

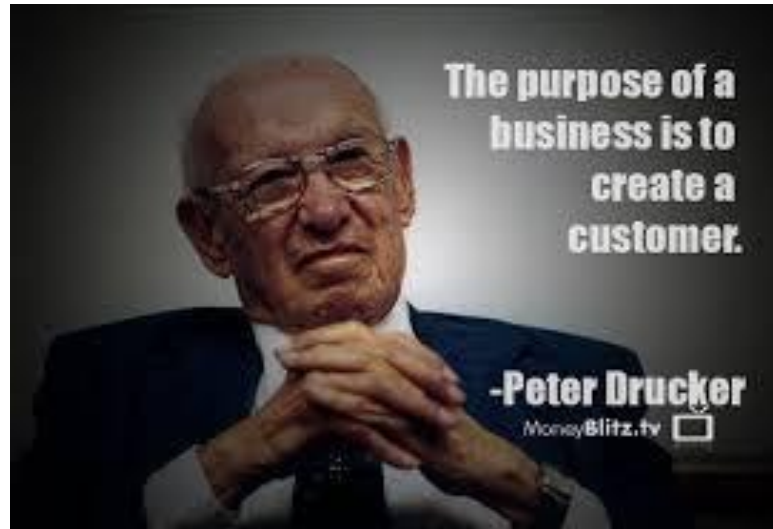
# Enterprise Risk Management and Business Strategy in a World of Unprecedented Change

*Presentation by:*

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CFO, MEF University -Istanbul

*Wednesday, 27<sup>th</sup> November 2019*

# Drucker on Business



# Enterprise Risk Management



- ❑ Transformation of risk management from traditional approaches implemented by individual functions to a coordinated and integrated process
- ❑ Removal of traditional barriers such as cultural or divisional
- ❑ An ongoing process constantly evolving
- ❑ **Traditional vs. Enterprise risk management**

	Traditional Risk Management	Enterprise Risk Management
1	Risk as individual hazards	Risk in the context of business strategy
2	Risk identification and assessment	Risk portfolio development
3	Focus on discrete risks	Focus on critical risks
4	Risk mitigation	Risk optimisation
5	Risk limits	Risk strategy
6	Risks with no owners	Defined risk responsibilities
7	Haphazard risk quantification	Monitoring and measuring of risks
8	"Risk is not my responsibility"	"Risk is everyone's responsibility"

Source: Banham (2004).

# ERM



## No universally agreed definition of ERM

- ❑ ....process effected by an entity's BoD, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives'

*ERM-Integrated Framework, Coso, 2014*

# ERM



❑ Key underlying principles include ;

- Consideration in business strategy context
- Everyone's responsibility in the entity
- Focused strategy led by the BoD
- Proactive approach
- Creation of risk aware culture
- Comprehensive/holistic approach
- Broad range of risks
- Implementation through a framework or system

# ERM



## ENTERPRISE RISK MANAGEMENT (ERM)

Enter Your Sub Headline Here



# ERM Framework



# ERM and Business Strategy



By incorporating ERM processes into strategic planning we add another risk category: strategic risks

- ❑ Strategic risks include social, technological, environmental and political situations that are much broader in scope and longer in impact
- ❑ A greater emphasis on strategic risks



# Coso vs. ISO Framework



## WHAT IS RISK?



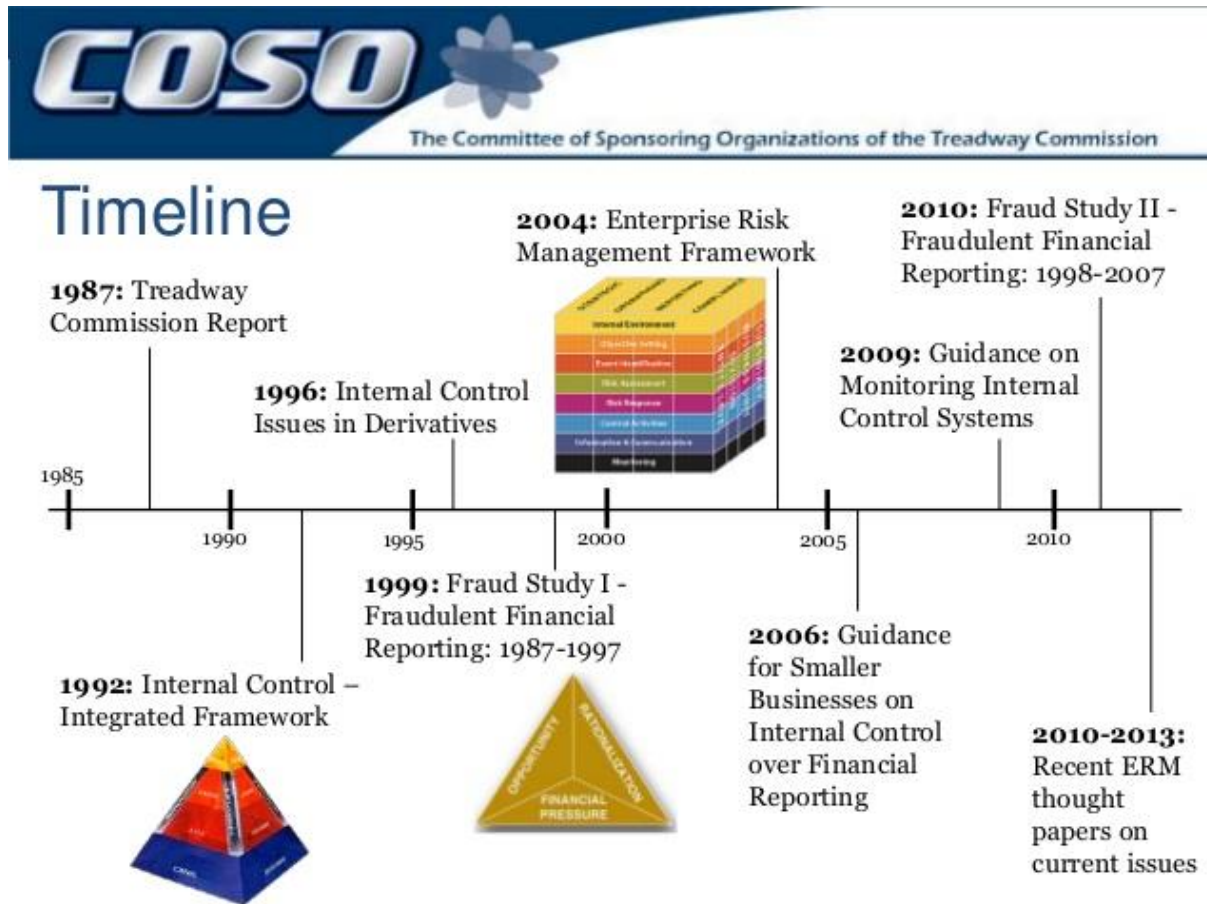
### COSO

Lengthy  
Focused on ERM  
One cube  
Skewed to negative  
Risk already exists  
Risk & opportunities  
More sequential process

### ISO 31000

vs. Short  
vs. General approach to managing risk  
vs. Principles, framework & process  
vs. Risk can be positive or negative  
vs. Risk tied to achieving objectives  
vs. Opportunities also source of risk  
vs. More iterative process

# Coso-Timeline



# COSO ERM Framework



**COSO**

COMMITTEE OF SPONSORING  
ORGANIZATIONS OF THE TREADWAY COMMISSION

## 3) Incorporates New Graphics

Graphic has stronger ties to the business model



# Leveraging ERM for Business Strategy



## ERM processess:

*Evolving from focusing downside risks only to broader evaluation of strategic decisions that have both negative and positive outcomes*

## Reigniting the ERM Processess

- ❑ Redrafting an ERM charter that set forth vision, mission and purpose of ERM within business enterprise as a **strategic** function
- ❑ Shifting from a reactive approach to a proactive approach in dealing with a large spectrum of risks across the organization

