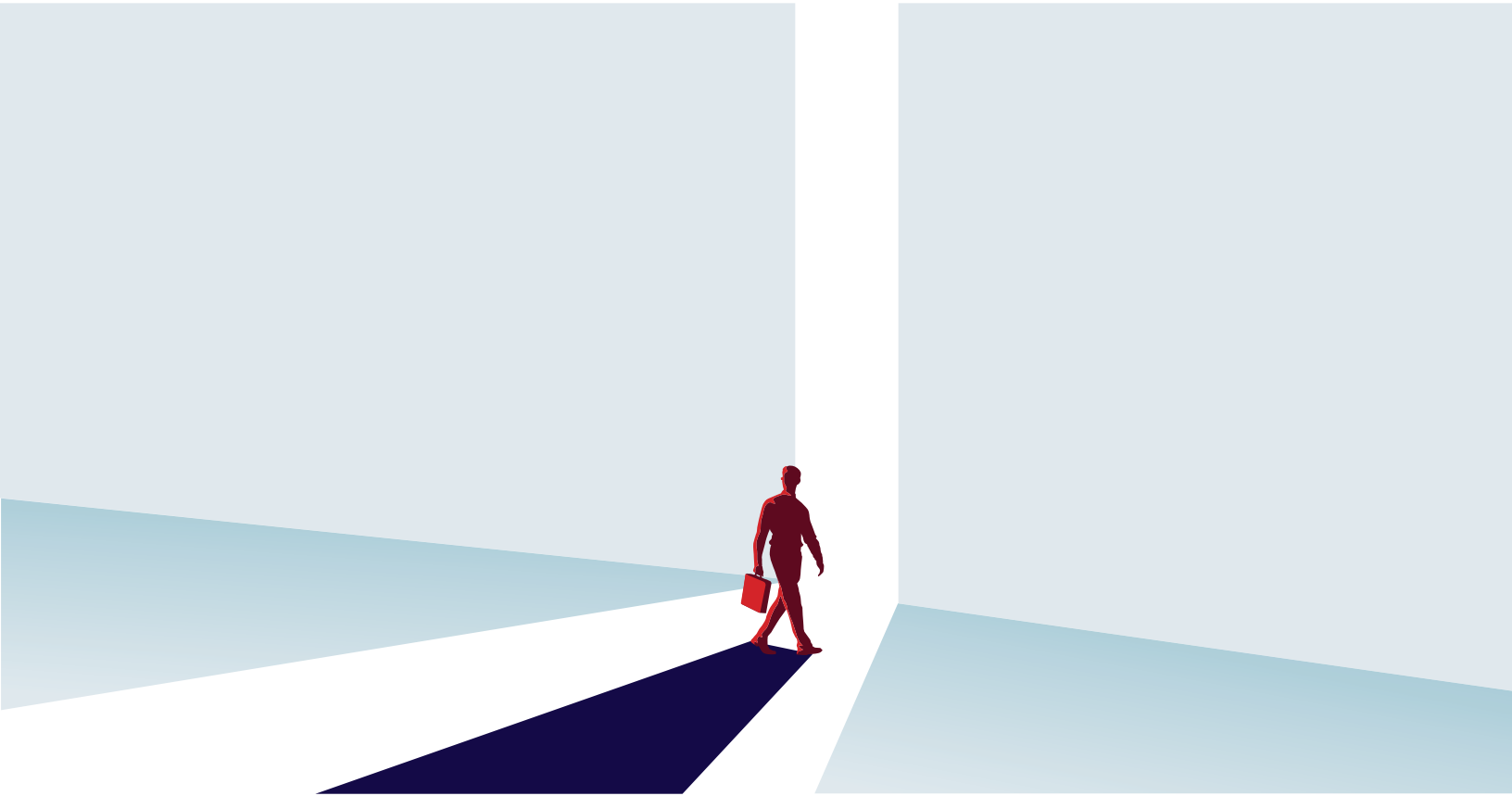**Diligent**

Integrated Risk Management (IRM)

The confidence to carpe diem

In a world that has changed almost overnight, businesses across the planet have had to adapt just as fast. Companies in all sectors have expedited their digital transformations across customer, supply chain, and internal operations by three to four years[1].

