

# Challenging the risk paradigm

National Treasury 30 August 2018

CH Palm

Chief Risk Advisor IRMSA

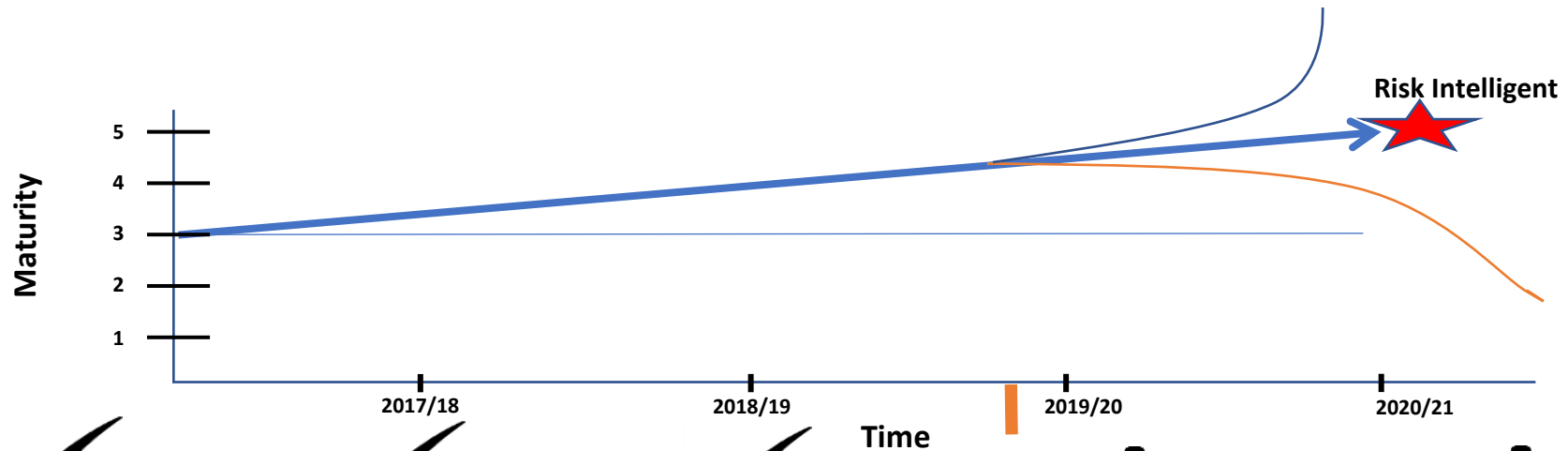


# The “future fit” Risk Organisation

- It has to be about decision making
- More than process ...
- ... becoming a risk intelligent organisation
- Risk intelligent leadership from the CRO's office
- Sitting at the right tables
- ... what is the value proposition – don't tell me –show me!
- Tools allowing for scenarios, modelling and ultimately predictive capabilities
- People

# Risk Maturity Assessment Model

Stages to becoming risk intelligent



## 1 Unaware

- Company at first stages of the RM process.
- Functions are not working as intended.
- Management has no confidence in the risk management process yet

## 2 Fragmented

- Some functions appear to be effective
- There are still major deficiencies in the process.
- Significant process gaps need to be closed.

## 3 Top-down

- Clearly outlines enterprise risk management processes.
- There is room for improvement in the process.

## 4 Systemic

- The ERM function is well directed and controlled.
- Most functions are designed correctly and are in place and effective.

## 5 RI

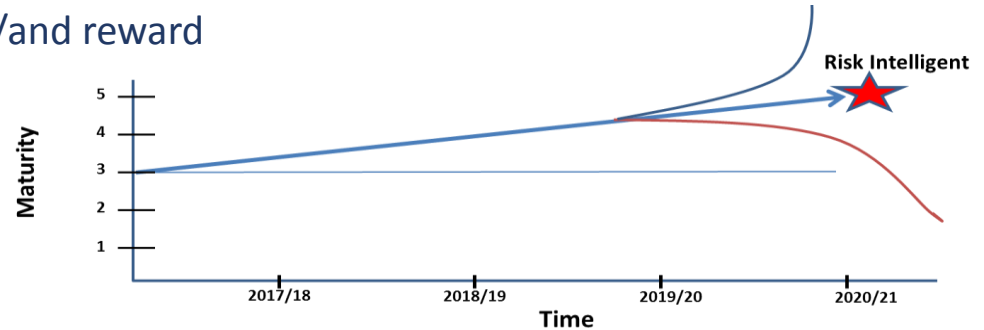
- ERM function is totally effective and efficient
- Totally implemented, user friendly and is "best practice"
- Now to RI

