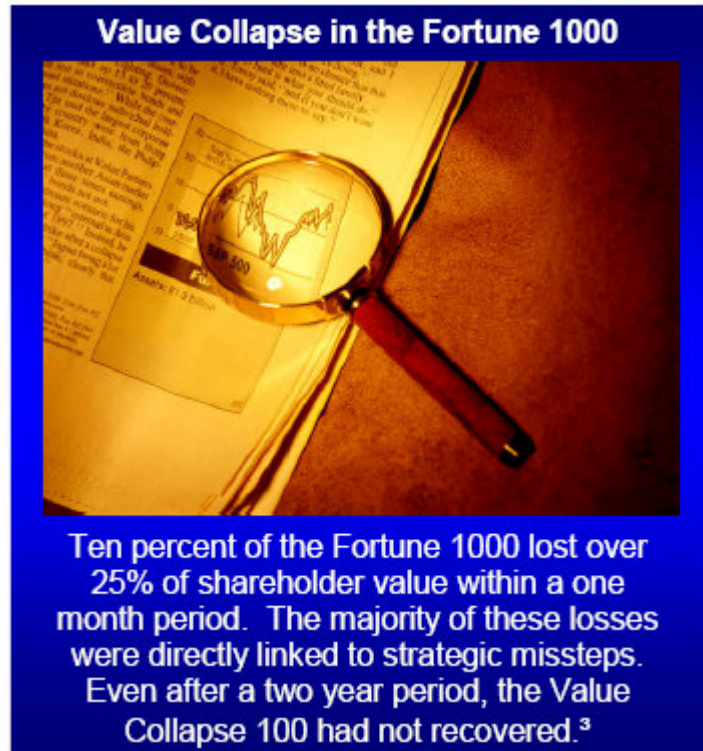


## Anticipating 'Unknowns'

More than 40% of respondents to the recent PriceWaterhouseCooper's CEO Survey that the greatest risks to their organization's market value are 'unknowns'. Further, 36% of Directors admit that they do not understand their company's major risks; especially non-financial risks.<sup>1</sup>

Ironically, many of these same 'unknowns' that Directors and Officers fear and do not understand are also where the greatest potential growth opportunities lie.

The recent spree of high profile corporate scandals, unprofitable acquisitions and large scale bankruptcies has exposed a fundamental chink in the corporate armour. Instead of anticipating and capitalizing on 'unknown' opportunities, companies are finding themselves not only unprepared for 'unknown' risks; they often are not even in a position to manage many known risks.



The reality of global business is that at anytime, with little or no warning, businesses can falter and even collapse due to unexpected events.<sup>2</sup>

Incorporating a risk management philosophy that not only seeks a better and more complete view of 'unknown' risks, but also focuses on the anticipation of 'unknown' opportunities is the key to protecting and enhancing shareholder value over the long term.

The majority of companies have been thus far unsuccessful in their efforts to transform risk management into a sustainable market advantage. The most recent data from PriceWaterhouseCoopers suggests that there are three main reasons why companies are failing to successfully focus risk management initiatives on protecting and enhancing shareholder value.

1. **A risk conscious culture has failed to permeate most companies.** While corporate spending on risk management initiatives has been trending upward in the past few years; increased spending alone does not assure success. Most companies have established risk

<sup>1</sup> McKinsey Consulting. 'McKinsey Quarterly – May 2002 Survey of Corporate Directors'

<sup>2</sup> PriceWaterhouseCoopers (in conjunction with the Economic Intelligence Unit), 'Uncertainty Tamed? - The Evolution of Risk Management in The Financial Services Industry', pg 3.4.

<sup>3</sup> Mercer Consulting, *Mercer Value Growth Database*

management committees but senior management has remained reluctant to incorporate them into the decision making process.

2. **Compliance spending has not been transformed into a competitive advantage.** New and emerging regulatory mandates have forced companies to change the way they approach risk management. The change has been both good and bad. While the strive for compliance has forced companies to reaffirm their risk management policies and processes, it has also narrowed their focus and distracted them from value creation.
3. **Managing traditional and easily quantifiable risks is still commanding too much time and resources.** While almost all companies agree quantifiable risks are by no means the only risks facing the company, many continue to devote the bulk of resources to managing risks where data is readily available. Because ‘unknown’ risks by definition lack tangible data, they have been neglected by traditional management practices.

## RMI Discovery

The RMI Discovery process assists your company to rapidly identify submerged interdependencies and key ‘unknowns’ related to a nominated risk or business trend opportunity. RMI provides a flexible solution that permeates the enterprise and is equally applicable to both upside and downside risks.

The objective of the RMI Discovery process is to promote circular information flow between your company’s key personnel, while also providing a proactive forum for out of the box thinking.

RMI Discovery utilizes a response driven, scenario-based approach, that identifies key opportunities, risks and key personnel not captured in traditional planning and assessment processes - the RMI Discovery process finds *‘the person that knows the one thing not known at the enterprise level’*.