To stay one jump ahead of the competition, your business, too, must be able to identify and prepare for the challenges and opportunities that lie ahead. It needs to do away with siloed departments and the gatekeeping of data – and enable enterprise-wide sharing and collaboration so that information, intelligence, and insight are available, on demand, to all your people.

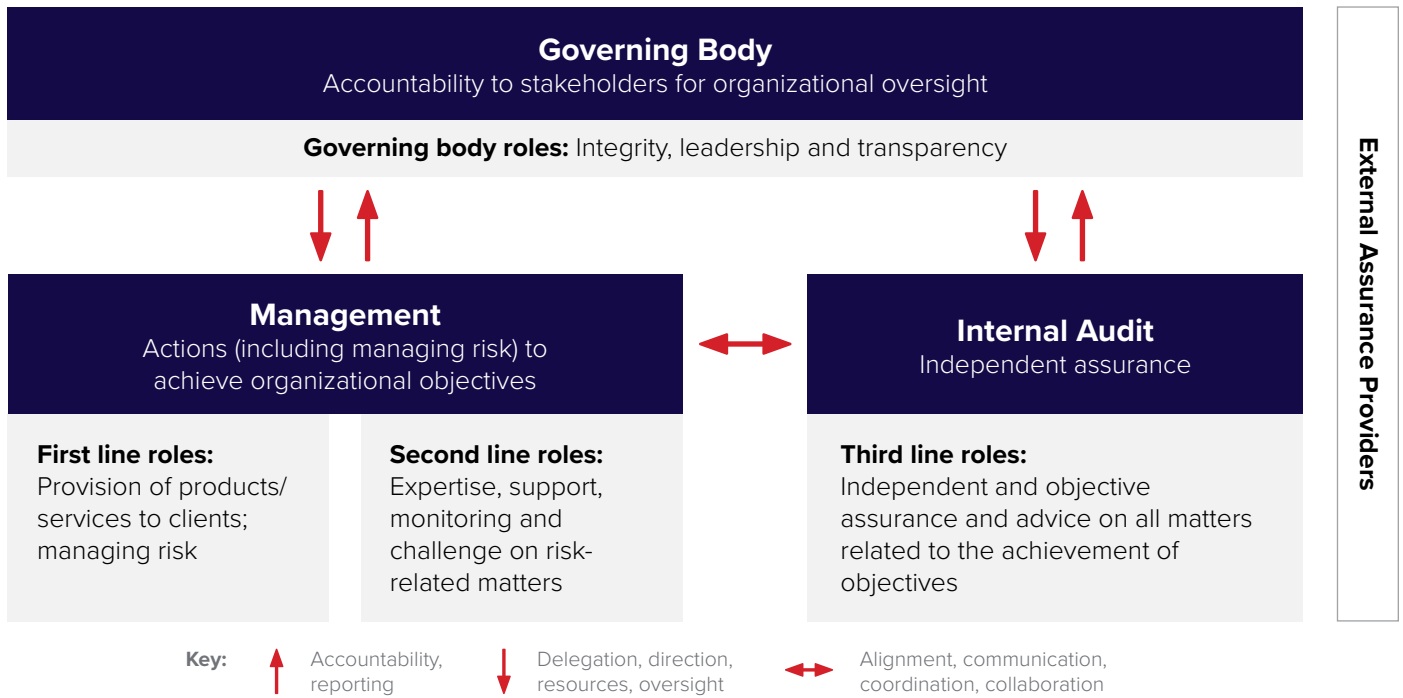# Fighting threats is good. Finding opportunity is better.

Until very recently, traditional risk management was based on the 3 Lines Of Defense (3LOD) framework which had inherent drawbacks – data silos, confusion regarding roles and responsibilities across the three lines, poor lines of communication between risk teams and the people across the business, coordination challenges, broken processes, and inaccurate reporting. All of which also lead to a negative view of the risk, assurance, and compliance teams.

