

Agile Enterprise Risk Management

Risk-Based Thinking, Multi-Disciplinary Management and Digital Transformation

ACKNOWLEDGEMENTS

TABLE OF FIGURES

ABOUT THIS BOOK

Then

Now

Who is This Book For?

Organization of the Book

INTRODUCTION

What's Driving the Change We're Experiencing?

Technology and technology-driven business models and the shift from Capex to Opex

Process Automation Can Displace People, Even High-Level People

Cloud Infrastructures Level the Playing Field Between Startups and Established Companies

Your Company's Valuation Depends on Your Keeping Up with These Trends

Societal Changes

How Can You Prepare to Compete?

Implementing Agile ERM

Agile ERM Artifacts

Agile ERM Operational Processes

Where do We Go from Here?

CHAPTER 1: CONTEXT—COVID, BLM AND UPHEAVAL

COVERED IN THIS CHAPTER

VUCA: OUR CURRENT STATE

Agile vs. Agility

Business Agility, the One Thing You Need to Survive

THE CHALLENGES YOU'RE FACING

The Pressure to Execute a Digital Transformation

MANAGING YOUR BUSINESS AND RISKS AS YOU TRANSFORM

Traditional Approaches to Strategy Are Losing Validity

Forces Driving the Need for New Strategic Approaches

Traditional Business Management Practices That No Longer Work

Traditional Risk Management Practices Are Seriously Flawed

All Management is Risk Management

YOU ALREADY MANAGE RISKS—YOU INTUITIVELY KNOW HOW TO DO THIS

But Are We Actually Any Good At It?

WHY YOU NEED MULTI-DISCIPLINARY, INTEGRATED RISK MANAGEMENT

Why Multi-Disciplinary?

Why Integrated?

Any Transformation Has Risks

CONTROLLED TRANSFORMATION IS KEY TO MANAGING TRANSFORMATION RISKS

THE DISCIPLINES YOU WILL NEED TO EXECUTE YOUR CONTROLLED TRANSFORMATION

CHAPTER SUMMARY

CHAPTER 2: ENTERPRISE RISK MANAGEMENT TODAY

COVERED IN THIS CHAPTER

INTRODUCTION

THE EMERGENCE AND EVOLUTION OF RISK MANAGEMENT

RM vs. TRM vs. ERM vs. AERM

CURRENT-STATE OF RM

THE ERM PROCESS

1. Set Context in Which ERM Will Operate
2. Establish Risk Appetite and Tolerance
 - What is risk?
3. Inventory Risk Sources
 - 3a. Identify, Map and Prioritize Where General Operating Risks Occur
 - 3b. Identify External Drivers or Forces That Create Risks and Opportunities
 - 3c. Identify Recurring and Ad-Hoc Decision Processes
4. Perform a Risk Assessment: Inventory and Analyze Risks and Develop Management Strategies
 - 4a. Identify Risks
 - 4b. Analyze risks
 - 4d. Select Treatment for Each Risk
5. Establish Integrated RM Controls, Policies and Processes
6. Implement, Execute and Monitor ERM Performance
7. Risk Audit and Risk Assurance
8. Evolve and Improve Your ERM
 - Causes of Substandard Risk Management
 - Your Goals for Improving Your Risk Management

WHY WON'T TRADITIONAL APPROACHES TO MANAGING RISK WORK GOING FORWARD?

CHAPTER SUMMARY

CHAPTER 3: DIGITAL TRANSFORMATION, BUSINESS AGILITY & RISK

COVERED IN THIS CHAPTER

INVENTION AND INNOVATION

Invention and Innovation Cycles Drive Markets

Various Models Illustrate Cycles' Impact

IMPLICATIONS FOR YOUR BUSINESS

DIGITAL'S STRATEGIC IMPACT IS FORCING ENTERPRISES TO RETHINK EXECUTION

A Strategy that Reflects Today's Digital Realities Demands Revised Operational Capabilities

Traditional Enterprise Structural and Management Models that Will Have to Change

THE GOALS AND CHALLENGES OF TRANSFORMATION

HOW AND WHY RISK MANAGEMENT NEEDS TO CHANGE

CHAPTER SUMMARY

CHAPTER 4: THE COMPANY YOU NEED TO BE

COVERED IN THIS CHAPTER

FORCES DRIVING THE TARGET MODEL OF A BUSINESS ARCHITECTED FOR THE FUTURE

WHY DO I NEED A DIGITAL TRANSFORMATION?

