Claims Management Company Successfully Completes Massive M&A Initiative Using Best-Practice Project and Program Management

The company grew dramatically by successfully integrating more than 10,000 new customers, opening two additional call centers, and doubling the number of claims serviced — while meeting program deadlines, contractual obligations, and increasing revenues by over 30%.

Company

A leading North American provider for claims and productivity management solutions, the client delivers claims, productivity, managed care, risk consulting, and other services to clients located in the United States and Canada. The company specializes in workers' compensation; disability, FMLA, and other employee absence; managed care; general, automobile, and professional liability; warranty and credit card claims services; fraud and investigation; structured settlements; and Medicare-compliance solutions.

Challenge

The company was in the midst of significant business expansion that included acquisition of five organizations simultaneously. One acquisition, which required integration of 26 separate client companies and a software development effort designed to migrate these companies to the client's corporate standards and best practices, was in need of a mid-course correction. The project was behind schedule and over budget at the mid-point of the implementation. Remaining on this track would have resulted in the loss of critical clients and associated revenue, along with a significantly reduced return on investment for the acquisition and development program.

At the same time, the company had taken on a new implementation of disability and leave solutions for a leading global retailer. The addition of this client was projected to double this business unit's annual volume for the company and required bringing two new call centers online to support the added volume.

In the midst of this transformative growth, senior management wanted to improve overall project management through better monitoring, control, and reporting while ensuring critical deliverables and targets were met.

Solution

The company partnered with PM Solutions to provide project management and consulting. After assessing the health of the various programs, PM Solutions made several key recommendations and supported the delivery of these initiatives on several fronts:

- For the major acquisition, the project team consolidated all decision-making responsibility with the project sponsor, appointed a technology champion, and improved the understanding of roles and responsibilities by developing a formal responsibility matrix. These actions clarified accountability and responsibility throughout all levels of the project, improving decision making as well as the delivery effectiveness of the project team.
- PM Solutions provided a senior program manager dedicated to the implementation of claims administration services for a new retail client. They worked together to integrate and coordinate multiple work streams including groups from business, operations, marketing, implementation, real estate, and technology. Standardized documentation was created for individual work stream reporting and shared with other team members, and an integrated program level master plan was developed.
- Mentoring and formal training was provided by PM Solutions for all the company's project managers involved in the program initiatives, improving key monitoring and control aspects such as meetings management, communications, and project artifact content. Over 100 colleagues attended the workshops and utilized the project toolkit developed exclusively for them.
- To improve the development effort supporting the acquisition, an agile methodology was introduced, focusing on improving the business requirements definition. The improved requirements definition process led to better solutioning, testing, and traceability, and ultimately a completed program with 100% client retention.

Results

The company, with PM Solutions' expert guidance, was able to leverage standard project management concepts and strategies and adapt them to the company's unique requirements. The result was a successful organizational transformation, integrating more than 1,000 new clients, opening two call centers, and doubling the number of claims serviced — while meeting program deadlines and contractual obligations.

1. The overall acquisition program was reset and successfully recovered, with all of the new targets and milestones achieved within eight months.
2. For the company's new retail client, two new call centers went live as scheduled including renovation of new facilities, development of client-specific policies and procedures, hiring new colleagues, and installation of infrastructure to support the centers.
3. The mentoring, training, and PM Toolkit provided efficient and consistent introduction to and reinforcement of project management principles. All of the artifacts created for these programs were developed with the goal of providing a foundation for eventually building a corporate PMO.
4. For the development effort, a team consisting of Business, Practice, and Technology colleagues was assembled. Once the team was comfortable with the agile process, the development targets were reset, creating more realistic target dates and deliverables.

Leveraging the support of PM Solutions, these collective initiatives were successfully undertaken in parallel, allowing the company to achieve the intended return on investment of the acquisitions, increasing corporate revenues by 30%.

What is project management?

Project management is the process of coordinating a team and its resources to successfully execute a specific task from start to finish.
It includes planning the activities, measuring the progress, allocating resources, identifying constraints and completing the task respecting those constraints.
Here is what the definition isn't telling you:
A huge part of "coordinating" in project management is **communication**. Most project managers struggle with this because they underestimate how important (and difficult) it is to communicate the right information to the right people at the right time.
People are at the core of project management. The sole purpose of project management is the successful completion of the project by facilitating people's work.
Thus, the project manager isn't responsible for the completion of the project. He is responsible for the people who are going to complete the project. This is a distinction that separates the great from the good project managers.
Similarly, all the project management tools, methodologies, software and techniques serve this one purpose. To make people's work easier. NOT to do the work for them.
Since we have a reliable understanding of the definition of project management, let's dive into its most **fundamental** concepts and **key** players.

The Basics of project management

The 5 phases of the project management lifecycle

The Project Management Institute introduced this project management life cycle as an overlay to create a unifying and formalized way of structuring and organizing the various elements of projects.
Essentially, these five phases establish a roadmap to a more consistent, successful completion of projects.
Let's take a brief, focused look into the five phases of project management:

Initiating

This is the first phase of the project management lifecycle and the one most people like to skip, often to their detriment.
It is where projects are born. The importance of this phase is that it provides context. It aligns projects with strategy.
Explore this strategic planning template to understand where projects fit inside a strategy plan.

This phase might include brainstorming to come up with several project **ideas**. Then, each project goes through its “initiation” process where you determine its **key** aspects like:

- The scope
- The deadline
- The risk
- The resources
- The people needed

This should not be an exhaustive planning of the project (this comes later), but a detailed **estimation** of whether it’s worthy of the time and resources it requires to achieve your objective.

In this phase, the owner of the project (the project manager) is also determined.

Planning

This is the phase where most people start their project management process. However, only the projects that have successfully gone through the initiation phase should progress to this one.

Why?

Because you don’t want to end up abandoning a project midway through.

Or, even worse, end up with a product that is unrelated or damaging to the business.

The planning phase is where you build a **schematic** of the project. You break down the project into smaller tasks and milestones, each with its respective deadlines.

Responsibilities are distributed to people and if the organization doesn’t have the necessary people to complete the project (and has decided to commit to it), it includes **recruitment** as well.

The **metrics** that will determine the team’s progress are also defined at this phase, as well as the details of the **reviewing habit** that will be installed.

This is crucial for the successful completion of the project.

