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EBOOK

4 Steps to Build **Business Resilience**

Businesses Are Complex – Disruptions Will Occur

Organizations everywhere have felt disruptive impacts from the global financial crisis, COVID-19, supply chain interruptions, continued cyberattacks or others. Most have relied on traditional business recovery to get back to business, but a confluence of threats has shown that disruption can be prolonged and changing, so organizations must be adaptable. The paradigm has shifted from not 'if' disruption will occur, but 'when'.

Organizations are searching for answers to questions, such as: How do we proactively deal with threats and risks to our company and extended ecosystem? Where do we start and what are the steps needed to build resilience? How do we know when we're resilient enough?

There are no quick or easy answers, but there are ways to build resilience. Read this eBook for some ideas that can help your organization become more resilient.

Resilience is more than just the ability to recover quickly. In business, resilience means dealing with adversity and shocks, and continuously adapting for growth.

What is resilience? | McKinsey

In today's continuously disrupted world, traditional approaches to recover after a disruption are vital but they are not enough - organizations must become resilient. The evolution from recovery to resilience requires a cultural change starting at the top of the organization and cannot only be the responsibility of a small team – it requires focus throughout the entire organization.

Building a resilient organization requires a shift from a reactive to proactive measures and resilience must be built throughout the organization—from its culture to it business model to how the company operates both internally and across the extended ecosystem.

Resilience requires not only focusing on the recovery of internal processes and systems but developing the ability of the organization to be able to continue to execute their strategic and operational objectives, which especially includes providing products and services to their customers, regardless of the length or type of disruption.

There are four key focus areas that should be considered in building your organization's business resiliency that are:

- **Focus on your highest priorities.**
- **Know your risks and threats.**
- **Mitigation and Response.**
- **Measure and monitor.**

The average annual potential losses from cyberattacks could be close to 10% of a bank's net income.

- International Monetary Fund

On average, companies can expect to lose half of a year's profits over a decade due to supply chain disruption.

- McKinsey

Step 1:
Focus on Your Highest Priorities

Building resilience starts with focusing on what's most important – the products and services you offer to your customers and the supporting interdependent processes, systems, people, data, locations, and third parties that all work together to make it happen.

The business impact analysis (BIA) is the first step. The BIA enables you to identify those products and services, their importance to your business, your quantifiable and qualifiable tolerance to impacts from disruptions, and business objectives that should, in turn, become your resiliency objectives.

The BIA is also instrumental to unravel the complex ecosystem of your internal business processes, systems, data, people, locations and third parties so that you can organize your efforts to make them resilient.

The BIA helps prioritize your efforts and resources to build resilience in where it matters most.

Step 2:
Know Your Risks and Threats

Building resilience is dependent on understanding and managing the impacts of risks and threats to your organization. The events from the recent past have taught that anything can happen – and probably will and the impacts are often unpredictable.

Many of today's risks are interrelated and can have a 'domino effect' on complex organizations, so risk management must be approached in an integrated way. For example, a third-party breach could impact your customer data, leaving your organization exposed to a compliance violation, cyber threats, risk to your reputation and financial loss. Therefore, you must understand the potentially disruptive "scenarios" and approach the risks and threats like they will likely occur. You must plan ahead, mitigate the potential impacts and test your capabilities.

Step 3: Mitigate and Respond

Addressing threats and risks needs to occur on a regular basis - before, during and after the crisis. Risk and threat identification, performing scenario analysis of what could occur, and addressing gaps in resilience are proactive, mitigating steps that are vital to managing negative impacts to the organization.

However, things can still go wrong. A supply chain disruption. A customer who falls on a slippery floor. A disgruntled employee on social media – are kinds of incidents that occur often enough inside companies to merit standard procedures for handling them efficiently and effectively.

But what happens when an incident develops into a crisis? This ‘perfect storm’ brewing requires the ability to manage the crisis from growing, respond in appropriate ways, recover disrupted areas of the organization and deal effectively with the fallout. Preventive and organized steps are vital to managing the threats, risks and scenarios and reducing the impact to the organization.

Step 4: Measure and Monitor

A critical step in building resiliency is establishing key metrics, especially impact tolerances, and measuring them to track your status and overall progress. Metrics that are most valuable are those that are aligned with strategic and business objectives. Examples of a key impact tolerance metric could include the amount of time or money that could be lost due to a disruption. Another key metric is residual risk of a threat compared to your risk appetite or risk tolerance. Another very important metric to track are the number and age of unresolved issues that need to be addressed.

Some key factors to consider are:

- Align your resiliency metrics with your business metrics. Don’t measure your resiliency status in a silo.
- Track and monitor your metrics regularly and take appropriate action on those outside your tolerance.
- Improve your metrics and measurement over time to hone your focus on the highest priorities.

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 business 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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