

# Archer<sup>®</sup> Insight

## The Enterprise Risk Challenge

Organizations today can be easily overwhelmed by the magnitude, velocity, and complexity of existing and emerging risks. These risks come from various sources – regulators, technology transformations, workforce shifts, geopolitical turmoil and many other factors impacting your business today. Risk management functions struggle to keep up with the constant change in the market driven by the limitation of existing approaches. Risk management teams are continually challenged in managing scattered lists of risks and internal controls documented in diverse ways in various areas of the organization.

These teams can be fighting uphill with inconsistent risk assessment methodologies, varied rating scales and manual processes leading to limited visibility or accountability in addressing risks. In addition, traditional methods of risk measurement, such as risk heat maps, have fundamental flaws or limit the organization's ability to understand their exposure or opportunity. In short, too many organizations are simply "reporting" on risks - 'we have X reds and Y yellows.' and not actually telling the business the economic impact of risk, the relative importance of risks and where to invest to mitigate risk or take on risk to exploit an opportunity.

Enterprise Risk Management programs seek to create a common language and measurement of risk so the business can govern and manage potential negative events, disruptions, or adverse situations. Most organizations have established some semblance of a depiction of risk across the business. Many organizations leverage qualitative measurements for most risk domains. In some cases, these views are siloed into functional, geographical or organization boundaries. Even if the organization has created a view across categories of risk, the output is presented in general terms, culminating many times in some type of risk heat map. While this approach does establish a dialogue around risk, it falls far short of the needs of the modern enterprise.

The flaws in subjective, qualitative risk analysis result in misunderstanding of how risks interact with one another and how they collectively affect the business objectives. Decisionmakers are driving blind without the ability to differentiate risks due to qualitative analysis. They lack insight into key details like financial exposures or frequency of risk events and are challenged when confronted with critical business decisions.

## Archer Insight

Archer Insight delivers enterprise-wide risk quantification capabilities designed to deliver richer detail on the impact of risk and the effect of risk mitigation activities in business relevant terms giving management the inputs necessary to make risk-informed business decisions. Archer Insight brings risk quantification to enterprise risk management programs by standardizing the calculation and aggregation of financial and non-financial risk exposures. By enabling risk management teams to calculate aggregated risk exposure, differentiate risks in terms of frequency and magnitude, measure the value of controls and communicate risk based on the relative impact to the business, management is more informed of potential exposures and can make better risk informed business decisions.

Archer Insight integrates into the Archer Enterprise Risk Management use case to shift qualitative analysis into quantitative analysis. The Archer Insight quantitative assessment replaces qualitative and semi-quantitative inputs, such as Low to High scales or subjective ordinal scales, with tangible metrics such as frequency of risk drivers and magnitude of consequences. Risk inputs are calculated using a prescribed model that considers the uncertainty around both how often the risk occurs and the impact when they do occur. This mathematical representation has several substantial advantages over qualitative and semi-quantitative assessments. First, uncertainty around economic impacts is explicitly included, so it is possible to address questions around how much risks cost and how much it is worth spending to manage them. Secondly, the representation allows for a much more nuanced and granular comparison of individual risks on the potential magnitude of downside impacts representing the exposure the enterprise suffers on account of those risks.

