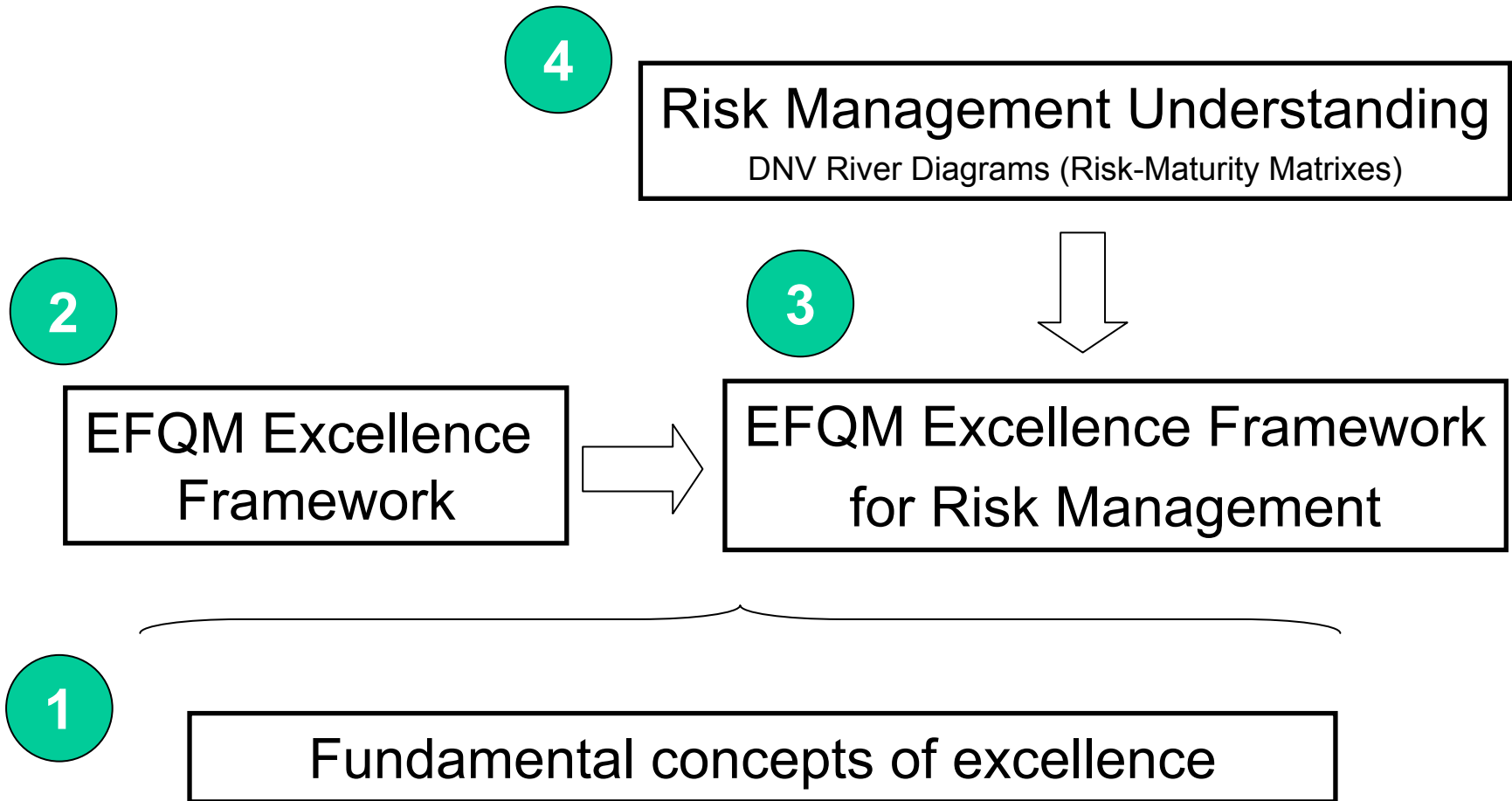


# IRM Risk Forum 2004

---

## Effective Risk Management – Integrated with the Principles of Excellence

# Topics...



# Two Subjects; One Aim

Shared aim: satisfying and exceed stakeholder expectations on a sustainable basis

- Quality Management (organisational improvement to achieve excellence)
  - Leadership
  - Policy & Strategy
  - Human resources
  - Resources & Partnerships
  - Processes.
- Risk Management (managing the risk exposure)
  - Upside risk
  - Downside risk
  - Reducing uncertainty

# IRM Risk Forum 2004

---

## EFQM Video Clip

# Quality Management

- Quality Management drives excellence
- Management frameworks are the practical means by which excellence is generated
- The EFQM Excellence model is the primary framework for assessing and improving European organisations. It is based on the EFQM's fundamental concepts of excellence
- CEOs and Boards use EFQM frameworks to 'drive' their businesses- Integrating risk management with quality management is an excellent opportunity to further improve and embed risk management at the highest level.

# EFQM has over 800 members – including:

- Barclays Bank Plc
- BASF AG
- BT
- BMW AG
- Daimler Chrysler
- Deutsche Post AG
- Deutsche Telekom AG
- DHL Worldwide Express
- Dow Europe SA
- Det Norske Veritas
- Electrolux AB
- Eurocontrol
- Inland revenue
- Johnson Control SpA
- KPMG
- Lloyds TSB Group
- Lufthansa
- National Bank of Abu Dhabi
- UK National Blood Service
- UK Ministry of Defence
- Nestlé
- Nokia
- Open University Business School
- Oracle Corporation UK Ltd
- Panafon - Vodafone
- PWC
- Renault
- Reuters
- Rolls-Royce plc
- Royal Bank of Scotland Group
- Royal Philips Electronics
- Siemens
- Standard Life Assurance
- Texas Instruments
- TNT Express
- Unilever
- Volkswagen AG
- Volvo AB

# 1% Improvement

*“Our research shows that of the top UK companies a 1% improvement in 7 key sensitivity areas would impact profits by between 20-60%. The 1% sensitivity areas can be used to guide goal setting throughout the company, providing a common focus for continuous business improvement. Self-Assessment against the EFQM Excellence Model identifies these areas”.*

*Source: Self-Assessment for Business Excellence,  
David Lascelles and Roy Peacock*

# Evidence of Value

<u>Measure</u>	<u>EFQM</u>	<u>Best in Class</u>
Operating Income	+91%	+43%
Sales	+69%	+32%
Return on Sales	+8%	+1%
Return on Assets	+9%	+6%
Total Assets	+79%	+32%
Employees	+23%	+7%
Stock price	+114%	+70%

Figures from Dr Vinod Singhai - EFQM Forum, Lucerne 2001

# Why Business Excellence?

## **Business Excellence provides:**

- Systems that underpin core values
- Common understanding and approach
- Far sighted, committed and involved leaders
- Clear direction setting
- Expanding the use of intellectual capital
- A motivated and empowered workforce
- Focus and priority to value creation
- Increased market shares

# Excellence Framework

## Use of the EFQM Excellence Framework allows for:

- Clear understanding of critical success criteria and measures for key processes to enable delivery of expected business results
- Structured and systematic approach to reviewing results and taking action to support business improvement
- Move from reactive to proactive management
- Move from worrying about reacting to lagging indicators to proactively measuring leading indicators and making informed judgements
- Commercial awareness and understanding
- Effective use of financial assets.

