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EBOOK

From Risk to Resilience:

Leveraging Risk Management to Build Business Resilience

Building a resilient organization is of utmost importance today, given the non-stop barrage of disruptive events that impact almost everyone and span every region, industry and type of organization. Resilience management requires a strong foundation and risk management plays a vital part.

Risk management is balancing the effects of uncertainty on your organization, and getting it right is foundational to building a resilient organization. Building business resilience requires coordination across teams including business continuity, third party management, operational risk, compliance and more.

The Challenge?

Traditionally, these teams are separate and perform risk management following their own homegrown approaches.

Many of these approaches produce outdated results as teams focus on their traditional risks and do not raise their sights on new and emerging risks that could impact their organization.

Their approaches may evaluate risks at a high level without drilling down into micro risks to understand their often-underestimated impacts, or vice versa.

Finally, compared to today's fluid business and risk environment, risks only evaluated occasionally drives corrective action too late to address negative effects that have already impacted the business.

Improvement can and must be made. Your risk management process must be as fluid and adaptable as the risks you face so your organization knows what is coming, can adapt, mitigate the risks, and continue to achieve your strategic and operating objectives.

"Business continuity programs will have a difficult time operating at a high maturity without being tied into a risk management program that is similarly mature."

The State of Business Continuity, 2022, Forrester

1 Take a Common Risk Management Approach

Separate teams managing risks are most successful when they follow one risk management approach with common goals and process. The approach should be designed according to industry standards and best practices. Risk metrics such as risk appetite and risk tolerance should be driven from the board and risk committee and consider management's approach to driving the organization's strategic objectives and operating priorities. This is vital to manage risk management in line with the needs of the business.

Top-down strategic risks should be assessed in relation to strategic objectives, while micro risks (bottom-up) should be evaluated related to operating priorities. There must also be a consolidated view, typically through automation, that enables executives to evaluate results holistically and identify any gaps or overlap. Valuable insights often occur at the intersection of the top-down and bottom-up views.

A common risk management approach adopted across the organization creates efficiencies and improves effectiveness of results significantly as you are better able to identify risks that overlap or might be missed. It reduces duplicate efforts and identifies missed opportunities to mitigate risk. A common approach enables the use of automation and makes the results much more holistic and actionable.

Even though the teams across your organization needed to help build resilience may be operating separately, a common risk management approach can get them better aligned and focused on the highest risks threatening your organization.

"Risk management... empowers a business with the necessary tools so that it can adequately identify and deal with potential risks...(and) undertake sound decision-making."

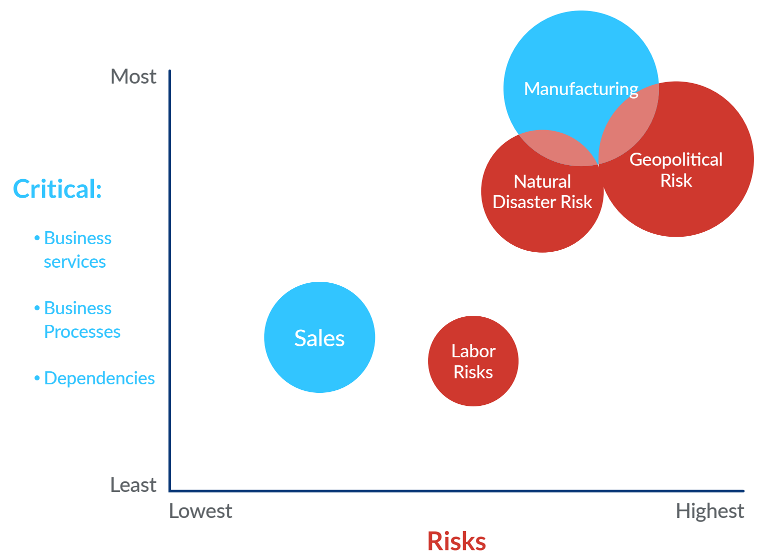
Corporate Finance Institute

2 Focus on the Highest Priorities

Building a resilient organization requires a focus on building resiliency into your highest priorities. The best method to determine your priorities is through a business impact analysis (BIA), which is a process that assesses and evaluates the potential effects and consequences of disruptions to the organization. It helps identify and prioritize your most important products and services offered to customers, important business services provided, or business processes performed as well as the resources required to support them. The primary goal of a BIA is to quantify the potential impacts of various disruptions and determine resiliency and recovery goals.

Equally important is identifying key risks that could impact the organization's most important priorities. It is vital to conduct a thorough assessment of the risks and vulnerabilities and potential hazards, threats, and challenges that could disrupt the organization. The diagram on this page provides a simple view of analysis that should drive your most immediate efforts to build resilience, in this case, the organization would focus on making the Manufacturing process resistant to impacts from geopolitical and natural disaster risks.

