

# A Successful Implementation of an ERM Dashboard

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## **Abstract**

One of the key tools to implement ERM in an organization is the “ERM dashboard.” In essence, the dashboard should provide the management of the organization with a top-of-the-house view of all risk types in an integrated manner. The actual use of the dashboard by the management team as a support tool in their decision making process is the only real indicator that rates the success of the dashboard.

Starting in 2006, our company has implemented a number of successful ERM dashboards—in the above sense—at various management levels. This paper describes the critical factors we have seen in the project leading to, as well as in the production process for, a successful dashboard. It furthermore provides elements of our ERM dashboard design. It is based on the experience we have in our organization as well as what we have seen in other organizations with (sometimes less successful) implementations.

The success factors can be summarized as follows: 1) start from where you are (but keep the end in mind); 2) align with the decision taking culture of your audience; 3) treat experts as experts, so let them keep ownership over their expert area; 4) the key content is opinion on future developments; 5) keep strictly to the absolute minimum level of consistency in presentation; and 6) just do it.

## **Introduction**

After experience with the local implementation of an ERM dashboard within one of the business units (BUs) of our company, it was decided by the CRO of our company to implement it throughout the enterprise—one dashboard at enterprise level and a local one for each of the BUs. The local dashboard implementation was the responsibility of the local CRO.

This paper describes the process you go through as a project manager implementing an ERM dashboard and is based on the experience we have had in our BU.

## **An Innovative Project!**

The setup and use of an ERM dashboard is for most companies an innovative, sometimes revolutionary, project. You, as the project manager, must therefore take care of both these two properties: to treat it as a project and to respect the innovative character of the effort.

First, it remains a project. So, it is important to define your scope, deliverables, milestones and resources.

Your first milestone will be the first live dashboard. Timelines are probably already set for you, so that you do not have to worry about that. For reasons that will become clear later, it is important to set your first delivery date around three months from the project start.

Scope creep is the trap you can step into most easily. The dashboard project must focus on producing a dashboard. It should not be responsible to set up a centralized data store for all risk information. It is also not the project to reorganize the siloed risk departments into one streamlined risk management organization. Even if it will make your job (a lot!) easier, it is outside the scope. It is the function of a full ERM program to define such separate projects to deliver all that. In fact, as our experience showed, the dashboard itself will in a natural way create demand for a central risk data store and a more streamlined risk management organization. So, concentrating on purely producing the dashboard can even be used to leverage the building of an ERM organization and centralization of risk data.

During the project you will see many distractions of this type, as there are many people with many opinions on ERM that will be involved at some point in the process. This makes it even more important to focus on keeping to your scope and deliverables.

## Vision on Content

The first step to define your deliverables is the “what” question.

To find out, in an ideal situation, you could interview some management team (MT)<sup>1</sup> members to give you a better view on their visions, wishes and concerns. In practice, however, your access to their agendas will be limited. Fortunately, a number of interviews with your CRO and other leading risk officers will reveal the main required properties of the dashboard. In our case, and probably in yours too, those mentioned most often were:

- To provide oversight of *all* risk areas;
- To contain a “one pager” summary of the main risks and issues, especially where they have cross-functional aspects;
- To be forward-looking;
- The audience had to be the top level MT of the BU.

It was also immediately clear that the only success factor of the ERM dashboard was the actual use of it as a supporting tool in the decision making process of the MT.

Even if you have been able to interview any stakeholder, you have to keep in mind the innovative character of the project. In the sequel of produced dashboards you will see that the opinions of your interviewees may and will change and that you will have to adapt to improving visions.

It was, and is, therefore important to present a first dashboard at the first possible time and fix issues iteratively and quickly in the following ones. A monthly frequency is an excellent way to be able to do these repairs and stay in touch with your audience. Our CRO agreed with this (perceived high) frequency, but the decision was to only discuss the dashboard in full in the MT once every quarter and to include it in the meeting documentation pack in the other months. Although this was the original setup, it turned out that the dashboard was going to be discussed on a monthly basis in the MT anyway, thereby showing the need of the MT for this information. We saw that the quarterly frequency used by other BUs and in other companies was indeed not enough to satisfactorily change in time with demands from the MT. It took them much more time than us to get into a content discussion with their MTs.

It is also important to get some feeling of the culture of decision making within the MT. This will drive for a long way the way you formulate issues in the dashboard. Do not forget that it is a risk dashboard and that risk is often bad news. A good understanding of how bad news needs to be brought to the attention of the MT is crucial (you can find this out the hard way, as we did, but this is not the most pleasant way to go...).

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<sup>1</sup> In the following we will use the term MT as our audience, but you can substitute managing board or whomever else your audience consists of.

