



INTEGRATING THE ERM & BCM PROGRAMMES AT SKH

Cherilyn Ong, Dr Winston Ong, Doreen Tan

BACKGROUND

While ERM and BCM share the common goals of risk identification, assessment and management, they are often viewed as separate activities, and are managed independently. As a result, risk management efforts for both disciplines could often improve coordination and strategic alignment. Potential negative consequences of this 'separation' include:

- ▶ Duplicative work and inefficiencies when information is not shared between both programmes (e.g., departments assessing the same risks at separate times of the year for different programmes)
- ▶ Senior management does not have a holistic view of the organization's overall resiliency and recoverability. As a result, the effectiveness of risk mitigation measures and response plans are not considered in totality.
- ▶ Risk management, including crisis management, is not aligned with the organization's strategic objectives. At times, key risks that could affect the achievement of such objectives may not be identified and managed.

AIM

The study aims to identify gaps for integration between the 2 programmes and develop a framework that provides a holistic view of SKH's overall resiliency and recoverability, streamlines risk management processes and aligns risk management efforts with the organization's strategic objectives.

The study focused on three core components of a risk management framework:

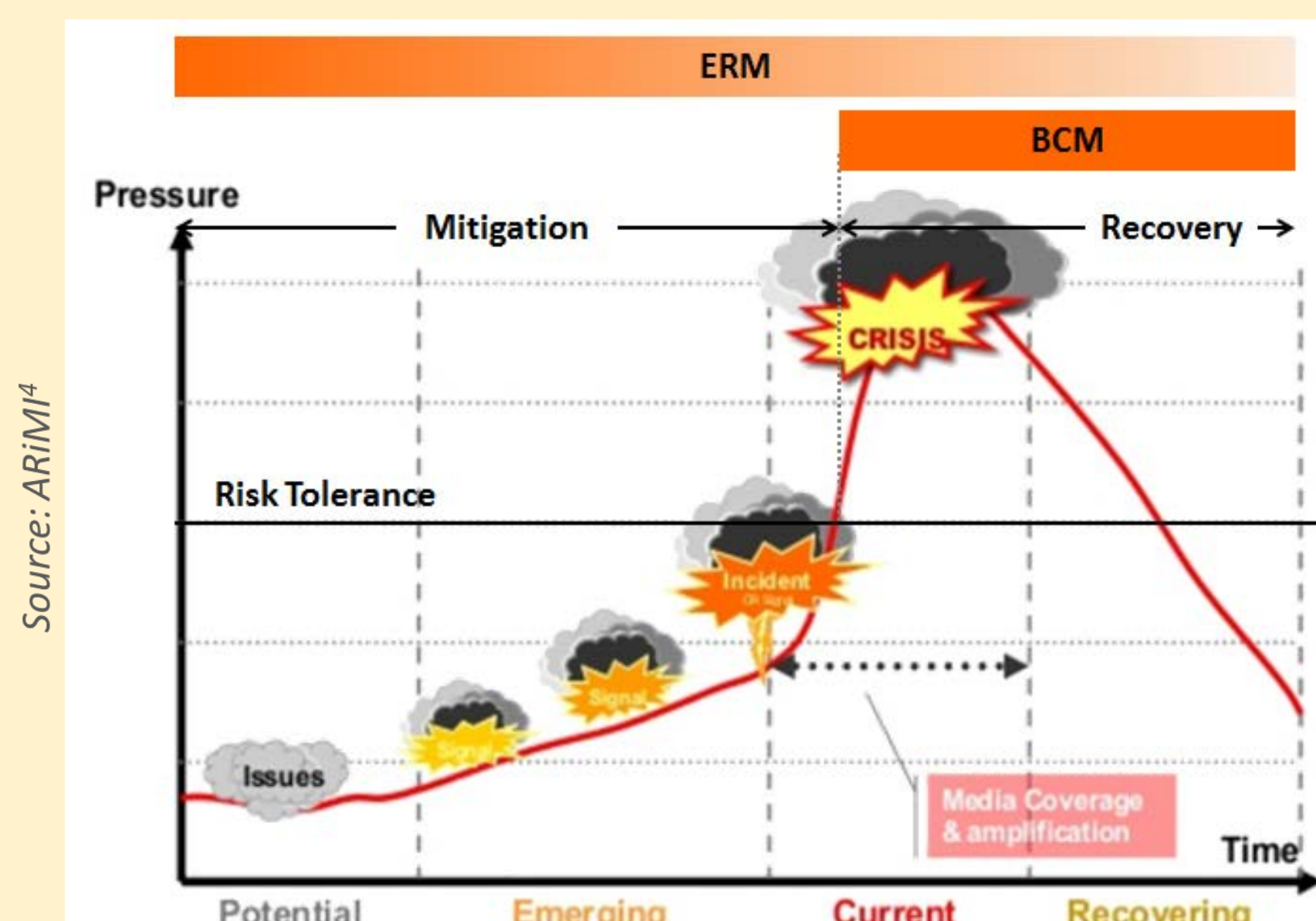
- 1 Risk governance (structure and oversight)
- 2 Methodologies and tools
- 3 Risk management and performance system

