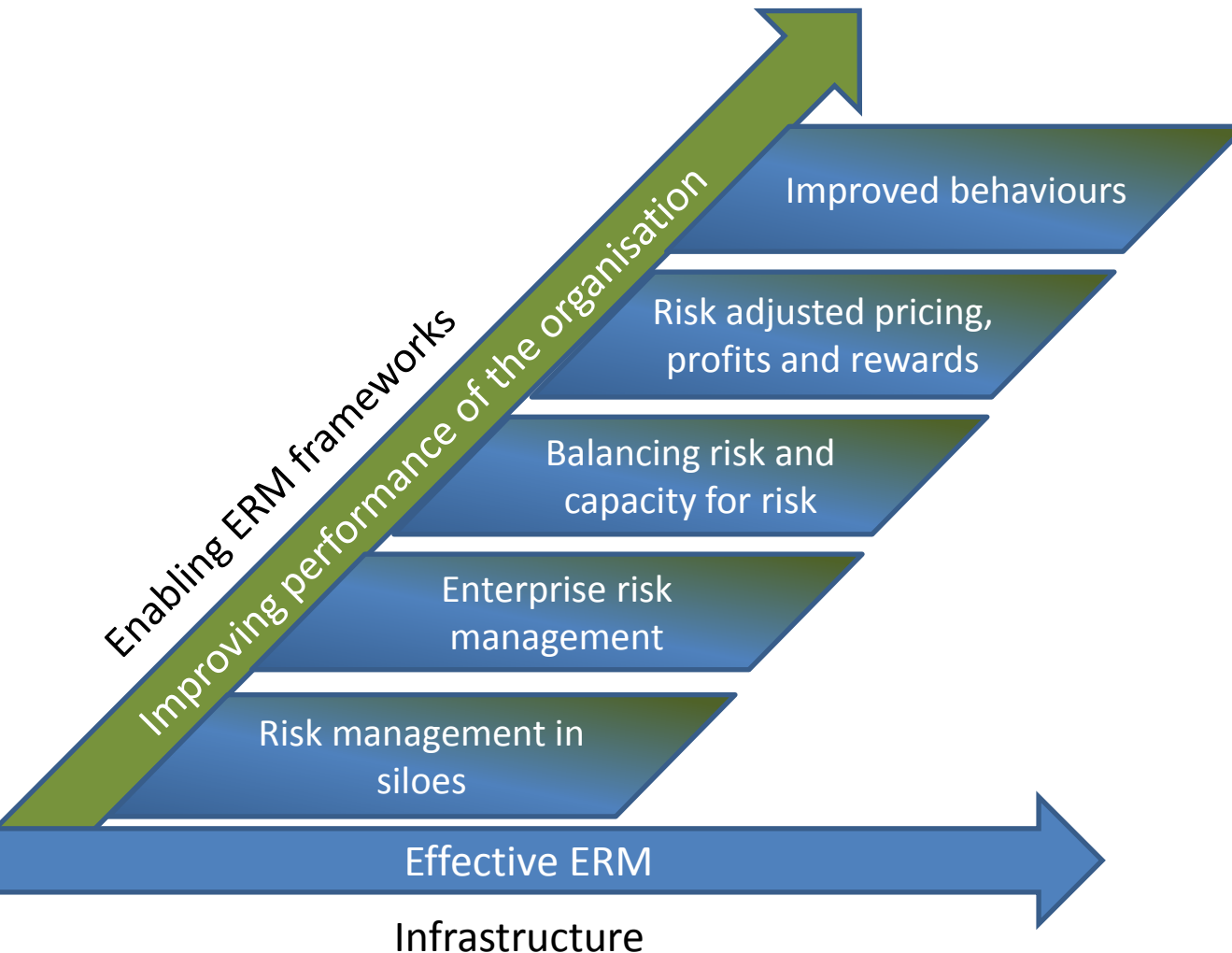


Let's study the stats

#	Area of focus for Senior Management vs delivery by ERM	Gap %
1	Managing reputation risk	67
2	Risk adjusted performance management	52
3	Enabling long term growth	51
4	Reducing operational, credit and market losses	51
5	Infusing a risk culture	50
6	Reducing cost of capital	50
7	Managing economic volatility	50
8	Innovation and product development	48
9	Improving capital allocation	48
10	Managing liquidity	46



Maturity Model



- Move from managing risk in siloes to ERM
- Move from ERM to balancing risk with capacity for risk
- Leading to risk adjusted performance measurement, pricing and remuneration model
- Ultimately leading to better behaviours