THE ANATOMY OF YOUR COMPANY—ENTERPRISE AND BUSINESS ARCHITECTURE

A Definition of Enterprise

Enterprise Architecture

Business Architecture

THE ANATOMY OF A DIGITAL BUSINESS

Operational Infrastructure and API Services

Operational Infrastructure

API Services

Digital Products & Services Factory

Business Intelligence and Analytics

Partner Development Platform

Distributed Governance Model

DIGITAL TRANSFORMATION MEANS TRANSFORMING YOUR ENTERPRISE ARCHITECTURE

A PREVIEW OF THE TRANSFORMATION JOURNEY

As-Is EA and BA Models

To-Be EA and BA Models

- Gap Analysis and Implementation Initiatives
- Execution Competency and Capability Gaps
- Roadmap and Execution Plan
- RISK MANAGEMENT AND THE CONTROLLED TRANSFORMATION JOURNEY
- HAVEN'T I ALREADY DONE SOME OF THIS?
- AERM AND THE DIGITAL ENTERPRISE
- CHAPTER SUMMARY

CASE STUDY 1: A STREET-LEVEL STARTUP—INTRODUCING EA AND BA TO AGILE ERM

- A BI-LEVEL MODEL FOR EARLY-STAGE AND ESTABLISHED BUSINESSES
- THE CASE: A STREET CART
- PRE-MVP RISK MANAGEMENT—EXPERIMENTAL AND DEVELOPMENTAL PHASES
 - Experimentation
 - Development
- AN ENTERPRISE AND BUSINESS ARCHITECTURE MODEL OF THE BUSINESS
 - Applying the EA Model to Manage Risk: Elementary AERM
- CASE 1 SUMMARY

CHAPTER 5: PLANNING THE TRANSFORMATION JOURNEY AND MANAGING ITS RISKS

- COVERED IN THIS CHAPTER
- CHANGE VS. TRANSFORMATION
- RISK MANAGEMENT AND THE TRANSFORMATIONAL DIGITAL ENTERPRISE
 - Three Layers of Risk
 - Managing Risks in Conjunction with Transformation
- SCOPING AND PLANNING THE TRANSFORMATION JOURNEY
 - Establish Who's Governing During the Transformation and After
 - Articulate Your Strategy
 - Establish Your Physical Model Infrastructure—EA/BA Models, KM Repository, Pattern Library
 - Establish the Logical Designs of your Metadata Repositories
 - Your EA/BA Models
 - Your Taxonomy
 - Your Pattern Library
 - Initiate and Monitor the Ongoing Governance and Management Processes of Your EA/AERM Effort
 - Scope, Plan and Conduct Your Discovery Effort
 - Prioritize and Schedule Your Discovery Tasks
 - Focus on Business Processes
 - Business Process Discovery and Management Decision Mapping
 - Inventory and Document Management and Governance Processes
 - Execute Discovery
 - Compile the As-Is EA/BA Model
 - Populate Your As-Is Model
 - Map Known Risks to Your As-Is Model
 - Establish Your Preliminary To-Be Model
 - Precepts Underlying To-Be Design Decisions
 - The To-Be Model Framework
 - Define To-Be Governance and Management Processes
 - Map as-is to to-be and Conduct Gap Analysis
 - AERM's EA-Driven Approach to Managing the Risks of Transformation
 - Distill Transformation Initiatives and Populate Portfolio
 - Analyze the Portfolio and Develop Your Transformation Program
 - Establish Concrete Business Goals
 - Establish Priorities to Sequence Your Transformation
- CHAPTER SUMMARY

CASE STUDY 2: THE HICTOOLS COMPANY TRANSFORMATION

COMPANY OVERVIEW

HICTOOLS' STRATEGIC TRANSFORMATION GOALS

TRANSFORMATION RISK CONSIDERATIONS

- Disruption
- The Cost of Failure is High
- HiC Doesn't Know What it Doesn't Know
- Digital Transformation Requires Substantial Organizational Change
- Alignment of Expectations

AS-IS MODEL

- Organization and Governance
- Product Management and Customer-Facing Elements
- Operational Infrastructure, API Services
- Business Intelligence/Analytics

TO-BE MODEL

- Redesign of the Organization, Responsibility Allocation and Governance Model
- Product Management and the Digital Products and Services Factory
 - Perform Market Research
 - Produce Product Design and Prototype
 - Perform Market Test, exposing product to customers
 - Commercialize and Roll Product Out
- Operational Infrastructure, API Services
- Business Intelligence/Analytics
- Partner Development Platform

GAP ANALYSIS

- Organization and Governance—People Issues
- API Management
- Product Management
- Business Intelligence and Analytics
- Partnership Enablement
- Governance
- Capabilities and Enablers—Technologies, Processes and Assets
 - Operational Infrastructure
 - API Management
 - Product Management, Digital Products and Services Factory
 - Business Intelligence and Analytics
 - Partner Development Platform

PORTFOLIO FORMULATION AND PROGRAM DESIGN

- Guiding Objectives

FOUNDATION AND INITIATION: PRIORITY 1 INITIATIVES

- Create Plan to Address Cultural Issues
- Select Transformation Leadership
- Stand Up the Change Management Team (Transformation Program Management Office)
- Define Transformation Governance Processes to be Employed
- Plan for Organizational Redesign
- Compile Training and Upskilling Requirements
- Plan for Transforming the Product Management Function
- Define Architectural Subject Matter Expert (SME) Team Requirements
- Stand Up the Enterprise and Business Architecture Team
- Stand Up the Knowledge Management Team
- Stand Up the Business Process Management Team
- Compile a Work In-Process Inventory
- Create a Preliminary Master Program Schedule