# It's more than just about process

## Stages to becoming risk intelligent

### ERM elements towards Risk Intelligence

- More than process
- It has to be about decision making – risk for/and reward
- Embed in business processes
- PRACTICAL appetite and tolerance
- Risk Management Information System/s
- Stakeholder Management



1

#### Initial

The company is at the beginning stages of the risk management process. Functions are not working as intended. Management has no confidence that enterprise risk management has been embedded into the organisation



2

#### Reputable

Some functions appear to be effective; however there are still major deficiencies in the process. Significant process gaps need to be closed.



3

#### Defined

Clearly outlines enterprise risk management processes. There is room for improvement in the process.



4

#### Managed

The ERM function is well directed and controlled. Most functions are designed correctly and are in place and effective.



5

#### Optimised

The ERM function is totally effective and efficient, totally implemented, user friendly and is "best practice". Nothing more to be done except monitor and review.

# Risk intelligence is like moving from IQ to EQ ... you need the CULTURE!



# It is about decision making

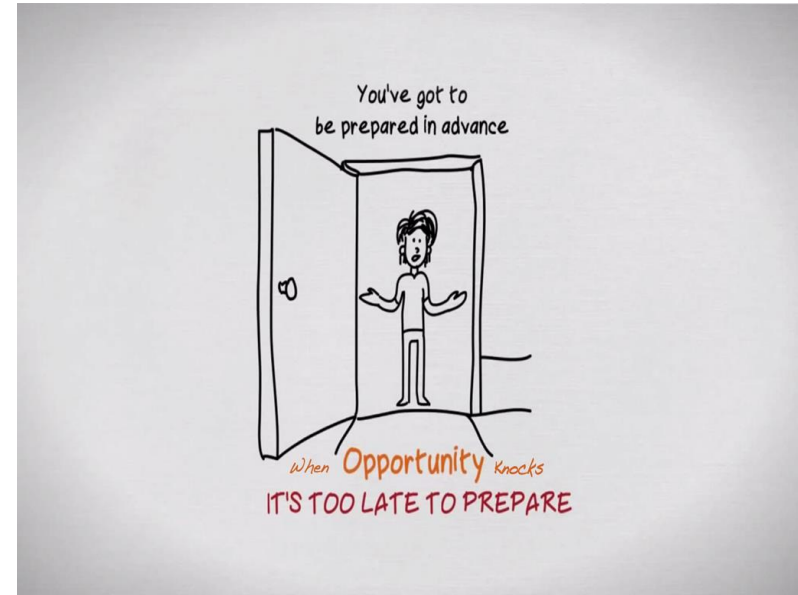
... better and faster decision making!

The risk manager's evolution is that of a strategic advisor

- Uncertainty in today's business environment presents ERM with a unique opportunity to inform strategic decisions by articulating the risks in the right way

Risk for reward

- Failure points in strategic decision making destroy value



The right way - Risk Managers have a unique opportunity to improve decision quality sticking to the risk methodology basics

- ensuring risk-based context for decisions
- ensuring the adoption of a sound risk methodology and risk language
- establishing key risk indicators
- Forge ahead with a practical and well aligned appetite and tolerance

Critical success factors

- Key risk indicators
- Appetite and tolerance
- Sound integration with the decision making model

# Risk Management Information System (s)

Tools allowing for scenarios, modelling and ultimately predictive capabilities

- It is not just ONE?
- It is a “War Room”?
- Has to be real-time
- Must have integrity
- Must be intelligent
- Harness the company’s ERM, audit and strategy softwares
- Modelling, scenario planning and predictive capability is like building a puzzle



# King IV

“Cognisance had to be taken of the **advances in technology** that are revolutionising **businesses and societies, and transforming products, services and business models**. So profound are these effects that many believe they herald the dawn of a **Fourth Industrial Revolution**.

