

How to Create Core Business Value and better manage Risks

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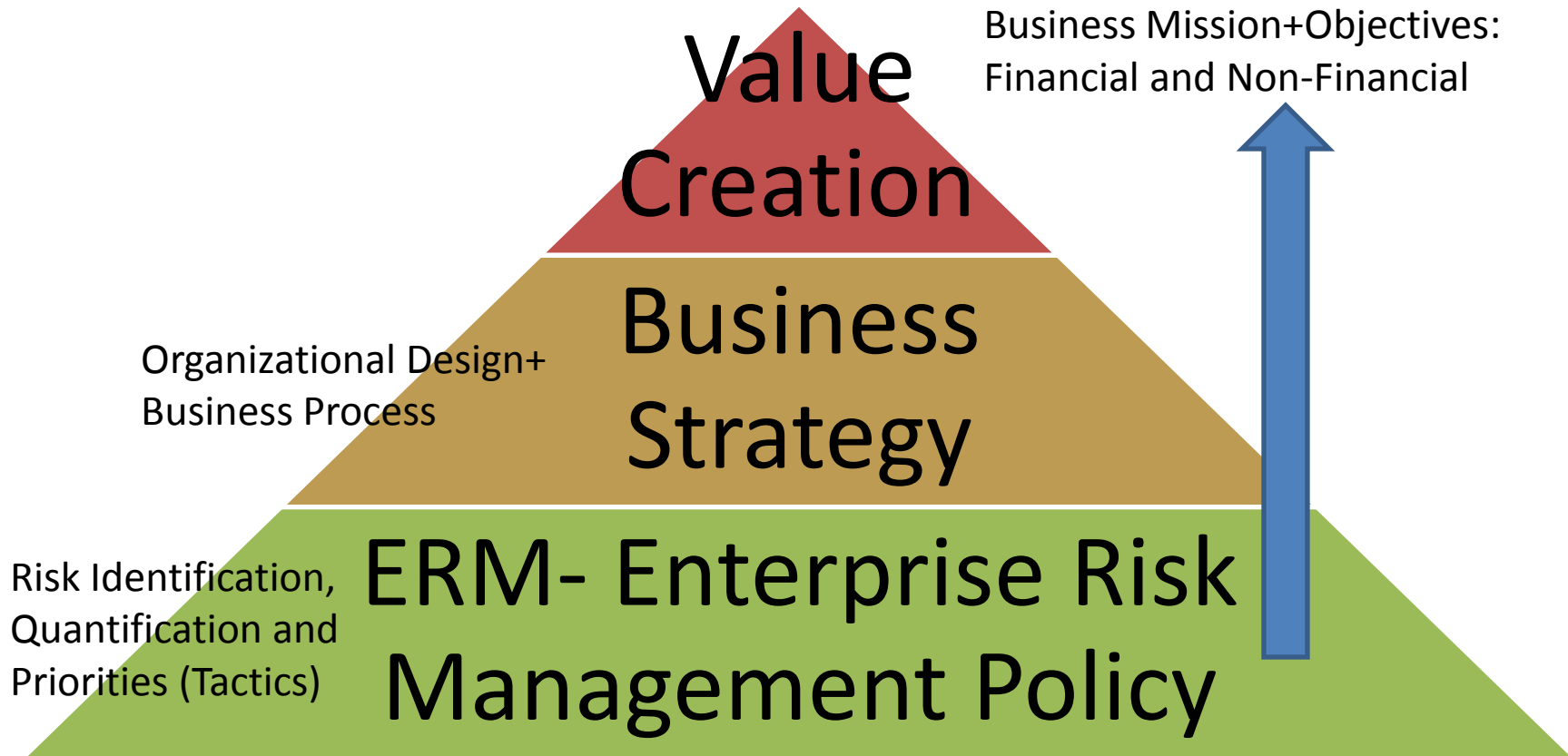
March, 2012 V1.1



Outline

- What is business Value Creation?
- Main Risk Drivers and Value Drivers
- “Old Fashioned” business model
- “Risk Smart” business model
- Building blocks of strategy-driven business focus

Core Business Value, Strategy, Risk interactions



Business Value creation drivers

Business Value

Value
Drivers

Risk
Drivers

Business Value Creation- cashflows

Value Drivers

Cash Inflows

- Core Revenues (top line)
- Investment Income
- Supporting business income (royalties, IP, etc)
- Windfalls (asset sales, etc)

