


WORTH THE RISK: INTEGRATED RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM



ENERGIE BADEN-WUERTTEMBERG (ENBW) POWERS
FLEXIBLE, AUTOMATED GRC PROCESSES WITH BIC
PLATFORM FROM GBTEC.

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KEY FACTS

INDUSTRY	Energy
EMPLOYEES	20.000

PROJECT ORIGINS AND OBJECTIVES

It all started with an organizational change in the EnBW holding and soon snowballed into a momentous task and drastic changes in risk management. Marco Mannes, who is responsible for risk management (RM) and the internal control system (ICS), received the task to optimize these areas separately and then integrate them in a later phase. The objective was to increase acceptance and quality while saving costs in both business areas.

EnBW had first introduced risk management within the group back in the year 2000. The internal control system followed in 2008. Despite the various activities that were undertaken in both areas and the functionality of its established systems, there was still room for improvement in the following aspects:

- Integrating risk management and the internal control system
- Building acceptance for the internal control system in the area of performance management
- Increasing efficiency

With the lofty goal of optimizing these three aspects, Marco Mannes teamed up with two colleagues in June 2012 to start open discussions on possible options. Together, they summarized their initial objectives into a draft, which was approved by the risk committee, executive team, and supervisory board. These detailed objectives were summarized into four major aspects:

- Stronger focus on risk management
- Risk-driven internal control system
- More efficient, optimized ICS processes
- Synergistic effects through a stronger integration of RM and ICS

The main objective was to implement an integrated risk management for all internal and external requirements. As part of these efforts, an external consultant conducted an extensive review of the team's plans for an integrated system and confirmed its suitability from a legal standpoint.

The team had created a rough design as well as a detailed plan of the process by December 2012, thereby clearing the way for the first pilot phase in Q1 2013. After four group companies had tested the process, the team made some fine adjustments and completed the enterprise roll-out in May 2013. At this time, the process was not driven by a special software – simply Excel.

The project was well received across all business areas because the benefits were clear to everyone involved. Since Excel was only used as a temporary solution, the team started to evaluate software tools in 2013. Its vast list of requirements, which stretched from regulations within the German Stock Corporation Act to feedback from external and internal auditors, the executive team, supervisory board, and external stakeholders, included:

- Stronger acceptance across all business areas in the group
- Standardized definition of risk
- Action-driven risk management
- Common risk catalog with group and company-specific risk types
- Risk orientation and use of organizational security measures
- Differentiation of value-added levels and company-specific risk reporting thresholds
- Continuous support of all stakeholders in the RM process
- Full/partial automation of routine tasks.
- Adjusted report frequency and harmonized reporting
- Standardized reporting

Since the company's complex processes and requirements had already pushed Excel to its limits, the deployment of a professional software tool was necessary.

SOFTWARE REQUIREMENTS

In order to fill its ambitious goals, the team needed a flexible software tool to integrate its risk management and internal control system. It defined its vision for an integrated risk management (iRM) solution as follows:

iRM is a tool for mapping an integrated risk management process, with reporting functionality, a flexible authorization concept and interfaces to common formats.

Flexibility was a top priority for the solution. Custom programming was taboo as well to avoid the risk that the solution could not be further developed at a later point in time. The search, therefore, focused on standardized

software with the following functionality:

- Flexible functions for mapping and modifying organizational structures
- Easy-to-use functions for consolidating or transferring risks and responsibilities to other companies
- Day-to-day administration through internal staff
- Ability to access the database with a standard reporting tool (to minimize dependency on the vendor)
- One-click risk reports as PDF files with no manual work

Marco Mannes added:

“We wanted a stable software that was flexible enough to meet our highly multifaceted needs without individual programming. Presenting our risk report with a single click was a major challenge because of its sheer complexity.”

OTHER SPECIFIC REQUIREMENTS FOR THE SOFTWARE INCLUDED:

- Individual risk-based approach with the ability to aggregate individual risks
- Workflow support to safeguard the data-entry process
- Visualization of opportunity and risk maps as a risk catalog
- Represent process maps
- Entry and visualization of early warning indicators, controls, actions, and organizational security measures
- Implementation of business roles
- Scenario evaluations
- Classification models

BIC PLATFORM: FROM THE SELECTION TO LIVE OPERATIONS

EnBW made a call for bids in 2013 and selected 3 vendors out of the original list of 20 to present a proof of concept. The team that accompanied the selection process included colleagues in risk management, purchasing and IT.

