

RISK-ADJUSTED MANAGEMENT OF ENTERPRISE PERFORMANCE

ENABLING ENTERPRISE RISK MANAGEMENT

Given the increasing volatility of today's business environment, the growing complexity of regulatory mandates, and requirements to manage enterprise risk strategically, you need a holistic view of risk. You need to see how that risk is associated within and across each of your lines of business and how it relates to your strategic initiatives. At the same time, you need to understand how risks affect corporate strategy, so that you can make better-informed business decisions.

Achieving this level of visibility and management is nearly impossible when your overall risk management and compliance activities are split across lines of business. Manual and fragmented business, risk, and control processes greatly limit visibility and a true understanding of how risk and compliance practices can enable realization – and ultimately optimization – of your corporate strategies. This fragmented approach to risk management severely affects the organization's ability to align risk and to control management activities and processes to support business objectives. And, without this desired level of alignment across business units, the organization bears the costs of conflicting, inefficient activities that can affect its agility and competitiveness.

Without comprehensive and continuous monitoring of risk and control activities, organizations identify risk events and control failures after they have occurred. Accordingly, they can only react to an

issue, rather than being able to respond proactively and prevent the issue from occurring. Without an integrated, enterprise approach to managing risk and compliance across lines of business, it is virtually impossible to optimize the performance of any strategic objective.

Enabling Risk-Adjusted Management of Enterprise Performance

To help you manage risk across your enterprise, the integrated enterprise risk management (ERM) solution from SAP automates process support for collaborative planning, identification and analysis, response, and monitoring of key risk and compliance activities. These steps are the key to developing comprehensive enterprise risk management. The solution gives you a complete, cross-enterprise view of strategic objectives, categories of business risk, strategies for appropriate responses, and effective control activities to help mitigate strategic risks.

Key risk indicators are aligned directly to your business processes and overall corporate strategic objectives – and are automatically and continuously monitored to alert management when risks exceed acceptable thresholds. The ERM solution also allows you to analyze risks in terms of severity and the likelihood of an impact on a strategic objective. You can monitor your responses to risk and mitigation activities by using personalized dashboards that include drill-down functionality for evaluating detailed risk

Manage the business risks that keep you from achieving your strategic business and compliance objectives. The integrated enterprise risk management (ERM) solution from SAP offers real-time insight into enterprise risks to optimize strategic performance and improve the effectiveness of strategic initiatives.



information. Automatic aggregation of this information creates user-specific views of overall risks and trend analyses. The solution provides functional dashboards and reports at all levels, so you're never in the dark about your company's risk profile.

By proactively identifying, analyzing, and responding to business risks, you can optimize performance across your

You can evolve from a fragmented, manual approach to risk to an integrated, automatic risk management program that delivers real value.

strategic objectives by mitigating risk and control issues before they affect your strategy. You can minimize your susceptibility to risk by integrating management of risk and control activities across your extended enterprise. And by continuously and proactively monitoring your risks and controls, you can execute your strategies and objectives more effectively to mitigate any negative impact on performance.

An integrated, enterprise approach to risk management supports the activities and decisions of your risk management stakeholders:

- Risk managers gain a single platform for automating risk and control management processes throughout the extended enterprise of customers,

suppliers, and partners. Managers can focus on managing the business rather than on collecting, aggregating, and manually analyzing data.

- Line-of-business owners receive tools, reports, and support for proven, best-practice risk processes and key risk indicators that help them identify and respond to risks in their area of responsibility. For example, they can receive tools that indicate early risk or identify frequently occurring risks. Leveraging these and other functions, line-of-business owners can begin to manage and mitigate their risks proactively.

Automating Enterprise Risk Management

You can evolve from a fragmented, manual approach to risk to an integrated, automatic risk management program that delivers real value. You can automate and drive consistency across the risk lifecycle of the enterprise, which includes strategic goal setting, risk planning, risk identification and analysis, risk response, and risk and control monitoring.

Automatic Risk Planning

The risk planning process identifies the top risk categories that affect business strategy and performance, the risks that should be monitored, and the specific risk thresholds and overall risk appetite of your organization. Risk planning helps define the context within which business risks are to be managed, including identification of the business activities to be assessed. When you apply risk planning across the enter-

prise, your organization can benefit from an aligned, streamlined risk methodology across all business units.

Automated Risk Identification and Analysis

Automated risk identification and analysis allows your organization to capture and assess risks proactively, along with the positive or negative impact of the risks on business objectives. With this ability, you can assess risk before an initiative or process is negatively affected and you can identify a new strategic opportunity before a competitor does.

Risk Response

You can evaluate the analyzed risks and determine the most appropriate risk response by balancing the costs of implementing each response option with the derived benefits. With this ability, you can now empower managers to create effective response strategies that address the risks specific to their area of responsibility.

