consulting | technology | outsourcing

High performance. Delivered.

Risk Management Credential

Helping Multichannel Retailer go from Risk Assessment to Sustainable Risk Management

This client is a large multi-billion dollar revenue retailer using multiple channels to reach customers—including the web, mobile devices, catalogs and television. When this retail pioneer contacted Accenture for an enterprise risk assessment, the company was primarily interested in fulfilling its regulatory requirements.

Accenture's solution helped the company establish a practical, accessible program for managing risk on an ongoing basis. It also delivered extra value by focusing management's attention on internal-process and cultural issues—areas the company hadn't previously regarded as sources of enterprise-wide risks.

The Business Challenge

The client's risk assessment needs were straightforward: to identify primary risks; see what measures, both preventative and mitigating, were in place, and what gaps existed; and perform the assessment quickly—in six weeks, before the summer vacation season. Accenture's capabilities fit the bill. Equally appealing, though, were the firm's overall philosophy (taking a holistic enterprise view, focusing on the "how") and its approach to risk management (that it must be embedded throughout the enterprise and touch on process and strategy). The team's deep experience as industry practitioners—some members were former corporate risk officers or chief financial officers (CFOs), others had retail experience—demonstrated that Accenture not only spoke the client's language, but also, to an extent, had stood in their shoes.

The icing on the cake was Accenture's signature commitment to go the extra mile. Although this was to be a standard risk assessment exercise, "We told them that as long as we were studying the organization so closely—as long as we had the hood open—we'd give them advice about how to implement our recommendations," says Ken Hooper, Senior Principal in Accenture's Risk Management practice.

How Accenture Helped

The starting point for any risk management project is Accenture's Risk Management Transformation Framework, which consists of five elements: governance, risk assessment, risk analytics, risk monitoring and reporting, and data management. The framework serves as a blueprint for assessing, building, or fortifying a client's risk management process.

For a risk assessment, Accenture looks at how a company is structured to run its risk management program, and then helps the client identify and prioritize its risks based on a set of objective criteria developed collaboratively with the client. Accenture goes one step further than most firms, however, by helping companies develop risk strategies and action plans—specific, time-bound recommendations on what to do with their assessment.

Initially, the company's project team was skeptical that Accenture could perform a comprehensive assessment, and help develop a sustainable risk management program in a matter of a few months. Team members had heard peers claim that it could take several years to institute such a process. But the Accenture team knew that with the client's full cooperation in scheduling and information gathering, the stringent six-week time frame for the initial assessment, for example, was indeed feasible. Before the project's official start, the Accenture team had already completed its review of all relevant documentation, from policies and committee charters to the strategic plan and 10-K reports. The team also crafted a four-step project plan: (1) researching and understanding the client's needs and objectives; (2) reviewing and assessing the client's risk environment; (3) conducting a survey and facilitating a workshop with management to get feedback and further input from a broader group; and (4) producing a report of the key results.

The first step involved conducting extensive management interviews—not only with all of the C-suite executives, but also with all department heads and two board members. The Accenture team sought each individual's view of the key risks to their area as well as to the company overall. Its questions were also aimed at understanding the client's risk culture: how open managers were with each other about existing or emerging risks, the consequences managers faced should a risk event occur, the ways in which managers and executives communicated with each about risk, and the data they relied on to make decisions that involved risk. From these interviews, the Accenture team worked with the company project team to develop a risk inventory, complete with definitions and descriptions in terminology that would resonate with management (Step 2). Additionally, rather than dictate the rating criteria, the Accenture team worked with the company project team to decide on objective criteria to rate "risk likelihood," "risk impact," and "management capabilities."

Next, the team undertook a two-pronged approach to prioritize the risks based on rating criteria (Step 3). First, it surveyed executives about risks and risk management. Then, the Accenture team facilitated a one-day workshop with two dozen senior managers to discuss all of the risks individually. Using anonymous-voting technology, meeting attendees ranked the risks based on risk likelihood and risk impact (together known as "inherent risk") and management's existing capabilities for effectively addressing the risks. After an initial vote, attendees reviewed the scores, discussed them further, and conducted a second vote to build consensus on the risk prioritization.

