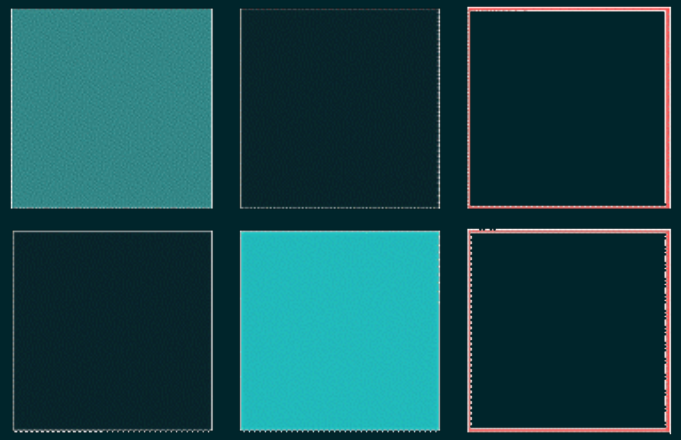
KMRC

ORM in Motion!

WEEK 2



01

TAXONOMY RECAP

RECAP

Overview of Taxonomy in ORM

What is a Taxonomy?

A Taxonomy is a system of organizing and/or classifying sets of information. Taxonomies are used everywhere, for example:

- **Retail** – *to organize grocery aisles*
- **Biology** – *to classify species*
- **Education** – *to organize domains of learning*

Types of Taxonomy used in ORM

Many different taxonomies are used in ORM. The primary most used taxonomies are as follows:

- **Risk Taxonomies** – *organize and classify risks, events, issues, etc*
- **Control Taxonomies** – *organize and classify controls*
- **Process Taxonomies** – *define, organize, classify, and map processes*
- **Organizational Taxonomies** – *organize and classify digital and non-digital assets*
- **Organizational Hierarchies** – *organizes and structures information into classification levels (i.e., defines the relationship(s) across elements in a taxonmy)*

Benefits of Taxonomy

- **Common language** – *everyone is speaking the same "language" and has the same "understanding"*
- **Reduced ambiguity** – *terms can have many meanings, interpretations, and contexts*
- **Enables data quality**– *consistent data classification results in better quality data*
- **Breaks down siloes** – *aligning taxonomy across functions breaks down organizational and cultural barriers and leads to agreement and establishment of common ground*

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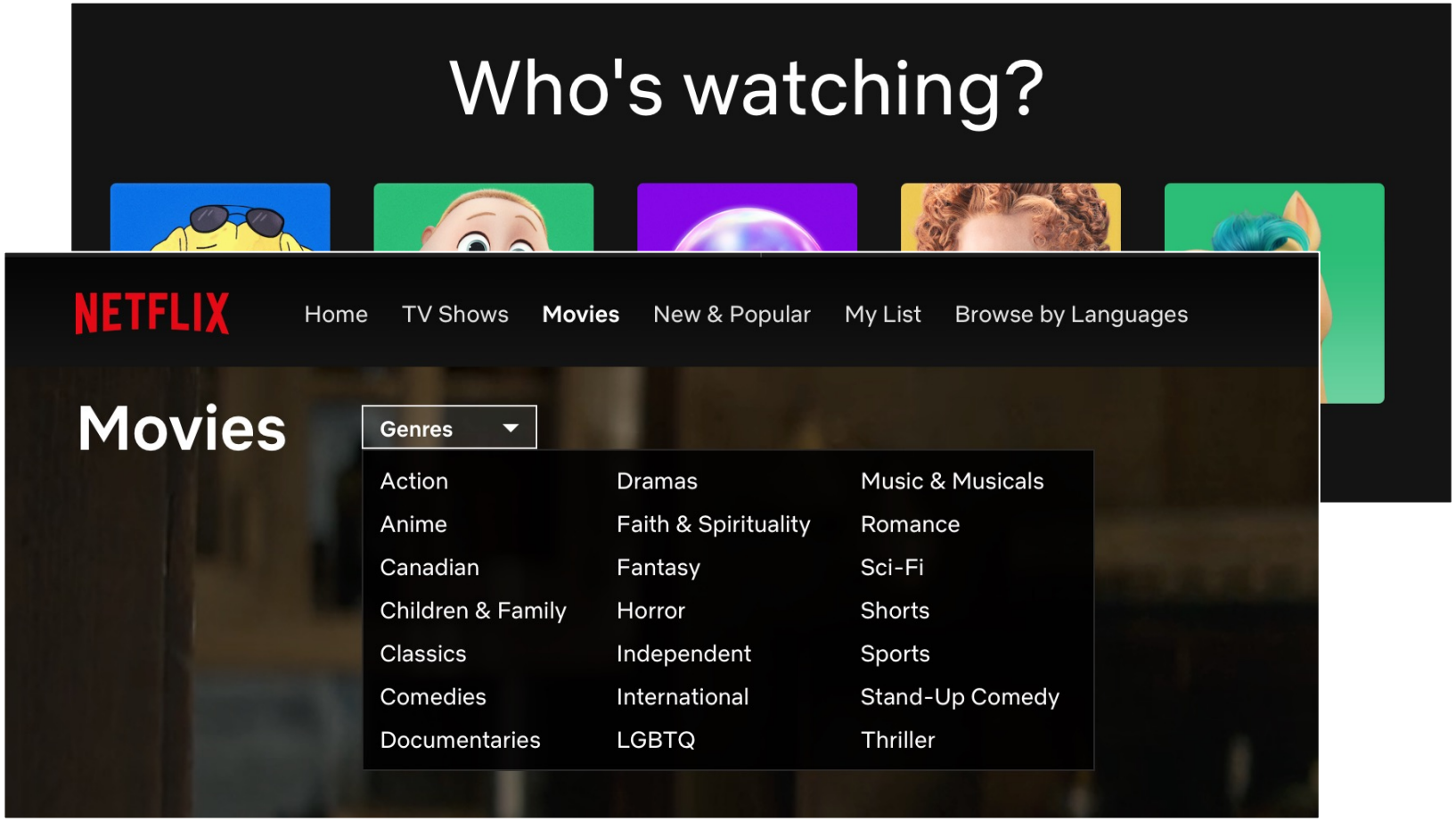
PRACTICAL EXAMPLES OF TAXONOMY

