

ERM Storyboarding

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One of the key requirements to implementing an enterprise risk management (ERM) program is support from the organization's leadership. These are the executives with a macro view of the company. They are the key decision-makers that establish budgets and allocate resources. Without direction and support from the top, the scope of ERM, if it is adopted at all, will likely end up limited to a single business unit or become an adjunct to a corporate function such as audit or compliance.

This begs the question: how do practitioners who want to introduce ERM get senior executives to buy into the process? One approach may lie in a tool from Hollywood: storyboarding.

Storyboarding is a preproduction phase of movie making in which filmmakers sketch out, on sheets of paper or white boards, the various scenes and camera angles they envision filming. Rather than starting with expensive, on-location shoots with an entire cast and crew in tow, planning each scene from the movie's script in a studio with a few people creates both an outline and a rough draft that a hopeful director can use to secure funding from the producers who hold the purse strings of the big-budget studios.

ERM storyboarding is a derivative process where the goal is to deliver a pitch to senior management for support and approval for the adoption and implementation of ERM. Thus, ERM storyboarding is a campaign that brings together the creative and technical elements in such a way as to make the story line so compelling that the choice is obvious. Keeping the message and medium simple is key, because if the story is perceived as too complex or disjointed, it will not catch the attention of the audience and could ruin chances for approval at any level.

An effective ERM storyboard should address the specific value that it will add to the organization's top and bottom lines—and all points in between. The storyboard should include the particulars of the master plan, including installation, implementation and inculcation of ERM culture within the organization. The ERM storyboard should introduce the uniqueness of the risk/reward message summaries that connect the identification of the risks with actionable resource reallocation.

Care must be given to address the diverse “must have” requirements for audience members, but this cannot be done without help and buy-in from peers and management. Every storyboard needs great characters, so build a team that will implement ERM across the organization.

Where You Stand Depends on Where You Sit

Well known to MBAs, Miles Law says that “where you stand depends on where you sit.” This is an invaluable maxim to remember during the construction of an ERM storyboard.

Years of experience dictates that the position of manager or officer within the organizational hierarchy shapes the occupant's view of the purpose of risk management. Creating a storyboard must offer specific benefits to each different member of a diverse audience.

The members of the board of directors, for example have keen interest in issues related to governance. The key governance issues impacting boards revolve around, at least for publicly traded U.S. companies, SEC Amended Rule 33-9089 and Dodd-Frank Section 165.

The CEO, COO and CFO are interested in how ERM can support the creation of new value for the organization and its stakeholders. Value means different things to different people within the organization, but raising the stock price, increasing revenue and cash flow, developing new products and services, and reducing the cost of capital always top their list. The general counsel and internal auditor, meanwhile, focus on compliance and control issues such as laws, regulations and financial reporting.

If you do not know your audience, you will not be able to create a story that appeals to them. Going in, understand that where they sit is more important to the process than where you do.

The Message and the Medium

The creation of an ERM storyboard begins by gathering information and conducting research. That might seem obvious, but experience suggests it is not necessarily as easy as it sounds. Personal meetings with a diverse group of internal colleagues should be planned in order to gain support as well as extract risk and opportunity information. And the meetings should aim to assure both organizational leadership and middle management that ERM activities will not be burdensome or intrusive to their operations.

An important objective is to develop a message. The message will identify the value of adopting and implementing ERM within the business units and corporation as a whole. The message will represent how, over time, the program will progress, how things will change, and how the business will get better.

The message might also include a cautionary note about how the ERM process can uncover organizational weaknesses and expose hidden opportunities that the company might want to exploit before its competitors do. The goals, objectives and time line for installation of the ERM program must be clear, noting that over time the process will succeed because of its adaptability to ever-changing business and regulatory environments.

Having developed the message, the next step is to deliver the message in the appropriate medium. Support the message with a single ERM success story.

The choice of medium to deliver the message is going to be a function of the company's culture and technological capabilities and management's schedule and location. If at all possible, deliver the presentation in person. If the presentation is going to be delivered through Power Point or Keynote, keep the slide count to 20 or less and the time required to no more than 15 minutes.

The elevator pitch may not have been invented in Hollywood, but those who make million-dollar movie budget decisions often give budding directors even less time than it takes to go down a few floors. An ERM pitch does not have to be that short, but it should not drift off into the weeds of the technical jargon and risk mitigation theory. "Less is more" makes a great deal of sense when approval is the goal. Practice the presentation with colleagues to fine-tune it, and deliver a flawless storyboard on the big day.

Developing Partnerships

The research done early in the ERM storyboarding process yields thoughts, opinions and, most important of all, relationships. Build on these relationships by including subject matter experts as part of the development team. If the experts and managers are part of the development process and buy into the collaboration, adversaries disappear and support for ERM takes on a life of its own.

Senior managers, although quite independent, will seek out the opinions of their direct reports. Thus, if this tier of management is in support of the initiative, obtaining authority to implement the ERM program just became a whole lot easier.

This exercise requires focus and vision. It requires a creative mind set to bridge the gap between what is real, such as the bottom line on a balance sheet, and what may seem like an unproven theory that will produce no impact to the company's goals and objectives. Putting the ideas, risks and rewards into an ERM storyboarding will take some time, but the alternative is no adoption of ERM. And that is no way to create a Hollywood ending.