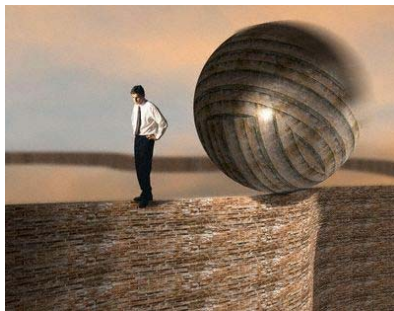


***Supply Chain Risk
Management Summit - Dubai 2007***

***”Enterprise risk management
strategy for MENA region”***



***John Stevens
Risk Frisk Ltd, UK***



Overview

1. Introduction
2. Enterprise risk management
3. Risk management strategy
4. Risk mitigation
5. Balanced approach

1. Introduction

My background

- **HR, H&S, Fire, Business continuity**
- **Global**
- **International Safety Director BOC Health Care**
- **RiskFrisk® - 1998**
- **Author and international speaker**
- **Professional bodies**

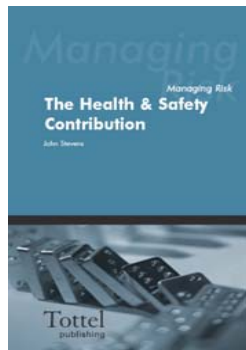
RiskFrisk®

www.riskfrisk.com

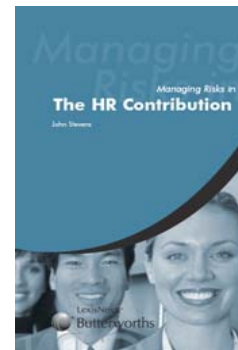
Strategic & corporate
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Online & real time
Fleet risk profiling



**“Managing Risk
– The Health &
Safety
Contribution”**



**“Managing Risk
– The Human
Resources
Contribution”**

RiskFrisk[®]

We advise and support clients in any sector

KUEHNE+NAGEL

 **Pitney Bowes**

 **SAS**

 **JAL**
JAPAN AIRLINES

 **THREE VALLEYS WATER**

 **BOC EDWARDS**

 **amey**

 **WT FOODS**

 **Dalkia**

 **Essex County Council**

 **Camden**

 **JPMorgan**

 **THE WINE SOCIETY**
1874

 **Rustons**

 **SYNAPSE**
creative

 **RNIB**

 **VEOLIA**
Water

 **contour**

 **GAPI** LTD

 **TECHNICAL CONCEPTS**

 **Pictons**

 **CAMDEN**
ELECTRONICS LTD

 **pha**
communications limited

Company website – www.riskfrisk.com
Fleet Risk Profiler™ website – www.fleetriskprofiler.com

2. Enterprise Risk Management

Use enterprise risk management techniques to identify priorities for action

Setting the scene

- **MENA**
- *Approaches*
- *Available guidance*

Enterprise risk management-COSO

Definition:

“... 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: 2004 COSO Enterprise Risk Management – Integrated Framework.
(The Committee of Sponsoring Organisations of the Treadway Commission)

Enterprise risk management-COSO

- Critical principles & components
- Use common language
- ERM an important business imperative
- Consistent risk managing approach
- Often called 'Enterprise-wide'
- Transition from insurance linked risks

Enterprise risk management-COSO

- Recognises that early risk management:
 - Fragmented
 - Focused on 'reducing'
- Risk management:
 - 'Silo' activity
- ERM process:
 - Include ALL risks
 - Input from ALL 'risk specialists'
 - Must include supply chain risk specialists

Enterprise risk management

- **Involve 'enterprise'**
- **Identify all its risks**
- **Impact reduction strategy**
- **View 'enterprise' as a set of 'systems'**
- **Potential risks:**
 - **Business, commercial, operational**
 - **People, financial, supply chain**
 - **Business continuity, IT,**
 - **Security, H&S, fleets & external**