# ERM ...focus on different aspects..



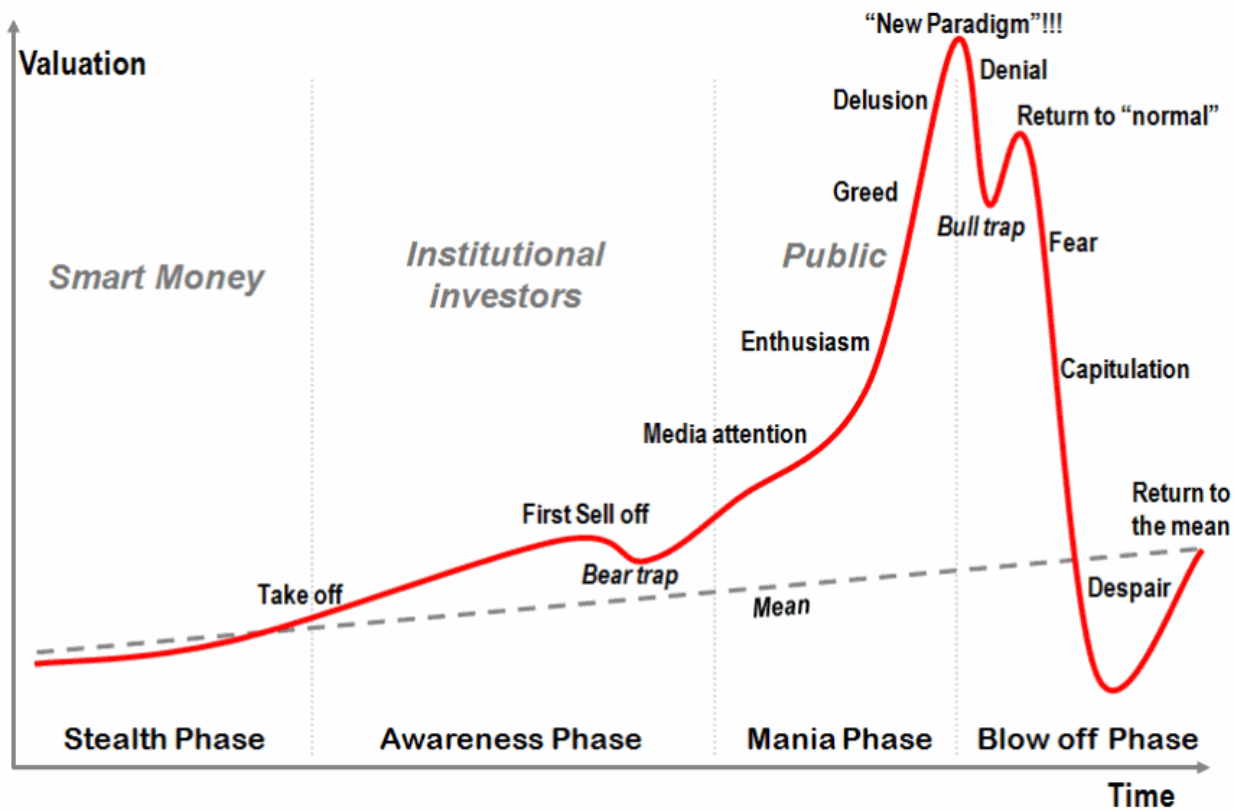
	Focus
Accounting & Audit firms	Compliance , audit, control
Financial Institutions	Compliance
Consulting Firms	Utilizing ERM in business strategy and organizational structure
Insurance Companies	Insurance related topics



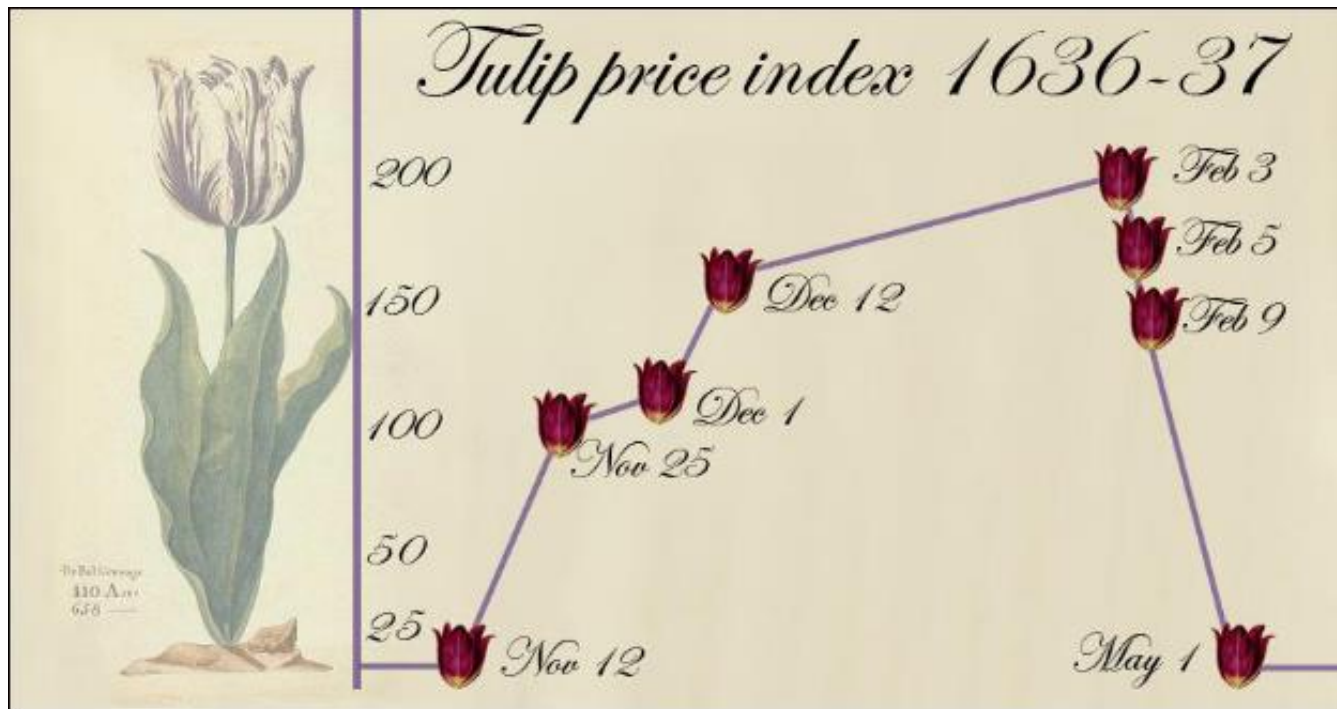
# What is next for businessess ?



