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# Risk Management:

## *The Pathway to Business Excellence*

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BY: CA STEVE OTTOMAN FCCA MBA

# Speaker Profile

**Name:** Steve Ottoman aka Mr. O

**Credentials:** CA(M) FCCA, MBA

**Current Role:** Finance Director-Lilongwe Water Board

**Generation:** Millennial (Elder in that Generation)

**Strengths:** Self-learning

**Fears:** Heights

**Other Interests:** Founder of Forty-Large a business consultancy firm.

**Inspired by:** Captain Micheal Abrashoff



# Content Overview

1. Introduction to Risk Management and Business Excellence
  2. Navigating Uncertainty: the role of Leadership, Policy and Strategy, People, Partnerships and Processes
  3. Risk Maturity Assessment
  4. Implementation of Risk Management Strategies
  5. Sustaining the Excellence Culture
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# 1. Introduction to Risk Management

## THE BUSINESS EXCELLENCE APPROACH

### *An organisation-wide activity*

- Requires a structured approach to be effective
- Requires foresight and preparation capabilities
- Requires execution and adaptation capabilities
- Adoption of business excellence principles enhances effectiveness
- Agility is a key requirement to navigate the ever-changing operating environment
- Business excellence is key to building resilience

# Are We Prepared?

By Chikwanda Chikwanda  
Blantyre

## Import cover under 1 month—Governor

Malawi's import cover—the ability to pay for imports using foreign currency—remains below one month, Governor Wilson Banda said in an interview, on the sidelines of the launch of the Trade Development Programme in Blantyre, Monday. Reserve Bank of Malawi Governor Wilson Banda said the import cover is currently under a month and has been under a month for a long time.

"We thought we would come out of this [import cover] by the end of this quarter, but what has happened is that the bill for fuel has been extremely high. Our fuel bill is well over \$30 million a month. And if you look at how much we are getting out of tobacco and copper that with the fuel bill, the amount that is coming out of tobacco is about \$400 million this year, divided by \$30 million, is about 13.2 months."

"That is not a lot, but then there are other requirements. So, when you look at the fuel bill, you look at debt service, you look at the requirements for pharmaceuticals, in the coming months, you'll be importing fertiliser. All that is leaving a small amount of import cover. Our import cover, looking at it from the central bank perspective, has remained fairly flat," Banda said.

However, he was quick to indicate that there is a condition that the import cover is sitting at commercial bank levels, and the central bank has remained fairly flat. He said the commercial banks are holding most of the foreign currency coming from the private sector. Their levels have since then slowly shrunk.

"That is offsetting what the central bank is having out. So, if you are looking at the national level, our import cover is well over two months. As a country, we can't get there. Also, we can borrow. We can do all sorts of things in order to feed it up," Banda added.

He said the central bank has not been

country's external debt by increasing but basically kept using available resources, unlike previous administrations which borrowed quite a bit in order to post their foreign currency reserves.

In a recent interview, President of the Economic Association of Malawi (EAM) Balthus Chikwanda said the country is in a difficult situation.

"The import cover and reserves we have been facing as a country, whereby export revenues have been declining while imports remain virtually static. Furthermore, this underscores the fact that there is a need for export diversification as agricultural exports fetch low prices and low revenues on the international market unlike processed or products with value addition."

"We also have to be reminded that this year, with the dry spells, we produced low, meaning our export revenues will definitely be low. In light of the foregoing, it is a fact that our import cover is struggling to outweigh the later generated from agricultural sales. However, considering the drastic nature of the

Chikwanda said.

She added that the current trend suggests that the outlook for the following quarter remains mixed.

Economist Marvin Banda said historically, it is usually downhill from here and the country can begin relying on agricultural exports.

"The nation is yet to make any intervention that may alter the trajectory of the import cover until the end of the agricultural cycle. The deterioration of the import cover will be steady and may sometimes increase but will experience further pressures as the season where strategic exports begin to average the general state of government expenditure," Marvin Banda said.

The internally recommended import cover stands at three months, indicating that a country has enough reserves to handle short-term disruptions.

A low import cover indicates greater economic instability, as the country may fail to pay for essential imports during times of economic



**BANDA—Import cover has been under a month for a long time**

# THE NATIC

Making free

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## Another 'harsh' rainy season looms



**JONATHAN PASUNGWI**  
STAFF REPORTER

PHOTOGRAPH: NATION

Malawians should brace for another harsh rainy season ahead as the Department of Climate Change and Meteorological Services has forecasted La-Niña weather conditions in the forthcoming rain season.

La Niña weather phenomenon is associated with cooler than normal sea-surface temperatures that affect global weather patterns, with one to impact Malawi being increased moisture over southern Africa.

