

Corporate Governance and Risk Management: The Integrated Tool¹

A Strategic and Comprehensive Exercise²

Purpose of matrix: To determine whether someone is currently responsible and/or evaluate who ought to be responsible for which key risk areas and at what levels of responsibility in an organization. While not explicit in the model, effective two-way communication needs to occur throughout each of the following steps. The risk management process includes:

1. Risk identification	2. Risk assessment	3. Risk measurement	4. Risk response	5. Risk reporting	6. Risk monitoring
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For each area/source of risk (row in the table following):

- Determine if someone is currently responsible for each step above (place number under the applicable column).
- Evaluate what gaps exist in risk management and determine actions to be taken (final column).
- Consider each area of risk and decide how it pertains to the organization. The key to the success of this particular analysis is not to spend too much time thinking about it. First impressions are usually the best.
- Some spaces may be left blank, and more than one number can be placed in any given cell.
- A question mark may be placed in any given cell if you are uncertain whether the position holds responsibility.
- "Documentation" refers to a specific document(s) prepared (e.g., turnover statistics, exit interview summary).
- "Date" is the day, month, or year each step is completed (e.g., quarterly reports in Feb/May/Aug/Nov).
- "Champion" indicates the lead individual responsible.
- Analyze the results: look for gaps to determine overlaps, disagreements, misalignments, skills and resource gaps, level of empowerment, etc.
- Resolve and clarify any issues uncovered in step 9.
- Roll out final decisions into risk policy, common risk language, job descriptions, responsibility mandates, and performance management systems.

For example, if the HR senior research staff person identifies the retention risk, place "1—Senior Researcher" in the "Staff" column; if the HR manager assesses and measures the retention risk, place a "2, 3—HR Mgr" in the "Manager, Director" column; if the HR executive responds to and reports on the retention risk, place "4, 5—VP HR" in the "Executive" column; and if the CEO and the board of directors monitor the retention risk, place a "6" in the "CEO" and "Board of directors" columns.

Risk management area (grouped by Governance Principle from The Conference Board of Canada governance model)	Documentation and date (what evidences and when/how often?)	Business unit champion (position name)	Staff (specify)	Manager, director (specify)	Executive (i.e., risk management committee)	CEO	Board committee (e.g., audit committee; specify)	Board of directors	Owners or stakeholders (specify)	Gap/action?
Retention	Turnover report by skill area: quarterly Jan/Apr/Jul/Oct	HR manager	1—Senior researcher	2, 3—HR manager	4, 5—VP HR	6		6		

1 The elements of this tool are drawn from proprietary research of both The Conference Board of Canada (www.conferenceboard.ca) and Brown Governance (www.browngovernance.com).

2 As the model currently exists, it is meant to be used as a strategic and comprehensive gap analysis of an organization's approach to risk management. With modification, it can be used as a risk identification prompting tool for operational management. Refer to Appendix C in *Corporate Governance and Risk Management: A Guide to The Integrated Tool* as an example.

APPENDIX C

Example of a Risk Identification Prompting Tool for Operational Management

A COMPREHENSIVE EXERCISE FOR OPERATIONAL MANAGEMENT

As mentioned earlier, the tool can be modified/adapted for selected use by operational management. The following example is but *one application* of how the model can be used as a risk identification prompting tool. Other applications may warrant modification or adaptation of the tool and the how-to steps.

In this example, the obvious purpose is to determine whether someone is currently responsible for the risk management process for each risk. The ultimate objective is to understand and act on any known or unknown gaps. To start, it must be decided who and how many will be completing the tool. This is largely based on the size, structure, and geographic dispersal of an organization's operations. For instance, one senior operational executive may complete the tool entirely on his or her own before requesting the operational management team (directors, managers, supervisors) to complete theirs prior to sharing and analyzing the results. Alternatively, key operational leaders of each business unit may complete it and then meet to diagnose and resolve the gaps and issues.

While not explicit in the tool, an open dialogue of honest and frank communication exists throughout the process of completing the tool and identifying the organization's risk management efforts (refer to pages 8 and 9) at all levels.

STEPS IN HOW TO USE THE RISK IDENTIFICATION PROMPTING TOOL

1. Consider each risk source/area and decide who is responsible for what specific risk management process. Indicate the name, position, and department of the individual. The key to the success of this particular analysis is not to spend too much time thinking about it. First impressions are usually the best.
2. If the risk does not exist in the business unit, or you believe it does not, use a code such as "1" for non-existent. If more than one person is responsible for a risk, indicate that this is so.
3. A question mark may be placed in any given space if you are uncertain who is responsible for that risk management process for each risk. It is important to understand that the person placing the question mark accepts and agrees that the risk exists but is unsure who is or should be responsible.
4. Analyze the information: look for issues, problems, and gaps to determine overlaps, disagreements, misalignments, and skills and resource deficiencies. Specific diagnoses may include the examples identified in the box below. (The list is not all-inclusive.)
5. Resolve and determine what actions need to be taken (i.e., assign risk management responsibilities, enhance communication efforts).
6. Roll out final decisions into risk policy, common risk language, job descriptions, responsibility mandates, and performance management systems.

Examples of Diagnoses

- Few or no risk management owners
- Fragmentation—departments, business units, operational functions operate independently or have different perceptions of risk and the risk management process
- Unbalanced risk management process—too many front-end, middle, or back-end risk management activities occurring during the risk management process (e.g., high concentration of risk identifications but minimal action on prioritizing the management of risks)
- Lack of communication among operational leaders and with their staff
- No common risk language
- Lack of anticipatory response—inability to monitor internal and external environment to respond to risks
- Risk responsibilities poorly defined, segregated, or overlapping (e.g., one individual responsible for a broad base of risks)
- Skill/resource gaps at different stages in the risk management process

For example:

Risk management area (grouped by Governance Principle from The Conference Board of Canada governance model)	Risk identification (specify name, position, and department)	Risk assessment (specify name, position, and department)	Risk measurement (specify name, position, and department)	Risk response (includes mitigation, management, and control processes, practices, policies)	Risk reporting (specify name, position, and department)	Risk monitoring (specify name, position, and department)	Gap/ action
Strategic Direction (i.e., Agency Risk/Costs)							