Using a standard grading system, the participating members formally evaluated how each solution met their requirements. In Autumn 2013, EnBW chose the software platform BIC by GBTEC, primarily because it fulfilled its requirements and offered an attractive total cost of ownership. Other factors influencing the decision included:

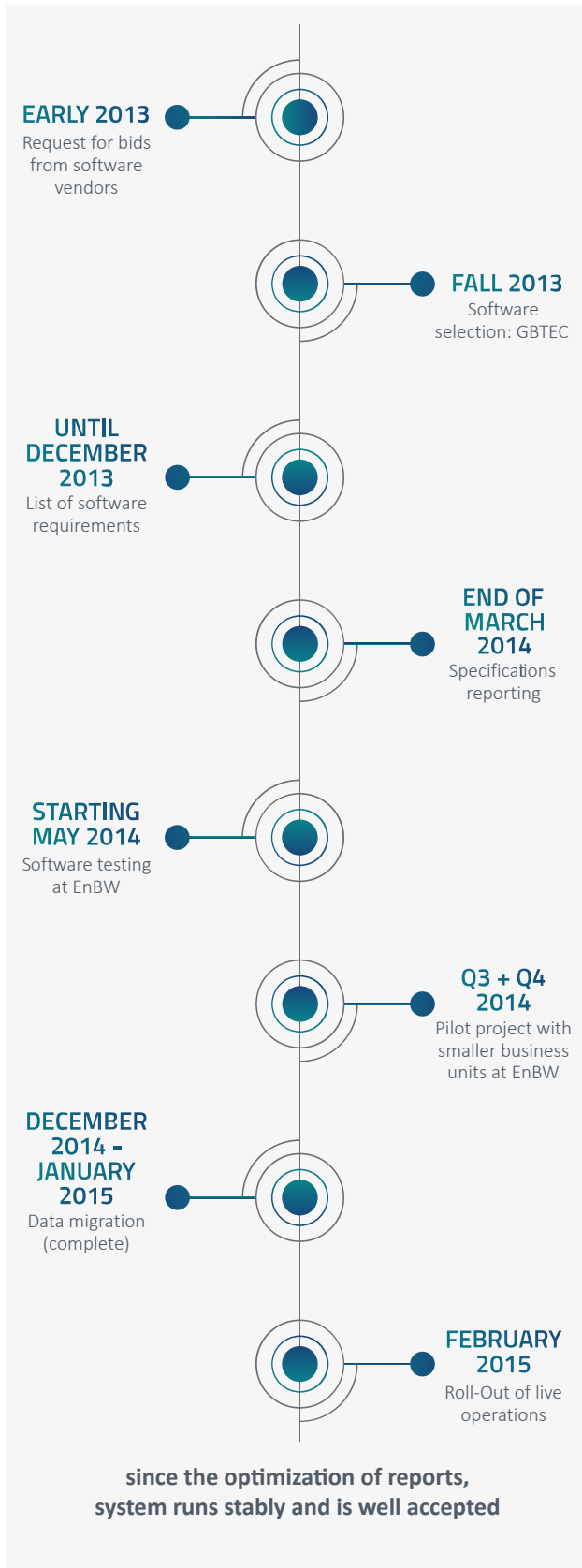
- User-friendly interface
- Flexibility to adapt to changing organizational structures (e.g., restructuring, mergers, breakdown of companies and business units)
- Ability to implement the defined iRM process with the standard functionality of the solution without individual programming
- Good reporting capabilities

The cooperation between GBTEC and EnBW was marked by a continuous learning process from the beginning.

Project manager Marco Mannes explains:

“GBTEC learned what EnBW wanted, and EnBW learned what we could implement from a technical standpoint. After a certain familiarization phase, we both found a level where we worked really well together. Our recipe for success was a relatively small list of requirements and frequent, personal meetings to work out the details.”

PROJECT TIMELINE



CHANGES IN DAY-TO-DAY WORK

The project team made a point of getting its colleagues involved at an early stage and conducted usability workshops for all future BIC users. Marco Mannes personally travelled to each user to present the current status of the solution and get personal feedback. This intense co-operation paid off quickly through the colleagues' strong commitment.

Viola Grasser, iRM manager for the business unit "Operations" recalls:

"My first impression during the usability test was extremely positive. The initial training was well done, and the tool speaks for itself. Once you know a few basics, BIC is very intuitive to use."

Sven Waldecker, a risk management and ICS specialist, added.

"We were able to start working with BIC right away because it completely replicated our entire process with our language and rules. I felt comfortable right away."

Marco Mannes gained valuable feedback during these workshops and, with the support of GBTEC, made the respective modifications to the system. Afterwards, a second pilot project that focused on data migration from legacy systems was launched in one smaller company and a few central business areas.

