

# Confidence at your fingertips...



## Risk, Innovation and GROWTH

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PwC ME Strategic & Enterprise Risk Leader

# Key topics for today



**1** What is happening within the Risk Agenda at Boardrooms

**2** Innovation & risk relationship

**3** Combining risk and innovation for growth

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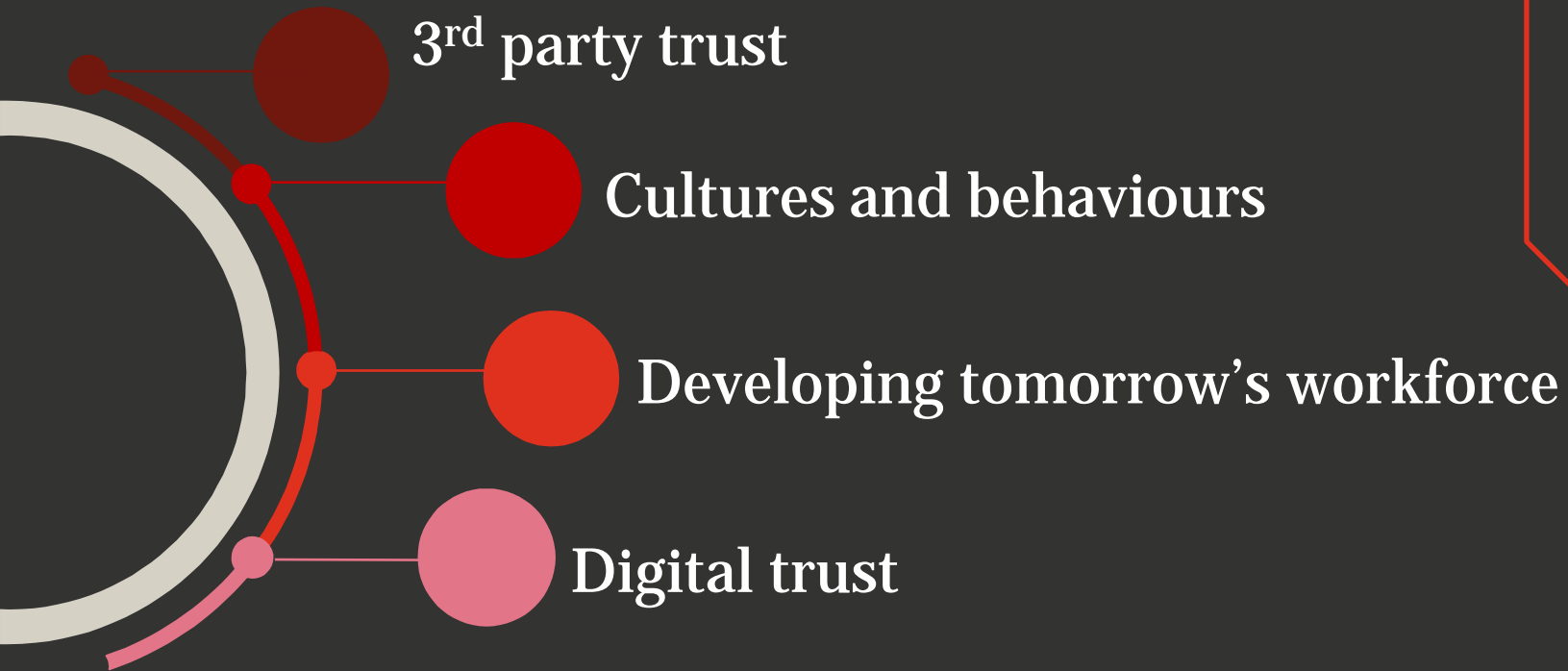


