

Value Based Governance and Strategy Risk Management

Session 40

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Learning Objectives

- Understand the Value of Risk Management Governance
- Value of Risk Management and Strategy Integration
- Tools to Achieve Value-based Risk Management Governance
- Client Experience and Examples from Kent Corporation

Strengthens Companies to Compete

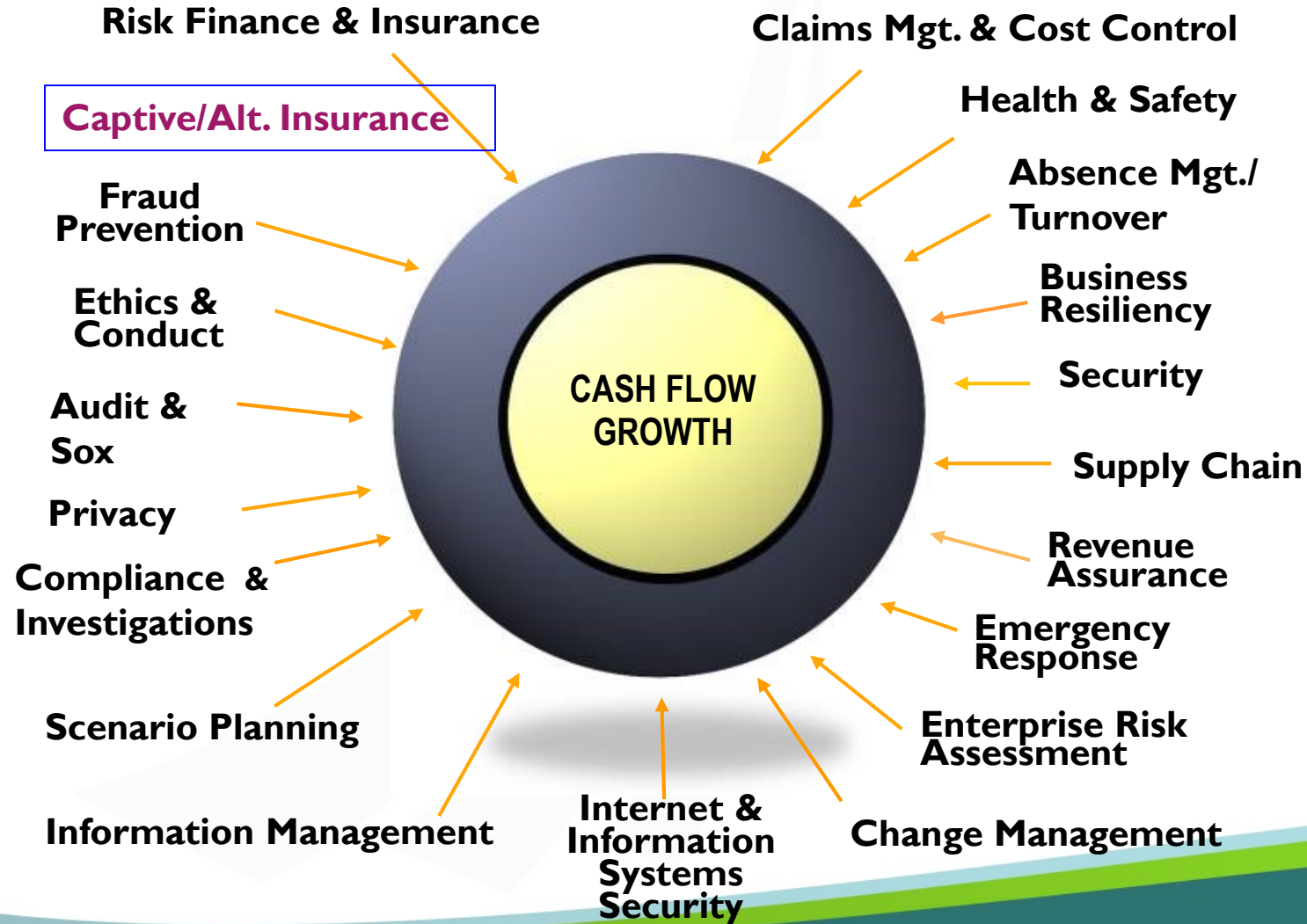
Risk Management Myths

- Only Insurance – approx. 40% of claims paid
- Hope – “It won’t happen to us”
- Third party studies – “filed” on a back shelf
- Controls or Compliance – rear-looking check lists
- Hiring a team of “really smart” people
- Time limited – “it’ll go away”
- Cost Center - Burdensome

7-10% of Revenue Consumed by RM Costs

The Value-Based Approach

Integrated Risk Management Solution



Risk Management IS!

