



ASIA BUSINESS FORUM

***MANAGING & MITIGATING
RISKS WITH CORPORATE
PLANNING***

*PROVING YOUR CORPORATE
PLANNING STRATEGIES CREATE
VALUE & REDUCE IMPACTS IN
TODAY'S TROUBLED TIMES*

25th March 2009



LEVERAGING KNOWLEDGE, CREATING VALUE

AGENDA

- World Of Risks Today
- Manifesting Reality To Planning
- Enterprise Resilience



WORLD OF RISKS TODAY



Risk Management In Corporate Planning – Many Facets



CORPORATE PLANNING

**“systematic and collective view...
of the few most important
things to get right ... on a
portfolio / whole of business
basis over a 3-5 year horizon”**

STRATEGY

**“evaluation of the options ...
interdependencies ... investment and
resources ... scenarios relevant to
pursuing change or maintaining
position...”**

Is Risk Management Embedded Into Strategy & Planning?

Requires Concerted Focus With Risk Management



Interfacing risk management within corporate planning

- ✓ Preparation, objectives and targets
- ✓ Forecasts and gap analysis
- ✓ SWOT and external environment
- ✓ Alternative strategies (options) –selection and evaluation
- ✓ Action plans (including targets)
- ✓ Metrics, monitoring and accountability

Which planning model to use?

- ✓ Argenti, DuPont, Kaplan and Norton –choice of best fit for the style and type of organisation