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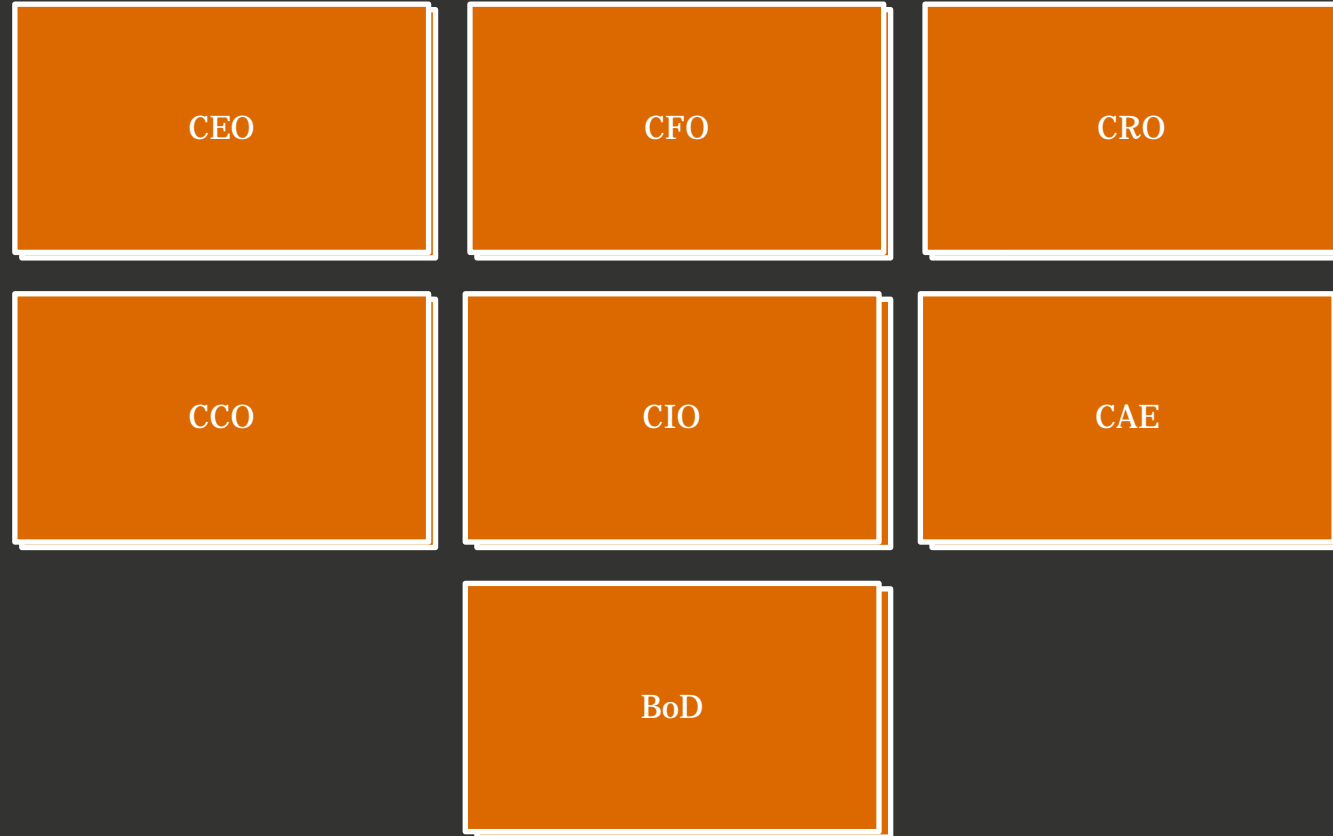
# Top concerns at boardrooms



Enhanced governmental scrutiny, compliance and regulatory landscape

Shear risks associated with rapid geopolitical and socioeconomical changes

# Quiz



# What good looks like in Strategic and Enterprise Risk Management



The **board** visibly promotes and supports, both in word and spirit, the importance of effective risk management.



Risk management is wholly **integrated** into business and strategic decision making.



A formal definition and articulation of **risk appetite** for all major risk areas exists, providing practical guidance on acceptable risk and reward.



Robust **analysis** of risk information, focusing challenge and resource on critical risk areas is undertaken.