3. Risk management strategy

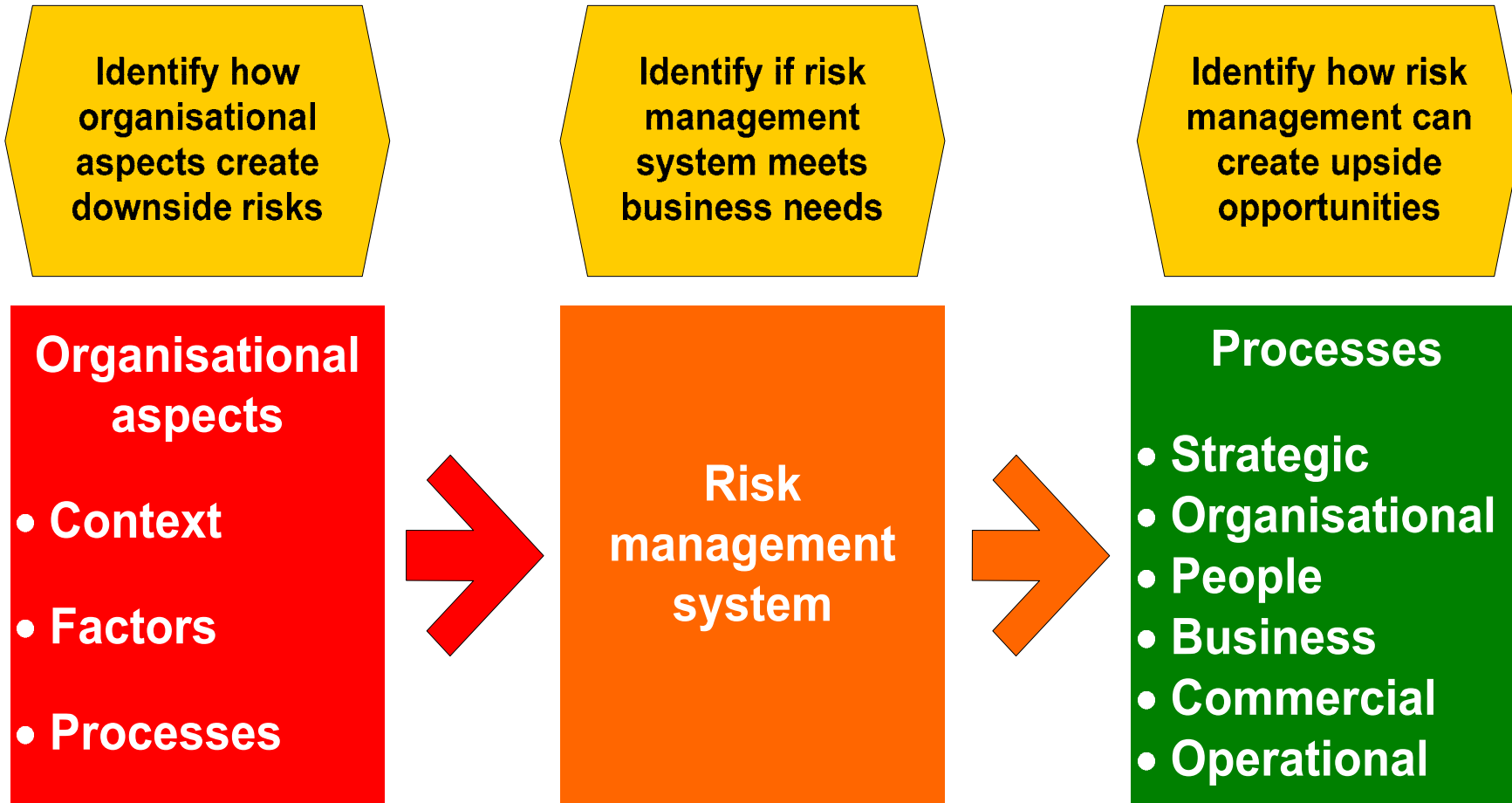
Develop a risk management strategy to provide management guidance

Risk management strategy

- Strategy
- Table potential risks
- Risk sources
- Assess balance
- Talk/discuss
- Enthusiasm / appetite for risk or *Entities risk appetite*
- Guidance
- Yell/communicate

RiskFrisk® Model

Corporate risk assessment



Enterprise-wide factors

Organisational Context

- Activity
- Location (s)
- Background history
- Ownership
- Political & external influences
- Commercial status
- Business strategies

