

Risk Management

“You got to know when to hold ‘em, know when to fold ‘em. Know when to walk away and know when to run.” Kenny Rogers

Risk management has been in a long running battle to justify its value to the modern organisation. In that time it has evolved from an exercise in caution intended to prevent harm and unwanted losses to what one practitioner described as “a new means of strategic business management, seizing opportunities and capitalising on the rewards”. The financial sector has shown us that some of the largest investments in risk management, coupled with some of the most ambitious claims of capability, have delivered some of the worst results.

These failures have served as a timely reminder of where risk management needs to focus to add value - and where it can go seriously wrong. These lessons include:

- Rather than seeking to ‘optimise’ rewards, risk management needs to first ensure business protection.
- Risk management too often results in rules, documentation, process and reporting that are time intensive and, by their volume, make major risks less visible not more.
- Spurious probability assumptions, sometimes based on quantitative models, have led organisations to discount risks which may have a huge impact but are wrongly assessed as too unlikely to warrant serious attention.
- Events and warnings that have been the lead indicators for major risk breakdowns have been overlooked or rationalised as unimportant when they do not fit with the status quo view of the business’s risks.

Kingston Smith Consulting’s approach to risk management is built on methods which are known both to work and add value. Our practices cannot always lay claim to be at the leading edge of risk management evolution, but they do have the singular benefit of being effective. Our approach is based on six principles:

1. Clear and simple governance standards. These flex to the culture of the organisation but make explicit where risk decisions are made and what the Board feels is the oversight and input they require to these decisions.
2. Core risks are well understood and well managed. Core risks are those risks which are central to doing business in a given sector. In reality most of these risks do not change greatly over time and they are capable of being addressed with measures that are both efficient and sustainable for the long term. Like any other investment with annuity benefits, core risks justify a significant outlay in risk management.
3. A culture of challenge. Risk managers are not enablers to risk taking but are first and foremost tasked with voicing the contrary view to organisational orthodoxy.
4. Excellent people supported by simple models, rather than complex models supported by ineffective resource.



5. Focused effort on the risks around change. Process change, system change, new products, services or locations; these changes to standard activity represent real and present risk and need skilled risk management.

6. Early warning mechanisms and the agility to respond to those warnings. Few risk breakdowns occur without prior warning. Minor issues and near misses within the organisation need to be recognised and investigated before they become major issues. The problems of other businesses need to be studied and stress tested in your own organisation.

Improving effectiveness

Kingston Smith Consulting specialises in projects to raise the long term effectiveness and value of risk management to your business. In particular we specialise in providing focus, stripping out marginal or unproductive risk management activity and designing ways of working that can be relied upon to prevent the worst failures. In practice this often involves redesigning core policies and procedures, developing reporting mechanisms, implementing systems to support risk activity, and potentially changing the remit of risk specialists in your organisation.

Our approach is top down as it starts with the Board. Understanding their tolerance for risk taking and decision making leads to a governance structure that matches those needs and does not go beyond into unwanted bureaucracy. For your day to day risk management processes we can equip your organisation with the methodology and protocols it needs to successfully build long term solutions to address core risks, provide focus on change and give you the organisational agility to respond to early warning signs.

Building capability

Kingston Smith Consulting offer a suite of first class training solutions designed to develop the capability of your business to manage and control its risks effectively. Our solutions range from those that challenge the thinking and attitude to risk of the Board and senior executives, to training of risk specialists in their professional disciplines, through to high impact awareness training to change the risk culture of the wider business. In every case the training is delivered by a skilled instructor with several years experience as a risk management practitioner.

Technical support

Risk managers, whether they are dedicated to that role or balancing it with other responsibilities, are often hard

pressed to possess all the technical and business expertise needed to effectively assess and challenge business risks. The pace of development and complexity of areas like technology and compliance make it very unlikely that in-house personnel will be able to bring equal competence to all the major areas of risk.

Kingston Smith Consulting offers a much wider pool of technical specialist resource from which a business can draw to meet their needs. As this support is only there when it is required, it is a cost effective way of filling internal gaps. Kingston Smith Consulting is also committed to developing client capability and will work to pass knowledge onto your own staff so the dependency on external help can be reduced.

Outsourced solutions

Many organisations recognise that risk management needs to be a core competence but they have little way of obtaining the expertise they need at reasonable cost. For these organisations a turnkey outsourced risk management service offers the ideal solution. This service, with already established methodologies and tools, removes the need for costly in-house development. By utilising all the technical skills of a specialist consultancy you can avoid the effort and expense of hiring full time staff. In addition the independence of an outsource service immediately establishes the challenge culture that an organisation needs from its risk managers.

The Kingston Smith Consulting approach eliminates the major disadvantage of outsourcing - that the outsource provider does not have the same familiarity with your business as an employee would. With Kingston Smith Consulting you will find your service provided by a consistent core team that is involved in all aspects of delivery and develops an intimate knowledge of your business. Niche experts are then used to supplement the core team, rather than dilute it.

We recognise that different organisations will have different preferences for both the quantity and style of risk management. We can flex our service as required, whilst always advising you on the best practices and added value techniques used in other organisations

About Kingston Smith Consulting LLP

Kingston Smith Consulting is the specialist consulting practice associated with the top 20 accountancy firm Kingston Smith LLP.

Kingston Smith was originally formed in 1923 and the firm has grown to its current position through organic growth and mergers. Kingston Smith is a member of KS International which is an association of independent accounting firms in over 50 countries around the world.

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