Charting a Course for
Enterprise Risk Management

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The spectrum of potential risks faced by organizations today has expanded beyond those covered by traditional insurance. Getting a handle on the potential costs and likelihood of occurrence of something like a cyberattack or environmental disaster, however, is a challenge to say the least.

Yet these are real threats with real costs that need to be recognized – and a growing number of companies are turning to enterprise risk management to do just that.

ERM collectively looks at all risks, how they relate to each other, and the cumulative impact on the organization. Advances in technology are making it easier than ever to manage risks at an enterprise level.

But technology alone is not the answer. To be successful, the ERM mindset must be embedded into the very fabric of the organization. With ERM, risk management is everyone's responsibility.

This ebook will explain what ERM is, why it's worthwhile, and how to begin managing risks and opportunities holistically.

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WHAT IS ERM?

ERM is a structured, proactive, and continuous process that is applied across the organization to better understand all risks, how they relate to each other, and the cumulative impact on the organization. It looks to increase an organization's value by both minimizing losses and maximizing opportunities for growth.

While traditional risk management generally focuses only on those risks that are insurable, ERM goes a step further and includes risks that are best managed in other ways. A company's reputation, for instance, can't be directly insured. But you can reduce the risk of damage by proactively identifying and managing potential threats.

Think of ERM as the natural extension to traditional risk management. The question isn't one of EITHER traditional risk management OR enterprise risk management; rather, those are two ends of the risk management spectrum.

Where does your organization currently fall on the continuum – and is that where you want to be?

Traditional Risk Management

Focuses primarily on hazards and other insurable risks.	Aims to prevent or mitigate loss through insurance or safety improvements.	Analyzes risk independently.	Assesses risks at certain points in time.	Siloed	Reactive	Department by department
↕	↕	↕	↕	↕	↕	↕
Focuses on all risks and opportunities that affect an organization's performance, including intangibles like reputation.	Aims to increase the organization's value through increased efficiency and better decision-making.	Analyzes risks collectively, how they relate to each other, and the cumulative impact on the organization.	Assesses risks and opportunities continually.	Holistic	Proactive	Enterprise-wide

Enterprise Risk Management

WHY ERM?

While the idea of managing risk on an enterprise-wide basis may seem daunting, migrating toward ERM can be well worth the effort when you consider all that could be gained with an enterprise view.

With ERM, you will:

Make better decisions
by holistically looking at risks and the collective impact on the organization.

Break down silos
and encourage communication and collaboration across all areas of the organization.

Adapt to changing conditions
with a consistent, yet flexible process for identifying risks, prioritizing actions, and measuring results in terms of the value created for the organization.
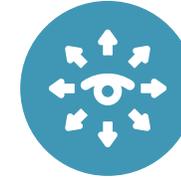
Promote a risk-aware culture
throughout the organization by involving disciplines outside of the risk management department.

No risk exists in a silo. Today's risks are fast moving and interconnected.

ERM IN 6 STEPS

Implementing ERM does not mean you must rip out your current risk management program by the roots. Indeed, processes that are working well can often be rolled out across the enterprise.

The best place to start your ERM journey is to examine your current processes, people, and technology to determine what is working and what could use improvement, then evaluate that in terms of extending risk management across the enterprise.

What do you need to add, change, or expand to get you where you want to go? Here are six steps to get started.

01 Identify your risks and the potential impact on the organization.
What is your strategy for responding to risk – and how will ERM help create and protect value?

02 Leverage what your organization is already doing to manage risk.
Apply current practices and strategies for managing well-understood risks – like worker injuries – to other risks.

03 Build support.
Enlist the support of all stakeholders – operations, sales, accounting, legal, and more to identify threats. And designate a leader – preferably from the C-suite – to champion the ERM cause.

04 Break it down.
The idea of managing all risks can be overwhelming at first, so start with the risks that have the biggest impact on the company's success and build from there.

05 Assign accountability.
Designate responsibility for each risk – a risk owner – to whoever is most closely associated with that risk.

06 Report on progress.
How has ERM added value to the organization?

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HOW TECHNOLOGY CAN HELP

Managing risk at an enterprise level is virtually impossible with spreadsheets. It takes the power of today's cloud-based technology to successfully manage high-level risks on such a broad scale.

ERM software gathers all risk-related information into one source – which alone adds value to the organization by increasing efficiency in the process, as well as accuracy and consistency in the data. The software also can help you:

Identify threats.
ERM software automates and streamlines risk assessments – including industry-specific, general enterprise, and emerging issues – which adds structure, efficiency, and consistency.

Understand the impact of risks.
ERM software helps you gauge the positive and negative impact of threats, at both individual and collective levels.

Visualize interconnections between risks.
ERM software offers advanced visualization tools – like heat maps and relationship diagrams – that help you instantly understand your biggest threats within a broader context.

Enhance communication.
 ERM software makes it easy to run custom reports that showcase what matters most to your stakeholders.

Prioritize risks.
ERM software offers easily customizable dashboards that put the data most important to you front and center so you can take action where needed.

AI IN ENTERPRISE RISK MANAGEMENT

Artificial intelligence can make sense of large amounts of information in any format, find insights at lightning speed, and translate technical information into everyday language. An increasing number of companies are applying those capabilities to elevate their ERM programs.

Nearly 70% of Riskonnect survey respondents are currently using AI to manage risk in some capacity. The top ways risk leaders are leveraging AI are:

- 34% Assessing risks
- 28% Risk forecasting
- 28% Scenario planning and simulations
- 28% Creating risk registers
- 28% Surfacing risks that were not previously considered

HOW TO CULTIVATE AN ENTERPRISE RISK CULTURE

For ERM to be successful, risk management must be a part of every critical decision throughout the organization. That means building a risk culture throughout the organization. People at all levels and functions must not only understand the organization's approach to risk, but take personal responsibility for managing risk in their everyday work.

Making that happen requires top-level buy-in. If the C-suite incorporates risk into their decisions, others will follow. Add to that by communicating widely, clearly, and continuously about expectations. Assign responsibility for managing specific risks – and hold people accountable.

ERM doesn't eliminate risk – of course – but it will minimize surprises. And if something unexpected does happen, you'll have the knowledge, tools, and culture to turn those challenges into opportunities for success.

ABOUT RISKONNECT

Riskonnect is the leading integrated risk management software solution provider. Our technology empowers organizations with the ability to anticipate, manage, and respond in real-time to strategic and operational risks across the extended enterprise.

More than 2,700 customers across six continents use our unique risk-correlation technology to gain previously unattainable insights that deliver better business outcomes. Riskonnect has more than 1,500 risk management experts in the Americas, Europe, and Asia-Pacific.

To learn more, visit riskonnect.com.

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- Risk Management Information System
- Claims Management
- Billing
- Policy Administration
- Health & Safety

ACTIVE RISK MANAGER

BUSINESS CONTINUITY & RESILIENCE
- Business Continuity Management
- Operational Resilience
- Emergency Notifications
- Crisis Management
- Threat Intelligence

GOVERNANCE, RISK & COMPLIANCE
- Enterprise Risk Management
- Third-party Risk Management
- Environmental, Social & Governance
- Compliance
- Internal Audit
- Internal Controls Management
- Policy Management
- Project Risk Management
- IT Risk Management
- AI Governance
- Business Strategy

HEALTHCARE RISK & PATIENT SAFETY