Determine the nature of your reviewing habit at the start of the project management life cycle - will it be a meeting, a report? - its frequency - daily, weekly, monthly - and the exact metrics and topics you’ll be reviewing.

The actual cycle of the project management cycle might start here. It depends on the nature of the project and the methodology the project manager chooses to use.

Executing

As soon as the planning phase is over and people start attending to their tasks, the executing phase starts.

The execution phase is where the magic happens. People make **progress** towards the final goal and the project manager manages **unexpected** developments and **supports** their people. They support and complement each other.

The execution phase includes:

- Building processes
- The Development of the product

Monitoring

Monitoring and controlling the project’s progress is a crucial responsibility of the project managers because it enables them to stay on top of the production and proactively manage it to meet the requirements.

Even if the project’s estimations weren’t accurate in the planning phase, a practical monitoring practice has a patching effect. It spots the inaccuracies early, providing the opportunity to recalibrate the rest of the project.

That is exactly why it’s so essential to decide at the start of the project your reporting needs and commit to them. Although your reviewing practices might evolve over time, they should never decline or be treated as optional.

Even a simple update in a conversation can go a long way in maintaining velocity and focused execution. Use this KPI template to simplify your reporting and save time.

Closing

The closing is the final phase in the project management lifecycle. It's where the team "delivers."

Two reports should be prepared with the completion of the project. One for the Supervisors (the receivers of the project) and one for the team's performance, a post-mortem if you'd like.

Along with the deliverables, the team provides a report on the outcome of the project that includes:

- **Requirement**: which were met and which weren't
- Key decision points where certain **trade-offs** happened. What was the reasoning behind them?
- **Goals** met and unmet

The post-mortem includes:

- What went **wrong**
- What went **right**
- **Wins** to celebrate
- **Lessons** to be learned

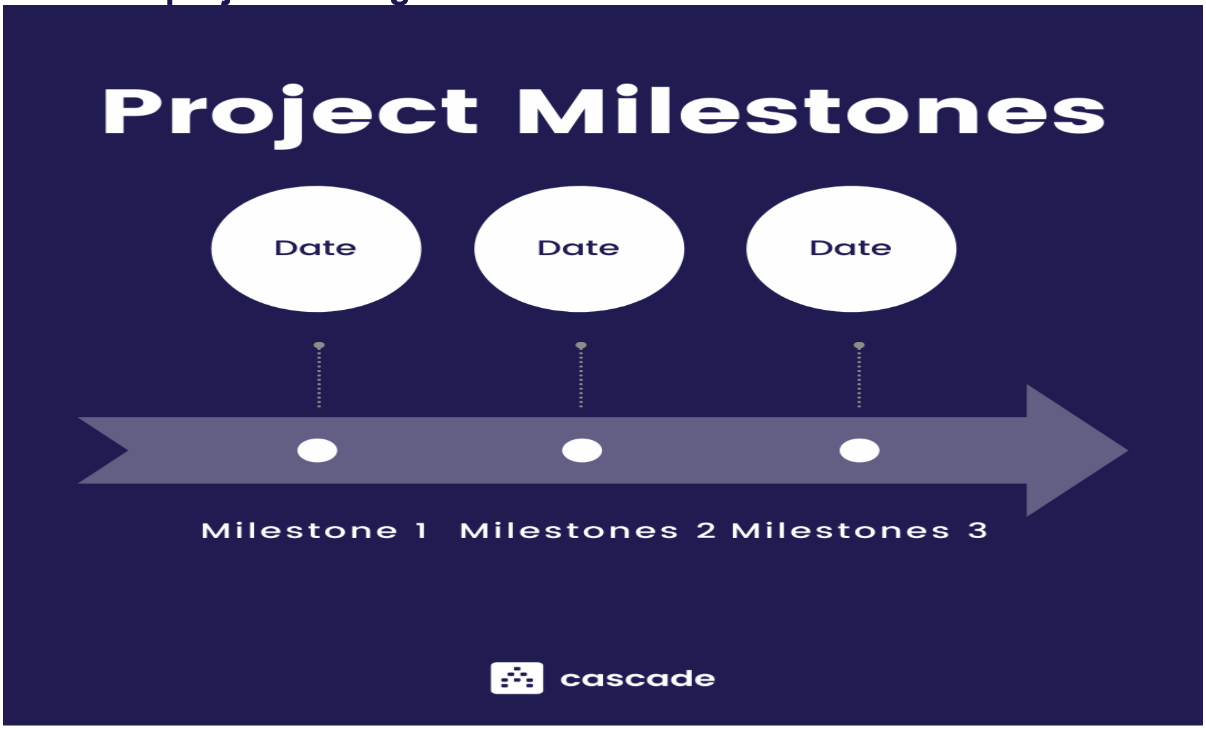
To sum, the project management lifecycle is an effective high-level framework that provides structure and formalizes the various phases and processes a project goes through.

It provides clarity and a basic structure to organize the work of each project.

There are, however, more specific and less high-level methodologies that offer more detailed instructions to follow in the mess of the real world.

Before we discuss those methodologies, let's highlight two crucial elements of project management: the project's **milestones** and the project's **stakeholders**.

What are project management milestones?



A project could be **anything**. It could be the development of an article, the planning of a wedding, the construction of a new building, the search for a new job or the development of a marketing strategy.

No matter the nature of the project, starting the project and completing it in one go is rarely the case. More often than not, you break it down into smaller, less daunting **milestones**.
Why?
Firstly, because you're not intimidated by the size of the project and the amount of effort it needs to be completed. You **organize** the work and move one step at a time to reach your final destination.
And secondly, because each time you reach a project milestone, you can **celebrate**. Give your team (and yourself) a pat on the back and give credit where due. Replenish their will and lift their spirit.
Every **small victory** you celebrate boosts the morale of your team and refocuses their efforts.

Milestone Examples

Constructing a building:

- Secure the budget
- Find and secure a suitable site
- Create a detailed architectural design
- Hire a construction company
- Lay the foundations
- etc

Developing a marketing campaign:

- Conduct market research
- Decide on your marketing channels
- Craft your message
- Develop the ads
- etc

For large projects, every milestone could also be treated as a new project with its own sub-milestones.
Pro tip: Milestones signal the project's progress, not progress towards the project's objective. For example, your team might be completing the tasks on time, but your marketing campaign doesn't necessarily perform against its objectives.
Pair your milestones with the proper **metrics** to make sure you're doing what matters most. Use this metric template to craft leading measures that help you shift through the noise.

