

RISK INTELLIGENCE: HARNESSING RISK, EXPLOITING OPPORTUNITY

ABSTRACT

This white paper explains how organizations can change discussion about risk from the "Risk Landscape" to the "Opportunity Landscape." Organizations need to show how proactively managing risk becomes an enabler to explore opportunities, rather than simply avoiding landmines. It all starts with the ability to manage operational risk in a manner that frees up resources to focus on the company's long term, strategic objectives. Risk Intelligence gives companies the confidence to harness risk to explore new opportunities.

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RSA WHITE PAPER



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FROM RISK TO OPPORTUNITY

Today's business environment is fraught with risk. Economic, technology and market conditions affect organizations on a daily basis. The constantly changing "risk landscape" is a discussion point in headlines, industry forums, media outlets and board rooms – the disappearing perimeter to defend, the hackers, thieves and spies, the crushing onslaught of regulatory changes. While these challenges obviously pose risks to organizations, in reality, each change represents an opportunity - an opportunity for growth, an opportunity for innovation, an opportunity to take the organization to the next level.

- Globalization adds complexity to the risks organizations must manage. However, globalization means new markets, new customers and an ever broadening stream of new ways to grow the business.
- Cloud computing, the disappearing perimeter and Big Data pose new challenges for technologists to manage and protect, but business leaders see these advancements as new ways to engage and benefit customers.
- Expanding digital infrastructures are laced with peril, with nefarious threats to digital assets lurking behind every byte. However, this same technology also fuels innovations for organizations to improve services and offer new products.
- Supply chains and markets can be disrupted by global events. But businesses need those new partners and high growth markets to compete in today's marketplace.
- The constant flow of regulatory changes creates risk with fines and violations. But compliance is a "cost of doing business" – everyone has to do it. If a company can do it cheaper and more effectively than anyone else in the market, it is a competitive advantage.

All companies have risk, regardless of the business model, industry, size and geographic footprint. Companies must determine the amount of risk they are willing to accept while doing business. Given the complexity of most organizations today, companies must focus their efforts to develop more agile, business-driven strategies and plans to identify, assess and manage risk. Risk can either be a barrier to success or an enabler of your business.

We are moving to a world where risk management will become the primary source of competitive advantage. Rather than avoiding addressing risk, organizations need the ability to embrace risk. Risk management will become the core capability separating winners from losers. Organizations that understand and manage risk effectively will prosper while those that can't will fail.

Most often, the conversation around risk revolves around the negative effects of risk. In reality, we have been talking about risk all wrong. It isn't the "Risk Landscape" that we should focus on – it is the "Opportunity Landscape" that deserves the attention. Organizations need to change the discussion to show how managing risk becomes an enabler to explore the "opportunity landscape," rather than simply avoiding landmines in the "risk landscape." How does an organization turn the conversation from Risk to Opportunity? And how does an organization maximize the likelihood that business objectives are met?

It all starts with the ability to manage operational risk in a manner that frees up resources to focus on the company's long term, strategic objectives. Risk Intelligence gives companies the confidence to harness risk to explore new opportunities. Through Risk Intelligence, organizations can switch from navigating the Risk Landscape to exploring the Opportunity Landscape.

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THE OPPORTUNITY LANDSCAPE

So where do organizations find Opportunity?

Opportunity is not a simple concept. Opportunity is the culmination of many factors that meet in the right way to open the door, giving an organization a path to the next level - that NEXT BIG THING that will catapult the business into a new, thriving position in the market.

A simple way to think about the Opportunity Landscape is illustrated in Figure 1. The combination of what you are good at and what you want to do results in passion. Organizations with passion have a great first ingredient for success. When you look at what the market wants – that is, what your customers want - and combine that with your organization's passion, you have a powerful formula for success, that golden spot right in the middle, the sweet spot, the success star.

The Opportunity Landscape is the intersection of where the organization WANTS to go AND where the Market WANTS solutions. This is where the business can grow. The Opportunity Landscape is dotted with decisions to be made. Where should investment be placed? What are the big bets that will pay off in the long run? What are the distractions that lead down a rabbit hole of disillusionment? Navigating this Opportunity Landscape is not easy. There are pitfalls all along the path. An organization that can explore this landscape while avoiding the traps and snares of the market will prosper.

