

Mitigate and Control

Enterprise Risk Management (ERM)

Risk management is present in all organisations but tends to be fragmented into specific functions; for example, finance, legal, credit, health and safety, environmental, security, public relations and human resources.

Risk management is most effective when implemented consistently throughout an organisation and supported by senior stakeholders.

What is Enterprise Risk Management (ERM)?

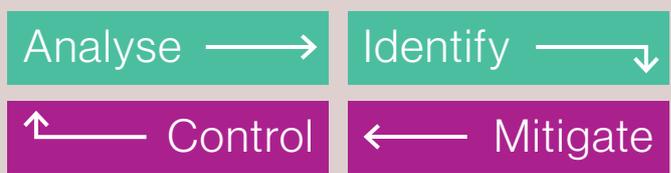
Sometimes known as Enterprise Wide Risk Management or even Holistic Risk Management, ERM is the development and the embedding of risk management systems and processes throughout an organisation. ERM helps ensure organisations operate within their risk appetite, while achieving strategic objectives.

The Willis Towers Watson ERM offering draws all risk management strands together so that an organisation's approach is consistent, rigorous and compliant with Codes of Corporate Governance and business best practice.

What are the benefits?

ERM can take up to three years to completely embed within an organisation depending on existing levels of risk maturity. Some benefits however, can be achieved quicker than others and include:

- Compliance with corporate governance requirements
- Delivery of business plans and strategic objectives
- Improvement of Board's awareness of risk across the organisation
- Clarification of strategies
- Management of organisational change
- Demonstrable awareness and control over existing business threats



Case study:

An organisation specialising in sub-sea oil extraction and decommissioning services had grown rapidly through acquisition. Each subsidiary had a different approach to managing risk and the company had suffered losses as a result.

Willis Towers Watson specialists recommended ERM as a way for each subsidiary to identify, quantify and manage its risk exposures consistently across the group.

The resulting benefits of the ERM review included;

- Senior management having a clear view of the risk exposures
- Consistent approach to risk analysis throughout the organisation
- A more robust approach to meeting corporate governance requirements, providing assurances ahead of an IPO
- Reassurance for investors that the company had a good control over its exposures

As a result of the ERM review and subsequent improved loss ratio, Willis Towers Watson was asked to remain part of the ongoing programme to support the subsidiary companies and advise on risk management strategy.

What will ERM deliver?

Introducing ERM provides managers at all levels with clarity on the scope of their responsibilities around risk management. It also provides tools and techniques to enable them to effectively manage these risks, decreasing the likelihood of an unplanned and unforeseen event causing damage.

ERM should also help to drive cost out of an organisation by reducing the frequency and impact of undesirable events. Because ERM is a continuous process, new risks are picked up early in the business cycle and, subject to improvement plans, are properly monitored. This process can be used to help drive the audit plan and other performance improvement initiatives.

Ultimately, the Board will have the means of demonstrating to stakeholders that risk is managed throughout the business in a satisfactory manner.

The ERM approach

ERM takes the business objectives as the start point and examines threats to achieving them. Common measures are applied to quantify threats and uncertainties, and the controls that exist to prevent or mitigate them.

Risk is managed at all levels of an organisation and filtered up to the Board and down to Business Units.

How long this will take is entirely dependent on:

- Existing stance on risk management (i.e. current level of risk maturity)
- Level of support from senior management
- The approach to risk management, particularly with regard to willingness to adopt new ideas and change working practices
- Level of resource (internal and external) made available to drive the programme

How does an ERM review work?

ERM is a multi-stage process and includes:

- Understanding the mission, strategies and objectives of an organisation
- Development of risk management goals and objectives that underpin an organisation's objectives
- Assignment of roles and responsibilities for managing risk – this would include policies and procedures
- Communicating objectives of risk management and providing the tools, techniques and training necessary to deliver best practice
- Assessment of uncertainties that threaten the objectives – this includes identifying and quantifying risks, assessing current controls and deciding on improvement plans for risks outside an organisation's tolerance levels

- Consolidation of information from individual risk assessment exercises to identify where an aggregation of exposure could breach organisational risk tolerance
- Advising the Board of the significant risks which require high-level intervention
- Sharing lessons learned so that best practice can be disseminated throughout an organisation

Sustaining ERM

Willis Towers Watson believes strongly in skills transfer to enable an organisation to become self-sufficient in managing risk.

It is recommended to identify 'risk champions' to develop the skills to continue momentum. At this point, Willis Towers Watson's role becomes one of adviser, rather than service provider.

Willis Towers Watson only uses industry standard software and will hand over spreadsheets and models so that they can be easily maintained without specialist IT skills.

Risk Management for a Complex World

At Willis Towers Watson we deliver risk management solutions through a connected team across the globe. We align our industry expertise and competence to your risk requirements.

Willis Towers Watson takes a fresh, logical approach to risk management; connecting our industry insight and analytical capabilities through our risk advisors, engineering specialists, and risk transfer and placement brokers.

We look holistically at your business. Our solutions are designed to not only link functions but also connect between the asset, business, people, security and other risks to provide you with the control and mitigation support you need.

Other value added services include:

- RAPID – Risk Assessment Probability and Impact Diagnostic
- Business Continuity Management (BCM)
- Audit – Willis Blue
- Strategic Risk Management
- Risk Partner
- Training
- Health and Safety Risk Management
- Fleet Risk Management
- Claims Defensibility Review
- Risk Engineering Surveys

For further details, please contact your local Willis Towers Watson office or visit www.willistowerswatson.com/en.

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