



## **Strengthening Management System Execution** *Enterprise Risk Management (ERM) for the QHSE Professional*

**BY JOE STOUGH**

**Historically, risk management was seen as a business function to determine the potential areas of loss, insure against those losses, and process claims for actual losses as effectively as possible.** Today, Enterprise Risk Management (ERM) is much broader than losses, insurance and claims.

It is targeted at managing any factor that represents a threat to a company attaining its strategic objectives. The ultimate desired outcome is to reduce the variability in the organization's process execution and thus produce more predictable financial and operational results.

An ERM initiative enabled by improved management system execution will increase risk mitigation effectiveness, reduce process variability, and help ensure that a company's strategic objectives can be accomplished.

Companies that have deployed a mature list of management system elements will yield greater returns and accomplish more of their objectives by integrating those management systems with a common set of risk mitigation processes and tools.

The key to successful execution of an ERM continuous improvement initiative is to establish a common platform for mitigating the risk exposures that are discovered from both reactive (incident-based) and proactive (assessment-based) work processes. By integrating information from these typically disparate processes, leaders have greater awareness of and improved responsiveness to resolving the management system weaknesses that expose their enterprise to risk of operational failure, compliance issues and the other costly consequences of un-mitigated risks.

Typically, operational management systems cross multiple disciplines. In most cases, these management systems have been established and implemented as stand alone programs. Often companies are in a position of maintaining and executing several management systems using redundant operational, administrative and technical resources.

### **Improving System Execution**

In order to more effectively execute on their continuous improvement goals, companies need a single risk management backbone to integrate these various management systems and provide the framework to execute consistently. A central best practice includes the use of advanced risk matrices to enable quantification and prioritization of exposures as well as mappings to one enterprise-wide Integrated Management System to drive continuous improvement of risk control activities on a corporate-wide scale.

### **ERM Business Value**

Although a business may not initially integrate all of its processes, an important benefit lies in the "option" to do so at the company's discretion when the organization is culturally ready for the next step. Many ERM initiatives start with fully integrating the Incident Management (including "near miss") processes on a global scale, then progress to include more proactive programs as their ERM processes and culture mature across the enterprise.



### **Tactical Value**

By integrating proactive and reactive processes into a common, single framework, the costs are lowered by decreasing the development, purchase, and maintenance of the separate systems that are redundantly located in the many business units throughout the organization.

### **Strategic Value**

However, the most important and substantial business value is derived through the analytics and decision making that is enabled through a single focused framework for resolving risk exposures – and specifically by “assuring” that resource allocations are targeting the resolution of the highest exposures at all times. The outcome of an ERM continuous improvement initiative is a consolidated register of risk exposures spawned from the breadth of a company’s reactive (incidents) and proactive (assessments, audits, inspections, observations, etc.) processes.

By integrating all sources of identified management system weaknesses with a centralized “stage-gate” workflow tool for assuring resolution of the highest-exposure weaknesses, the strength of management system execution constantly increases. This enables the opportunity for continuous improvement across each management system element throughout the enterprise.

Typically, there are many different programs and systems in an enterprise that manage the operational activities. An “ERM Backbone” that integrates to other operational systems – to form a focused ENTERPRISE- WIDE solution for improving risk mitigation processes and management system execution.

The primary purpose of this software application is to enable Enterprise Risk Management through the execution of a single integrated management system to yield improvements in an organization’s overall risk mitigation. In most businesses, this application integrates with or replaces multiple software applications that have various operational purposes, becoming the “ERM Backbone” to form a focused initiative to strengthen risk mitigation performance.

The key to the successful execution of an ERM continuous improvement initiative lies in the organization’s ability to establish a common platform for mitigating risk exposures discovered from both reactive (incident-based) and proactive (assessment- based) work processes and the selection of a software solution that will enable these processes.

### **FSM**

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