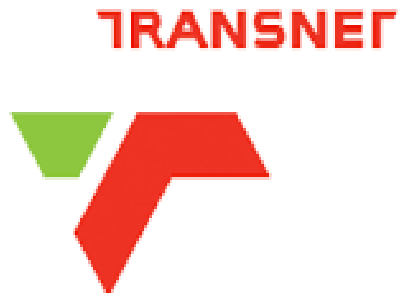
These advances **happen quickly and can cause significant disruption, opportunities and risks**. Organisations should **strengthen the processes** that help them to ...

“**anticipate and to respond by capturing new opportunities and managing emerging risks**”

## Bayonetting the wounded – not really!



**Tiger Brands**



# Donald Rumsfeld

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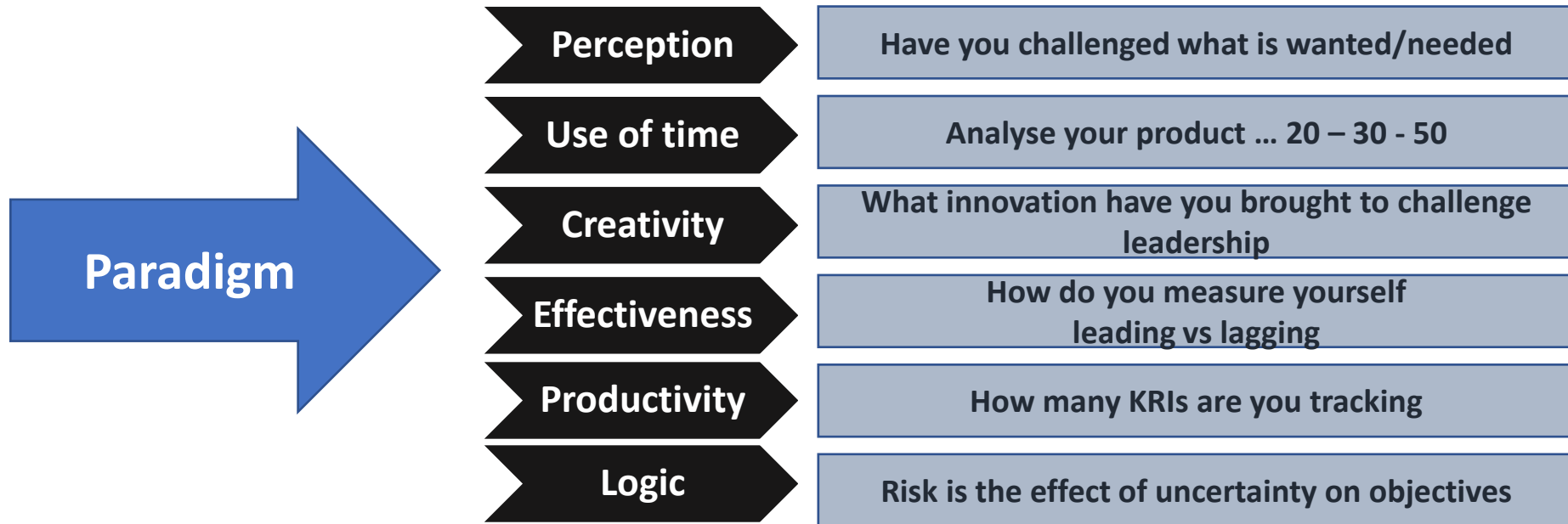
*It ain't so much the things we don't know that  
gets us in trouble. It's the things we know that  
ain't so*

