

CASE STUDY

Enterprise Risk Management



Issue

An international manufacturing Company (“Company”) needed to know how individual markets would react to the introduction of a new product. They did not have a means to provide a quantitative analytical approach to measuring and understanding this uncertainty. The Company became aware that information they had assumed would be available from another business unit would, in fact, not be available.

Solution

The Company decided to hire outside resources to help them design and implement a model that they could use to predict the likelihood of a risk event occurring and quantify the magnitude of any loss. They considered several external options, including professors from Carnegie Mellon University, and ultimately decided to hire Cowden Associates, Inc. (“Cowden”) based upon our capability to design a model that:

- Organized information the Company had available in order to make comparative risk measurements in the various worldwide markets for a product
- Organized and processed mass amounts of data
- Analyzed data to determine statistical trends that could be used to build assumptions for projections of future events
- Incorporated advanced mathematical models into a methodology for comparing various scenarios on a consistent basis
- Calculated an expected damage amount at future intervals reflecting the possibility of a loss event at that time
- Cowden designed a separate projection tool to address the data they were unable to obtain that produced the necessary projection of revenue and expenses given their unique competitive industry

Results

- Cowden assisted to narrow down the data into unique and measurable criteria
- The appropriate mathematical treatment was determined so the data could provide the risk comparisons between countries and products
- Senior Management of the company gained a greater appreciation for and understanding of the risks faced in this growing business line
- Timing goals for the delivery of the prototype were met
- The Company quickly expanded the use of the prototype to several different products with over a dozen different geographies per product
- Discussions continue on enhancements that can be built into the model to give management a greater capability of making risk-based decisions

The prototype was used to measure risks for a handful of geographies during the development of a scalable utility in the company’s native software bundle. Cowden was called upon to identify where the utility was not replicating the prototype’s calculations, and to work with the programmers to make the necessary corrections in their utility.

Cowden was hired because of our:

- Consulting skills and ability to quickly understand their business problem
- Actuarial expertise that allows us to design a mathematical treatment for the appropriate combination of multiple risks
- Ability to develop sophisticated modeling that can illustrate future outcomes under varying assumptions
- Responsiveness and ability to meet and prioritize their needs



COWDEN

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