
AT THE INTERSECTION

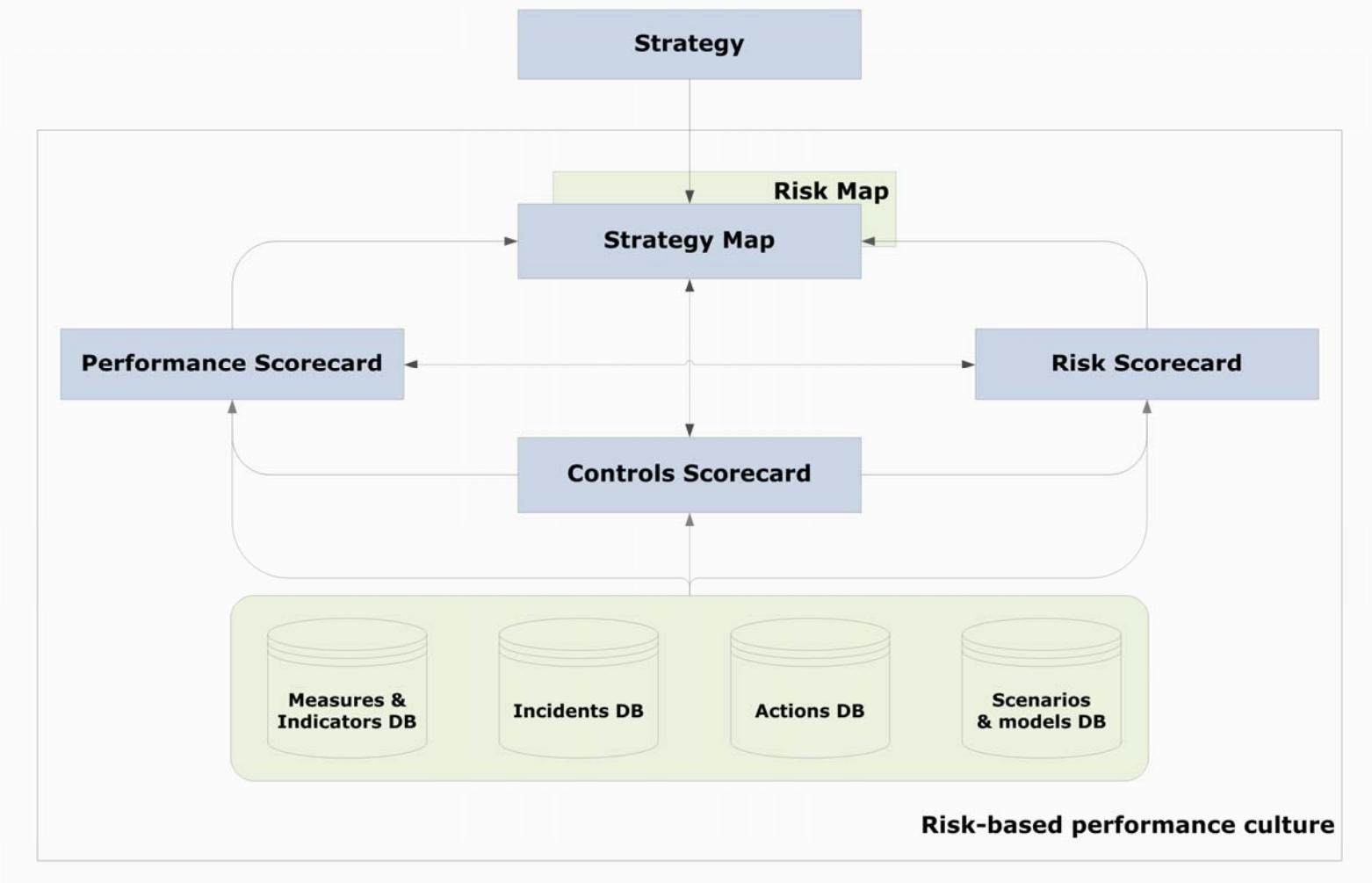
**INTEGRATING THE BALANCED SCORECARD WITH
OPERATIONAL RISK MANAGEMENT TO ENHANCE
STRATEGIC EXECUTION**

Our question

Business is fundamentally about risk and reward. Every executive knows this, which begs the question:

Why don't management methodologies enable executives to manage the relationship between risk and reward – and so support the development of a culture capable of managing this trade-off on a day-to-day basis?

