



ADVANTAGES **VS** BENEFITS OF RISK MANAGEMENT

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ARTICLE

BRAKES MAKES A CAR GO FAST; GREAT BRAKES EVEN FASTER – ADVANTAGES VS BENEFITS OF RISK MANAGEMENT

A feature of most cars is brakes. I decided to use the word “most” instead of “all” to avoid a storm of comments for this article by car enthusiasts enlightening me of certain cars not having brakes. Back to my point – “most” cars have brakes as one of their key features. The advantage, obviously, is to make the car stop, to reduce its speed, or to otherwise make an impact on a car’s behavior. However, the number one benefit of having brakes is to be able to go fast. If you have a great brake system, visibility, and optimal driving conditions, you can go even faster. Similar to cars needing breaks for its speed, companies need good risk management

along with an enabling software tool to increase the speed of their business.

RISK MANAGEMENT GOES DIGITAL, INTEGRATED, AND HOLISTIC

In companies embracing digitalization, it is more and more common to talk about DRM (Digital Risk Management)^[i] and IRM (Integrated Risk Management)^[ii]. The IRM concept was introduced in 2017 by Gartner to meet the increasingly complex needs related to digitalization, cybersecurity, and risk management affecting most businesses across its operational domains. Gartner states “The failure to manage your digital risks is likely to sabotage your digital business and expose your organization to potential impacts well beyond a simple opportunity loss.”^[iii] The need for horizontal integration of operational risk disciplines along with vertical

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integration of strategy and operations is evident. This is now possible by leveraging a modern agile GRC platform, such as Corporater Business Management Platform (BMP). This will provide top executives and the board with a sought-after holistic view of the organization's risk profile as well as an integrated approach for operational units to effective and efficient collaboration.

OPTIMAL CONDITIONS

The current situation in many organizations is a siloed operation in digital coexistence, often lacking a unified tactical approach to risk management, which in turn drives regulatory and organizational compliance management, legal management, audit management, 3rd party risk management, digital risk management, and business continuity management. Having optimal internal and external conditions, you will be confident that you have clear sight and no obstacles ahead; you can go fast. The more you trust your risk management program the faster you can go. You don't have to worry too much about cyber threats, business continuity in case of disasters, unethical behavior, transactional data integrity, or fines for regulatory compliance breaches. Prioritize investments to drive performance and rest assured that your vehicle will behave according to the actual conditions.

THE RISK OF RISK MANAGEMENT AND EARLY WARNINGS

If you trust your brake system, you can decide to go fast. However, a brake system can also provide false comfort. If your mechanics do something wrong, if you don't pay attention to warnings, or if you don't have a working brake fault detection system, you will face what we call a "model risk" in the risk management domain. Model risk is present whenever an insufficiently accurate model, or poor/insufficient data, is used to make decisions. This can be devastating to the company as model risk often affects the company itself in addition to the impact of second- and third-parties to the company. Measures should be taken to avoid model risk. A risk management platform should provide transparency, traceability, and accountability across and within every line of defense to detect model risk. Also, a mature risk management platform will support multiple simulation/projection models and allowing for docking and integration of RegTech, CyberTech, and different types of analytics or transactional data. Properly defined Key Risk Indicators (KRI) linked to strategic initiatives and fed by live data from transactional systems forms an early warning system similar to what is implemented in brake systems of modern cars. If a diminished reputation equals diminished market value, then companies today should be more susceptible than ever to risk events that damage

market perceptions. There is no gap between business strategy, tactics and operations from an external point of view, and the market does not care if the CEO's explanation for the risk event was unpreparedness, unawareness or rather a statement that demonstrates ignorance.



“The current situation in many organizations is a siloed operation in digital coexistence, often lacking a unified tactical approach to risk management”

CONSIDERING RISK MANAGEMENT AN ADVANTAGE OR A BENEFIT

As we already know, a feature in a business management toolbox is risk management. The advantages of risk management are, besides a regulatory requirement in some industries and countries, reduced uncertainty for the future, learning and improvement, awareness, a tool for making the right decisions, proper projection of performance results, and improved culture. The advantages can very much be compared to visibility when driving a car – however, the ultimate benefit is that you can drive really fast because you're not blindfolded anymore, you can trust in your brake system to provide early warnings, and you have a tool for halting activities or changing direction.

HOW CAN HOLISTIC, INTEGRATED RISK MANAGEMENT IMPROVE PERFORMANCE?

As an example; the risk of negative reputation and regulatory non-conformance are considered strategic and compliance risks from an ERM (Enterprise Risk Management)

perspective. They are important to the board and top management because they have the potential to impact business performance – and in some instances, they will be personally liable. But reputational and compliance risk do not exist in their own silos, nor at the strategic level alone. The negative reputational and legal impacts from risk events can even originate from one of the operational domains or from the transactional level. This is a major shift these recent years due to the digitalization of businesses and digital transparency observed externally that exposes a company's business integrity. We now observe that the risks introduced by this new reality is impacting companies around the world and has finally made it onto most board's agendas. Examples of highly relevant and recently published risk events, that originates from other sources than historically considered "strategic", include hacking, poor information governance (privacy breaches and data quality issues), money laundering, unethical conduct, and corruption. If a diminished reputation equals diminished market value, then companies today are more susceptible than ever to risk events that damage market perceptions. To be able to drive majestically

fast, make sure you have clear visibility and a working modern brake system. Consider implementing a modern, holistic, integrated risk management software that your entire organization can trust.