The enterprise rollout took place on schedule during the first quarter of 2015. The painstaking prep work was worth the effort as the employees easily switched to the new solution with very few questions. By the end of the first quarter, the integrated risk management system automatically generated risk reports from 22 units for the executive team. Authorized users receive current information at a click of a button and profit from significant gains in efficiency.

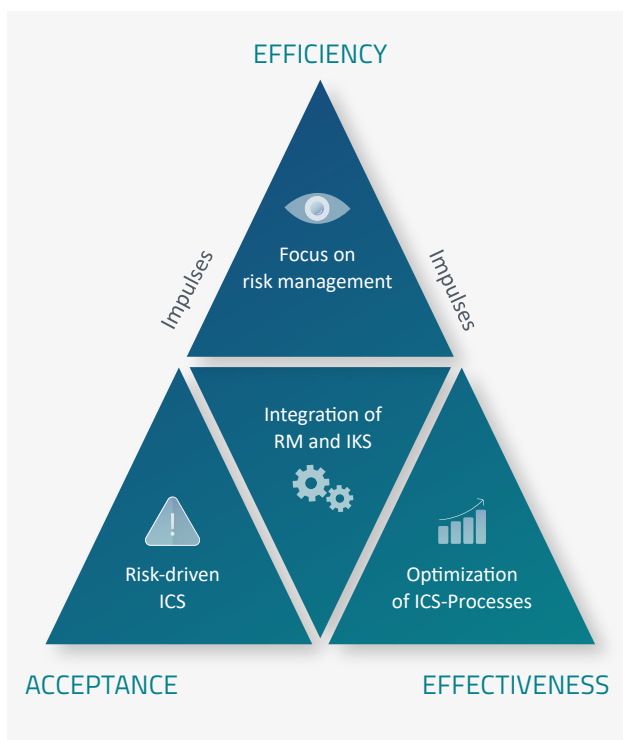
Viola Grasser explains:

“Generating reports quickly was especially important to me so I have more time to check the plausibility of the content.”

As of June 2015, 50 users actively worked with the software platform.

PROJECT BENEFITS

Due to its highly structured approach, the team achieved the high efficiency, acceptance and effectiveness as planned in the very beginning.



- Fewer risks by focusing on relevant risks in a leaner organization
- 50 % fewer ICS controls to document
- 1/3 less work involved for validations
- 50 % fewer meetings
- Combined risk inventories instead of separate ones for ICS and RM
- Common roles for ICS and RM
- Effectiveness assessment (four eyes instead of six)
- Better risk comparisons through common evaluations
- Positive feedback from group companies and boards
- Enterprise standardization of the new iRM process

Dr. Anja Baesch, head of risk management and ICS, was satisfied with the results of the comprehensive project:

“In July 2015, the estimated internal rate of turn for integrating risk management and the internal control system was well over 15 %. The efficiency increased significantly with 25 % less work. Moreover, we gained across-the-board acceptance, from employees to executives.”

We currently manage around 1,250 risks to evaluate scenarios in our integrated risk management system. For a small number of risks – 5 to 10, we also integrated an Excel solution for running Monte Carlo simulations. We have dramatically reduced the number of risks in the course of the project because the new system made it clear that we covered many risks twice – in RM and ICS. We were able to close approximately 100 risks and eliminate duplicate work. By 2013, we had reduced our controls by over 50 % because we introduced new tolerance thresholds and no longer process the risks that lie below them.

Sven Waldecker added:

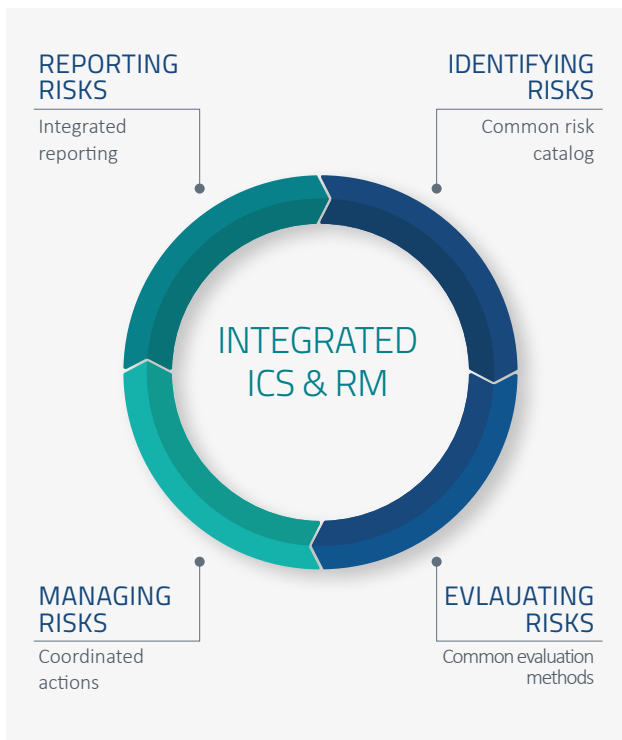
“We have reduced the controls for integrated risk management in our company by a total of 85.25 % since our migration to the new system.”

