Managing Risk in an Agile Organisation

The Building Blocks of Agile Risk Management
Protiviti’s Agile Risk Management philosophy enables organisations to focus on growth, improve efficiency and become more effective in managing risks whilst providing greater value to business partners.

The rapid pace of technological innovations within the financial services industry threatens to disrupt organisations’ ability to compete. In order to combat the new landscape, financial institutions are digitising their operations and adopting strategies to reduce their go-to-market lead time. This increased velocity poses new challenges to risk and compliance functions as they strive to ensure sound practices throughout the development, implementation, and transition of new initiatives or products into successful and sustainable business operations. Organisations are increasingly utilising agile methods for executing technology projects as well as business change initiatives. Agile initiatives are generally completed by nimble execution teams working rapidly to spur business changes. As organisations move to agile delivery, control functions, including risk, compliance and business control teams, will need to rethink their interaction models for executing credible challenge and advising the business in near real-time methods. In this paper, we share Protiviti’s perspective and Agile Risk Management philosophy on establishing leading practices for ensuring that risk management is designed appropriately to keep pace with agile organisations. We define practices for next-generation risk management that are more agile and better aligned, allow for operational excellence, and are focused on customer satisfaction.
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Risk Management in an Agile Organisation

Organisations are enabling employees throughout the company with the tools and resources to develop and execute business changes under an agile program management method. For agile teams to complete their objectives sustainably whilst maintaining agility and minimising operational costs, an equally adaptive risk management framework is needed. However, most risk and compliance functions are not configured to keep pace with frameworks, resources (people and technology), or monitoring and reporting capabilities in line with the swift pace of agile teams. As agile teams focus on short cyclic bursts of development, implementation and testing (commonly referred to as sprints), risk and compliance functions can provide valuable decision-enabling insight by integrating their oversight and adviser roles throughout the initiative lifecycle and agile delivery.

Successful risk management frameworks align with top-down strategic planning and bottom-up execution and delivery to enable quick deployment of sustainable changes. In an agile state, initial assessment of the inherent risks associated with proposed changes allows management to determine the optimal projects to green light. Control functions have an opportunity to use a portfolio approach and real-time key risk and performance indicators at critical stages in the initiatives’ project plans to provide oversight and deliver insight that addresses risk and compliance considerations. This allows the oversight functions to provide optimal challenge without slowing down agile teams. As business changes are developed and implemented, technology-supported controls and real-time performance metrics can be utilised to monitor and mitigate the new business risks. Ultimately, aligning risk management with agile execution enables companies to improve customer experiences swiftly, thereby giving organisations a competitive advantage.

**BENEFITS**

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<tr>
<th>Customer Experience</th>
<th>Competitive Advantage</th>
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<tr>
<td>• Reduced errors and defects from business changes</td>
<td>• Faster-delivery business changes that meet customers’ demands</td>
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<td>• Efficient and streamlined process promotes innovation and provides new and useful ways to enhance customer experience</td>
<td>• Risk-enabled completion of strategic objectives</td>
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<td>• Successful anticipation and response to a rapidly changing competitive environment</td>
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<th>Strong Risk Management</th>
<th>Technology Enabled</th>
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<td>• Reduced duplication and rework</td>
<td>• Enhanced insight into organisational change through shared risk and performance data</td>
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<td>• Less stress on business stakeholders</td>
<td>• Streamlined data flow and decreased time to availability — single source of truth for data</td>
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<td>• Prioritisation of building preventative risk mitigants into design</td>
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<td>• Proactive collaboration and engagement</td>
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Risk Integration

As organisations use an agile approach to deliver initiatives and products, risk management can enable long-run success of business and technology changes. Control functions (e.g., risk and compliance) can help ensure that business changes align with their organisation’s operating environment and strategic objectives by engaging in the following activities throughout an initiative’s project lifecycle:

1. **Challenge goals and objectives** — Risk and compliance functions can participate in initial strategic planning sessions with business leaders to help align objectives of agile initiative teams to firmwide strategy and standards. This can be accomplished by risk-ranking proposed projects and assessing them against the organisation’s risk appetite and existing policies and standards, enabling use of firmwide systems and tools, and ensuring that projects consider relevant regulatory requirements and business controls.