# EFQM Levels of Excellence

- **Committed to Excellence** demonstrates that an organisation has started out and passed the first hurdle of commitment.
- **Recognised for Excellence** indicates a well managed organisation on the way to advanced organisational excellence.
- **European Quality Award Level - Finalist, Prizewinner or Award Winner** itself, designates organisations that aspire to achieve European best or world-class levels.

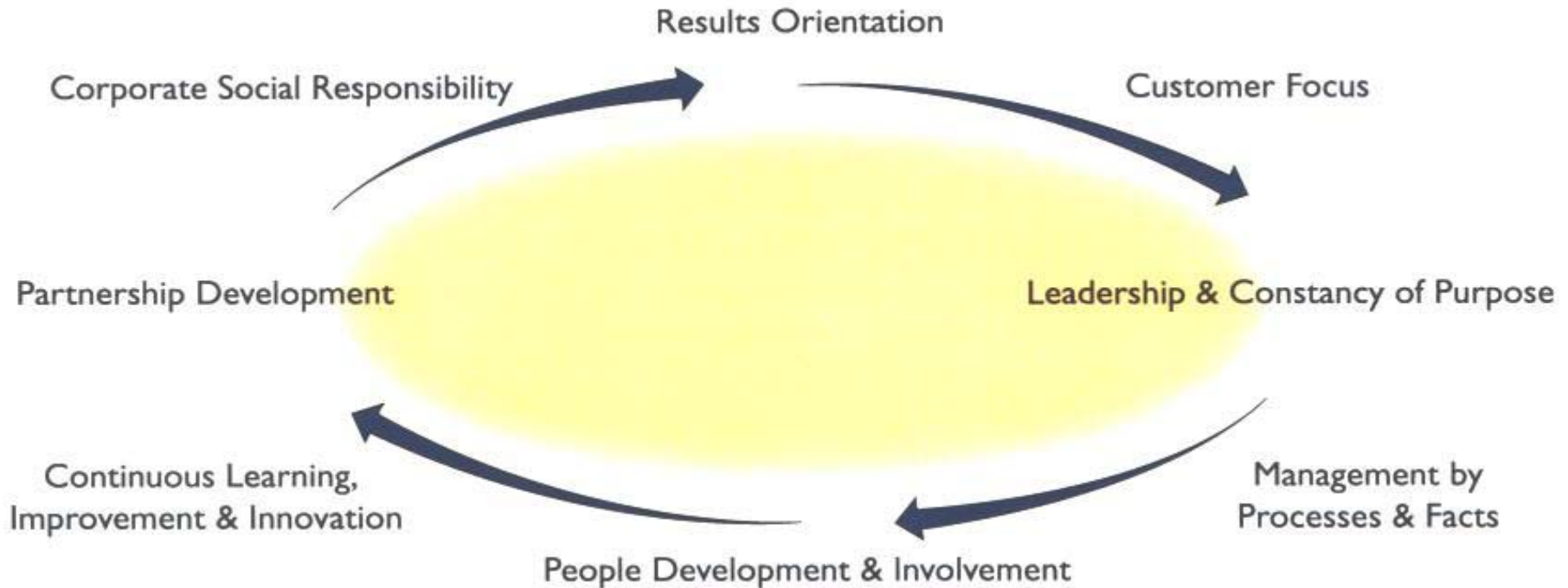
# Defining Excellence

---

But what is meant by  
excellence?

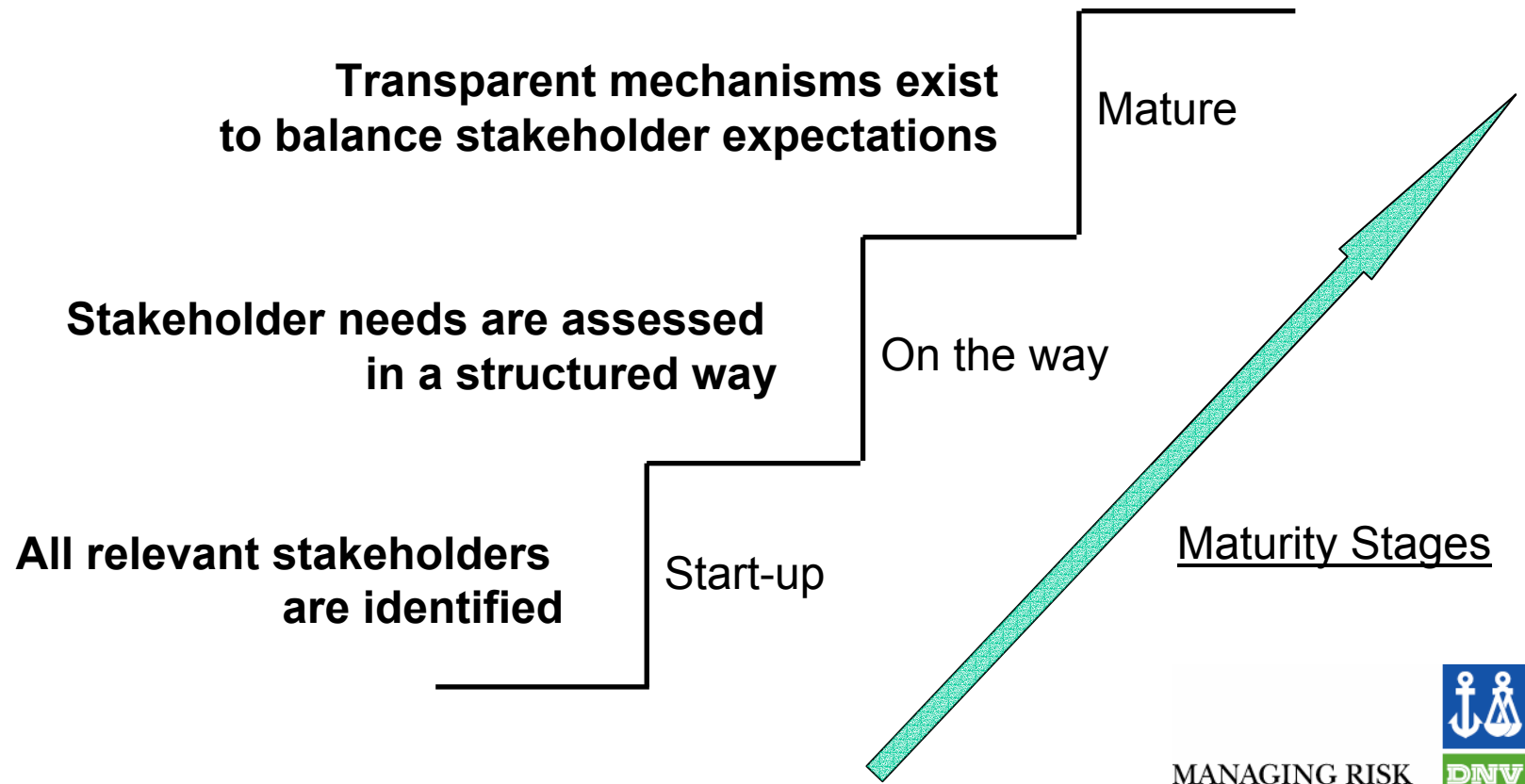
What you understand  
by excellence?