Project stakeholders: the 3 groups

Every project has three groups of stakeholders. Every single group is invested in the outcome of the project but at different levels. Simply put, the stakes aren't the same for each project manager stakeholder group.
Managing the communication between the stakeholders is the project manager's responsibility.

The Supervisors

Supervisors don't directly run a project. Their main focus is hitting **higher-level** objectives and moving metrics tied to multiple projects. For them, the projects are the "activities" that drive the metrics and the progress to their respective objectives.
Projects populate the operational plan. So, Supervisors are essentially project portfolio managers. As a result, if a project isn't contributing substantially to a specific metric or objective, they easily discard it.
Typically, Supervisors are the **senior leadership**, the **C-suite**, the **Board of Directors** or **program managers**.

The Managers

A Manager is more narrowly focused. They are leading the team that has undertaken a specific project. Resource management, people coordination and making sure to meet the project's specifications are all the Manager's responsibilities.
A Manager is highly invested in the project and must have a tight grip on the **communication** between stakeholder groups.
Managers are the most important group in the project management process.
Typically, the Managers group includes roles like the **project manager**, the **team leader** and the **project coordinator**.

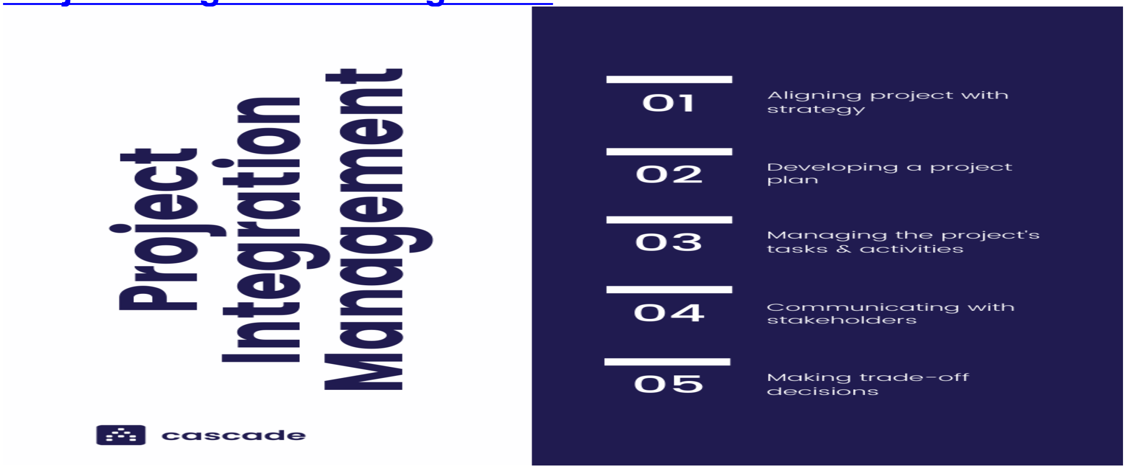
The Executioners

The Executioners are the people who bring the project to life. They are the people in the trenches, the people who execute and **do** the work. These individuals are responsible for the day-to-day progress of the project.
Executioners are focused on delivering the project's milestones. They are invested in the completion of their own tasks as well as the project overall.
Typically, Executioners are the **team members**.

What are the responsibilities of a project manager's role?

Project managers are the most invested stakeholders in the outcome of the project.
Although a project manager's success or failure is usually determined solely by the outcome of their project, they can't succeed if they only care about the progress of the metrics.
A very large part of a project manager's role is administrative tasks, organizing and passing on information. They succeed by making the team members' work easier, not by doing the work themselves.
Consistently successful project managers recognize this. That's the reason they focus so much on improving their **communication** skills and processes.
Let's see the most important responsibilities of a project manager:

Project integration management



Project integration management is the set of decisions that the project manager takes when they consider all the project's components and objectives **holistically**.
It includes the core responsibilities of the project manager that cannot, and should **not**, be **delegated**.
These decisions don't occur at a specific phase of the project management lifecycle.
Integrating processes and activities come up **repeatedly** from the start of the project until its completion.
Some of the project integration management responsibilities include:

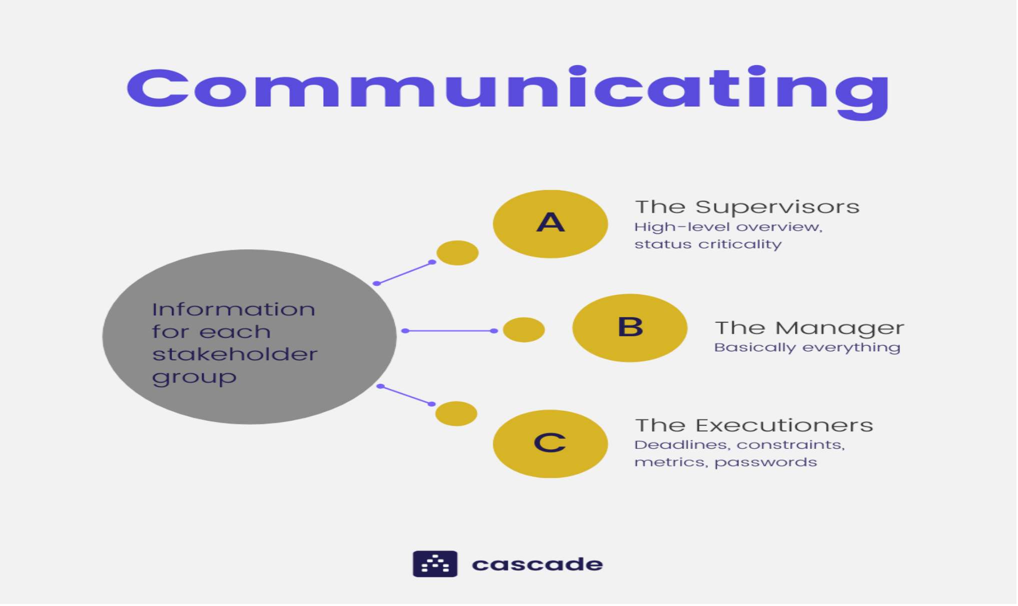
- **Aligning** the project's objectives and constraints with the organization's strategic initiatives.
- **Developing a plan** to achieve those objectives
- **Monitoring** and **managing** the activities and tasks of the project
- **Collecting** and **communicating** the relevant information to each stakeholder group
- Making **trade-offs** between conflicting objectives