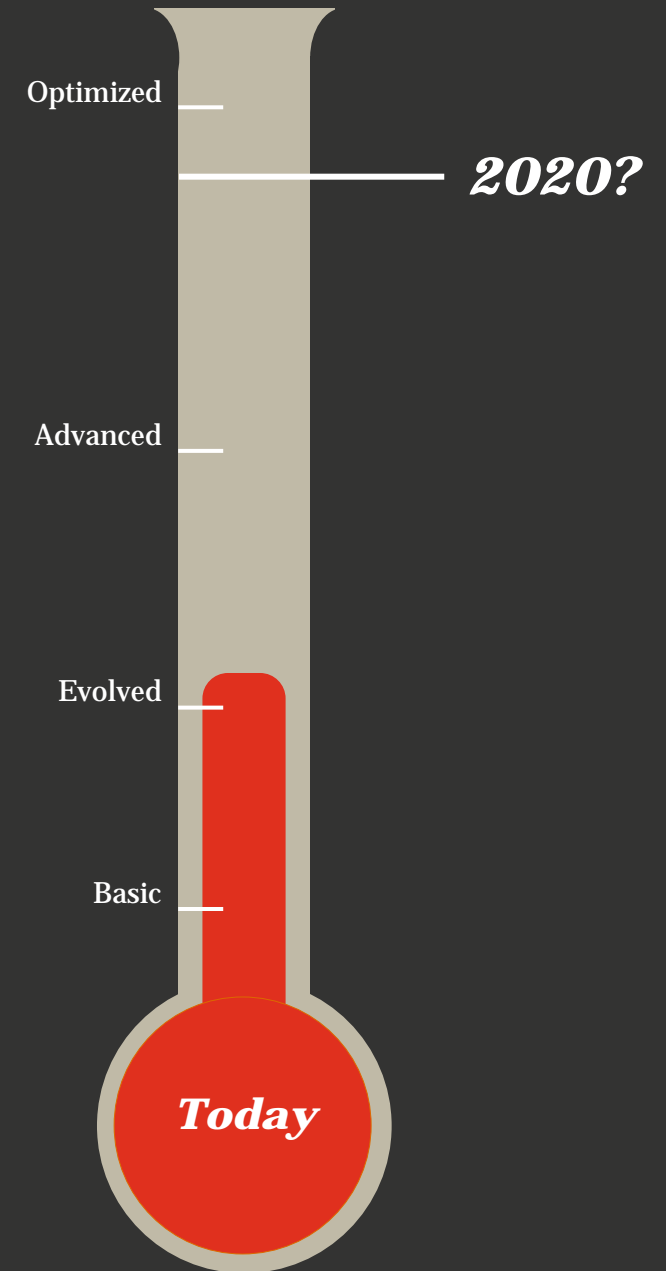


An embedded **early warning system** provides timely awareness of changes in control effectiveness and material areas of risk.



An understanding exists of the drivers of desired **behaviors** and the alignment of performance and incentivisation structures.

While there is no one-size-fits-all approach, these principles will help you ensure the right building blocks are in place!



# Our point of view

*Risk appetite –  
are you biting  
off more than  
you can chew?*



- Address conflicting opinions of executives or to invest the time required to achieve success.
- With the right guidance, you can define clear, measurable parameters aligned to your purpose, vision and values, that provide the necessary basis for driving enhanced, more consistent risk decision making.

*The right risk  
culture – have  
you forgotten  
something?*



- Defining and embedding the required behaviors and monitoring their drivers to provide insight on their effectiveness.
- This will also provide a basis for reporting what is being done to instil the required behaviors and measure performance.

*Effective risk  
monitoring –  
managing crises  
is missing the  
point!*



- In the absence of a reliable monitoring system, any breaches of defined appetite may be identified too late.
- Some forward-looking institutions are starting to explore and capitalize on technology-driven opportunities, harnessing the exploding data environment to generate genuine, leading risk awareness and insight.

*Providing  
assurance to BoD  
and leadership –  
do you have the  
required  
confidence?*



- With an expectation of more specific and detailed disclosures, e.g., around continuing control effectiveness, directors will want to have confidence in the accuracy of their statements.
- It is key to provide assurance over the continuous effectiveness of all key controls.

# Top 10 traps in management of risk agenda (1/3)

## 01 Trap

### ***Board and management don't see the link between ERM and performance***

The ERM process is seen as an audit or assurance exercise, rather than as a **performance** focused process.

- Link objectives and performance to identified risks immediately.
- Silo categorization should be avoided!

## 02 Trap

### ***Management can't relate to ERM reports***

The ERM team only provides a list of risks that have been separated from their strategic priorities.

- Map each risk to its objective
- Utilize summarized dashboards for key data

## 03 Trap

### ***A weak risk culture undermines the ERM process***

There is a negative cascading effect when the ERM team can't generate management support.

- Develop Stakeholder Management Plans
- BoD/ ELT involvement, ownership and sponsorship

## 04 Trap

### ***Aggregating or "rolling-up" risks creates confusion***

Creating a single set of risks and then expecting that they'll be relevant to the board, management and the front lines.

