

# TAKING THE PULSE OF ERM IN EMERGING ECONOMIES

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## RIMS

ERM is a relatively nascent methodology in Asia-Pacific, aside from its deployment by the many U.S. and Western multinational companies operating in the region. This is expected to change in coming years, as many emerging economies draft and implement risk management-oriented legislation. At present, only those APAC companies listed on a stock exchange and several public

organizations in the region have incorporated ERM. More will soon follow.

Among the entities in the midst of introducing ERM is Eastern Health Alliance, a regional healthcare system in Singapore. The government's Ministry of Health is responsible for providing universal healthcare in the country, funded largely through a system of compulsory savings, subsidies, and price controls. Formed in 2011, Eastern Health Alliance, one of the newest regional healthcare systems formed, provides an integrated range of health care services, from disease prevention and its early detection and treatment through ongoing care for the people of eastern Singapore.

Roland Teo has led the ERM effort at Eastern Health Alliance since its introduction two and a half years ago. As Deputy Director of the Risk Management Office, Teo brings decades of experience to the post, previously serving as the head ERM at Asia Pacific Resources International Ltd., known formally as APRIL Group, a large Indonesian paper and pulp business. Prior to that, he was the in-house risk manager at a number of companies, including Intraco Ltd, Orix Capital Ltd and Hong Leong Asia Ltd. Teo is also an adjunct faculty member in the Executive Education ERM program at Nanyang Technological University-Nanyang Business School in Singapore, contributor for risk management guides /standards (ISO 31000 & ISO 22301) and board member of several risk management associations. Recently, Roland sat down with RIMS to discuss the evolution of ERM in the region.

**RIMS:** Why is ERM taking longer to sprout in Asia-Pacific than it has elsewhere?

**Teo:** Given that most of the economies in this region are emerging and developing, many senior managers in Asia focus on short-term goals and do not really appreciate the value of enterprise risk. I think the real awareness and understanding of risk management is not really here yet. In many companies, ERM is basically driven by compliance, and generally they have ERM as part of their operations. ... The rest are slowly catching up.

**RIMS:** How are they catching up? What might be the first steps toward an organization's gradual embrace of ERM in the region?

**Teo:** I am seeing initiatives driven from Singapore as a regional hub for commerce which has helped quicken the pace of ERM development for organizations in the region. Recently, there are many support programs, such as awareness, education, financial and peer support by the government agencies (I spent 3 years, from 2009 to 2011, full time running and supporting the National BCM program), non-governmental bodies (risk management associations I am currently involved in), academia and the financial/insurance industry. At the organization level, stakeholder management is the key in getting buy-in. The board and senior management needs to understand why they have risk management in the first place because they may not have it for the right reasons. Maybe some organizations see risk management as a tick-box exercise. When you meet the board and senior management's objectives, you can convince them of the value of ERM.

**RIMS:** Does the risk manager need to engage in a discussion in which senior managers are apprised that risk is not purely a negative thing, that there is an upside to taking risks?

**Teo:** Risk managers cannot be too academic (to obtain) ERM buy-in from all levels. A risk manager has to be able to 'speak the language' used by senior management and get on the right footing with them first.

**RIMS:** Seems like patience is important—in other words, for ERM to root in the region, one must not rush the planting. What's a good start?

**Teo:** ERM is not a silver bullet and it takes a long time for it to have an impact. ... A good place to start would be where the low hanging fruits are and once senior management is convinced, it would depend very much on the leadership of the risk manager to help ERM reaches its fullest potential.

**RIMS:** We understand that the public health system in Singapore is considered to be one of the most efficient systems in the world, ranked number one by Bloomberg in 2014. Has this efficiency made the introduction of ERM any easier?