Complex requirements and expectations can easily skyrocket the difficulty and the convolutions of the project integration management.
Because of that, project managers use various tools to make their work (and life) easier, such as:

- **Automated tools** to collect, organize and analyze information
- **Visualization** and **Communication tools** to present the information quickly and effectively
- **Frameworks** and **methodologies** customized to the project's needs and specifications

At almost every phase of the project management lifecycle, the project manager will be forced to make decisions on conflicting matters like quality versus deadline, budget versus quality, safety over speed and many others.
These **trade-offs** are a big part of project integration management.
For example, a marketing project manager might have to deal with **questions** like
"Do we fix the brand inconsistencies in the video ad and miss the deadline or not?"
"Do we target a very small but better-converting audience or a much bigger one with medium conversion rates?"
To answer these questions, the project manager needs to have a deep understanding of the project's **components** and, at the same time, how it fits in the organization's overall **strategy**.
For this reason, knowing how to write a strategic plan is hugely beneficial. There's no need to go too deep, this free strategic planning template provides all the context a project manager needs.

Communication



Communication is something most people underestimate. They underestimate the effort that goes into it and how big a part is of the project management process.

It's the reason so many project managers are frustrated and inconsistent in their roles.

For better or worse, the **smooth flow of information** between all stakeholder groups falls into the project manager's responsibility.

As such, they use tools and processes to collect and display relevant information.

The Supervisors

Supervisors don't need to get deep into the details of every project. This is what you, as a project manager, should communicate with them:

- The level of **effort** and **resources** that each project requires
- The **objective** that each project ties with
- How **critical** the project is for the business
- The **phase** the project currently is on
- The project's **scope**
- The **benefits** or **outcomes** that the project will realize
- The **status** of each the project

Automate this process with a KPI report that focuses on capturing only the most essential information.

The Managers

Project Managers are near and dear to everything regarding the project they're leading. They need to have a good understanding of every task their team is working on so they can provide the necessary support and organize the work.

Managers also have administrative responsibilities, so they need to have a clear overview of the project. Basically, Managers know and understand almost everything about the project, including:

- Everything **Supervisors** and **Executioners** know
- Who **owns** what
- The **abilities** and **limitations** of each team member
- The project's **requirements** and **objectives**
- The **risk** factors

The Executioners

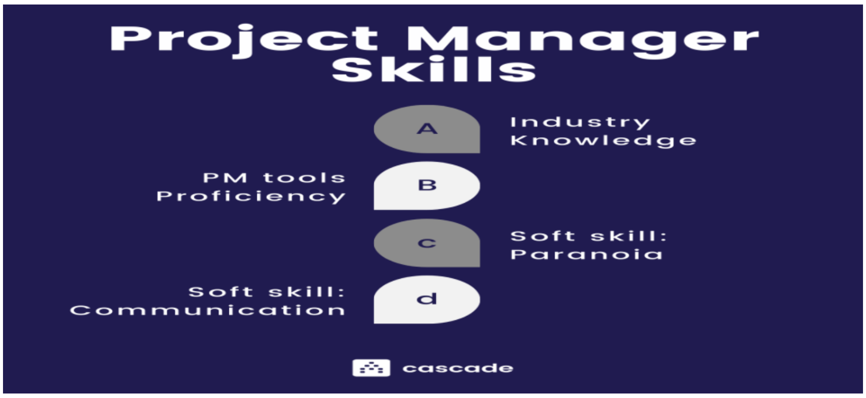
The Executioners are in the front line. The project's progress relies almost entirely on them completing their tasks. Thus, they need to have every piece of information that will make their work easier, simpler and achievable.

This could include:

- The **milestones** of the project
- The **deadline** of every deliverable
- The **constraints** and **requirements** of every deliverable
- Their **performance metrics**
- **Passwords** and **keys** to tools and resources

Now that we have gone through the fundamentals of project management, let's have a look at some of the tools that project managers use to succeed in their roles.

What are the 4 key skills of a project manager?(Only for reference to students)



The project manager is a leadership position.

Specifically, it's a lot like a middle manager's position in the sense that a project manager has to connect the high-level strategic intentions to the reality of the front line.

Consequently, every project manager needs to have 3 distinct sets of skills to succeed in the role:

1. **Industry-specific** knowledge
2. **Proficiency** in the common project management tools
3. **Expert-level** ability on two certain soft skills: **paranoia** and **communication**

Industry knowledge

Specialization in project management happens in this aspect. The knowledge of a particular industry enhances a project manager's skills on almost every level of their responsibilities.

Industry-specific knowledge enables a deep understanding of the scope of the project, the accurate estimation of the effort and the time of each milestone, as well as the needs and the budget of the project.

It's what allows the project manager to make the best **trade-offs** that align with the company's strategic initiatives.

This knowledge is the least transferable but also the **stronger asset** of a project manager because it multiplies the effectiveness of the other two sets of skills.

Proficiency in project management tools

The larger the project or the more people involved, the bigger the need for project management software.

There is a plethora of project management software out there, each with its own advantages and disadvantages. When the project manager tracks a lot of details with complicated relationships, then he needs to be proficient in various sophisticated tools.

However, that's rarely the case.

Most project managers track the higher-level parts of their projects.

They want to be able to have a quick overview of the progress and share it easily. When, for example, project managers have update meetings with the Supervisors, they need digestible bits of the team's current tasks and status updates. Not any painstaking details.

It's more useful to link the projects to the company's strategic initiatives to demonstrate the project's contribution than to go into which team member owns each task.

For example, in Cascade you can have every part of the project accounted for by a specific person, but also create reports that don't get those details. Instead, your reports focus on exactly the information you wish to share.

Soft skill: Paranoia

The most consistently successful project managers are paranoid. They obsess over all the ways the project might go wrong and the processes in place fail.

Let's see two of the best practices that you can apply as well:

1. Remove **bottlenecks**.

Think of information and process bottlenecks. If, for example, your team needs constant approval and authorization by you to execute their tasks, then you're putting a huge drag on the whole project (and yourself).
Push authority to your people and stop being an information bottleneck.

2. Eliminate **single points of failure**.
Analyze your project and your processes. Is there one thing that if it doesn't work as intended, the whole project collapses? Eliminate it. Put consistencies and alternative measures in place to create backups.
As a project manager, you have a responsibility to protect your team's work and progress as well as the investment of resources to your project.

