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## AT THE INTERSECTION

INTEGRATING THE BALANCED SCORECARD WITH  
OPERATIONAL RISK MANAGEMENT TO ENHANCE  
STRATEGIC EXECUTION

Presented by  
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## Introductions – Andrew Smart

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- ❑ Founder & Managing Partner of Manigent ([www.manigent.com](http://www.manigent.com)), a specialist management and technology consultancy focused on improving client's strategic execution via,
  - Corporate performance management
  - Risk Management
  - Project Portfolio Management
  - Business Intelligence
  
- ❑ 15 years experience working with organisations to enhance their management discussions, decision-making and action taking.
  
- ❑ Master of Business Administration (MBA) from Henley Management College.

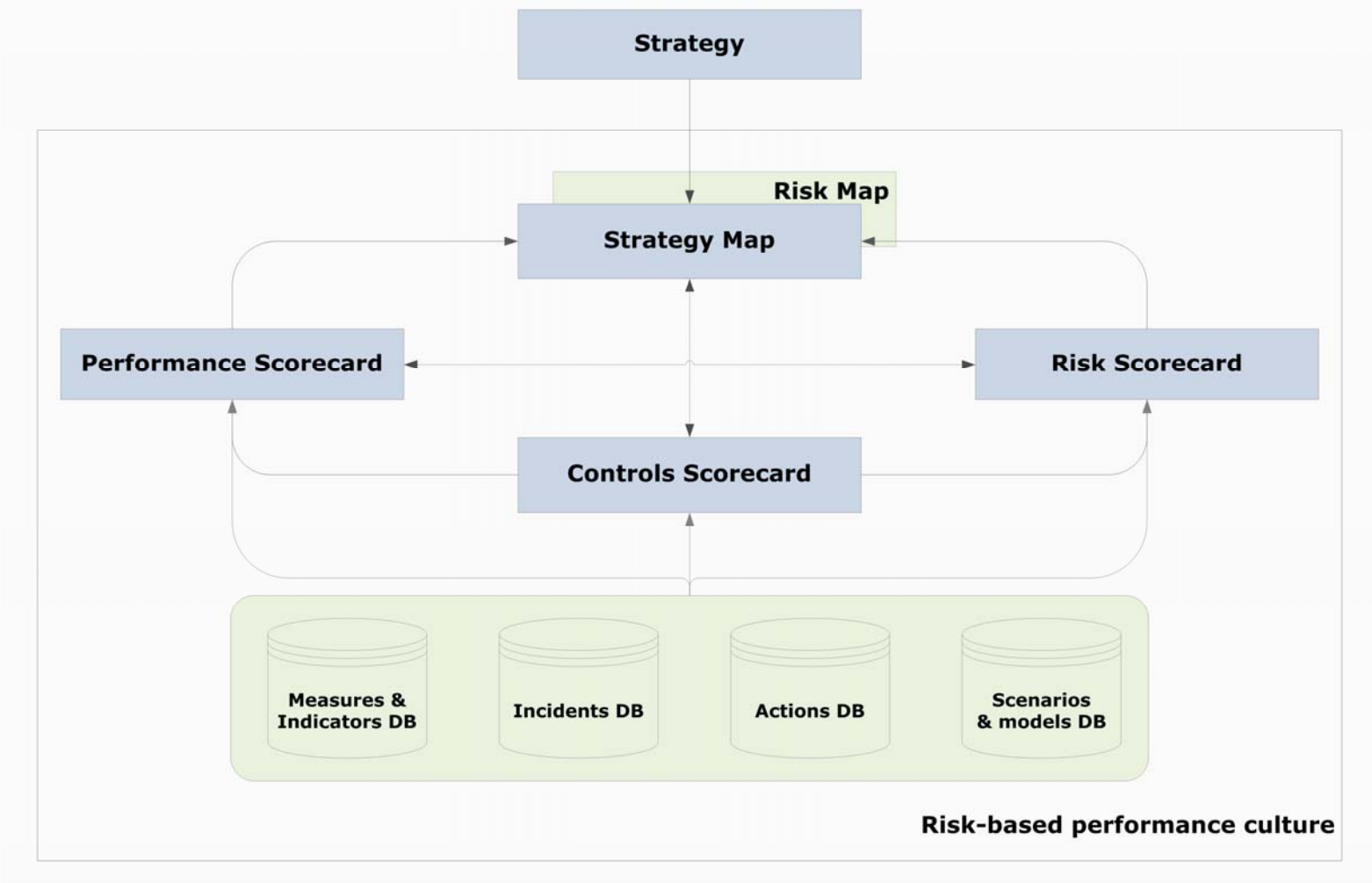
## Our question

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*Business is fundamentally about risk and reward. Every executive knows this, which begs the question:*