Artemus

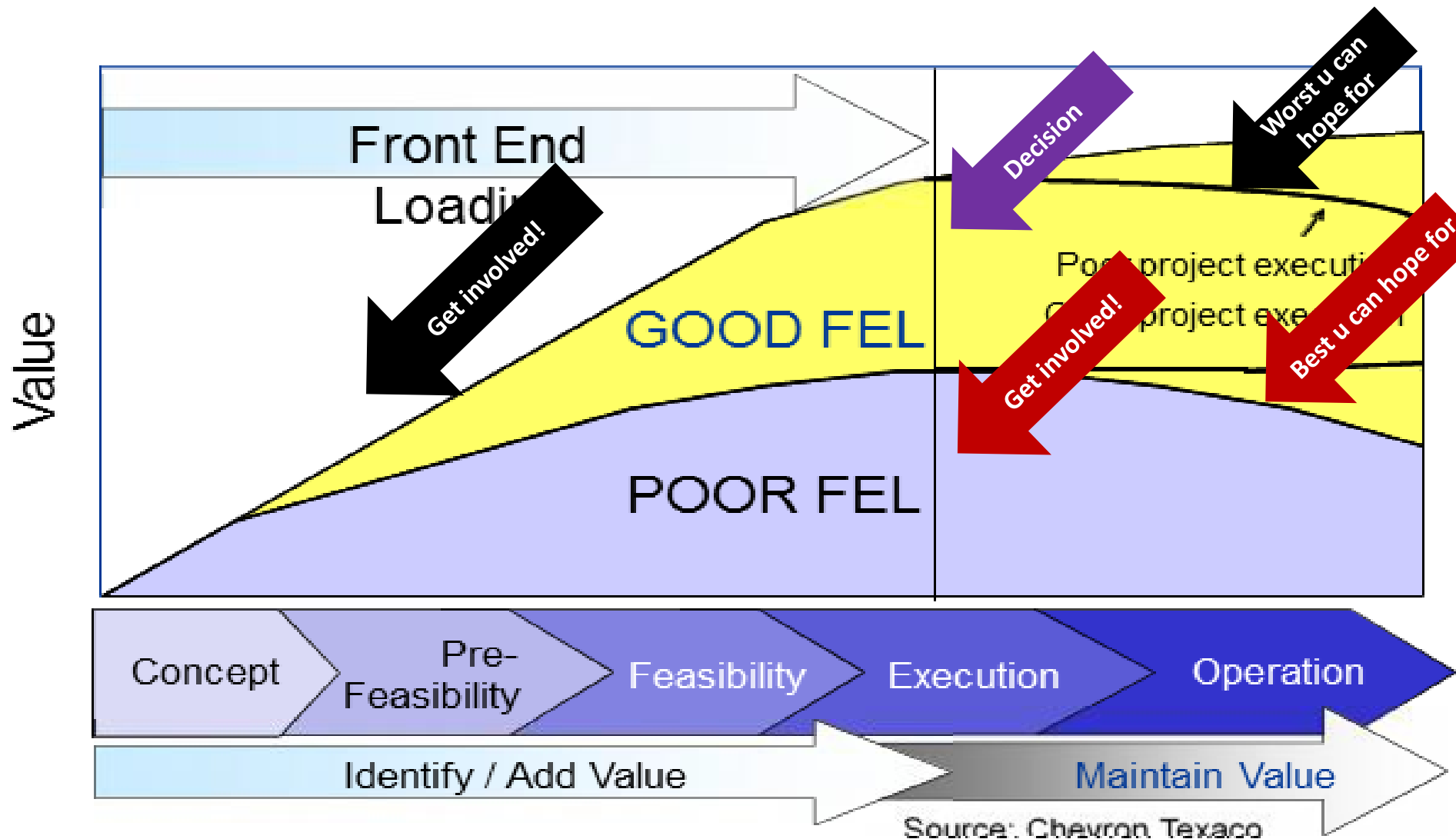
Ward (1834 - 67)

*Reports that say that something hasn't happened are always  
interesting to me, because as we know, there are known knowns;  
there are things we know we know. We also know there are known  
unknowns; that is to say we know there are some things we do not  
know. But there are also unknown unknowns – the ones we don't  
know we don't know*