Soft Skill: Communication

This skill is intentionally broad because it is the core of several soft skills that, when highly developed, **distinguish** great project managers from the rest.
It's also the most **transferable** of all the project management skills.
Let's see on which specific instances a project manager benefit the most from exceptional communication skills:
Providing on-point **instructions**.
When a tourist asks you for directions to get to a place, it's your fault if they get lost. Your instructions weren't specific, clear or concise enough (assuming they followed your instructions to the letter).
Providing **context** to your team members.
Team members are more transparent and adaptive in their approach when they understand exactly how their work contributes to the bigger picture.
Providing **an overview** to the Supervisors.
Project managers that lack the skill to shift through the noise and communicate exactly what the Supervisors want to know, nothing more and nothing less. fair much better than their colleagues.

The role of a project manager: examples

Although every project is unique, it's typically beneficial for a project manager to specialize in industry-specific projects or develop skills applied to particular projects.
Here are a few examples of more specialized project manager roles:

Creative project manager

A creative project manager has a deeper understanding of the creative process. They are better equipped to give more accurate instructions to their team, perceive the project's requirements clearly, oversee the creative process and offer meaningful feedback.
A creative project manager might be a creative themselves (writer, designer etc.) or have a creative background. There is a high demand for this role in marketing, where a campaign might involve a set of creative products (video, copy, article, ad etc.).

Marketing project manager

Marketing project managers come in all shapes and sizes. That's because every industry has its own way of doing marketing and every project has different needs.

A marketing project manager has many traits of a creative project manager and knowledge of marketing principles and practices.

Depending on the project, the manager might have to do market research, design a marketing campaign with a timeline and budget, decide what to outsource, or even be involved with crafting the marketing message and design of ads.

Digital project manager

A digital project manager is a terrible title because it's so broad, it's nearly indistinguishable from a "simple" project manager. The discerning factor is that all the work, processes and tools of a digital project manager are, well, digital.

In addition, all communication with team members might also be digital and the whole project takes place mostly in the digital space. As a result, the skills of a digital project manager involve proficiency in various online tools and software, besides project management.

Engineering project manager

The engineering project manager is one of the most demanding project manager roles. Usually, the complexity of engineering projects is humongous and requires deep and specialized knowledge of the project's specific requirements.

An engineering project manager has a rich academic background and ample hands-on experience on various aspects of the project to be able to comprehend, organize and keep up with the work.

Healthcare project manager

Healthcare project manager roles are typically more process-oriented and can get fairly complex. Healthcare projects range from infrastructure and commercial to leading business initiatives with complex analysis and high expertise.

A healthcare project manager usually has a relevant background in the health industry (e.g. administrative or managerial) and could have specialized in certain healthcare processes and procedures.

No matter the industry, a project manager needs to understand how the project contributes to the company's overall strategic plan to have a clear context for every decision.

Project Management Processes

Introduction

Project management is one of the critical processes of any project. This is due to the fact that project management is the core process that connects all other project activities and processes together.

When it comes to the activities of project management, there are plenty. However, these plenty of project management activities can be categorized into five main processes.

Let's have a look at the five main project management processes in detail.

1 - Project Initiation

Project initiation is the starting point of any project. In this process, all the activities related to winning a project takes place. Usually, the main activity of this phase is the pre-sale.

During the pre-sale period, the service provider proves the eligibility and ability of completing the project to the client and eventually wins the business. Then, it is the detailed requirements gathering which comes next.

During the requirements gathering activity, all the client requirements are gathered and analysed for implementation. In this activity, negotiations may take place to change certain requirements or remove certain requirements altogether.
Usually, project initiation process ends with requirements sign-off.

2 - Project Planning

Project planning is one of the main project management processes. If the project management team gets this step wrong, there could be heavy negative consequences during the next phases of the project.
Therefore, the project management team will have to pay detailed attention to this process of the project.
In this process, the project plan is derived in order to address the project requirements such as, requirements scope, budget and timelines. Once the project plan is derived, then the project schedule is developed.
Depending on the budget and the schedule, the resources are then allocated to the project. This phase is the most important phase when it comes to project cost and effort.

3 - Project Execution

After all paperwork is done, in this phase, the project management executes the project in order to achieve project objectives.
When it comes to execution, each member of the team carries out their own assignments within the given deadline for each activity. The detailed project schedule will be used for tracking the project progress.
During the project execution, there are many reporting activities to be done. The senior management of the company will require daily or weekly status updates on the project progress.
In addition to that, the client may also want to track the progress of the project. During the project execution, it is a must to track the effort and cost of the project in order to determine whether the project is progressing in the right direction or not.
In addition to reporting, there are multiple deliveries to be made during the project execution. Usually, project deliveries are not onetime deliveries made at the end of the project. Instead, the deliveries are scattered throughout the project execution period and delivered upon agreed timelines.

4 - Control and Validation

During the project life cycle, the project activities should be thoroughly controlled and validated. The controlling can be mainly done by adhering to the initial protocols such as project plan, quality assurance test plan and communication plan for the project.
Sometimes, there can be instances that are not covered by such protocols. In such cases, the project manager should use adequate and necessary measurements in order to control such situations.
Validation is a supporting activity that runs from first day to the last day of a project. Each and every activity and delivery should have its own validation criteria in order to verify the successful outcome or the successful completion.
When it comes to project deliveries and requirements, a separate team called 'quality assurance team' will assist the project team for validation and verification functions.

5 - Closeout and Evaluation

Once all the project requirements are achieved, it is time to hand over the implemented system and closeout the project. If the project deliveries are in par with the acceptance criteria defined by the client, the project will be duly accepted and paid by the customer.
Once the project closeout takes place, it is time to evaluate the entire project. In this evaluation, the mistakes made by the project team will be identified and will take necessary steps to avoid them in the future projects.

During the project evaluation process, the service provider may notice that they haven't gained the expected margins for the project and may have exceeded the timelines planned at the beginning.
In such cases, the project is not a 100% success to the service provider. Therefore, such instances should be studied carefully and should take necessary actions to avoid in the future.

Conclusion

Project management is a responsible process. The project management process connects all other project activities together and creates the harmony in the project.
Therefore, the project management team should have a detailed understanding on all the project management processes and the tools that they can make use for each project management process.