*Why don't management methodologies enable executives to manage the relationship between risk and reward – and so support the development of a culture capable of managing this trade-off on a day-to-day basis?*

# Risk-based performance



## Risk-based performance – the need

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- ❑ 40% - 70% of organisations fail to execute their strategy
- ❑ Average losses related to operational risk events, within financial services, found to equal US\$ 65m with tail losses US\$780m.
- ❑ Estimates point to reductions of up to 25% in the capital allocated for operational risk through enhanced operational risk management.
- ❑ Our research indicates the UK financial services industry is not effectively responding to regulatory and competitive pressures.

## Research question

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***How can UK financial services organisations integrate and align their corporate performance management (CPM) and operational risk management (ORM) processes to enhance strategic execution?***

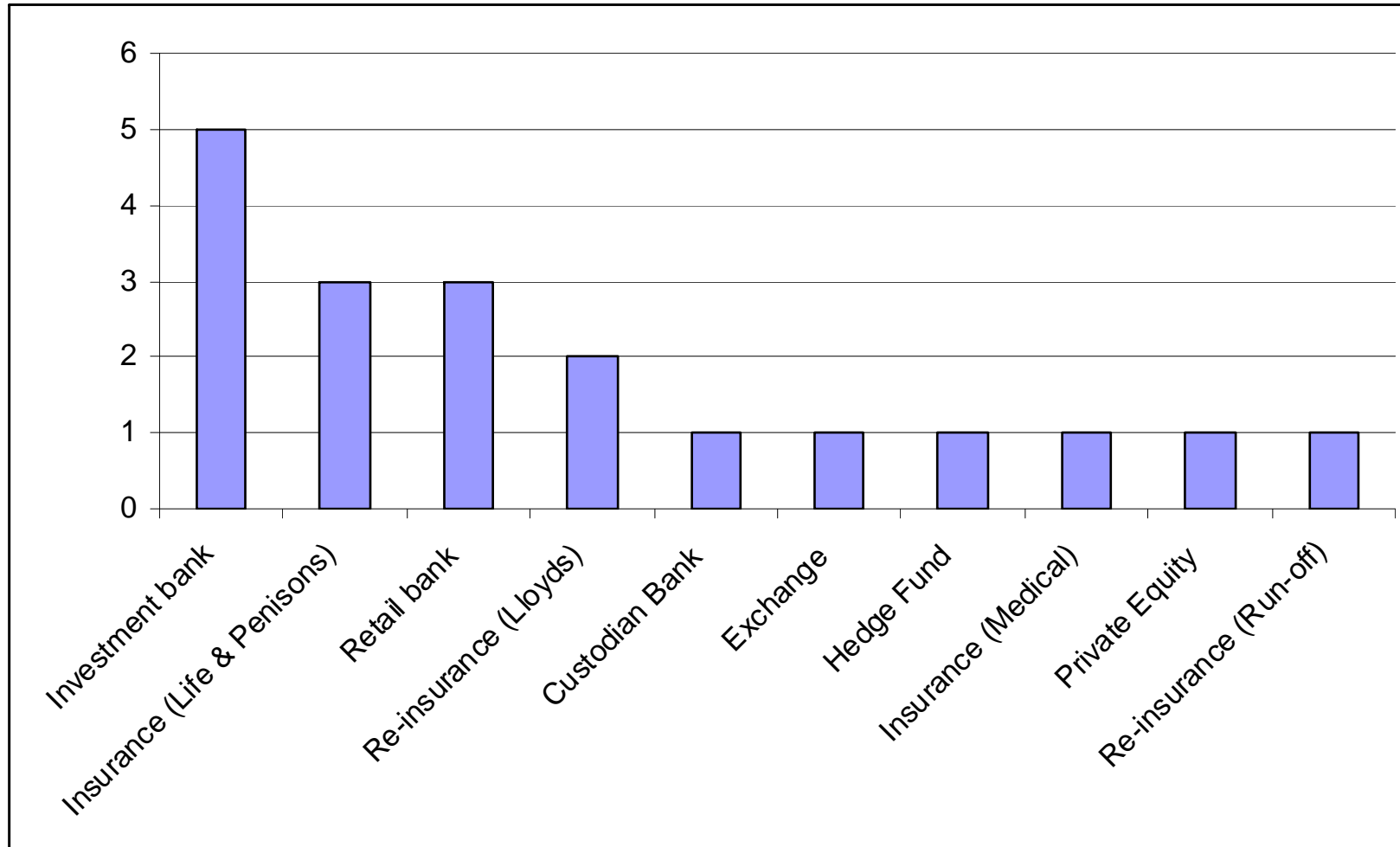
## Research process and participants

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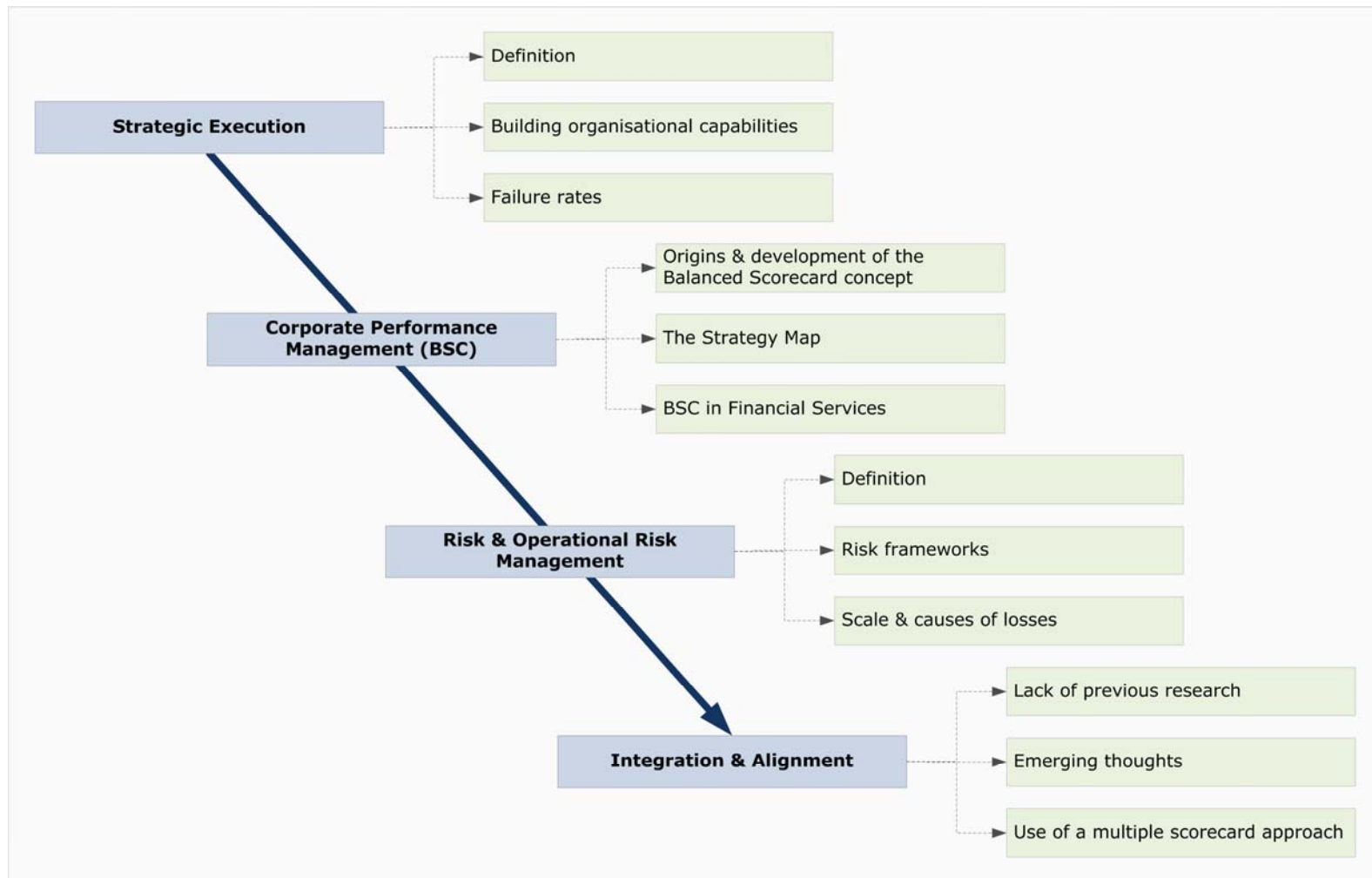
- ❑ 21 Individuals from 19 Financial Services organisations, based in London.
- ❑ Primary data was collected using semi-structured interviews.
- ❑ Data was distilled using template analysis.
- ❑ Primary data was complemented by a comprehensive literature review and one in-depth case study.