Many organizations are poised just at the border of Opportunity. What is holding them back?

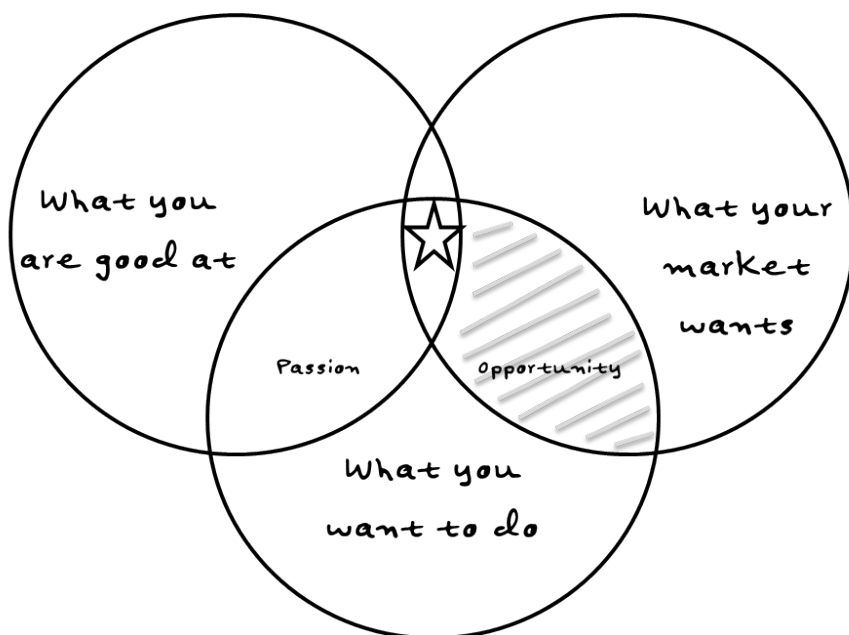


Figure 1: The Opportunity Landscape

THE COMPLIANCE BURDEN

One of the biggest impediments to Opportunity today is The Compliance Burden. These are things the organization HAS to do. This is not just regulatory compliance. This is also moral and societal responsibilities that companies have to manage. This is compliance to ensure workers are safe, the environment is protected, products are safe and information is secure. When we

layer this factor into the equation, we get a significantly more complex picture of Opportunity (Figure 2).

The first type of “Have to Dos” intersects with what you are good at. You are good at it. You have to do it. You have it covered. However, this is not always going to be the case. Take regulatory compliance, for example. With today’s continuous flow of regulatory and corporate changes, companies are never done with regulatory compliance. Regulatory and corporate obligations will continue to change, creating constant upheaval in your compliance strategies. You will always be asking yourself “do we really have it covered?”

The other area of intersection is what the market and your customers demand. These are the absolute “Must Haves”: security, resiliency, ethics, reputation and stability. This is the high risk area where many organizations struggle and where they see their biggest potential for negative results. A failure in this area can cause damage ranging from irritating to irreparable. The