METHODOLOGY

We studied the following guides / standards / reports and recommendations to understand the processes and best practices for both disciplines, as well as the benefits of an integrated framework:

- COSO ERM Framework¹ | ISO 22301² | KPMG³ | Asia Risk Management Institute⁴ | PricewaterhouseCoopers⁵

KEY PRINCIPLES FOR INTEGRATION



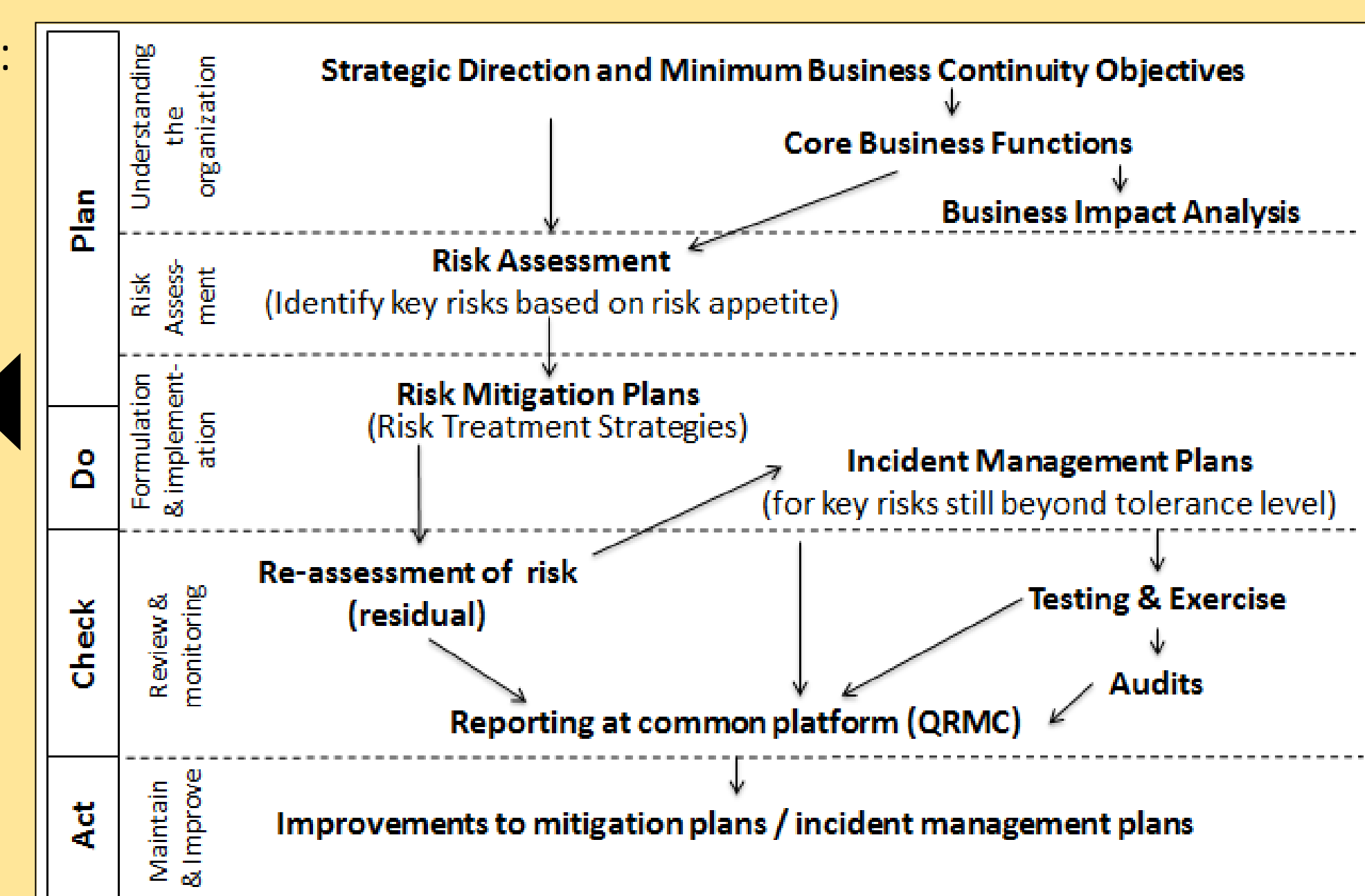
- 1 BCM and ERM are risk management activities within the same risk to crisis management lifecycle. This relationship forms the basis for an integrated framework. While ERM focuses on mitigating the causes, BCM is concerned with responding to the consequences of key risks.
- 2 An organization's purpose and goals are defined by its strategic objectives. To help the organization achieve its vision and mission, it should identify, assess and treat risks that are relevant to its objectives.