# Asset Bubbles

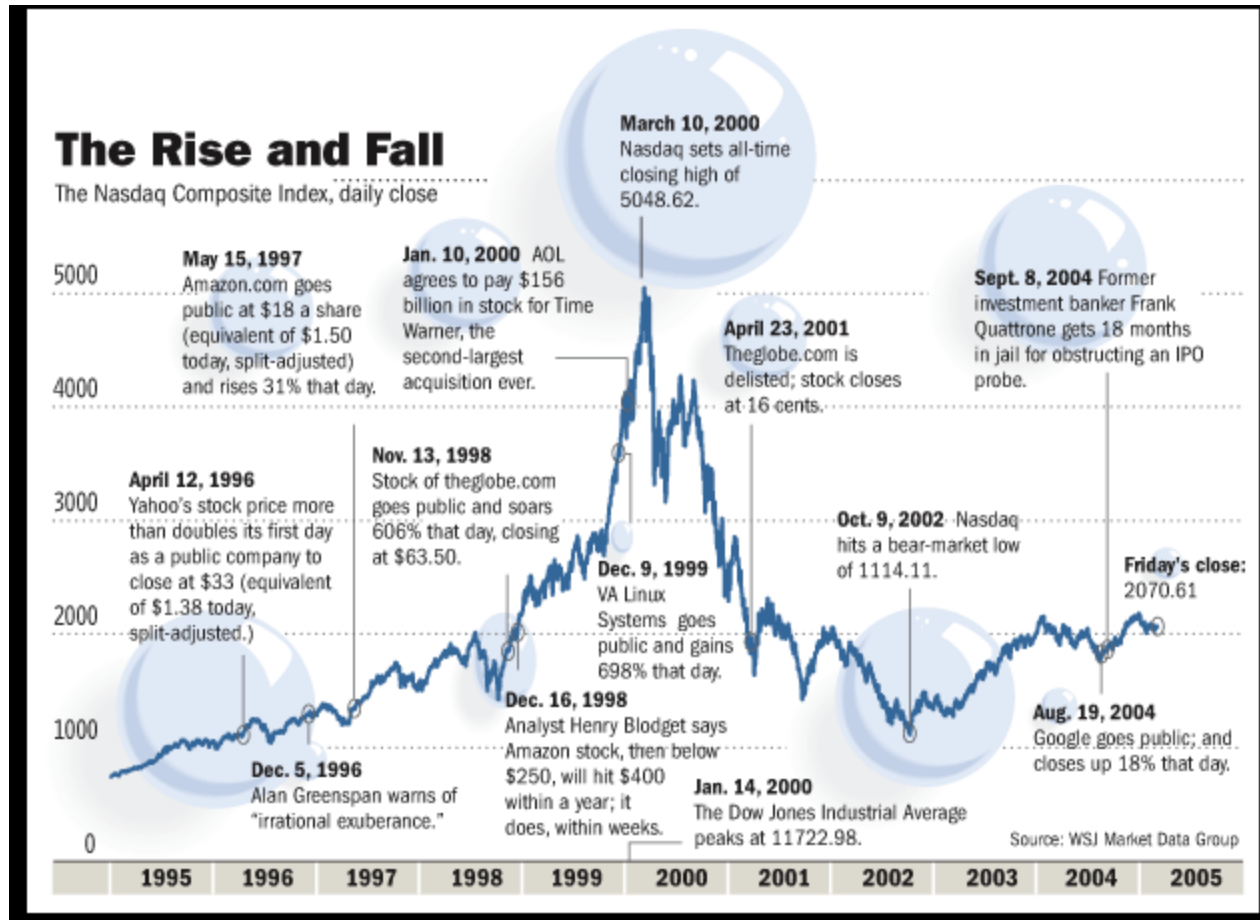


# Tulip mania in the Netherlands in 17 th century





# Asset Bubbles-The Rise and Fall of Nasdaq Stock Index



# Asset Bubbles



## Tesla share price

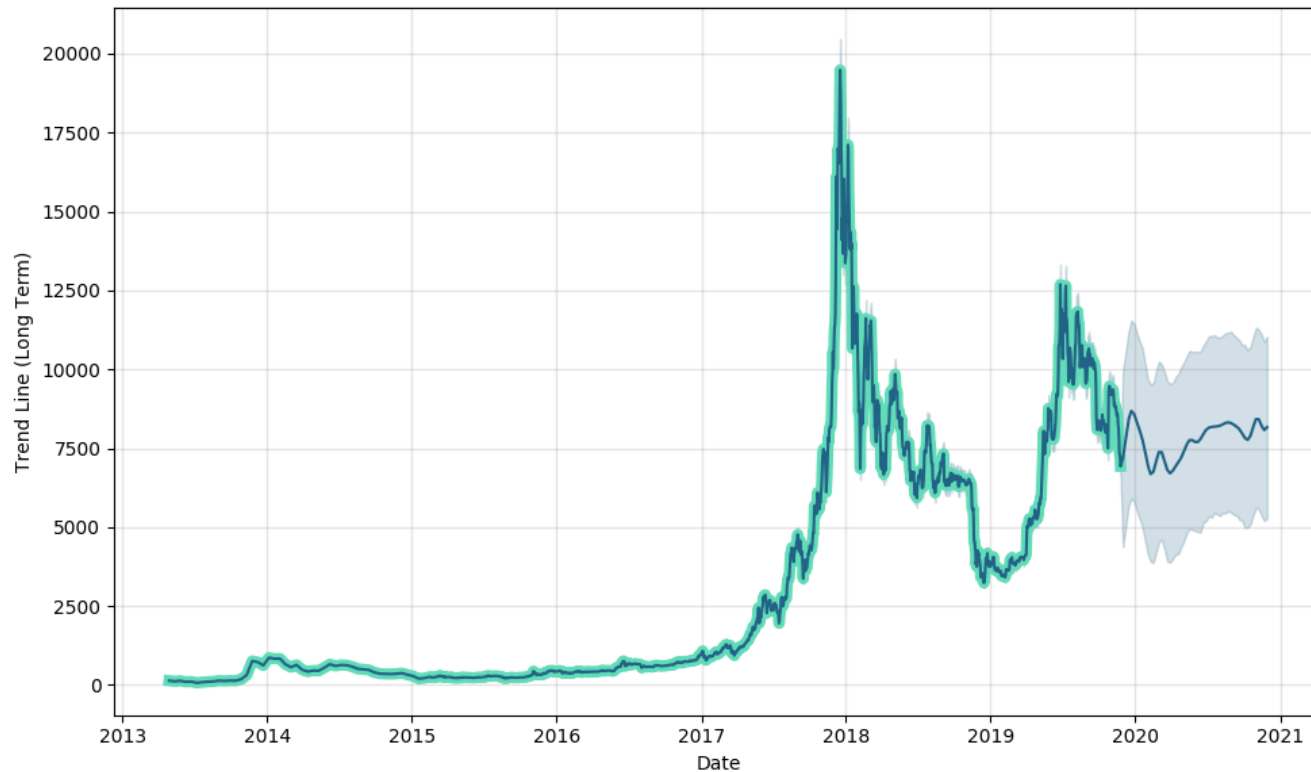
Price in US \$



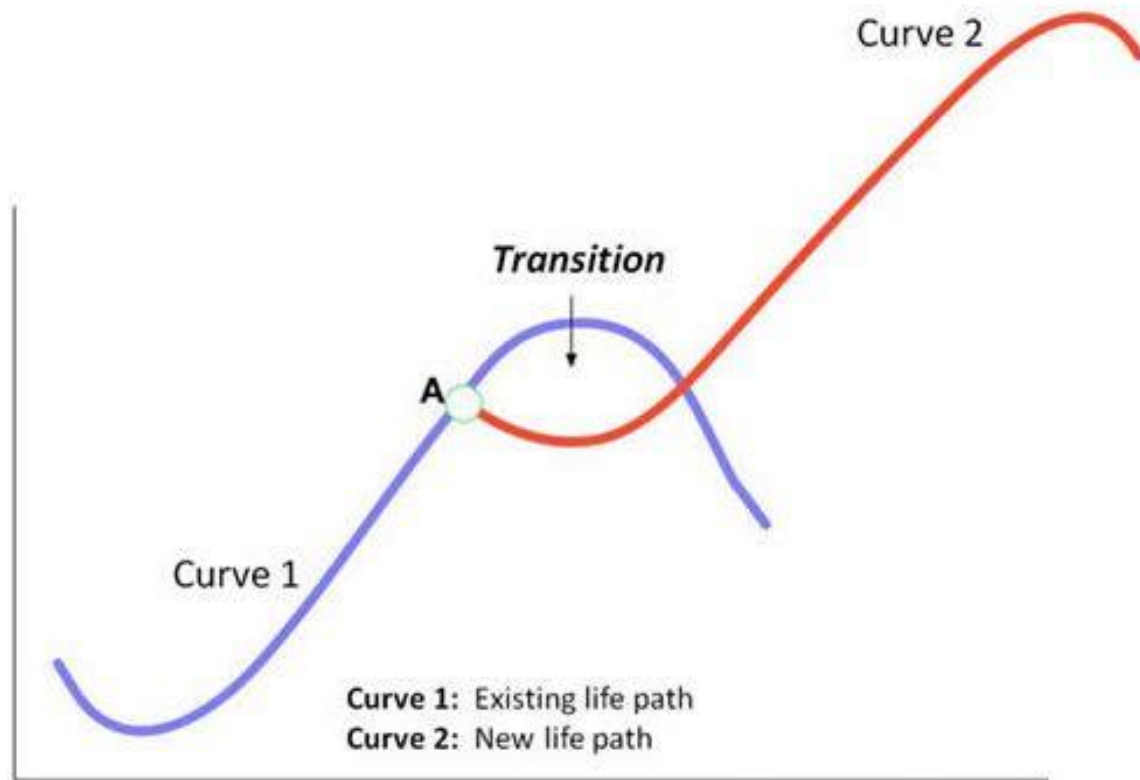
Source: Bloomberg



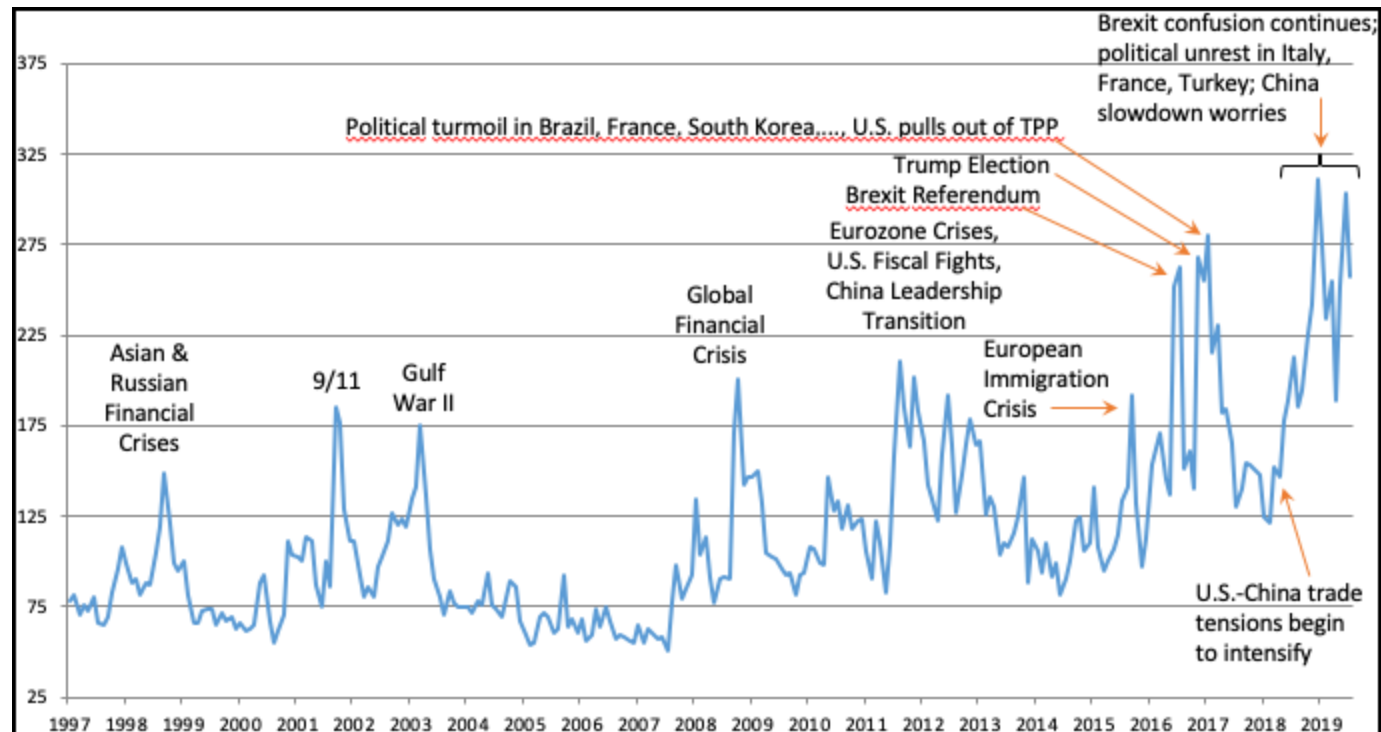
# Asset Bubbles –BTC price chart



# Sigmoid Curve



# Trade Uncertainty Index



# Cyber Risks to Businesses and Companies

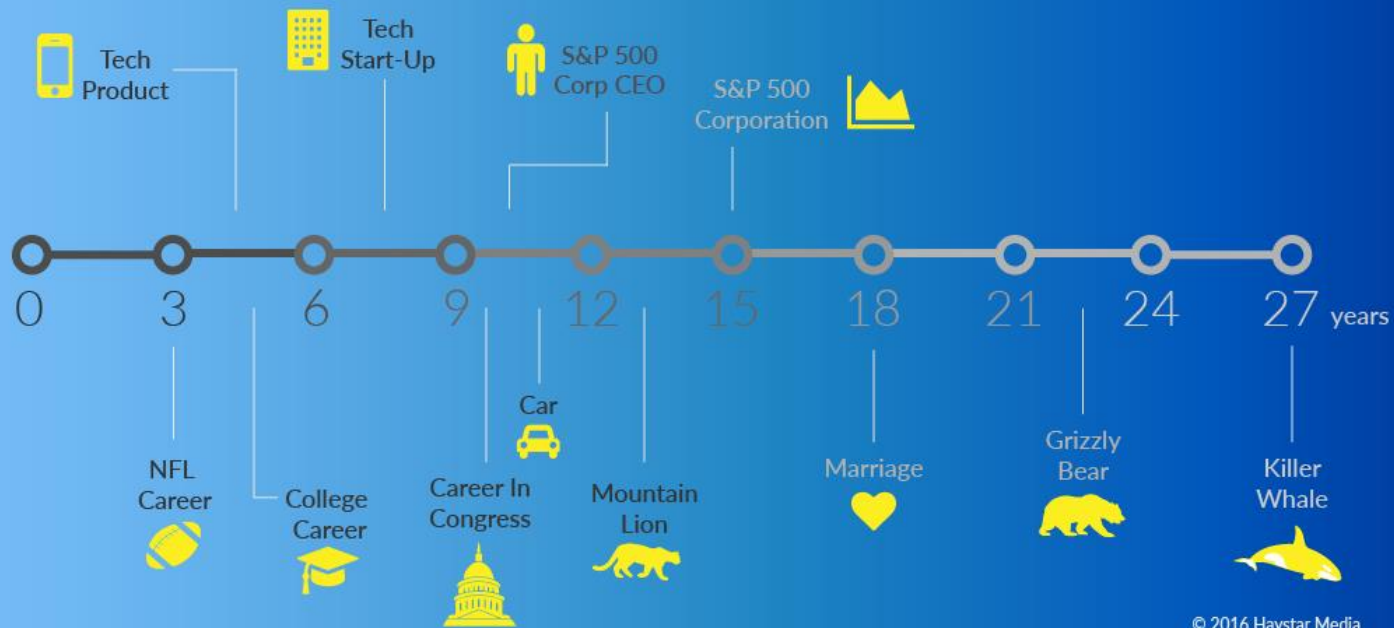


- ❑ Businesses-Always on top of the list of targeted institutions (ie. Digital attack maps)
- ❑ Top targeted countries and industries