# Participant organisations

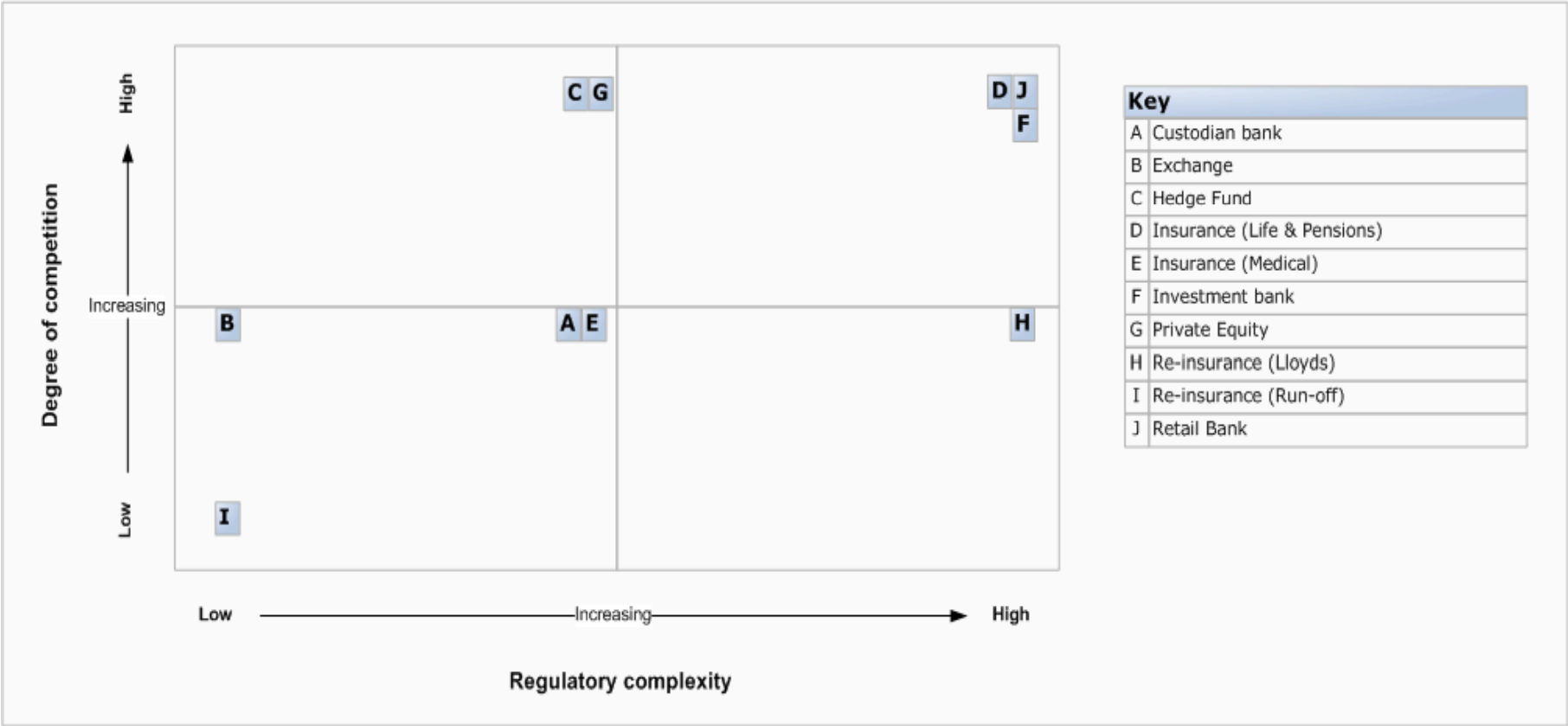
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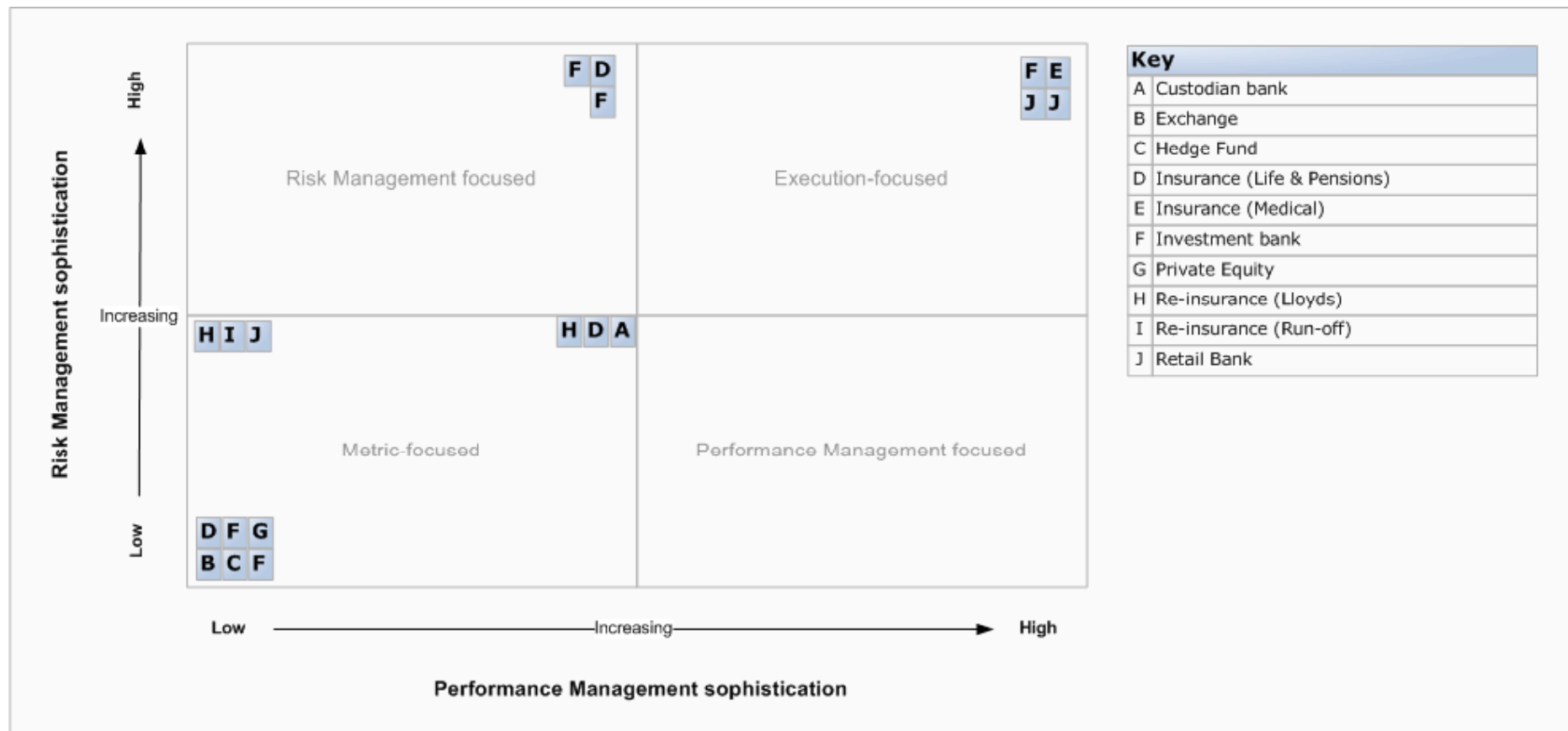
# Areas of literature reviewed