- Corporate Risk Register
- Departmental Risk Registers
- Bottom up and top down approach



# Top 10 traps in management of risk agenda (2/3)

## 05 Trap

### ***ERM isn't integrated into routine business processes***

The ERM process is just layered on top of the business, causing stakeholders to see it as a time consuming add-on, burden.

- Integrate ERM into the lines of defense
- Allocate risk champions

## 06 Trap

### ***Low risk owner accountability***

When setting annual strategic plans, management creates measurable performance targets with the plan owners. However, plan owners are unclear on what the desired state should look like.

- Utilization of heatmap and RTO allocation
- Target risk concept
- ELT involvement

## 07 Trap

### ***Management simply asks "aren't we doing this already?"***

Your management team or board challenges the ERM process by asking "aren't we doing this already?" or by stating "I don't need an ERM process to tell me my risks."

- Target risk concept from Risk Appetite
- Show gap between residual and target

## 08 Trap

### ***Risk appetite is causing more confusion than clarity***

Risk appetite statements which are confusing and hard to measure can distance stakeholders from ERM and cause uncertainty.

- Risk Appetite by objectives and categories
- Bottom up approach
- KPI/ KRI approach

# Top 10 traps in management of risk agenda (3/3)

09

Trap

***The annual “risk refresh” has turned ERM into a box ticking exercise***

Rolling the same risks over year to year will quickly devalue your ERM program.

- Risk Assessment techniques/ Risk Advisors
- Integrate risk assessment /treatment in budgeting
- Participate in decision making and budgeting

10

Trap

***The wording of risk statements creates frustration, not clarity***

The majority of companies draft their risk statements poorly, leading to frustration among executive risk assessors and risk owners.

- Risk, cause and Impact

# What is in it for you

## Key benefits for adopting effective risk management capability

Proactive Management of Risk	Organization-wide Visibility	Budget Management	Reputation Development	Improved Decision Making
<p>Today's citizens want a government that not only manages the consequences of risk, but also anticipate and handle issues before they turn catastrophic. Effective risk management policies help to force all decision makers to think and work proactively.</p>	<p>ERM practices provide government agency leaders with visibility into their organization's entire portfolio of programs. This practice not only improves transparency across departments, but also helps break down silos between each program – greatly improving proactive risk communication across the ecosystem</p>	<p>Given large budget deficits, program managers for government programs are challenged to anticipate and manage the impacts of budget re-allocations and continuing resolutions. A strategic risk management approach will aid in this challenge and enable organizations to stay on budget</p>	<p>For government agencies, a solid reputation is a critical asset. ERM can not only help an organization to identify reputational risks in advance, it can also improve the agencies reputation by improving program delivery timelines, ensuring more accurate bids and stronger customer relationships.</p>	<p>Lack of information, control and time are the major drivers of the risks facing government organizations. An ERM plan, and ideally an ERM technology that goes beyond just spreadsheets, helps to ensure that real-time, data-driven, interactive reports are delivered to all necessary parties.</p>

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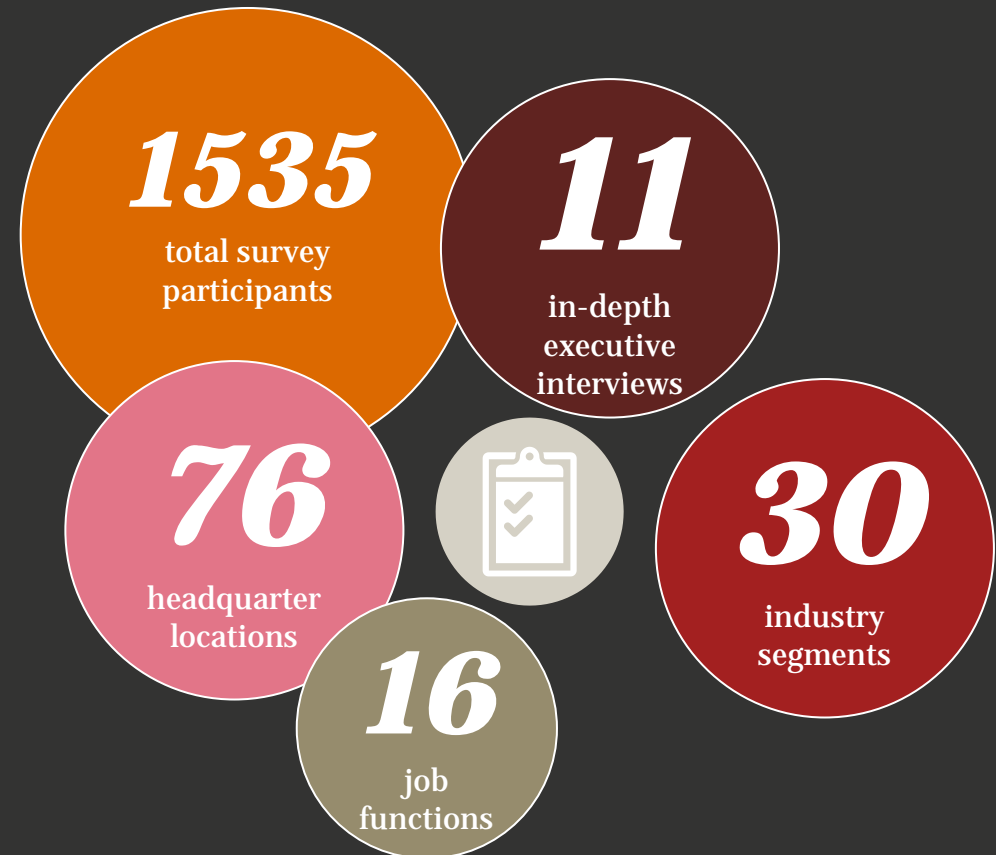
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# Innovation & Risk

