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

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

“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
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

• 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
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.
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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Mission: To promote effective risk management practices in the financial services industry