- Major **Value** driver
- **Strengthens** the business - **Differentiator**
- **Cash-flow** producer
- **Integrated** mitigation initiatives
- **Scenarios** drive alternative solutions
- **Preparedness** for uncertainty and crisis

Managing Risk = Cash Flow

Risk Management Top 10 2017

World Economic Forum

- Extreme weather events
- Water crisis
- Natural disasters
- Failure of climate-change mitigation & adaptation
- Large scale involuntary migration
- Terrorist attacks
- Interstate conflict
- Un/under employment
- Cyber attacks
- Man-made environment disasters

Executive Opinion Survey*

- Un/under employment
- Energy price shock
- Fiscal crisis
- Failure of national governance
- Profound social instability
- Failure of financial mechanisms
- Terrorist attacks
- Failure of critical infrastructures
- Asset bubble
- Cyber attacks

* WEO Survey 2017

Frequency – Magnitude – Velocity - Interdependence

Client Risk Priorities

- Reputation – Client and Investor Impact
- Cyber-breach – Data compromise – Operating Systems
- Behavior – Internal and 3rd party providers
- Business Disruption – Internal & supply chain
- Cash Flow – Revenue diversity & cost management
- Regulation – Burden and Uncertainty

Value Risk Management Solution

- Risk Management Executive Council (RMEC)
 - Operations – Finance – Marketing
 - Human Talent – Legal
- 90 – 90 Rhythmic Focus on “Material” Risks
 - Purpose
- Governance of Risk & Preparedness
- Prioritize Risk “Materiality”
- Establish measurable deliverables
- Track and Report Results
- Initiate Operations Assurance Processes
- Anticipate emerging risks

Reporting to CEO - Advisory Board / Board

“Five smart people in a room™”

- Facilitated Work Sessions w/ RMEC
- Determines “Material” risk impact in 90 days
- Prioritize risk mitigation programs and performance
- Determines gaps between risks and mitigation
- Plugs gaps & aligns work across business silos
- Establishes measurable deliverables
- Tracks and Reports Results

90/90 Plan - 90 Days – 90 Minutes

The Process

INTEGRATED RISK MANAGEMENT SOLUTIONS, LLC RISK MANAGEMENT STRATEGIC PROCESS

Determine Materiality Standard

Conduct Risk Assessment of:

- Operations
- Revenue/costs

Prioritize Risks

- Materiality
- 90-day window
- Assign mitigation

90-90 Review

- Rhythmic review
- Align silos
- Resolve issues

Anticipate Emerging Risks

- ERT planning
- Communications
- Internal/external
- Clients/vendors

management

progress

• All eyes on!

90-90 MANAGEMENT APPROACH

Risk Management Executive Governance

- Assessment and prioritization of material risks
- Designate risk mitigation plans with risk champions
- Measure progress and performance
- Align resources and resolve issues
- Anticipate emerging risks

Amplifies Organizational Intelligence

Risk Management Leadership

Executive Layer

Board Directors/Committees

Risk Mgt. Comm. Audit Comm. Governance Comm. Full Board

C-Suite

RMEC Governance

Strategy – Alignment - Decision Making – Conflict Resolution – Crisis Mgt. – Risk Assessment

Management Layer

Departmental Leadership

Finance	Controls Audit	Safety	Security Info. Security	Revenue Assurance Fraud Prevention	Business Resiliency	Health Environment
Operations	Compliance Privacy	Ethics	Geo-Political Management	Cyber Threat	Risk Transfer External/Internal	Emergency Response & Recovery
	Strategy	Marketing	Sales	Human Talent	Legal	Supply Chain

