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EMPOWERMENT



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RISK UNDER
ONE **ROOF**
Confidential

Going from Strategic Objectives to Risks

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Under One Roof

- Football: owner, general manager, head coach, assistant coaches, trainers, players
- Organizations: board, C-level, managers, 1st and 2nd line, risk, compliance, legal, internal audit
- Not everyone knows the strategy or why decisions are made
- Do the best you can



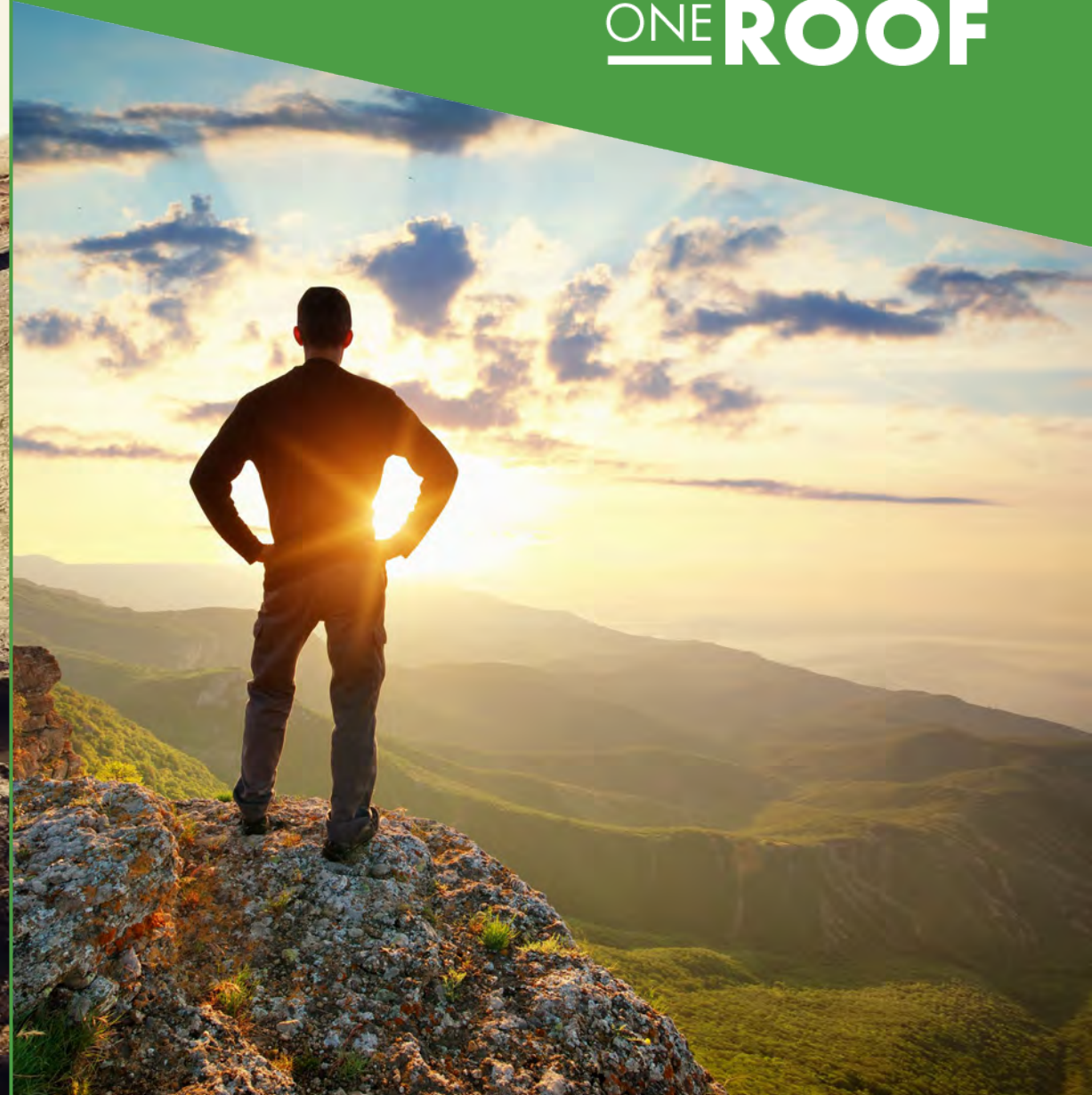
Some Questions to Ask?

- Proactive strategic advantage OR compliance activity?
- What “centric” approach are you using?
 - Compliance, control, risk, objective
 - How are you doing your risk assessment?
- Are you looking up or down?



Which Way Are
You Looking?