Risk Management Process (Case Study Based)

INTRODUCTION SITUATION

Every day, there is the chance that some sort of business interruption, crisis, disaster, or emergency will occur. Anything that prevents access to key processes and activities can be defined as a disaster.
Companies can experience many different threats to their mission critical systems such as fires, floods, lightning storms and humidity to disgruntled employees, hackers, human error, power failures and viruses. A disaster can happen at any time and it is vital to be prepared in the event that one occurs.

NEED

To be prepared for a business interruption, the organization must have a carefully crafted and comprehensive plan that describes risks, impacts, and step-by-step recovery strategies for critical business processes in various disaster and emergency scenarios. Without a plan, the team will be flying blind when an interruption occurs. The plan provides the necessary tools to mitigate interruptions and resume operations as quickly as possible, greatly facilitating decision-making and taking action when there is scant time and stress levels are elevated.

CHALLENGE

Using the information in the risk assessment to create effective recovery strategies for critical processes in all departments, incorporating these strategies into a comprehensive business continuity plan, and encouraging ownership of the plan across the organization, and ultimately, achieving the highest resiliency possible with limited resources.

SOLUTION

Create the recovery strategies department-by-department, process-by-process. This allows each department to focus on strategies specifically relevant to their critical processes without extraneous information from other departments. Do the same for your business continuity plan, writing smaller plans by department. Also, use a template to document your recovery strategies to ensure process consistency across the organization. Finally, have plans reviewed and approved by department heads and distributed to all employees to encourage ownership and pride in the plan.

RESULT

Each department in the organization will have a comprehensive action plan for business continuity outlining the steps to take to recover vital processes in various emergency scenarios. All employees will have their own copy of the plan, ready to use immediately when a disruption occurs. Employees will take ownership of the organization’s business continuity effort and this effort will be further ingrained in the organization’s corporate culture.

CHOCOLATE MANUFACTURING COMPANY

AN OVERVIEW

The Chocolate Company since inception in 1990 has been largely responsible for satisfying the country's demand for Chocolates and Sugar Confectionery. Situated at Rusayl Industrial Estates in Muscat, Sultanate of Oman, the plant has various lines producing a wide range of confectionery like Éclairs, Toffees, Fudges, Caramels, Hard Boiled Candy and Enrobed Chocolates. These products are available in attractive packaging and premium Gift Boxes making them ideal for gifting as well as for own consumption. Most of the packaging in the Gift Pack segment has been carefully selected to ensure its enduring utility, thereby giving our valued customers an added benefit. The confectionery is produced by experienced personnel under stringent quality control and hygiene standards. State-of-the-art manufacturing facilities ensure products of international quality. The company in its relentless pursuit of quality obtained HACCP Certification in April, 2004.

The Company, through its uncompromising stand on quality and competitive pricing, has successfully penetrated countries all over the Gulf, the African continent, Asia, Australia, New Zealand, Canada, South Africa, USA and the UK.

The principal business processes involved are

- Procurement of raw materials and consumables.
- Production and Quality control.
- Distribution and marketing.
- Inventory Management.
- Pricing and cost control.
- Feedback from consumers and redressal systems.
- Publicity and promotional activities.
- Recruitment and HR.
- Finance & Administration.
- Corporate communications and public relations.
- Legal and secretarial matters.
- Investor relations.
- Maintenance of equipment and other assets.
- Capital expenditure for equipment and other purposes.
- IT systems and telecommunications.
- Transportation and Logistics.

Today, manufacturing sector companies like chocolate manufacturing operates in increasingly complex, competitive and global markets. The ability to manage risks across geographies, products, assets, customer segments and functional departments is of paramount importance. The inability to manage these risks can cause irreparable damages.

Chocolate company will always face the likelihood of being impacted by uncertain or adverse future events. These uncertainties will have an impact on a company's ability to generate capital and shareholders returns. The company Board expects that management will not only look at where the company may be exposed to risk, but also how these risks can be managed to influence favorable business outcomes.

RISK AND RISK MANAGEMENT

Risk Management Methodology followed by the chocolate company

The risk management methodology at the chocolate company encompass the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. The framework is comprehensive enough to capture all risks that the company is exposed to and have flexibility to accommodate any change in business activities.

The chocolate company's effective risk management methodology includes

- Risk Policy framework.

- Identification of risks.
- Measurement and Impact Assessment.
- Management of the risks.
- Monitoring Reporting and Control.

A. Risk Policy Framework

The following fundamental principles should be considered by the company to develop and implement a proactive risk management program and help them to identify any potential areas of concern:

i. Acceptance of a risk management framework: A formal risk management framework is needed at this company, to guide the integration of risk management into the company's day to day operations.
ii. Corporate governance and risk: At this company,corporate governance is the prime responsibility of the Board of Directors and the General Manager. It combines legal duties with responsibilities to improve and monitor the performance of the company.
iii. Establish the risk response strategy: Following the agreement on the risk assessment rankings in all functional departments, management action will need to be taken to reduce the risk levels where they have been deemed unacceptably high or alternatively remove constraints where they are preventing the business from pursuing opportunities.
iv. Assigning responsibility for risk management change process: It is important for the company to ensure that the daily operation of the business supports this strategy and that the staff understands the proposed changes.
v. Re-sourcing: Risk management is the responsibility of all levels of management.
vi. Communication and training: Implementing a communication and training program is important to introduce the concept of risk management.
vii. Monitoring of risk management process: To ensure that risk responses gaps are filled and that the risk responses continue to operate effectively and remain appropriate in light of changing conditions.

B. Identification of Various Risks of The Company

While drafting this Risk management Policy, the primary risk exposures at the company X that are identified is provided below, which are inclusive but not exhaustive and it will be the responsibility of the Risk Management Committee to review these on a periodic basis.

I. Market Risks

It is the risk that the value of the company will be adversely affected by movements in market rates or prices, foreign exchange rates, national & global fluctuations, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

The market risks identified at this chocolate company are as follows

- Government Policy risks
- Product Risks
- Environmental risks
- Volatility of export orders
- Price Competition in the local & export market
- Currency fluctuation for export orders

II. Operational Risks

The operational risks identified at chocolate company are as follows

- Fire & Allied Risks
- Machinery breakdown/ obsolescence
- Volatility of Raw material & Packing material prices
- Quality/ Ageing risks of Raw material/ Packing material
- Delivery risk of Suppliers

- Loss of data & information- IT security
- Manpower Availability risks
- Accidents
- Inventory carrying risk

III. Reputation Risks

These are risks arising from negative public opinion resulting from failures of process, strategy or corporate governance.

