Basics Of
ERM & BPMM

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Introduction

- Risk management, Enterprise Risk Management and Business Process Maturity Models are in itself huge topics.
- This presentation aims to cover basic meaning of these topics and highlight and how these can prove to be value adding exercises and support function for organizational growth.
- It is expected that the reader of the presentation has some basic knowledge in the domain of ERM, Risk Based Internal Audits (RBIA).

Risk Management

- Risk management is a relatively new concept in India
- Current Indian corporate governance regulations require corporates to have a robust risk management framework for protection of stakeholders interests
- TO put it in simple terms, risk management refers to
  - *continuous monitoring of risks*
  - *implementing risk mitigation measures,*
  - *proactively foreseeing both internal and external risks*
  - *and accordingly responding to minimize risk impact*
- It would be considered prudent for corporates to have risk management incorporated in corporate growth strategy

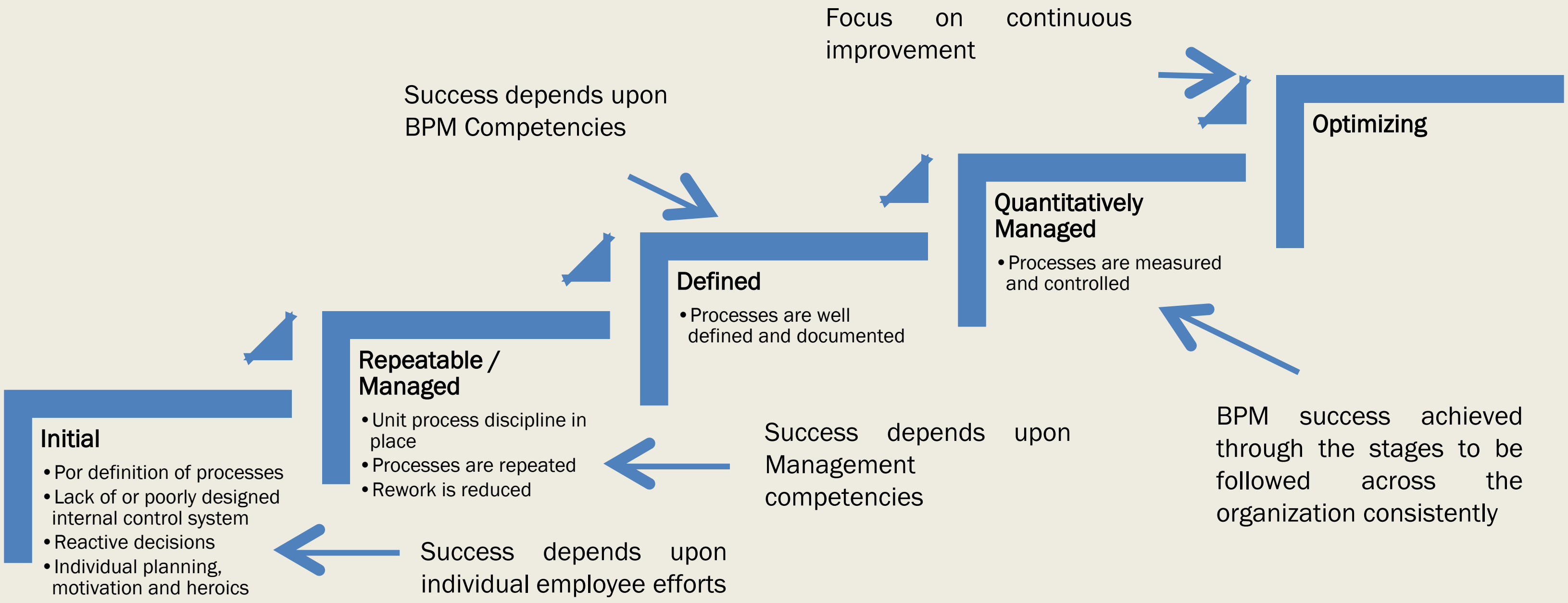
Enterprise Risk Management

- ERM is about identifying and evaluating risks and preparing appropriate responses to any potential events that may have an adverse impact on a organization
- ERM framework vary in complexity and structure.
- COSO and ISO 31000 are examples of ERM frameworks

Business Process Maturity Model (BPMM)?

- BPMM is a evolutionary path for an organization from immature, inconsistent business processes to mature disciplined processes
- Progressive stages of improvement are defined. As the organization progresses towards Business Process Maturity, the foundation is based on earlier achieved improvements.
- Basically, it provides practical roadmap which can be measured for progress and monitored easily and effectively.