## How do we break the risk paradigm?



# Logic ... easier said than done though!



# THANK YOU!

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# IRMSA Risk Report

## South Africa Risks 2019

Fifth Edition

[www.surveymonkey.com/r/riskreport\\_secondsurvey](http://www.surveymonkey.com/r/riskreport_secondsurvey)



# IRMSA RISK REPORT 2019

## Purpose

- By the members for the members
- Value proposition to risk practitioner and business alike
- It is important that this report be internalised by national and industry leadership – it must be presented as our story
- Intent is to enable you to transform your presence in risk management and in the boardrooms
- Your role is to use this information to attract the attention and support from the Leadership and the boardrooms



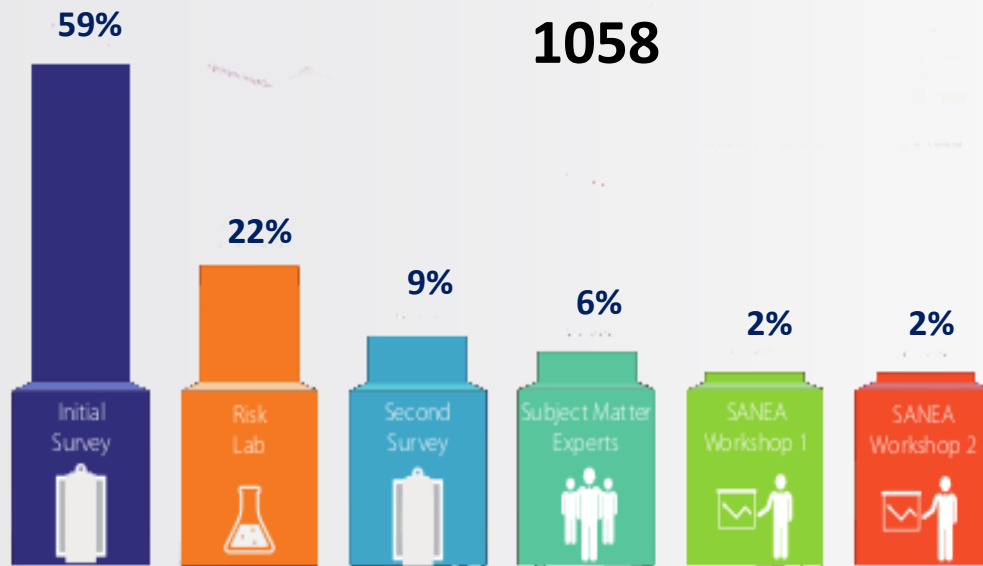
# IRMSA RISK REPORT 2019

## Construction

- Key insights from the IRMSA President and Chief Risk Advisor
- Look at the external context and scenarios
  - Institute for Futures Research: Doris Viljoen
- South Africa and South African Industry risk profiles
- Analysis of the past three years' risk profiles
- Risk relationship- and risk readiness analysis
  - Independent analyst: IRMSA Chief Risk Advisor
- What are the views from our SMEs
- First industry specific risk profile



