

Risk Management KPIs: Efficiency Tool or Formality?

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Abstract

The paper is devoted to analysis of possibility, need and approaches towards introducing the indicators related to the effectiveness and efficiency of risk management system into key performance indicators (KPIs) of senior and middle management. Both theoretical and practical aspects of the topic are considered.

It is clear that management's responsibility for development of risk management system should be secured. This can be provided through incorporating risk management issues into management KPIs. On the other hand, risk management is ultimately connected with managing business itself, therefore every manager is managing certain risks inherent to the business process under his/her responsibility on a day-to-day basis. That is why most of the times it is difficult to identify the share of effective and efficient risk management from general effectiveness and efficiency of a manager. Possible ways of problem resolution and compromise solutions are discussed. The sample indicators related to formal elements of RM system (e.g. timeliness and correctness of RM reporting) as well as essence criteria (e.g. sufficiency and effectiveness of RM control procedures) are considered in the paper.

About the Authors

Marina and Alexey are risk managers at one of the largest Russian industrial and financial holdings - Basic Element Group (www.basel.ru), working for the Head Office of the holding. Authors have established the risk management system covering different businesses of the Group and are responsible for its further development and improvement.

Mrs. Basova has more than five years experience in risk management, internal audit and internal control. She is certified by the Institute of Risk Management (UK) and the Institute of Internal Auditors (USA). Marina is also the founder and the Chairman of Moscow Regional Group of the Institute of Risk Management.

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