



# How Integrated Risk Management Makes Your Business More Competitive



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# How Integrated Risk Management Makes Your Business More Competitive

*In response to the COVID-19 pandemic and resulting regulatory changes, organizations have had to **dramatically reshape their operations in short order.***

A McKinsey Global Survey found that companies in all sectors have expedited their digital transformations across customer, supply chain, and internal operations by three to four years.<sup>1</sup>

Their key goal? Remaining competitive in the marketplace.

In order to rise above the competition and increase market share, companies need to gain a deeper understanding of the challenges and opportunities that lie ahead. They need to break free of siloed departments and put an end to gatekeeping information, instead building collaborative enterprises where information flows freely and insights are accessible to the people who need them.

While there are many digitization strategies that can help organizations achieve this goal, one of the most valuable opportunities to consider is integrated risk management (IRM).

We'll walk you through what IRM is and how your enterprise can build an integrated approach to risk management that'll give you the competitive edge.

<sup>1</sup> <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>





# What is **IRM**?

IRM refers to an approach in which risk management is integrated into each process, activity, and operation within an organization, so that everyone can understand the risk within their space. This includes logistics management, production processes, finance, HR, legal, IT, security, and marketing.

Stakeholders across the business should be able to access a real-time view of risks for every asset, system, and third-party supplier, allowing them to make informed decisions based on their risk appetite.

While a survey from the Trakia Journal of Sciences found that 80% of businesses say that it's both useful and necessary to integrate risk throughout the business, most of them haven't yet taken the initiative. Only 15% of organizations have risk management integrated into all of their business processes.<sup>2</sup>

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<sup>2</sup> <http://tru.uni-sz.bg/tsj/Volume%2017,%202019,%20Supplement%201,%20Series%20Social%20Sciences/2/za%20pe4at/34.pdf>



# How IRM differs from ERP and GRC

*IRM is different in important ways from related business frameworks such as enterprise resource planning (ERP) and governance, risk, and compliance (GRC), but it overlaps with both.*

## ERP

ERP focuses on using technology to collect, store, manage, and analyze data on core business processes, ensuring that all necessary information flows directly to stakeholders.

ERP's reach is broad and typically covers finance and accounting, human resources, production, order processing, supply chain management, project management, customer relationships, and data services.

Companies with a comprehensive ERP system are able to better plan their resources, such as budgeting and hiring for upcoming initiatives, because they have good visibility into day-to-day changes.

Even so, many ERP systems focus heavily on operations and therefore don't prioritize risk management. Only 20% of companies from the Trakia Journal of Sciences survey have a fully developed ERP solution with all products integrated; 40% still work with a variety of tools that don't integrate; and 40% have partial integration.

Many companies supplement their ERP tools with a GRC solution but, again, this solution may not take a holistic look at risk throughout the company.

## GRC

A traditional GRC solution focuses on managing your company's governance and compliance with regulations. However, Gartner has found that 69% of organizations aren't confident that their GRC programs are adequate to meet their future needs.

Traditional GRC programs are largely focused on setting and managing controls and ensuring compliance with regulatory standards. As a result, they're not as integrated with other risk mitigation and risk management needs, like cybersecurity threats. Organizations that utilize traditional GRC tools may lack day-to-day visibility into new and emerging threats, leaving them at a disadvantage for overall risk management.



## BRIDGING THE GAP

In order to bridge the gap from an ERP framework or compliance-based GRC to an IRM solution, organizations need to use a risk-aware approach. According to Gartner, IRM has these key attributes:<sup>3</sup>

- 01 **Strategy:** Implementation and enablement of a framework, including performance improvement through effective governance and risk ownership.
- 02 **Assessment:** Identification, evaluation, and prioritization of risks.
- 03 **Response:** Identification and implementation of mechanisms to mitigate risk.
- 04 **Communication and reporting:** Provision of the best or most appropriate means to track and inform stakeholders of an enterprise's risk response.
- 05 **Monitoring:** Identification and implementation of processes that methodically track governance objectives, risks to those objectives, compliance with policies and decisions that are set through the governance process, risk ownership/accountability, and the effectiveness of risk mitigation and controls.
- 06 **Technology:** Design and implementation of an IRM solution (IRMS) architecture.

IRM also requires a culture that prioritizes easy access to data so that risk management teams can interpret and respond to threats quickly. By building a risk-aware company that elevates the role of risk management in every area of the organization—not just in cybersecurity or legal—you can manage threats across the business more effectively.

<sup>3</sup> <https://www.gartner.com/en/information-technology/glossary/integrated-risk-management-irm>

# Using IRM to gain a competitive edge

*Bringing in the right IRM solution is critical for helping your company become more competitive in the market. When you can assess all of the risks associated with the challenges and opportunities that you face, it's easier to determine where you need to invest in your business in order to **capitalize on the right opportunities.***

An in-depth, integrated approach to risk management allows you to inventory risk and build a framework for assessing and monitoring your organization's risk levels—in real time and on an ongoing basis. While doing so, review your organization's long-term strategic objectives and define your priorities for all risks across the business, dividing types of risks into three categories: strategic, tactical, and operational.

