



Manigent's Strategy & Risk Happy Hour

Interactive Forum on Strategy & Risk Management



Strategy & Risk

- In the coming year, 70% of companies expect to grow using:
 - New product development
 - Mergers and Acquisitions
 - Emerging markets expansions
- In the coming year, top risks to watch are (poll: strategic risks):
 - Economic crisis in the eurozone (65%)
 - Geopolitical tensions and civil unrest (21%)
 - Alarming rise in natural catastrophes (9%)
 - Competition from the BRICs (0%)
 - Violent activism or terrorism (3%)

Strategy, Risk and Losses

- All largest losses have come from negligence of the risks induced by a strategy, e.g.:
 - Overlooking the asset bubble in the US:
 - Subprime derivatives at AIG or UBS,
 - Lack of due diligence on profitable clients:
 - Enron and Arthur Andersen
 - Growth strategy at the expense of internal controls:
 - Rogue trading at Societe Generale
 - Underestimation of the threat from upcoming technologies:
 - Kodak and digital photo, Nokia and iPhones, Encyclopaedia Britannica and Bill Gates



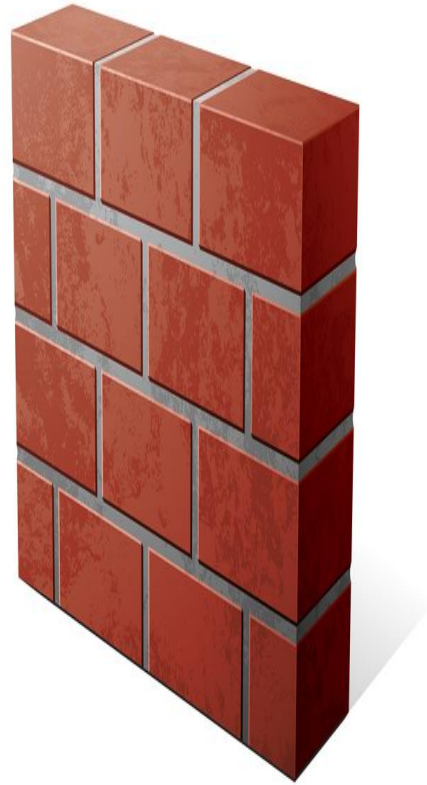
Aligning Strategy and Risk Management

driving sustainable strategy execution





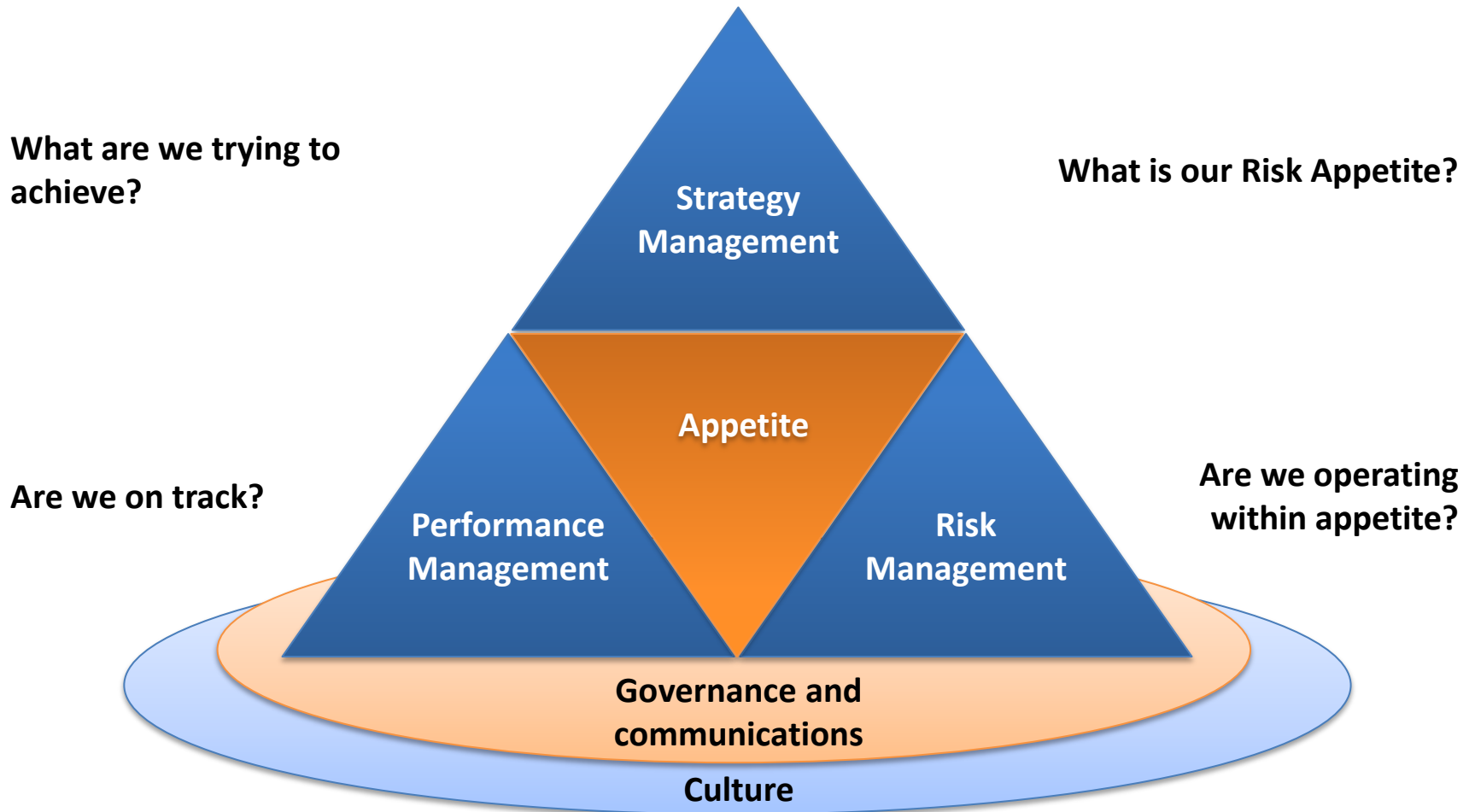
Strategy



Risk



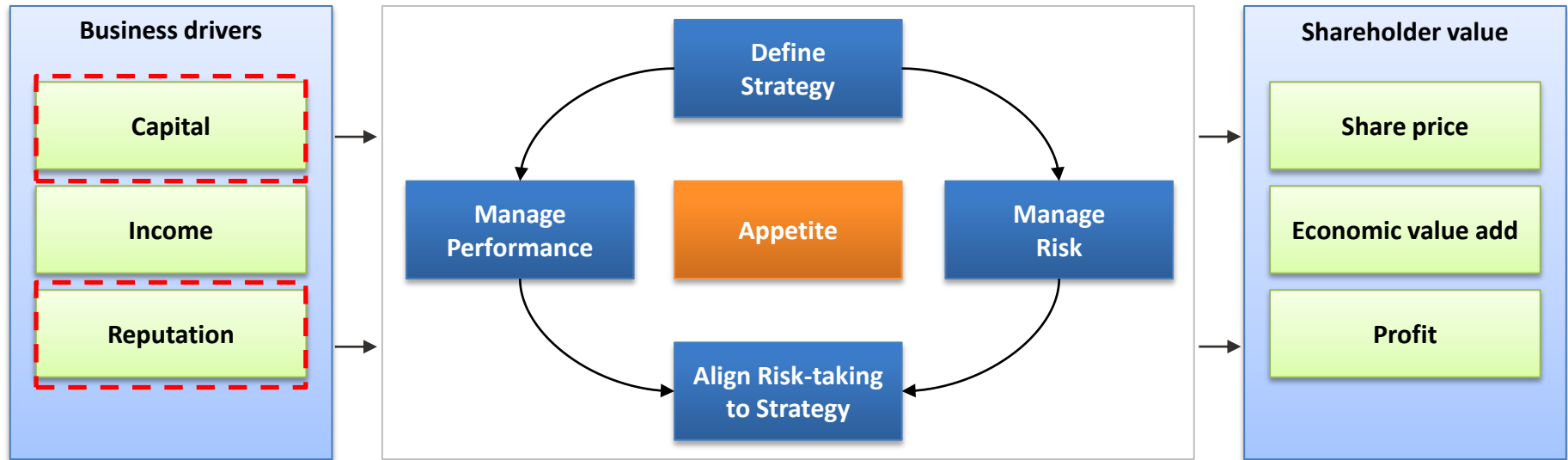
Aligning and integrating Strategy and Risk using Risk-Based Performance Management