# Fundamental Concepts of Excellence



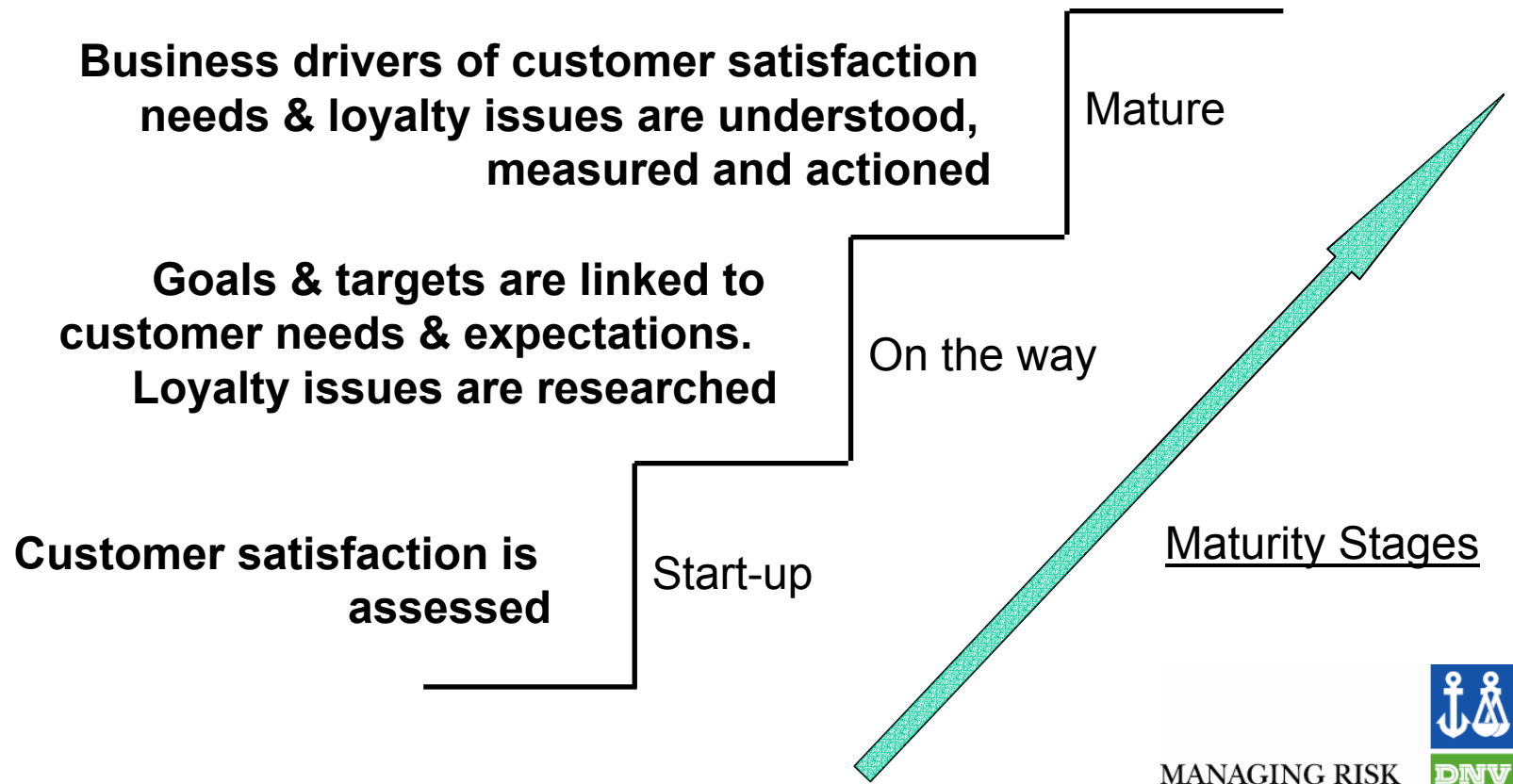
# Results Orientation

Excellence is achieving results that delight all the organisation's stakeholders



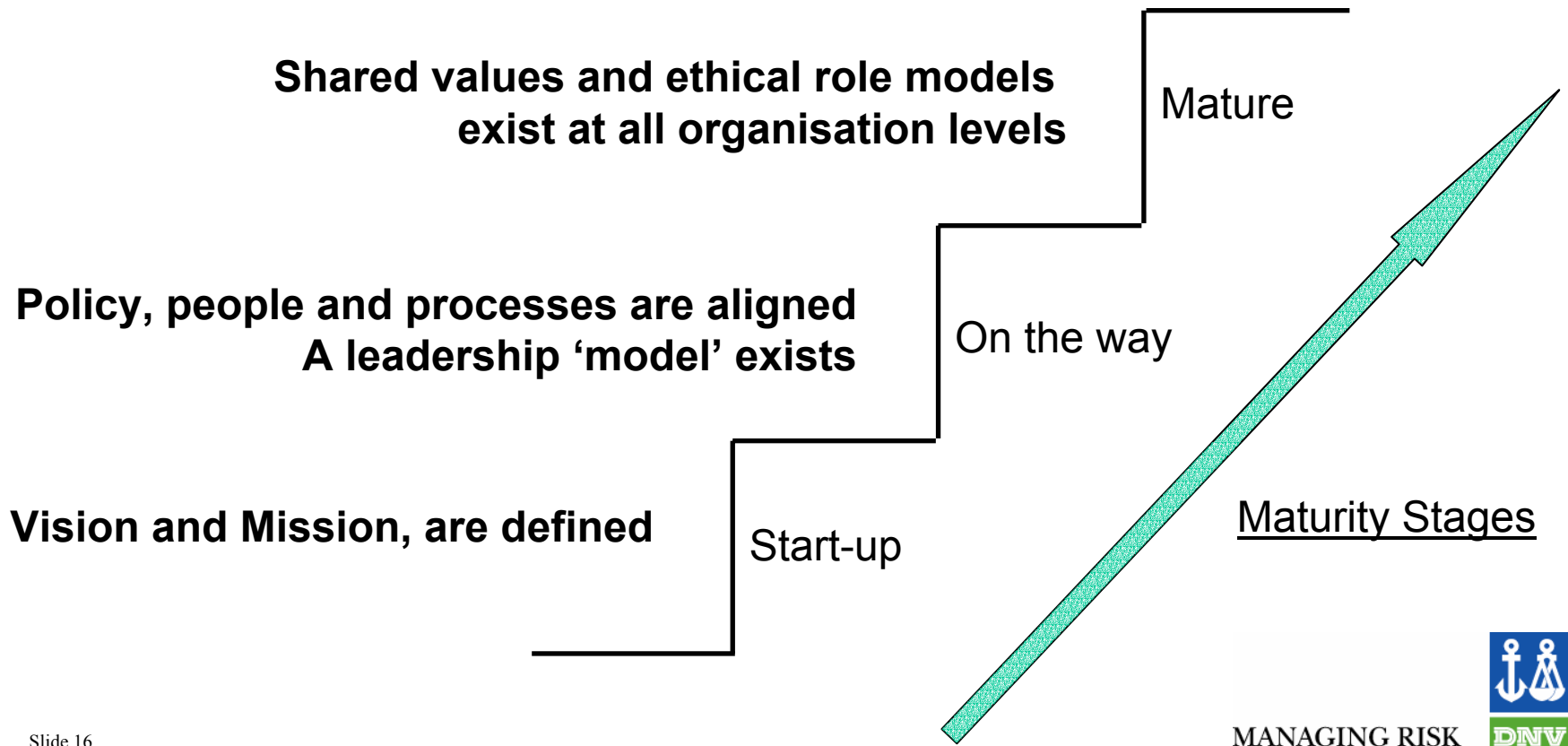