ADDED VALUE FOR ENBW

The central risk committee at EnBW focuses on the following topics:

- Evaluating the company’s risk situation
- Prioritizing, validating, and tracking top opportunities risks in planning over the next two to five years
- Identifying long-term risks and opportunities at an early stage
- Monitoring the effectiveness of integrated risk management

Thanks to the successful integration of RM and ICS, EnBW can manage and monitor its total risk situation in a unified, four-step process:



In comparison to other systems or Excel solutions, BIC Platform guarantees transparent data at any time. Users can access the desired information at a click of a button. The data is consistent because the software ensures standardized data loading. Mandatory fields and plausibility checks make it easier for risk managers to work with the tool. The solution also offers various analytic capabilities that go far beyond the mere display of financial KPIs. Sven Waldecker explains:

“Thanks to the central platform and strong commitment of the process contributors, it is now so much easier to quickly pull together the latest, relevant information, for example, to create a central risk report.”

FUTURE PLANS

Integrating risk management and the internal control system was a major milestone for EnBW. The journey, however, is far from over. Dr. Joerg Reichert explains:

“We now plan to integrate risk management with our management accounting to improve our performance management through better transparency, consistency and efficiency.”

Various projects, in different stages of planning, are on the agenda:

Compliance management previously managed risks using an in-house, Excel-based system. These risks have been migrated to the integrated risk management system. The path to integration has already been paved since the responsible decision-makers in compliance management were involved in the process for integrating the RM and ICS from the beginning. After addressing various business topics and training its users, BIC Platform can be extended to this business area as well.

The **planning** process at EnBW is currently undergoing a complete redesign. Instead of basing their planning on cost centers as in the past, planners now use business drivers, which fit perfectly in the risk management mindset. The goal is for risk management to provide information on risks that endanger or prevent the developments that were assumed during the planning process.

Plans are underway to replace the legacy system used by **credit risk management**, which includes the maximum credit risk of business customers, capital investments and commercial partners. A preliminary project will evaluate the possibility and feasibility of linking it to the integrated risk management system.

BIC Platform provides rich capabilities for all these scenarios. Marco Mannes explains why:

“The biggest advantage of the software is its incredible flexibility. Once you have the functionality and structure down pat, you can use the software to support many different types of GRC requirements.”

YOU WANT TO LEARN MORE?

Want to learn more about GRC with BIC Platform? Contact us by phone or email or simply participate in one of our numerous and [free webinars!](#)

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[CLICK HERE TO DISCOVER MORE ABOUT BIC PLATFORM](#)

GRC IN THE GBTEC GROUP

We are motivated by the firm belief that digitalizing GRC processes sustainably drives the success of innovative organizations. Our efforts center on anchoring these processes efficiently in everyday business activities and corporate culture. We achieve this through our GRC software BIC GRC Solutions, which offers clients a choice of flexible, custom solutions or standard solutions with minimal implementation work depending on their unique needs. With BIC GRC Solutions, we provide a tool that supports our clients to achieve goals reliably, cope with uncertainty, act with integrity, and continually improve the maturity of their organizational GRC processes. The world's largest and most successful energy providers, insurance companies, banks, telecommunications companies and retailers place their trust in us and manage their GRC processes with BIC GRC Solutions.

EnBW

EnBW (Energie Baden-Wuerttemberg AG) is a German energy supplier with deep roots and a strong commitment. The company's predecessors first brought electricity – and, therefore, industry and growth – to the German state of Baden-Wuerttemberg over a century ago. Today the group is one of the largest energy suppliers in Germany and throughout Europe. Over 20,000 employees provide 5.5 million customers with electricity, gas, water and energy-related products and services. The company, which is majority owned by the state of Baden-Wuerttemberg and a regional body of communal electric companies, has strong historical and present-day ties to the region. Its main objectives are to ensure a reliable supply of energy for its home market and work together with citizens, communities, and companies as a local, independent partner for energy.

In 2013, the company realigned its strategy to focus on safe, reliable, sustainable energy policies. Today the company is driving Germany's energy turnaround. Leaner structures throughout the group enable faster, more flexible reactions to market changes. Its customers rely on EnBW as their first contact in all energy-related questions due to its vast experience, drive for innovation and dedication for encouraging dialogue among customers and listening to their needs. Building close ties with its customers also provides opportunities for growth through new products and local solutions for a sustainable, efficient energy supply.