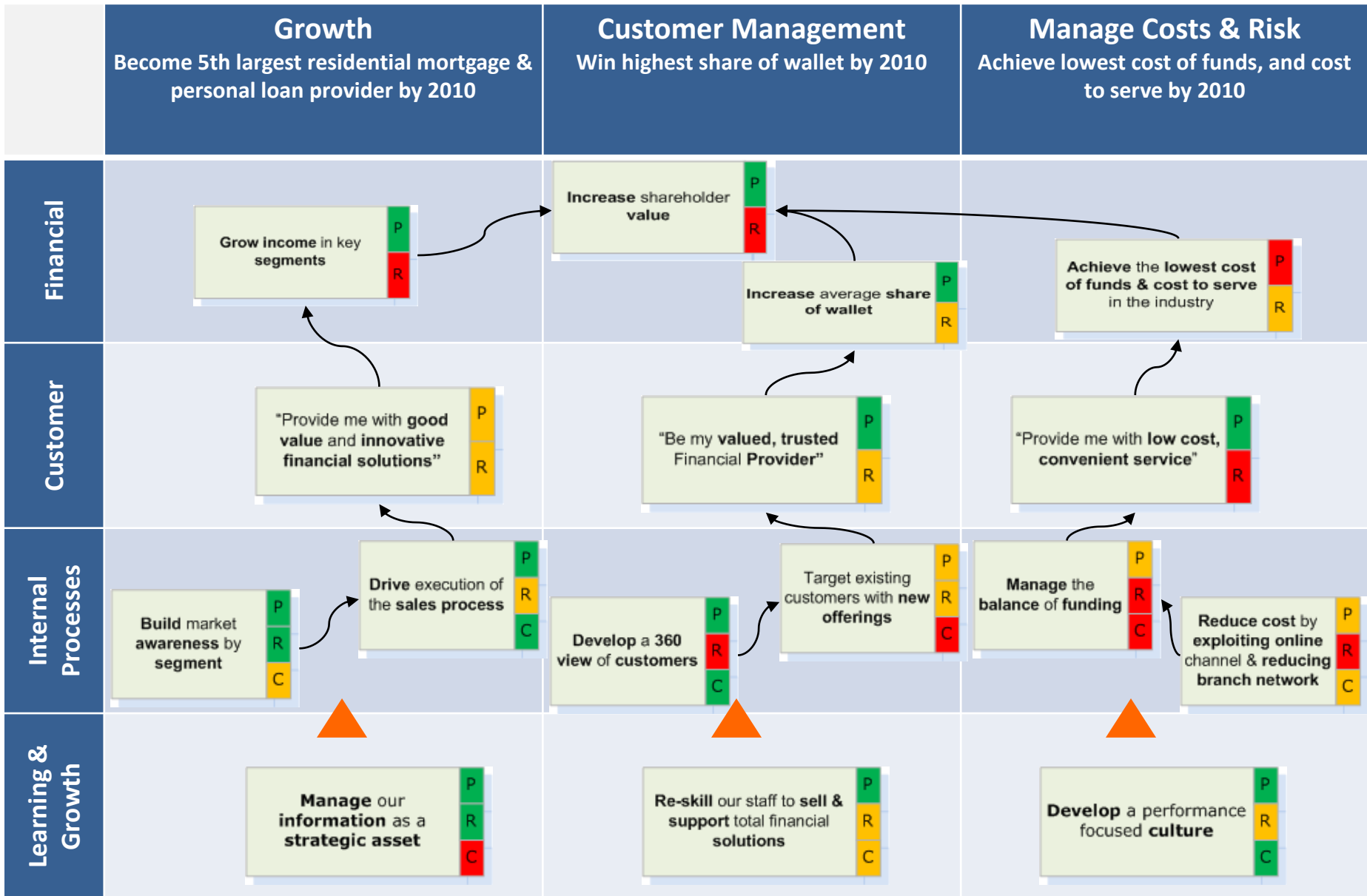
Risk Appetite should be integrated into the strategic planning process