Over the course of a quarter, RMI engages your company’s key personnel and solicits current and actionable feedback regarding scenario appropriateness, potential impact, possible interdependencies and any unseen opportunities. In additions, RMI seeks to identify those key people closest to opportunities and risks on the ground.

The scope and diversity of information gathered through the Discovery process ensures that your company has a comprehensive understanding of both upside and downside ‘unknowns’.

## Discovery Overview

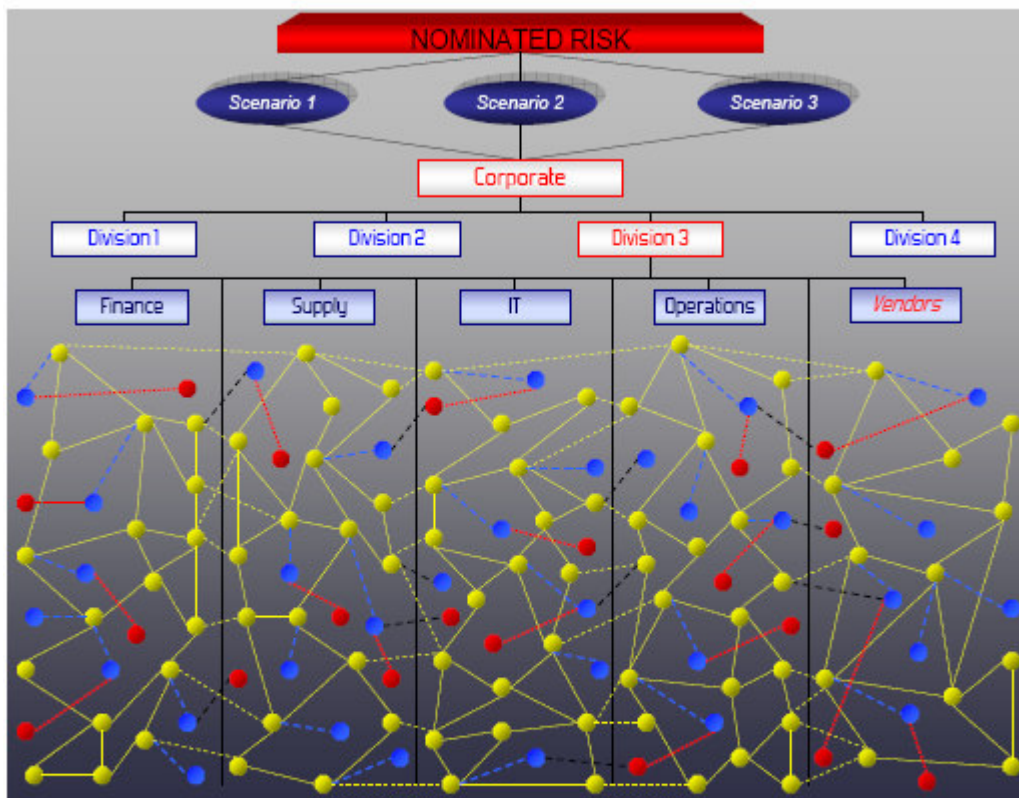
RMI Discovery is a quarterly process that engages key people with risk and opportunity scenarios. Each quarter RMI presents users with a different scenario template based on your company’s nominated risk or business trend opportunity. RMI incorporates an interactive web based platform that is capable of not only linking personnel across corporate silos and business units, but also externally to key vendors and suppliers. As your key personnel react to each of the scenario templates, RMI collects and analyzes responses details, continuously growing the Discovery community.

In conjunction with your company’s experts, RMI develops multiple scenario templates based in your nominated risk or business trend opportunity.

RMI establishes an initial Discovery community based on either critical decision makers nominated by your company’s senior management (upside risks) or key personnel identifies in your company’s major contingency plans (downside risks).

Over the course of the Discovery process, RMI engages your key personnel with varying scenario templates. As they react, RMI grows the Discovery community and continuously solicits details feedback regarding:

- Scenario appropriateness,
- Perceived issues and impact
- Possible interdependencies
- Additional personnel and/or entities that should be included in the scenario
- Any additional sources of information that may be relevant to the scenario



*In the above illustration, the original Discovery community (i.e. those individuals initially nominated by you) is depicted by yellow dots. Additional personnel identified in the Scenario-1 exercise are depicted by blue dots. Personnel identified in the Scenario-2 exercise are depicted by red dots.*

## RMI Assurance

To counter the growing number and complexity of risks faced in today's global marketplace, companies must adopt proactive risk management strategies that not only aim to prepare against submerged and 'unknown' risks, but also actively seek out opportunities to enhance shareholder value.

The RMI Discovery process provides your company with a robust and flexible tool that:

1. **Ensures senior management has a broad view and comprehensive understanding of potential interdependency exposures and key 'unknowns'**. Thus allowing management to better prepare for downside risks while also having the ability to capitalise on upside risks.



2. **Breaks through corporate silos.** RMI Discovery promotes ongoing communication and forms a tangible link across departments, business units and key external parties.
3. **Facilitates the timely communication of actionable information.** Thus providing senior management the ability to proactively approach 'unknown' risks and opportunities.