RESULTS

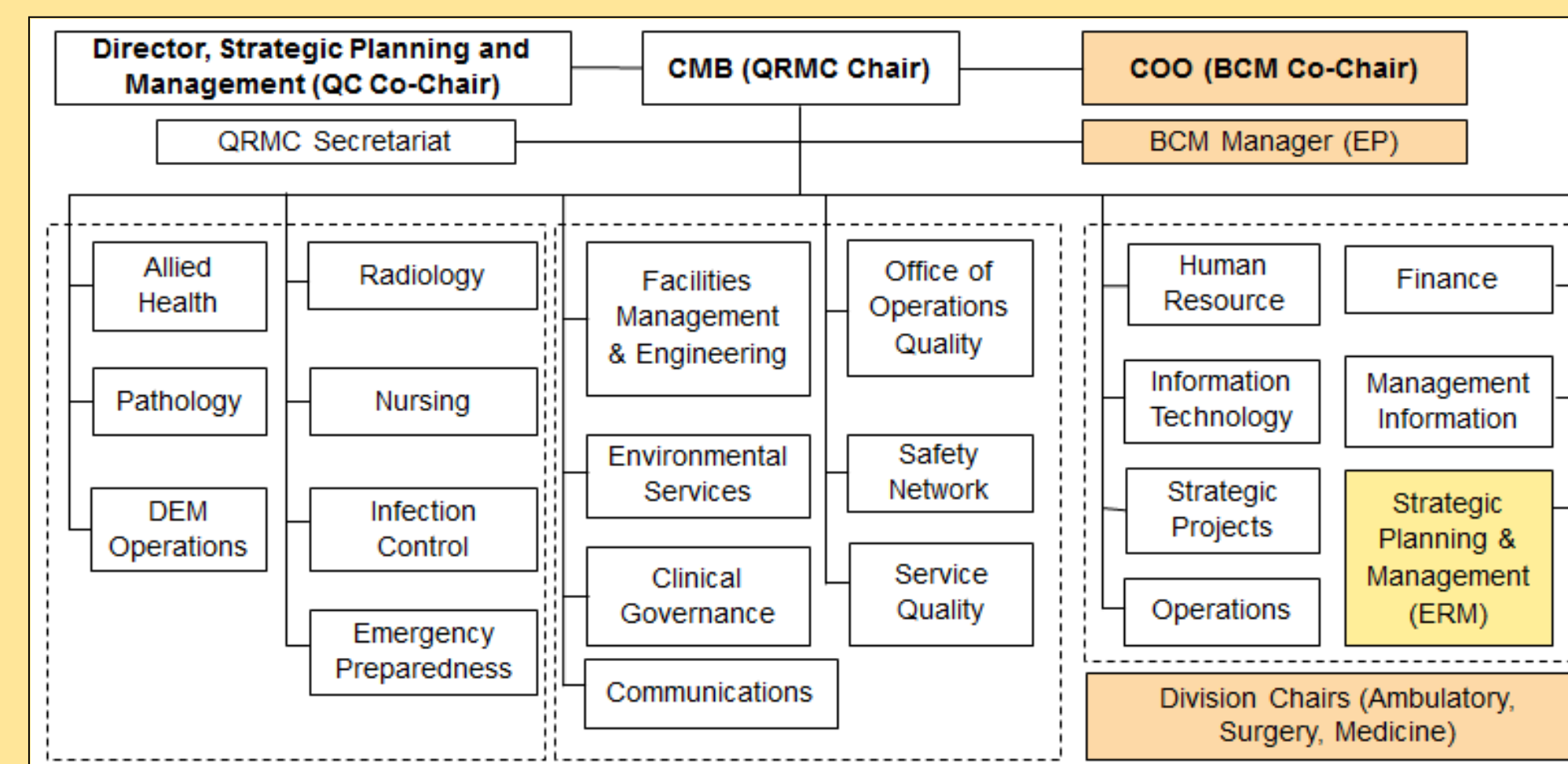
The Integrated Risk Management Process

The integrated and coordinated risk management process will:

- Reduce duplication of work as **one risk assessment** will be conducted for both programmes. Inputs gathered from the exercise will be shared between both programmes. Key risks will be reflected on **one common corporate register**.
- Facilitate better risk decision making as decision makers will be presented with a **complete and coordinated view of the organization's resiliency and recoverability capabilities**.



Governance : Common Reporting Platform (QRM)

