

# Why ERM Is Not (always) Taken Seriously?

And How To Get  
The Best Value Out of It?  
**Practical Insights**



Ravi Mangipudi  
CEO, Audit Prodigy  
[www.auditprodigy.com](http://www.auditprodigy.com)  
Big 4, CAE & CFO  
[ravi@auditprodigy.com](mailto:ravi@auditprodigy.com)

# Why ERM?

“Most companies claim that their senior managers and boards are proficient at monitoring the financial vital signs of the business. In fact, **86%** of the respondents said their company was excellent or good at tracking financial indicators. In stark contrast, only **34%** said they were excellent or good at measuring and tracking non-financial performance measures.”\*

**Effective ERM fills the critical gap that Financial metrics leave out, with Non-Financial drivers of business performance**

\* In The Dark I & II: A survey by Deloitte / Economist Intelligence Unit

# The Trouble

It is no secret that ERM programs at most companies are barely off the ground, with Audit and Risk teams doing all the leg work.

Most companies' 10K/Q Risk Factors look like legal CYA than real business risk indicators

The brave CAEs who try, find out that senior management and even the Board is not that interested. Much easier to express opinions than look at specific ERM data. "It worked fine all this time, why change now?"

# Root Causes

## Non-Financial Metrics Are:

- **Subjective:** There are very few universal metrics like the Market Cap, P&L, Balance Sheet, Cashflow etc.
- **Measured Inconsistently:** Difficult to measure employee commitment, information security, competitive positioning, innovation etc. consistently and benchmark against other companies
- **Executive / Board Compensation:** Leadership is rewarded 90+% on Stock Price, EBITDA, Revenue Growth etc. Non-Financials barely factor in.

Q.11

What are the main barriers to the effective use of nonfinancial performance measures by your organization?

### Barriers To Effective Use of Nonfinancial Metrics

	Total
Lack of familiarity with these measures on the part of board members	21%
Lack of familiarity with these measures on the part of management	18%
Skepticism that these measures are directly related to the bottom line	40%
Undeveloped tools for analyzing such measures	59%
Lack of information on competitors' performance in these areas	26%
Low levels of accountability for these aspects of performance	23%
Concern over risk that competitors will gain valuable intelligence	6%
Lack of time among board members and senior management to focus on a new set of metrics	18%
Other	4%

# Takeaways

- **Need Better Tools To Measure Risks Easily, Consistently And Capable of Benchmarking Across Business Units, Geographies, Locations, Quarter Over Quarter etc.**
- **Tie Risk Factors To Financial Results If Possible, If Not, At Least To Commonly Accepted Indicative Operational Results**
- **Drive Accountability For Remediation. Demonstrate progress or otherwise.**

\* In The Dark I & II: A survey by Deloitte / Economist Intelligence Unit

# Top Risk Factors

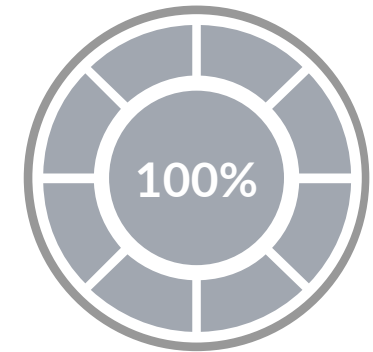
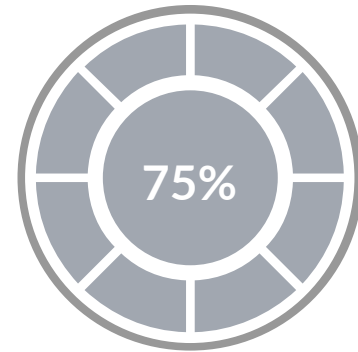
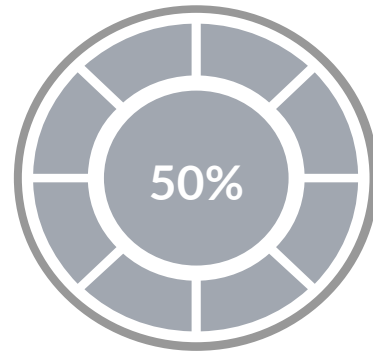
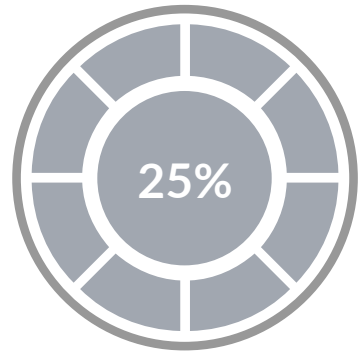
Financial Results	77%
Customer Satisfaction	71%
Product / Service Quality	62%
Operational Efficiency & Effectiveness	52%
Employee Commitment	50%
Innovation	41%
Brand Strength	37%