Another criticism about the model: there was too much emphasis on risk tolerance rather than risk appetite. It adopts an overly cautious view of risk as something that needs to be mitigated, ignoring the need for organizations to take risks, seize opportunities and innovate to create value and succeed.

In early 2020, in response to this feedback, the Institute of Internal Auditors (IIA) undertook a comprehensive review of the 3LOD model. And in July that year, it unveiled a broad update, along with a name change.

Dropping "Defense" from the framework's title, the IIA's new "Three Lines Model" suggests that risk management should not be a mere reactive constraint on activity but, rather, it should serve as a key governance function. Moreover, the focus is on the creation and protection of value, for shareholders and stakeholders.

Governing Body	
Governing Body Accountability to stakeholders for organizational oversight	
Governing body roles: Integrity, leadership and transparency	

Management Actions (including managing risk) to achieve organizational objectives	**Internal Audit** Independent assurance
First line roles: Provision of products/services to clients; managing risk	**Second line roles:** Expertise, support, monitoring and challenge on risk-related matters	**Third line roles:** Independent and objective assurance and advice on all matters related to the achievement of objectives

External Assurance Providers

Key: ↑ Accountability, reporting   ↓ Delegation, direction, resources, oversight   ↔ Alignment, communication, coordination, collaboration

Even this updated model, however, doesn't go far enough. To begin with, external assurance activities still need to be clearly defined for the organization, to ensure clarity of roles in the overarching compliance framework. There are also other questions that haven't been adequately addressed:

- Is the ownership of assurance responsibilities clearly defined throughout the organization?

- Do the various assurance activities across all lines have risk-based plans to justify what they do, with a clear rationale for what's included and what's not?

- Does the organization clearly know how its assurance activities fit together, how much they cost and how effective they are?

- Is there an independent assessment of the organization's governance, risk management and control processes?

There are just too many risks out there, and a compartmentalized, ad hoc approach to risk leaves decision-makers reacting to events, rather than understanding them and then advancing business objectives anyway.

What your organization needs is the ability to identify, monitor, and manage all enterprise risks according to one larger program — one that's integrated into corporate strategy and decision-making. Risks should be mapped to business objectives, so that your executives can understand the risks they are accepting with their strategic choices.

IRM.
Freedom, not fear.

Today, businesses have a much more effective and empowering alternative: Integrated Risk Management (IRM). As its name suggests, IRM goes beyond ERM and GRC – it's a holistic approach where risk management is integrated into every process, activity, and operation within your organization. This helps everyone across the enterprise – from logistics and production to finance and HR, from legal and IT to security and marketing – fully understand the risk within their space.

Only 36%

of organizations have a formal
Enterprise Risk Management
(ERM) program[2]

Boards devote a relatively small
amount of their meeting time to
risk management — about

9% on average[4]

57%

of senior-level executives rank
"risk and compliance" as one of
the top two risk categories they
feel least prepared to address[3]

Only 6%

of directors believe their
organization's board is effective
at managing risk[5]

In business, as in life, fortune favors the brave. Unlike conventional risk management, where businesses worry about all kinds of worrisome 'what if' scenarios, IRM enables and encourages the exploration of 'what next' possibilities.