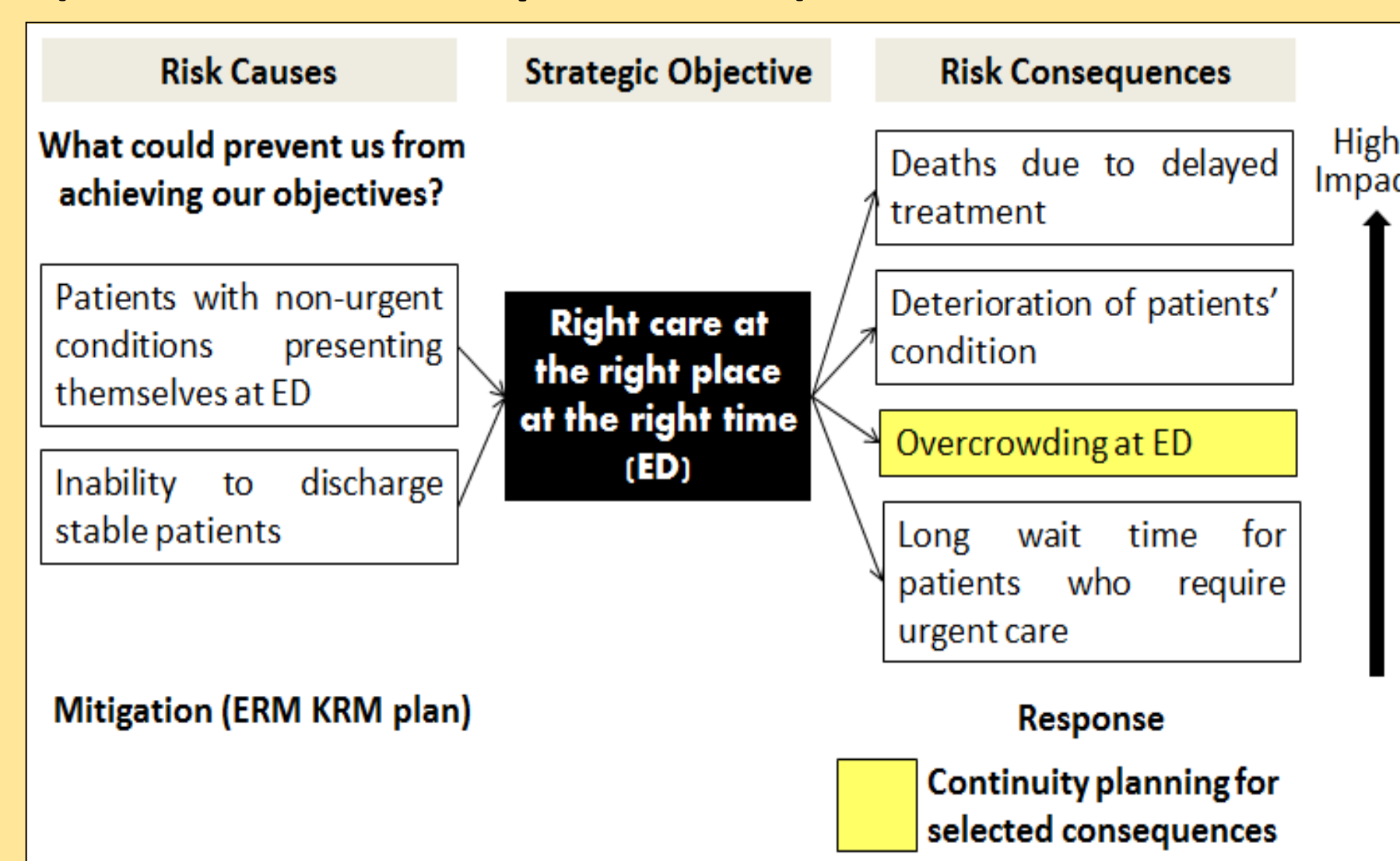


While it is not necessary for both programmes to be integrated functionally given their difference in scope and function, they should report to the same committee. A common reporting platform facilitates the coordination of risk management activities, sharing of information between the two disciplines and risk treatment that considers both the effectiveness of mitigation measures and recovery strategies.

QRM – Quality and Risk Management Committee

Risk Assessment Methodology and Tools

Risks should be identified based on the organization's strategic objectives, and key risks defined using a set of **criteria (likelihood and impact scales) that is common to both programmes**.