The Outcome – Strength

- A Prevention/Awareness Approach Produces Results

“All Eyes On”

- Risk Priorities are Funded
- Alignment of Work Efforts Across Business Units
- Stimulates Prevention-Centric Behavior
- Results are Measured and Reported
- Rhythmic Operations Assurance
- Anticipates “Emerging” Risks

Cash Flow is Improved – ROI ~ 4:1

Kent Corporation

Client Experience

Enterprise Risk Management

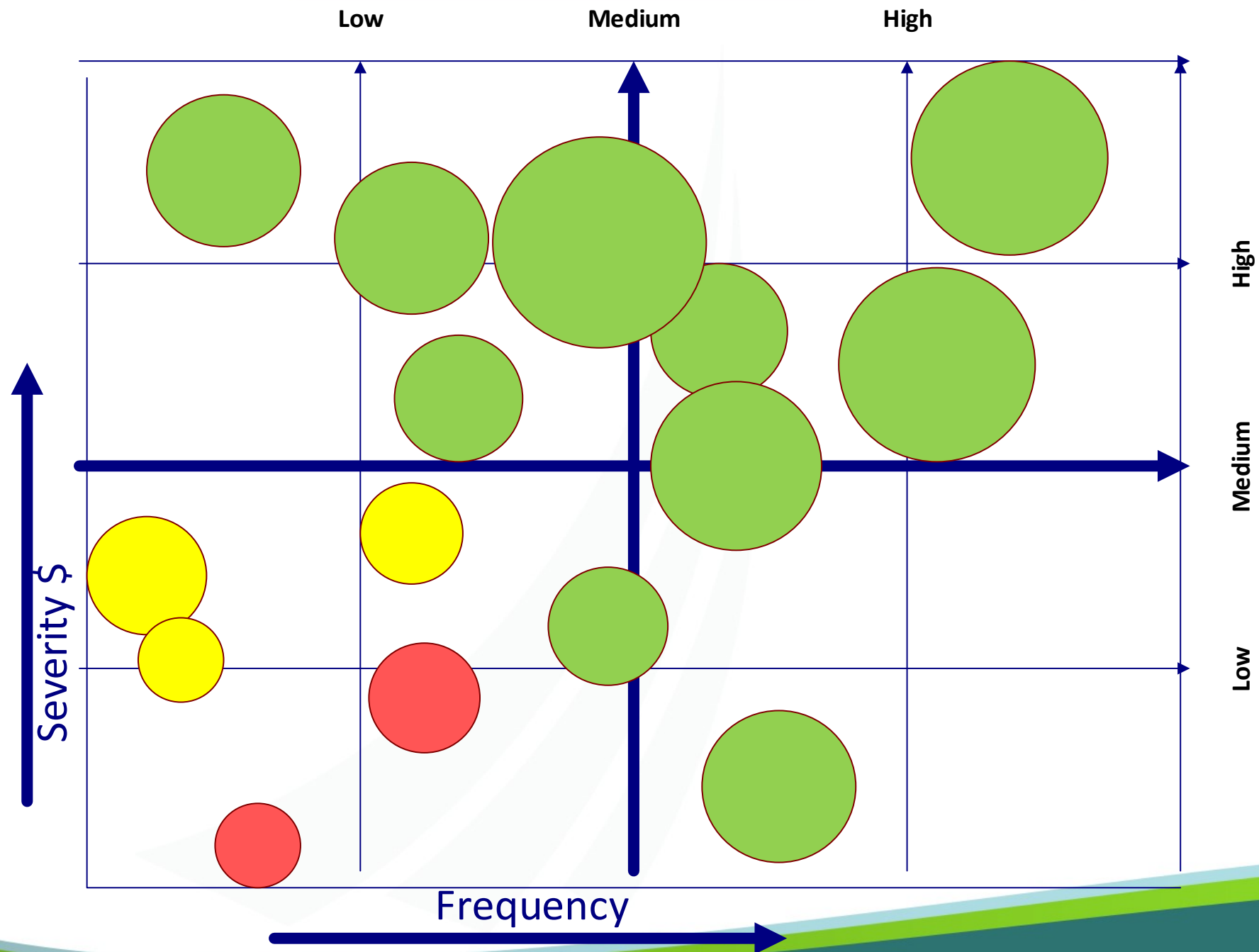
- Expand to strategic prevention model
 - Prevention & Preparedness
- Strategy alignment
- Redefine Risk Mgt. to Strategic imperative