# Customer Focus

Excellence is creating sustainable customer value



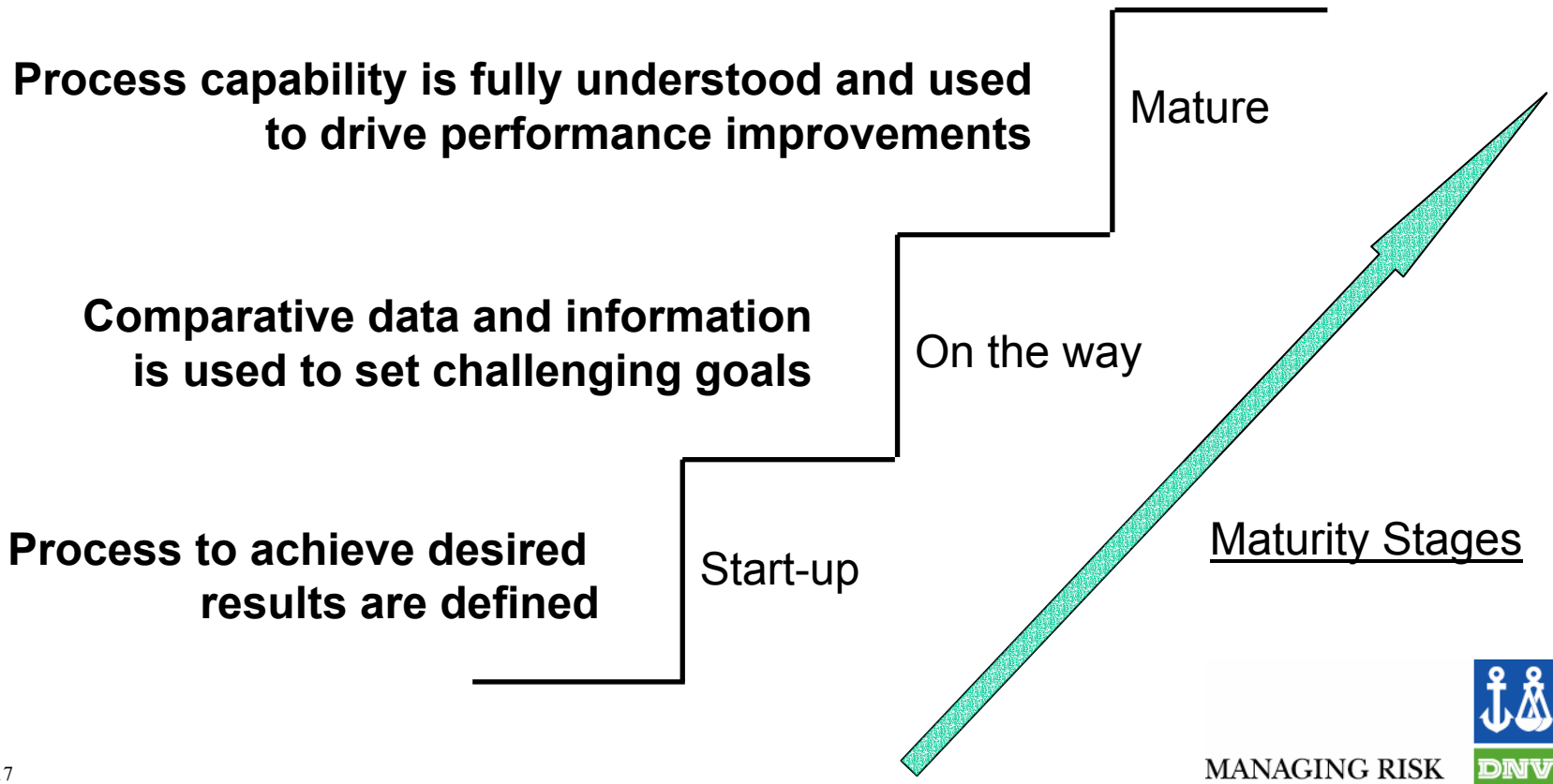
# Leadership and Constancy of Purpose

Excellence is visionary and inspirational leadership, coupled with constancy of purpose



