



Five ways to make risk a competitive advantage

The synergy of enterprise risk
management and strategic
resilience in business



The better the question. The better the answer.
The better the world works.



Shape the future
with confidence



In an increasingly volatile and complex business environment, integrating enterprise risk management (ERM) and resiliency has become a strategic imperative for organizations aiming to thrive. ERM is a comprehensive approach to identifying, assessing and managing risk across an organization to help ensure that strategic objectives are met. Resiliency, on the other hand, typically refers to an organization's ability to anticipate, prepare for, respond to and adapt to incremental changes and sudden disruptions to maintain continuous business operations. However, that is the old way of looking at it. Resilience is also about your company's ability to rebound, thrive and prudently exploit your competitive advantage — and that starts with not just protecting downside risk but enabling upside risk. Integrating these two disciplines provides a path to capturing advantage.

Here are five key ways where ERM and resiliency can work together to create a robust enterprise:

**1**

Strategic alignment and risk appetite

2

Business continuity and disaster recovery

3

Crisis management and communication

4

Supply chain and vendor risk management

5

Cybersecurity and information security

1 Strategic alignment and risk appetite

A resilient enterprise aligns its risk management strategies with its business objectives and risk appetite. ERM facilitates this by providing a framework for risk assessment and by clearly articulating risk profiles that is in concert with the company's strategic direction. In essence, the assessments help in defining the organization's risk tolerance and informs the development of the strategic resilience program. By identifying and analyzing risks that could impede strategic goals, ERM provides essential insights that guide the operational implementation of resilience, helping to ensure strategies that resonate with the organization's strategic objectives and risk appetite.

2 Business continuity and disaster recovery

ERM plays a vital role in identifying critical business processes and potential risks, forming the basis for robust business continuity and disaster recovery plans. Resilience helps to ensure these [plans](#) are more than just documents; they are actionable, regularly tested and embedded in the organizational culture. The [Business Impact Analysis](#) (BIA) is a joint effort where ERM evaluates disruption impacts on key functions, and resilience principles determine the severity. These evaluations inform recovery strategies that are in line with the organization's risk appetite and are continually tested to become core components of the organization's operational practices. This integrated approach cultivates a culture ready to handle disruptions and recover swiftly, preserving critical operations.



3 Crisis management and communication

With the speed of social media, having an effective [crisis management program](#) is not only a cornerstone but an essential part of strategic resilience. ERM equips organizations with the necessary tools to identify potential crises, assess their impact and create detailed crisis management plans with customized disruption scenarios. This establishes a robust crisis management framework with clear triggers and protocols for swift response, all supported by a governance structure that defines roles for the crisis team's preparedness. Complementing this, tabletop simulations and training exercises confirm the organization's resilience, while a [crisis management playbook](#) and communications strategy guide actions and messaging during a crisis, maintaining stakeholder trust and demonstrating strategic resilience. Resiliency helps ensure that the organization can execute these plans effectively under stress.

4 Supply chain and vendor risk management

In an interconnected world, a resilient enterprise needs a robust supply chain capable of withstanding diverse risks. ERM identifies key suppliers and vulnerabilities, guiding the creation of adaptable risk mitigation strategies. Resiliency enables these strategies to be flexible and adaptive – particularly with artificial intelligence (AI) and predictive analytics – allowing organizations to maintain operations even if a key supplier is compromised. The strategic integration of ERM and resilience is demonstrated through asset mapping, which catalogs essential resources and adapts to the fluid nature of the supply chain. This process, coupled with [third-party dependency management](#), creates a comprehensive approach to supply chain integrity, helping to ensure thorough coverage of all facets and enhancing the organization's overall resilience.

5 Cybersecurity and information security

Integrating ERM and resilience is essential for safeguarding an organization's digital assets against evolving cyber threats. ERM's identifies cyber risks and their business impact complemented by resilience measures that prepare for, respond to and recover from cyber incidents, preserving the integrity and confidentiality of digital operations. Organizations leverage ERM assessments to adopt new technologies that align with their risk appetite and strategic goals, turning resilience into a strategic asset. A resilient cybersecurity posture, underpinned by strong internal controls and adherence to regulations like General Data Protection Regulation (GDPR) and [Digital Operational Resilience Act \(DORA\)](#), enables quick incident recovery and the ability to capitalize on opportunities during disruptions, enhancing overall [operational resilience](#).



Enhancing resilience through strategic external benchmarking

External benchmarking plays a vital role in a resilient enterprise. It involves strategically comparing an organization's risk management and resiliency practices with those of peers and industry leaders. This outside-in view provides valuable insights into leading practices and emerging trends, helping organizations to identify areas for improvement and innovation. Benchmarking also helps in setting realistic and competitive targets for risk management performance and resiliency capabilities.

Five ERM accelerators to advance your organization's resilience journey

Organizations can strategically apply ERM to build resilience, utilizing five key ERM tools to establish a resilient enterprise foundation:

1. Conduct risk assessments: ERM identifies and evaluates risks to prioritize resilience efforts.
2. Engage in risk quantification: ERM uses quantitative analysis to gauge risk impacts and guide resilience strategies.
3. Encourage scenario planning: ERM supports scenario planning for readiness against various potential risks.
4. Establish risk monitoring: ERM sets up continuous risk monitoring to maintain effective resilience measures.
5. Strengthen risk governance: ERM promotes robust governance to integrate resilience into the organization's culture.

This approach better readies organizations for future challenges and better enables them to capitalize on growth opportunities, using resilience as a strategic asset in a dynamic business landscape.



In conclusion

Integrating ERM and resiliency is not just about surviving in the face of adversity but thriving despite it. It requires a forward-looking approach, proactive planning and the ability to strategically adapt quickly to changing circumstances. External benchmarking and the five tools provided by ERM are critical components in this integration, offering a pathway to a more agile and resilient enterprise. As organizations navigate this journey, they will discover that they are adept at managing risks and seizing opportunities. This proactive stance redefines resilience as a dynamic capability enabling organizations to actively shape their future in an unpredictable business landscape.

Contacts



Prakash Vanguri

Managing Director, EY ERM Competency Leader
Ernst & Young LLP
prakash.vanguri@ey.com



Shawn Mattar

Principal, EY Americas Resiliency Solution Leader
Ernst & Young LLP
shawn.mattar@ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP
All Rights Reserved.

US SCORE no. 25307-241US
2409-67863-CS
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com