# Takeaways

- **Go Operational: Products, Safety, Talent Attraction / Retention, Supply Chain, Market, Brand, Customers etc.**
- **Business understands value of time. Likelihood / Impact not enough. Include “Velocity” to speak their language.**
- **Overcome perception of incompetence by hiring from outside traditional streams**
- **Turning it around to Enterprise Opportunity Management (EOM) would be a great win**

In The Dark: Deloitte / Economist Intelligence Unit

# Best-In-Class ERM



Create Survey

Distribute

Responses

Results

Create or Select Risks In GRU\*  
Define Risk Appetite

Identify Risk Functions  
Drag & Drop Workflows

Identify & Weigh Risk Factors  
Assess Risks In 7 Dimensions\*\*

Heat Maps: 4-In-1 View  
Assign & Track Issues

\* Global Risk Universe (RCM)

\*\* Likelihood | Impact | Velocity | Preparedness | Residual Risk | Risk Tolerance | Net Risk

## **INTEGRATED**

### **Connect All Your Risks & Controls**

Cross-reference Risks & Controls Across Frameworks (SOX, NIST, SOC, GDPR etc.)

Heat-Map Results (Including Velocity) By Location, Category, Business Unit etc.

## **COLLABORATIVE**

### **Easy Collaboration Across Enterprise**

Make it easy for stakeholders to support your program with 30-minute training & support

Enable data-rich, financially-connected and business-oriented C-Suite / Board conversations