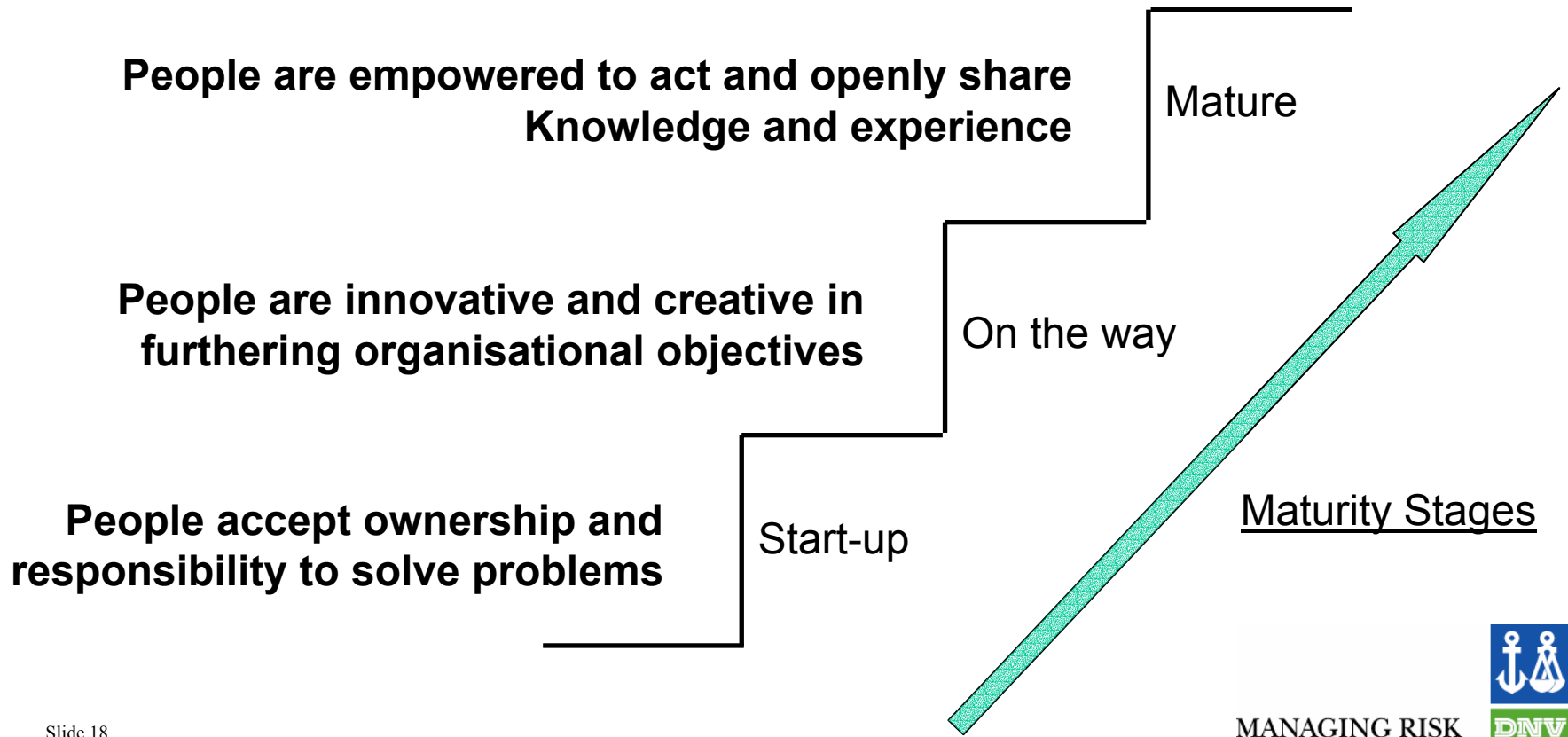
# Management by Processes and Facts

Excellence is managing the organisation through a set of interdependent and interrelated systems, processes and facts



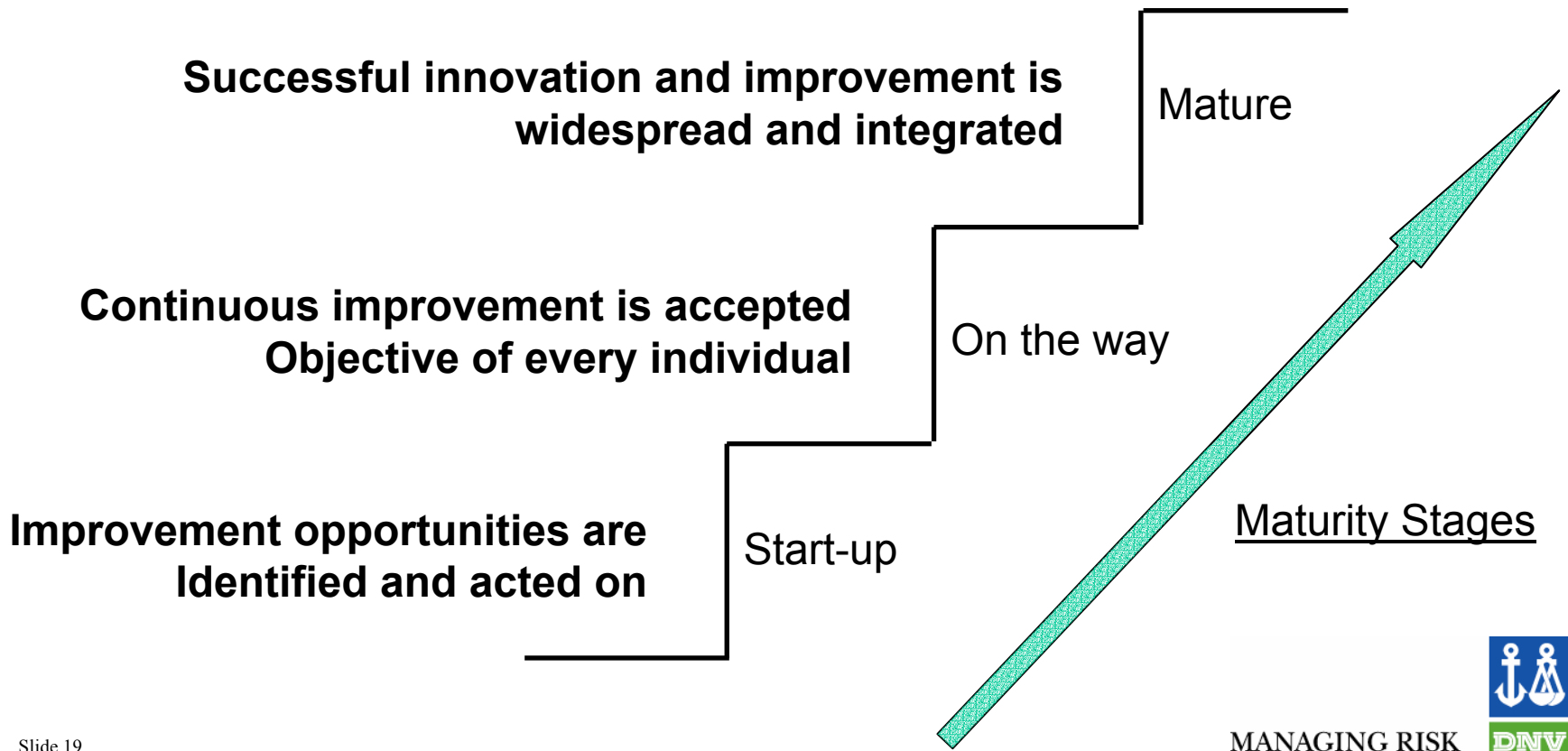
# People Development and Involvement

Excellence is maximising the contribution of employees through their deployment and involvement