Rather than focusing solely on compliance requirements, IRM offers your executives the ability to look at every activity and initiative through a strategic risk analysis lens. Whatever your plans to disrupt the market – through product innovation, bold forays into virgin territory, or strategic new alliances – IRM yields the insights to map out efficient responses to every
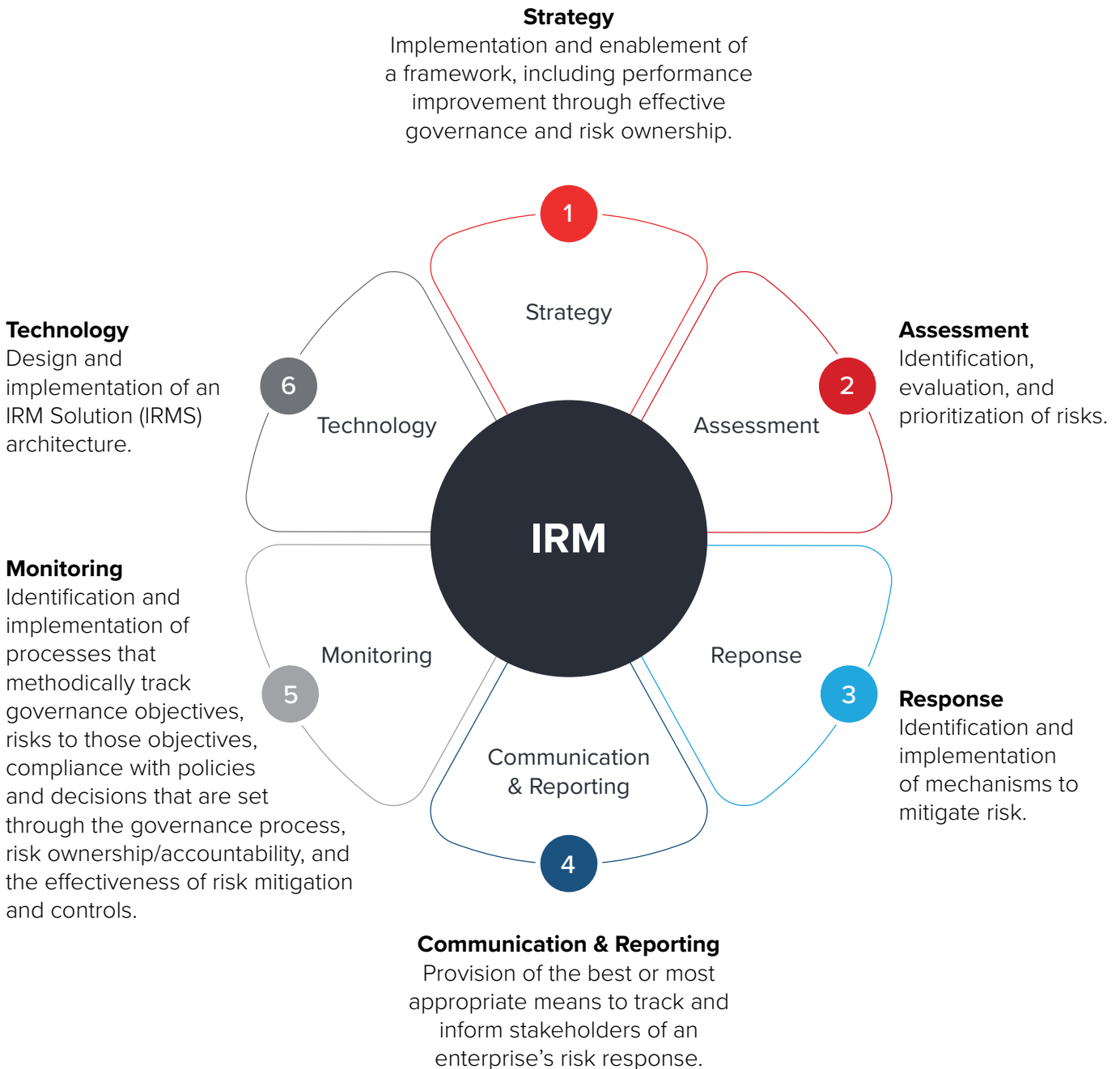
scenario, with the knowledge of how likely each one is to occur. All of which helps your organization stay several steps ahead of its competitors.

IRM provides all your stakeholders across the business access to 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. When everyone in your organization is fully cognizant of the risks – and is prepared for them all – your business can confidently chart a course for new horizons of growth and success.

Integrating culture, processes, and technology

IRM is a disciplined, unified approach your organization can take to govern all the risks it faces, so that your executives can make wiser decisions and drive better business performance.

According to Gartner, IRM has six key attributes[6]:

Strategy
Implementation and enablement of a framework, including performance improvement through effective governance and risk ownership.