Enterprise Risk Management

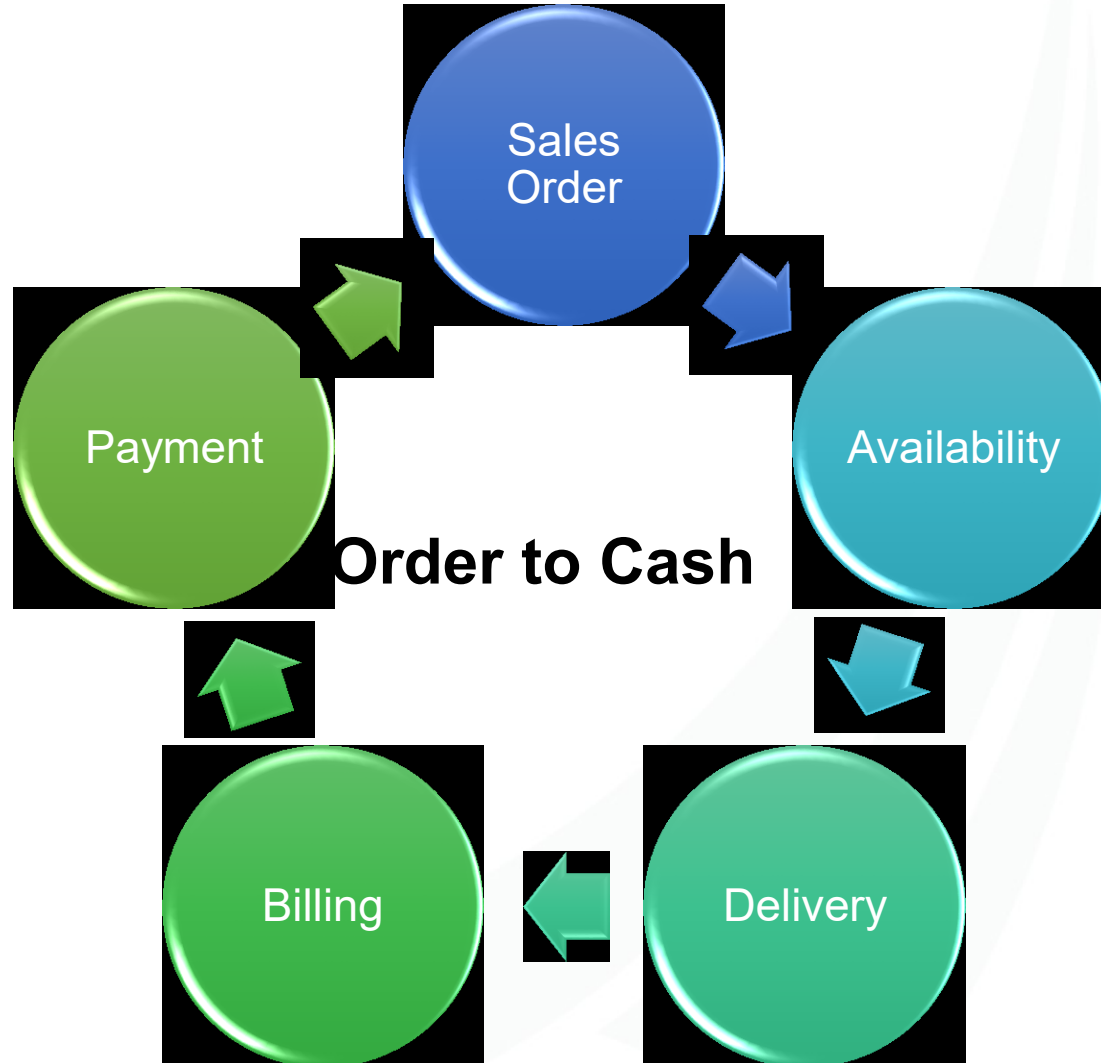
- Executive Risk Governance process
 - Executive Committee
 - Risk Management Executive Council (RMEC)
- Prioritization of “material” impact risks
- Holistic engagement w/ departmental experts