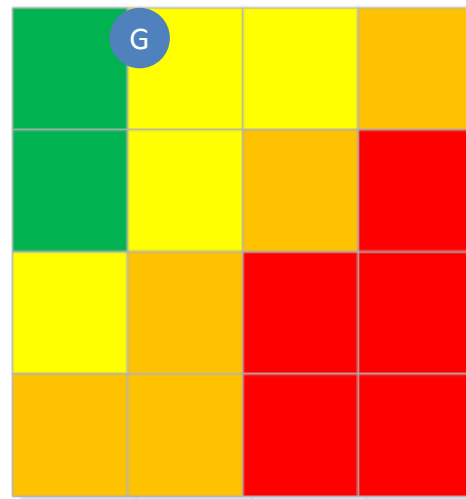
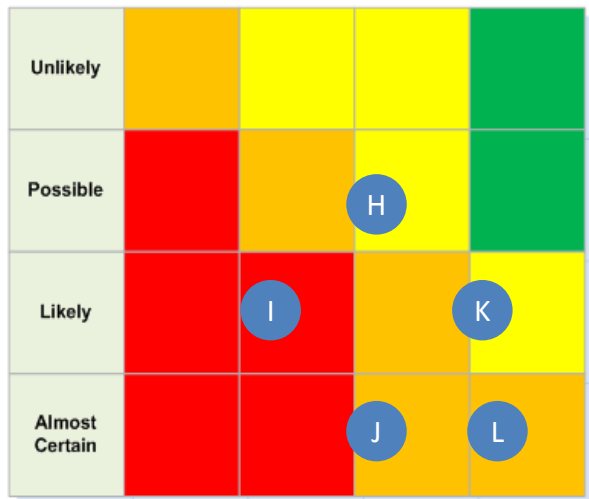
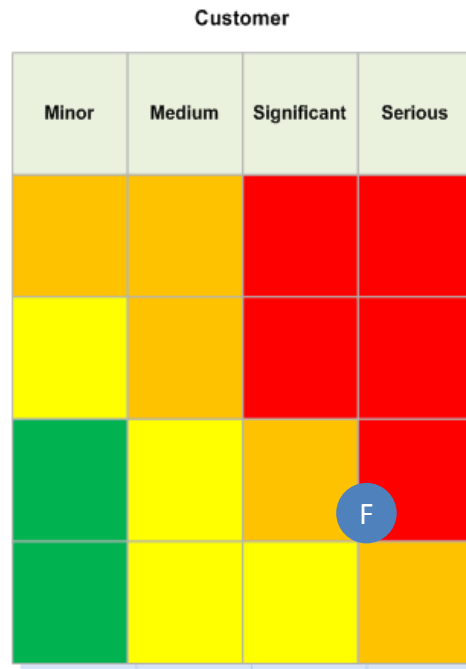
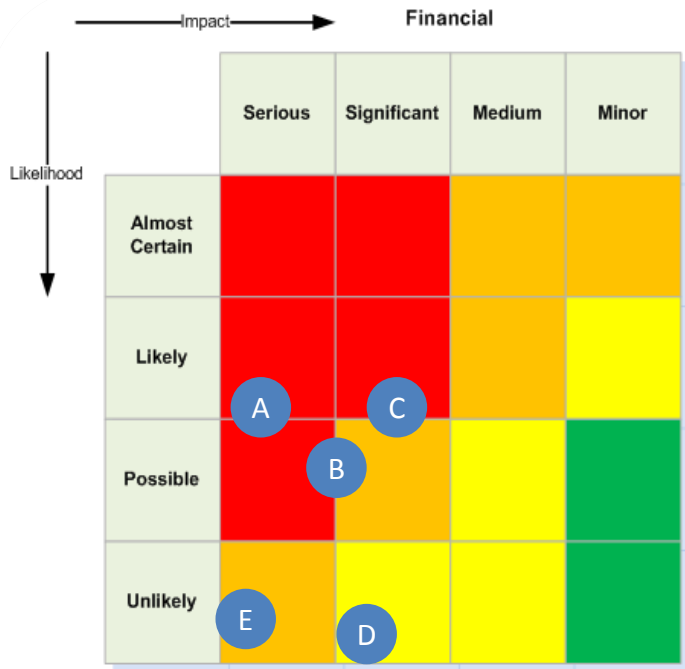