Organizations Level Of Process Maturity



Level Of Process Maturity & Risk Management

- Level of risk management maturity in a organization is directly proportional to level of process maturity
- Higher the level of process maturity higher the level of risk maturity
- Risk aware process owners throughout business functions are better equipped to mitigate risks and act proactively to challenges of business environment

Fueling Organizational Growth Through ERM and BPM

- Risk management through BPM brings in operational efficiencies
- Human Resources become available for more intellectual jobs rather than getting stuck with their routine work
- Enhances employee morale through better job satisfaction.
- Motivated employees directly translates to better efficiencies
- Let us understand this with the help of an example of purchase requisition process in the following two slides

Risk Management Through BPM Fueling Business Growth

Extract of an example involving purchase requisition process

Process Maturity Level	Process	Risk	Risk Mitigation Measures Through Different Maturity Levels	Risk Classification	Process In-Efficiency	Business Process Improvement Implemented To address inefficiency	Efficiency achieved through different levels of maturity after Business Process Improvement Implementation
Initial	Purchase requisition not raised by user department	▪ Excess / short material purchase ▪ Delay in procurement ▪ Factory may not need the material arrived at factory gate due to change in production schedule	Purchase team manually tracks stock levels, lead time, seasonal fluctuations in consumption, price fluctuation, production schedules and places purchase orders.	Operational	Time and motion studies revealed that most of time of purchase team is consumed only in routine procurement activity with little time to strategize for bringing in procurement function efficiency and cost savings	Stock management system implemented to track daily consumption and stock level reporting to purchase team.	Not Applicable
Repeatable / Managed	Purchase requisition not raised user department. Consumption pattern and stock levels available to procurement team through stock management system	▪ Delay in updating stock management system leading to incorrect procurement decisions	Staff motivated, trained and sensitized for keeping the stock management system updated at all times. Monthly internal audit & adhoc audits implemented to ensure stock management system is kept updated at all times and discrepancies in observed in audit are addressed within defined timelines.	Operational	Time requirement of purchase team in calculating and collating stock data reduced to some extent but the process is still vulnerable to the risk of incorrect / delayed updates to stock management system. Also, stock management system does not forecast material requirements.	Stock management system updated to analyze past consumption patterns and future production schedules to forecast material requirements. Stock management system and manual workings run parallel for about 3 months to ensure accurate working of the system forecasting.	Stock management system gives details of consumption and stock levels for raising purchase orders
Defined	Purchase requisitions raised by factory based on data from stock	▪ Purchase requisition raised by factory may not reflect upon the expected price fluctuation or change in market demand	Procurement team monitors the evolving business environment, price trends of materials and gets timely inputs from the marketing	Strategic	Procurement team has to follow up with marketing team for inputs on future demand of products	Meetings and trainings organized between marketing and procurement team to sensitize regarding the importance of demand	Procurement tam has matured from managing day to day operations to managing strategic risks for the company,

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	management system		team before raising purchase orders			information for procurement process defined a template and timeline for sharing future demand information.	Improvement in job satisfaction and hence direct positive impact on efficiency.
Quantitatively Managed	Purchase requisitions raised by factory based on data from stock management system.	▪ Performance of the Purchase Requisition process not monitored for efficiency and further improvement ▪ Possibility of failure of the improvements implemented through different maturity levels	Production HOD monitors and investigates reasons for delays in receipt of material to minimize adverse impact on production	Strategic *(Since it directly impacts the internal business process improvement strategy)*	Metrics not defined for measuring performance of process improvements	Key Performance Indicators discussed, defined and implemented for monitoring process performance. KPI's made part of employee performance appraisals and management information system	KPI's defined for measuring process performance. Purchase requisition process delegated to factory team thus enabling procurement team to focus more on procurement strategy and adding value to the organization.
Optimizing	Purchase requisitions raised by factory based on data from stock management system. KPIS defined and monitored	▪ KPI's not updated to reflect upon changing business environment and business requirements	KPI's defined at the time of last business process improvement cycle being monitored.	Strategic *(Since KPI's may not reflect upon current and future business requirements)*	KPI's not updated	Process for updating KPI's to be implemented based on relevant inputs from relevant departments.	KPI's updated to reflect upon current and changing business environment.

THANKS & REGARDS

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