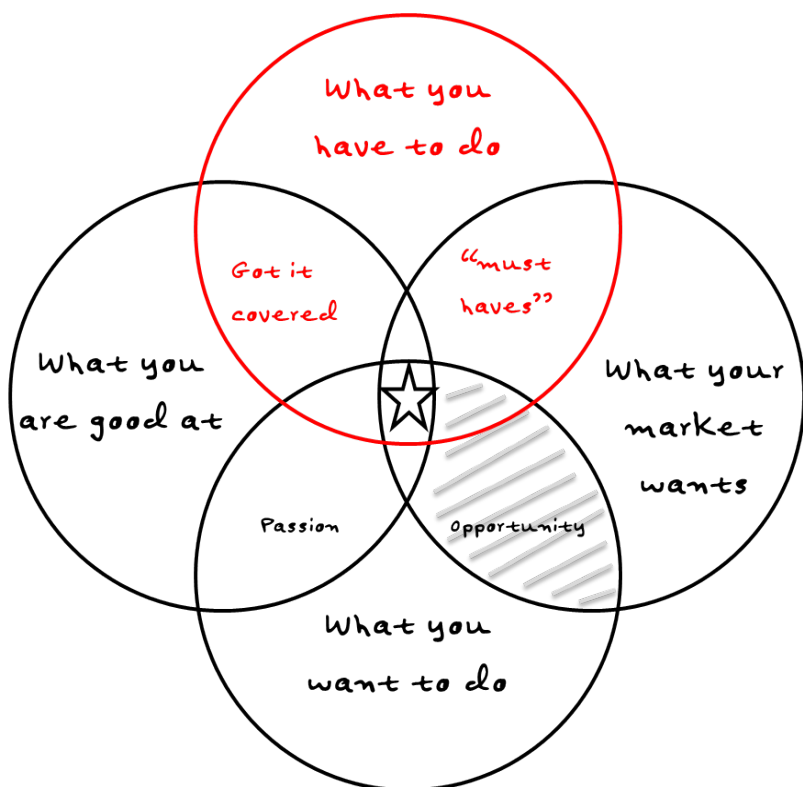


Figure 2: The Compliance Burden

fallout from major incidents – whether it is a failure in security, a compliance violation, a poorly-managed response to a natural disaster or an ethics scandal – can spell disaster for companies today.

This Opportunity Landscape represents an unexplored area where you can fuel growth to the organization. The issue? The “Have to Dos” keep getting in the way. If organizations want to explore the Opportunity Landscape, they first must take care of the “Have to Dos.” Organizations need the time and resources that are tied up in managing compliance and risk to analyze and evaluate business opportunities – or manage those extra risks that can open the door to growth. Executives need visibility into risks and the market to understand what areas the business can take on from a risk perspective and be confident in success. Organizations are constantly struggling to keep up with the “Have to Dos”, worried about the “Must Haves” and lacking the confidence to drive toward opportunity.

RISK INTELLIGENCE

This is why organizations need Risk Intelligence.

First, with the constant influx of new and changing regulations, organizations are buried in compliance activities and are reacting to the latest requirements. With limited budgets and resources focused on compliance, the business is unable to proactively focus on risks. **What if you could evolve compliance to automated control assurance?** By integrating data from your existing systems and streamlining processes, you can essentially TRANSFORM COMPLIANCE. Compliance becomes an output of your existing processes and systems and does not require separate teams to manually verify compliance (Figure 3). Therefore, the organization can become good at more of the “have to dos” and manage core regulatory and compliance risks.

RSA Archer fuels this compliance transformation by funneling the chaos of regulatory and corporate obligations into a manageable process that is guided by business impact. When these requirements and obligations are mapped to the business, responsibilities can be assigned and the organization can start working priorities. RSA Archer also allows the organization to implement a cohesive compliance strategy across silos and address many of the manual and duplicate efforts found in compliance programs today. Compliance processes can be automated and data can be leveraged to free up resources to reduce risk and focus on core business strategies. Compliance does not have to be a bolted-on, fire drill effort. It can be a part of everyday business if the organization has the right strategy. With this comprehensive compliance strategy enabled through RSA Archer in place, the compliance risk picture becomes much clearer. The organization has a common framework to report on compliance status to the board and regulators, and compliance issues are centralized to ensure any gaps are reported and remediated.

