

Still some way to go

StrategicRISK's latest benchmarking survey indicates that, while many organisations are seeing the benefits from enterprise risk management, a significant number still have some distance to cover before it is firmly embedded in their corporate culture

A lack of support from senior management is the main thing that stops businesses properly implementing enterprise risk management (ERM), according to *StrategicRISK's* latest reader poll. The 100-person web survey also identified “unclear ownership and responsibility for implementation” as well as “lack of tangible benefits” as other significant barriers to successful ERM execution.

Unsurprisingly in the current cost climate, the respondents added that a lack of capital to invest in risk management was also negatively affecting their ERM efforts. The study was designed to give a snapshot of how ERM is being implemented across organisations so that risk managers can benchmark their efforts with peers.

A third of the respondents indicated that their ERM programmes were sufficiently mature that they could identify, measure, manage, report and monitor their major risks, adding that their policies and techniques had also been clearly defined. A quarter of the respondents described their ERM programmes as slightly less mature – in other words, they had limited capabilities to identify, assess, manage and monitor their main risks. And fewer still (19%) were in the initial stages of ERM.

Only a handful of respondents had ERM programmes that were either consistently applied at an operational level (10%) or at an advanced level (13%). This indicates that risk managers still have some way to go to fully embed ERM within their organisations.

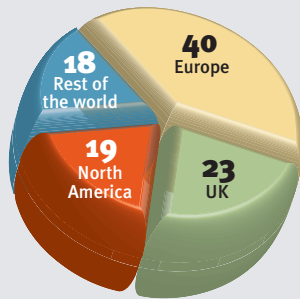
Encouragingly, over half (57%) had identified their organisation’s risk appetite, defined as the sum of assets that the organisation is willing to put at risk in pursuit of its corporate objectives.

Although many of the risk management standards state that organisations should understand their risk appetite, the application of the concept remains difficult. Successfully identifying an organisation’s risk appetite is an essential part of effective risk management.

Making an impact

Even more positively, almost three-quarters (70%) of the survey participants said that their ERM programme does improve business decision-making.

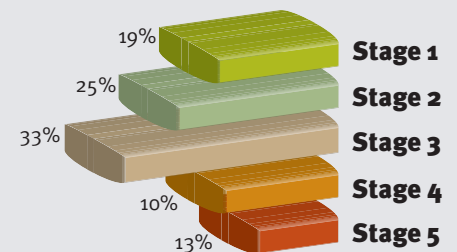
In what region are you based?



What best describes the sector your organisation operates in?

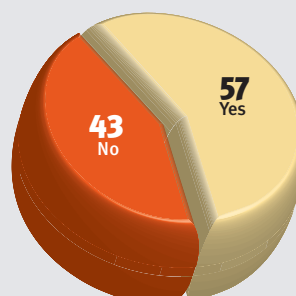


How would you describe the level of maturity of your ERM programme?

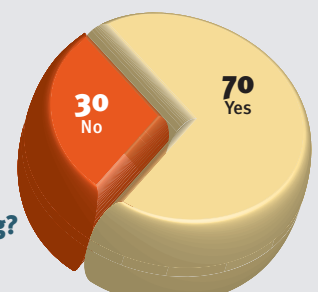


Stage 1	Initial/lacking	Activities are limited in scope and may be implemented on an ad hoc basis.
Stage 2	Basic	Limited capabilities to identify, assess, manage and monitor major risks.
Stage 3	Defined	Sufficient capabilities to identify, assess, manage and monitor major risks. Policies are also defined and used across the organisation.
Stage 4	Operational	Consistent ability to identify, assess, manage and monitor major risks. Policies are consistently applied across the organisation.
Stage 5	Advanced	Well-developed ability to identify, assess, manage and monitor major risks. Processes are dynamic and able to adapt to changing risks. Explicit consideration of risks in management decision-making.

Have you identified your organisation's risk appetite?



Does your ERM programme improve business decision-making?