Drivers for change

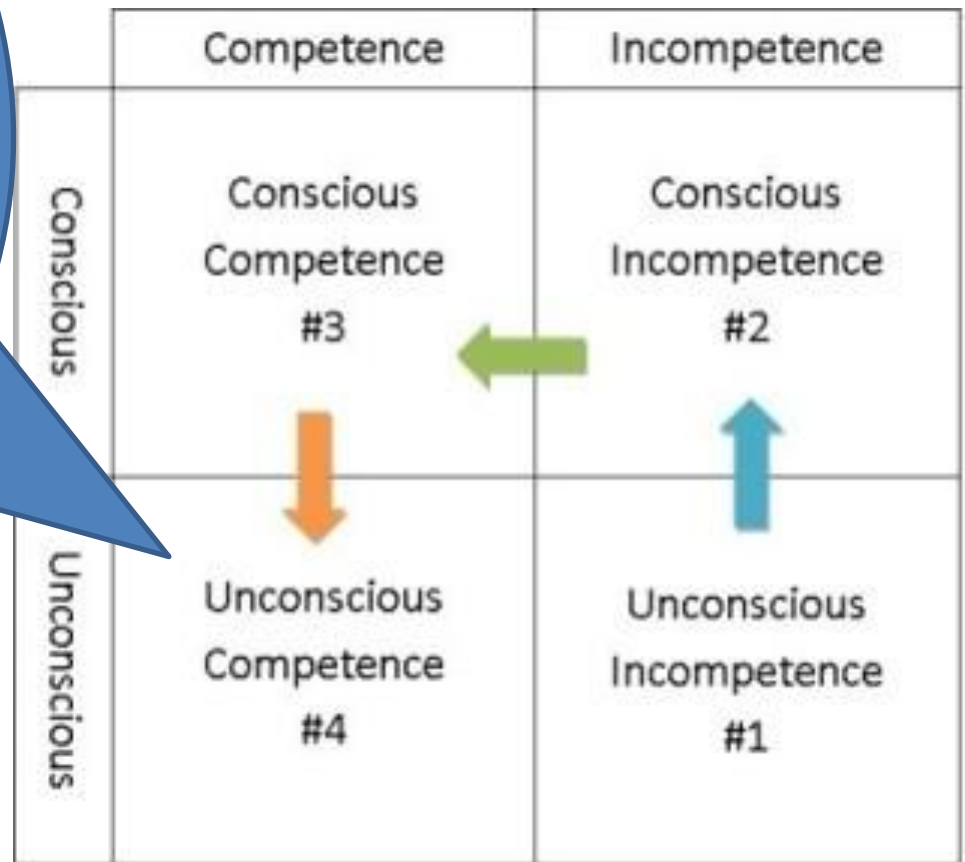
<u>Old</u> Risk Management behaviours	<u>New</u> Risk Management behaviours
Concentrate on threats	Concentrate on threats & opportunities
Manage risk limits	Set boundaries for behaviour using risk appetite
Identify risks based on objectives	Identify risks based on future changes in the business and key drivers for change
Measure risk on likelihood and impact	Measure risk on <ul style="list-style-type: none">• Stakeholder expectations• Linkages with strategic objectives• Inter-linkages of risks• Inter-dependencies of risks
Treat risks using four T's and DDPC	Minimise threats and open up opportunities
Concentrate on delivering improved business outcomes	Concentrate on delivering risk based profit and reward measurements driving improved behaviours and stakeholder risk management