An Understanding Of External Risks

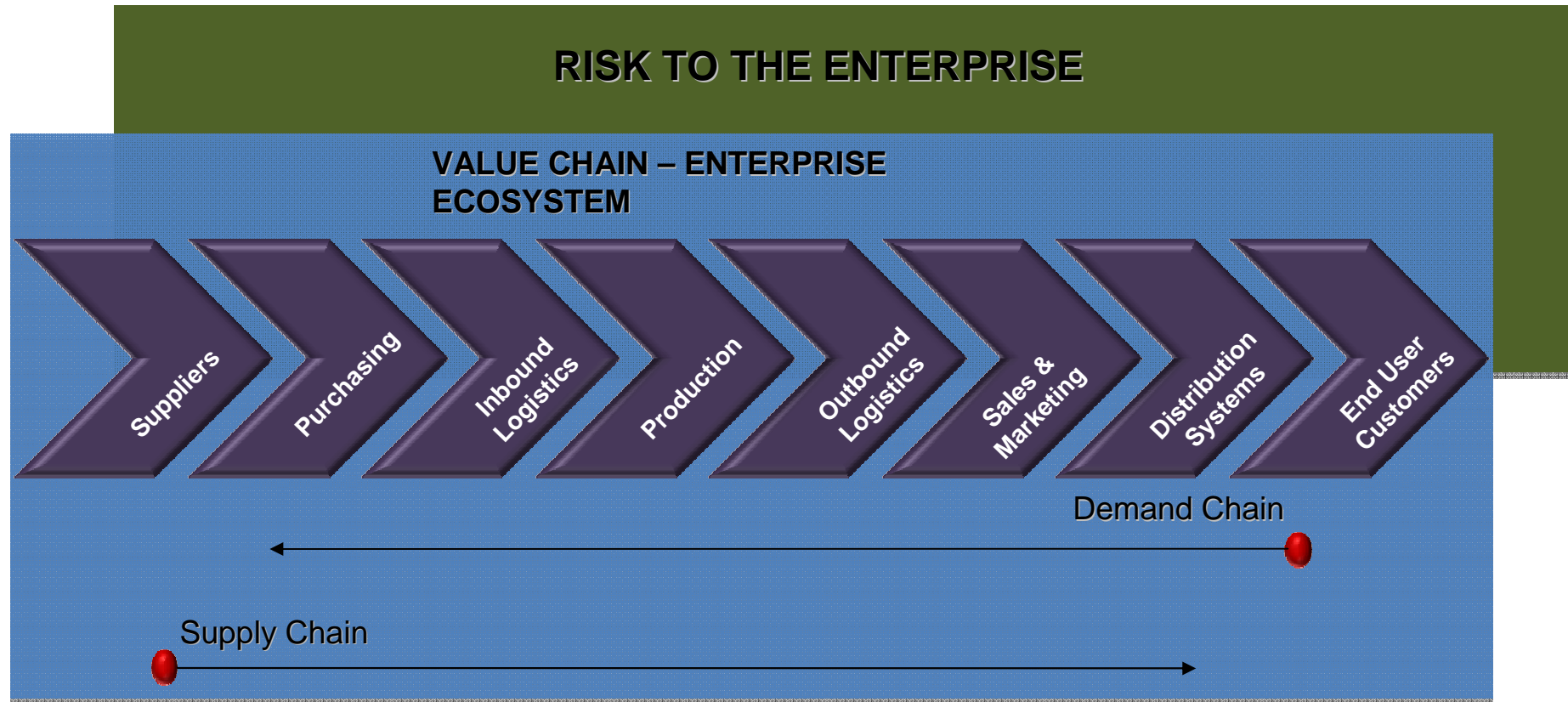


MANIFESTING REALITY

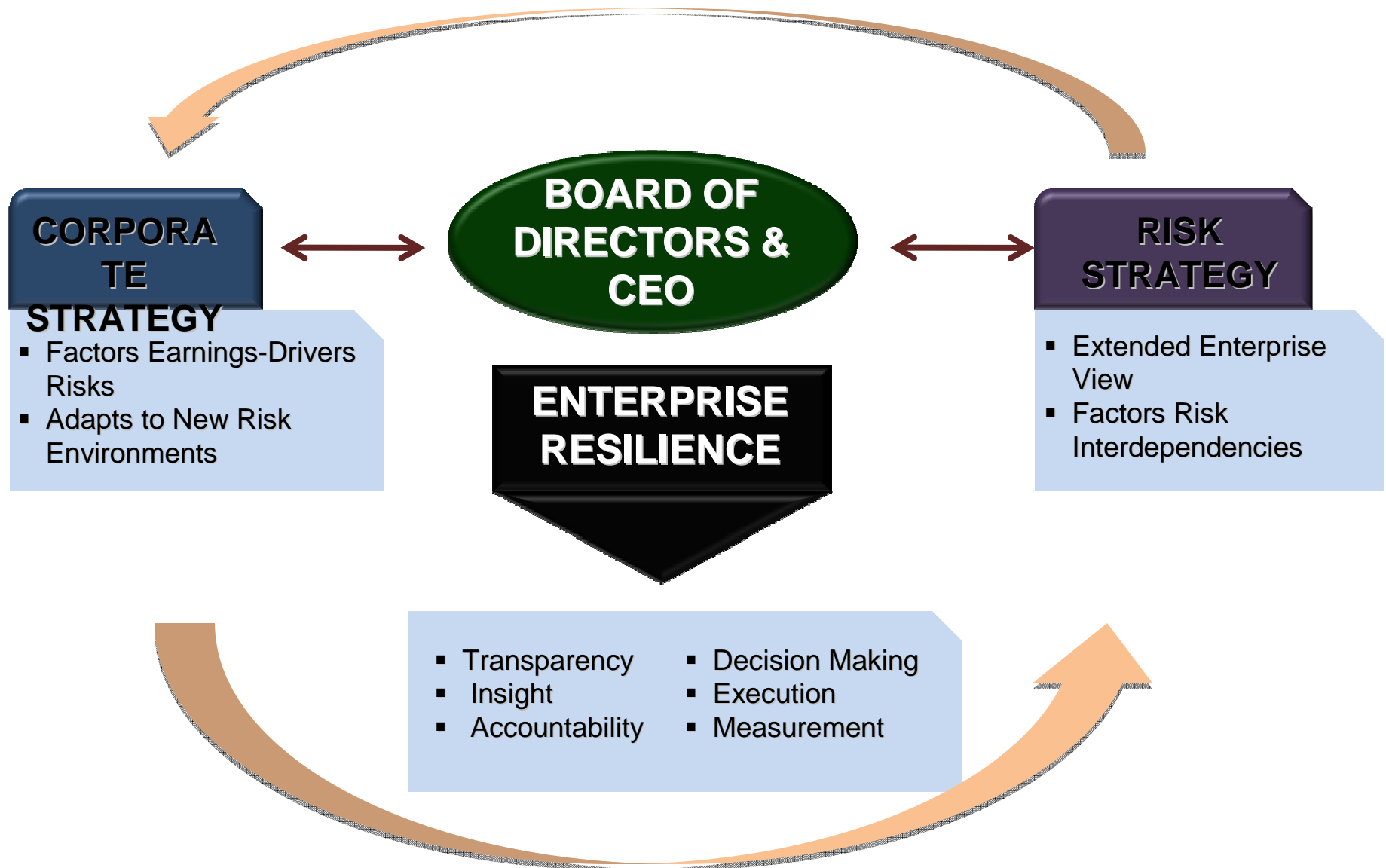




Where Are The Risks Across the Ecosystem?