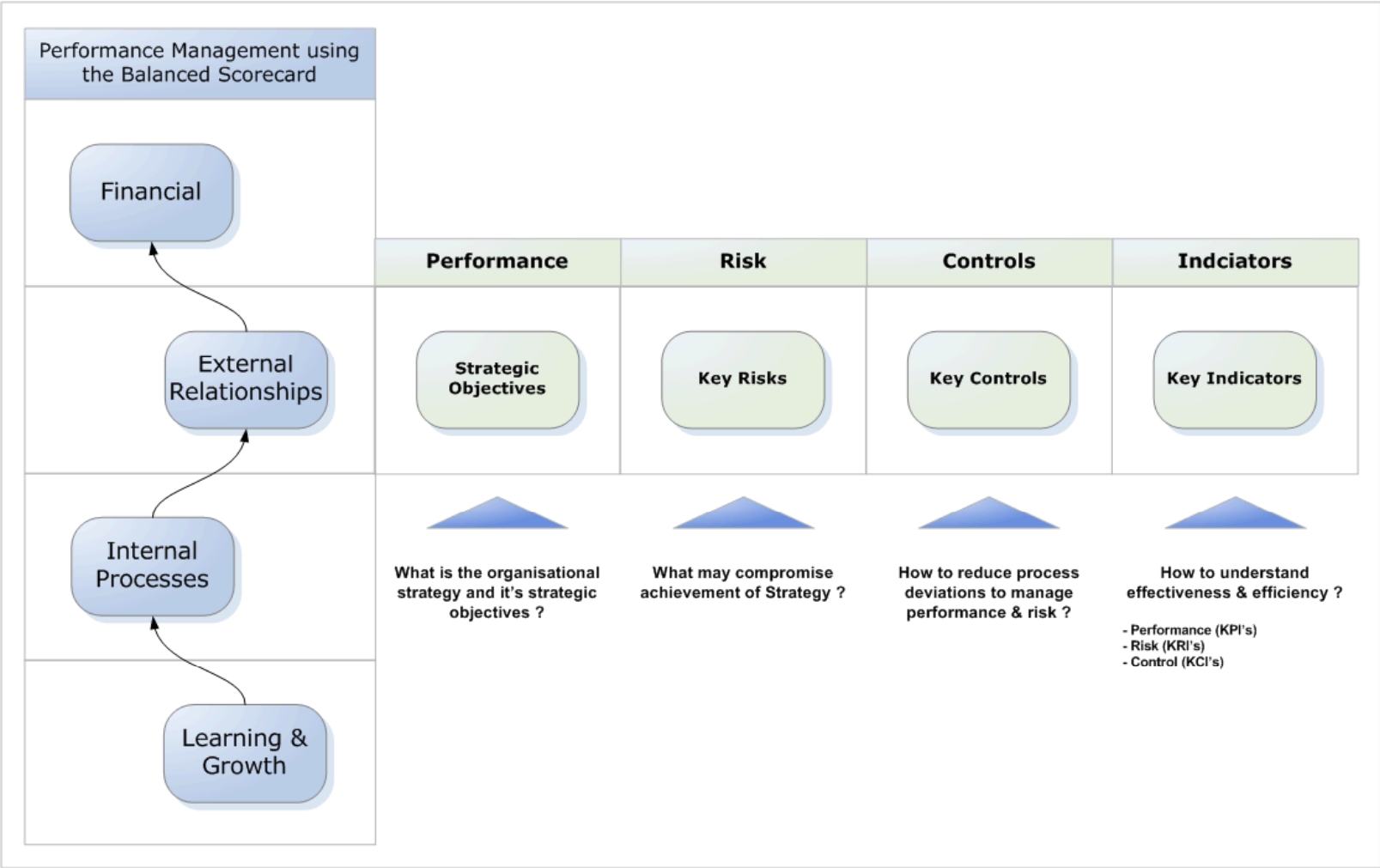
Risk-based performance



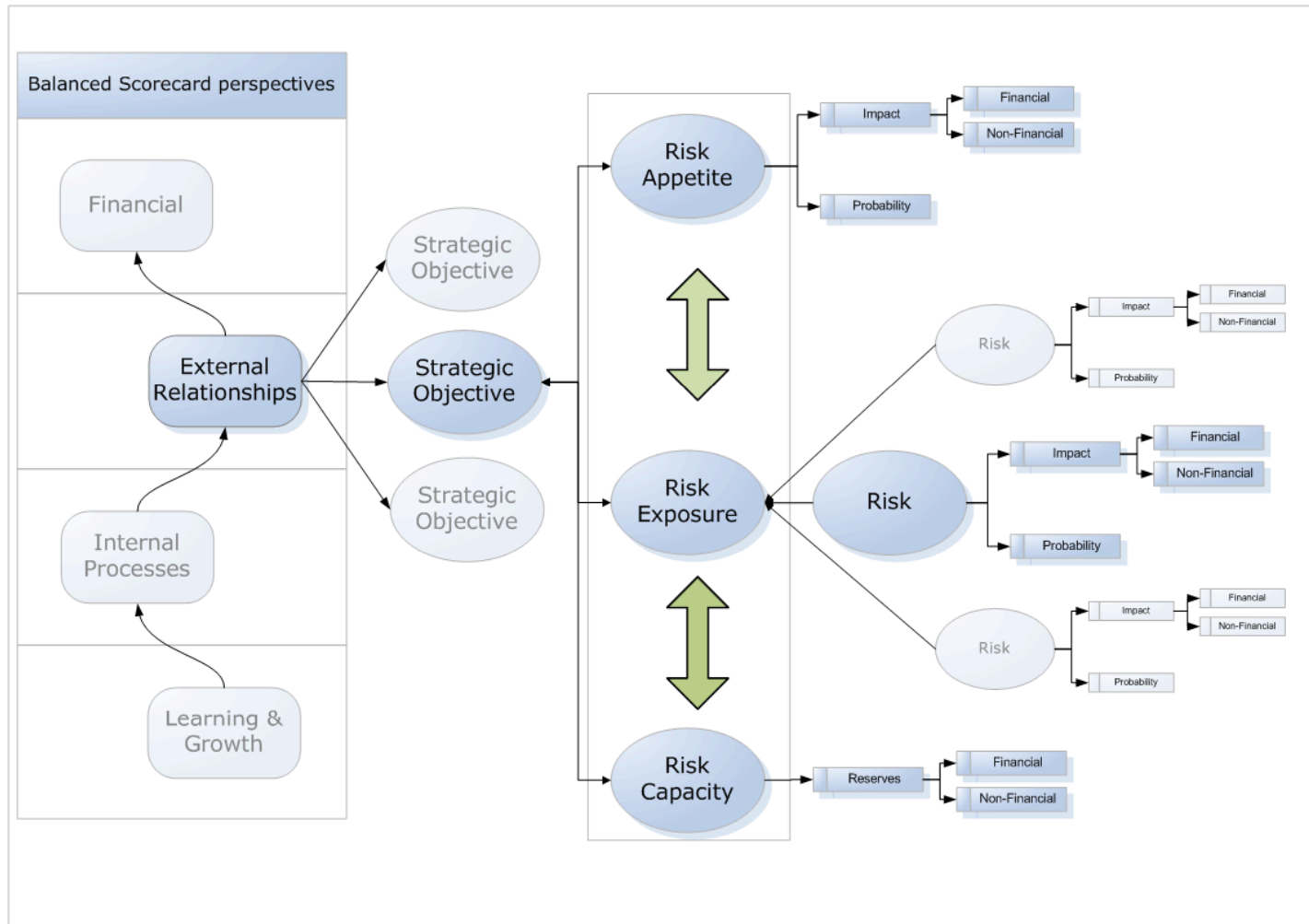
Risk-based performance – the need

- ❑ 40% - 70% of organisations fail to execute their strategy
- ❑ Average losses related to operational risk events, within financial services, found to equal US\$ 65m with tail losses US\$780m.
- ❑ Estimates point to reductions of up to 25% in the capital allocated for operational risk through enhanced operational risk management.
- ❑ Our research indicates the UK financial services industry is not effectively responding to regulatory and competitive pressures.