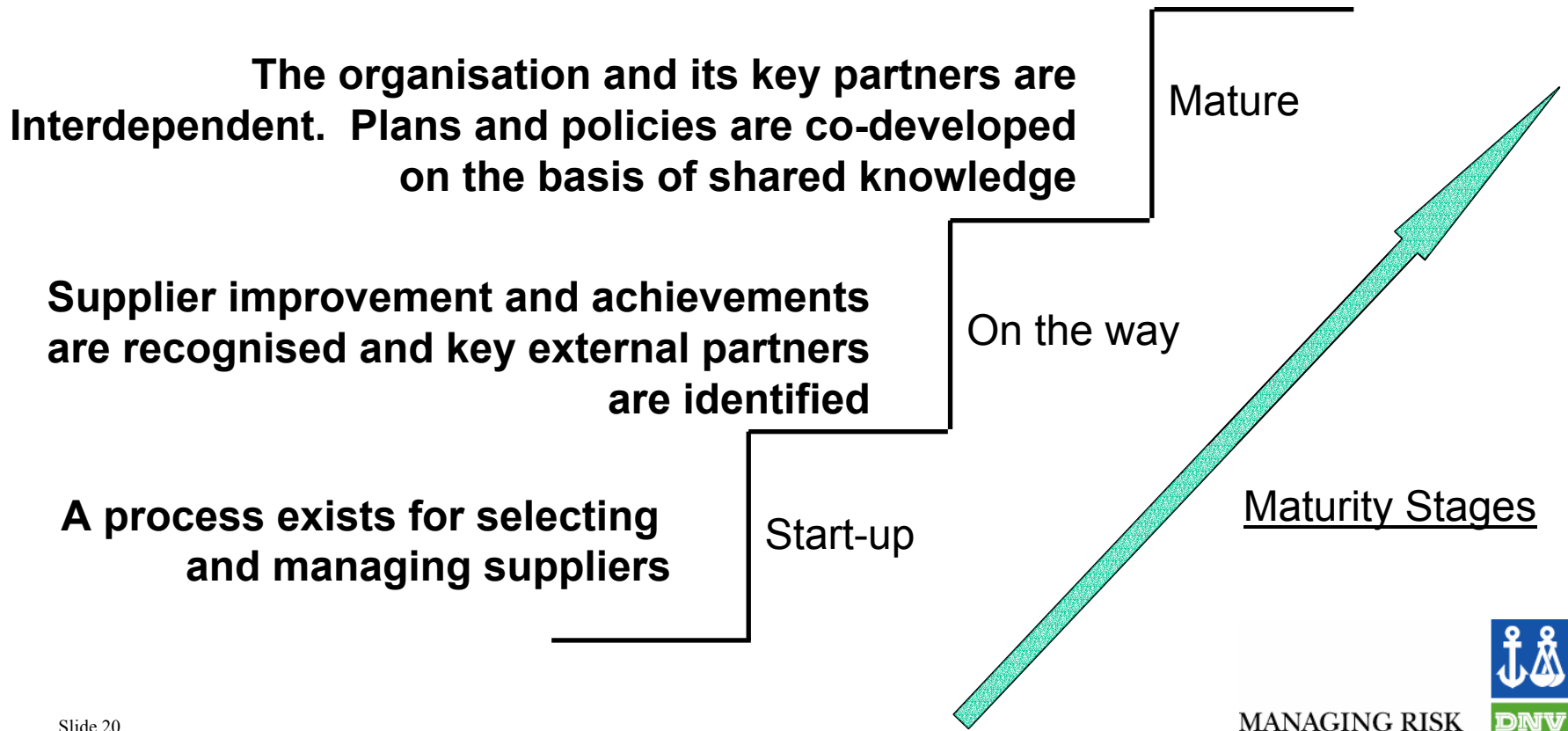
# Continuous learning, innovation and improvement

Excellence is challenging the status quo and effecting change  
By utilising learning to create innovation and improvement opportunities



