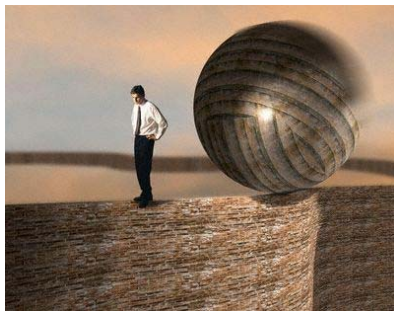


***Supply Chain Risk  
Management Summit - Dubai 2007***

***”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**

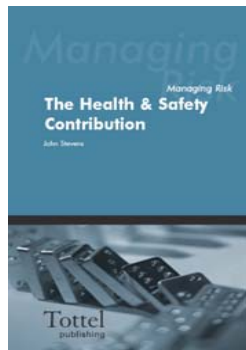
# RiskFrisk<sup>®</sup>

[www.riskfrisk.com](http://www.riskfrisk.com)

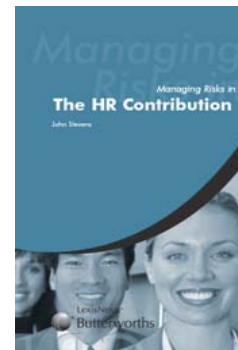
Strategic & corporate  
consultancy

[www.fleetriskprofiler.com](http://www.fleetriskprofiler.com)

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](http://www.riskfrisk.com)**  
**Fleet Risk Profiler™ website – [www.fleetriskprofiler.com](http://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***

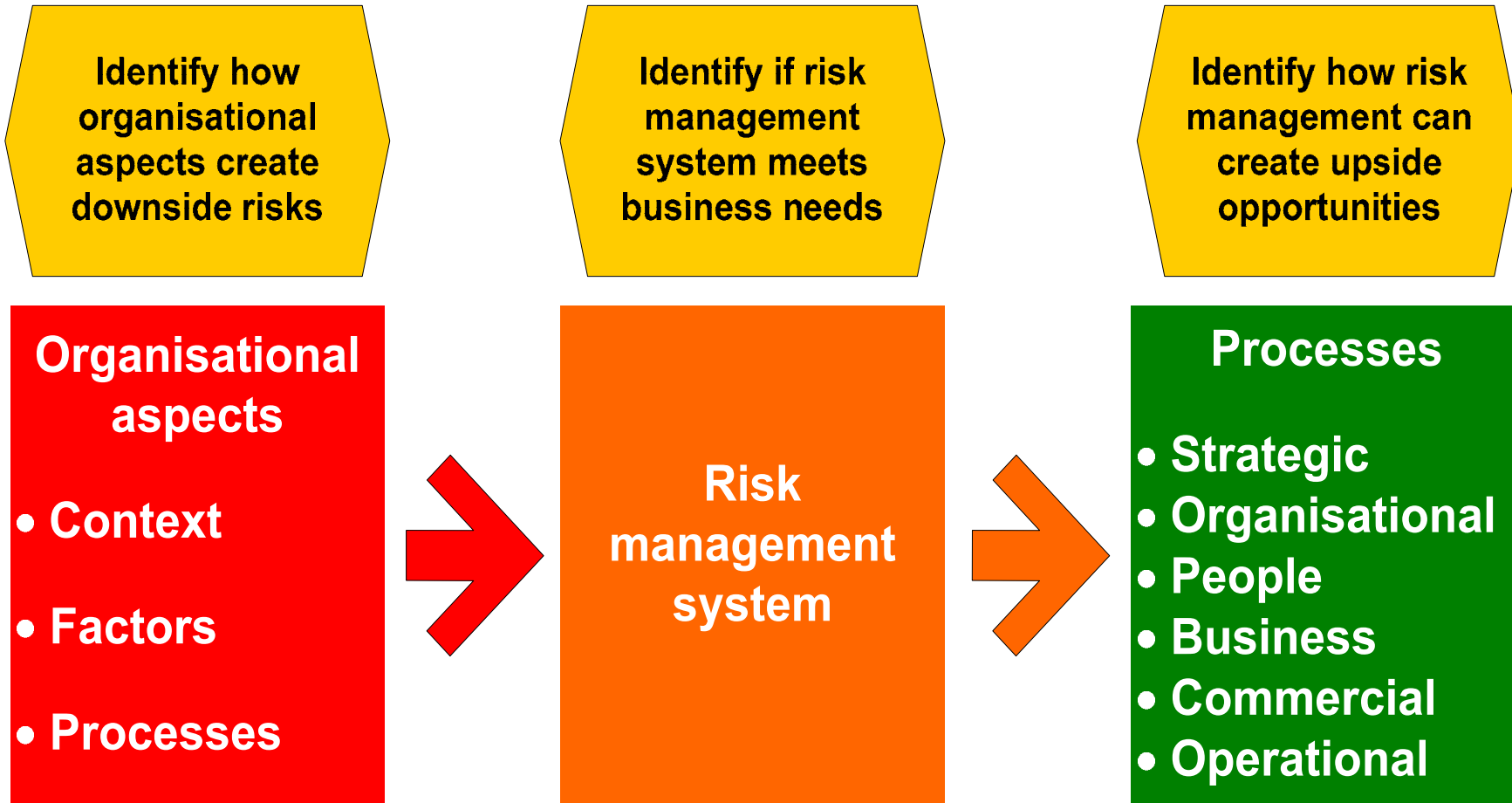
***Develop a risk management strategy to provide management guidance***