The right IRM solution will improve your organization's visibility into risk, decreasing the likelihood of adverse events and making it easier for you to reach your competitive goals.

For instance, you may contract with a variety of third-party vendors. If you use a traditional GRC tool, your organization likely goes through a number of onboarding questionnaires with each vendor whose answers are largely self-reported, so you must rely on their word. With a best-in-class IRM solution, not only are you able to automate the onboarding paperwork process, you're also able to integrate with external sources that collect data on your third parties so you can identify potential risk factors. Those might include: bankruptcy or lawsuit filings; customer complaints about vendors; and operational risk factors based on partners, geography, or technologies used.





An effective IRM solution enables you to create comprehensive risk profiles for all your third parties so that you can consistently track the riskiest vendors and take action as necessary; you'll also get instant alerts for newly identified risks to current and recently acquired partners.

By building plans to mitigate third-party risks as they arise and maintain ongoing awareness of real-time risk levels, your organization will have the intel needed to choose the best partners and take the right actions to reduce risk when levels are elevated.

By looking at vendor risk, fraud risk, operational risk, and other types of risk through a strategic risk analysis lens—rather than focusing solely on compliance requirements—your organization can stay several steps ahead of its competitors. You'll have the insights to map out efficient responses to every scenario, with the knowledge of how likely each one is to occur.

Armed with intelligent data, you'll be able to take recommendations to your leadership team in order to drive strategic change within the business.





# What to look for in your IRM solution

*If your organization is ready to become more competitive by elevating its approach to risk management, **what should you look for in an IRM solution?***

Focus on these key considerations:

## **A built-in framework for identifying and assessing risk**

Your solution should help you identify and inventory risks based on industry best practices by mapping your strategic objectives to key risks, and it should automate risk assessments based on monitored risk indicators. This will allow you to prioritize your risks around risk appetite and impact.

## **Real-time risk reporting**

You should be able to track your risk levels in real time, based on KPIs and KRIs, and visualize trends in risk over time. If risk metrics or indicators exceed your defined thresholds, your IRM solution should send out instant notifications.

## **Integrated assurance**

Your solution should streamline collaboration—reducing overlap and duplication—by aligning the work of both internal and external assurance providers. You should also be able to link your strategic risks to your assurance frameworks across the three lines of defense.



By using the same indicators and metrics for assessment across the board, a best-in-class IRM solution should help your organization eliminate departmental silos and create greater transparency into risk for everyone in the organization. It should provide pre-built content to help you manage compliance initiatives in line with your industry's regulatory requirements, including complex controls requirements such as the Sarbanes-Oxley Act (SOX). And it should incorporate machine learning and integrate real-time data feeds from public and proprietary sources so you can quickly identify new threats and monitor the risk level of your entire organization on an ongoing basis.

With deep visibility into your levels of risk, you can better understand the impact of various business decisions, such as opening a new office, choosing a new service partner, or adopting a new technology platform. You'll be able to build scenarios to evaluate the risk and potential cost of each decision, allowing you to weigh your appetite for risk versus reward and make strategic decisions to elevate your business without increasing your exposure to risk.

A strong IRM solution also helps your audit team play a larger and more strategic role in the business. Rather than simply monitoring compliance, they'll be able to: evaluate complex risk scenarios more easily so you can move quickly on new initiatives; provide data-backed evidence so your organization can stay on top of ongoing threat levels; and build reports for executive stakeholders that showcase a broader range of concerns and recommendations.



# Conclusion

The most competitive companies are also the most innovative. Not content to stick with what's working for now, they focus on new areas of growth based on trends in the marketplace. Companies like Apple, Google, GE, and Starbucks have mastered the art of learning what their consumers are looking for, adopting new technology initiatives to meet consumers where they are—and take them where they want to go.

However, in order to be agile enough to adopt new technology trends before the competition does, businesses need to see clearly the benefits and drawbacks of every option. By using an IRM solution, you're able to better anticipate how new adoptions will impact your organization's risk profile, helping you make the smartest decisions at every stage of your company's growth.

For forward-thinking businesses that want to grow quickly without creating more risk, it's important to look at strategies for evaluating and mitigating risk on all fronts. By implementing an integrated risk management framework, you'll gain a comprehensive understanding of each of your potential initiatives, how risky they are, and how they'll help you reach your objectives—giving you the insight you need to make important strategic decisions faster than ever before.



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## ABOUT GALVANIZE

Galvanize, a Diligent Brand, is the leading provider of GRC software for security, risk management, compliance, and audit professionals. The integrated HighBond platform provides visibility into risk, makes it easy to demonstrate compliance, and helps grow audit, risk, and compliance programs without incurring extra costs.

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