The Changing Risk Landscape

Our understanding of the nature of risk, the art and science of choice, lies at the core of our modern economy. Every choice we make in the pursuit of objectives has its risks. From day-to-day operational decisions to the fundamental trade-offs in the boardroom, dealing with risk in these choices is a part of decision-making.

As we seek to optimize a range of possible outcomes, decisions are rarely binary, with a right and wrong answer. That’s why enterprise risk management may be called both an art and a science. And when risk is considered in the formulation of an organization’s strategy and business objectives, enterprise risk management helps to optimize outcomes.

Our understanding of risk and our practice of enterprise risk management have improved greatly over the past few decades. But the margin for error is shrinking. The World Economic Forum has commented on the “increasing volatility, complexity and ambiguity of the world.” That’s a phenomenon we all recognize.

Organizations encounter challenges that impact reliability, relevancy, and trust. Stakeholders are more engaged today, seeking greater transparency and accountability for managing the impact of risk while also critically evaluating leadership’s ability to crystallize opportunities. Even success can bring with it additional downside risk—the risk of not being able to fulfill unexpectedly high demand, or maintain expected business momentum, for example.

Organizations need to be more adaptive to change. They need to think strategically about how to manage the increasing volatility, complexity, and ambiguity of the world, particularly at the senior levels in the organization and in the boardroom where the stakes are highest.

Enterprise Risk Management—Integrating with Strategy and Performance provides a Framework for boards and management in entities of all sizes. It builds on the current level of risk management that exists in the normal course of business. Further, it demonstrates how integrating enterprise risk management practices throughout an entity helps to accelerate growth and enhance performance. It also contains principles that can be applied—from strategic decision-making through to performance.

Below, we describe why it makes sense for management and boards to use the enterprise risk management framework, what organizations have achieved by applying enterprise risk management, and what further benefits they can realize through its continued use. We conclude with a look into the future.