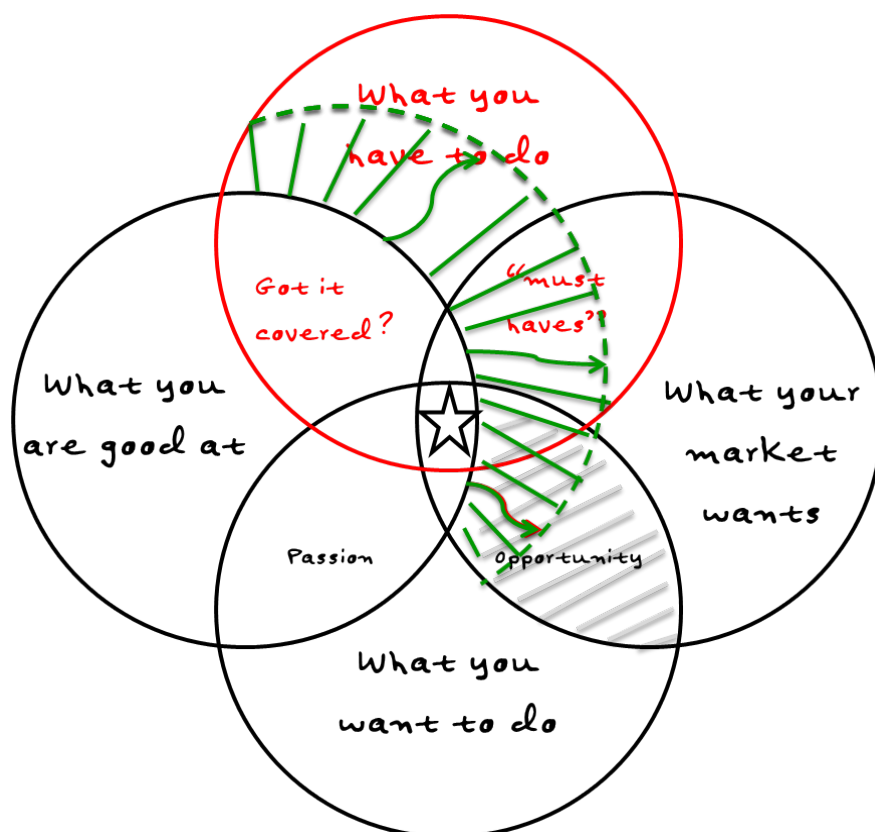


Figure 3: Risk Intelligence

Next, the “Must Haves” are always increasing and companies struggle with limited staff. If the organization reacts too slowly to any one of these “Must Have” risks, it could be out of business. **What if you could improve how you manage known risks and be better prepared for unknown risks?** By automating compliance, you can reallocate resources to proactively HARNESS RISK. These resources allow you to expand your risk focus and develop advanced analysis capabilities to identify known and

unknown risks to the organization. You are more prepared to deal with the “Must Haves” in the market and you raise confidence across the business for managing emerging risks.

To respond to the always-changing risk cycle, you must be proactive in identifying risks and how they impact your business. By doing this, you can minimize losses and negative events, which will reduce financial losses, reputational damage, lost customers or damage to the health and safety of your employees and customers. RSA Archer empowers your Operational Risk Management program with better visibility across operational silos. By standardizing your risk management process across the enterprise through RSA Archer, you can establish a common language, measurements, controls and processes to quickly prioritize and manage your risks. Risk and Business Unit Managers can better focus resources and manage their individual risks.

Building a consolidated risk view through a common approach and taxonomy for your risks also allows you to measure them with consistency across all of the functions you have today. With this consistency, you can prioritize your risks to focus your resources on the risks with the most impact. You can also deal with unknown risks by eliminating uncertainties and limiting your exposure to surprises. You can ensure emerging risks are managed by the right people and assessed in a consistent manner. In addition, RSA Archer can integrate the management of the most pressing operational risks – Compliance, Security, Resiliency and Third Parties – into one cohesive approach, with integrated Audit processes to demonstrate that management is appropriately managing risk.

Finally, a lack of understanding and lack of translation of risk to business drivers limits your view of risk, which restricts your ability to exploit new opportunities quickly to gain competitive advantage. **What if you could harness risk to exploit opportunity? This is the ultimate goal of Risk Intelligence.** By properly managing and understanding risk, you can EXPLOIT OPPORTUNITY. You are confident in your ability to manage risk, thus allowing you to explore new opportunities. Proactive opportunity identification creates a competitive advantage for your business. You have the information to discern what the high impact opportunities are, avoid low return on Investment distractions, and manage risks to improve your potential for success.

Your executive team and board of directors need to be confident that they understand the organization’s risk overall. They have both personal and corporate fiduciary responsibility to effectively manage these risks. They must have a clear picture of the organization’s risk and have confidence that they have the right data to make good business decisions. When they have that clear picture, there is an overall reduction of risk and improvement in overall performance.

With RSA Archer as the backbone of this integrated approach to compliance and risk, you build the interface to report to the board of directors. The board gets a consistent view across risks. Through Risk Intelligence, they can clearly see the big picture and make better decisions to drive business and exploit opportunities. Uncertainties are moderated and the organization is better positioned to deal with negative events. Demonstration of risk management to regulators becomes an output of your own processes, which reduces costs associated with external scrutiny and decreases the risks of violations and fines.

