

Portfolio examples: Risk Maturity Model

Scenario's model for enterprise risk management capability development

Scenario's enterprise risk projects have yielded a risk maturity model for 'whole-of-enterprise' risk capability development. The approach brings together various aspects of organisation risk management under the theme of 'resilience'. Resilience is simply a characteristic of well-managed, robust organisations. The overriding aim is to provide systems and process support for the management of uncertainty and its consequences.

What is maturity?

Maturity is usually defined as the degree to which a mature state has been reached, and so maturity implies a stage in a process of development. Dictionary definitions clearly highlight maturity as a particular level in a staged journey, as follows:

Mature; **fully developed** (MacQuarie Dictionary).

In an organisation context, maturity can be interpreted as a stage or level of development that an organisation has reached, and this can be applied to products, markets, growth, reputation, governance or any number of factors.

In terms of risk management, a mature organisation may be considered as follows:

'A mature organisation does not differentiate between risk management and management per se. Mature organisations recognise risk as an intrinsic element of their existence, and integrate the management of uncertainty and its consequences into the way the entire organisation plans, operates, measures and changes.'

All development initiatives should necessarily include risk management. This is because the goal for mature organisations is to integrate the management of risk throughout the organisation, so that risk management is undifferentiated from any other management activities.



How are maturity judgements useful?

A measure of maturity (such as an indicator or a benchmark) provides for the following two essential items in any organisation development initiative.

- An indication of current organisation maturity represented by the results of past development initiatives.
- An indication of maturity goals and objectives represented as gaps between current maturity and desired maturity.

Risk maturity judgements then, can contribute to the benchmarking of current organisation risk capability and performance. Furthermore, they can provide insight into defining goals and standards for risk, and required changes. Basically, maturity judgements are a key driver for change (just think about your old school reports).

The elements of risk maturity

Scenario's projects have used the following elements to define risk management maturity.

- Leadership and innovation.
- Strategy and planning.
- Data, information & knowledge.
- People.
- Customers and markets.
- Processes, products and services.
- Business results.

Each of these seven elements has a series of risk maturity benchmarks detailed in terms of risk systems, risk processes and risk procedures.

Most importantly, the 'fully developed' goal for risk management describes the requirements for tangible commitment and integration of risk thinking and practice within normal business processes.

Enterprises using this approach achieve profound insight into their long-term needs, and dramatically improve communication between employees, owners, stakeholders and regulators. Just one example is defining a view of acceptable risk (or 'risk appetite').