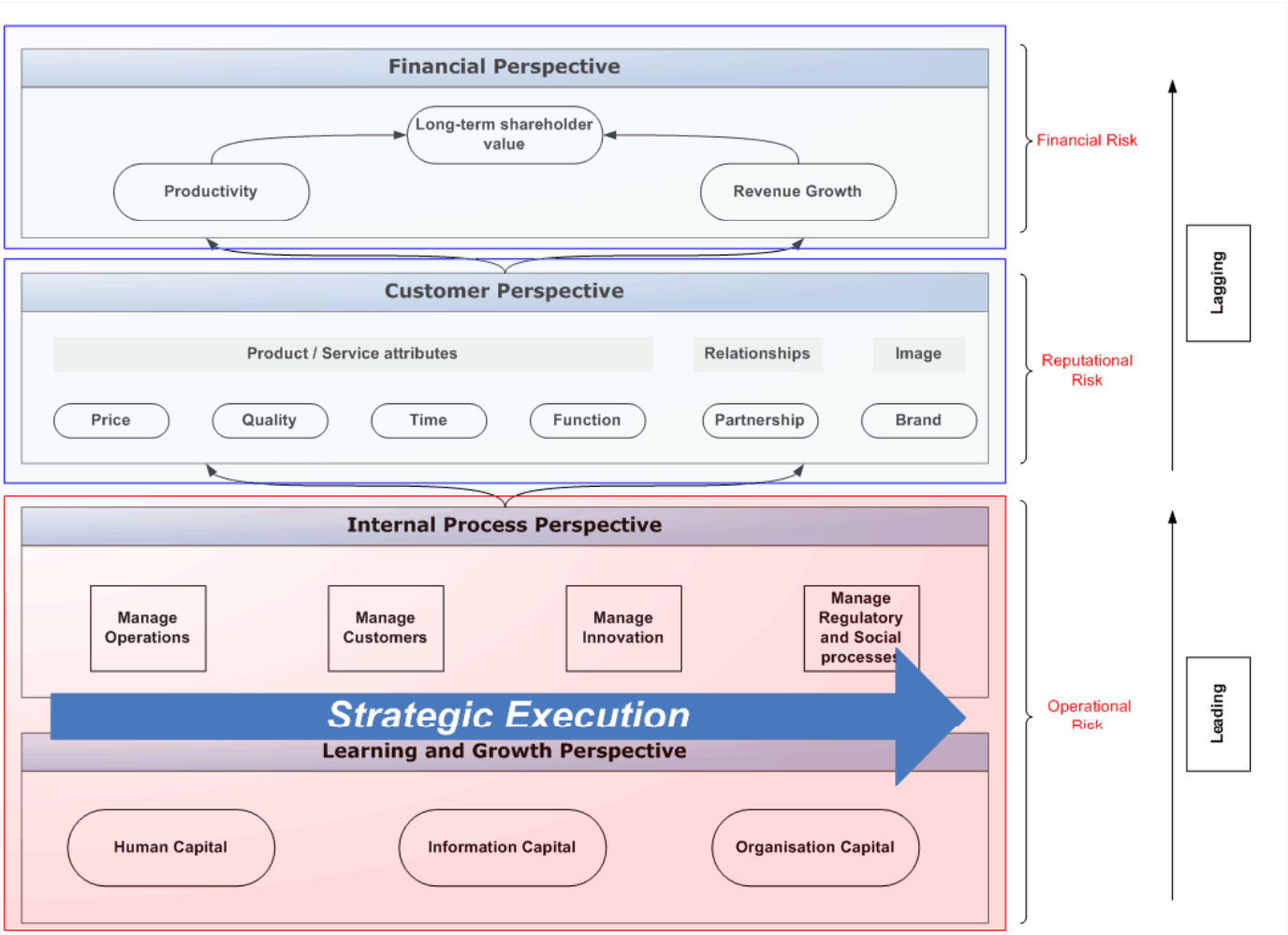
Relationships inherent within Risk-based performance