# 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

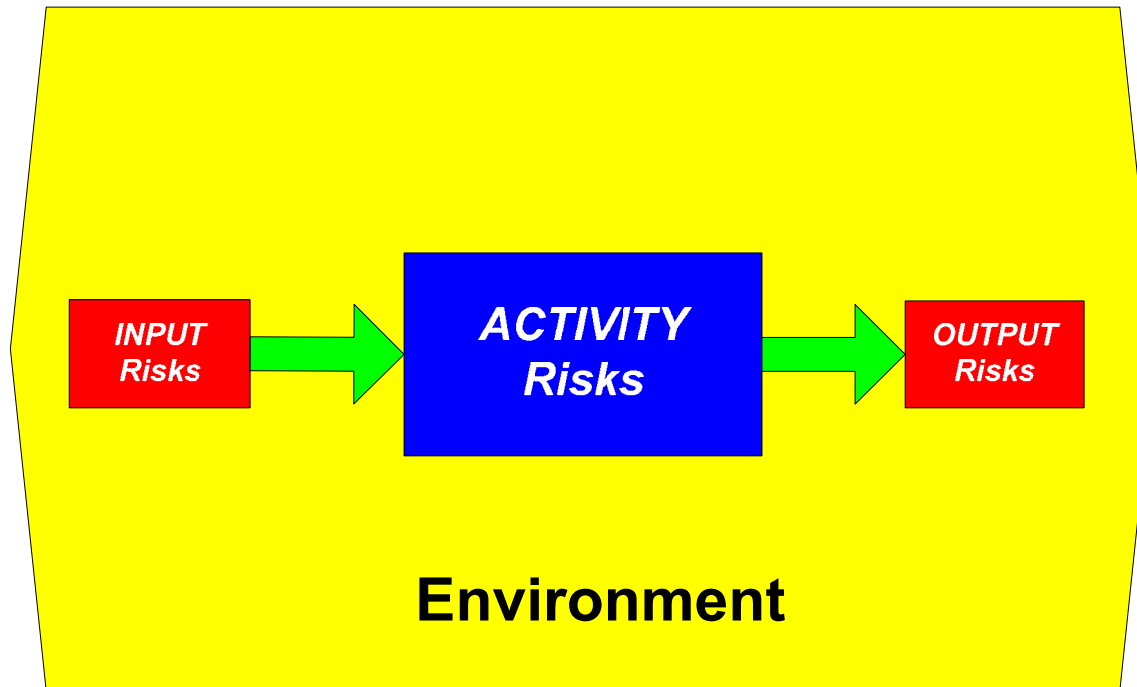
- Organisational structure
- Core values
- Goals & objectives
- Compensation and rewards

## 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?

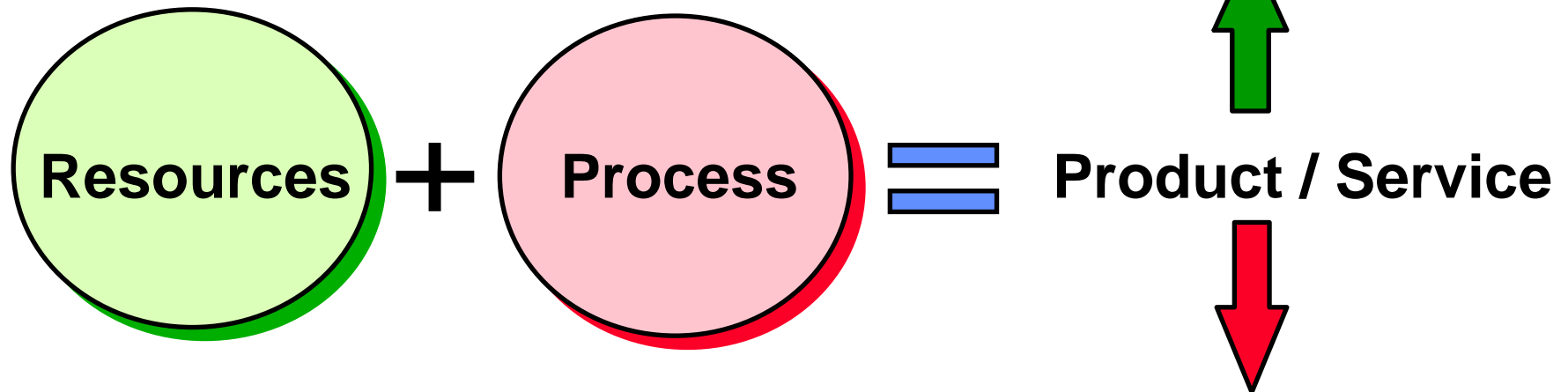
- Identified potential enterprise-wide risks?
- Risks been assessed?
- Will any:
  - Result in significant loss, disruption or failure?
  - Damage your reputation?
  - Affect your supply chain?
  - Affect your market position?
  - Affect your commercial performance
- Integrate controls to manage the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