Risk integration starts with strong risk awareness throughout the first line of defence. See Protiviti’s perspective on establishing and sustaining leading practises for risk identification and assessments, specifically risk and control self-assessments (RCSAs), consistent with our Agile Risk Management philosophy.*


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By grouping initiatives into risk tiers, business leaders can determine targeted execution strategies for each initiative that ensure they receive the appropriate focus based on impact and level of risk they pose to their organisation.
2. **Integrate risk management with agile teams** — Risk and compliance functions can further enable agile teams by monitoring and advising both in real time and post-completion to ensure that alignment to enterprise strategy and adherence to requirements are maintained through the project lifecycle. By integrating risk and compliance programs (e.g., requirements inventories, risk taxonomies and forward-looking performance metrics) at the onset of development, agile teams can reduce potential risk and compliance costs once completed projects are transitioned to business-as-usual operations. This can be done by establishing forums in which the control functions can advise and challenge agile teams at key stages in the project lifecycle and also on an as-needed basis, thereby integrating risk management into the project workflow and maintaining agility.
3. *Enable continuous improvement through self-assessments and risk oversight* — A well-defined project oversight and change control framework is critical for maintaining agility when developing and implementing business and technology changes. In an Agile Risk Management framework, the three lines of defence work together to ensure that the newly implemented changes are understood, progressed further if necessary and sustainably integrated into operations:

- Business leaders perform self-assessments to validate project results against their organisation’s strategic goals to determine whether further changes are needed.
- Control functions independently verify that the new processes perform according to defined expectations and adhere to internal and regulatory requirements. Furthermore, control functions can utilise forward-looking risk metrics to understand the impact of changes and tailor their oversight programs to align with new business needs, thereby optimising effective challenge whilst maintaining agility.

**Risk-Based Post-Implementation Activities and Analysis**

*Key activities are conducted based on the level of impact, risk and scale of the project*

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<th>LOD</th>
<th>Activity</th>
<th>Description</th>
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<td>1st</td>
<td>Quality Assurance Review</td>
<td>• A review process which tests the end-to-end process flow of an implemented project</td>
<td>Performs validation testing against the business objectives and stated benefits</td>
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<td>Risk Compliance</td>
<td>• Review to ensure new initiatives/business changes are operating within the parameters outlined in approval documents, including necessary controls</td>
<td>Conduct an independent assessment of the business change/initiative post-completion for necessary regulatory requirements</td>
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|      | Internal Audit   | • Leveraging risk and compliance assessments, conduct independent assurance of implemented business change/initiative | Control functions enhance their existing programs as part of the overall change effort

*Examples:*
- Requirement and control mapping(s) are updated
- Monitoring and testing plans are modified
- End-state resources are allocated and accounted for

**Change Management Process Improvement**

- Outcomes and/or findings from review activities indicate successful implementation of business change/initiative and if business objectives and goals were achieved.
- Post-implementation analysis is used to determine if change management processes or methodologies need to be improved.
- Resource management and time tracking throughout the lifecycle can be analysed post-implementation to assess the true level of effort to bring about the change and re-assess operating and staffing models.
The Look Ahead

As organisations establish methods for planning and executing projects that work toward achieving strategic objectives, they should consider enhancing their technological and analytical capabilities to optimise the way risk insights are used to enable business change. Emerging strategies offer opportunities for supporting risk-enabled project management frameworks by taking advantage of technological and analytical capabilities to more efficiently deliver business and risk insights. As firms become more agile, they have the opportunity to implement equally agile strategies to more effectively manage risks arising from business and technology changes. The following examples describe such strategies:

1. **Internal Advisers** — Control functions are starting to develop unique channels to provide specialised subject-matter insight to agile initiative teams without impeding their development and implementation lifecycles. Experts in these functions (e.g., risk, compliance, security and technology) can be integrated into digital communication platforms used by agile teams to obtain key information throughout their planning and execution sprints — at their own pace and when most relevant for the agile team. For example, agile teams building a new payments platform for a financial institution integrate compliance specialists into their team communications during their development sprints to understand and manage risk associated with Bank Secrecy Act (BSA) and anti-money laundering (AML) regulations and support the building of automated controls into the new platform to meet the requirements. The compliance specialists can also challenge and test key controls ensuring alignment to business objectives before and after the payments platform is implemented by monitoring real-time project development activity through digital communication platforms. Integrating the control functions into key stages of a project in this manner helps reduce numerous tollgates as well as time spent on waiting for risk and compliance feedback. This enables the agile teams to align their solutions to firmwide standards at the onset, without sacrificing agility and allowing risk and compliance to advise at a rapid pace.