## **REMEDiate**

### **Don't Just Identify, Remediate**

Drive accountability with integrated issue management – collaborate to remediate

Track remediation progress by visualizing 4-In-One Heat Maps

## **Key Takeaway**

**(Reference Slide# 3)**

**Overcome Barriers With Intuitive Capabilities,  
Metrics Connecting To Bottomline and Driving Accountability**

01 ABC Risk Assessment Survey (Size: Preparedness ; Color: Change/Velocity) Back

Select Survey/s

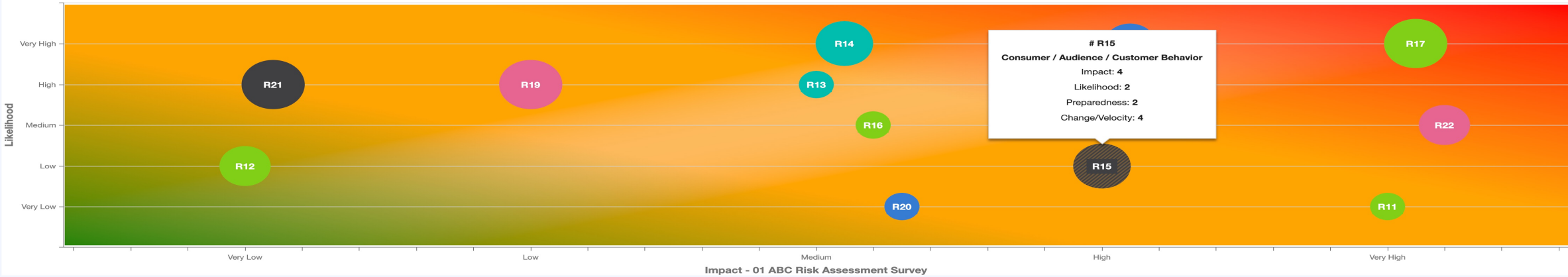
Select Category/s

Select Business Unit/s

Select Function/s

Select Location/s

■ No Value 
 ■ Very Low 
 ■ Low 
 ■ Medium 
 ■ High 
 ■ Very High

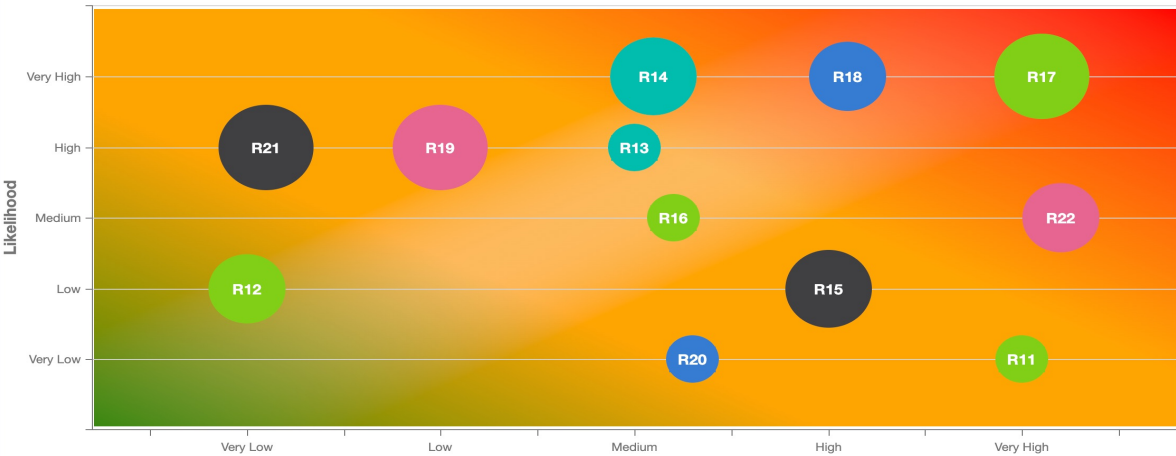


Impact - 01 ABC Risk Assessment Survey

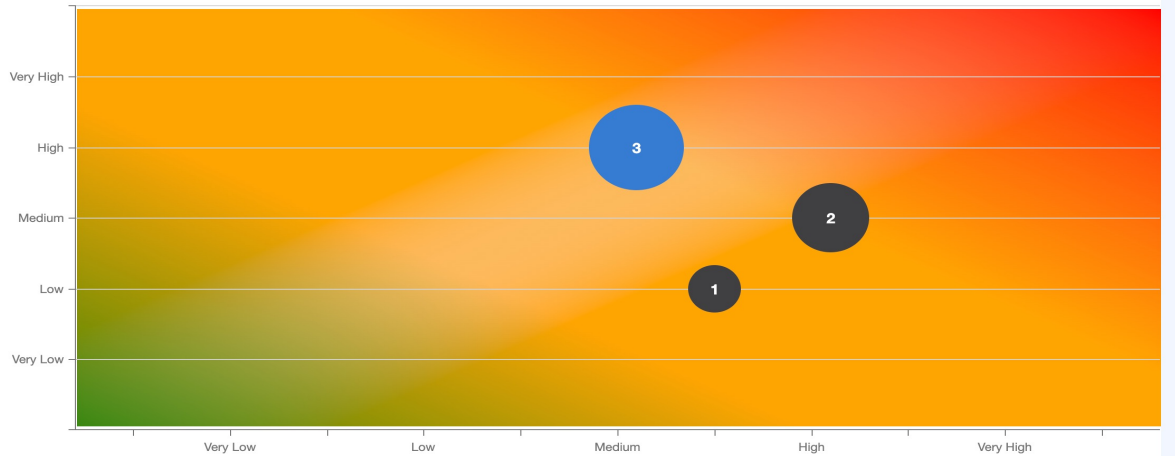
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Survey Name: ABC Risk Assessment Survey											
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<input checked="" type="checkbox"/>	01	R12	Acquisitions and Divestitures	Internal Operations	2	1	1	3	1	3	-2
<input checked="" type="checkbox"/>	01	R13	New Products and Services	Technology	4	3	3	5	5	4	1
<input checked="" type="checkbox"/>	01	R14	Competitor	Financial	5	3	3	2	9	2	7
<input checked="" type="checkbox"/>	01	R15	Consumer / Audience / Customer Behavior	External Environment	2	4	4	2	8	3	5