Technology
Design and implementation of an IRM Solution (IRMS) architecture.

Assessment
Identification, evaluation, and prioritization of risks.

Response
Identification and implementation of mechanisms to mitigate risk.

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.

IRM

1 Strategy
2 Assessment
3 Reponse
4 Communication & Reporting
5 Monitoring
6 Technology

Communication & Reporting
Provision of the best or most appropriate means to track and inform stakeholders of an enterprise's risk response.
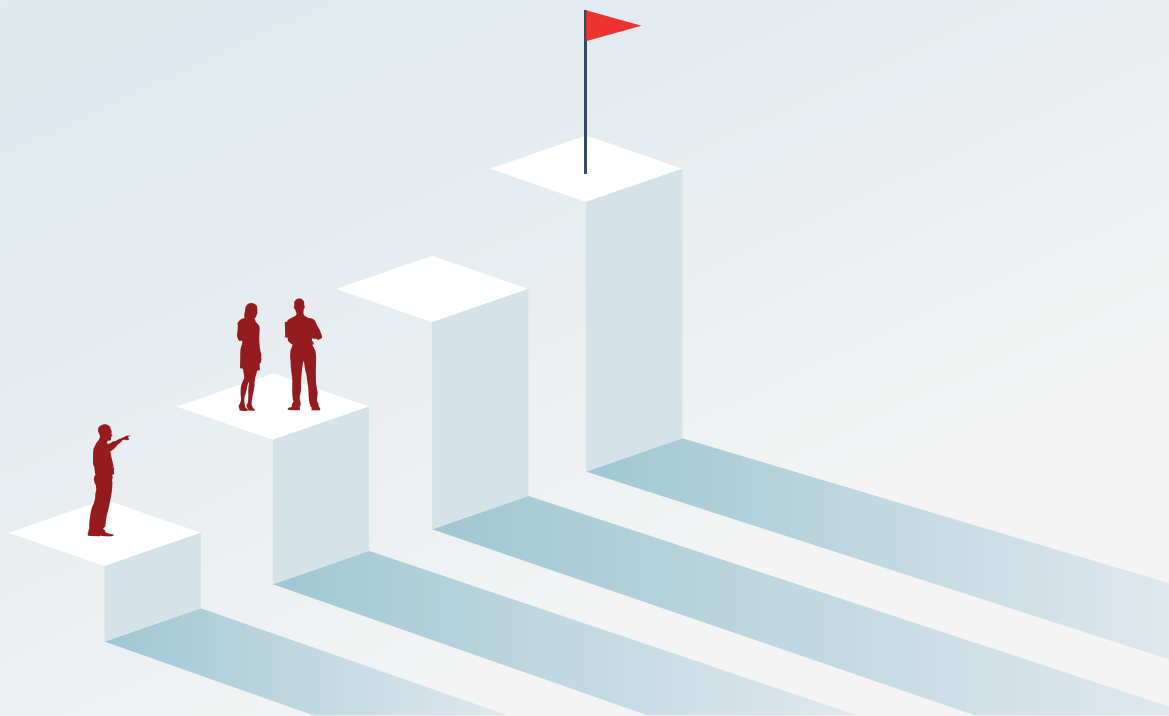
Risk intelligence, right across your organization.

It's imperative to create a robust, pervasive risk-intelligent culture throughout your organization. Risk management shouldn't be limited to specific business areas or operate only as an audit or control function. It should be embedded in the way your business operates and should cover all areas and activities.

IRM prioritizes easy access to data so that risk management teams can interpret and respond to threats quickly. This helps build 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.

People. Policies. Processes. Technology. IRM helps make them all risk-intelligent. Everyone understands the organization's approach to risk, takes personal responsibility to manage risk in everything that they do, and encourages others to follow their example.

Diligent IRM.
Your competitive edge.

Choosing the right IRM solution is key to helping your company stay ahead of the rest. 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.