A concluding point is that organizations change their priorities, so the approach to identify the organization's highest priorities and most critical risks and adapt resilience must be performed often enough to know when those changes occur and require action.



3 Mitigate Risk & Build Resilience

The steps an organization takes to improve their resiliency and reduce risks must be focused on their top priorities and risks discussed earlier. The organization should formulate a strategy that outlines the specific measures and actions needed to build resilience, considering both proactive and reactive approaches, focusing on prevention, preparedness, response, and recovery. The strategy should highlight existing practices and controls that can be leveraged, as well as gaps that need to be addressed. Third parties, vendors, supply chains and other external partners should be included because, ideally, they should be as resilient as your organization.

Simultaneously, the organization should implement measures to reduce key risks and vulnerabilities. This may include physical modifications, technological upgrades, policy changes, redundancy in critical systems, or other practices. Some of the measures mentioned above to build resilience may reduce the impacts of key risks and vice versa.

It is also critical to evaluate the measures implemented to build resilience and reduce key risks. Resiliency and recovery plans can be tested through a combination of tabletop exercises and live simulations. These tests help assess the effectiveness of the plans in mitigating and recovering from various disruptions or incidents. Test scenarios should focus on combinations of potential risks and threats or disruptive scenarios.

Building resiliency requires engaging stakeholders at all levels to foster a culture of resilience. Their participation, collaboration, and communication is vital. Successfully building resilience is a process of continuous learning and improvement - regularly updating knowledge, skills, and technologies to stay ahead of evolving risks and challenges, and incorporating lessons learned from past disruptions.

According to a survey by PwC, 69% of CEOs consider investing in resilience measures as critical to building trust with stakeholders.

PWC

4 Drive Actionable Insights

Mitigating key risks and building resilience requires measurement and tracking of the strategies, actions and outcomes that will result in real-time insights risk and resilience teams and executives can use. By tracking and analyzing metrics, organizations can assess residual risks and resilience capabilities, identify areas for improvement, and measure progress over time. It is important to align metrics with the organization's strategic and operating objectives to gain relative insights into resilience capabilities and gaps. Metrics that lend themselves to quantitative analysis should be used whenever possible.

Some important risk metrics to track include risk appetite, risk tolerance, and risk profile. Resilience metrics should include Recovery Time Objective (RTO), Recovery Point Objective (RPO), Mean Time to Recovery (MTTR), Mean Time Between Failures (MTBF), Downtime, recovery plan test success rate, incident response time, employee awareness and training, customer and employee satisfaction, achievement of business strategies and objectives, lessons learned, and open/closed issues.

Set up monitoring and evaluation systems to assess the effectiveness of the measures. Regularly review resiliency strategies and adapt as needed based on new insights, changing circumstances, or emerging risks. Where meaningful, evaluate measures that correlate to each other, as valuable insights often occur at the intersection of these metrics.

> "Actionable insights … (are) typically more valuable than one that simply answers a question--especially an insight that makes you rethink something and pushes you in a new direction."
>
> *Forbes*

5 Stay Agile and Adaptable

With the rigor of these approaches to manage risk and build resiliency also comes the need for agility, flexibility and adaptability. The organization changes - constantly. Strategies and operating objectives are adjusted. New risks emerge. Supply chains transform. This fluidity can impact the organization's resilience if the approaches to build resiliency and manage risk are so rigid or time-bound that they do not allow for rapid, calculated change.

Resilience and risk teams must work with business and IT teams across the organization to proactively monitor for new business strategies and objectives, competitive forces, emerging risks, new technologies and other factors that could disrupt the organization. It is vital to manage risks frequently, update BIAs more regularly than in the past, adjust resilience measures and plans, and find ways to improve your approaches. Organizations can also foster adaptive capacity to effectively adjust, respond and recover from disruptions. This can involve promoting flexibility, innovation, learning, and collaboration.

> "Operational resilience and agility can be attributed to two key characteristics: (1) ability to quickly recover from the shock, and (2) ability to use the shock as opportunity to grow."
>
> *Deloitte*

Is Risk Management Foundational to Building a Resilient Organization?

This brings us back to the initial point – and the answer is, yes, effective risk management is fundamental to building a resilient organization. Synchronized risk and resilience management enables a more fluid focus on the right priorities, facilitates the implementation of better resiliency measures and plans, and helps drive better insights to adjust and adapt as needed to the continuously changing forces the organization will face as they attempt to build business resiliency.

How We Help

Building a resilient organization doesn't happen overnight and it's a long-term commitment. However, it can be done. It starts at the top with a change in mindset, and a focus on the right strategic priorities. It's founded on the commitment to understand your business, be prepared, become adaptable and always improving.

Learn more at **www.ArcherIRM.com/business-resiliency**

Discover More

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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