# TOTAL CONTRIBUTORS TO THE 2018 RISK REPORT



1058

## GENDER



60%



40%

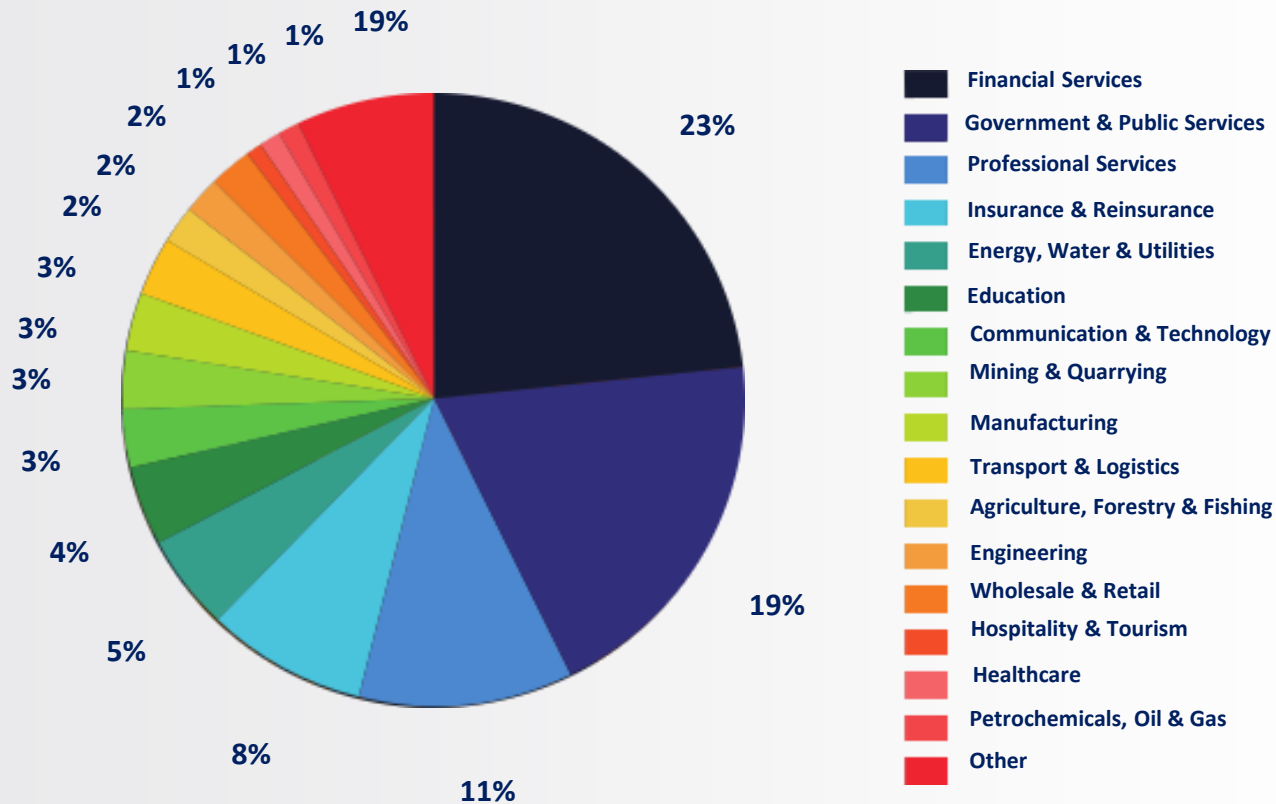
## SECTOR

**PRIVATE** 66%  
**PUBLIC** 34%

## RISK MANAGEMENT EXPERIENCE



# INDUSTRY REPRESENTATION



## APPLYING RISK MANAGEMENT



# IRMSA RISK REPORT 2019

*It ain't so much the things we don't know that gets us in trouble. It's the things we know that ain't so*

