How Operational Risk Management (ORM) Adds Value to the Business

How ORM Adds Value to the Business

The identification, assessment, measurement monitoring, and reporting of Operational Risk presents several obstacles; however, it can be worth the trouble. Below are a few of the key ways in which ORM adds value to the business:

- **Business Performance Management**
- **Fewer Surprises & Less Uncertainty**
- **Operational Efficiencies & Reduced Losses**
- **Meet Regulatory Expectations**

"Old perceptions and behaviors towards risk are changing. ORM is acquiring new credibility as a roadmap to add value to the business; and is garnering new attention from regulators and key stakeholders" **- MetricStream**

How ORM Adds Value to the Business

Business Performance Management

- Operational risks are often the cause and driver of credit, market and strategic risks. Hence, operational risk events can have a direct or indirect impact on the value / earnings of the company or the liquidity available

How ORM Adds Value to the Business

Fewer Surprises & Less Uncertainty

- Business Performance Management
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- Operational Efficiencies & Reduced Losses
- Meet Regulatory Expectations

- A robust ORM system supports features like role-based dashboards, control diagrams and scorecards that provide visibility into the ongoing risk management efforts and bring high-risk areas into focus
- A comprehensive set of KRIs should help reduce the likelihood of surprises and position management and boards in a proactive versus reactive stance
- KRIs designed to assist the board and executive management in anticipating trends in potential risk-related events can add considerable value to enterprise-wide risk oversight efforts by positioning the board and management so that they can proactively adjust strategies in advance of or in response to risk events

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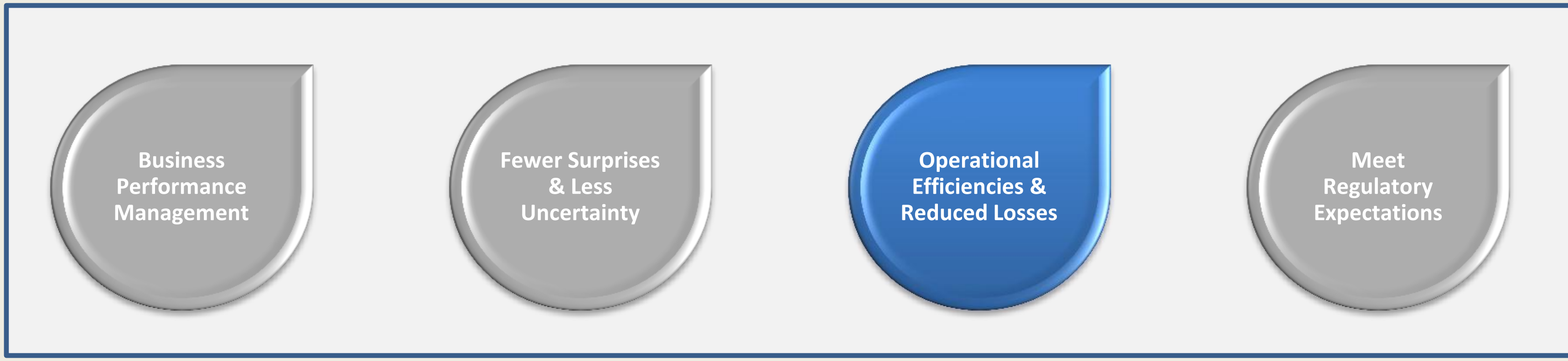
Operational Efficiencies & Reduced Losses



- Efficiencies gained in reducing operational risk, such as automating controls, as well as the ability to react more quickly (say, given timely information) can lead to hard dollar benefits
- A more efficient organization with better communication between operational risk owners and corporate risk management, planning and compliance activities
- Reduced losses and compliance expenses

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Meet Regulatory Expectations

- The regulators of financial institutions are demanding a far greater level of insight and awareness by directors about the risks they manage, and the effectiveness of the controls they have in place to reduce or mitigate these risks
- Compliance regulations, like Basel II and SOX, mandate a focus on operational risks, forcing financial organizations to identify, measure, evaluate, control and manage this ubiquitous risk
- Operational risk management can improve capital management; with all risks measured, the company has more complete information for deciding how to allocate capital

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