- ❑ Millions of attacks each day
- ❑ Individual or coordinated efforts of hackers
- ❑ Banks, telecom companies and educational institutions
- ❑ Attacks pose critical risks to businesses

# Life spans of...

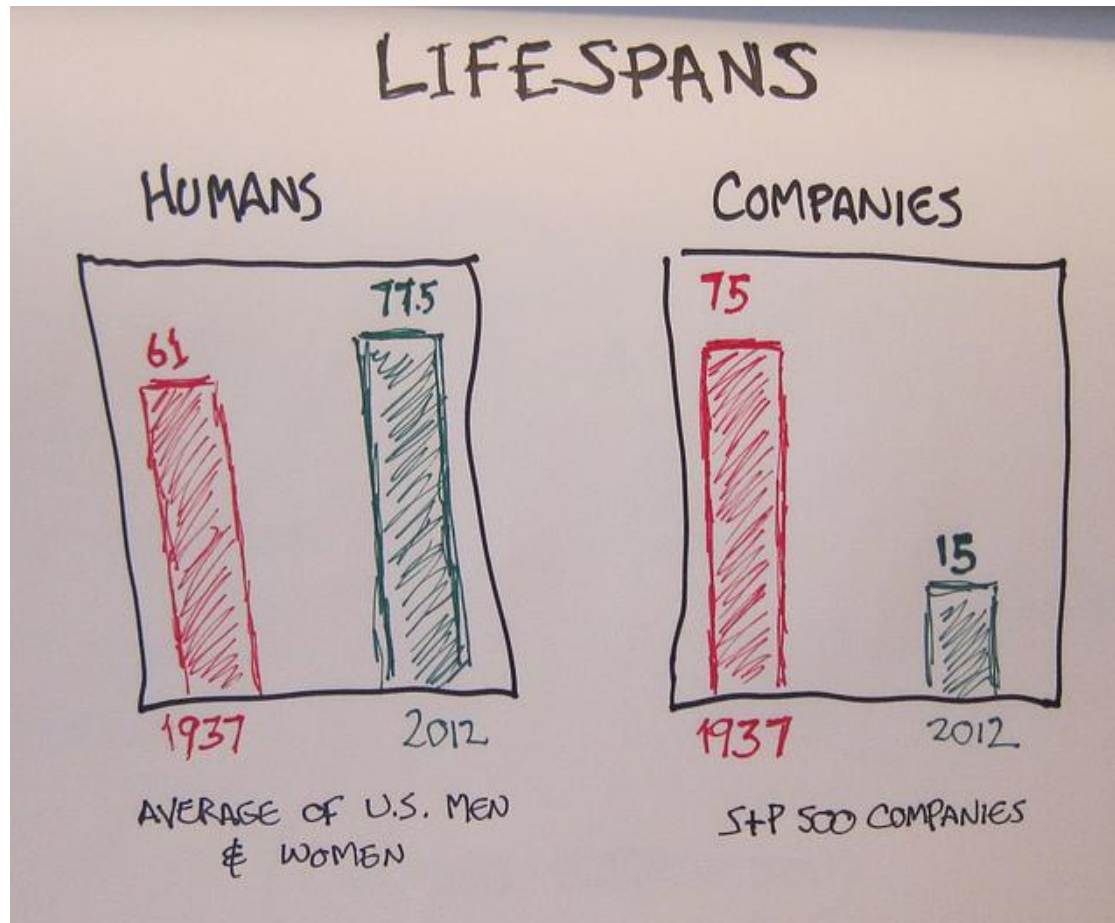


## Average **Life Span** of a ...



© 2016 Haystar Media

# Declining life span of companies



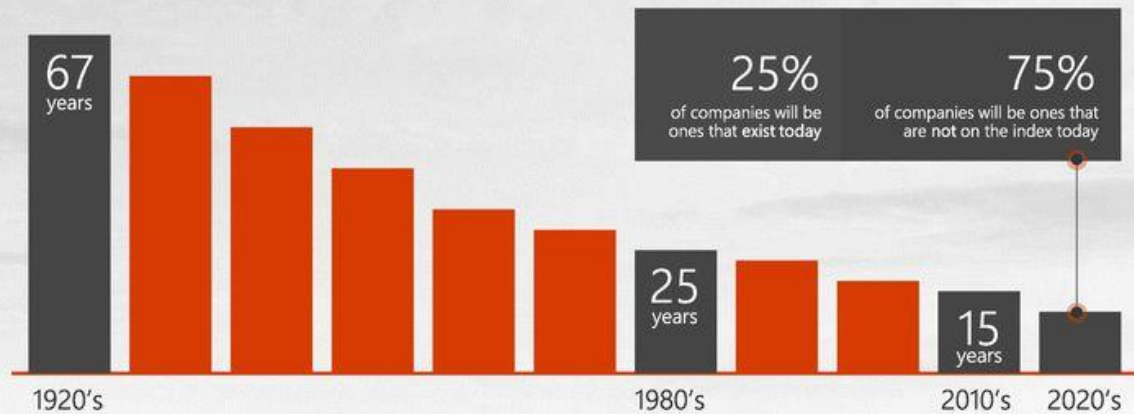


# Life Span of S&P 500 Companies



A world of unprecedented change

Average lifespan of a company on S&P 500



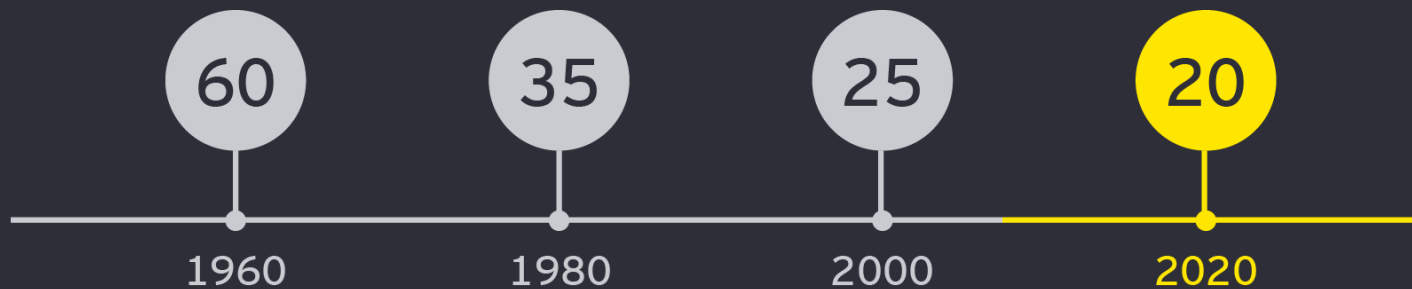
Source: Yale Professor Richard Forster

# A world of unprecedented change



## TRENDS

Average Company Lifespan on  
S&P 500 Index (in Years)