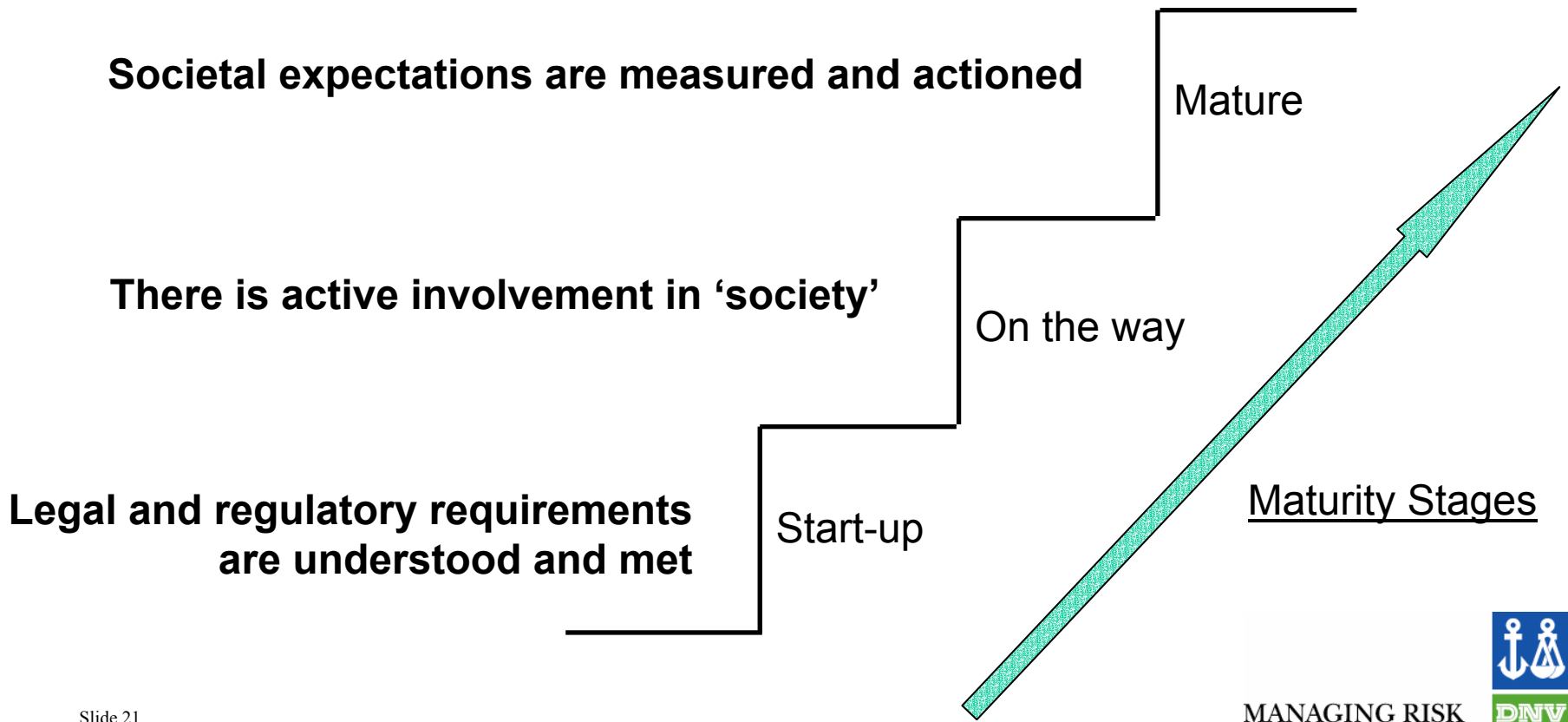
# Partnership development

Excellence is developing and maintaining value adding partnerships

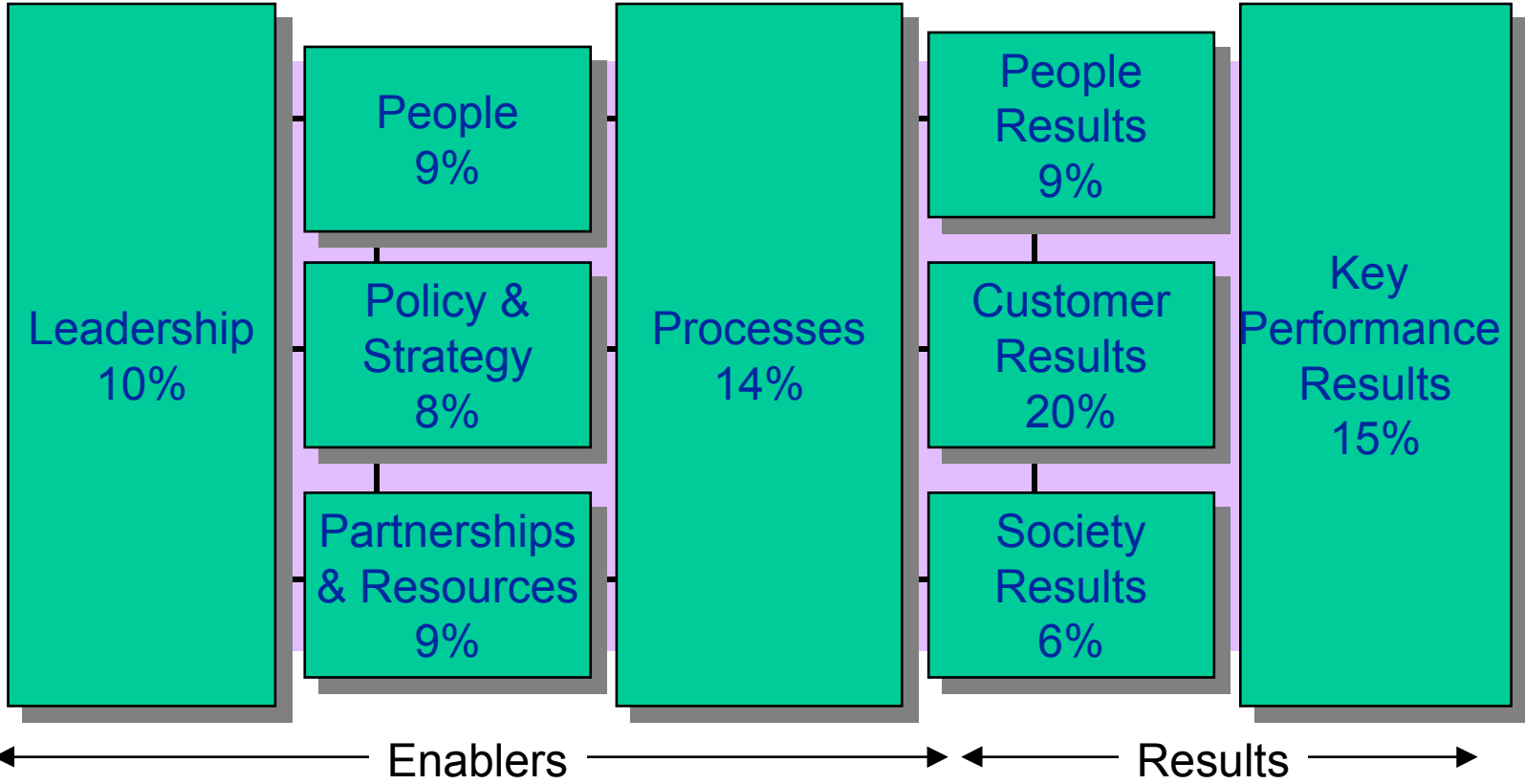


# Corporate Social Responsibility

Excellence is exceeding the minimum regulatory framework in which the organisation operates and to strive to understand and respond to the expectations of their stakeholders in society.