The Reputation risks identified at this company are as follows

- Contamination-hygiene
- Product expiry/Shelf life
- Corporate Governance

IV. Credit Risks

Non receipt of receivables or delay in receipts is the credit risks attributable to the company. These may be identified as

- Payment risk from customers-local
- Payment risk from Customers- export
- Security from customers
- Advance to Suppliers

V. Liquidity Risks

The possibility is that the company will be unable to fund present and future financial obligations.

These may be identified as

- Cash flow & working capital management
- CAPEX decisions
- Cost overruns

VI. Strategic Risks

Risk those are arising from adverse business decisions or the improper implementation of such decisions.

These may be identified as follows

- Business Plan forecasts.
- Attrition of key people.

C. Risk Prioritizing and Impact Assessment

i. Risk Prioritizing

To adequately capture institutions risk exposure, risk measurement should represent aggregate exposure of the company to both risk type and business line and encompass short run as well as long run impact on it. To the maximum possible extent the company should establish systems / models that quantify their risk profile. However, in some risk categories, quantification is quite difficult and complex. Wherever it is not possible to quantify risks, qualitative measures should be adopted to capture those risks.

The company should utilize a Risk Matrix to evaluate the level of risks which are identified in the Company. The Risk Matrix is formed by assessing the probability of the risk, the severity of the risk, and the quality of control that exists specific to those risks. Scoring is attributed for each the three parameters namely probability, severity and Internal control. The aggregate score is computed and ranking of the risks is ascertained.

- The probability of the impact occurring is arranged ranging from low to high. Scores assigned as 4 for High, 2 for medium and 1 for low.
- Severity of the Risk is assessed as High, Medium and low based on the experience and normal prudence. Scores assigned as 4 for High, 2 for medium and 1 for low.
- Quality of Internal control is also similarly categorized as high, medium and low. The scores assigned in the reverse order since the better the existing control the lower is

- the impact and vice-versa. So scores here can be assigned as 4 for Low, 2 for Medium and 1 for High.
- Aggregate Score was thereafter computed after adding the individual scores for each parameter.

ii. Impact Assessment

The company being a medium scale manufacturing unit should focus on the manageable risks like Operational risks, Liquidity risks and Strategic risks. Market risks, Credit risks and Reputation risks though an integral part of risk management may not need detailed impact assessment at this stage unless the probability of such factors seem to be out of proportions in time to come. Impact assessment of the Operational risks, liquidity risks and strategic risks at the company termed herein as Manageable risks, can be assessed as follows

Risk associated with any event has two components, loss severity and loss probability. Loss, in itself consists of expected and unexpected components. The unexpected loss component could be severe or catastrophic. Usually, expected losses are adjusted for in pricing or in reserve allocation. Unexpected losses require capital allocation. Given that operational risk, liquidity and strategic risk events are most often subject to internal control, any manageable risk system that passively measures these risks would clearly be inadequate. Once risk factors are identified as likely causes of the Risk losses, mitigating steps need to be initiated. While quantification would indicate risk magnitude and capital charges, it may not by itself suggest mitigating steps. This makes it advisable for the company to combine **qualitative and quantitative approaches to manageable Risk.**

The broad steps involved here would be:

- determine the types of operational losses that could occur
- identify the causal risk factors
- estimate the size and likelihood of losses
- Mitigate associated risks

Qualitative Approaches

Qualitative approaches involve

- Audits,
- Self-assessments
- Expert / collective judgment.

Critical Self-Assessment: (CSA):

This is one of the common qualitative bottom-up approaches where line managers of the company can critically analyze their business processes given specific scenarios to identify potential risks and gaps in their risk management processes. Tools like questionnaires, checklists and workshops are used to help the managers analyze the risk profile of their business units. The key idea behind this method is that businesses managers of this company are in the best position identify and manage the Operational Risks pertaining to their business units.

Risk Audit

Employing the services of external (or internal) auditors to review the business processes of a business unit is another approach. This process not only helps identify risks but also helps put in place the oversight organization for the manageable risks.

Key Risk Indicators (KRI)

Using the KRI approach the company can blend the **qualitative and quantitative aspects** of Operational Risk management. Factors that have predictive value and that can be easily measured with minimum time lag can serve as risk indicators. Some risk indicators inherently carry risk related information, for instance, indicators like sales volumes, order size, etc. Others are indirect indicators, for instance, production budgets, production lifecycle, performance appraisal etc. Key indicators are identified from several potential factors and are tracked over time. The predictive capabilities of the indicators are tested through regression analysis on historical loss data and indicator measurements. Based on such analysis, the set of indicators of the company being tracked can be modified suitably. Over time, as the model gets refined, the set of indicators can provide early warning signals for operational losses.

D. Management of the risks

Managing Market Risks: The chocolate company may be exposed to Market Risk in variety of ways as described earlier such as environmental issues, export orders, future contracts, Price competition, customer profile and marine transportation risks. Besides, market risk may also arise from activities categorized as off-balance sheet item.

- Government Policy Risks: Change in government policies, tax rates, introduction of new tax regimes, reduction or abolition of incentives etc carry risk to any entity in terms of its costing and pricing. In the short and medium term the company does not perceive any major risk in this segment, however the management has to be aware of any forthcoming changes that the government might envisage. Should there be any drastic change in Government policies that would affect its profitability especially in case of exports; the Company has contingency plans for producing at an alternative location outside Oman.
- Product Risks: Since the product is that of food item the company has to be 100% careful to maintain the product quality, product specification, pack sizes, contents in each pack etc. Producing lesser or poor quality products and not as per specification is a risk which company X needs to constantly be aware off. To mitigate such risks the company X should
- develop a well defined production policy
- develop a well defined Quality control and checks policy
- develop a well defined storage and Distribution policy
- Environmental risks: The company does not use and generate hazardous substances in its manufacturing operations. Hence the chances that the company may in future are subject to liabilities relating to the investigation and clean-up of contaminated areas is negligible. However the company should have a laid down policy of disposal of waste at pre-designed disposal points mainly for the rejected, expired and damaged items of raw materials, finished products and packing materials.
- Volatility of export orders: Some customers and sectors served by the company are directly dependent on general economic development, competition and frequent fluctuations in demand for their products. The prices for these products are, in part, dependent on the prevailing relationship between supply and demand. Possible price fluctuations are therefore apt to have a direct influence on each customer’s working capital management decisions, with subsequent influence on the customer’s Order Intake. This may lead to volatility in the development of Order Intake of the company. The company has a policy of geographically diversifying its customer base, as also expanding the customer base in each export market, so that transfer to less volatile locations can be made in short notice.
- Price Competition in the local & export market: The Company does business in very competitive local and export markets. In spite of the competition the company has a 70% market share in the local market and its export business is expanding.Both these local and export markets in which it competes are highly fragmented, with a few large, international manufacturers competing against each other and against a high number of smaller, local companies. Sometimes new entrants or existing players suddenly lower their prices to get rid of the company’s products. This has, in some cases, adversely impacted sales margins realized by certain of company’s products.