From a more technical perspective, after a few months we found that it was also important to decide upon whether actions being taken on issues by the MT had to be documented and tracked through the dashboard or through another instrument (e.g., the action list of the MT meetings themselves).

## Risk Partners

The second step is to make an inventory of all risk types and associated departments in the company that need to be included. We identified 17, and you will probably also end up with at least 10. The structure of risk departments in our company was pretty much siloed, which meant that all needed to be engaged individually.

The expectations of what to deliver and the structure of our company led us to decide to not produce a dashboard as it is classically defined (i.e., a one-pager), but a dashboard-like slide (we called it executive summary) followed by a set of risk sections, one for each risk type.

To obtain all required information and arrive at a useful summary of findings, we made the crucial observation that the various risk parties are the real experts and that we should not sit on their chair, not even try to think that we can do better than they can. The—very successful—solution we chose was to:

1. Let each risk party produce and own one's own slide for their risk type. Especially leaving the ownership at each of your risk partners will give you the best data available, will engage them closely and will keep you out of a lot of trouble.
2. Organize workshops where the risk parties discuss each other's input, so we could then make a summary of the discussions there.

We have seen various cases in other firms where a small ERM team was formed at the top of the organization, pretending to be all knowledgeable, that collected data and did the analysis, deducting conclusions from the data themselves. The result is that you do not get the engagement of the risk parties, as delivery of data is seen as a compliance-driven activity (it is even questionable if you get the best data available) and, worse, that you will be “shot” for wrong analysis outcomes by these risk parties themselves.

## Content

The content of the individual sections is then the next important thing. Keeping in mind that the experts are the experts, we decided to not describe too much for them. As a guideline, we provided them with a list of what could/should be in the slide:


- leading risk indicators,
- expected development of these indicators for the next three to six months,
- external and internal incidents,
- issues and the status of resolution actions,
- external and internal developments and
- forward-looking statements.


The only two things we made compulsory for each involved department were to:

- summarize their input in a small text box that was captioned as “management comments,” as well as
- to rate their risk type with a red/orange/green mark plus an indication about the development of the risk in the coming three to six months.

Although not every risk party will immediately deliver the quality of information that you probably expected, we think it is better to start from each one’s maturity level and produce a first dashboard, then try to bring parties to a higher level of risk reporting without having a real deliverable available.

See below for the template we gave each one of them.

 f m a m i j a s o n d Jan 09	Risk type – Department Name	Section Owner: xxx
<p>Management Comments:</p> <div style="border: 1px solid black; height: 150px; width: 100%;"></div>		

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In the subsequent editions of our dashboard, we found that you should also ask your risk parties to connect their “management comments” as well as possible to management objectives and risk appetite (where defined), which is well in line with the COSO ERM framework.

By the way, one of the hardest things for you to do is to restrict each risk party to the one-page input. You will be amazed about how small fonts are considered to be readable!

The next step is then to make a nice pitch slide deck to engage all risk parties in the process and tell them what you are set out to do, what your long-term vision is, that you need their assistance and knowledge, what your timelines are, and what you expect when from them, i.e., in our case, a one slide input and presence at the workshop(s). It turned out that it was also important to raise the subject’s confidentiality<sup>2</sup> and alignment with other reporting cycles and committees.

The pitch should also be shared with the CRO so he can manage expectations within the MT.

With this pitch deck in hand you visit all risk parties. With the backup of your CRO it will not be too difficult to get them into producing input, but the important thing in the visits is to find your evangelists, and identify the potential issues (about your project), so you can solve them as well as you can to further engage.

A substantial number of the parties expressed concern on the monthly frequency, but on the other hand, almost everyone had already a monthly reporting cycle in place, so we/they could align with that. In the months following, we saw that most risk partners provided updated sheets on a monthly basis. Some did not, but for obvious reasons, as, for example, strategic and reputational risks do not change too much on a monthly basis.

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<sup>2</sup> Because we find it very important that all risk parties remain involved in the whole exercise, we found a compromise in the confidentiality issue by handing out the dashboard in hardcopy to each of them. We did and do not provide any electronic copies.

## **First Input**

Then you have to wait for the input to be delivered at the communicated date. Somewhat to our surprise, we obtained input from a large part of the risk partners in time and more after sending a reminder. Eventually, only two departments refused to deliver. With this support I could build the first dashboard with the two pages “intentionally” left blank. (This was in a natural way solved after the first presentation of the dashboard in the MT meeting.)

The first workshops (we split into a financial risk workshop and a non-financial workshop as a result of the number of parties) had the character of a getting to know each other. Content was exchanged, questions were asked, but discussion was still minimal. A wrap-up to identify the most important items delivered the input for the summary to be produced.