Integration at a Marco & Micro level



Strategic execution architecture



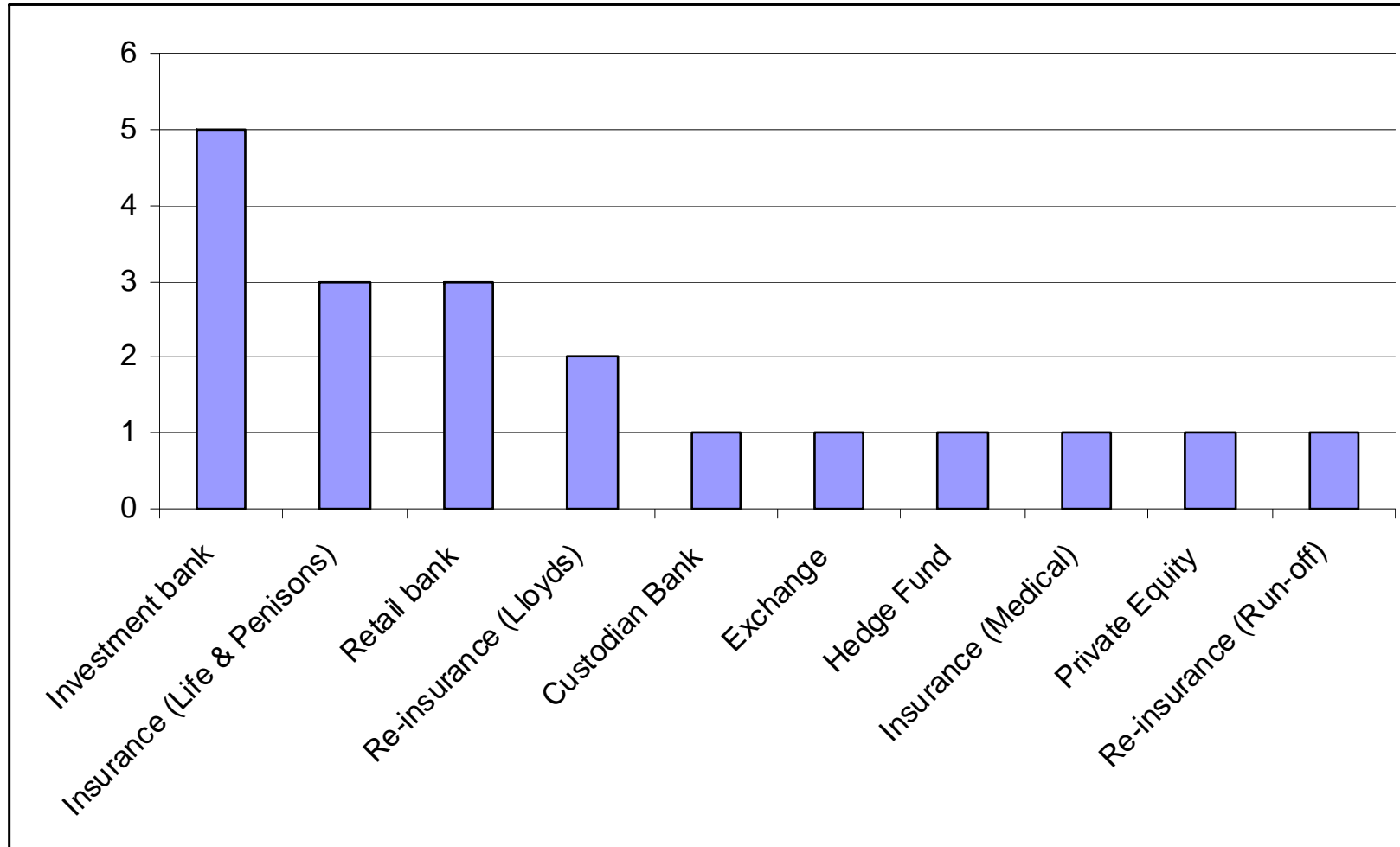
Research question

How can UK financial services organisations integrate and align their corporate performance management (CPM) and operational risk management (ORM) processes to enhance strategic execution?