PwC 2018 Risk in Review

We studied how organizations are tackling innovation-related risk today



# Innovative activities

## Top uses of innovation



# Top risks

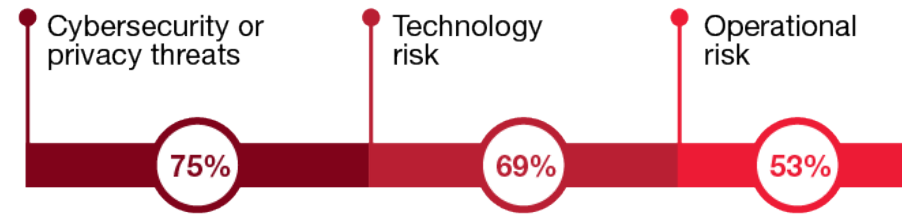
## Key risks within top technology activities and trends

### Activities

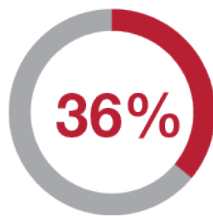
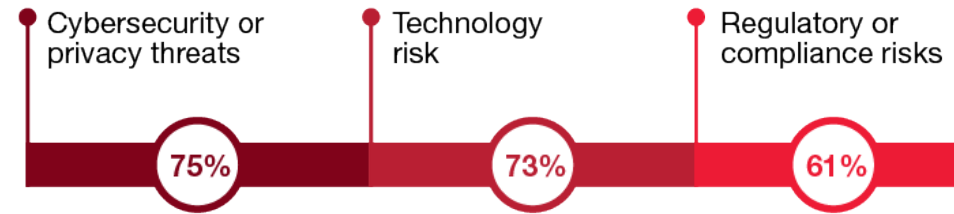


Implement new technologies to materially improve existing products or customer experience

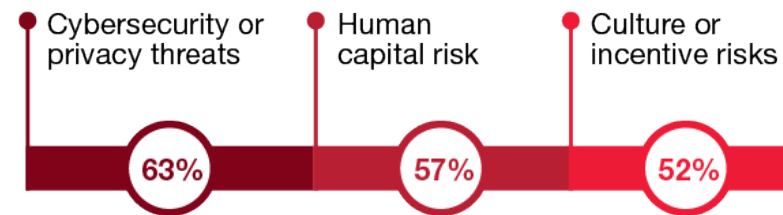
### Risks



Implement new technologies to develop new products or to target new customers



Change our talent model



# Top Technologies adapted by innovative organizations

Adapters are 2-3x more likely to express confidence in their program's ability to effectively manage AI, IoT, big data, blockchain risk

Artificial intelligence

Big data or data analytics

Blockchain

The cloud

Drones

Internet of Things

RPA or intelligent process automation

Robotics

3-D printing

Virtual reality



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# Innovative organizations with effective Risk Management are **3x likely to anticipate Revenue GROWTH**

*“Respondents who call their organizations more innovative than those of their peers and consider their risk management programs to be more effective, are **3X more likely** to anticipate revenue growth than their less-effective and less-innovative peers.”*



# Thank you!

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