# The EFQM Excellence Model



# RADAR

- Results
  - Approach
  - Deployment
  - Assessment
  - Review
- } Enablers

# IRM Risk Forum 2004

---

## Exercise: Radar

# IRM Risk Forum 2004

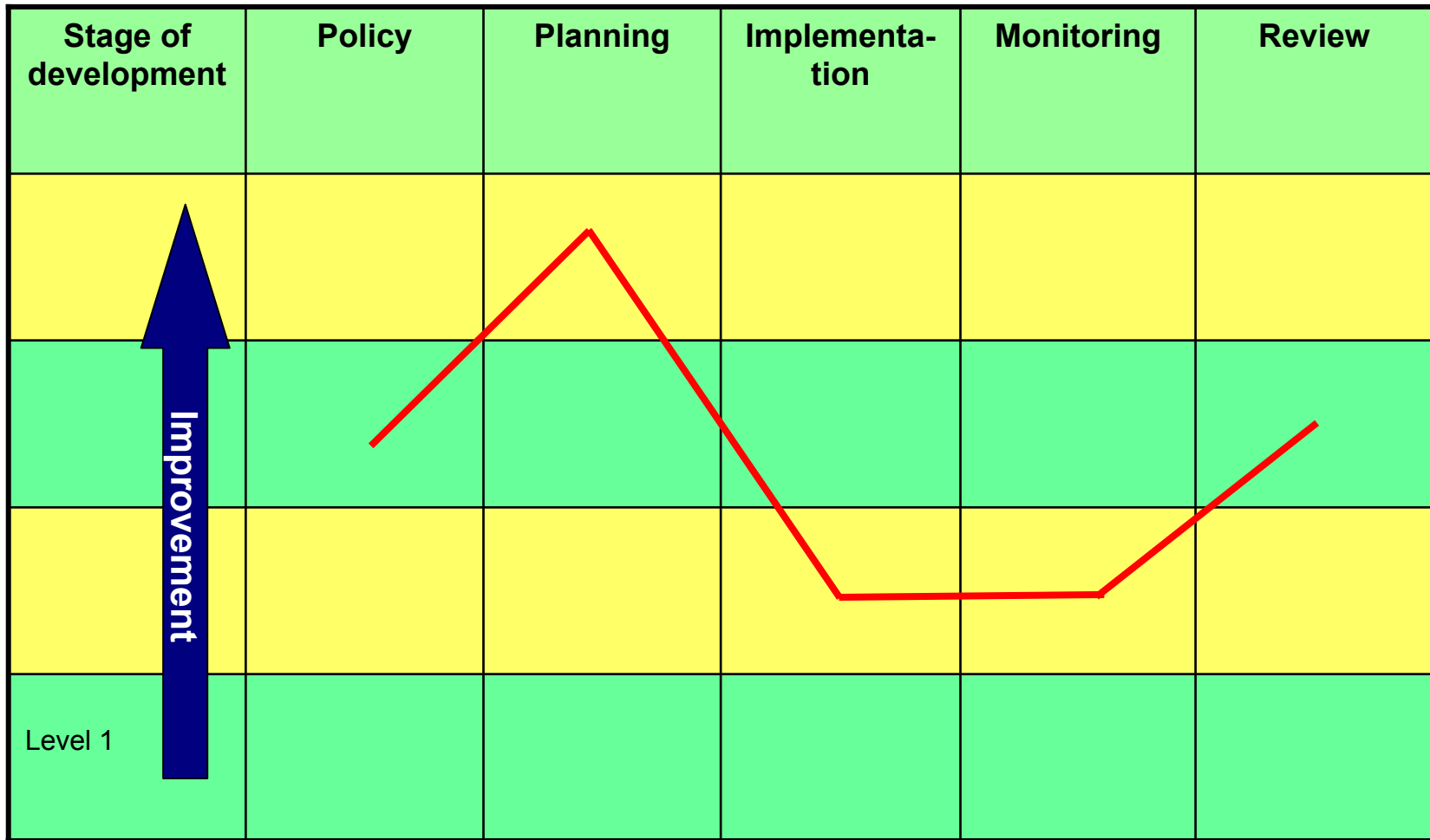
---

## New EFQM Excellence Framework for Enterprise Risk Management

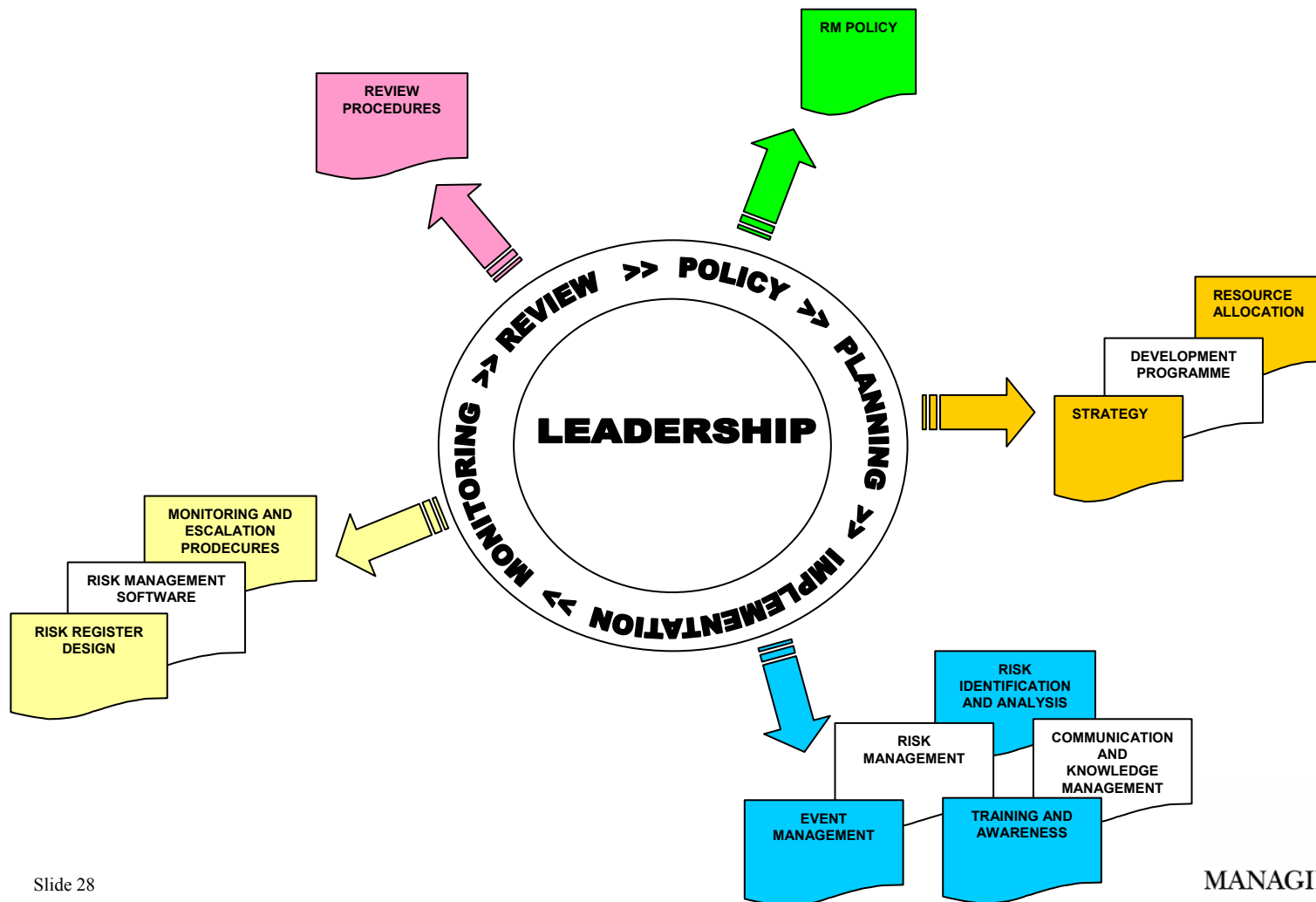
# EFQM/DNV Partnership

- DNV has been at the forefront of integrating risk management with business excellence
- Memorandum of Understanding (MoU), 2004
  - DNV is developing two new frameworks:
    - Enterprise Risk Management
    - Corporate Social Responsibility (CSR).

# River Diagram (Risk Maturity Matrix)



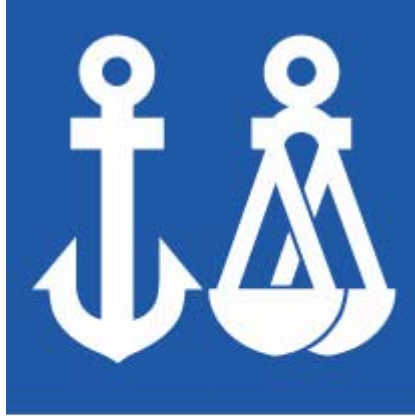
# Risk Management System Elements



# IRM Risk Forum 2004

---

## Exercise: Excellence Framework for Enterprise Risk Management



**DINTV**