## The Executive Summary

The main purpose of the workshops is to provide you with the input to compile the summary. As this summary is in fact a list of prioritized issues, you should organize and lead your workshop in a way that it will result in such a list. Each issue should as well as possible be underpinned with facts (to avoid denial) plus actions that are in progress or planned (to avoid complaints that you do not know the organization). It is also important to have a good understanding of what the negative outcome of an issue will be and what the effect of the planned actions will be, in particular, whether they will provide satisfactory mitigation.

Again, keeping in mind that experts always know better than you, you must give the risk partners the opportunity to review the summary you compiled. A half-a-day to one-day period to provide comment is, generally speaking, enough to give you the necessary review comments to further improve, i.e., sharpen, your summary.

Below is an example of the template we use for the summary page in our dashboard:

### Executive Summary

Section Owner:  
Remko Riebeek

Risk rating per risk category and trend expectation for the coming 3-6 months

<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: red;">▲</span> Credit Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▶</span> Market Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: green;">▶</span> IT Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▼</span> HR Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: red;">▲</span> Important Proj. Risk</div> </div>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: green;">▲</span> Strategic Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▶</span> Business Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: red;">▶</span> ESE Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▶</span> Liquidity Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: green;">▼</span> Interest Rate Risk</div> </div>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: green;">▶</span> Security Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▶</span> SOx Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▼</span> Compliance Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: green;">▲</span> Legal Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▲</span> BCM Risk</div> </div>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: yellow;">▲</span> Operational Risk</div> <div style="display: flex; align-items: center; gap: 5px;"><span style="color: red;">▼</span> Audit Profile</div> </div>
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Labels	<span style="color: red;">■</span> High	<span style="color: yellow;">■</span> Medium	<span style="color: green;">■</span> Low
Trend	<span style="color: green;">▲</span> More risk	<span style="color: red;">▼</span> Less risk	<span style="color: yellow;">▶</span> Stable

Main current issues

- risk number one with potential effect, cause, mitigating actions in progress, and some advice to mitigate further (p. 6, 9, 15, 22, 23)
- risk number two
- etc.

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Occasionally, you will run into discussions on wording, format and the inclusion or exclusion of certain issues. It is important to not let this get in your way to produce your (first) dashboard.

## **The First Dashboard Discussed**

It is expected that your CRO will present the dashboard in the MT meeting. He will have to explain the setup of the dashboard, the process leading up to this dashboard and then discuss the content that is presented in the summary. It is therefore necessary to spend time with him to go into detail over the full content of the dashboard.

The experience with all implementations we have seen shows that your first dashboard will give the MT for the first time a full picture on all risk areas they are facing. This was highly appreciated in all situations we know.

Of course, you will face lots of criticism, both on the presentation and the content from your audience. As usual with receiving feedback, you should thank them for their feedback, list all concerns, return your response and follow-up on solution direction and planned resolution dates. It is obvious that you will not be able to solve anything in your project, so this requires intensive discussion with your CRO.

Do not forget to also forward the feedback to all involved in the project and thank everyone for their effort up to this stage!

The most important feedback we received was that the summary should be really about looking forward. This was and is the subject that also after many months is the real difficult thing to achieve. Most risk and control parties have a default behaviour to be focused on their actual, past data. Your, your CRO's and your evangelists' continuous communication with all parties directly involved as well as those having influence on them is the way forward. It is hard work, but it is well worth the effort if you finally achieve such a result and lead your organization into a new area of risk management.

## **Maturity Phases**

The phase of the dashboard productions following the first one is characterized by sharpening discussions, stronger engagement of all involved and improvement of the identification of the really essential risks, and, as a result, better summary writing. It is worthwhile to notice that in a quarterly setting observed in other BUs, we saw that, also due to changing participants, real discussion remained difficult to achieve.

After a few months only you will be ready to standardize the whole dashboard production process and hand over to business as usual. (BAU).

It is common that after those first months the excitement by your risk partners and MT will decrease somewhat and you will receive (renewed) backfire. This is the phase where you must ensure that you keep the process running and do not skip any monthly issue. Continuous communication with your CRO and all other stakeholders and being creative in finding solutions are key to overcome sometimes suddenly appearing (perceived) showstoppers. If you can continue the process for somewhat over a year, you can be finally sure that it is fixed into the processes of all risk parties and your MT.

## Looking into the Future

At this moment (early 2009), we are in a stage that we have the dashboard running firmly as a BAU process. It is used by the MT to discuss its strategic decisions, so we can say we have achieved the results we wanted to achieve.

Of course we are now looking into the future, where the dashboard will have its role in the establishment of an ERM culture and organization. As a result of all the work we did, we observe an ever-stronger requirement to establish a common risk framework, defining risk rating and risk appetite in a more integrated manner over all risk types. We expect this will improve the value of ERM for the business substantially.

For the dashboard itself, the challenge lying ahead of us is to improve or at least hold on to the forward-looking capabilities of the risk parties.

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