Cash Outflows

- Operations
- Capital costs (interest, etc)
- Capital expenditures
- Advisory costs (legal, accounting, consultants etc)

Business Value Creation

Risk Drivers

Cash Inflow Risks

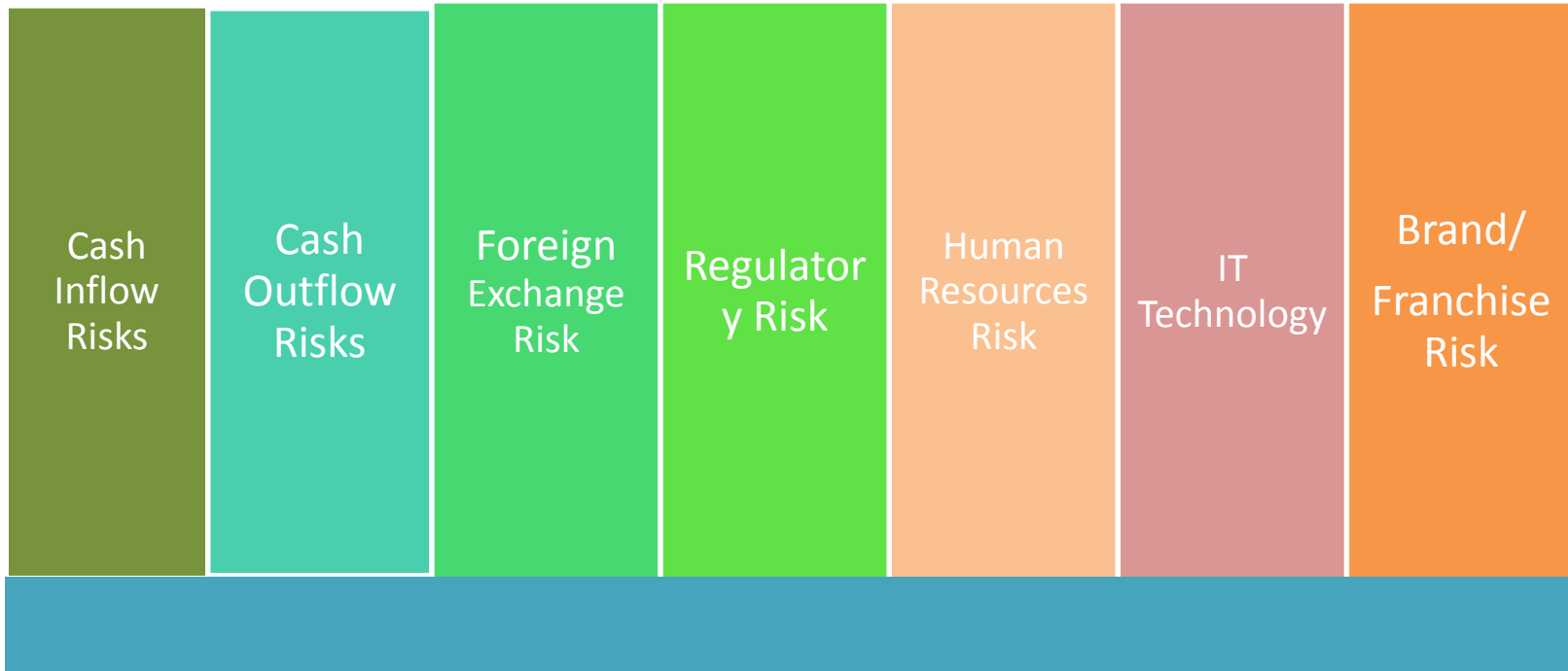
- Pricing, Customer
- Collections
- Credit, Interest rate, Capital sources
- Credit to business, Payables
- Operations- business processes