The forecast has also been corroborated by the United Nations Office for the Coordination of Humanitarian Affairs (Ocha) which in its forecast released on July 23 2024 cautioned that between November 2024 and April 2025, some parts of the country will experience La Niña.

"Forecasted La Niña conditions are projected to result in above-average rainfall with floods predicted in many of the drought-affected districts during the November 2024 to April 2025 rainy season," reads the forecast contained in The Malawi Drought Flash Appeal July 2024-April 2025 published on [www.unocha.org](http://www.unocha.org).

It further suggests that rainfall will be suppressed mostly over the country's

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# History Suggests We Are Not Safe

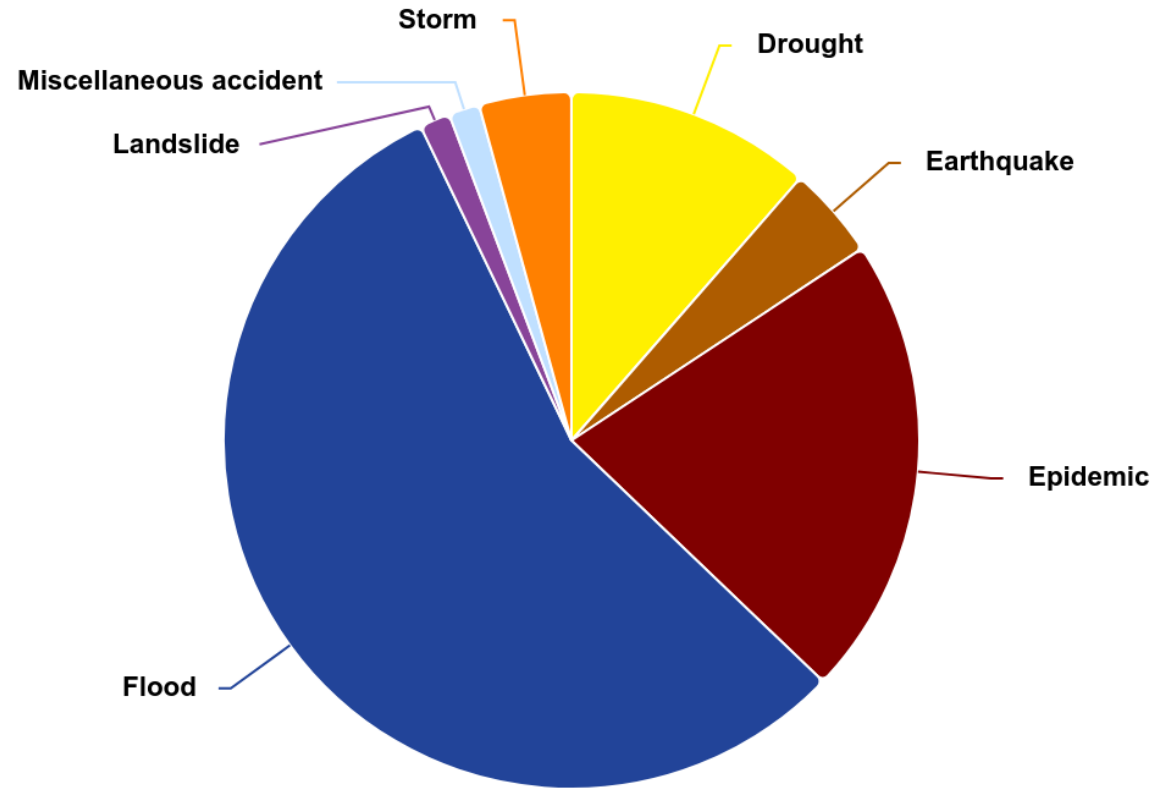
Average Annual Natural Hazard Occurrence for 1980-2020

## Malawi's Recent Disasters

1. Malawi Drought: March 2024
2. Cyclone Freddy: February 2023
3. Tropical Cyclone Gombe: March 2022
4. Cholera Outbreak: March 2022
5. Malawi Polio Outbreak: February 2022
6. Tropical Storm Ana: January 2022
7. Malawi Strong Winds: December 2021
8. Tropical Cyclone Kenneth: April 2019
9. Tropical Cyclone Idai: March 2019
10. Malawi Floods: January 2019
11. Southern Africa Drought: 2018-2022

Source: [Reliefweb.int/disasters](https://reliefweb.int/disasters)

COVID-19



Source: [Malawi - Vulnerability | Climate Change Knowledge Portal \(worldbank.org\)](https://www.worldbank.org/)