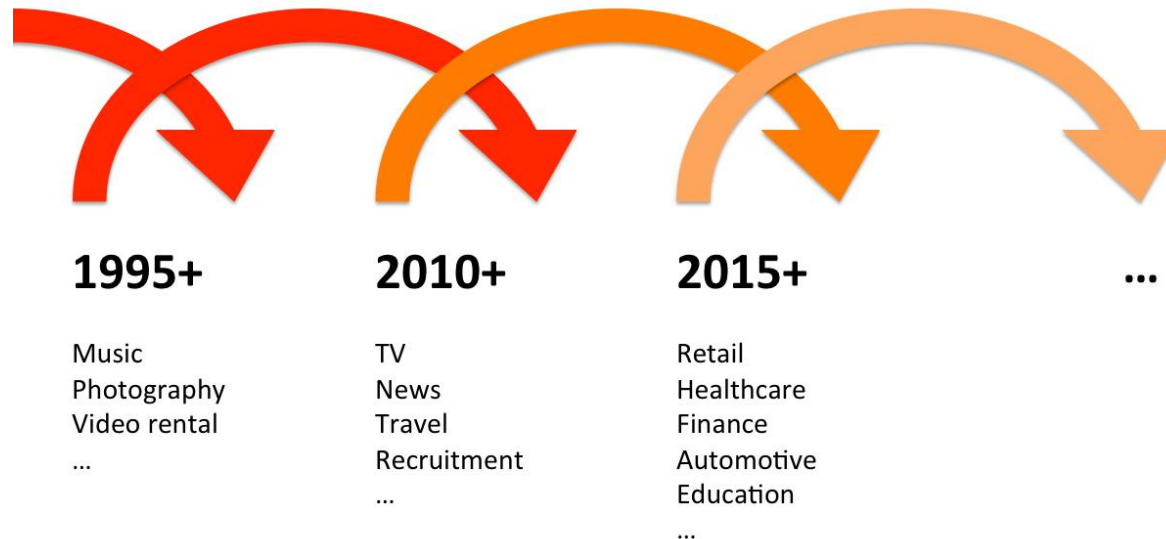


DATA: INNOSIGHT/Richard N. Foster / Standard & Poor's

# Digital Disruption



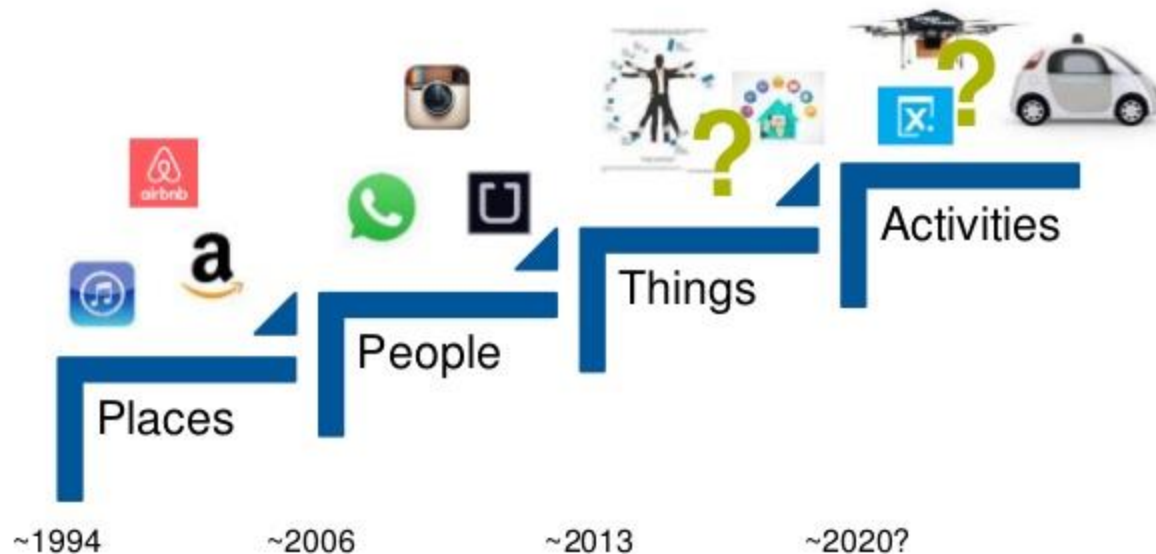
## Waves of **Digital Disruption**



# Disruption



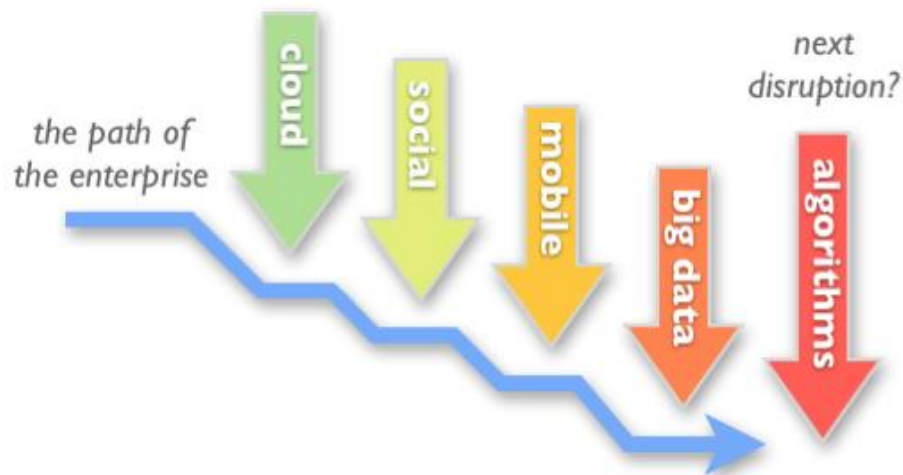
## Disruption of business models through connectivity



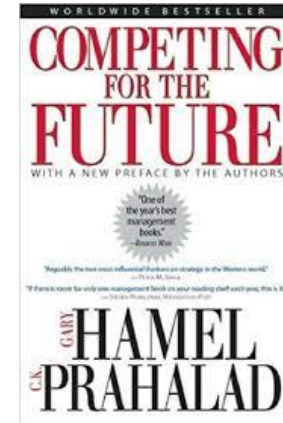
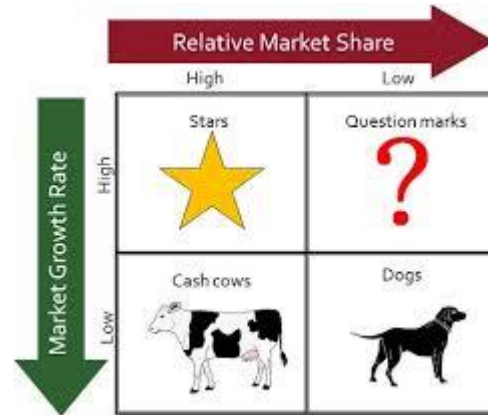
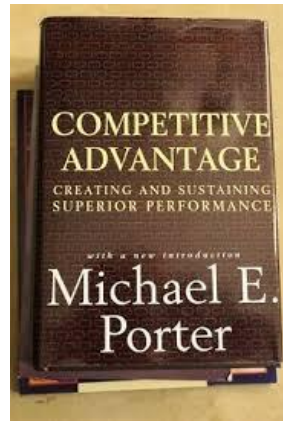
# Disruption...What is next ?