RISK UNDER
ONE **ROOF**





Why ERM Doesn't Typically Consider Objectives and Strategy

- Strategy created without their input
- Strategy isn't shared with them
- Executives don't have documented objectives or strategy (paper)
- Executives don't want the strategy questioned (house, Cortez)
- Top-down vs. bottom-up approach
- Tactical vs strategic thinking – general vs details (PMO)
- Using a risk-centric approach instead of objective-centric
- Use a risk register instead of objectives register

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Focus on Impacts, Not Events





PROCESS LEVELS	RISK CATEGORIES
Entity	Strategic
Transaction Stream (e.g. procure to pay)	Business
Process / Project (accounts payable)	Reputational
Transactional (3-way match)	Operational
	Financial
	Legal and Regulatory
	Project



There is a BIG Difference



OBJECTIVE

increase sales by 20%



STRATEGY

increase price, decrease price, sell more units, new market, new product, brand refresh, etc...



TACTICS/DETAILS

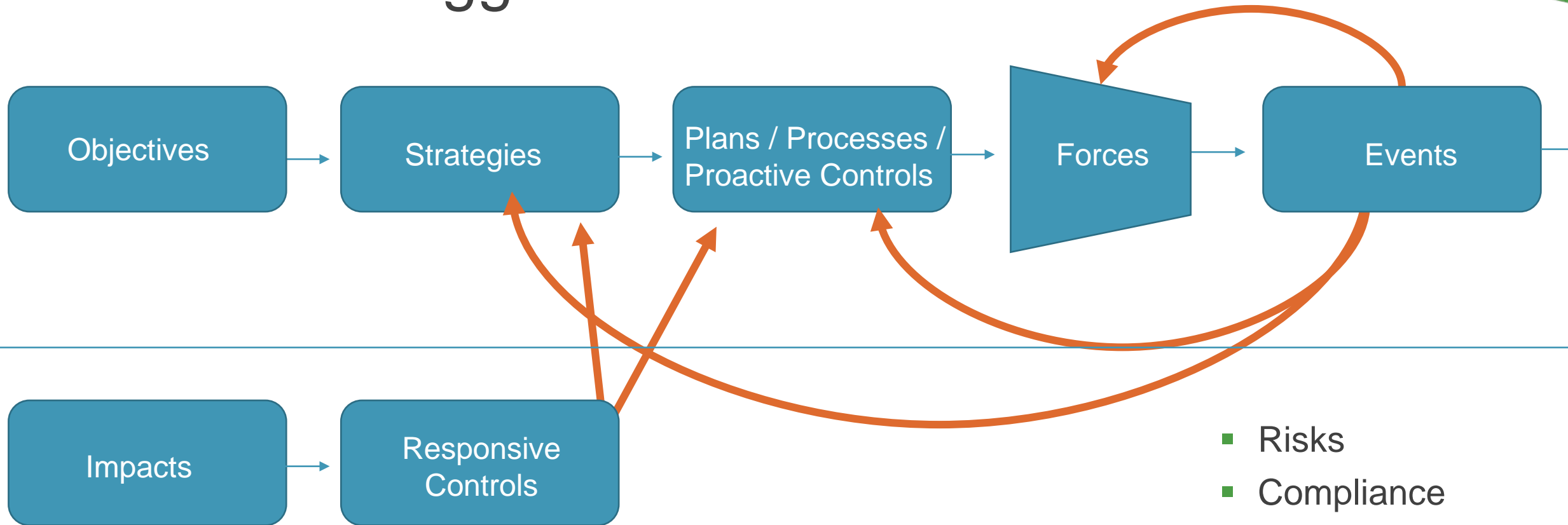
develop new product, acquisition, hire salespeople, etc...

Where Risk Lives

- Everything cascades down like a waterfall
- Clarity on parents and kids (e.g. Ensure all applicable laws and regulations are complied with = parent, Comply with FCPA = an important child)
- Pareto