To mitigate this risk the company has taken the following steps:

- Maintaining complete information of its Competitors with respect to their latest technological developments, market strategies, new investments, management changes etc.
- Has developed emergency alternative plans to introduce different product ranges with minimal structural changes with similar or lower prices.
- Currency fluctuation for export orders:The Company exports its products to a large number of countries like Canada, USA, Australia, African countries, and the Middle East. Almost all export orders of the company are fixed in US dollars. Since Omani Rail is pegged with US Dollars, the fluctuation of the currencies in would have negligible impact on the export realizations at company X. Company X has a policy of booking export orders in terms of US dollars to avoid the risk of currency fluctuations.

Managing Operational Risks: Being a chocolate manufacturing company, it deals with the retail market. The most important risks are those of Operational risks. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems.

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    - Fire & Allied risks: These are general risks applicable to almost all establishments. This includes Material damage to the company's property due to Fire & lightning, Earthquake, Third party impact, Accidental damage, explosion, riot & strike, storm & tempest, burst pipes, Own Vehicle impact, malicious damage, and theft. The company should take necessary steps in mitigating such risks by taking

"Property All Risks Insurance Policy"
"Loss of profit insurance cover"

- Machinery breakdown/ obsolescence: This risk identified is a major risk element as the company has been established two decades earlier by using imported refurbished Plant and machinery. Though most of the machinery is in running condition as of now the chances of spare part obsolescence is quite high in a majority of such machines. The physical status and the possible mitigation for major machinery can be shown in ANNEXTURE II
- Volatility of Raw Material/ Packing Material prices: The Company faces a medium level risk in its Raw material & Packing material prices. The main raw materials at are Sugar, Glucose, Milk Powder, vegetable fat, coconut, coco & whey powders. The packing material required is Wrappers, Bags, Gift boxes, Gift Tins and cartoons.

Risk monitoring
An effective monitoring process is essential for adequately managing all the identified risks. The Risk management Committee need to establish a program to

- Monitor assessment of the exposure to all types of operational risk faced by the company;
- Assess the quality and appropriateness of mitigating actions, including the extent to which identifiable risks can be transferred outside the company; and
- Ensure that adequate controls and systems are in place to identify and address problems before they become major concerns.

It is essential that

- Responsibility for the monitoring and controlling of all types of risks should be with the Risk Management Committee;

- The Committee should ensure that an agreed definition of all types of risks together with a mechanism for monitoring, assessing and reporting is designed and implemented;
- This mechanism should be appropriate to the scale of risk and activity undertaken.
- Risk metrics or “Key Risk Indicators” (KRIs) should be established for all types of risks to ensure the escalation of significant risk issues to appropriate management levels. KRIs are most easily established during the risk assessment phase. Regular reviews should be carried out by internal audit, or other qualified parties, to analyze the control environment and test the effectiveness of implemented controls, thereby ensuring business operations are conducted in a controlled manner.

Risk Reporting

The company is currently setting up a Risk Reporting system. The Reporting system will ensure that information is received by the appropriate people, on a timely basis, in a form and format that will aid in the monitoring and control of the business. The reporting process will include information such as

- The critical risks facing, or potentially facing, the company;
- Risk events and issues together with intended remedial actions;
- The effectiveness of actions taken;
- Details of plans formulated to address any exposures where appropriate;
- Areas of stress where crystallization of the risks is imminent; and
- The status of steps taken to address the risks.

The company has an information system that is fairly accurate, informative and timely to ensure dissemination of information to management to support compliance with board policy. Reporting of risk measures will be regular and will clearly compare current exposures to policy limits. Further past forecast or risk estimates will be compared with actual results to identify any shortcomings in risk measurement techniques. The board on regular basis needs to review these reports. While the types of reports for board and senior management could vary depending upon overall risk profile of the company, at a minimum following reports will be prepared

- Summaries of the company's aggregate risk exposure for each type of risk identified
- Reports demonstrating the company's compliance with policies and limits
- Summaries of finding of risk reviews of risk policies, procedures and the adequacy of risk measurement system including any findings of internal/external auditors or consultants

Risk Control

The company's internal control structure will ensure the effectiveness of process relating to comprehensive risk management. Establishing and maintaining an effective system of controls including the enforcement of official lines of authority and appropriate segregation of duties, is one of the management's most important responsibilities. Persons responsible for risk monitoring and control procedures should be independent of the functions they review. Key elements of internal control process include internal audit and review and an effective risk limit structure.

Although a framework of formal, written policies and procedures is critical, it needs to be reinforced through a strong control culture that promotes sound risk management practices. The company will have policies, processes and procedures to control or mitigate material risks. The company will assess the feasibility of alternative risk limitation and control strategies and should adjust their risk profile using appropriate strategies, in light of their overall risk appetite and profile. Control activities will be an integral part of the regular activities of the company to ensure effectiveness of the risk control mechanism.

BENEFITS

The company may look forward for the following benefits by implementing a robust Risk management policy as enumerated in this guideline

- Improves corporate experience and general communication
- Leads to a common understanding and improved team spirit
- Helps develop the staff to assess risks
- Demonstrates a responsible approach to customers
- Provides a fresh view of the personnel issues in the company
- Focuses management attention on the real and most important issues
- Identifies and allocates responsibility to the best risk owner
- Enables a more objective comparison of alternatives
- Allows a more meaningful assessment of contingencies
- Increases the likelihood of the company to adhere to its Business Plans

For above case study : https://ukdiss.com/examples/disaster-recovery.php