Using a risk tree, the risk causes and consequences pertaining to a strategic objective can be mapped out for better visibility of the organization's risk profile. Once a key risk is identified, mitigation plans will be formulated to reduce its likelihood of occurring. Depending on the scale of impact, its consequences will be considered for continuity planning.

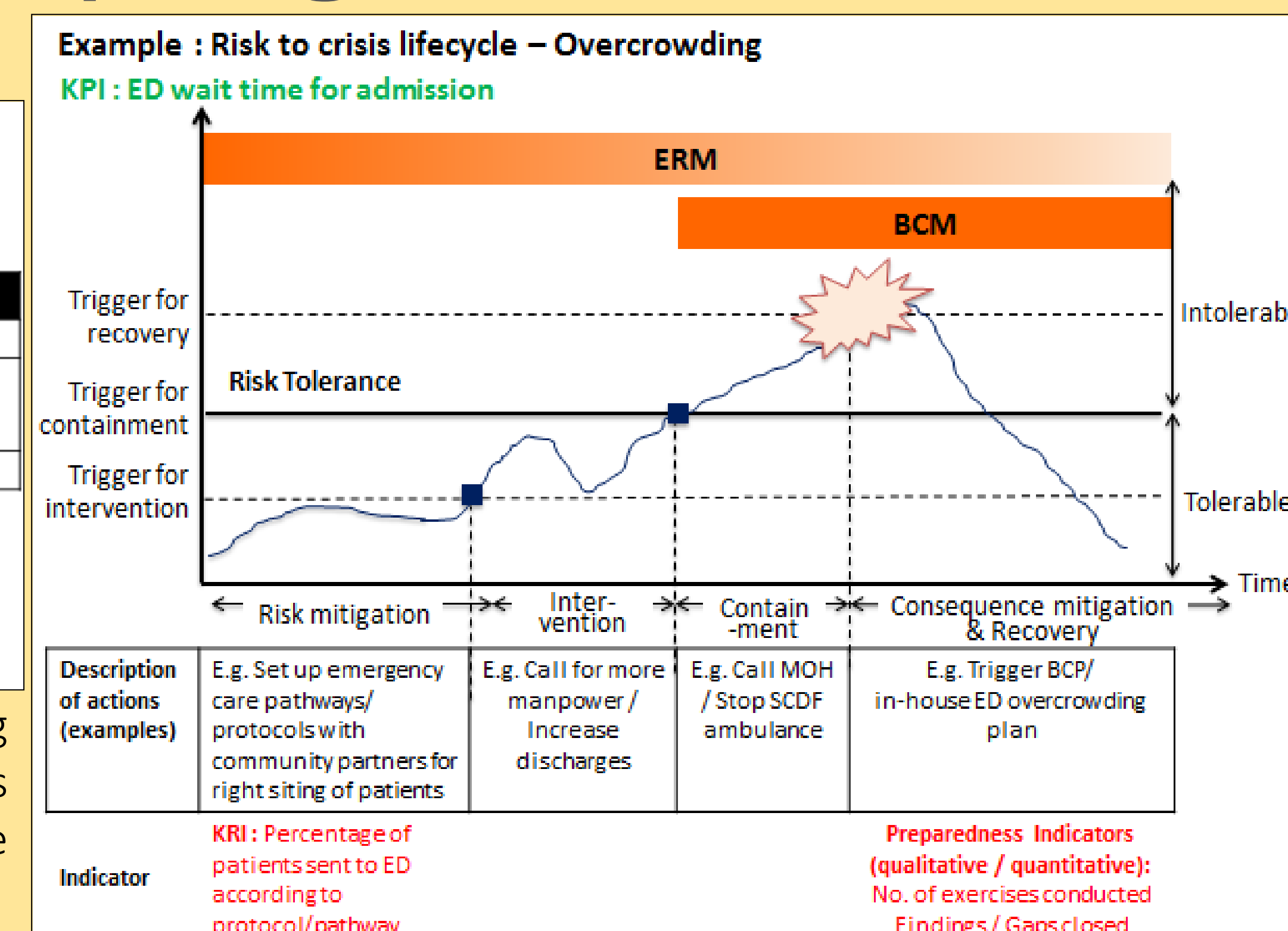
The proposed methodology will be factored into a **common risk assessment tool** shared by both programmes. It helps the organization to identify risks that are relevant to its objectives, and ensure that BCM addresses the critical or emerging interruption risks that the ERM program identifies.

