

# The Strategic Implications of Enterprise Risk Management: A Framework

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## **Abstract**

The dynamic and highly competitive business environment of recent times has seen numerous debacles, from natural disasters to financial crisis to frauds and scandals. This has brought to the limelight risk management, a discipline that has in the past focused on mostly hazardous risks and is most recognized in the finance and insurance sectors. All these applications, including the numerous measures taken to mitigate current and emerging risks, have given governments, businesses and stakeholders a new view of the environment: the risk environment.

The intervention by what is considered the evolutionary discipline of traditional risk management, known as enterprise risk management (ERM), takes a new and holistic approach. Experts describe ways of implementation through the use of frameworks, one of which, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Integrated Framework, is discussed in this work.

This study is carried out using a case-study research design looking at two companies: Infosys and Rolls-Royce Corp. The research is aimed at developing an explanation on how ERM brings about the strategic implications or its “promise” as it is popularly known in the ERM circle.

Reported findings show that a simple linkage exists between the ERM processes and their benefits (the strategic implications), apparently influenced by numerous factors including risk appetite, risk culture and management competence, which go a long way to show the value of ERM. Through analyzing the cases, questions answered by this paper include: Why is the risk perceived differently? Why is the impact of the same risk different? Why the difference in risk responses? Why is the proposed response sometimes different from the actual? How are all these linked together?

In concluding this research paper, the influential factors and how they are linked to the ERM process of achieving these strategic implications are highlighted.

**Keywords:** Enterprise, holistic, risks, management, COSO, framework, integrated, ERM.