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Creating a Risk Management Culture

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How do you get buy in?



Get executive level sponsorship

This is often a repeated mantra for how to successfully implement many different things within an organization. However, it truly is needed to incorporate a risk mindset within an organization. Someone who has the experience implementing a risk management program focused on performance should assist in this task. Once the executive level buy in is there, then the organization can get to work on how to implement.

Identify the chief risk executive

Most companies don't have a formally titled chief risk executive – and in many cases, it may not be warranted. Just the same, having someone take on this role for key initiatives within the company will improve how it responds to risk. This person isn't so much a champion of risk but a champion of how the company can successfully deal with risk. Further, it is important that it is a person and not a set of templates.

Involve the chief risk executive in strategy planning

As company leadership is formulating its annual strategy, involving the chief risk executive is key. It is a temptation to not think in these terms – and the manner in which the chief risk executive is involved can take many forms. In the end, involving this person early on and during the meetings themselves will help enhance the culture – provided that the executive is experienced and can provide solid insight into problems and solutions.

Make sure the question gets asked

The chief risk executive's key role is to own how the company deals with the risk of each initiative – he or she needs to make sure that each initiative is considered soberly. The objective is not so much to discourage but actually, when risks are identified, incorporate the right actions so as to *enhance* the initiative – not stifle it. The more the chief risk executive participates in these types of discussions, the more the participants will think about the question themselves – thus affecting the culture.

Link risk to a response and a metric

Once the risk is identified, that same risk executive should drive to a risk response. Identifying the risk alone isn't enough. For each risk, there must be an action. It is critical that, in the beginning, the risk executive that proposes the risk response plan has experience in developing risk response plans and how it will enhance success – not hinder it. It is important to show the value-add of the risk response here – time/money saved, etc. Once the response is established, an associated metric needs to be identified.

Add the responses to the project plan

The more embedded the risk response action plans are within an actual project plan, the more it just becomes part of what teams do. It should be viewed as part of what it will take to successfully implement the initiative. The focus here does not have to be risk elimination – risk minimization can many times be a goal as well.

How do you get people to participate?

Involve the chief risk executive in departmental risk discussions

For those organizations that are larger, consider gathering risk related information at the departmental level to enhance the big picture view of risk at the corporate or enterprise level. As teams hold periodic risk identification discussions, involve risk executives in each one of these departmental meetings. This way, the meeting (and risk identification processes and other processes) can be facilitated more consistently across departments.

Be consistent in department involvement

As risks are considered across departments, or enterprise-wide, involving the risk executives in departmental risk discussions will, at a minimum, allow for more information and an apples-to-apples comparison to make that assessment.

Show value to all involved during these discussions

Beyond this, the executive can assist in the facilitation of the session – asking questions throughout, showing value add for risk responses, etc. This will require some advance prep time. To affect the culture, the team needs to see the benefit of asking the question and creating responses that have a positive impact on the department's and company's goals. As part of this exercise, consider identifying someone within the department to work with the risk executive to transfer ownership. Year one of this effort should be less than subsequent years.

How do you measure success?



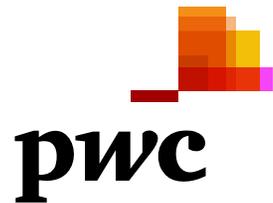
Tie organizational performance to risk response success

Going back to strategy planning, each risk response action item should have an associated metric. This metric should be included alongside any others that measures the company's or department's success in implementing the initiatives agreed upon.

Tie individual performance to risk response success

Individual risk response tasks should be assigned based on the formal project plan. Performance metrics should then be tied to the task such that the performance of the individual can also be measured.

Conclusion



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