

Enterprise Risk Management

ADVISORY

Corporate leaders are under relentless pressure to better understand the risks facing their organisations and how risks may affect corporate strategy. Yet many organisations have no reliable mechanisms for gathering enterprise-wide information, let alone identifying, analysing, and monitoring risks to make risk-informed decisions.

As business leaders seek new ways to build shareholder value, they have begun to think in new ways about how risk management is tied to value creation. Across industries and organisations, many are recognising that risks are no longer merely hazards to be avoided but, in many cases, opportunities to be embraced.

In this context, ERM has emerged as an important new business trend. This is partly due to the need to embrace risk management with implementation of the Malaysian Code on Corporate Governance, and also due to the knowledge that, if you get the risk management framework right, it can benefit the business as a whole.

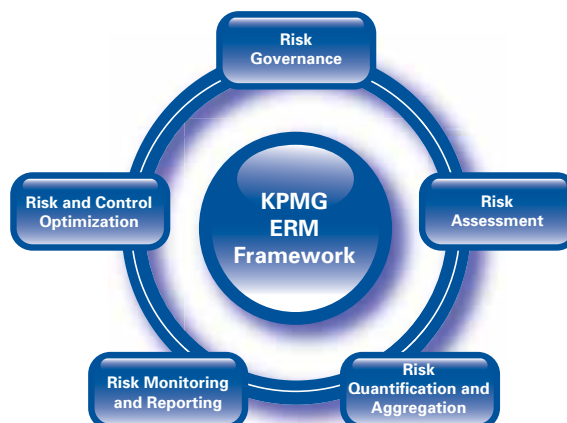
ERM is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties an organisation faces as it creates value. 'Enterprise' means the removal of traditional, functional, divisional, departmental or cultural barriers.

How KPMG can help

KPMG's Business Advisory Services practice provides ERM services to enable organisations to adopt an effective enterprise risk management framework.

KPMG's ERM services offering is not a "one-size-fits-all" proposition.

Whether you are working to achieve and maintain compliance, develop a mature risk management process, or ultimately build an advanced strategic tool, KPMG's road map and advisory services can guide you along the way.



KPMG's ERM can help your organisation answer questions such as:

- How is risk management embraced for effective enterprise governance?
- What are the risks inherent in the strategies implemented to meet our key business objectives?
- What are the risks inherent in the processes required to implement our strategies?
- How do we identify, quantify and manage these risks given our risk appetite?
- What is the most appropriate risk structure for our organisation?

A practical road map

ERM has to be practical to be implemented in the normal course of running your business. To remain at the "conceptual level" or build a layer of bureaucracy adds no value to your organisation. The following is an overview of the steps that comprise KPMG's recommended approach for a practical ERM program:

1. Gain leadership consensus with focused risk identification and evaluation

In the first phase, KPMG can help you gain an understanding of your enterprise-wide risks, assess your processes and capabilities to manage those risks using KPMG's proprietary Risk Maturity Framework and build consensus around future risk management aspirations.

The results gathered from this evaluation provide the foundation to formulate a risk management program that is appropriate for the company's risk profile, appetite, structure, and culture;

2. Positioning risk management and communications to help you run your business better

Essential to a successful ERM program is a practical implementation plan that manages existing risk information and evaluates new risks.

KPMG can help you devise an ERM implementation plan that allocates resources, includes project management and change management considerations, and evaluates ERM technology tools to help enable your ERM program. Using KPMG's proprietary Comprehensive Business Risk Assessment (CBRA) methodology and technology tool, we can conduct a risk assessment and ongoing review focusing on those areas most critical to your success. CBRA establishes a risk profile based on an assessment of the likelihood and consequences of risks faced by the organisation, and help your operating managers to pinpoint and quantify those risks.

The focus of KPMG's implementation approach is to help your organisation become self-sufficient at managing risk - providing Management with all the necessary training, methodologies, and templates;

3. Improving business decision making and accountability for risk

A successful ERM program provides Management with a framework that aligns future risk decision making with corporate strategy.

The decision making framework can provide Management with integrated risk response tools and matrices, risk tolerance parameters, key risk indicators, sensitivity analysis (e.g., controllable versus uncontrollable risks, discrete versus ongoing risks) and early warning systems, compliance strategies, and governance processes; and

4. Establishing a culture where people think through risk and take action

With the enhanced risk information from our ERM framework, KPMG can assist your organisation as it commits to improving the risk-reward correlation and optimising risk, control, and performance.

This stage provides the opportunity to reallocate resources, bring risk levels within the company's risk appetite, and focus on areas where the company can take more risks.

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