

Risk “Managing risk is not just about assessing and monitoring all the things that could go wrong. Rather it is about understanding all the things that need to go right for an organization to achieve its mission and objectives.

- UN Joint Staff Pension Fund ERM Policy Statement

Roles of CEO and Board Risk Management in Managing Risk

One of the most critical roles of CEOs and board members is managing risk. The environment of today consists of ongoing disruption, innovation, and technological change. Increasing disruption leads to greater risks, which may become greater still because they are often interconnected. And because these risks don't occur in isolation, addressing them in silos can be an exercise in both frustration and futility. Deloitte surveyed 200 CEOs and 200 board members in organizations of more than \$1 billion to find out how leaders can become more confident in their risk management capabilities. The survey explores strategic risks in four areas that are most critical to understand in today's marketplace which are brand and reputation, culture, cyber and technology, and lastly, extended enterprise.

Gap Analysis

Virtually all senior leaders, 95 percent of CEOs and 97 percent of board members, believe that their organizations will face serious threats to their growth prospects in the next two to three years. They are concerned about the breakneck pace at which their organizations must develop, deploy, and manage new technologies. Cyber incidents are a major concern. The extended enterprise also poses significant risks, particularly in the view of board members, who rank it second among the four strategic risks. Reputation and culture risks are of the least concern to CEOs and board members, yet these may be the risks which they have the most control over. The interconnectedness of strategic risks needs to be acknowledged and understood. More board members than CEOs cite new technologies as a priority and CEOs are slightly more likely to prioritize investing in culture and talent

Reputation Risk

Reputation is among an organization's most valuable assets. Reputation risks are interconnected threats related to a variety of factors, including ethics and integrity, security risks, product and service risks, culture risk, and extended enterprise risk. This risk is created when the performance of an organization does not meet the expectations of the consumers based on strategy, history, and behavior throughout the entity. CEOs and board members are closely aligned on the top risks to the organization's reputation, cyber breaches and physical breaches, continuing the cyber-focused theme of their thinking.

Culture Risk

Culture is a system of values, beliefs, and behaviors that shapes how things get done within an organization. Culture risk is created when there's misalignment between an organization's values and leadership actions, employee behaviors, or organizational systems.

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How organizations invest in culture-related processes will likely determine their capabilities in this critical area. They should consider technologies, tools, and platforms that monitor external as well as internal culture risks.

Cyber Risk

Cyber risk occurs when technological silos within organizations are not connected through a broader strategy to defend what matters most to their mission, build awareness to know when a compromise has occurred or may be imminent, and reduce the impact when an incident does occur.

Extended Enterprise Risk

An extended enterprise is the collection of vendors, contractors, distributors, suppliers, and other third parties outside the main organization. Extended enterprise risk isn't a risk unto itself. Rather, it is a combination of diverse risks, and their various degrees of severity are based on the nature of the relationships an organization has with its third parties.

In order to adopt, enhance, and strengthen their partner ecosystem, organizations should have a defined risk management program that clearly outlines what is acceptable from third-party vendors.

Conclusion

Survey responses reveal that many organizations are falling short in one or multiple areas: investment in technology that aligns with strategy, engagement from senior management and board members, alignment of risk and risk officers within an organization, and more. Reputation risk may be flying under the radar. Only half of organizations appear to recognize the importance of proactively managing reputation risk. Culture risk may be given short shrift. Leaders may be overestimating the health of their organizational cultures or underestimating the forces that can undermine a sound culture. Cyber risk may be their greatest concern. But only 38 percent of CEOs and 23 percent of board members are "highly engaged" in this area. Extended enterprise risk may be underrated. Most organizations don't hold third parties to the same risk standards they set for themselves.

Source: RIMAN, Wikipedia, NCSU, Deloitte

RIMAN Upcoming Programmes

Managing Risk Associated with COVID-19 Business/Events Cancellation	27 th of August, 2020
Anti- Money Laundering/CFT	3 rd – 4 th of September, 2020