Cash Outflow Risks

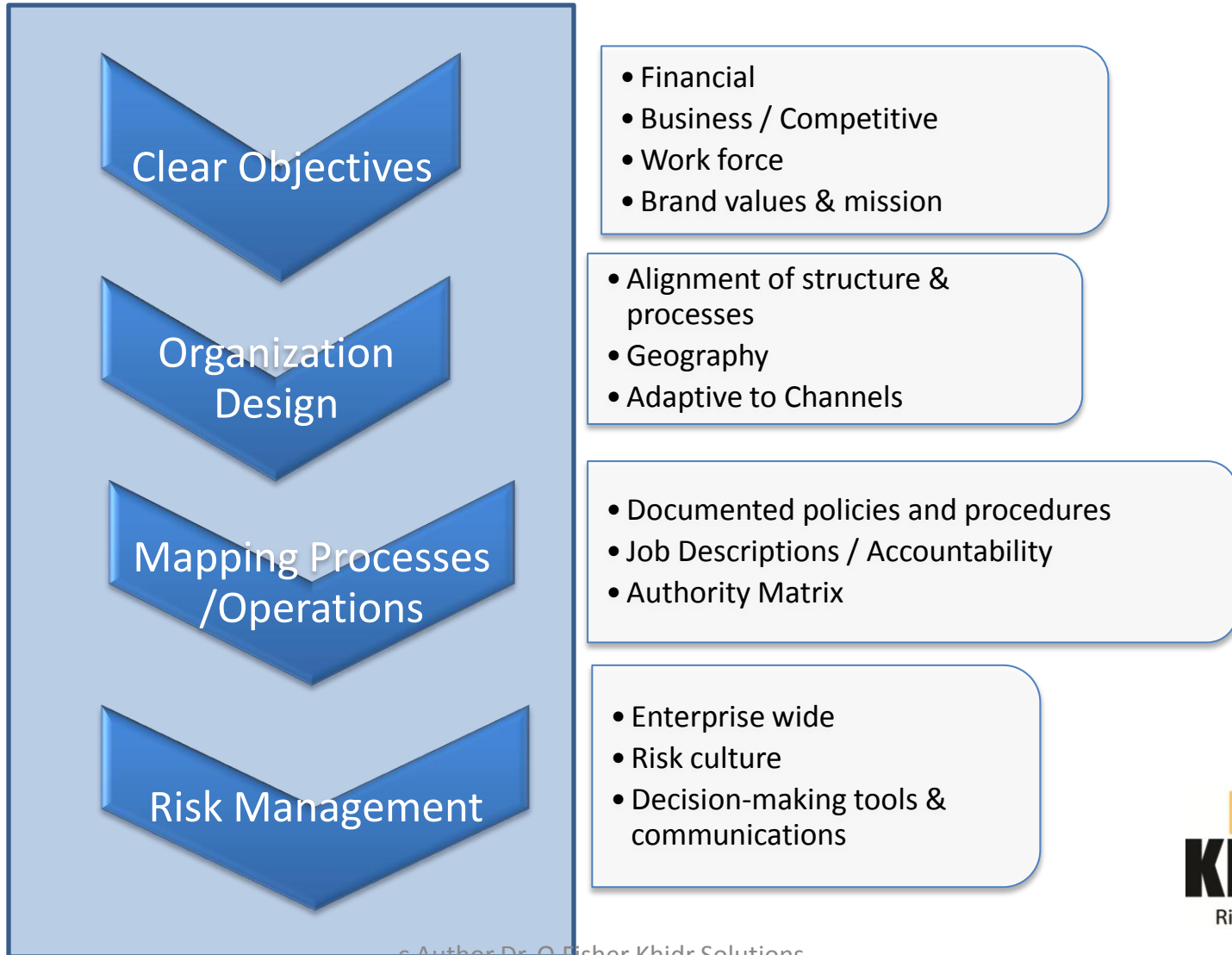
Inflation, reserves, credit lines
Emergency resources
Natural disasters, catastrophes
Solvency, competitive risks
Client selection, pricing
Supervision, project mgmt
Regulatory, planning risks
Corporate governance, decision-making

Business Value Creation

Risk Drivers



Building blocks of Strategy-driven business



Summary – Shift in Focus

- Away from “silo” mentality and separate business units towards holistic organization
- Shift from cost control (Expense Ratio) towards value drivers (ROC) = risk/reward interaction
- Shift from investment earnings as sole ROE driver towards risk taking and combined earnings stream (pemioms+investments)
- Renewed focus on pricing, products and channel management, which requires re-engineering organization processes to support strategy and risk smart management

Acknowledgements

- IBM Global Business Services paper on risk management (2007).
- Deloitte, A Practical guide to Risk Intelligent governance (2009).



- For more information or to start a RiZk Audit SM contact:

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