Maturity in ERM

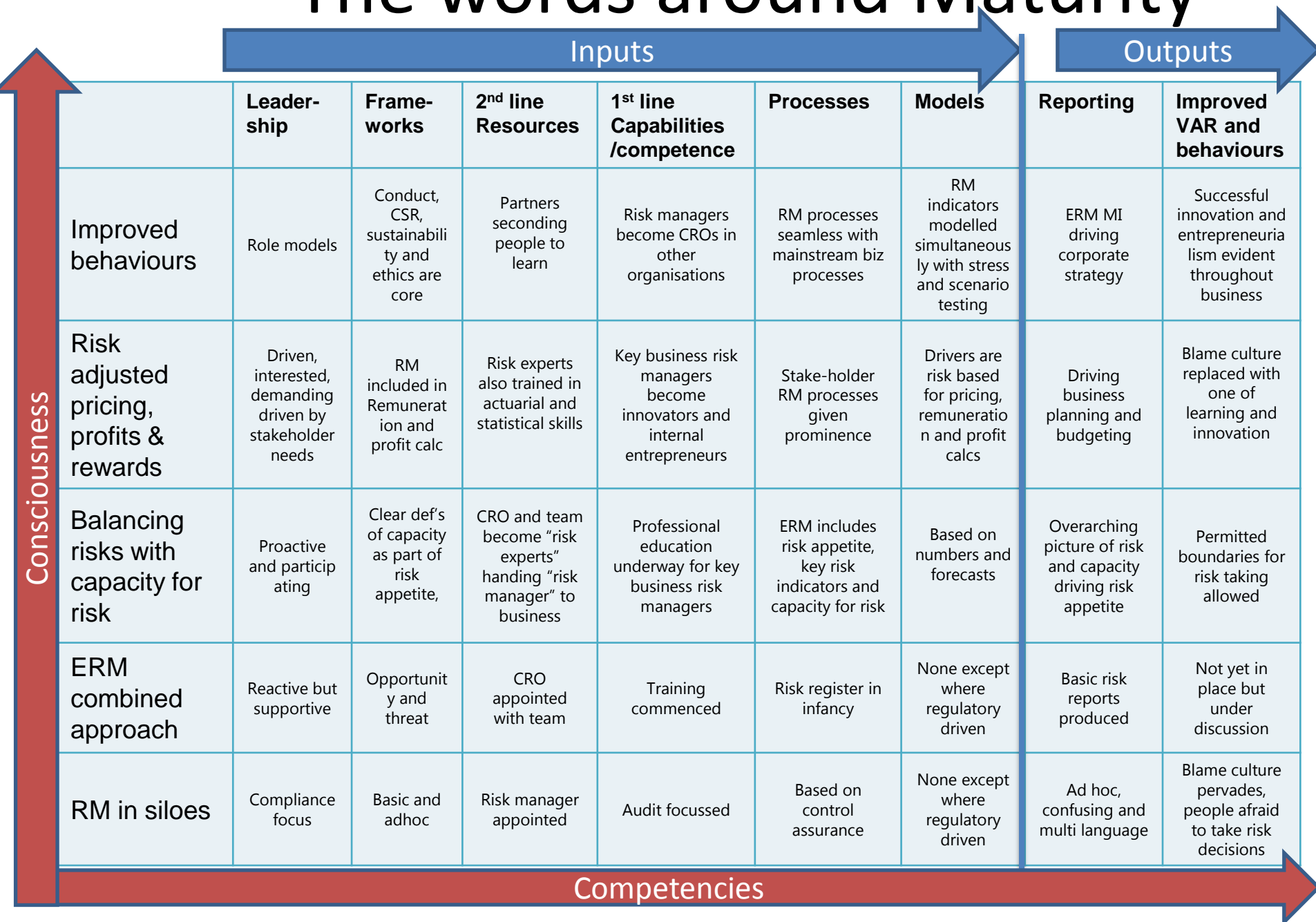
Unconscious competence in ERM should lead to better behaviours as well as

- improved liquidity
- capital management
- stakeholder risk management





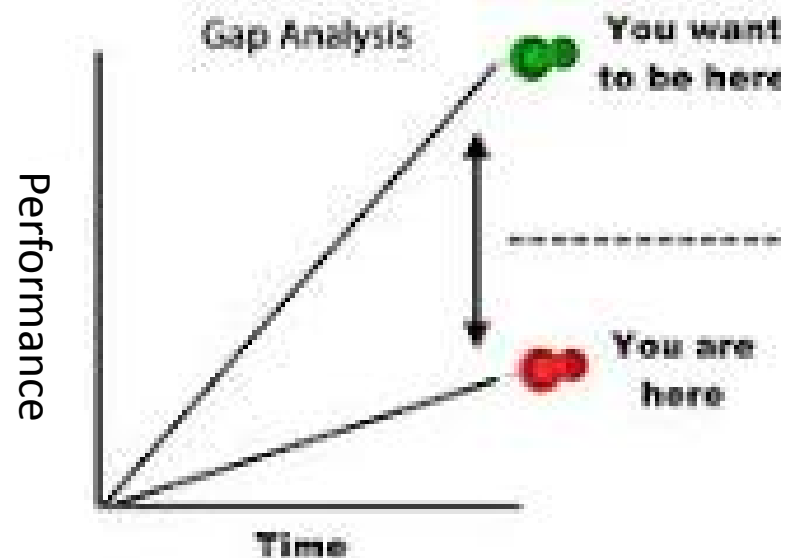
The words around Maturity





Improving performance

- Moving from unconscious incompetence to conscious incompetence.....
- How do we know what we don't know that we are terrible at?
- A first step is to think about where we are now... and where we want to be..
- Then to measure and address the gap





Thank you

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Author of Practical Enterprise Risk Management

ISBN 9780749470531

e: liz.taylor@liztaylorriskconsulting.co.uk

t: +44 (0) 775 3607676

w: www.liztaylorriskconsulting.co.uk

l: <http://uk.linkedin.com/in/liztaylorrisk>