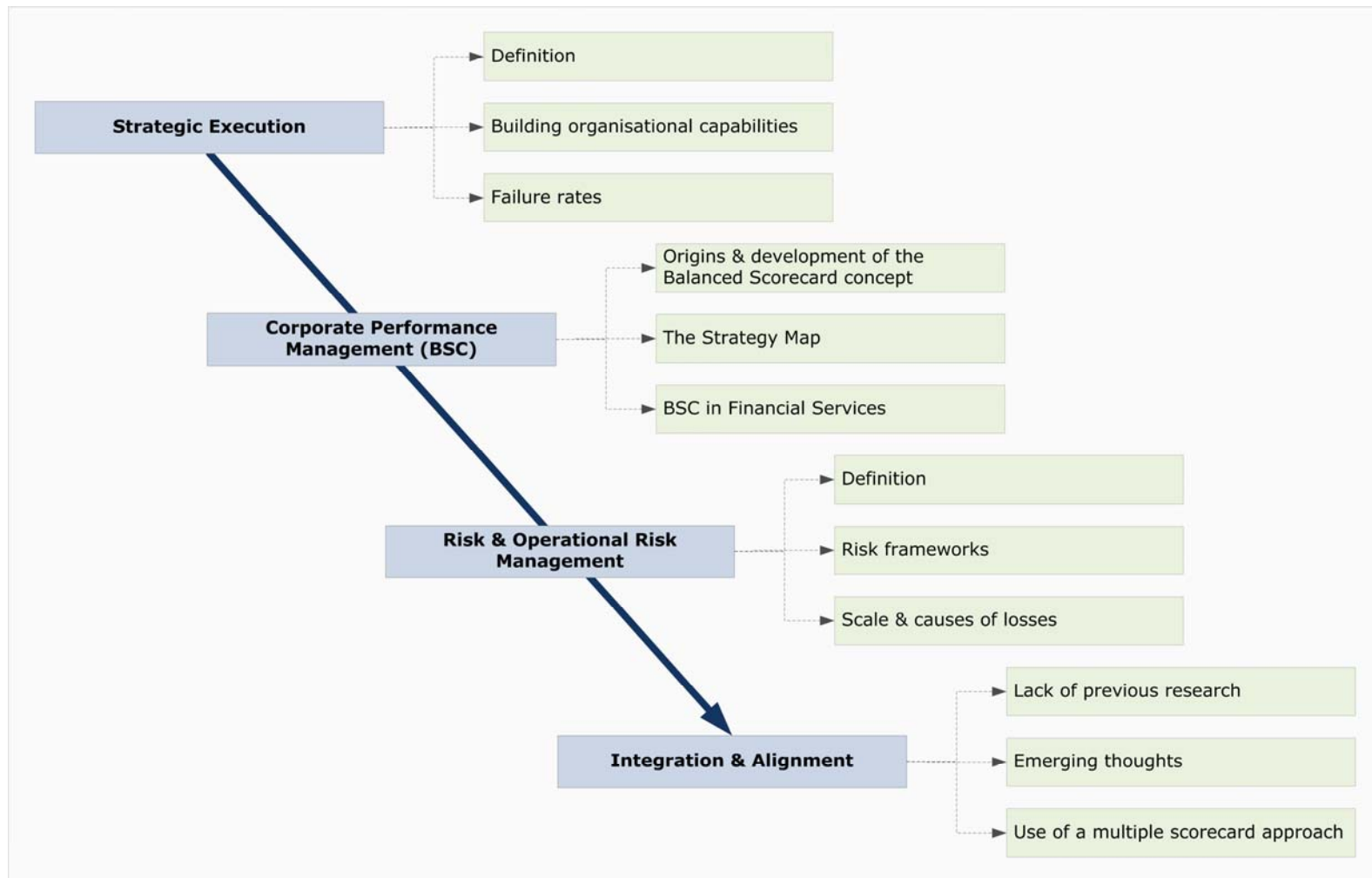
Research process and participants

- ❑ 21 Individuals from 19 Financial Services organisations, based in London.
- ❑ Primary data was collected using semi-structured interviews.
- ❑ Data was distilled using template analysis.
- ❑ Primary data was complemented by a comprehensive literature review and one in-depth case study.

