

HOW CAN AN ENTERPRISE APPROACH TO RISK AND OPPORTUNITY MANAGEMENT MAKE A REAL DIFFERENCE TO THE BOTTOM LINE?

# Introduction to Active Risk Manager

**By enabling a true enterprise-wide approach to risk and opportunity management, Active Risk Manager addresses the following crucial business questions:**

- How can I identify and manage the key risks which could have the greatest impact on my organization and optimize my allocation of resources accordingly?
- Can we risk-adjust our business plans to give more certainty to our forecasts?
- How can we spot opportunities and share best practice to make sure they are fully exploited?
- Can we quantify and aggregate risks to calculate our net financial exposure?
- Can we share project and program risks with partners in a safe and secure way?
- How can we win more business – by demonstrating a better understanding of risk?

Active Risk (formerly Strategic Thought Group) believes that the active management of risk and opportunity should become a core process for the enterprise – a process which is recognized as adding value to projects, programs and the business as a whole. This will give the board the ability to confidently set its appetite for risk, balanced by the potential returns. It will also provide the information to manage the business to achieve realistic objectives with increased certainty and transparency. Risk and opportunity awareness will become embedded into organizational culture.

Implementing a single, enterprise-wide risk and opportunity management system will provide the ‘true picture’ – a risk-adjusted view of business information – in a transparent, auditable and secure way. Senior management will be able to risk-adjust corporate planning and measure performance against objectives with more complete data – the result will be better decision making and evidence-based ‘assured governance’.

All too often risk management has been seen as a standalone function and a costly ‘box-ticking exercise’. An increasing number of forward-thinking organizations around the world share Active Risk’s vision and are rolling out Active Risk Manager across their own businesses. The benefits are being realized today in numerous tangible ways including:

- better planning and decision making
- effective exploitation of opportunities
- more business won and projects profitably delivered
- reduced insurance premiums
- enhanced credit ratings

## ARM CUSTOMERS

ARM delivers demonstrable benefits to organizations in a wide range of industries. ARM customers include Network Rail, Lockheed Martin, Nestle, NASA, London Underground, US Air Force, Raytheon, Rio Tinto, EADS, London Olympics, Alstom, Roche, British Nuclear Group and SABIC.

**ARM OVERVIEW**

Active Risk Manager (ARM) is the world’s most widely deployed and only truly comprehensive enterprise risk management (ERM) software package, in use in over 170 of the globe’s most respected and demanding organizations, projects and supply chains.

ARM is recognized by independent analysts as having “the most extensive range of ERM capabilities currently available”. These go way beyond traditional tick-in-the-box GRC compliance. From managing project and program risk through to strategic enterprise oversight, ARM

uniquely delivers an integrated approach to identifying, documenting, mitigating, monitoring and analyzing risks and opportunities in all business functions.

**TAKING AN ENTERPRISE-WIDE VIEW OF RISK-REWARD MANAGEMENT**

ARM has deep risk management capabilities and is easily configured to support a range of business domains and processes. This means that a single web-based system for managing risks and opportunities can be used to meet the needs of different business functions.

ARM creates a deeper integration of risk management across operations and projects. ARM replaces the silo-based, spreadsheet approach to risk management, which has often grown up haphazardly, with a single integrated ERM system. This gives greater oversight and is more robust and auditable.

ARM provides to the enterprise top-down, bottom-up and cross organizational views of risks and opportunities. Using a single system will allow a holistic view which can support both the operational needs of the business and the increasing demands of the board to perform risk-adjusted business planning



Active Risk Manager (ARM) adds value in all these business domains

and performance management.

ARM has the flexibility to let your organization start its journey to ERM with a focus on any one or more of the business domains which ARM enables. Each industry and business faces unique challenges. ARM will let you address your pain points first or begin with an area which will add most value. For example, embark on your risk management ‘value journey’ with Project and Program Risk, Business Continuity or Opportunity Management then plan your next steps from there.

**WHAT KIND OF ORGANIZATIONS BENEFIT FROM ARM?**

Organizations utilize the flexibility of ARM configuration and deployment options to meet a broad range of business challenges. ARM customers can typically be grouped into three broad usage categories based on their risk management needs:

**LEIGHTON CONTRACTORS  
– AUSTRALIA’S LARGEST PROJECT  
DEVELOPMENT & CONTRACTING GROUP**

“We use ARM in just about every facet of our business. We use it from the detailed ‘down in the weeds’ projects all the way up to the strategic management of the company back into our business continuity plans, our safety, our environmental, industrial... and we use it across every different facet of the business too – so we use it in mining, oil and gas, power generation telecommunications, construction, roads, bridges – we use it in every aspect.”