Coordinated monitoring and reporting of effectiveness of BCM and ERM programmes

STRATEGIC OBJECTIVE : ENHANCED PATIENT SAFETY		
SKH's Success factor		
Outcome	KPI	
Root cause for failure and prevention	Patient Safety	Infection Rate
Inadequate hand hygiene	Hand hygiene audit	Hand hygiene compliance
Inadequate environmental cleaning and disinfection practices	Environmental cleaning and disinfection according to schedule	Cleaning/disinfection conducted at stipulated times and frequency
...
Crisis and Response		
Scenario	Response plan	Preparedness indicators (qualitative/quantitative)
HAI Outbreak	Escalation procedures Communication plan Management and containment etc	No. of table top exercises conducted Findings

The chart on the left shows the relationship among KPIs, KRIs and preparedness indicators. These indicators should be monitored and reported together to provide a complete view of the organization's performance.

Based on the organization's risk tolerance, triggers will be set to help the organization take appropriate action according to the level of risk it is exposed to. As shown in the diagram on the right, the organization should monitor its KRIs against KPIs to understand the effectiveness of its risk mitigation measures. Coordinated reporting on the effectiveness of the organization's BCP will also help management to understand if it is ready to manage an imminent crisis, should risk levels still rise beyond tolerance even after further interventions have been made.



CONCLUSION

Our study helped us to understand ERM and BCM as risk management activities within the same risk to crisis management lifecycle. Based on this relationship, we developed an integrated framework that helps to align these activities with the organizations objectives, reduces double work and inefficiencies, and potentially improves the organization's overall resilience.

¹COSO. (2014). Enterprise Risk Management – Integrated Framework
²ISO. (15 May 2012). Societal Security – Business Continuity Management Systems – Requirements (22301)
³Continuity Insights, KPMG LLP. (2 April 2014). 2013-2014 Continuity Insights and KPMG LLP BCM Program Benchmarking Study. Retrieval from <https://home.kpmg.com/us/en/home/insights/2014/04/2013-2014-continuity-insights-and-kpmg-llp-bcm-program-benchmarking-study.html>
⁴Asia Risk Management Institute (2016). Certified Enterprise Risk Management Program Intake AX32.
⁵Samson, P., Holden, J., Williams, B., Zawoyski, S.V., Kaufman, N., Carnes, G. (March 2016). Enterprise Risk Management and Business Continuity Management Together at Last. Retrieval from <https://www.pwc.com/us/en/risk-assurance/publications/bcm-erm-integration.pdf>