Enterprise Risk Management: What the BCP Professional Needs to Know

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Outline

- Why Enterprise Risk?
- ERM and BCP compared
- Implications for Practitioners
- Exercise
- Resources
What’s Happening

• Newer regulations, frameworks and standards reflect a strong theme of the management of all facets of risk
• In turn, Risk Management as a discipline has become fine-tuned, offering greater numbers and variety of RM tools
• Risk Management has evolved into Enterprise Risk Management (1990’s) offering a more holistic and proactive view of risk – including risk as opportunity
• There is a marked increase in academic articles, subject matter expert and consultant reports denoting the evolving convergence between BCP and ERM
• Decision-makers are gravitating toward using ERM, making BCP a subset (Operational Risk)
• In the context of BCM, BCP is experimenting with newer multi-dimensional Maturity Models - risk is foundational at the root of these models
Why this is Happening

• ERM offers more defined value
• The “Risk Lens” is more broadly applied in organizations
• Organizational power resides, as usual, with senior risk-related positions
• Newer RM tools offer wider applicability
• Strength of ISO and COSO frameworks
• ERM and BCP are evolving at different rates
• Increased numbers of training opportunities
Enterprise Risk Management

ORGANIZATION & RISK QUADRANTS

HAZARD
- Property
- Legal
- Personnel
- Consequential

OPERATIONAL
- ICT Systems
- Staffing
- Business Processes
- Critical Functions
- Infrastructure

FINANCIAL
- Market
- Credit
- Price
- Liquidity

STRATEGIC
- Economy
- Political
- Competition
- Demographics

BCP
ERM & BCP

- The link between the management of an organization’s risks and its key objectives is central to ERM.
- Whether the source of the risk is financial, hazardous, operational or strategic – risks managed separately are not the same as risks managed together – ERM taps into correlations, interdependencies, portfolios, etc.
- When compared to BCP (and BCM), ERM is more proactive in its treatment of risk.
- ERM offers value to everyday decision-making; BCP does not.
ERM & BCM

• Organizations that integrate ERM into their strategic planning also realize that BCP enhances their value creation and protection objectives

• Identifying and appropriately addressing interruption risks create confidence that enables organizations to more boldly execute strategic plans

• Synergies between BCP and ERM are plentiful

• Integration challenges are also plentiful, but are not insurmountable
ERM & BCM Delivery Models

• Central governance structure is created and encompasses both ERM and BCM disciplines
• BCM is a shared responsibility across the organization and is integrated into a larger ERM framework
• Separate BCM and ERM programs are created and maintained, with little to no integration
• Ad hoc ERM and BCM structures and processes
• ERM and BCM efforts are imported and copied
• ERM and BCM delivery models are “purchased”
Implications for Practitioners

• Working knowledge and application of BCP professional practices
• Competence in the use of BCP tools and BCM as a governance and accountability framework
• A broadening of skill sets in;
  • Strategic viewpoints
  • Holistic and Integrative Thinking
  • Inter-disciplinary Practice
  • Discipline Comparators
  • Financial Acumen and the Creation of Value
Exercise

Discussion Questions

• Does your organization employ an Enterprise Risk Management approach? If so, how is it structured and delivered?

• If not, should your organization use an ERM approach?

• If yes, then what would be your role?

30 minutes
Resources

• Bird (2016) “Improving Organizational Resilience: The Real Justification for Business Continuity”
• Enisa (2016) “BC/ RM Interfaces”
• Klein (2012) “Is BCM a Misnomer?”
• Peterborough City Council (2009) “Risk Management and Business Continuity Policy”
• Phelps (2010) “BCP and ERM”
• PWC (2011) “What’s the Difference between ERM and BCM?”
• PWC (2016) “ERM and BCM: Together at Last”
• Strategic BCP (2012) “Preparing for the Convergence of Risk Management and Business Continuity”