The editors put together more than twenty essays written by academics and practitioners with a deep knowledge on this evolving methodology. As you can see along the reading, this is not a pocket book; it has more than five hundred pages divided in six sections and twenty-eight chapters. This book has two remarkable attributes: the blend of academic and practical experience, and some lessons learned of the subprime crisis. It has a holistic approach to Enterprise Risk Management (ERM) and covers all aspects: the what, why and how of risk management. It succeeds in giving the reader a good framework on ERM, and it offers a great deal of practical tools. Sometimes, such an ambitious works like this has the disadvantage of being a bit light in some areas; in the case of this book, the coverage of financial risk is somehow superficial.

The first Part, Chapters 1 to 4, is devoted to general aspects of ERM. After the book overview in Chapter 1, Chapter 2 provides a brief history of risk management and the most significant milestones are presented. The first one, is the publication of Risk, Uncertainty and Profit by Frank Knight in 1921 where uncertainty (not measurable) is separated from risk (measurable) and the last one, is the bailout of Bear Stearns in 2008 that (to many) appears to be an admission of the failure of conventional risk management in financial institutions. The following chapter introduces the importance of the relation between ERM and Strategic Planning. This is a fundamental idea in this discipline and it shows up later again in the book. Finishing this part, Chapter 4, is focused on the role of the Directors and Senior Management in the successful implementation of ERM.

The following Part of the book, Chapter 5 to 8, discusses cultural aspects of ERM. I would not say that this part is crucial but some important notes could be found. Chapter 5 is dedicated to the evolving role of the Chief Risk Officer in modern organizations. This function has become more popular after the subprime crisis. The following chapter covers the relevance of promoting the risk-aware culture across the entire firm. Chapter 7 describes the ISO risk management framework, which incorporates several leading international standards. The author of Chapter 8 presents the concept of Key Risk Indicators and its value supporting risk management and strategic and operational performance.

The third part of the book (Chapters 9 to 13) is really interesting. It is full of practical examples and relevant tools. Chapter 9 discusses on how to create and use corporate risk tolerance. It presents a good discussion on the importance of a proper definition of corporate goals and the capacity to take risk. The variety of subjects of this book is reflected in Chapter 10 "How to plan and run a risk management workshop". It is not usual to find this in risk management texts, not vital but could help. In Chapter 11, John Fraser, shows the common types of corporate risk profiles, such as “Top 10 Risk”, “Risk Map”, “Heat Map”. Also presents the experience of Hydro One Networks Inc. implementing “Top 10 Risk” profile. The following chapter proposes a technique to allocate resources based on risk. Chapter 13 explains the world of quantification of non-financial risks. The author provides descriptions of four different approaches to the quantification of individual risks. However, the first three refer to the use of bands or single “best
guess” and do not integrate the risk in a comprehensive analysis. The last one presents a Monte Carlo simulation but the discussion is quite light. I would be interested in more discussion on this.

The fourth part, Chapter 14 to 21, is devoted to the different types of risks. On my opinion, this is the second key part of the book. In the first chapter, the author talks about market risk and common elements with credit risk. The central idea is quite obvious but not less important: successful risk management strategies demand a clear understanding of underlying business beyond the usage of quantitative tools and techniques. Chapter 15 starts by discussing the fundamental of credit default risk. Then present several credit mitigation techniques and closes discussing the credit crisis of 2008. Chapter 16 discusses operational risk. It is full of appropriate recommendations. The author, suggest two important ideas: the first one, not every single risk is negative and, the second; risk management should be more focused on value creation instead of value conservation. Chapter 17 proposes, a new perspective for risk management in order to avoid financial difficulties experienced in 2008. Basically, the author suggests going beyond the simple risk measures and build a risk management that integrates risk into strategic planning, capital management, and governance. Chapter 18 explores the benefits of managing finance risk (i.e. lower cost of financial distress, higher debt capacity, greater firm value, etc). It finishes pointing out the interaction of financial risk with credit, operational, strategic and legal risk. A good review of the evolution of bank capital requirement is presented in Chapter 19. Based on the deficiencies evidenced during the subprime crisis, the author says that the ERM and economic capital is the future of bank capital regulations. Chapter 20 and 21, are focused on legal and regulatory matters. Sarbanes-Oxley Act (SOX), financial reporting and disclosure risk management are well discussed. Do not miss the list of financial reporting frauds by more than $200Bn.!

Part V, Chapters 22 to 24, is devoted to topics not usually covered by risk management books. Chapter 22 “Who reads what most often?” is a survey of enterprise risk management literature read by risk executives. Beyond the useful “Top 10 Articles” and “Top 10 Books” list, the survey shows the lack of research and case studies so that risk executives can learn experiences of others who have successfully implemented ERM. In the same line, Chapter 23 provides a summary to date of research on this subject reaching similar conclusions. Finishing this Part, Chapter 24, “Enterprise Risk Management: Lessons from the Field”, have the insight of a trio professors and practitioners experts on ERM. The Chapter has techniques, tools and advices for a correct ERM implementation. The idea of incorporating ERM deep in the company's life is greatly expressed by this nice phrase “the goal is embed ERM in the rhythm of the business”.

Finally, Part VI, Chapters 25 to 28, is dedicated to special topics and case studies. In Chapter 25, the author says that rating agencies have been a major driver in the increasing interest in ERM by including this discipline in their ratings analysis. The following chapter is a kind of round table where selected authors of the book are asked about current initiatives on the subject. It has a lot of tips and personal opinions about ERM. Chapter 27 is devoted to the benefits of Enterprise Risk Management in Emerging Countries. Last but not least, Chapter 28, which presents the evolution of the role of Chief Risk Officer in the modern organizations.

Overall, to me this is a good book, worth reading if you are interested in Risk Management. The great variety of topics covered is not easy to find. I think is a nice text to have it in the bookcase since it can be used as a reference many times.