Risk Management for 2020 and Beyond

Sam Abadir | Director, Industry Solutions, Lockpath, a NAVEX Global Company
Agenda

• What Encompasses RM
• Who Needs to Know
• How to Approach
• Approach Today
• Approach Tomorrow
About the Presenter

Sam Abadir
Director, Industry Solutions, NAVEX Global

Sam Abadir has over twenty years of experience helping companies realize value through improving processes, identifying performance metrics, and understanding risk. Early in Sam’s career, he worked directly with financial institutions and manufacturing companies to help them realize institutional value. As a Senior Manager at Deloitte, he focused on improving processes and increasing value for Global 2000 companies.

In the past seven years, Sam has worked with software companies like Lockpath to design risk based solutions, consult with risk industry leaders and help organizations message the benefits of risk management at all levels in an organization.
What Encompasses Risk Management
What Is Risk?

• A measure of the negative effect of uncertainty on achieving objectives.

• A measure of the likelihood that an event may occur, how fast the event may impact the entity, and the estimated negative impact that an event may have on objectives.
What Is an Effective Risk Management Process?

1. Identify the risk

• Uncover, recognize, describe risks that might impact your goals
• Develop a risk register and record risks
What Is an Effective Risk Management Process?

1. Identify the risk
2. Analyze the risk

- Determine the likelihood and impacts of each risk
- Understand how to measure the risk – define risk indicators and key risk indicators
What Is an Effective Risk Management Process?

1. Identify the risk
2. Analyze the risk
3. Evaluate the risk

- Evaluate and rank the risks by magnitude
- Determine if the magnitude is acceptable or if the risk needs treatment
What Is an Effective Risk Management Process?

1. Identify the risk
2. Analyze the risk
3. Evaluate the risk
4. Treat the risk

• Develop controls or processes to minimize the impact of the risk magnitude to an acceptable level
• Determine how frequently to monitor risk indicators
What Is an Effective Risk Management Process?

1. Identify the risk
2. Analyze the risk
3. Evaluate the risk
4. Treat the risk
5. Monitor the risk

• Measure the risk indicators
• Periodically review the risk
Risk Management

• **Operational Risk Management** - Managing the risks to daily operations due to inadequate or failed internal processes, people, technologies and external events

[Image of Michael Porter's Value Chain]

- Firm Infrastructure
- Human Resources
- Technology Development
- Procurement
- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing & Sales
- Service
# Risk Management: Organizational Operations

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APQC Process Classification Framework
## Risk Management: Organizational Operations

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## Deliver service to customer

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<td>5.3.3</td>
<td>Complete service delivery</td>
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### Risk Management: Organizational Operations

#### 5.3.3 Complete service delivery

| 5.3.3.1 | Conduct service delivery/project review and evaluate success |
| 5.3.3.2 | Complete/finalize financial management activities |
| 5.3.3.3 | Confirm delivery according to contract terms |
| 5.3.3.4 | Release resources |
| 5.3.3.5 | **Manage service delivery completion** |
| 5.3.3.6 | Harvest knowledge |
| 5.3.3.7 | Archive records and update systems |

**APQC Process Classification Framework**
Risk Management: Organizational Operations

5.3.3.5 Manage service delivery completion

- Description of Activity
- Organizational Control
- Key Performance Indicator (KPI)
- Acceptable KPI Levels
- Key Risk Indicators (KRI)
- Tolerances and Responses
Risk Management: Organizational Operations

Key Risk Indicators (KRI)

- KPI is on time performance
- Risk to OTP is performance of truck fleet
- Risk to performance of truck fleet is adherence to regular truck maintenance
- Risk to regular truck maintenance is number and training level of fleet staff
KPI & KRI Tolerances - Example

Manage Service Delivery Completion

Risk Thresholds

• Can have both upper and lower risk thresholds
  • Can have only upper or lower risk thresholds
• Can have different responses
• Can impact the business in different ways
Critical Capabilities

What You Must Do

1. Risk Documentation and Assessment
2. Risk Mitigation Action Planning
3. KPI/KRI Monitoring and Reporting
4. Incident and Issues Management and Analysis
5. Effective Internal Audit Management

