

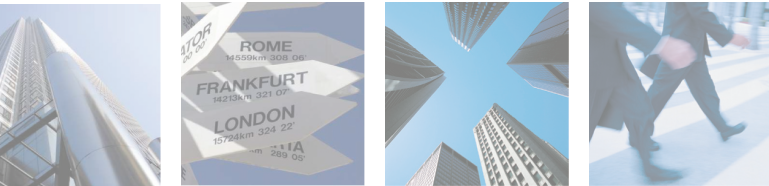


# MANIGENT

the Management Intelligence company

**OPERATIONAL RISK  
FRAMEWORK DEVELOPMENT**  
INVESTMENT BANKING

## Client *case study*



## The business situation

Whilst Operational Risk is by no means new to the investment banking environment, it was perhaps Nick Leeson and the misfortunes of Barings Bank in the early 1990's that put this term firmly on the management agenda.

Since the collapse of Barings Bank, there have been a number of high-profile, public disasters or near disasters. These have only served to increased the focus that both management and regulators now put on Operational Risk with the Basel 2 accord primarily focused on the area. In this context our client, a European investment bank, undertook a major, enterprise-wide operational risk management project. Using the COSO framework as a reference model whilst taking input from key regulatory stakeholders we were engaged to provide support for the Global IT function as they delivered to the enterprise-wide project. Additionally we were asked to integrate the Global IT Balanced Scorecard into the emerging operational risk framework.

## The challenges



Whilst taking an enterprise-wide approach based on a proven framework would be regarded as “best practise”, our client was faced with some key challenges. These included;

- How to effectively integrate and align the existing global Balanced Scorecard with the new operational risk management framework.
- How to align key governance processes to utilise performance and risk information effectively.
- How to embed performance and risk considerations into day-to-day decision making and overcome the perception that this was simply another measurement project that would create additional burdens for already over stretched resources.

## Our role

Manigent was engaged to support the IT function in delivering to the enterprise project, building on IT's existing performance and risk management approach and gaining buy-in for the enterprise project.

In particular we focused on building on existing measurement systems, rather than creating new, silo processes and creating sustainable change.

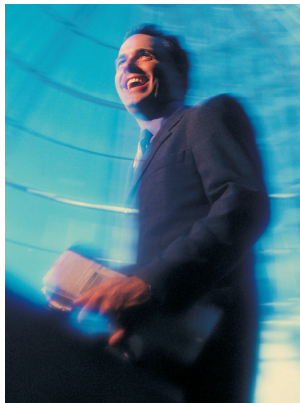
# Our approach

Our first step was to develop a greater level of understanding of risk management and awareness of the need for it within the IT function.

We then worked with the IT function to develop their Risk and Control Matrix (RCM). Armed with a deeper understanding of risk, the IT function enhanced their RCM, adding 'Risk drivers'. This increased the value of the RCM whilst significantly reducing the number of key risks that were included.

Additionally, Manigent's Risk-based performance methodology was used to guide the integration of the RCM with the existing global IT Balanced Scorecard.

Once the initial Risk and Control Matrix and Risk Assessments were completed, building on the existing BSC system, we delivered a global management information system enabling the Risk and Control Matrix to be operationalised and embedded into day-to-day decision-making.



**“Manigent came with all the right questions, enabling us to develop ‘our’ right answers”**

*BUSINESS MANAGER - GLOBAL IT.*

## Benefits delivered

The inclusion of risk drivers provided the IT function with a breakthrough in terms of understanding and provided levers with which to manage their risk. This enabled the client to identify and focus on 10 major risks from the hundreds in other functional Risk and Control Matrices.

As part of the project, we collaborated to develop a 'hand-off' Risk and Controls model and process, making responsibility for Risk and Controls clear between entities that provided IT services and those receiving the services. This is critical from a Sarbanes Oxley certification perspective.

By integrating with the existing global Balanced Scorecard and with the help of the management information system we deployed, rather than becoming the measurement burden that was feared, this project has delivered a robust framework that IT can use to monitor and manage their risks, and a set of levers with which to reduce those risks.

By integrating with the existing Balanced Scorecard, the deployed Risk-based performance framework provides the information to enable robust management discussions about the trade-offs between performance and risk.



## PRAGMATIC CONSULTING

### Project Summary



#### CHALLENGES

- Developing an understanding of 'risk'.
- Gaining buy-in for the project.
- Embedding risk management into day-to-day management decision making.

#### OUR ROLE

- Engaged to support IT in development of their Risk and Control matrix.
- Gain IT's buy-in and engage them in the enterprise-wide project.

#### OUR APPROACH

- Develop an understanding of risk within IT.
- Align IT's approach to the wider project's.
- Use standard frameworks (COSO & BSC).
- Build on the existing global Balanced Scorecard and MI system.

#### BENEFITS DELIVERED

- 'Risk aware' culture change.
- Robust RCM that focuses on Risk drivers and 10 key risks.
- Globally deployed process and system that integrates performance & risk - Risk-based performance - delivering an execution focused approach.

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