

Building Your Risk Management Budget

Is enterprise risk management (ERM) a priority for your organization's financial planning?

Many companies struggle with dedicating money and resources to risk management. Convincing chief financial officers, the C-suite, and board that ERM is necessary can be an uphill battle.

Understanding an ERM program's fiscal requirements is also a challenge because risk management is rarely embedded in the usual budgeting process. You're likely starting from scratch — analyzing the needs of each department and asking critical questions.

How can you practice risk management while still maintaining profitability and growth? Consider these critical questions when budgeting for an ERM program.



1. What is your risk inventory?

The first thing to do is assess your current inventory of risk tools and processes. What existing methods, best practices, and “common language” do you have in place for risk management and assessments?



2. What regulatory and compliance laws affect you?

Compliance involves avoiding risk by verifying that regulatory and legal requirements have been followed. What compliance expectations (including SOX, HIPAA, GDPR, the CCPA) does your organization need to meet?



3. What confidential data and/or non-public personal information (NPPI) do you handle?

Are your mission-critical data, customer information, and personnel records safe? Understand where sensitive data exists in your organization and safeguard it in both structured and unstructured form; secure and continuously monitor which employees and third parties have access to it.



4. What are your security needs?

Daily business operations are increasingly reliant on technology — especially computers and Internet of Things (IoT) devices. Know the impact that cyber risk has on your organization. Include relevant business context in cyber risk analysis to more effectively prioritize risks, best practices, and next steps.



5. How does ERM compare with other functions in your organization?

Compare the functionality of what you want to do with what is already being done within the organization. What are the most vital business functions and how can you connect ERM to strategic goals?



6. Is risk governance necessary?

Governance sets up the foundation of how ERM functions and keeps every department in the loop. Risk management must be tailored to your specific organization and a framework, including incorporating leadership.



7. What about a dedicated ERM team?

Some organizations can't afford an ERM department or risk office and believe a dedicated risk management team will impede any progress or growth. A risk management budget must be both reasonable and realistic.



8. The importance of communication

Use different types of mediums for communications. People learn on an individual basis, so use different forms of communication (phone calls, emails, videos, one-on-one conversations). Employees and executives need to be kept in the loop on the plans for ERM before and after it is implemented.



9. Budget for the unexpected

The unknown is a continuous aspect of the budgeting and planning process for ERM. Some business factors can be planned for (rising salaries) and others are unexpected (fluctuating insurance premiums). Is it better to set up a reserve fund or divert funds when losses occur?



10. What technology do you have - and need?

Most risk management departments have relied on Excel spreadsheets, but the evolution of technology and Big Data makes it hard to rely on obsolete methods. New technologies can enhance risk management effectiveness, but do you have the right tech for robust ERM?

You need a configurable ERM/GRC solution to break down silos between departments by providing enterprise risk assessment, monitoring, remediation, and reporting functionality.

