

I Management Accountants and Enterprise Risk Management | by Larry White, CMA, CFM, CPA, CGFM

IMA is a member of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which was created in 1985 to support the National Commission on Fraudulent Financial Reporting. In 1992, the group

issued its groundbreaking report, *Internal Control—Integrated Framework*, to help organizations assess and enhance their internal control systems. Since then, the framework has become an industry standard and has been incorporated into policies, rules, and regulations.

This September, COSO released its new report, *Enterprise Risk Management—Integrated Framework*, which introduces a comprehensive framework for risk management and creates what I believe will become the universal language for discussing the enterprise management of business risk. All management accountants need to thoroughly understand this work so they can help their companies analyze and manage financial and operational risk.

You can download the free Executive Summary and/or order the full, two-volume framework from the IMA home page at www.imanet.org or from the COSO website (www.coso.org) in the section titled “COSO’s ERM Framework Now Available.” (For the whole framework, you will be linked to the AICPA. Follow the online instructions, which tell you to use the coupon code of IMA, and you will get the member price of \$50 for this product (No. 990015). Members outside the U.S. will have to order by phone or fax.)

When I first became exposed to the enterprise risk management framework, I thought: “There we accountants go again, looking at the downside, pointing out

flaws, finding problems...Why wasn’t it called *opportunity management*?” This is a view, and often a trap, we management accountants need to be prepared to handle and overcome. Cost management suffers from the same affliction. Everyone knows revenue can’t be generated without

incurring costs, yet cutting costs is a sure way to increase profit. This apparent truism has many dimensions: long vs. short term, behavioral issues, information quality, real cost reduction vs. cost shifting, etc. Successful management accountants have learned to overcome negative perceptions regarding costs and find ways to partner with operations to create win-win situations. In such an environment, cost management efforts then become a forward-looking, opportunity-seeking experience for the

participants.

Implementing enterprise risk management presents the same challenges and opportunities. Successful management accountants have been building the business cases for new initiatives in their organizations, and, as part of that effort, they have helped identify events and situations that could derail successful outcomes—i.e., engaged in risk management. When done proactively and supportively, this process is appreciated by our colleagues who are in charge of implementing a new initiative. The COSO Enterprise Risk Management framework makes the elements of this successful practice available to everyone and pro-



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vides a path for management accountants to expand beyond individual opportunities to strategic enterprise management, general operations management, external reporting, and compliance activities. It creates a scalable, standard process for spreading good “opportunity” management practices throughout the organization.

Successful management accountants know they tread a fine line between serving as critic and improvement facilitator as they put a financial reality on operational information. They work hard to go beyond good analysis and accurate reporting to engage the interest and earn the trust of the people who perform the value-creating work of the organization. By working proactively and positively, management accountants can help managers at all levels look beyond their present problems and manage their opportunities with less risk and greater success.

Have you had experiences in this area? Please contact me at lwhite@imanet.org. ■