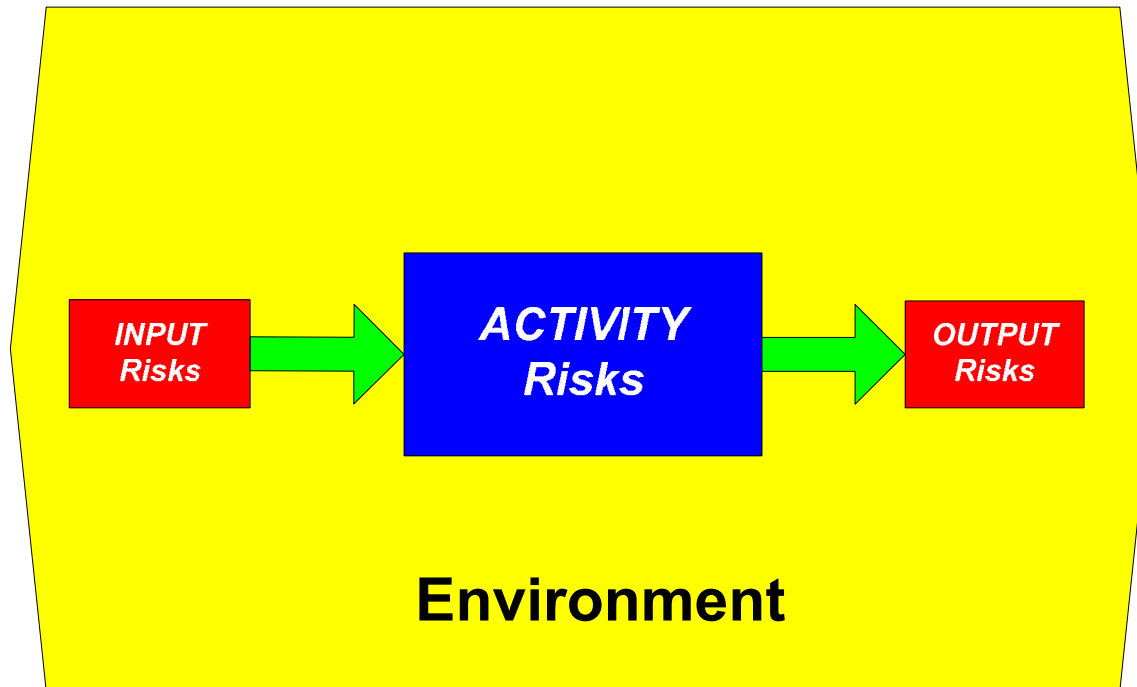
Organisational Factors

- Organisational structure
- Core values
- Goals & objectives
- Compensation and rewards

Organisational Processes

- Business planning
- External controls
- Management control
- Risk management

Risk identification



Examine all processes (enterprise-wide) inclusively using a holistic and NOT 'silo-thinking' approach

Examples

- **Manufacturing concentration**
- **Sub-contractor management**
- **Local outsourcing & control**

Managing your risks?

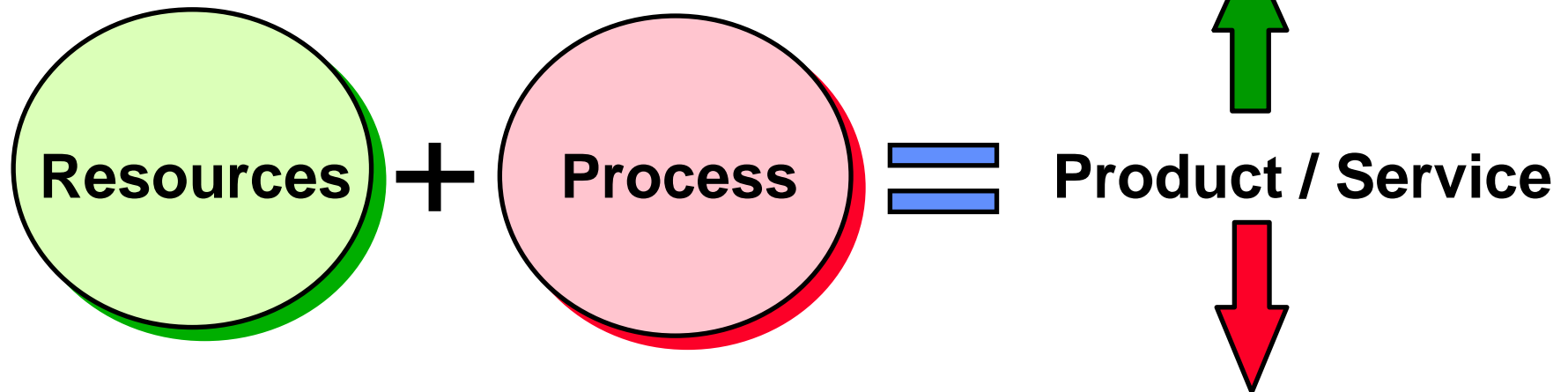
- Identified potential enterprise-wide risks?
- Risks been assessed?
- Will any:
 - Result in significant loss, disruption or failure?
 - Damage your reputation?
 - Affect your supply chain?
 - Affect your market position?
 - Affect your commercial performance
- Integrate controls to manage the risks

4. Risk mitigation

Identify the available risk mitigation options

Risk appetite?

Good enterprise-wide risk management



Poor enterprise-wide risk management

**DECREASES
PROFIT &
INCREASES RISK**

What is 'driving' your business?

- Business goals - “profit, profit, profit”
- Short-term reporting – constant improvement?
- Overall business / operational processes?
- Management processes?
- Commercial realities?
- ‘Customer’ expectations?
- People / operational risks?
- Regulatory requirements?
- Supply chain management?

How important are these?

- Loss of external investment
- Decrease in value of stock
- Stakeholders perceptions
- Threat to organisations goals
- Major reputation and business risks
- Impact upon employees

Process

- Consider culture, risk appetite, management processes.
- Decide on risk mitigation processes
- Integrate with business, commercial and operational processes and risk reporting
- Implement residual risk transfer
- Implement risk monitoring
- Identify changes that affect risk profile

5. Balanced approach

***Implement effective risk controls, by
balancing the maximization of opportunities
and the minimization of risks***

Balanced approach

Risk averse
Doing the
minimum

Not integrated
into business

Eliminating 'all'
risks

Regulatory
compliance focus



Risk management
Balancing upside &
downside risks

Maximising
opportunities

Minimising risks

Make sensible
decisions using
facts

What do Executives need to know?

- Their business
- How business creates risks
- Significant potential 'management failures'
- What actions & levels
- The 'journey'
- Risk specialists can advise / support business

Executive implications

- Supply chain or other risks
- Heavy 'business' focus - de-focus on a wider agenda
- Choices people make 'button'
- Changes
 - Business and operational processes
 - Supply chain strategies and processes
 - Risk management strategy & processes
 - People management arrangements
 - Corporate governance

Any questions?