### Features

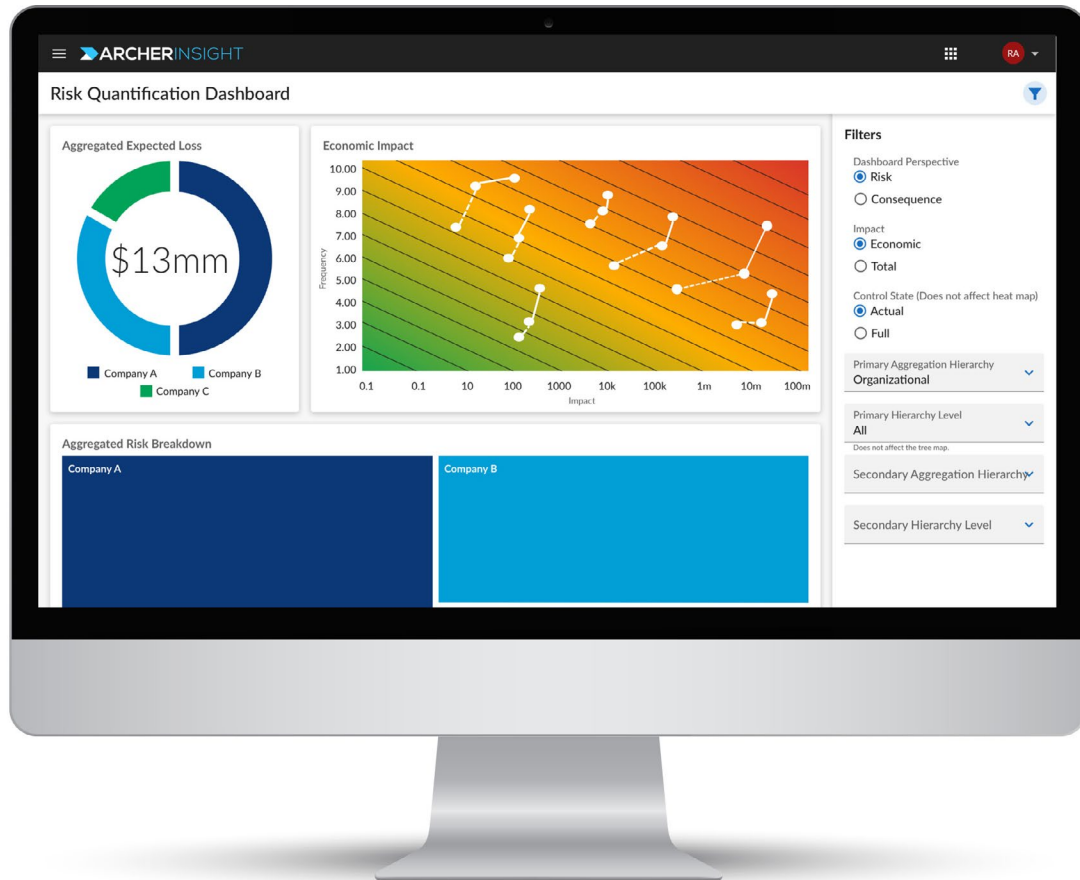
- Built-in methodology to transition qualitative risk likelihood and impact ratings into quantitative values and apply quantification to all types of risks in a scalable, enterprise approach.
- Calculate economic impact of risks, both individually and in aggregate, both in terms of year-on-year average losses and in terms of downside losses.
- Pre-built mathematical model for risk analysis applicable to all types of risk including enterprise, operational, cyber, and non-cyber risks.
- Illustrate risks using Bowtie method using Drivers, preventative and mitigating Controls, and Consequences.
- Integrate control mappings to derive value of Controls to measure costs of control against risk management effectiveness.

### Benefits

- Calculate and aggregate financial and non-financial risk exposure for Board, executives, and decision-makers.
- Leverage mathematical and statistical quantification methods without special skill sets.
- Deliver cost-benefit analysis considering the full-range of outcomes and multiple impact dimensions.
- Provide business leaders with granular risk comparison for clearer prioritization.
- Aggregate and differentiate risks to provide clarity on distribution of risks for improved distribution of resources and prioritization of treatment.

## Archer Insight Workbench

When the business looks to analyze critical areas of risk, they turn to risk management functions for help to dig into a deeper set of criteria, parameters, and scenarios. Archer Insight Workbench is a complimentary product that puts quantification capabilities in the hands of risk analysts to build and analyze risk models using quantitative techniques such as Monte Carlo simulations. For more information, see the Archer Insight Workbench data sheet.



## About Archer

Archer is a leading provider of integrated risk management (IRM) solutions that enable customers to improve strategic decision-making and operational resilience with a modern technology platform that supports qualitative and quantitative analysis driven by both business and IT impacts. As true pioneers in GRC software, Archer remains solely dedicated to helping customers manage risk and compliance domains, from traditional operational risk to emerging issues such as ESG. With over 20 years in the risk management industry, the Archer customer base represents one of the largest pure risk management communities globally, with more than 1,200 customers including more than 50% of the Fortune 500.

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