Why You Must Do It

1. Explain the expectations of the operations and provide a basis for evaluation
2. Prepare for activities to undertake when evaluations are unacceptable
3. Understand when activities are in and out of prescribed tolerances
4. Manage events and understand the effectiveness of risk management program
5. Provide independent analysis of risk management program
Common RM Challenges

• Lack of support
• Lack of budget
• Identifying what to manage and how to manage it
• Understanding performance indicators
• Defining risk thresholds and indicators
• Creating risk response plans

• Lack of user specific messaging
• Organizational structure and management of risk
• Managing RM scope
• Growing RM with changing organization
• Issues and incident management
• Effectively leveraging information from internal audit
Scope of Program
Who Needs to Know
Risk Reporting – Impacts

• Primary Activities all build upon each other
  • Additional impact to Support Activities

• Secondary Activities impact all Primary Activities

• All Activities impact Margin
Risk Reporting – Impacts

Risk Scenario

Deliver service to customer is late

• Impacts outbound deliveries
• Puts pressure on sales
• Lessens or increases the need for service
• Negatively impacts Margin
• Negatively impacts Inbound Logistics
How to Approach
Office Suites, GRC & IRM Platforms

Office Suites

• Intuitive to most users
• Fine for very small organizations that have little interaction with third parties and auditors
• Helps “check the box”

Governance, Risk & Compliance

• Robust approach to risk
• Messaging needs are simple
• Low/infrequent need for downstream risk information

Integrated Risk Management

• Robust and detailed approach to risk management required – or highly integrated operations environment
• Multiple messages for different stakeholders required
• Risk outputs critical to other decisions
RM Solution Dashboard
RM Solution Dashboard

- Number of Critical Processes
- Complexity of Operations
- Rate of Change of Business

Complexity of Operations

- IRM
- GRC
- Office Suites
Risk Reporting – In Context

Risk Scenario

**Deliver Service to Customer is late**

- Impacts outbound deliveries
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- Negatively impacts Inbound Logistics
Risk Reporting – In Context

Risk Scenario

Deliver Service to Customer is late
• Impacts outbound deliveries
• Puts pressure on sales
• Lessens or increases the need for service
• Negatively impacts margin
• Negatively impacts inbound logistics

Messaging

• Generic: Late Deliveries...

• Tailored, Risk-Based Messages
  • ...will create a back-up in shipping – increase staff to catch up
  • ...potentially require an update to sales forecasts
  • ...will create higher levels of customer service calls – staff appropriately
  • ...result in higher costs, impacting margin – update quarterly target accordingly
  • ...will cause backup in warehouse – look for space for new raw materials
  • ...fleet performance metrics to operations
  • ...fleet maintenance metrics to fleet manager
  • ...fleet staffing metrics to HR
Approach Today
Risk Management Now

• Build a business case and get support
• Understand the scope of your program. Identify key operations and how they are measured throughout the value chain. Also identify where and when they are measured
• Determine who needs to know - when they need to know – and how frequently they need to know
• Understand effort and complexity to implement point or IRM solutions. Make this part of the ROI calculation when choosing a solution
Risk Management in the Future

• Requirements will change
• Your program will need to scale and pivot on risks
• Risk management will need to integrate throughout the organization
• Understand effort and complexity to move from point solutions to IRM solutions. Make this part of the ROI calculation when choosing a solution
About Lockpath & the Keylight Platform
The Keylight Advantage

- Audit Management
- Operational Risk Management
- Health & Safety Management
- Vendor Risk Management
- IT Risk and Digital Risk Management
- Compliance & Policy Management
- Business Continuity Management & Planning

Features:
- Consuming Enterprise Data and KPIs
- Integrated, Dynamic Assessments
- Configurable Workflow
- Data Security
- Dedicated Analytics and Reporting Engine

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Keylight for All Risk Needs

**Team Edition**
- Preconfigured cloud solution
  - Operational Risk Management
  - Compliance Management
  - Vendor Management
  - Audit Management
- Instantly upgradable

**Standard**
- Preconfigured and configurable cloud solution
  - Team Edition plus
    - IT Risk Management
    - Incident Management
    - Issues Management
    - Business Continuity/Resiliency Management
- Instantly upgradable

**Enterprise**
- Fully configurable solution
  - Standard Edition plus
    - Health & Safety Management
  - Cloud or on-premise options
Thank you