THE JOURNEY TO RISK INTELLIGENCE

No organization will achieve complete transparency into risk. There is no crystal ball that will magically outline opportunity, map risks and provide a distinct, unobstructed path through the Opportunity Landscape. However, there are specific steps organizations can take toward Risk Intelligence.

Siloed Risk and Compliance

Many organizations are stuck in the most elementary risk and compliance approaches that attack individual issues within a stovepipe strategy. This strategy relies on the constant fire-fighting modes of the front line and functional employees. Some silos may be mature and some could be missing or just forming. The focus is so much on compliance and tactical risks that the organization cannot see beyond the immediate issue. Risk managers are hunkered down in the trenches with little movement forward and have to rely on old fashioned approaches that may get the job done but will never keep pace in today’s market.

These organizations need to take the “Compliance Crush” off the table and start solving regulatory and industry needs in the most efficient and effective manner. This requires automating compliance and building a cohesive strategy to deal with the ‘table stakes’ of doing business. The “Have to Dos” need to be tackled but with an eye toward the future. Building more silos at this point is futile. Risk and compliance functions need to focus on where data and processes can be leveraged, reused and shared and ‘value ceilings’ of operational tools can be broken. Transforming Compliance will pave the way toward Risk Intelligence.

In addition, all companies have to corral digital risk. Companies that can’t deal with technology risk today will be the lost souls of tomorrow. The first facet of technology risk that must be addressed is security. The price is too high for costly data breaches,

loss of intellectual property, reputational damage and fallout from a security event. Of all immediate risks, digital security must be the first risk that to be wrestled to the ground and tamed.

Managed Risk

Companies in this stage have solved (or are well on their way to solving) the 'market table stakes' of compliance and are poised to harness risk. The Compliance Transformation has resulted in common policies, standards and controls, an effective control infrastructure and efficient methods to measure, monitor and report compliance state.

Companies in this state need to become aware of the various risks they are juggling and put plans in place to manage these risks within the context of a broader strategy. Information Security should have been strengthened to deal with digital threats, but the company needs to take technology risk management to the next step within a broader strategy. The business needs to understand the risks in its landscape and should be navigating (or at least drawing maps) to avoid major issues. This progress is being fueled more and more by visibility into risk through metrics and analytical capabilities.

Companies at this stage begin building the bigger picture, shoring up the strong competencies and bringing the weaker up to a stable state. As the company matures, the effort begins shifting from "compliance" as the key driver to becoming more risk focused. The Operational Risk management strategy is strongly positioned to deal with known risks, identifying unknown risks ahead of the curve and making adjustments decisively to keep a lid on risk. The organization eventually reaches a point where the opportunity landscape starts taking shape and is then poised to move to the next phase – Risk Advantaged.

Risk Advantaged

When the organization has mapped out and conquered the risk landscape, they can begin exploring the Opportunity Landscape. These organizations are now ready to realize the competitive advantage of harnessing risk – beating competitors to market, launching new products and services with calculated efficiencies, and avoiding those major issues that affect reputations and the bottom line. They have turned the corner from dealing with Unrewarded Risk to focusing on Rewarded Risk.

Organizations in this phase focus on speaking "business language" instead of "risk language." They are able to identify and respond to emerging risks ahead of the curve – using common taxonomies, common approaches, well-oiled decision making processes and, most importantly, DATA to support their conclusions. This is where the full power of Risk Intelligence comes to bear, as the organization explores and exploits the Opportunity Landscape.

CONCLUSION

Risk Intelligence pushes your boundaries and enables you to cover what you have to do while freeing up resources to move into new opportunities. Executives need relevant, up-to-date information to make the right decisions and pursue the right opportunities. RSA Archer can be the backbone of your operational risk and compliance management program. By sharing data, leveraging processes and breaking down organizational barriers, RSA Archer builds efficiencies across the organization to effectively transform compliance, manage risk and exploit opportunity.

Companies that can have the right conversations about Risk and Opportunity are on the journey to conquering their risk landscape. We all know the risk landscape is changing – it is an accepted truth. Companies that can map out that landscape to identify the pitfalls and treacherous paths can develop and implement a successful strategy to navigate around the barriers. The Opportunity Landscape can then be explored and exploited to fuel growth for your business.