## Disruptive Changes to the Enterprise



# Business Strategy : Still Relevant ?





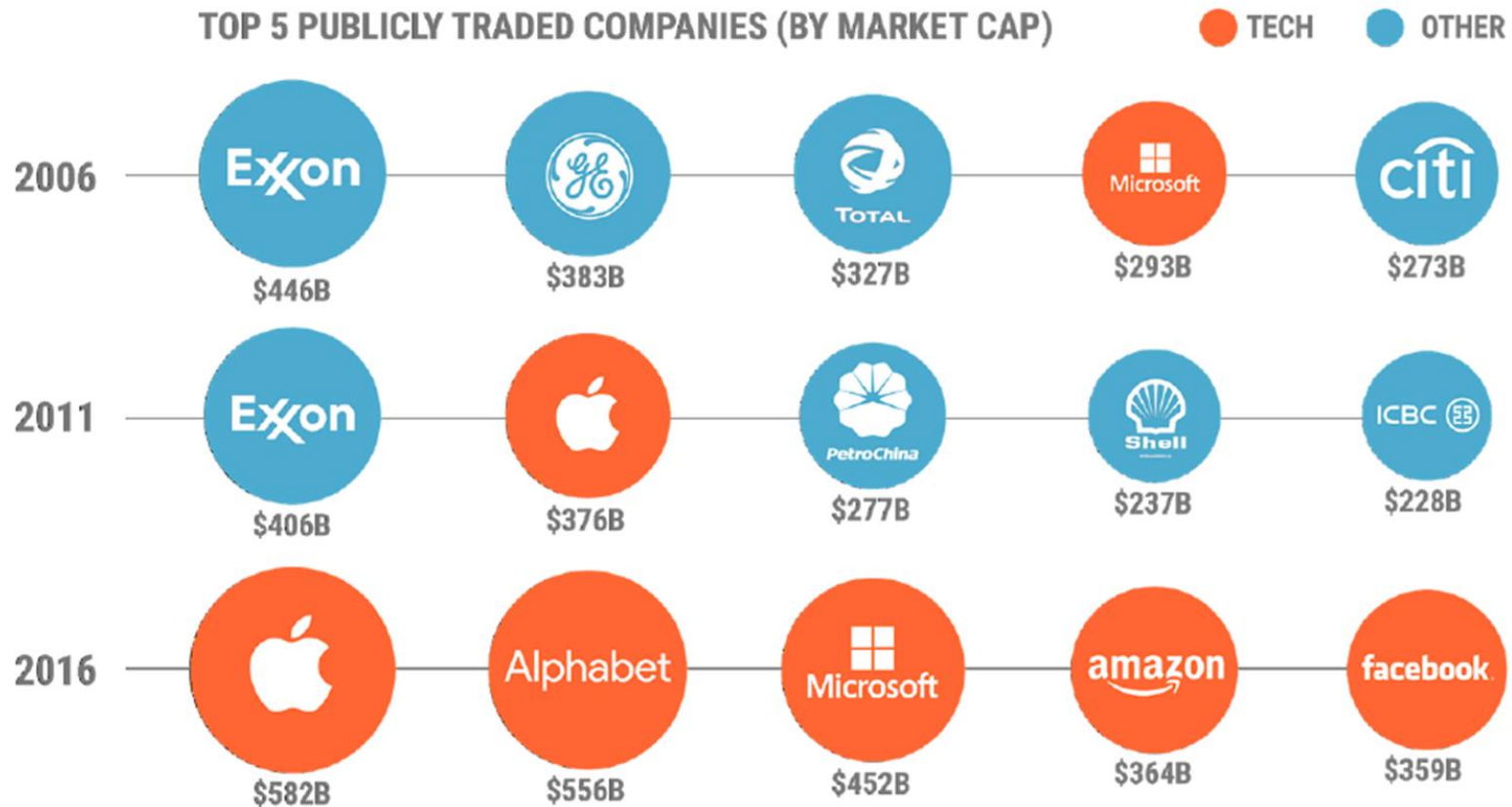
# Jeff Bezos on Amazon's future



“Amazon is not too big to fail ... In fact, I predict one day Amazon will fail. **Amazon will go bankrupt.** If you look at large companies, their lifespans tend to be 30-plus years, not 100-plus years,” **Bezos reportedly told his staff in November 2018.**

According to the successful entrepreneur, in order to avoid this apparent inevitability for as long as possible, the company would need to “obsess” over customers rather than itself.

# The most valuable companies





# FAANG + MICROSOFT

## TOTAL M CAP = USD 4,75 TRLN.



COMPANY	\$ BILLION NOV. 2019
APPLE	1.170
MICROSOFT	1.140
AMAZON	864
ALPHABET	895
FACEBOOK	561
NETFLIX	133



# Acquisitions in technology : Google vs. Facebook



## Acquisitions in Technology

Google



Instagram



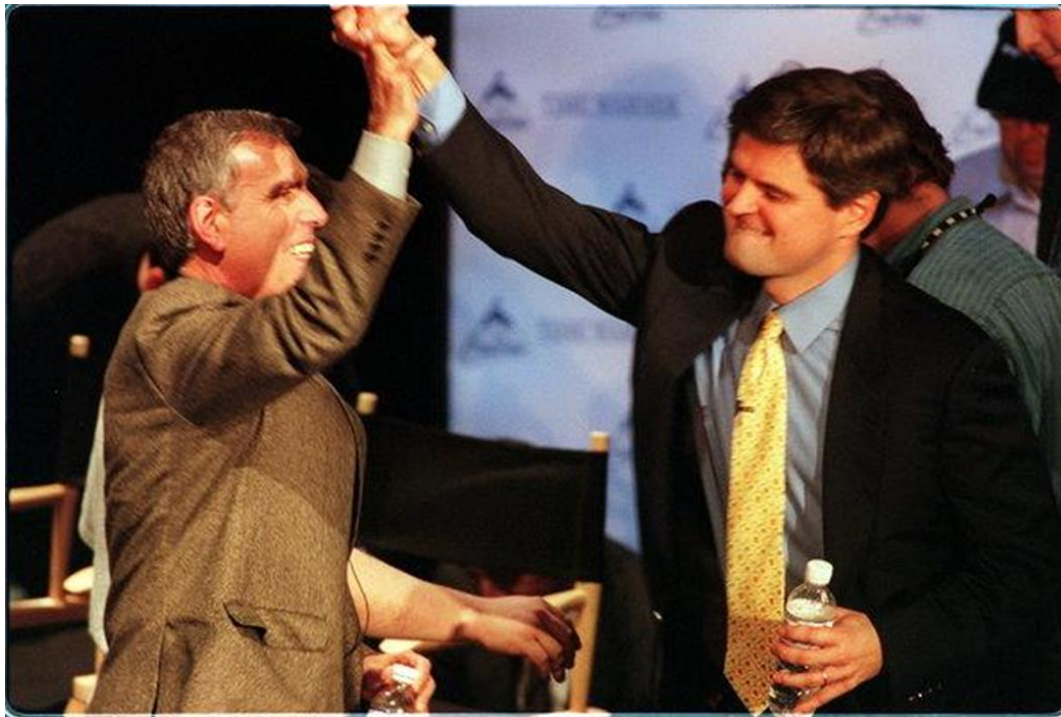
## Bill Gates says his 'greatest mistake ever' was Microsoft losing to Android, June 2019



Microsoft co-founder Bill Gates has been reflecting on his time at the company when crucial decisions were made over its mobile operating system. During a recent interview, Gates revealed his **“greatest mistake ever”** was Microsoft missing the Android opportunity:

“In the software world, particularly for platforms, these are **winner-take-all markets**. So the greatest mistake ever is whatever mismanagement I engaged in that caused Microsoft not to be what Android is. That is, Android is the standard non-Apple phone platform. That was a natural thing for Microsoft to win. It really is winner take all. If you’re there with half as many apps or 90 percent as many apps, you’re on your way to complete doom. **There’s room for exactly one non-Apple operating system** and what’s that worth? \$400 billion that would be transferred from company G to company M.”

G. Levin and S. Case in the year 2000:  
Celebrating something ?



# M&A in Media and Technology : AOL-Time Warner

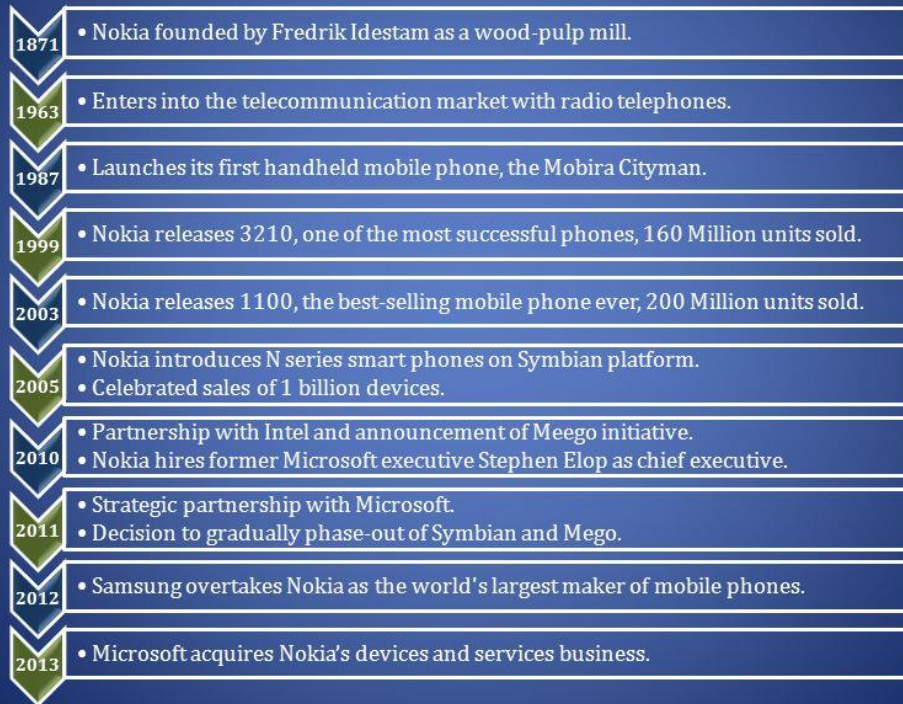


1989	Merger of Time Inc.-Warner Communications : Largest media company in the world
Jan 2000	Merger of AOL-Time Warner : \$ 165 billion
March 2000	Internet bubble burst
2002	Write off- \$ 99 bn.
2009	AOL Spin off by Time Warner : \$ 3 bn.
2016	Time Warner acquired by AT&T for \$ 85 bn. (Closing: June 2018)