## Effortless Collaboration

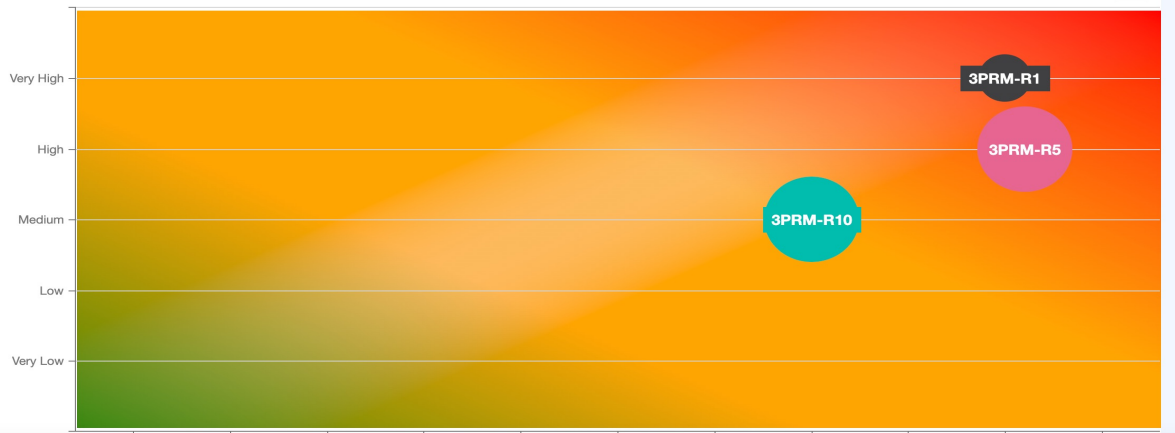
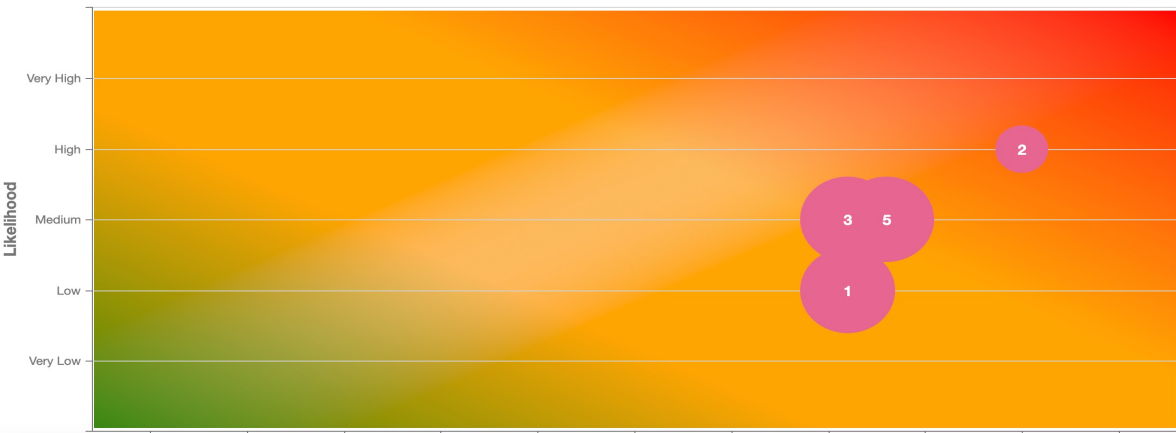
Integrated With Global Risk Universe and Issues Management



Impact - 01 ABC Risk Assessment Survey



Impact - 4 10K Risk Factors (Community Bank)



# Compare Multiple Heatmaps For Remediation Effectiveness Between Business Areas or Over Quarters