Source: Aon's Risk Maturity Model

Over a quarter (28%) said that their ERM programme also has a “significant” influence on their organisation’s strategic planning. More than one in 10 (15%) said that it has a “very significant” impact on strategic planning. But, equally, a similar proportion (14%) said that it has “very little” influence. The biggest proportion of respondents (36%) said that ERM only “partially” influences their strategic planning.

In a connected finding, ERM is only moderately successful at helping organisations achieve their objectives, according to almost half (46%) of the respondents. Over a quarter (28%) reported isolated success with this. Only 20% of respondents said that their ERM programme is “very successful” at helping them achieve their commercial objectives.

Only a small number (10%) of the respondents said that their organisation (including all its employees and senior management) “entirely” understands the objectives of ERM. Around a fifth (21%) said their organisation understands the ERM objectives “significantly”.

Only 10% of the respondents aid that their organisation understands ‘entirely’ the objectives of ERM

The biggest proportion (64%), however, said that their organisation only “partially” understands the overall objectives of ERM. Complementing this finding, over half of the respondents (54%) said they were only partially successful embedding ERM into the corporate culture so that everyone in the organisation clearly understands their risk accountabilities. This

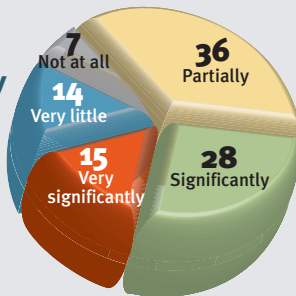
goes to show that embedding a risk culture is an ongoing challenge for many firms. Just 17% of the respondents said that they had achieved this “entirely or significantly”, indicating that at least some firms are confident about their risk management cultures.

Company champions

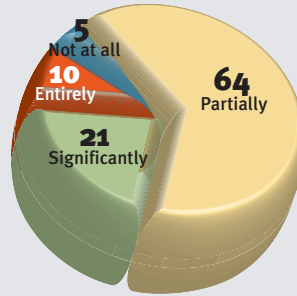
The biggest ‘prime sponsor’ of ERM is the chief financial officer, according to our survey. Next in line is the chief executive, followed by a risk management director, and then the board. Neither the company treasurer nor the internal audit department are popular sponsors of ERM, according to this group of respondents.

Overall, the findings of our survey indicate that there is work to be done in terms of establishing ERM as standard business practice. Encouragingly, though, the survey shows that many organisations are past the initial stages of ERM programme development and a number of organisations have already been successful in embedding a culture of risk management and influencing strategic decisions through the use of ERM. ■

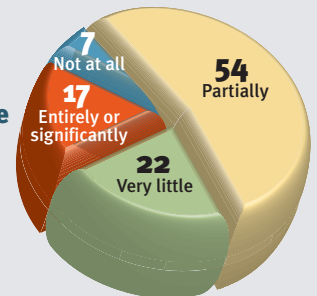
How significantly does ERM influence your organisation’s strategic planning?



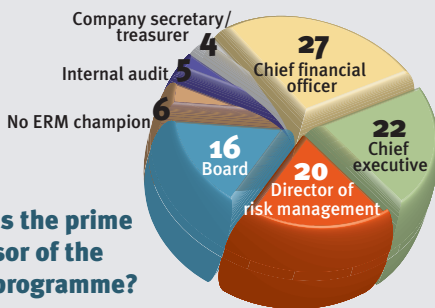
How well does your organisation (including all its employees and senior management) understand the objectives of ERM?



How successful have you been at embedding ERM into the corporate culture so that everyone in the organisation understands their risk accountabilities?



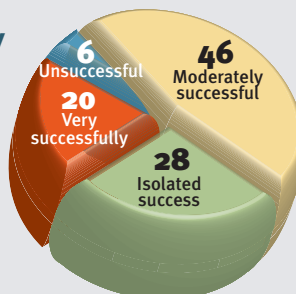
Who is the prime sponsor of the ERM programme?



What are the main barriers to implementation of ERM?



How successfully does the ERM programme help your organisation meet its corporate objectives?



Almost three-quarters (70%) of the survey participants said that their ERM programme does improve business decision-making