# Can Nokia Reinvent Itself?



## Nokia – Timeline

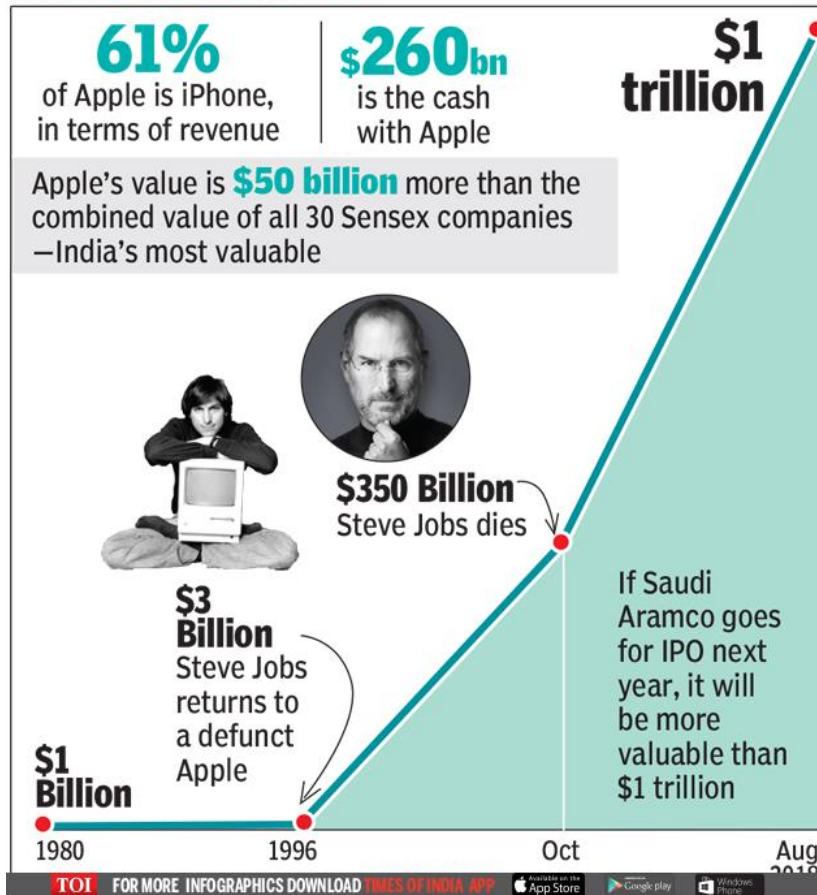




# The most valuable company as of November 2019



## HOW APPLE ROSE TO \$1 TRILLION



# Steve Jobs and Apple





# M&As in Technology :

## A disciplined acquirer - Oracle



Oracle market value : \$ 185 billion

**ORACLE®**  
PeopleSoft

**SIEBEL**  
IT'S ALL ABOUT THE CUSTOMER™

  
Hyperion®

 **Sun**  
microsystems

micros® FIDELIO  
 **opera**

 **NETSUITE**

 **bea**  
**ORACLE®**

# M&As in Auto Industry



M&A s in auto industry



# 2001-Economic Crisis in Turkey



Cari İşlemler dengesi		Rezerv ve dış borçlar (milyon dolar)		
Yıl	Cari İşlemler (milyon dolar)	Yıl	Rezerv	Dış borç stoku
2000	-8.819	2000	34.1	118.8
2001	3.390	2001	50.2	113.9
2002	-11.522	2002	38.2	130.4
2003	-8.637	2003	45.0	145.8
2004	-15.973	2004	53.7	153.2

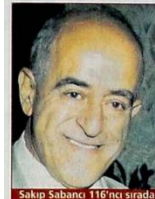
İç borç stoku	
Yıl	Stok (milyar TL)
2000	36.4
2001	122.2
2002	148.8
2003	194.4
2004	224.5

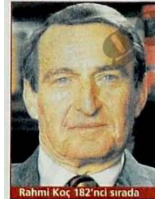
Ortalama dolar kuru	
Yıl	Ort. Dö. Kuru
2000	623.704
2001	1.225.412
2002	1.525.940
2003	1.493.066
2004	1.422.341
2005 (tazak)	1.334.702

## Servetleri eridi

Ekonomik kriz, Türk zenginlerinin servetlerini yarı yarıya eritti. Forbes dergisinin her yıl düzenlediği "dünyanın en zenginleri" listesinde bu yıl ilk 100'e hiçbir Türk giremedi.



Sabah Sabancı 116'ncı sırada



Rahmi Koç 182'nci sırada



Ferit Şahenk 234'üncü sırada

**S**UBAT ayında patlak veren ve hâli süren ekonomik kriz Türk zenginlerinin servetlerini yarı yarıya eritti. ABD dolarının Türk lirasına karşı yüzde 100'e yakın değer kazınması nedeniyle her yıl dünya zenginleri listesinin üst sıralarını zorlayan Türk zengini bu yıl ilk 100'e bile giremedi. Forbes dergisinin araştırması büyük ölçüde emsalleri sahip oldukları hisse senetlerinin değerine göre yapıyor.

Türkiye'de yaşanan yüksek enflasyon, lüksün yanı sıra borsa endeksinin de yarı yarıya gerilemesi, dolar bazında Türk zenginlerinin servetlerini dörtte üç oranında eritti. Örneğin en zengin ve peşu yıl borsa endeksinin 20 bin dolardan 500 bin lira olduğu dönemde 11 milyon dolarla "Sevge" şirketi'nin başkanı 11 bin para düşüp, dolar bazında 1 milyon 300 bin lira değer yitirdiği bildirildi.

Amerikan Forbes Dergisi'nin bu yıl 15. kez yayımlanan geleneksel "dolar milyarderleri listesi"nde bey Türk ismi yer almadı. Listeyi isimlere göre hazırlayan Forbes, servet rakamlarının ailelerin tüm servetlerini temsil ettiğini belirtti.

**LİSTEDE 5 TÜRK VAR**

Çakırova Holding'in sahibi 47 yaşındaki Mehmet Emin Karamehmet 37 milyar dolarlık servetle dünyanın en zengin 109. unvanı olarak listeye girdi. Karamehmet 2007'de 8 milyar dolarlık servetle 45. sırada yer alırken, Türkiye'nin en büyük bankası, Pamukbank, BMC, Four Seasons otelleri, Show TV, Akşam gazetesi gibi şirketlerin sahibi olan Karamehmet'in servetinde dolar ve devalüasyon nedeniyle yüzde 60'a yakın kayıp yaşandı.

**SABANCI DA GERİLEDİ**

Sabancı Holding Yönetim Kurulu Başkanı 66 yaşındaki Sabah Sabancı 3.5 milyar dolarlık servetle 116. oldu. Sabancı, geçen yıl 5.7 milyar dolarlık servetle 75. olmuştu. 2007'de 4.4 milyar dolarlık servetle 113. olan Koç Holding'in 70 yaşındaki Yönetim Kurulu Başkanı Rahmi Koç 2.5 milyar dolarlık servetle 182. sıraya geriledi. Doğuş Holding Yönetim Kurulu Başkanı 37 yaşındaki Ferit Şahenk ise 2 milyar dolarlık servetle 234. sıraya aldı. Ferit Şahenk'in vefat eden babası Doğuş Grubu kurucusu Ayhan Şahenk 2007'de 3.6 milyar dolarla 162. sıraya almıştı. Uzun Grubu'nun kurucusu 66 yaşındaki Kemal Uzun da 1.6 milyar dolarlık servetle 312. oldu.

Listeyi alan 36 dolar milyarderinin servetlerinin toplamı 1.7 trilyon dolar buluyor. Bu rakamın Fransa'nın toplam yıllık milli gelirinin üzerinde olduğunu işaret eden dergi, listesinde 538 kişinin ortalama net servetlerinin 3.2 milyar dolar, yaş ortalamalarının ise 62 olduğunu duyurdu.



Bill Gates yine birinci

**BİLGİSAYAR** devi Microsoft'un kurucusu 45 yaşındaki Bill Gates 14. yıldır olduğu gibi bu yıl da 58 milyar dolarlık servetle birinci kimseye kaptırmadı. Geçtiğimiz yıl bu yana servetinde yaklaşık 4 milyar dolarlık bir azalma olmasına rağmen Bill Gates'in diğer zenginlere attığı farkın kolay kolay kapanmayacağı belirtiliyor. Ünlü Amerikalı bilgisayar dahisi'nin daha uzun yıllar birinci sıradaki yerini korumayı sürdüreceği tahmin ediliyor.

YILLIK GETİRİLER		
KRİZLER	DOLAR	BORSA (\$)
30/12/1994	161.87	-50.67
31/12/1998	53.62	-50.99
31/12/2001	115.02	-31.54
31/12/2008	30.99	-62.75
10/08/2018	69.59	-41.90

**KRİZ içinde KRİZ**

**Türkiye**

**Faizde ürküten REKOR %7500**

Zirvedeki kriz piyasayı sarsarken gecelik faizler tarihin en yüksek seviyesine çıktı, borsa 7150'e indi

**DURUM**

# 2001 Crisis and GSM Industry in Turkey



## Turkish GSM Industry

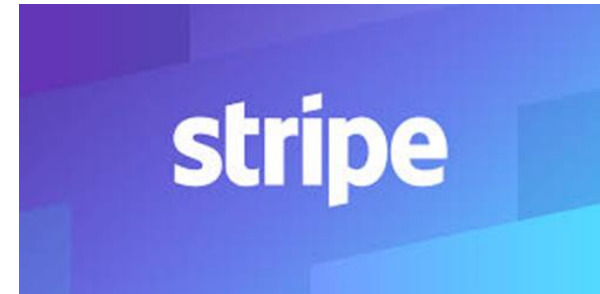




# Deutsche Bank vs. new payment companies



Market values ; \$ 122 bn., \$ 20 bn., \$ 13,6 bn.