# Lessons From the Business World: Corporate Blunders

Never release a product that's half-baked, no matter how desperately you want to get it to market.  
**APPLE MAPS(2012)**

Never make things more complicated for your customers.  
**NETFLIX  
QWIKSTER  
September 2011**

When a transformation is happening, it's important to pivot appropriately. Sticking to an old, dying model for too long, even one you helped pioneer, can be fatal for your business.  
**KODAK**

It's critical to take a long-term view of your industry. Be open to possible changes, even unpleasant ones, so that you can plan for them.  
**NETFLIX & BLOCKBUSTER  
2000**

*As we navigate the uncertain environment make sure the strategies do not lead to corporate blunders*

[12 corporate blunders that could have been avoided \(cnbc.com\)](http://cnbc.com)



Source: EFQM Business Excellence Model

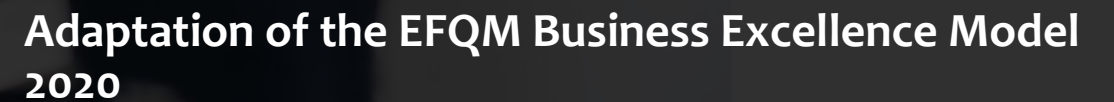
## 2. Navigating Uncertainty

With guidance from the EFQM Business Excellence Model 2020



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# Business Excellence

The subtitle 'Adaptation of the EFQM Business Excellence Model 2020' is written in a white, sans-serif font. It is positioned on a dark grey rectangular background that overlaps the bottom right of the main image.

Adaptation of the EFQM Business Excellence Model  
2020

# Overview of the EFQM Business Excellence Model 2020

## The linkages between risk management and business excellence

### What is the EFQM Business Excellence Model?

- The EFQM Model, a globally recognised framework that supports organisations in managing change and improving performance.
- Key Considerations
  - Primacy of the customer/Client/Citizens
  - Long-term Stakeholder View
  - Understanding the cause-and-effect linkages between why an organisation does something, how it does it and what it achieves because of its actions.

### What is its Relevance to Risk Management?

- The model has been adopted to produce the Risk Management Assessment Framework
  - Managing risk organisation-wide
  - Can be used in maturity assessments for ERM



# Reflection on Risk Management and Business Excellence

*What are you bringing to the table as business captains?*

## 1. Leadership (*Captain in Distress*)

- Are we exemplary as leaders?
  - With Good Judgement?
  - Calm when faced with turbulence?
  - Provide Direction?
  - Set clear risk appetite levels?
  - Support innovation?
  - Accountable?
  - Promoters of Improvements?



## 2. Strategy and Policy (*The Great Migration-Wildebeests*)

- Do we have a plan?
  - How are we going to pull it off?
  - What's the best way to do it?
  - Trend Analysis to inform Strategy
  - Strategy dependent on risk maturity assessment outcomes



# Reflection on Risk Management and Business Excellence

*Do we have what it takes to manage risk?*

## 3. People (The “Worst Dining Experience”)

- **Do we have the right people in the right place to execute our strategy?**
  - Do they have the right skills and tools?
  - Supported by the right culture?
  - Aware of their responsibilities?
  - Aware of risks and their implications?
  - Able to adapt?



## 4. Resources and Partnerships (Nyasa FCB Big Bullets)

- **You can't do it alone. Its not for free.**
  - Partner up, Collaborate, Share Experiences
  - Allocate resources optimally, budget cuts not always the solution



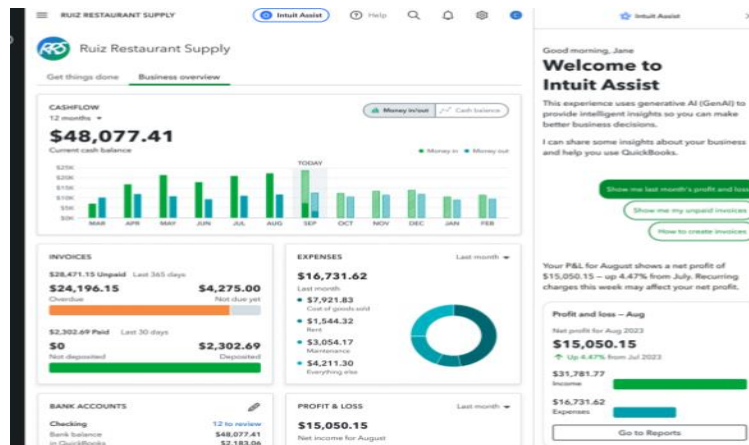
2023 Season Review | The year Bullets conquered against all odds