You Need a Bigger Bowtie



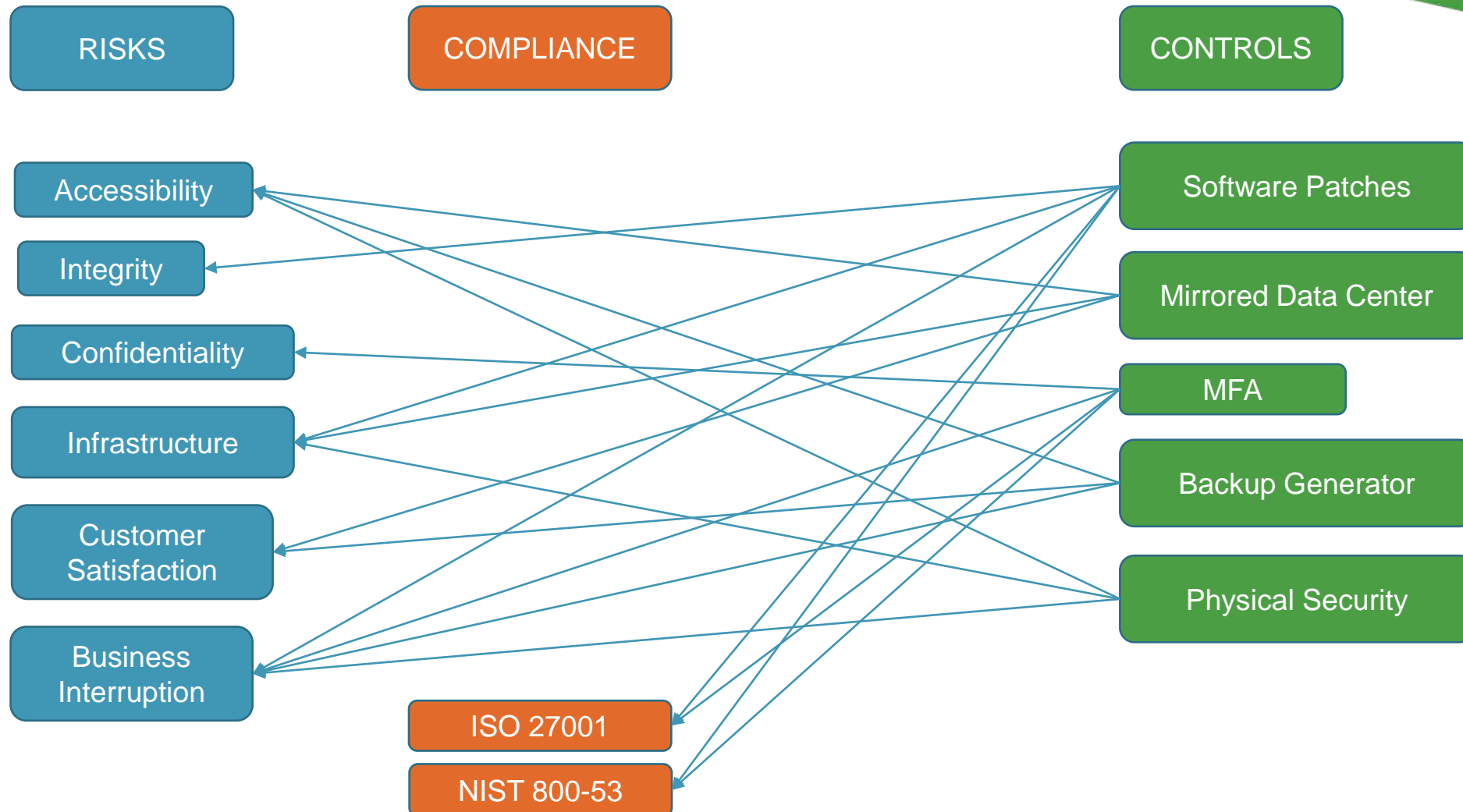


Risk and Compliance are Two Different Things

- Risk: is the undesirable effect of uncertainty on achieving objectives
- Compliance: is the state of being able to prove the fulfillment of a requirement.



Controls for Risk and Compliance





How to Find the Strategic Objectives

- Ask
- Read strategic plan
- Public strategy disclosures, 10-K, etc...
- Compensation of senior executives
- Agenda items for ELT and Board of Directors
- What is management talking about (*improving the client experience*)



Translating Strategic Objectives into Risks

- Understand the strategic objectives and assign owner
- Prioritize the strategic objectives
- Risk / Certainty Assessment Rigor (RCAR)** - levels
- Independent Assurance Level (IAL)** - levels
- Objective certainty rating (OCR)** – levels
- What strategy taken and where do those show up in the organization?
- What indicators are used to make sure we are on track?
- What's the impact (risk) if we don't achieve the objective?
- Ongoing conversation as things change – external and internal
- Not just "at risk" but also "opportunity lost"





Questions to Ask Executives

- What can you imagine happening that would cause the objective to not be achieved?
- If the objective isn't achieved, what are the five most likely reasons?
- What does history tell us about situations that can cause non-achievement of this objective?
- What low probability situations could occur that would really negatively impact on the achievement of this objective?
- What good things good could happen, or we could make happen, that would increase certainty the objective will be achieved?
- If we significantly exceed this objective what would the likely causes be?
- What would have happened?





Key Takeaways

- Check-the-box **risk management or strategic?**
- Start the process using **objective registers** (top down)
- Bottom up – do the best you can
- **Communicate** differently
- **Prioritize** your effort based on strategic objectives and management expectations



It's Not Your First or Last Rodeo



- The more you experience, the more you can anticipate impacts
- The first time you ride the bull it's hard ... but it gets easier
- You live... you learn

Questions?



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DISCOVER

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