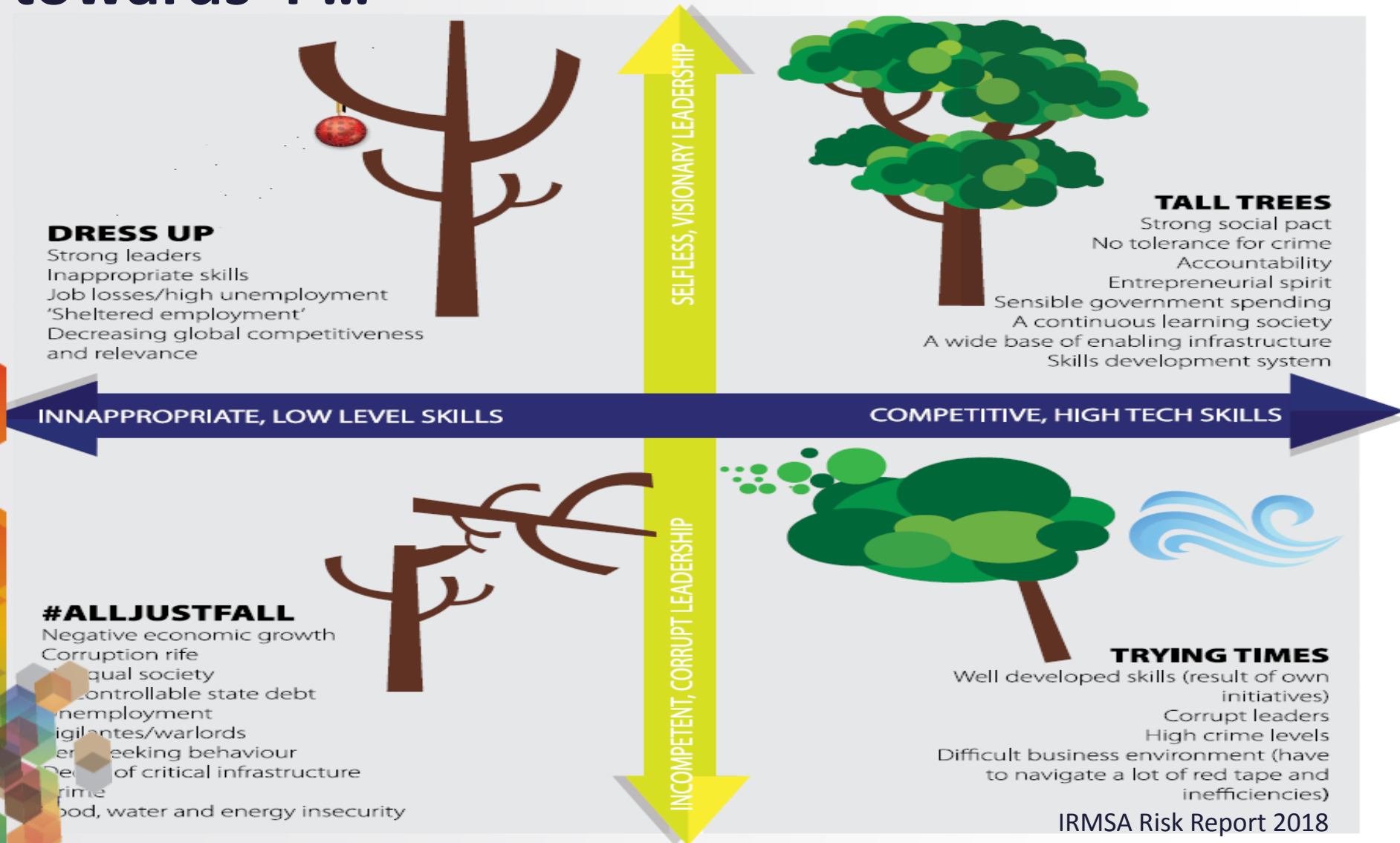
Artemus Ward (1834 - 67)

So what is different ...

- Risk management has been called-out - message is clear - evolve the role of risk management to respond to the challenges ... or ...
- The 5<sup>th</sup> edition will be built on lessons learnt and unmitigated speech
- Evolving the conversation that the risk profession must have and what should be discussed and acted upon in our risk landscape
- Intends to stimulate debate on how to best manage risk beyond frameworks and processes – what is the shift that is required to address the risk landscape
- Departure is the risk relationship- and risk readiness analysis



