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“CONTROLS IN PLACE” AS MEANS TO TACKLE UNCERTAINTY IN TIMES OF CHANGE

Abstract

An understanding of the existing organizational “Controls in Place” serves as one of the main pillars of the ERM (i.e. the set of controls that are currently in place to meet the operational or even strategic objectives of an institution, e.g. the applicable processes and related KPIs concerning cash flow management). In times of institutional change, when the uncertainty level rises and consequently accurate risk identification and assessment get more complicated, such understanding becomes even more important.

Although - in theory - in every risk management cycle the existing “Controls in Place” should be regularly identified and re-assessed, the standard set of risk responses (already contained in the organizational processes and partially measured per KPIs) is sometimes perceived as a given matter and supposed underlying stability. Nevertheless, in transitional phases of an organization it shall not be taken for granted that this underlying stability will remain. Instead emphasis shall be placed by risk officers on the re-assessment of the adequateness of the current controls in place (i.e. whether the assumed stability provided by existing processes and KPIs is still given).

The challenging aspect of this approach is connected with the following inconvenience: the already high level of uncertainty that managers face in times of change is further increased at the beginning of the risk cycle, because assumed stable “Controls in Place” are questioned. However, such review will help managers to get better insight into the transition process and as a consequence, both risk identification and qualitative risk assessment will be strengthened (as otherwise unscreened elements will be looked at and severity and likelihood of occurrence of identified risks will be more realistic).