Identified Risks

- Safety
- Succession Planning
- **Volatility of Commodities**
- **Capital Availability**
- Supply Chain
- Privacy Culture
- Code of Conduct
- Regulatory
- Manufacturing Digital Controls
- Energy Supplies
- **Business Process Redesign**
- **Business Continuity**
- Public Communications
- Information Security
- Records Retention
- Intellectual Property Protection



Success Story 1

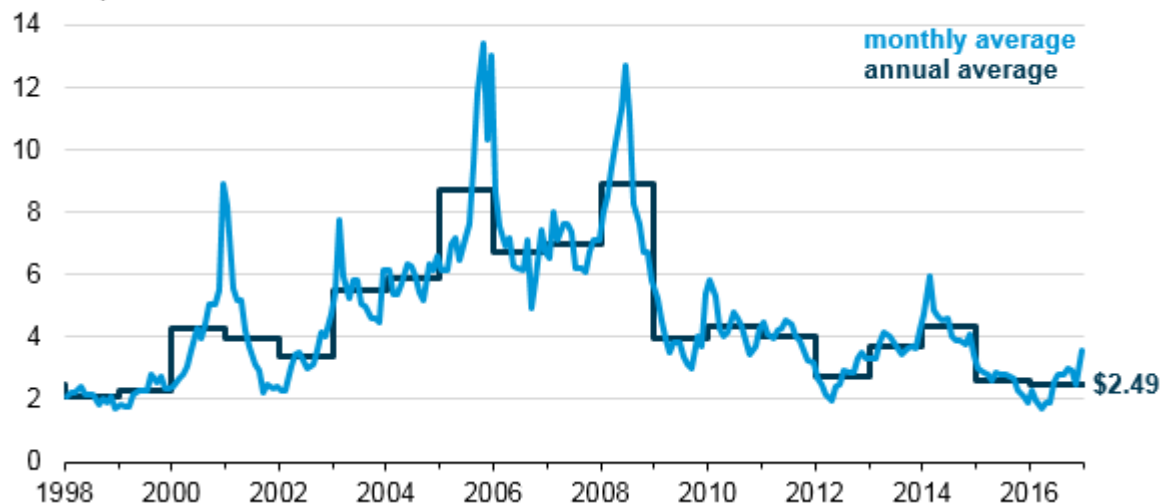


- **BPR – Business Process Redesign**
 - 4 legacy systems
 - Much more than IT initiative
- **Mitigation Plan**
 - Test run environment
 - Small business unit first
 - 24/7 security

Success Story 2



Monthly and annual average natural gas spot price
dollars per million British thermal unit



- **Volatility of Commodities**
 - Corn and Energy
 - Large volumes
- **Mitigation Plan**
 - Futures hedging
 - Basis risk challenge

Success Story 3



- **Capital Availability**
- **Product Complaint**
 - Ingredient supplier provided inferior products
 - Caused animal health and performance issues
 - Not all claims are alike
- **Mitigation Plan**
 - Operating loans
 - Potential loss of customers turned into lifetime customers

Success Story 4



- **Business Continuity**
 - **Flood Risk**
 - 2012 New flood maps from FEMA
 - Premium cost increased drastically
 - Breech study 2013
 - **Mitigation Plan**
 - Creation of Muscatine Levee Stakeholder Group
 - Feasibility Study

Continuous Improvement

- **90/90 Management Approach Works**
 - Assessment and prioritization
 - Designate risk mitigation plans with risk champions
 - Measure progress and performance
 - Align resources and resolve issues
 - Anticipate emerging risks