As firms become more agile, they have the opportunity to implement equally agile strategies to more effectively manage risks arising from business and technology changes.
2. Dynamic Workflow and Assessments — As agile frameworks mature, implementing a dynamic workflow supported by a single system for managing the inventory and execution of all projects across an organisation can enable efficient management of projects and agile teams. The single source of truth can map projects and initiatives to process, risk and control taxonomies, integrate automated and preventive controls throughout project execution, and capture all key project information (e.g., project plans and status, completed deliverables, documentation, and control evidence). Such a workflow also enables automated monitoring, allowing organisations to achieve scalability as more projects are executed under an agile approach. The dynamic workflow also allows business leaders and control functions to run automated deep-dive analysis on in-flight projects in real time by generating tailored reports at various levels of project granularity using early risk indicators to ensure that projects work toward their defined objectives. Furthermore, post-mortem analyses on recently completed initiatives can allow control functions to assess the new equilibrium state of residual risk, and adapt their oversight plans to align with the changing business environments, ultimately resulting in operational excellence.

3. Risk Bots — The advancement of artificial intelligence, in the form of natural-language algorithms and Internet of Things technologies, is enabling the application of risk data in business processes in an unprecedented way. Automated assistants can provide information on relevant requirements, real-time development testing results and risk performance metrics throughout development sprints to allow agile teams to gain deeper understanding of their failures and successes. Through advanced machine learning and natural-language processing capabilities, risk bots could advise by suggesting applicable risks and controls based on data obtained from similar projects. This technology, already being applied to customer service departments in the form of chat bots, could allow risk and compliance specialists to reallocate their time toward more analytical activities or true high-priority initiatives. In the prior example of agile teams building a new payments platform, the agile teams would be able to obtain BSA and AML requirements using risk bots. This would ensure that agile teams progress quickly and allow control functions to allocate more of their time analysing and challenging the changes being developed.
In Conclusion

Organisations are implementing new and creative methodologies for allowing new products and initiatives to succeed at a faster rate. This increased velocity poses new challenges and ultimately risks to business operations. By adopting an Agile Risk Management philosophy, firms can utilise technology-supported risk frameworks to achieve sustainable progress whilst maintaining both speed in execution and a strong risk culture. This will give organisations a competitive edge in deploying market-ready products and services that integrate with their existing business strategy and environment and maintain long-run sustainable operations.

ABOUT PROTIVITI

Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independently owned Member Firms provide consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit to our clients through our network of more than 75 offices in over 20 countries.

We have served more than 60 percent of Fortune 1000® and 35 percent of Fortune Global 500® companies. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

HOW PROTIVITI CAN HELP

Protiviti has a record of success helping clients develop Agile Risk Management practices with the responsiveness required for an ever-changing business environment. We work with more than 75 percent of the world's largest financial institutions, which benefit from our collaborative team approach to resolving today's risk management challenges. Our professional consultants have varied industry and regulatory backgrounds that enable our unified financial services practice, with the seamless integration of risk and compliance, technology, data and analytics solutions, to develop customised Agile Risk Management approaches to meet tomorrow's challenges today.

Business, risk, compliance and internal audit groups need to work within an integrated framework with clear accountabilities that will lead to an aligned organisation for making sound decisions. We address risk and operational excellence as two sides of the same coin, leading to agility and optimal performance. We understand how customer satisfaction and, in turn, growth, have become elusive. Whilst risk management is intended to drive growth, it too often becomes an inhibitor. Our expertise positions you at the forefront of effective risk management with a unique approach to reap both immediate and long-term benefits.

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