Corporater can help you in managing risk, compliance, and information governance challenges while improving performance.



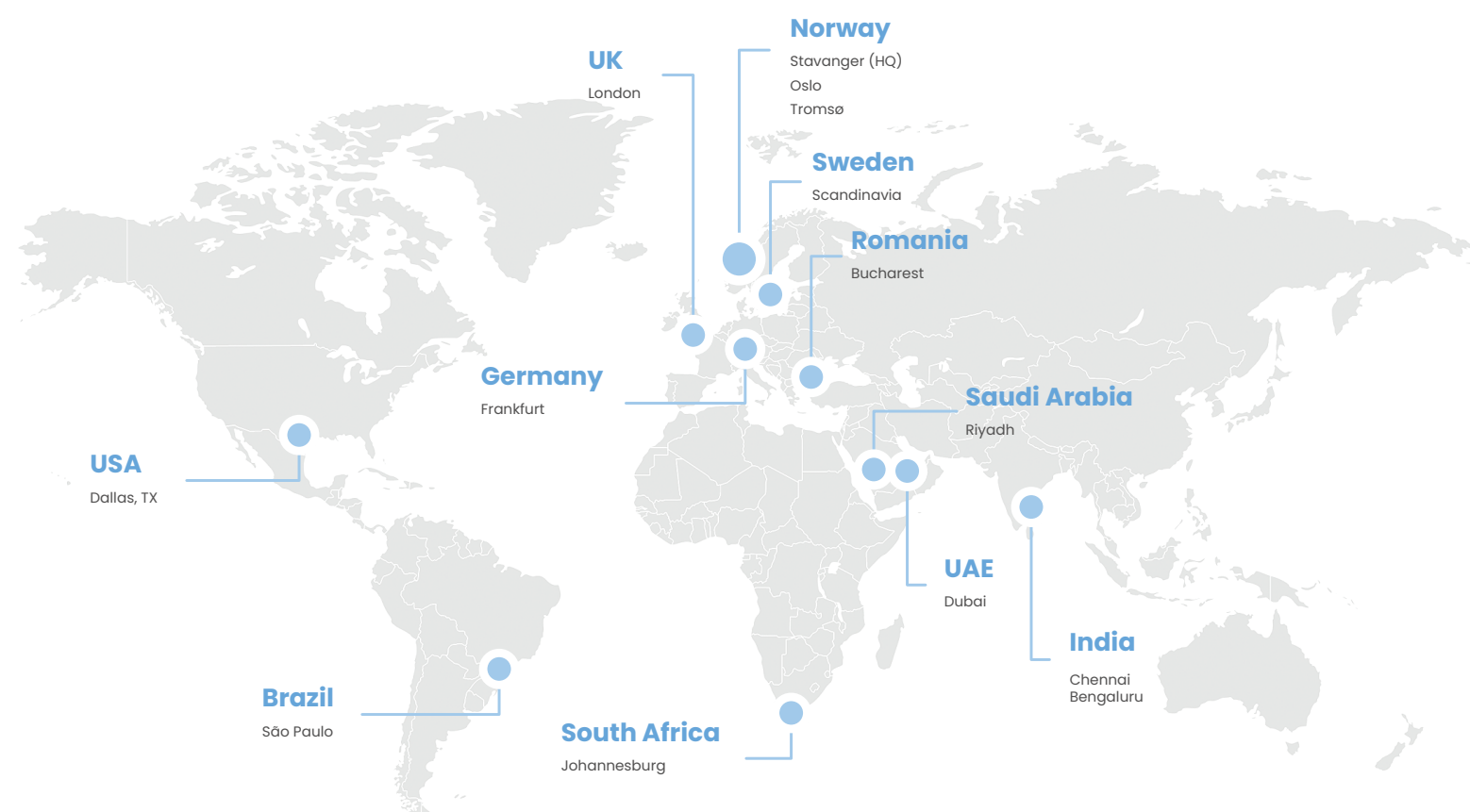
References:

- [i] <http://www.drminstitute.org/what-is-digital-risk-management/>
- [ii] <https://www.gartner.com/it-glossary/integrated-risk-management-irm>
- [iii] <https://www.gartner.com/en/conferences/na/security-risk-management/rn-digital-risk-management>

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Owe Lie-Bjelland is a certified senior risk manager, a technology enthusiast, and an information security professional. He has more than 18 years of international GRC experience in business management, software innovation, cyber & information security, legal & financial compliance, and data & information governance from working as a management advisor and consultant for several fortune 500 companies across different industries in Europe, USA and Latin America.



Corporater empowers medium and large organizations to manage Governance, Performance, Risk, and Compliance by providing them with a business management platform that is highly configurable and adaptable to their unique business model.

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