

## ● BOARD DEVELOPMENT

# HOW RISK MANAGEMENT CAN DIFFERENTIATE YOUR SUCCESS ON STRATEGIC PLANS



Interview by  
Mike Felmlee



Bill Bojan will be presenting at our July 7, 2009 *January's* *Sealists* on "Restoring Broken Trust through Next Generation Governance." His work in enterprise risk management for a Fortune 25 company was profiled by the Corporate Executive Board, an organization which identifies best practices and provides executive guidance and insights to the world's best organizations. Bill founded Integrated Governance Solutions (IGS) in 2008.

I had an opportunity to interview Bill Bojan, our newest Prouty Partner, about his new company and describe why the topic of Risk Management is quickly moving to the front burner in many of our strategic planning processes today. Enjoy his responses:

### **You picked a challenging time to start a company. What is your mission?**

We wanted to be part of the solution to a fast-growing problem. The governance environments in many companies are simply not equipped or effective in adequately dealing with today's business complexities – including risk management. This limitation has led to broken trust, and we see the harmful effects of broken trust everywhere in our economy. The mission of IGS is to "create, restore, and maintain organizational trust."

### **We hear the term risk management used frequently. What does it really mean – in simple terms?**

On an enterprise level, risk management can be complex, so it's a common question. Basically, organizations need to ask themselves whether they effectively identify, assess, and manage the risks which can threaten their execution and success.

### **How does risk management fit into strategic planning?**

Effective strategic planning really cannot happen without considerations of risk. Certainly, intelligent risk-taking is one way dynamic organizations grow. International expansion, adding new business lines, and technology platform changes are just a few examples of change events which involve risk.

### **Just how much risk should an entity incorporate into their plans?**

I don't think it's a question of how much. Rather, organizations should be prudent in pursuing opportunities that are consistent with the risk appetite and tolerances established with their owners or board of directors. The key is identifying and managing the risks to the achievement of the business plan. There must be a link to tactical business planning and periodic performance management reporting. Finally, owners and boards of directors need to understand risk and their responsibility for risk management oversight.

### **How do you see the board of directors' involvement in planning and risk management?**

An effective governance system involves both the board and management in pursuing sustainable, long-term strategies so the inevitable hiccups don't derail their plans. Many directors with whom I have spoken are concerned – and rightly so – about increasing expectations and accountability for risk management and related breakdowns.

### **We know strategic plans sometimes fail. How can risk management mitigate those failures?**

Assuming the strategic plan was not flawed in the first place, organizations can prevent problems or minimize their impact by quickly identifying risk issues and their potential impact. We have identified certain objectives which must eventually be incorporated into an effective risk management model. A few examples include:

- Aligning expectations throughout the enterprise
- Engaging business units and process owners
- Demonstrating tangible value from good risk management
- Collaborating to consider risk interdependencies and portfolio concentrations
- Integrating risk management with business planning and performance management

### **How does an organization make sure they are staying on top of critical issues?**

We suggest monitoring systems which are aligned and integrated (i.e., across ethics, social responsibility, risk management, and audit/compliance). When information is kept in silos, there's a greater chance that significant risks may exist and go unreported. These risks could impact interdependent business units or functions. Monitoring needs broad transparency, but at a manageable level of detail.

Thank you, Bill, for your insights and perspectives on risk management. If you would like to contact Bill or his team, please give me a call at 952.942.2922 or e-mail me at [mike.felmlee@proutyproject.com](mailto:mike.felmlee@proutyproject.com).

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