Risk Monitoring

You can stay informed by building proactive risk monitoring across your existing business processes. To manage risk and control activities while maintaining the proper balance between risk and opportunity, you can monitor the effectiveness and completeness of risk response, control effectiveness actions, and take appropriate action when needed.

Equally important, you can leverage the combined power of strategic planning and analytical functions to manage the effectiveness of corporate strategies

and help ensure that risk management and compliance activities are aligned to support corporate objectives. You can tailor executive dashboards and risk scorecards to communicate key risk and strategy indicators and results to help you identify risks to business performance in real time.

Key Benefits

The ERM solution helps you establish an enterprise approach to risk management across your organization and allows you to:

- **Optimize performance** by automating manual and fragmented risk and control activities across all lines of business while aligning your risk management activities more closely to your corporate strategy to support risk-adjusted performance management. This integration streamlines overlapping processes and practices, helps ensure alignment of risk and compliance activities across all business units, and enables you to operate your business with a deeper understanding of your risk profile.
- **Maximize visibility** across risk and strategy management initiatives by aligning and integrating the management of risks and controls across the enterprise. Automatic identification and prioritization of risks combined with proactive alerting and escalations allow you to take immediate action on the most critical risks.
- **Increase strategic effectiveness** by automatically monitoring risks so that business managers can proactively identify and respond to potential risks before they occur. They can implement

risk response and mitigation activities to prevent the risk from having a negative impact on your business and can even support the timing to identify business opportunities.

Risk-Adjusted Management of Enterprise Performance

Integrated applications from SAP comprise the ERM solution that provides a consistent, risk-based approach to developing and executing your strategy. You can manage risks and controls that directly support the success of corporate strategies and then monitor the risks and their impact during execution to increase your company's performance and help keep operations on track. The ERM solution consists of the following applications.

The SAP® BusinessObjects™ Risk Management application provides risk-adjusted management of enterprise performance to optimize efficiency, increase effectiveness, and maximize visibility across risk initiatives. Business owners are provided with the tools needed to make risk-intelligent decisions across their areas of responsibility, drawing from proven best-practice risk responses. For more information, visit www.sap.com/sapbusinessobjects/risk_management.

The SAP BusinessObjects Process Control application provides continuous control monitoring across policies and regulatory requirements. The automated rules framework, with over 120 delivered rules, enables smooth and efficient deployment. The application delivers

cross-system visibility and a unified repository of compliance information for efficient multi-initiative management. Automated workflows and notifications promote enterprise-wide accountability and confidence in decision making. For more information, visit www.sap.com/sapbusinessobjects/process_control.

The SAP® BusinessObjects™ Strategy Management application empowers business users at all levels to rapidly align resources to execute on strategies, understand risk, and drive effectiveness. Goal synchronization and custom-designed communications drive user adoption across the enterprise. Live operational reviews help ensure alignment with goals while managing resources and exceptions. For more information, visit www.sap.com/sapbusinessobjects/strategy_management.

The integration of these applications helps executives understand the risks across their strategic initiatives and corporate objectives better and align corporate strategies, risk management, and compliance activities across the enterprise more effectively.

Find Out More

Contact your SAP representative today to learn more about how your business can manage enterprise risk more effectively and optimize enterprise performance, or visit www.sap.com/manage-risk-and-compliance.

Summary

The enterprise risk management solution from SAP offers real-time insight into all enterprise risks and helps you optimize your strategic performance, maximize your visibility and key risk and strategy management initiatives, and improve the effectiveness of strategic initiatives through the automated monitoring of risks.

Business Challenges

- Align risk and control activities with corporate strategies to increase understanding and management of the true risks that could negatively affect performance; understand how best to mitigate these risks
- Increase visibility into the impact of risks across business processes and strategic objectives; see how these risks are prioritized and managed
- Automatically monitor key strategic risks to identify, assess, and mitigate risks proactively before they affect the performance of an objective

Key Features

- Align risks to corporate strategies and objectives
- Gain C-level visibility into the top risk categories and corporate objectives that should be monitored
- Proactively identify, document, and assess all key risks; automatically monitor key risk indicators
- Empower managers to create and manage effective mitigation or response strategies that address the risks specific to their area of responsibility
- Automatically and continuously monitor previously identified risks and response strategies while highlighting significant changes in risk profiles

Business Benefits

- **Optimized performance** through management of key risks across strategic initiatives
- **Maximized visibility** through automatic identification and monitoring of risk, compliance, and strategy initiatives
- **Increased strategic effectiveness** through automated monitoring of risks

For More Information

Call your SAP® representative, or visit us online at www.sap.com/manage-risk-and-compliance.

50 086 079 (09/07)

©2009 by SAP AG.

All rights reserved. SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects S.A. in the United States and in other countries. Business Objects is an SAP company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.