

The ERM Road Map

- What can we do now that will help us deliver on our promises to key stakeholders?
- What are the most important risks for us to measure, and what tools do we need to do this effectively?
- How can we integrate isolated risk management activities to achieve strategic goals?
- Enterprise risk management (ERM) covers a lot of territory. Where do we start?

Companies face a staggering range of risks every day. Whether they are financial challenges, employee risks or strategy execution issues, these risks are a major driver of the cost of capital. As an executive, you wrestle with integrating this information at the planning level while attending to the day-to-day issues of running your core business. As a result of these challenges, your company probably has a large body of expertise relating to risk measurement and control. But how can you use ERM to leverage this expertise so you can go beyond compliance and actually create value?

Overview

An advanced ERM road map is one that addresses key management issues and shifts focus from compliance to value creation. ERM:

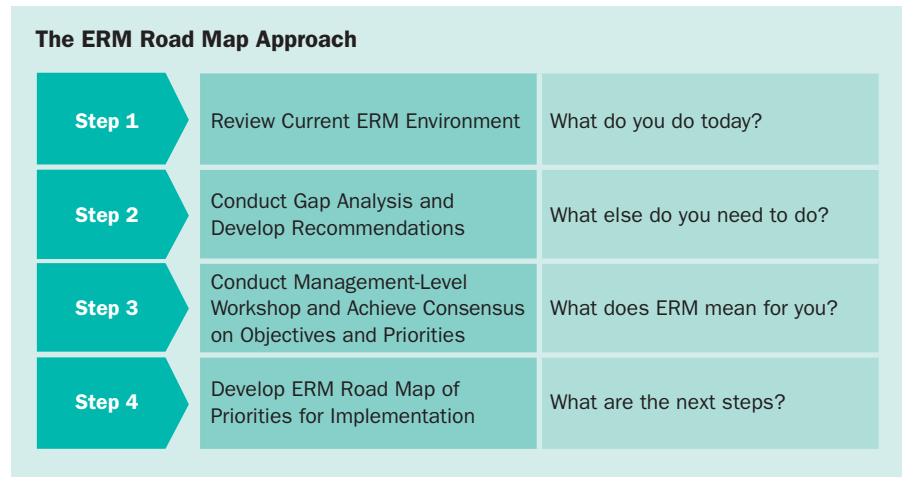
- Generates economic value
- Serves a strategic purpose
- Focuses on managing risk in an integrated manner
- Considers both “downside” risks and “upside” opportunities
- Enhances value when integrated into the normal business process
- Creates a “risk culture” by establishing risk management values, behaviors and buy-in

Building on that foundation is a key to creating a successful ERM framework. Towers Watson’s proprietary ERM Road MapSM is a highly effective tool for assessing your current situation and provides a structure to proceed in manageable steps.

The Towers Watson ERM Approach

Towers Watson’s ERM Road Map is a four-step approach to guide your current activities and determine priorities for achieving value through ERM. It creates value when organizations take stock of the concepts and weave them into their daily activities and strategic decision-making processes.

To build or expand an ERM framework, you must fully articulate your organization’s risk management goals and risk strategy. This begins with an inventory of existing risk management activities and procedures supplemented with structured interviews of executives to capture their ERM objectives and risk strategy. In many cases, this assessment can be completed fairly rapidly.



Once your specific goals and current risk management activities are in hand, you can assess the next steps for improving the risk management organizational structure, processes, controls, tools and capabilities. Findings can be used to develop a tailored ERM road map of the prioritized actions that will enhance value.

The ultimate objective of an ERM framework is to enhance value. For example, some companies might wish to deploy ERM to:

- Coordinate previously isolated risk management activities — from due diligence to integration — related to an acquisition
- Alert senior management to the risks that represent the greatest strategic threats or the greatest opportunity
- Enhance decision making about adding certain capabilities or outsourcing certain noncore functions

With an ERM framework, it becomes easier to meet any of these objectives — or all of them.

A Record of Success

For over 10 years, Towers Watson has provided independent ERM advice. Our clients span industries that have been in the forefront of ERM development and implementation. Our capabilities enable clients to:

- Identify and quantify the risks that are most likely to drive or threaten strategic planning or execution
- Develop and implement a framework for managing operational risks, including risk management objectives, organizational processes and tools

About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.

ERM fast-track implementation is most effective when two basic principles are kept in mind:

One size does not fit all

Every company:

- Begins its journey in a different place and needs its own road map; off-the-shelf solutions don't work
- Is influenced by its culture, organization, risk objectives and management style
- Needs a common understanding of ERM objectives
- Needs key influencer buy-in to successfully implement ERM

Keep it simple

Every company needs to:

- Overcome traditional obstacles
- Build or expand on existing risk management programs
- Achieve “quick wins” from this fast-track approach to provide momentum and illustrate ERM's value
- Position ERM as an integral part of the company's culture

Our fast-track process will leave you with a prioritized road map for implementation

- High-level articulation and consensus of ERM objectives in measurable, business-relevant terms
- Identification of key strategic risk factors that impact your achievement of business objectives
- Recommendations to address gaps in risk strategy, structure, processes and tools
- Road map priorities for quick wins and long-term implementation

- Enhance expansion or acquisition decision making by including both risk/reward and cost/benefit perspectives
- Measure alignment between key facets of organizational culture and strategic priorities to help organizations more effectively execute on business strategy

To learn more about how Towers Watson can assist your needs, please visit www.towerswatson.com.