



PROACTIVE RISK MANAGEMENT SOLUTIONS ARE KEY

Steyn McDowall | Global Risk Consulting Executive at Aon South Africa

Failing to anticipate the interaction and consequences of multiple risks has left many companies suffering significant losses, especially in the aftermath of the global economic recession. As a result, companies have woken up to the need to introduce proactive risk management strategies. Steyn McDowall, global risk consulting executive at Aon South Africa, believes that aligning with a company that can deliver high-quality, integrated enterprise risk management solutions is key. "In the wake of the recession, companies are scrambling to introduce risk-management solutions and should fully investigate the experience and quality of service offered by consultants before embarking on finding solutions," said McDowall.

Aon global risk consultants follow a three-pronged approach to ensure effective enterprise risk management (ERM) service. The first step involves assessing the extent to which ERM has been successfully implemented across an organisation. Once this is done, one can then determine the effect ERM has had on harmonising organisational needs, culture and stakeholder requirements. The final step involves identifying how ERM is being used proactively to balance risk, opportunity and value;

"The evolution of traditional risk management into ERM has brought with it a great deal of

challenges and opportunities," said McDowall. "Times are tough and only those organisations that understand their risk landscape and risk management capabilities will be able to avoid the pitfalls and simultaneously reap the opportunities of managing risk on an enterprise-wide basis."

At Aon SA, ERM is viewed as a range of processes/actions which make up a continuous series or whole, no part of which is noticeably different from its adjacent parts, although the ends or extremes of it are very different from each other.

There is growing corporate acceptance of the accountability of company directors to take responsibility for initiating measures to minimise risk within their organisations. Interestingly, the 2010 Aon Global Enterprise Risk Management Survey identified this point as one of its nine hallmarks of ERM. It states that board level commitment to ERM is a critical framework for successful decision-making and for driving value.

Other hallmarks included:

- A dedicated risk executive in a senior level position who drives and facilitates the ERM process.
- An ERM culture that encourages full engagement and accountability at all levels

of the organisation.

- Engagement of all stakeholders in risk management strategy development and policy setting.
- Transparency of risk communication.
- Integration of financial and operational risk information into decision-making.
- Use of sophisticated methods to understand risk and demonstrate added value through risk management.
- Identification of new and emerging risks using internal data as well as information from external providers.
- A move from focussing on risk avoidance and mitigation to leveraging risk and risk management options to extract value.

"Our ERM specialists use these nine hallmarks to determine the trend of ERM maturity within organizations; the impact of ERM on an organisation's value; the prime drivers of ERM implementation; and the barriers to implementation vital to a successful and mature ERM programme," said McDowall. "Companies are realising the short- and long-term return on investments of an effective ERM strategy and more and more are investing in sustainable solutions."

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