Using the results from the executive survey and the senior manager workshop, the risks were prioritized based on inherent risk and on the largest gaps in management's ability to manage each of the risks. This process reduced the focus to eight top "key risks," which management agreed required detailed risk mitigation plans and ongoing monitoring.

Accenture's final report included risk prioritization information provided in tables and graphs to visually identify the key risks in need of management's attention. In addition, the team provided specific recommendations for next steps in developing an enterprise risk management (ERM) program. Accenture advocated a strategy of sharing the assessment information widely among the management team to gain buy-in to the ERM program and support the desired "open" risk culture throughout the organization.

A pragmatic, partnership approach

At each juncture of the assessment, the Accenture team validated its perceptions with the company team. This helped the client internalize a process for looking at risk—to make risk-awareness part of their managerial DNA. The Accenture team also shared with the client its idea of the final deliverable, tweaking the data presentation to fit the client's language, culture, and expectations.

Once the assessment was under way and executives saw its value beyond a simple compliance exercise, they realized a sustainable risk management process could be integrated with the company's ongoing planning and analysis activities to improve issue identification, prioritization and monitoring.

Unearthing unexpected risk

Before the assessment, the client's risk committee was relatively small and focused chiefly on financial and external risks. The Accenture team helped the company realize the importance of broadening the definition of risks to include such varieties as operational risk, reputational risk, marketing and merchandising risk, and technology risk. Accenture looked at the key drivers, along with the consequences, of each risk.

"The client expected us to identify lots of external risks, such as a changing economy, or supplier risk, or the risk of competition," observes Hooper. "We tried to make those risks more controllable by addressing them in terms of management's response to them. This makes the risk inventory more tangible and turns a high-level strategic exercise into something that drives specific management actions." After the assessment, the client's risk committee was expanded to address more operational and planning areas.

One example of an internal process risk found across many enterprises is project prioritization. Prioritizing projects is an especially tough challenge for a multichannel retailer which operates by continuous feedback and with an innately short-term focus. The trend-driven retail environment is constantly changing. Yet value is ultimately derived from longer-term investments—for example, in IT, infrastructure, and the right hires who know how to expand merchandising platforms. Raising this business challenge among a broad group of executives as an enterprise risk drove the decision to put additional attention on process development, communication, and monitoring to ensure a balance between short-term and long-term outlooks.

Going the extra mile: Establishing a sustainable process

Accenture's report went one step further than the typical assessment (and beyond its own assignment): it proposed a high-level action plan, with calendar, processes, and clearly defined accountabilities. With its focus on action plans for each key risk, the Accenture team offered to help company leaders translate the assessment into a program for managing the risks.

"The plan we developed," says Hooper, "provided the client with tangible next steps to create sustainable processes that could be integrated with the way they plan and execute." The risk plan is similar to a strategic plan, and, in fact, is crafted with the strategic plan as an input. For each strategy, the client needs to identify the risk, and for each risk, a strategy. Says Hooper, "We emphasize what clients can actually control—the steps they can take proactively to mitigate risks, even work them to their advantage."

Today, with a reconstituted committee in place and risk plans developed for all top risks, Accenture is working with the client to develop an ongoing process for risk monitoring and reporting—integrating risk management into the company's day-to-day operations.

The reporting process now includes sharing results with the board of directors. Executives have agreed to update plans quarterly, ensure the enterprise risk management committee is always populated with the right individuals, ensure that everyone routinely uses the standardized templates and the analytic and reporting tools, and integrate periodic reviews into the corporate calendar.

"I've seen too many companies go through the risk assessment exercise, put together a plan, update it once or twice, and then let it die," says Hooper. "That's not our goal. We want to give clients the knowledge and tools to be able to make risk management an everyday process." The Accenture team continues to work with the client on a regular basis, to offer guidance and support to prompt action.

High performance delivered

Where risk management was once viewed as more a matter of compliance, it has now assumed greater strategic importance. Accenture has helped this client broaden its view of the key risks that should be monitored regularly, as well as strengthen its ability to manage them. And in becoming more attuned to these risks, the company can more readily recognize their flip side—the strategic opportunities they may represent.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

About Accenture Risk Management

Accenture Risk Management consulting services works with clients to create and implement integrated risk management capabilities designed to gain higher economic returns, improve shareholder value and increase stakeholder confidence.