Integrate Strategy & Risk





Establish A Framework To Manage & Mitigate Risks

STEP I - KNOWLEDGE

Get an Understanding of Business Case and Interactions with External & Internal Environments

STEP II – FINANCIAL DRIVERS

Disaggregate Business Case Into Financial Drivers, Scope & Size

STEP III - RISKS

Ascertain Risks/ Uncertainty Associated With Each Financial Driver

STEP IV – IMPACT

Assess Impact of Risk on Cash Flows, And On Enterprise Resilience

STEP V – SCENARIOS

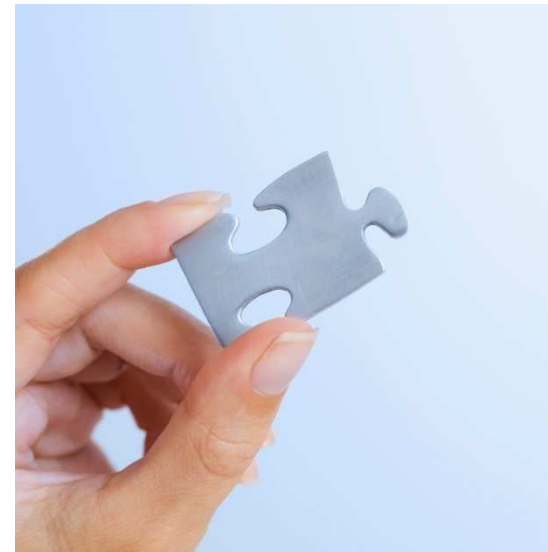
Determine & Value Scenarios [Expected, Better, Worse] Qualitatively and Quantitatively

And Prioritize Earnings Drivers



Immediacy of Impact on Earnings Drivers

ENTERPRISE RESILIENCE



Diagnose Resilience of Your Enterprise



- 1** Are the Complexity Across the Enterprise and Major Earnings Drivers Across it Transparent?
- 2** Are interdependencies understood and interdependence risks identified?
- 3** What programs are in place to ensure the viability of earnings drivers?
- 4** Are these programs fully aligned with corporate strategy and objectives, and do we understand the trade-offs within these programs?
- 5** Do we know what we spend on resilience?
- 6** How good is our situational awareness — that is, do we have enough business intelligence, internal and external, and is it directed to the appropriate parties?
- 7** Do we distill such intelligence properly and in a timely enough fashion to react to it?
- 8** Who is accountable for resilience, and how do we make decisions and measure progress?

Unpreparedness of Companies



Source: Protecting Value Study, 2007. A survey of 199 financial executives and risk managers at Fortune 1000 firms in a variety of industries, sponsored by FM Global, the National Association of Corporate Treasurers, and Sherbrooke Partners.

www.protectingvalue.com

FINDING: Companies Are Not Prepared to Recover from Major Disruptions

- ✓ More than 75% of respondents say a major disruption to their top earnings driver would either cause sustained damage to their firm's earnings or threaten its continuity of operations.
- ✓ Fewer than 25% of respondents believe their current risk management efforts sufficiently address key areas of contingency planning.
- ✓ More than 33% of respondents say their company's senior management lacks a thorough understanding of the impact a major disruption would have on their company and the firm's level of preparation for a major disruption.
- ✓ Many senior executives still fail to recognize risk management as a priority.
- ✓ Improved communication among key stakeholders about risks and contingency planning is needed.

ER Planning – “Surviving” Before the Fact



ER PLANNING

Aligns risk management activity and spending with the most fundamental components of corporate strategy and performance: **corporate growth** and **profit drivers**, **earnings consistency**, and **shareholder value**.

Identify – Greatest Risks & Interdependencies

Generate – A Targeted Program For Integration of ER Factors Into Corporate Strategy

Sensing – Direction Changes, Making Educated Trade-off Decisions

War Gaming – Conducted with ER Audit To Gauge Enterprise’s Resilience Posture

ER Audit – Programs For Enterprise Readiness Grounded In Real Needs & Earnings Drivers



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