# Environmental context



# Performance & Risk Matrix



## Detail findings

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Dimension	Key finding
Structure	<ol style="list-style-type: none"><li>1. Silo processes exist</li><li>2. There is a lack of clarity as to the right focus for Risk Management and Compliance functions.</li></ol>
Strategy	<ol style="list-style-type: none"><li>1. Improvement efforts are largely reactive and driven by individual regulatory requirements.</li><li>2. Organisations are not taking a strategic view</li><li>3. Just good strategy</li></ol>
Systems	<ol style="list-style-type: none"><li>1. Clear and well defined reporting and review cycles</li><li>2. Lack of use of the Balanced Scorecard</li><li>3. Tactical indicator driven approach</li></ol>
Shared Values	<ol style="list-style-type: none"><li>1. Challenge of embedding Operational Risk into the daily culture &amp; decision-making</li><li>2. Developing and sustaining the desired culture</li><li>3. Role of organisational learning</li></ol>
Style	<ol style="list-style-type: none"><li>1. Lack of maturity surrounding CPM and ORM</li><li>2. Data, data and more data</li></ol>
Staff	<ol style="list-style-type: none"><li>1. Linking compensation to CPM and/or ORM indicators</li><li>2. Use of Gateway process</li></ol>

# Implications for GCC organisations

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## □ GCC states are:

1. Playing a more significant role in the global economy.
2. Undertaking reforms at home, including reforming local financial services industries.

## □ Opportunity exists for GCC financial services organisations to take a much more holistic approach, integrating performance and risk management to:

1. Drive strategic execution,
2. Avoid Risk related losses typically associated with financial services organisations,
3. Improve transparency and credibility within the International financial services community.