**Teo:** Yes, ERM was already introduced at several other public healthcare groups for some time already. The fact that they got me on board to help develop and implement ERM for Eastern Health Alliance immediately after it was formed is a testimony to that. However in my close to three decades of work, I have not come across any sector with a structure, culture and function as complex as that of healthcare. Everything in healthcare is real-time compared to other industries. For example, about 80 percent of enterprise risks are related to clinical risks in hospitals. Patients are exposed to clinical risks that can be especially detrimental, when they are already not in the best state of health. Globally, thousands of people die in hospitals as a result of preventable medical errors. It is not only the patients who are vulnerable, but the healthcare providers, too.

**RIMS:** In what ways are the providers vulnerable?

**Teo:** Physicians, nurses and allied health professionals are vulnerable to infectious diseases from patients and hospitals to malpractice claims, a rising trend in recent times. Asian societies are generally less litigious than American ones, but healthcare systems worldwide do face common challenges like new diseases and pandemics, from the rise of AIDS in the 1980s to this millennium's SARS, MERS and Zika.

**RIMS:** One of Singapore's hospitals received international news attention in 2015, when an outbreak of Hepatitis C in the facility's renal ward infected 25 patients and resulted in seven deaths. This was said to be a rare occurrence in a country known for its stellar medical facilities. Yet, a subsequent investigation revealed that the hospital employed less than ideal infection controls. Any thoughts on the subject?

**Teo:** It is vital that healthcare risk managers be directly involved in patient safety and have a good understanding of the regulatory framework and political landscape of the local healthcare environment. The nature of today's demanding healthcare environment usually puts the risk manager, regardless of seniority, on his toes 24/7 to support the operations in managing crises.

**RIMS:** How would you define a 'successful' healthcare risk manager in APAC today?

**Teo:** The person must have a strategic and integrated risk management mindset, must not settle for the status quo, and must be open to continuous learning from within and outside the sector. The risk manager must also have the ability to quickly and accurately assess a situation and be agile enough to respond to it, straddling operations and strategic-level work in a very short time. Lastly, I'd say that successful healthcare risk managers should be a resource to help key internal and external stakeholders see the benefits of risk management.

**RIMS:** On that note, let's shift the discussion to the advent of ERM in the region. We understand that Singapore's Ministry of Health recently restructured the healthcare system to provide more holistic and integrated care. Medical facilities are now grouped by region, each region anchored by a hospital working with a range of care providers and support services, such as rehabilitative centers. At the same time, an effort is underway to develop a nationwide electronic medical records archive. Where can ERM play a decisive role in this new landscape?

**Teo:** Certainly, regardless of the industry, risk management no longer can focus on just its own work. I look at risk management across several different types of entities and programs in my healthcare group. We no longer work in silos, and our work has filled some of the gaps that had previously separated each organization. My next aim is to further strengthen this enterprise-wide approach. My hope is that insurers and brokers can proactively work directly in close partnership with healthcare risk managers to spot claim trends using their data. Risk managers can then better understand the clinical, reputational and financial impact of these risks to all stakeholders, and advise on how to reduce the impact. I think it would be good too in the long term for the insurance program to be managed holistically, with all the risk managers from the healthcare system in Singapore (involved). This can provide visibility of (everyone's) risks to help (individual) risk managers.

**RIMS:** In your career, is there an example where having ERM in the organization resulted in a benefit that otherwise might not have been achieved?

**Teo:** The one that comes to mind was when I was in charge of ERM at APRIL, one of the world's largest integrated paper and pulp companies. By showing the brokers and the insurers that we had a structured approach to identifying and managing our risks—and that we were doing this enterprise-wide—helped us negotiate much better insurance coverage terms and conditions. A key concern of the underwriters was our business continuity risk. We were able to demonstrate quite clearly how we would effectively respond to a variety of interruptions.

**RIMS:** Thanks so much for your time. Might you have any parting words for our readers?

**Teo:** Yes, I'd like to say that in order for ERM to be sustainable in an organization, a proper risk governance structure must be established. In other words, there should be clear accountability with timely and accurate reporting structure for risk management. As for the healthcare organization's risk management objectives, generally speaking, it should be focused on patient care by reducing gaps in patient safety, improving the healthcare entity's reputation, and ensuring the success of the organization's strategic projects.