– David Willows,  
Group Manager, Commercial & Risk  
Leighton Contractors

### 1) ORGANIZATIONS TAKING AN ENTERPRISE VIEW OF RISK MANAGEMENT

Benefits from ERM will come through integrating a range of processes and functions to provide a true picture of risk and opportunity at the enterprise level. Risk is seen as a source of competitive advantage. The goal is to enable risk-adjusted business planning and performance management to more effectively drive the business.

ERM will span elements of the whole organization, partner networks and supply chain for both risk and opportunity identification and management. Over time an expanding range of business areas will come under the ERM umbrella - such as projects and programs, supply chain risk, health and safety, bid management, insurance, business continuity, controls management and more. This 'value journey' to enterprise-wide risk management will be supported by an increasing risk maturity within the business. ERM software will help drive the cultural change needed to foster a risk-aware organization.

### 2) ORGANIZATIONS AND CONSORTIA FOCUSED ON MAJOR PROJECTS AND PROGRAMS

ARM was initially deployed to address the risk management needs of major projects and programs. ARM maintains its leadership position in this area and delivers unparalleled capabilities. Today ARM supports the needs of some of the world's most complex and demanding projects. ARM covers sub-project and project levels through vertical integration into the program, portfolio and enterprise hierarchies. ARM can be used within and across organizational boundaries to support consortia and joint venture partnerships, all with appropriate levels of security access and visibility

### 3) ORGANIZATIONS BEGINNING WITH A GRC NEED

Many organizations started their ERM journey looking for a compliance solution. A growing number realize that to add value an enterprise-wide, risk-focused approach is the way to go. ARM brings most advantage in Governance, Risk and Compliance projects where the organization's horizon stretches beyond simple compliance to driving business benefit through the evolving deployment of risk management.

**Active Risk Manager supports all three approaches to enterprise risk management and will grow with a business as its strategy and needs evolve.**



**"It's a good tool that allows us to keep track of everything and report on anything. Prior to that, it was all spreadsheets."**

*– Steve Stich, Oshkosh Corporation  
– manufacturer of the world's toughest  
specialty trucks and access vehicles*

#### OSHKOSH CORPORATION SNAPSHOT CASE STUDY

- ERM was implemented both 'top down' and 'bottom up'
- 'Top down' - Senior management defines the Top 10 threats and opportunities scored on percentage of operating income impacted
- Mitigation plans are developed as necessary
- Reporting goes up to board level
- 'Bottom up' – project managers do risk assessments for all major programs and projects - in some cases weekly.

#### WHAT MAKES THE ARM APPROACH UNIQUE?

ARM is recognized as having the broadest and deepest enterprise risk management capabilities available today. However it is the way ARM brings all the risk and opportunity information together with a focus on value generation and enhanced business performance which makes ARM truly unique in today's ERM and GRC market.

ARM enables the identification and capture of risks and opportunities at all levels of the organization. It supports operational management of specific projects, up through programs and on to the identification and management of strategic and corporate risks at board level.

ARM creates a common risk lexicon and taxonomy across the business which allows risks to be scored and compared on both qualitative and quantitative bases. Information becomes visible and shared. Aggregation and escalation becomes more standardized and process driven. Relationships can be created and emerging risks become visible. Knowledge bases can be built up to ensure best practice experience is available to all. ARM becomes the enabler of cultural change to embed risk and opportunity management at the heart of the project, program and organization.

#### ARM SUPPORTS INTERNATIONAL STANDARDS

Active Risk Manager supports the broadest range of risk, governance and compliance standards including COSO (ERM & Controls), ISO 31000, PmBok, HIPAA,

FDA, CMI, COBIT, SOX, HSE, The Orange Book, EFQM, Basel II & Turnbull.

#### ARM – TECHNICAL INFORMATION

ARM takes advantage of a range of industry standard products such as Microsoft SQL Server and Oracle databases, Microsoft Reporting Services and SharePoint. ARM interfaces with Microsoft Excel and a range of widely-used project planning and requirements management packages such as Microsoft Project, Primavera, Telelogic DOORS and Cradle.

To gain the ‘true picture’ of risks and opportunities requires information to be drawn efficiently from a wide variety of sources. ARM provides enhanced interface and integration capabilities through the ARM Enterprise Service Bus (ESB). This facilitates the integration of ARM with other applications in an efficient and future-proofed way. Integrating risk, opportunity and other business data allows the organization to derive the ‘true picture’ across the whole business and makes risk-adjusted business planning and performance management a reality.



#### US AIR FORCE

“We see ARM as a ‘game changer’ for the Air Force. Prior to the initial implementation of ARM, the Air Force undertook a serious examination of the requirements for improving and managing its risk processes. Our concern was not just managing risks within programs, but to have a process for understanding risk at the enterprise level.”

“Post-deployment, we are very happy with ARM and its risk management capabilities. The users within the Air Force, at all levels, are impressed with the breadth and depth of its functionality.”

– Terry Balven, Director, Acquisition Business Systems, US Air Force