



MEDIA RELEASE

Outdated ERM approaches puts billions of dollars worth of corporate Australia's bottom line under threat

Australian businesses should consider an 'ERM 3.0' approach to become more resilient and adaptable in both the good and the bad times

27 August 2013, SYDNEY – Billions of dollars' worth of revenue from Australian business could be under threat from out of date enterprise risk management (ERM) practices. While the Australian financial services industry is waking up to the competitive advantage of implementing ERM practices, actuaries think more work needs to be done in making businesses resilient and adaptable to external threats. These could include the pace of technological change, the impact of climate change and the rise in the power of the consumer, all of which could lead to hefty company losses if not managed appropriately.

This is just one of topics of discussion by the Actuaries Institute at today's Enterprise Risk Management (ERM) seminar, 'ERM 2013 – making it happen' which brings together risk professionals and business line decision-makers across a range of industries.

Joshua Corrigan, Chair of the Institute's Risk Management Practice Committee, explained that resilience is about ensuring organisations are adaptable in an ever-changing environment, so that companies can remain in the game and competitive when others are falling by the wayside.

"Businesses fail all the time because they are not resilient; they don't adapt and don't have the robustness to deal with downturns. Having a proper ERM framework and thinking about embedding resilience is going to become a source of significant competitive advantage," said Mr Corrigan.

According to Mr Corrigan, corporate Australia needs the next evolution of ERM, a phase he has dubbed ERM 3.0, to truly succeed in the future. The first phase was all about assessing basic sensitivity levels of outcomes such as profitability to risk drivers, which was highly quantitative in nature. The second phase is all about aggregating the various types of risks to try to predict what they mean at the enterprise level. The third phase, which the financial services industry is increasingly moving into, is all about understanding and explaining uncertainty holistically and how it relates to enterprise strategy.

“People now have a greater understanding of risk and we now also have the tools, techniques, systems, and processes for dealing with complex enterprise risk problems which we didn’t have before. Those organisations that embrace these are more likely to not only protect themselves against significant risk events, but also derive competitive advantages through more sustainable performance.”

Mr Corrigan added that effective ERM is not something business can afford to dip in and out of and could well be the key to their survival.

“ERM is going to be a very important driver, perhaps the most important driver over the long term of competitive advantage. It is no longer just about keeping up with your competitors in the good times. There is strategic value in outperforming competitors in tough times,” said Mr Corrigan.

Embedding ERM from the ground up

Actuaries Institute CEO Melinda Howes said the Institute was committed to providing the best education necessary to enable actuaries and CROs to embed ERM into the DNA of Australian businesses.

“We have been working to engage the risk profession across a number of industries in meaningful ways through research, working parties, and education including the CERA (Chartered Enterprise Risk Actuary) qualification. We are also in the early stages of implementing a risk education course for senior experienced risk practitioners from any background. All of this is to ensure that Australian financial services organisations have the resources they need to embed ERM into their business from the ground up,” Ms Howes said.

For information about the ERM Seminar, click here:

<http://www.actuaries.asn.au/RRS2013/ERM2013.aspx>

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For more information or to arrange an interview with Institute CEO Melinda Howes please contact Alice Crowley from Honner Media on (02) 8248-3753/ 0407 660 500 or Alice@honnermedia.com.au

About the Actuaries Institute

As the sole professional body for actuaries in Australia, the Actuaries Institute represents the interests of its members to Government, the business community and the general public. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance, health financing, and climate change.