January 9, 2024

# Reflection on Risk Management and Business Excellence

## 5. Processes (Disruptive Innovation: Intuit's QuickBooks)

- Risk Management should never be done in isolation
  - ❑ Risk management should be imbedded in processes
  - ❑ Communicate effectively
  - ❑ Resilience should be enhanced through processes
  - ❑ **Embrace innovation to take advantage of emerging opportunities**



## Risk Management in times of uncertainty

- ❑ Organisations require dynamic and flexible risk management to navigate an unpredictable future in which change comes quickly (McKinsey, 2020)
- ❑ Execution and adaptation capabilities are key skills to develop and nurture
- ❑ Establish five key capabilities for dynamic risk management (to be discussed under implementation of Risk Management Strategies)

# 3. Risk Management Maturity Assessment

Risk Management Maturity Assessment Framework

# Risk Management Maturity Assessment Framework

Assessment Criteria	Maturity Level	
	Level 1 (Beginner)	Level 5 (Role Model Status)
1. <b>Leadership:</b> Do senior managers promote risk management?	Top management are aware of need to manage uncertainty & risk and have made resources available to improve	Senior Managers re-enforce and sustain risk capability, organisational & business resilience and commitment to excellence. Leaders regarded as exemplars.
2. <b>Risk Strategy and Policies:</b> Is there a clear risk strategy and risk policies?	The need for a risk strategy and related policies has been identified and accepted	Risk management aspects of strategy and policymaking help to drive the risk agenda and are reviewed and improved. Role model status
3. <b>People:</b> Are people equipped and supported to manage risk well?	Key people are aware of the need to assess and manage risks and they understand risk concepts and principles	All staff are empowered to be responsible for risk management and see it as an inherent part of the Departments business. They have a good record of innovation and well managed risk taking
4. <b>Partnerships:</b> Are there effective arrangements for managing risk with partners?	Key people are aware of areas of potential risk with partnerships and understand the need to agree approaches to manage these risks	Excellent arrangements in place to identify and manage risks with all partners and to monitor and improve performance. Organisation regarded as a role model
5. <b>Processes:</b> Do the organisation's processes incorporate effective risk management?	Some stand-alone risk processes have been identified	Management of risk & uncertainty is an integrated part of all business processes. Best practice approaches are used and developed. Selected as a benchmark site by other organisations

# 4. Implementation of Risk Management Strategies

POST MATURITY ASSESSMENT



# The 5 actions to establish capabilities needed for dynamic risk management

1. Reset aspiration for risk management	2. Establish agile risk-management practices	3. Harness power of data and analytics	4. Develop risk talent for future	5. Fortify risk culture
Move from risk prevention and mitigation to dynamic strategic enablement and value creation.	Authorize cross-functional teams to make rapid decisions in business, innovation, and risk management	Digitize transaction workflows; use data to expand view of risk characteristics	Develop new capabilities and expanded domain knowledge to support full understanding of risk landscape	Build true risk-culture ownership in front line; hold executives accountable for cultural failings; link risk culture with daily business activities and outcomes

# 5. Sustaining the Excellence Culture



**To Improve is to change**

# THE PATHWAY TO RESILIENCE AND EXCELLENCE: BY THE RESILIENCE CONSORTIUM(WORLD ECONOMIC FORUM)



PILLAR 1	PILLAR 2	PILLAR 3
<p><b>Build the resilience muscle with new resilience leadership and organizational capabilities</b></p>	<p><b>Understand, measure and monitor your organization along its entire resilience journey</b></p>	<p><b>Develop public-private partnerships to address challenges no one party can tackle alone</b></p>
<p><b>1.</b> Develop a new resilience leadership mindset( Defence and offence strategies to increase flexibility and adaptability to disruptions and change)</p> <p><b>2.</b> Create a resilience agenda addressing short and longer-term risks and opportunities(moving away from isolated approaches of unconnected initiatives).</p>	<p><b>3.</b>Assess your organization against a maturity/resilience framework</p> <p><b>4.</b> Develop methodologies to factor resilience in decision-making</p> <p><b>5.</b> Continuously measure and communicate the maturity/resilience status to internal and external Stakeholders.</p>	<p><b>6.</b> Develop new financing and insurance mechanisms to de-risk resilience.</p> <p><b>7.</b> Set up a public-private partnership machinery to promote collaboration through multiple interventions.</p>



# Take Home Message

## SHOW YOUR METTLE CAPTAINS:NAVIGATE

*Dynamic leadership, collaboration, continuous development of new capabilities and a structured, integrated approach are key to effective risk management.*

**ITS YOUR SHIP**



# Thank You

CA. Steve Ottoman FCCA MBA



+265999305017



ottoman@forty-large.com



www.forty-large.com