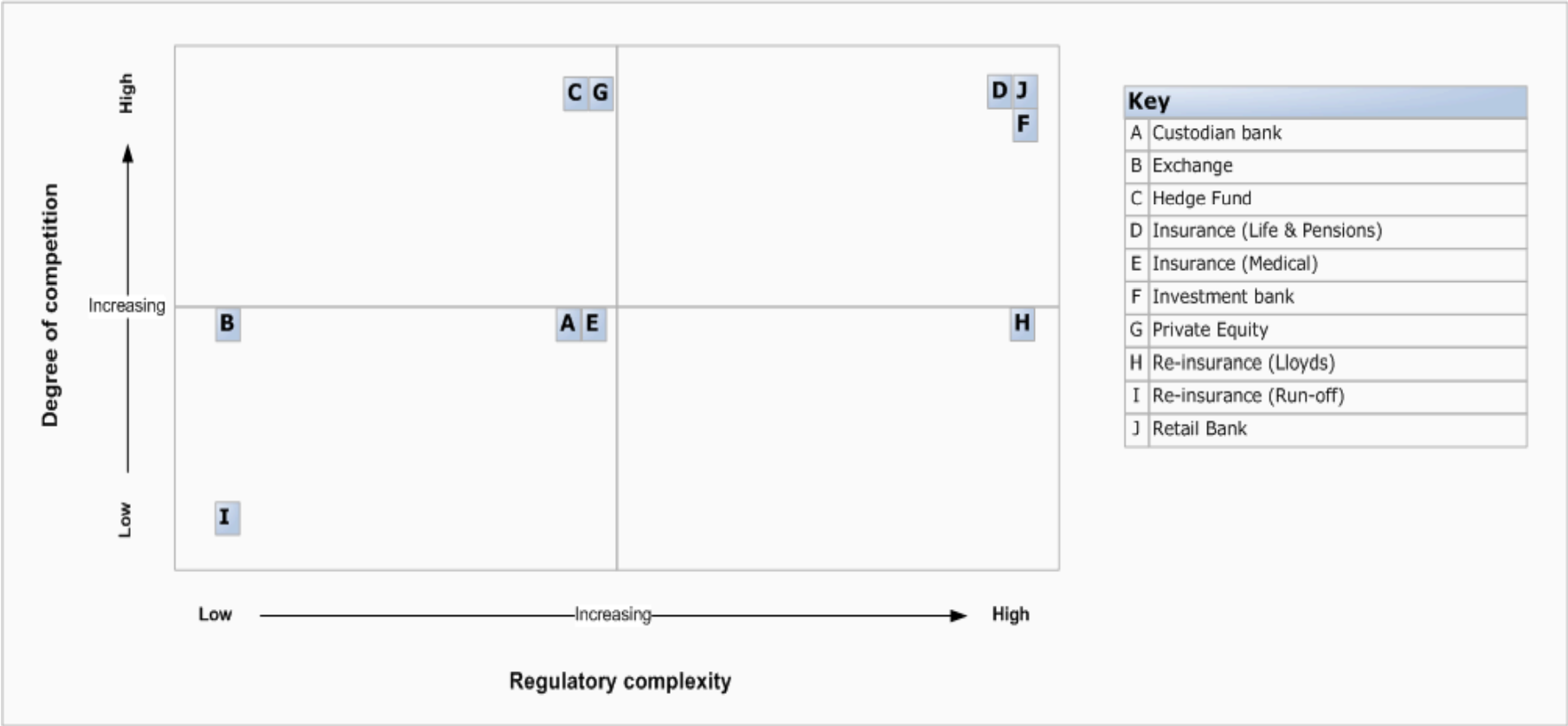
Participant organisations



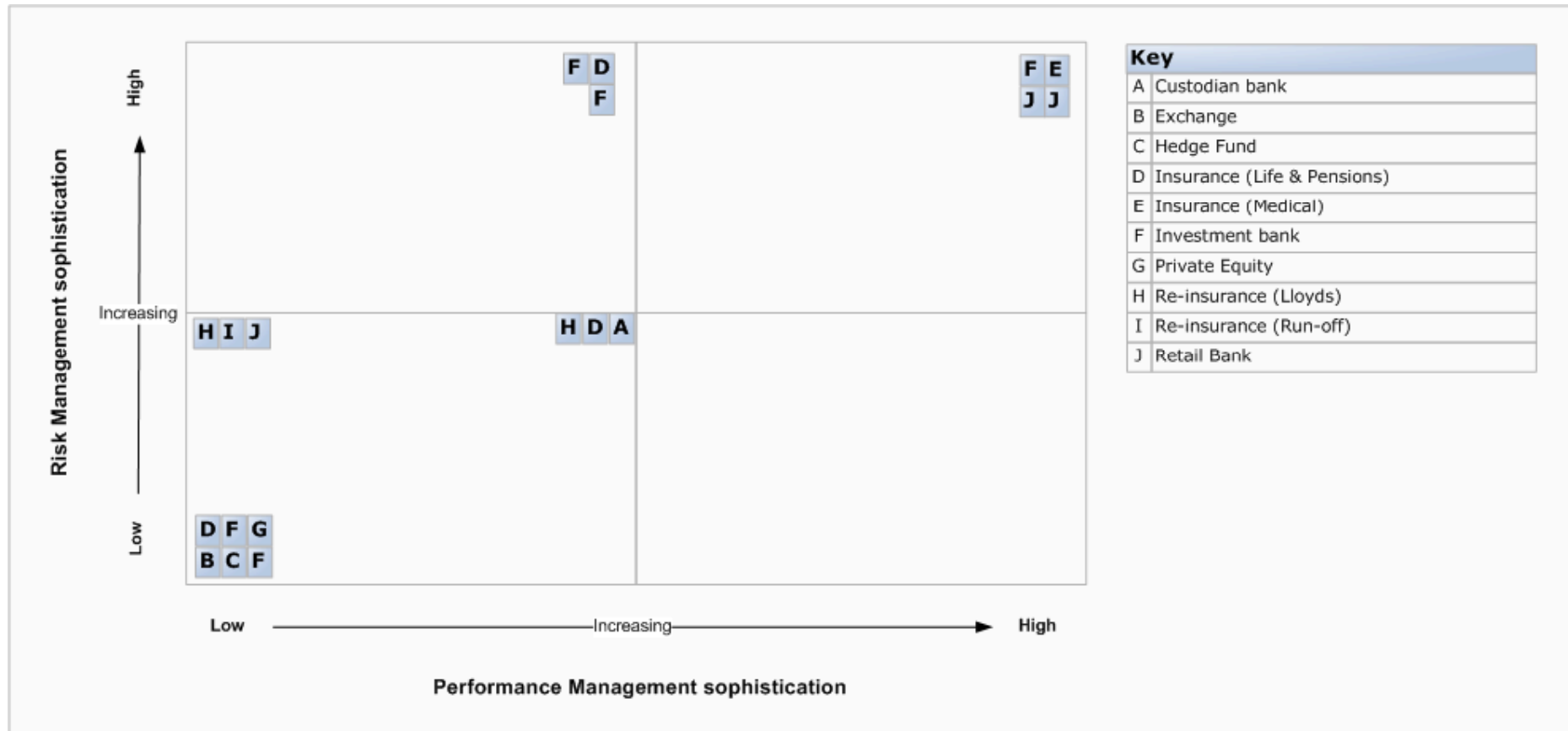
Areas of literature reviewed



Environmental context



Performance & Risk Matrix



Detail findings

Dimension	Key finding
Structure	<ol style="list-style-type: none">1. Silo processes exist2. There is a lack of clarity as to the right focus for Risk Management and Compliance functions.
Strategy	<ol style="list-style-type: none">1. Improvement efforts are largely reactive and driven by individual regulatory requirements.2. Organisations are not taking a strategic view3. Just good strategy
Systems	<ol style="list-style-type: none">1. Clear and well defined reporting and review cycles2. Lack of use of the Balanced Scorecard3. Tactical indicator driven approach
Shared Values	<ol style="list-style-type: none">1. Challenge of embedding Operational Risk into the daily culture & decision-making2. Developing and sustaining the desired culture3. Role of organisational learning
Style	<ol style="list-style-type: none">1. Lack of maturity surrounding CPM and ORM2. Data, data and more data
Staff	<ol style="list-style-type: none">1. Linking compensation to CPM and/or ORM indicators2. Use of Gateway process

Implications for GCC organisations

□ GCC states are:

1. Playing a more significant role in the global economy.
2. Undertaking reforms at home, including reforming local financial services industries.

□ Opportunity exists for GCC financial services organisations to take a much more holistic approach, integrating performance and risk management to:

1. Drive strategic execution,
2. Avoid Risk related losses typically associated with financial services organisations,
3. Improve transparency and credibility within the International financial services community.