

## ACTIVE RISK MANAGER

# Why a Spreadsheet Approach Can No Longer Meet Today's Growing Risk Management Needs

An enterprise-wide or in-depth project approach to risk and opportunity management can make a real difference to the bottom line and is increasingly necessary to meet the growing demands for transparency throughout the business.

These benefits are difficult, if not impossible, to achieve with traditional paper-based or spreadsheet risk solutions which have to be manually formatted for presentation to management. The implementation of a single, enterprise-wide risk and opportunity system is the only way to cost-effectively provide a “true picture” across the business and to enable the active management of risk and effective exploitation of opportunities.

All too often risk management has been seen as a standalone function and a “box-ticking exercise” which is a cost to the business rather than a value-adding process embedded in corporate culture. However, as an increasing number of organizations are learning, an integrated risk and opportunity management process delivers enhanced business results at the project, division and corporate level. Many businesses are phasing out spreadsheet-based solutions as they cannot provide the benefits which Active Risk Manager can deliver. These include:

- The ability to share information across projects to identify emerging risks and mitigate recurring risks with common causes.
  - Integration into core business systems such as finance, performance, earned value, projects and schedules.
  - Integration with IT systems such as single sign on, security, reporting and email to reduce the time spent on risk administration and allow more time for risk management.
  - Ensuring compliance with data security requirements around shared classified data (eg ITAR security).
- Driving transparency and accountability into the risk process, especially in relation to project performance and the decision paths that managers have taken to accept, reduce or ignore risks.
  - The ability to meet critical governance requirements around data availability, integrity, back-up and recovery.

### ADOPTING TRUE ENTERPRISE RISK MANAGEMENT

In modern business, risk information should be transparent and available 24 hours a day, seven days a week. It needs to be easily communicated across the management hierarchy. Relevant risk data must be shared throughout the business and with consortia partners if needed and so a common enterprise-wide risk management solution is critical.

Enterprise Risk Management (ERM) can only truly be delivered via the adoption of a software system that ensures data is comprehensively captured at source, validated and standardized so that risks and opportunities can be compared on a like-for-like basis. Such a system helps to embed a risk culture into an organization and its network, it breaks down silos and reduces the time and effort required to gather and interpret risk information to enable proactive decisions to be made.

An ERM system can communicate and manage action plans on risks from the outset and throughout their life cycle, in a standardized way using a common language. It will identify emerging risks unseen at lower levels, enable best practice in mitigating risks to be shared, highlight opportunities and provide more accurate risk-adjusted business planning and corporate performance measures. With typical spreadsheet solutions this communication and assessment can take days, even weeks, to gather and then distribute the information, resulting in costly errors and the need for corrective actions.

An enterprise-wide system allows the emphasis to move from risk capture and recording to the real value-adding active management and mitigation of

risk. Further benefits are that the risk process becomes more robust, secure and repeatable. Unlike processes based on spreadsheets, a central system creates an automatic audit trail, providing the transparency and certainty increasingly required by auditors, credit rating agencies, regulators and non-executive directors.

While some companies continue to rely on spreadsheets to manage risk the potential difficulties are plain to see.

**REPORTS AND CORPORATE GOVERNANCE**

The need to respond to corporate governance and compliance requirements is often the first driver for any risk management process. However, board members cannot be expected to work through hundreds of

risks to understand the true threat to a particular high level objective, so the aggregation and presentation of the relevant risks is vital. At worst the need to “beautify” data held in spreadsheets for presentation to management can take enormous amounts of time and resources and can introduce dangerous and costly errors.

A powerful mechanism for automatically generating reports and interrogating data is essential, allowing common risk themes to be identified across projects, programs or organization-wide. This level of detail and the ability to produce the necessary reports is only possible when a shared enterprise risk management software system is deployed.

A web-based ERM software approach	A spreadsheet approach to risk management
Consistent capture of data – validated at input	Little or no data entry validation – ‘garbage in’ will get magnified as it progresses up through the business
Sophisticated simulations and probability assessments can be applied to the data	Easy to corrupt formulas and calculations
Data is always up to date and available 24 hours a day	Data is not real time and cannot be guaranteed to be current
Processes become robust and secure	Open to fraud and mis-representation. Data on laptops, CDs and USB sticks can be easily lost or stolen
Full audit trail provides transparency and certainty	Lack of audit trail and difficult to share information across an organization
Standardized metrics and automated reports streamline the review and handling of risks at all levels of management	The “beautification” of information to manually create presentations for management and the board can introduce errors, costs money and takes time and resources
A single system provides the ‘true picture’ of risks & opportunities across the business	Information is fragmented and spread throughout the organization with the possibility of multiple versions of documents which can become out of sync
Risks can be linked to related information such as controls, mitigation plans and losses	It is difficult to see the full, integrated process and overall picture
Aids compliance with the growing range of standards such as ISO 31000, COSO, AS/NZS 4360, SOX and PmBok	Makes compliance to standards difficult to achieve and to demonstrate

**ACTIVE RISK MANAGER FOR TRUE ERM**

Active Risk Manager (ARM) is the world’s most widely deployed and only truly comprehensive Enterprise Risk Management (ERM) software package. ARM is in use at over 170 of the globe’s most respected and demanding organizations, projects and supply chains. ARM replaces the silo-based, spreadsheet approach to risk management with a single integrated enterprise risk management system for the proactive management of risks and opportunities. This gives greater oversight and is more robust and auditable.

**MAKING A DIFFERENCE TO THE BOTTOM LINE**

Manual methods and spreadsheet solutions have become the high-risk option for managing risks and are no longer up to the job. Only a true ERM solution will capture consistent data, allow access to real-time, trustworthy information 24 hours a day to aid compliance, provide transparency and enable the proactive management of risks and opportunities. ERM can move risk management from a cost to the business to a value-adding process which will make a difference to the bottom line of any organization or project.



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