# Two scenario stories for SA 2028 – working towards 4 ...



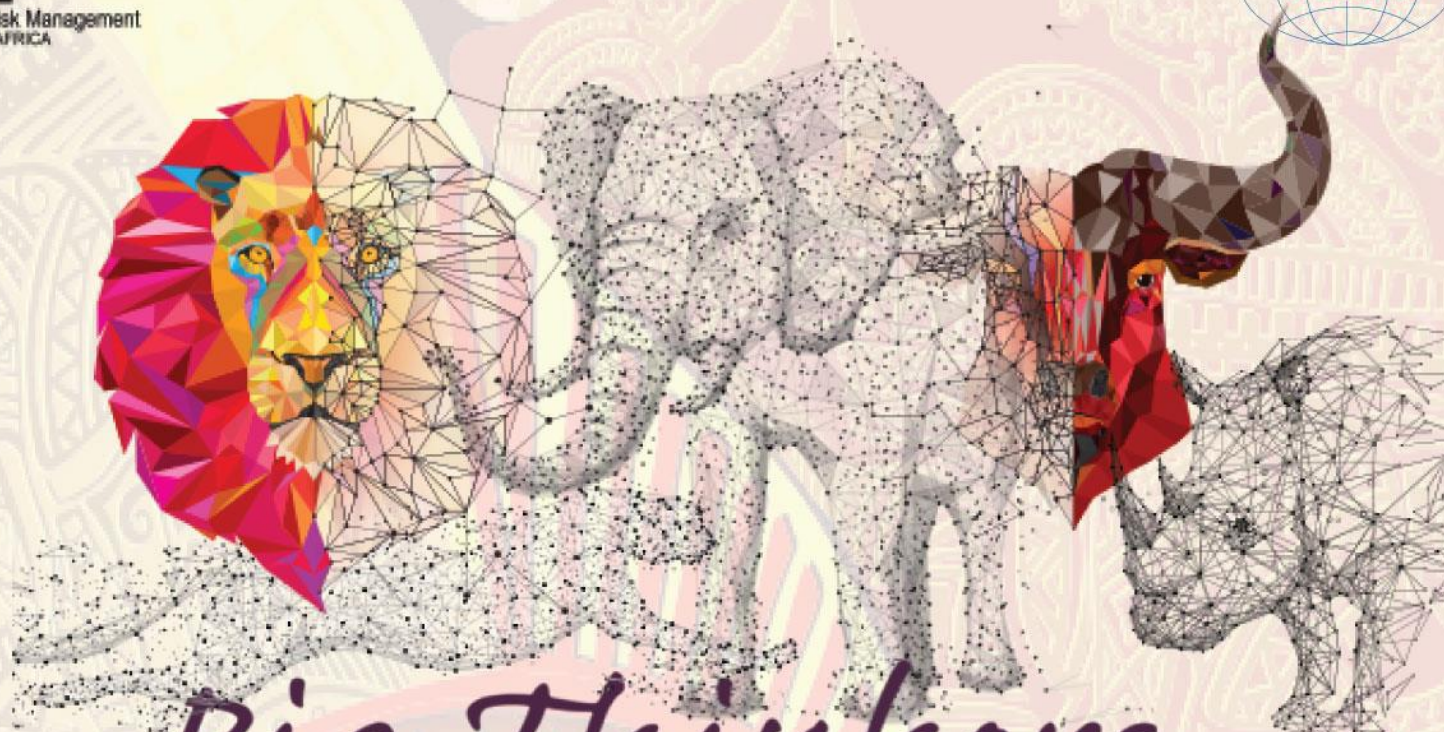
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# *Big Thinkers*

## CONNECTING THE DOTS

3 & 4 October  
Conference  
(Johannesburg)

5 October  
Master Class  
(Johannesburg)

8 October  
Master Class  
(Cape Town)

**Visit our Conference Website | [www.irmsasite.org/conference2018](http://www.irmsasite.org/conference2018)**

# IRMSA International Comparability

- IRM – Institute of Risk Management (UK)
- RIMS – The Risk Management Society (USA)
- FERMA – Federation of European Risk Management Association
- PARIMA – Pan-Asia Risk and Insurance Management Association
- AIRMIC - UK association for risk and insurance management professionals
- RMIA – Risk Management Institute of Australia

# Conference Keynote Speaker



**Minister of Public Enterprises  
Pravin Gordhan**

# Other Conference Speakers



**Conference Facilitator  
Devi Sankareei Govender**



**Alex Granger**



**Buhle Dlamini**



**John Sanei**



**Emma Sadleir**



**Jonathan Shapiro**



# IRMSA MASTER CLASS

5 OCTOBER 2018

## THE NEXT BIG THING

UNCOVERING RISK MATURITY AS THE TRANSFORMATION  
AGENT FOR SUCCESSFUL ORGANISATIONS