As the world's leading provider of GRC software for security, risk management, compliance, and audit professionals, Diligent offers your business the reassurance and confidence of its proven IRM platform — it provides visibility into risk, makes it easy to demonstrate compliance, and helps grow audit, risk, and compliance programs, all without incurring extra costs.
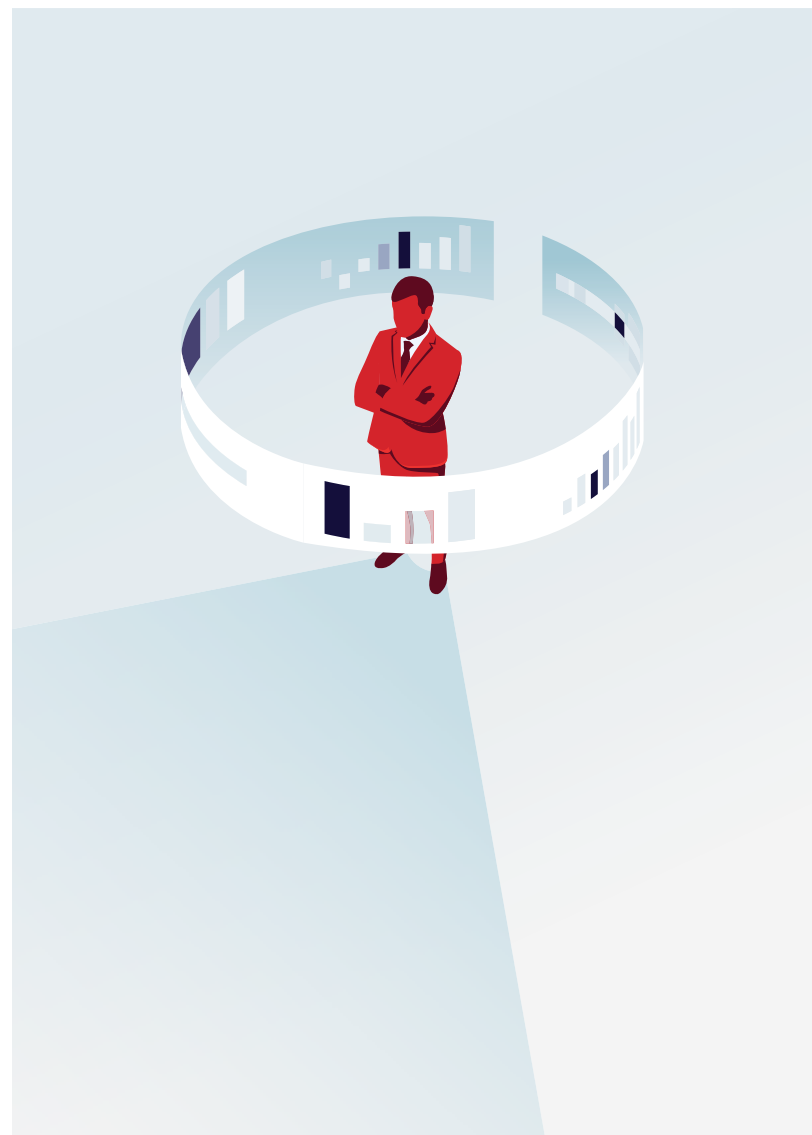
Our three pillars.
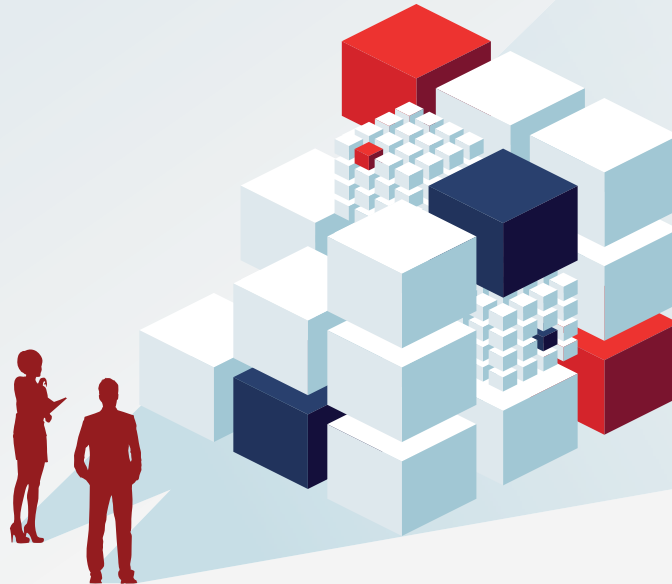# Your foundation for success.