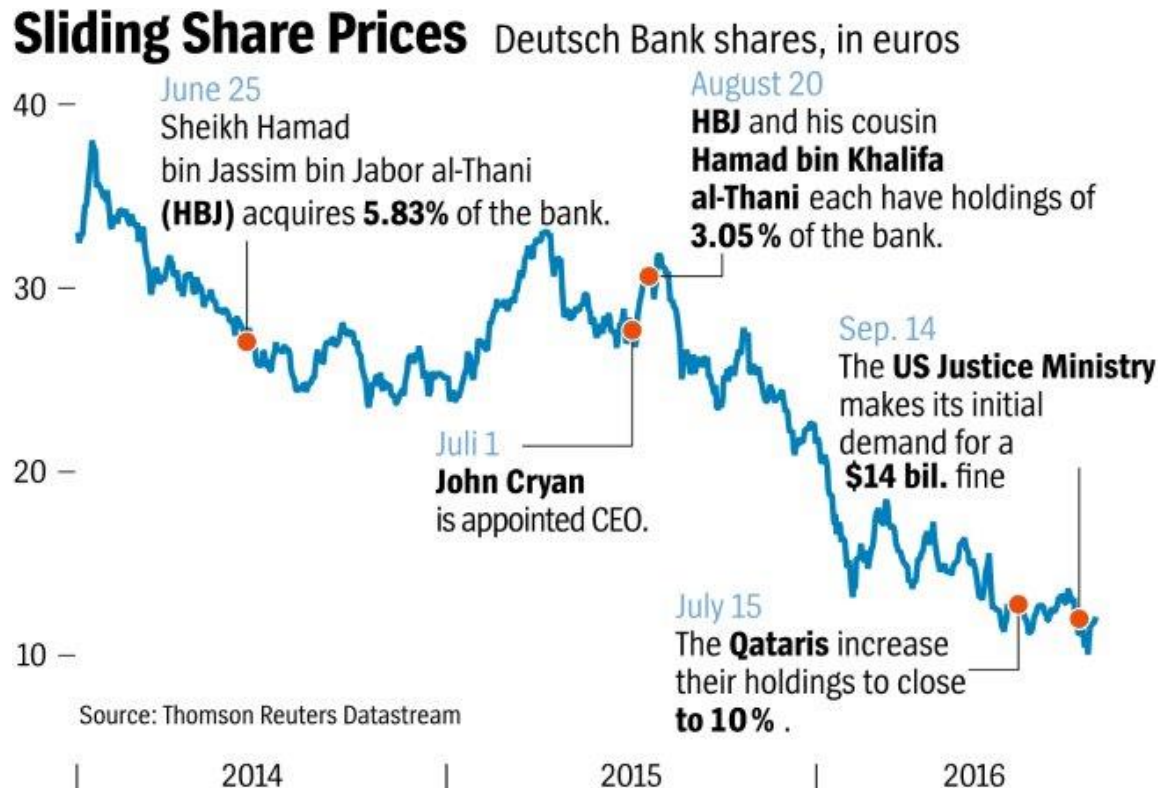


# Deutsche Bank since 1989



- 1989 Morgan Grenfell acquisition
- 1995 Investment banking unit-relocated to London
- 1999 One of the largest bank in the world - \$ 0,8 trilyon in total assets
- 1999 Bankers Trust acquisition
- 2008 Postbank acquisition
- 2008 Global financial crisis and its effects on DB
- 2008-2019 Financial scandals, job cuts, turbulence in top management
- Nov 2019 : \$ 13,6 bn market value

# Deutsche Bank share price



Market capitalization on Jan. 1, 2014

**€35.4 bil.**



Oct. 5, 2016  
**€16.6 bil.**

DER SPIEGEL



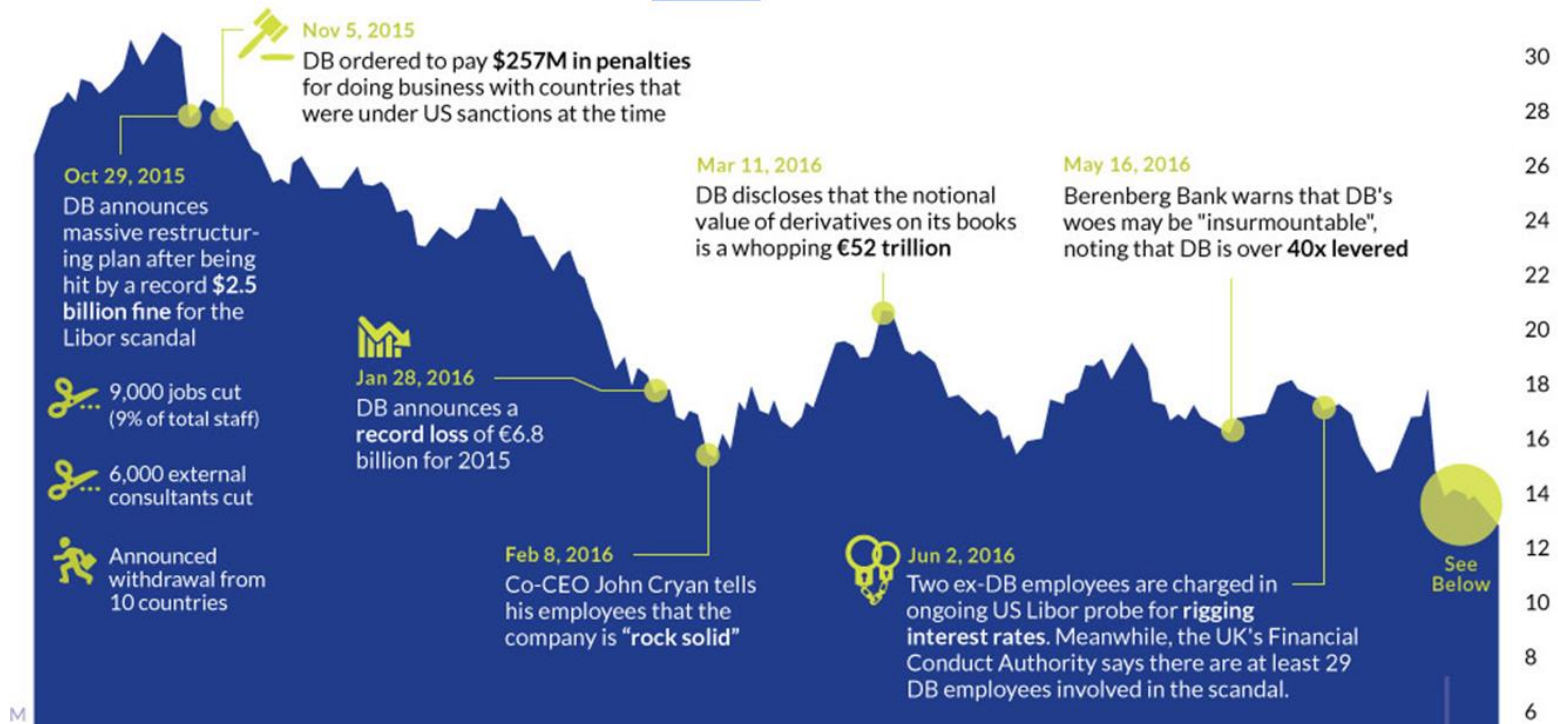
# Deutsche Bank share price



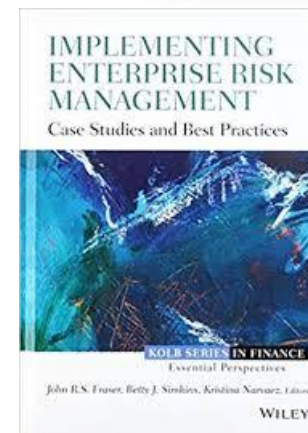
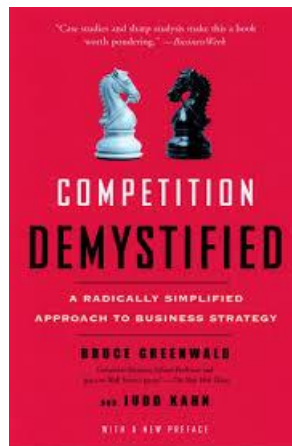
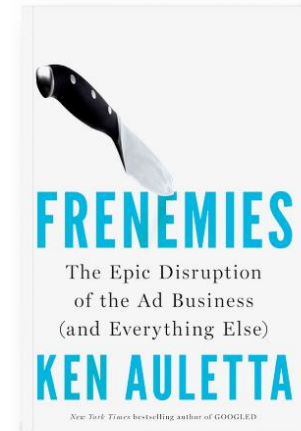
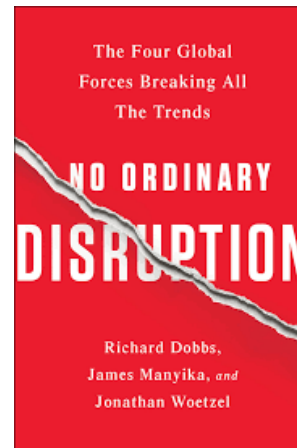
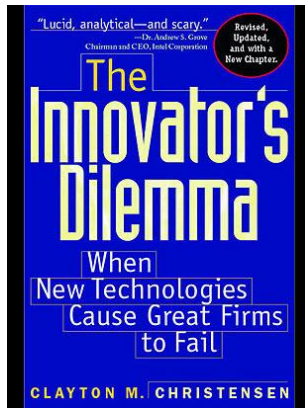
**DB** DEUTSCHE BANK AG



Deutsche Bank (DB) is the largest bank in Germany and one of the most important financial institutions in the world.



# Recommended Books



# Contact Details



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