Let's examine a few "real life" examples

NETFLIX

Netflix uses a taxonomy to organize and classify its content into genres.

Imagine how much longer it would take for you and your loved ones to agree on what to watch, if not for this system of classification.



PRACTICAL EXAMPLES OF TAXONOMY

Let's examine a few "real life" examples

Costco's layout taxonomy is one that has been well thought out. The objective isn't for people to be able to find what they're looking for easily, it's to put customers on a treasure hunt. While there are no aisle guides, similar products do tend to be grouped together

- *Luxury items up front – to tempt the impulsive shoppers*
- *Center court "best deals"*
- *Produce and fresh foods are at back to require you to walk past other impulse buys*
- *Deals at end of aisles to "grab attention"*

PRACTICAL EXAMPLES OF TAXONOMY

Let's examine a few "real life" examples

My son has been obsessed with Pokemon for years. He knows more about Pokemon than any one person should.

He has explained to me that there are 18 types of Pokemon and that it's important to know the types so that you understand their powers, strengths, and weaknesses in battle.

"Dragons are hard to train and do less damage with steels and do not affect a fairy-type that much".

"A Bug Pokémon grows and evolves quickly compared to other normal types".

"Normal types should be careful against the fighting and ghost-type Pokémon".

LESSONS LEARNED

Look to your real life experiences with taxonomy to inform design

When we examine the various taxonomies that are used in our everyday lives, there are a variety of observations that can be made. Some taxonomies make our lives easier and some may make no sense at all.

We can learn many lessons from our everyday life that can be applied to the risk taxonomies at work. Here are a few lessons that I've applied when working on work taxonomies:

Mutually Exclusive & Collectively Exhaustive

There is nothing more frustrating when there are more than one right answer to choose – or where you come to a fork in a road and the signs are not clear as to which you are supposed to take.

Purpose-Driven Design

What will the taxonomy be used for? What outcomes do you want to achieve? Remember the Costco example - is the purpose of the taxonomy to help people find what they are looking for quickly or to tempt shoppers into buying more items?

User-Friendly Design

Are the taxonomies defined using a language that resonates with all end users? How simple of complex are the taxonomies - how many clicks will people have to do before getting to the end of the task?

Dynamic and Integrated

Taxonomies should be dynamically updated to reflect changes in the internal and external environments to ensure they are always relevant. What worked yesterday may not work for today or tomorrow (e.g., Basel events). Modern taxonomies need to reflect the dynamic relationships across risk types (e.g., themes).

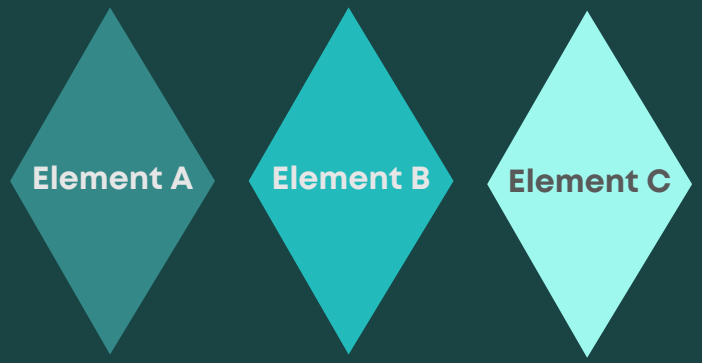
RECAP

Taxonomy must be “MECE”

The taxonomy should have a single owner who defines accountabilities, ownership, and governance over maintenance of information.

Key principles to enable use of a common taxonomy

All taxonomy elements must be
mutually exclusive



All taxonomy elements must be
collectively exhaustive