



DRisk

Risk Management of the War

Operational Risk Management
“Making it Real”

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DRisk

What is real?

DRisk

not so real

group think

assumptions

data roll-up

and

categories & silos

centralised

lip service



What no loss data?

- Loss Data only goes so far
 - Op risk Loss data can be difficult to collect and relate to reflect emerging risks
 - Op risks can materialise as a result of a number of seemingly unrelated events
 - Is not forward looking by it's very nature
- FSA has stated that where risk data is lacking organisations should seek to understand risk via
 - Scenario Analysis
 - Risk assessments and forward looking risk data/metrics
 - Expert Opinion

Benefits

- A structured way to report risks regularly
- Avoids group think
- Is evidence that the 1st Line of defence is recording and assessing risk

Shortcomings

- Managers regurgitate what they think at the time of writing
- Consistency in assessment is difficult (due to subjectivity)
- Gathering, rollup and aggregation of information and data is time consuming and often manual
- Results are biased to hierarchical views ignoring combined effects of specific risks from multiple departments/functions
- Line managers paying lip service to the risk management process (lack of buy-in)

Benefits

- Much broader range of views, encouraging imagination and openness
- Not limited to risks covered by past data
- Risk interconnectivity can be evaluated
- Involves the whole organisation gaining buy-in and consensus

Shortcomings

- To be effective it makes a large amount of effort across large groups of people in an organisation
- Can take a long time to achieve (Taking shell years rather than months to achieve initially)
- Without the right input and direction can become too broad

We are all bought into the idea of line management and the business being the 1st line of defence so how can we ensure both these activities are more effective

By combining the benefits of scenario analysis and risk assessment, management time can be used to paint a more real view of risk

- Make the risk assessment process more relevant and useful to line management by giving them information they don't currently have
- Use internal customers as an extra pair of eyes and ears
- Ensure the metrics and subjective views are challenged and debated more frequently and in a more efficient manner
- Measuring consistency in risk reporting
- More frequently bring together risk information in a holistic way and how it's affecting strategic objectives