

# Operational risk management

## Workshop Overview

In the ever-changing Far East business environment, encountering risk is inevitable. The ability to manage these increasingly significant risks now represents the difference between a thriving organisation and one that is struggling to deal with the challenges facing it.

Many businesses in the region have realised that misunderstanding operational risk can lead to disaster. This requires knowledge of specific risk management tools and techniques. This is exactly what you will find in this master class.

As the current worldwide situation demonstrates, poorly informed or improperly executed risk management can mean disaster. Conversely, a well organised and focused risk process and strong risk management team will enable your company to maintain and strengthen your edge over your competitors.

Moreover, studies have shown that financial risk is only the 'tip of the iceberg', as nearly 80% of key risks are not insurable. These operational risks are the subject of this master class

## Who should attend?

- Risk managers
- Managers and Directors responsible for the risk management function or process
- Senior Internal Auditors and audit managers
- Other assurance professionals such as those in Compliance and QA functions who are being asked to review the operational risk process
- Finance managers and Insurance professionals who need knowledge of the wider approach to risk management

## Why should you attend?

- **UNDERSTAND** the concepts and practical application of operational risk management
- **LEARN** how to ensure risk management is seen as a business enabler
- **APPRECIATE** The benefits of an enterprise –wide approach to risk
- **DEVELOP** an embed a risk management system in your organisation
- **IDENTIFY** the different techniques for identifying operational risks
- **MANAGE** the effective implementation of successful risk mitigation

- **LEARN** how to link risk management into the business planning process
- **DEVELOP** techniques for the assessment of people, process and reputation risks
- **UNDERSTAND** how to record the risk process effectively

## Day 1 : Understanding Operational Risk Management

### What is Operational risk management?

- Explanation of operational risk management and why it is often not properly understood
- The role and responsibilities of directors and senior management with respect to Risk Management
- Why financial risks are only the top of the iceberg.
- The key link between corporate governance and risk
- Selling the benefits to top management
- How to quantify and measure risk – and why the approach followed by most organisations may be misleading
- Establishing an operational risk process - the steps to success
- New paper on RM and the role of Executive management will be shared

**Exercise 1 – The Major Risks impacting the business – delegates will be asked to consider the strategic risks**

### The link between operational risk and strategic objectives

- The need to understand the organisation's strategic objectives
- New risk tips paper will be shared
- Developing a programme to reflect these objectives
- Risk appetite – the least understood aspect of risk?
- Examples of risk appetite statements will be provided
- Categories of risk
- Establishing a risk management framework
- The results of a Global RM study will be shared
- Why RM is receiving such publicity
- High profile corporate failures and the lessons to learn
- Explanation of the new ISO 31000 international risk standard
- New ISO 31000 and RM paper will be shared
- The regulatory regime and impact on RM

**Exercise 2 – Analysing a Disaster – delegates will be asked to review a major disaster and identify the significant risks**

## **Establishing an Embedded Risk Management Process**

- Surprises and risk
- The widening of the risk portfolio
- New and emerging operational risks- reputation, social, environmental
- Updating the risk process for your organisation
- Selling the benefits to management
- The need for risk champions
- New guidance paper on risk champions will be provided
- Risk and competitive advantage
- Risk workshops – the do's & don'ts

**Exercise 3 – Risk and reward - a team exercise to show risk taking in action**

## **Operational Risk Identification and Evaluation**

- Approaches and techniques
- How to establish a risk workshop process
- The need for effective facilitation
- Establishing workshops
- Risk as an opportunity
- A new paper on the recording and evaluation of opportunity and linkage to performance management will be provided
- The use of diagnostic questions and thought-provokers
- Other methods of risk identification
  - Monte Carlo Simulations
  - Bayesian networks
  - Scenario planning
- How to identify, sift and group the risks
- Measuring the consequences and the likelihood of occurrence of each risk
- The use of risk matrices to prioritise the risks.

**Exercise 4 – Team Exercise to enable you to appreciate the emerging risks**

## Assessment of Risk Mitigation

- Ensuring risks are managed effectively
- How to assess risk mitigation
- The need for diligence and challenge
- Identification of risk exposures
- Dealing with the exposures (the 4 Ts - terminate, tolerate, treat or transfer)
- Recording the risks – risk registers or risk maps
- The need to keep the process as simple as possible
- Establishment of action plans
- Allocation of risk owners

**Exercise 5 – The corporate risk register delegates will be asked to review a strategic risk register and identify the strengths and weaknesses of the approach**

## Day 2 : Dealing with the risks

### Linking the output into the Business Planning Process

- Linking corporate risks with the strategic planning process
- Linking operational risks into business planning
- Risk owners – how to determine such personnel and enforce ownership
- Annual statements by risk owners
- Developing risk tracking
- New risk culture paper
- Using the risk register as a decision skeleton
- Quarterly board reporting to review progress in addressing the exposures
- Risk management committee reporting
- Half yearly evaluation of key risks to ensure new risks identified and included

**Exercise 6 – Ownership of risks – delegates will be asked to determine an effective process for risk ownership**

### People and Process Risks

- Key risk themes and how to deal with them
  - Failure to manage projects effectively

- Loss of IT systems
- Failure of partners or inability to establish effective partnering
- Loss of key personnel
- Hacking/breach of system security
- Failure to innovate
- Poor prioritisation of systems development
- Loss of morale / stress
- Too much data – insufficient information
- E-Commerce – the key risks and steps to take to mitigate them
- IT security – how to evaluate effectiveness and influence change

## Exercise 7 – People and System risks

### Reputation Risk

- The rise of reputation as a key risk
- The increasing importance of a positive image – the need to be admired
- Reputation – the value measure of the 21<sup>st</sup> century
- Creating value from intangible assets
- Where does reputation come from?
- How do you measure it?
- The magnifying effect on reputation of business failures
- Moving reputation out of the PR arena and into the boardroom
- Damage by association – partnering and alliances
- Identifying reputational risks

## Exercise 8 - How to Judge Reputation

- A checklist for reviewing reputational risk will be provided to all delegates.

### Focussing the Risk Environment

- The need to coordinate and link the output
- Flagging interdependencies – if one risk treatment is changed the other party or parties impacted need to be notified
- Risk treatment analysis – how to determine the cost/benefits of dealing with exposures / exploiting opportunities
- Risk management as a route to reducing bureaucracy
- How to use the risk process to break down the cultural barriers
- Reports for senior management

## **Exercise 9 –Risk management reporting – determining the reporting process for key risks**

### **Cascading the Process**

- **Stakeholders interest in risk**
- **Making risk management second nature**
- **Keeping up the momentum**
- **How to measure the benefits**

## **Exercise 10 –Measuring the benefits – delegates will be asked to discuss and determine effective risk measures**

- **Sharing output with partners**
- **Evaluating risks within these relationships**
- **Risk indicators (KRI's)**
- **New paper on KRI's will be provided**
- **How to identify and reduce excessive controls**
- **Feeding key risks up the organisation**
- **Coordinating the whole process**
- **Useful web sites and reference books**
- **How to use the programme to change the culture**