Using Business Drivers to set Strategy and Risk Appetite ensures Risk is central to the Strategy Execution process



The Risk-Based Performance Management framework is designed to enable the alignment of risk-taking to strategy



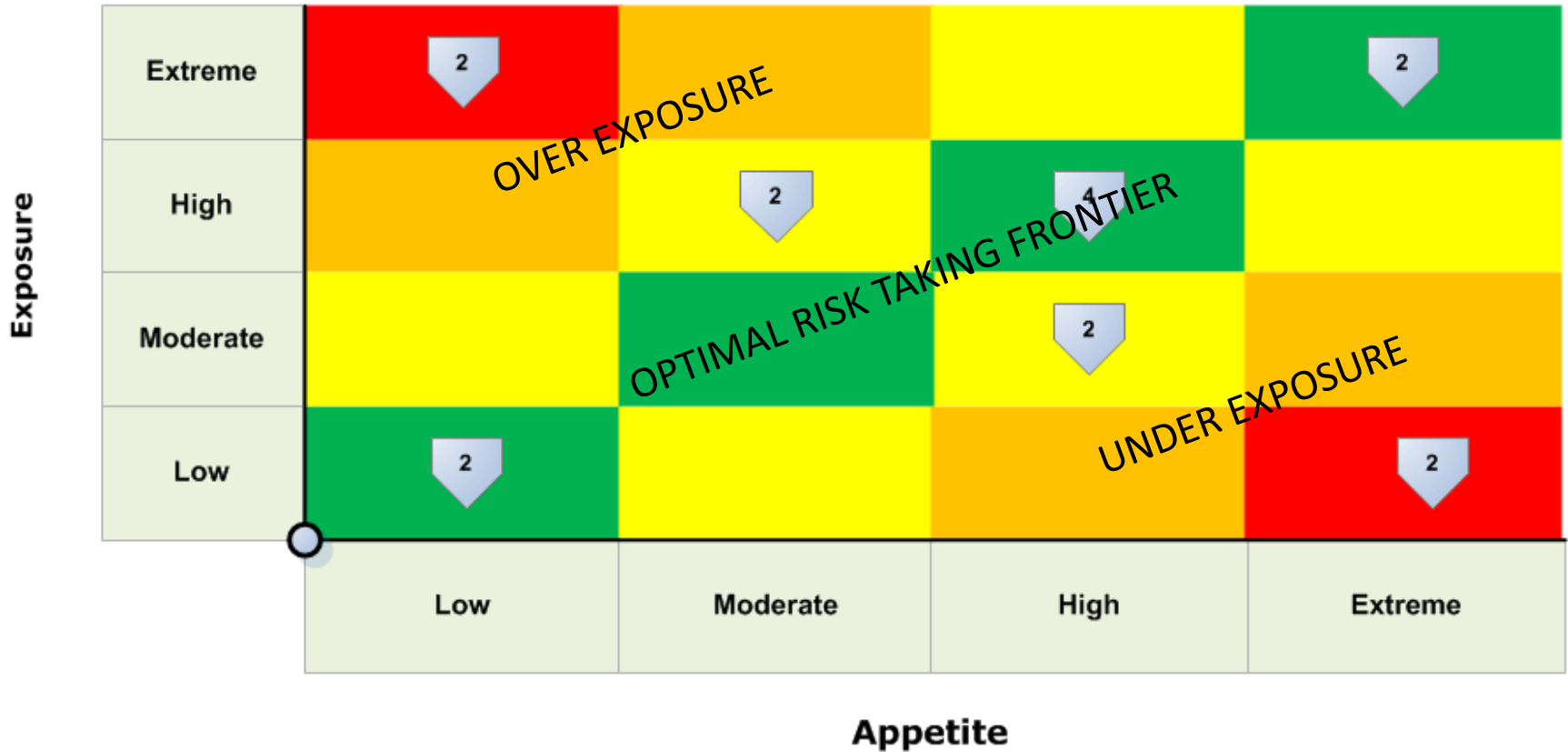


Internal Process

Learning & Growth

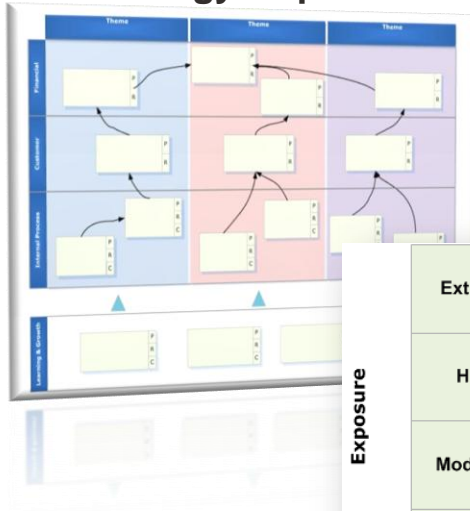
- A Earnings variability
- B Poor perception of our brand
- C Poor perception of our products
- D High cost of capital
- E Poor perception of our cost
- F Poor perception of service convenience
- G Fines related to mis-selling
- H Unexpected growth in 3 month arrears
- I Access to securitisation markets
- J Unreliable Internet banking service
- K ATM Network failure
- L Failure to reduce branch network fast enough

Appetite Alignment Matrix



The Appetite Alignment Matrix is a critical tool to enable organisations to deliver strategy “within appetite”

Strategy Map



Risk Map



Appetite Alignment Matrix

Exposure	Extreme	2			2
	High		2	4	
	Moderate			2	
	Low	2			2
		Low	Moderate	High	Extreme
		Appetite			

Risk-Based Performance Management case study: UK Financial Services business

It [Risk Management] should become part of the firm's DNA and simply the way business is done – reflected in the effectiveness of management doing the right things.

The true output of effective risk management is a successful organisation that delivers on its strategic objectives and satisfies the needs of key stakeholders - consistently, year on year.

*HML started a journey to ingrain a new approach to risk management. In spite of the financial difficulties experienced in our market, significant benefits have been achieved which have made a difference to HML's bottom line: **94% reduction in the value of errors** and a **63% reduction in the volume of errors**.*

<http://www.hml.co.uk/blog/2011/09/23/risk-management-driving-value-from-a-long-game-approach>

About Manigent



Manigent is a thought-leadership consultancy firm in the strategy execution and risk management space.

Our Vision:

To change the way the world manages strategy & risk

Our Mission:

- Deliver measurable benefits
- Offer pragmatic solutions
- Work with insightful people

Q & A