See why Diligent is the IRM solution trusted by thousands of GRC professionals across the globe.

1 **A 'single pane of glass' across even complex organizations**

Unlike other risk management solutions that call for complicated webs of customization and bespoke GRC environments, Diligent offers a single, unified platform for all your GRC activity. Every risk management team can tailor the front end for an experience it is familiar with, but the back end is one standardized workflow, ensuring peaceful co-existence, seamlessness, and synergy.

- Collaborate from a single source of truth, eliminate error, save costs, and drive greater confidence in strategic risk management with a unified, integrated, and sophisticated GRC platform.

- Seamlessly connect your disparate data sources and integrate, analyze, and contextualize your metrics, all in real-time. With instant insights you can strategically manage risk and compliance across your entire organization, without ever leaving the platform.

- With your entire inventory of risks, controls, third parties, audits, and more — all in one place — teams can work from, reference, and report on shared data. Reduce workloads, increase visibility, and enable more informed decision-making in a collaborative environment.

2   Get up and running quickly

Diligent's plug-and-play design works right out of the box, allows you to easily scale your work up or down as required, and increase adoption across your organization. It also easily integrates data from internal systems of record and third-party providers to eliminate manual pulls, gain organizational alignment, uncover deeper insights, and harness the tools you already use.

- Spend less time on software setup with a made-to-measure GRC solution that's perfectly configured to your area of focus—whether it's audit, operational controls, compliance, risk management, or all the above.

- Save time, improve collaboration, and maintain consistency in your GRC program with industry-specific best practices, regulatory standards, templates, and guidance; better illuminate risk and increase coverage with curated risk and control libraries and frameworks.

- Continuously evaluate risk, test controls, and monitor compliance with robots designed to integrate and analyze your data; ensure streamlined processes across your entire organization with pre-configured workflows for common GRC use cases.

3   **Boost productivity, minimise errors**

Diligent IRM's Advanced Analytics & Workflow Automation lets you customize and automate critical workflows, and effectively identify and assess risk in real time with integrated analytics.

- Scale your team's GRC activities quickly and easily with automated workflows and repeatable processes; assign tasks, deploy, and monitor questionnaires and assessment surveys, send requests and follow-ups, and track your progress against goals — all in a few simple clicks.

- Effortlessly connect various tools, workflows, and data sources to meet your unique needs, extend coverage, and produce meaningful analysis; monitor and test controls against standards and regulations, in real time, using continuously aggregated data from across your organization.

- Get up and running faster with pre-configured workflows for common GRC use cases and ensure streamlined processes for internal teams and external stakeholders; efficiently manage your automations—build, test, schedule, and update—from one place.

The most competitive companies are also the most innovative. They 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. Diligent IRM helps your organization better anticipate how new adoptions will impact its risk profile, and make the smartest decisions, every step of the way.

References

1 McKinsey, "How COVID-19 has pushed companies over the technology tipping point—and transformed business forever" Survey, October 2020.

2 Forrester Survey, 2019.

3 Ropes & Gray Report, 2018.

4, 5 McKinsey, Value and resilience through better risk management, October 2018.

6 Gartner Glossary

Diligent

About Diligent

Diligent is leading the way in modern governance and is relied on by more than 25,000 organizations and 1,000,000 leaders in over 90 countries. Diligent empowers leaders to turn governance into a competitive advantage through unparalleled insight and highly secure, integrated SaaS applications. Thrive and endure in today's complex global landscape with Diligent.

Learn more and explore our solutions at **Diligent.com**