



**Meeting #2 of the Hong Kong Regional Group of the IRM
6 - 7.30 PM on 16th August, 2007 at the 16/F HONG KONG
Room, AIG Tower, 1 Connaught Road, Central, Hong Kong.**

1. "Implementing risk management in the organisation".
How can we raise awareness of and interest in the management of risk in different organisations?
 - a. Define Risk Management more clearly
 - i. "Positioning" (or "Share of Mind" in PR terms)
 - ii. Use the analogy of a jigsaw to show "where it fits"
 - b. Create some local case studies (Action All - see attached form at Enclosure 1 below)
 - c. Emphasize the benefits or "upside"
 - i. "Risk and Opportunity"
 - ii. "Get ahead of the curve" e.g. managing risk to out think your rivals
 - d. "The Burning Platform" meaning
 - i. Using either an experience or loss event to create awareness and "get buy in and stay in" for change
 - ii. Using a specific event to get credibility
 - iii. Use regulatory requirements to drive change
 - e. Degree of structure
 - i. Not too structural or systematic, a "qualitative approach"
 - ii. A quantitative or systematic approach
 - f. Roles and responsibilities
 - i. Clarify how the Risk Manager interacts with or links up with the "boss" and other functions in the organisation (perhaps combining this with the clarity at (a) above, the benefits at (b), "the burning platform" at (c) and a combination of qualitative and quantitative tools at (d))
 - ii. Define the role of other divisions and external parties in the same way, e.g. Insurance provider, - Legal Advisor, Internal Auditor etc.
 - g. Look at removing some of the constraints which we face: -
 - i. The lack of resources and time to address the issues (referring to managers in organisations)
 - ii. The belief that Risk Management is something that "has to be done" rather than "must be done"
 - iii. The lack of qualified people to actually do the work
 - iv. Difficulties in communications
 - v. We as risk managers need to take ownership
2. "Discussion List" - No additions

3. AOB

- a. How do we increase the number of people at these events?
 - i. Events
 1. Host a launch event
 2. Invite David Webb and Jamie Allen to speak on Corporate Governance issues (Action JK)
 3. Send invitations to "The Big Four" to speak (Action Barkus IP)
 - ii. Respond to the email notice and cc other people on the list to generate interest (Action All)
 - iii. Consider the use of a web site (note – the IRM is a www.theirm.org and the HK Regional Group has its own page) to build the network
 - iv. Work with "Head hunters"
- b. MORU (Management of Risk in Organisations)
 - i. Envex will run these 2 day courses on 17/18 October and 21/22 November at the Royal Hong Kong Yacht Club, Causeway Bay – details from David Blair (envex@netvigator.com)
 - ii. Sample courses from various providers are attached to explain what the MORU course is
- c. Jeremy outlined the relationship with the HKIRM, which is positioned as an association representing the people with an interest in risk management, e.g. insurance practitioners, lawyers, engineers etc.
(Post Meeting Note: Note to Tony Auch attached for information.)

Jeremy Kidner
Chairman
Hong Kong Regional Group of the Institute of Risk Management
+852 9889 0233

Enclosures

1. Sample Case study format
2. Note Tony Auch
3. MORU courses from the IRM Web Site

HK Regional Group of the IRM Sample Case Study Format

Organisation

Hong Kong listed company, with a controlling shareholder. "Mid Cap"

The Risk or Problem

1. The company needed to expand its operations both geographically and develop new services, both of which carried different levels of risk.
2. There was a need to attract further funding in order to implement a growth strategy.
3. The financial community did not understand what the company did or planned to do (i.e. its business plan)

The Constraint/s

1. The founder and controlling shareholder effectively managed risk when the company's scope of operations was limited – expanding the company required decisions were made lower down the organisation – a centralized structure was a constraint on growth
2. There was a resistance to formal planning in the business which relied heavily on the business acumen and drive of the founder
3. Corporate Governance and Risk Management issues were reported in the Annual Report, but not systematically applied

The Solution/s

1. Put an Internal Audit (IA) structure in place with a formal Internal Audit Plan discussed at length with management – creating the plan effectively mapped the risk in the organisation, created priorities and made people accountable
2. Position the IA as a process to strengthen operations in risky environments in China
3. Put a review process in place to assess the risks to and returns from all shareholders' funds in the business, i.e. for existing and future operations. Position this as "Prudent Management" to win the confidence of the controller shareholder, i.e. a positive approach rather a "doomsday scenario"

The Outcome

1. The Internal Audit Plan became the tool by which the company decentralized and created the foundations for growth.

2. "Corporate Governance" (CG) emerged as the process by which succession was enabled and "business acumen" was built in a decentralized structure
3. "Involvement" and "empowerment" of managers was significantly improved

Briefing Paper – HK Regional Group of the IRM and HKIRM

Purpose of this paper

- o To set out the relationship between the IRM and the HKIRM in Hong Kong
- o To set out a framework for the expansion of the IRM in Hong Kong

Background

The IRM and the HKIRM originated with the same group of 4 people in Hong Kong in 2005, plus Irene Wong who has since retired to Canada. Over the intervening 2 years, a non profit company was set up called HKIRM, but no progress was made due to the fact that the objectives of the IRM and the HKIRM were different. This difference was resolved during a recent visit by Steve Fowler to HK in June '07 when it was agreed that the two organisations would be separate.

The HK Regional Group of the IRM was then set up and the HKIRM defined itself as a body representing anybody working in or with an interest in risk management, conceptually similar to a Chamber of Commerce.

Relationship and Expansion Strategy

The link between the two organisations lies in the MORU course which provides the entry point to the IRM qualifications and a CPD (Continuous Professional Development) opportunity for people, particularly in the insurance industry.

From the perspective of the HK Regional Group of the IRM, the guidelines for such groups include a need to “encourage growth in membership of the IRM”. The link to the HKIRM provides a vehicle to do this.

The MORU and the Certificate represent the bridge between the professional risk manager qualified to join the IRM and people who have an interest in risk management but to whom risk management is peripheral to their main job. Examples include insurance practitioners, lawyers, engineers, project managers and so on.

It is likely that a small number of the HKIRM members will advance their studies to acquire the Diploma and eventually Fellow status in the IRM.

The opportunity therefore for the IRM is to gain exposure to the large number of people who will join the HKIRM. In Hong Kong, this will be a percentage of the 30,000+ people who are insurance people, lawyers, project managers etc.

It is likely that the same strategy will be appropriate in other parts of the region. The very large numbers obviously lie in China and India.

Conclusion and Recommendations

1. The strategy for the expansion of the IRM should be to focus on those people who have an interest in risk management which they may wish to develop further. The entry point is therefore the MORU course.
2. To implement this strategy, the Regional Group of the IRM recommends working with the HKIRM to promote the MORU and other IRM courses.

Jeremy Kidner
Chairman HK Regional Group of the IRM