PROGRAM EXECUTION: PRIORITY 2 INITIATIVES

- Operationalize Change Management Processes
- Produce Technical Architecture Deliverables
- Deliver Training
- Perform EA/BA Modeling
- Knowledge Management and Taxonomy Creation
- Business Process Mining—Process Inventory Creation
- Digital Product & Service Factory
- Design API Architecture and Implement API Management
- Operational Infrastructure Architecture and Migration

PROGRAM EXECUTION: PRIORITY 3 INITIATIVES

- Produce Technical Architecture Deliverables
- Business Intelligence / Analytics Migration and Implementation Planning
- Developmental Business Lifecycle Implementation
- Partner Development Platform

HOW RISKS ARE REFLECTED IN THE PROGRAM

CASE 2 SUMMARY

CHAPTER 6: INTEGRATION—EXECUTING YOUR DIGITAL TRANSFORMATION AND INTEGRATING AGILE ERM

COVERED IN THIS CHAPTER

AB INITIO

- Transformation and Operational Disciplines
- Disciplines Enabling Digital Transformation
- Disciplines Enabling Agile Enterprise Risk Management (AERM)
- Disciplines for Managing Transformation

MANAGEMENT AND GOVERNANCE PROCESSES FOR TRANSFORMATION AND ONGOING OPERATIONS

- Monitoring and Management Processes for Transformation Execution
- Transformation Program Outcome Monitoring and Management Processes
- Operational Management and Governance Processes
- Product Development Processes
 - Value Stream Product Management
 - Rapid Product Evolution and Delivery
 - Site Reliability Engineering (SRE)
 - Developmental Product Portfolio Management
 - Operational Management and Governance Processes

IMPLEMENTING AGILE ERM

- Precursors
- AERM Operational Processes
- Retrospective Processes

MEASURING YOUR PROGRESS

CHAPTER SUMMARY

CASE 3: THE HUMAN POWERED TRANSPORTATION COMPANY (HPTCO)

Overview

- The Lifecycle of an HPTCo Bicycle
- The Competition Line
- The Standard Line

Opportunities and Challenges: The Children's Division and Digital Transformation

- Strategic Level
- Business Model Level
- Operating Model Level
- Operational Architecture Level

Risk Considerations and Management

- Strategic Risks
- Operational Risks

- Transformational Risks
- AS-IS EA/BA MODEL
 - Existing Standard Division Operations
 - Existing HPTCo Digital Capabilities and Enablers
 - Operational Infrastructure
 - API Management
 - Digital Products and Services Factory
 - Business Intelligence and Analytics
 - Partner Development Platform
 - Distributed Governance
- TO-BE EA/BA MODEL SCENARIOS
 - Targeted To-Be Business and Operating Models
 - Operating Model and Operational Architecture Scenarios
 - Risk-Based Thinking, Risk-Based Decision-Making
 - Assumptions and Concerns
- GAP ANALYSIS, TRANSFORMATION PORTFOLIO CONSTRUCTION
- TRANSFORMATION PORTFOLIO ANALYSIS AND PROGRAM CONSTRUCTION
 - Dependencies
 - Children's Division
 - Digital Transformation
 - The Combined Transformation Program
 - Program Task Breakdown by Stage
- RISK MANAGEMENT AS REFLECTED IN THE PROGRAM DESIGN
- CASE 3 SUMMARY

CHAPTER 7: BOOK SUMMARY AND THE FUTURE OF WORK

COVERED IN THIS CHAPTER

SUMMARY

- Context
- Traditional ERM
- Digital Transformation, Business Agility and Risk
 - Digital Transformation and Business Agility
 - Traditional Enterprise Structural and Management Models that Will Have to Change
 - Managing the Risks Around Transformation
- The Company You Need to Be
 - A Definition of Enterprise
 - Goals and Drivers
 - The Anatomy of a Company
 - The Anatomy of a Digital Business
 - Digital Transformation Means Transforming Your Enterprise Architecture
- Planning the Transformation Journey and Managing Its Risks
 - Change vs. Transformation
 - Risk Management and the Transformational Digital Enterprise
 - The Transformation Lifecycle
 - The To-Be Model Framework
 - Map as-is to to-be and Conduct Gap Analysis
- The AERM EA-Driven Approach to Managing the Risks of Transformation
 - Distill Transformation Initiatives and Populate Transformation Portfolio
- Executing Your Transformation
 - What You Should Have in Place at This Point
 - Transformation and Operational Disciplines
 - Management and Governance Processes: Transformation, Ongoing Operations
 - Monitoring and Management Processes: Transformation Program Outcomes
 - Management and Governance Processes: Operations
- Implementing AERM
 - AERM Operational Processes

Case Study 1: A Street Level Startup

Case Study 2: HiCTools—Planning for a Transformation

Case Study 3: The Human-Powered Transportation Company—Executing a transformation

THE FUTURE OF WORK

AERM, the Future of Work and Your Company

CONCLUSION

Glossary