

THE THREE DIMENSIONS OF RISK

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INTRODUCTION

2021 has been a watershed year in more ways than one. Risk is all around us—be it the extreme weather events, geopolitical tensions, or the pandemic we are experiencing—posing enormous challenges to businesses, but more so, to the survival of the human species.

As the world steps up its efforts to stay resilient, businesses are increasingly being held to higher standards of Environmental, Social, and Governance (ESG) accountability. Doing well isn't enough of an objective anymore. Companies are also expected to do good—whether that means eliminating the use of fossil fuels, or preventing the spread of fake news on their platforms, or building greater ethics and explainability into AI applications.

Now, more than ever, boards and leadership teams need a robust governance, risk, and compliance (GRC) program to navigate what's next. Decision-makers need real-time risk intelligence to anticipate and tackle those “unknown unknowns”, while also capitalizing on growth opportunities.

Essentially, GRC offers a way for organizations to build more resilient, risk-aware, and better-governed enterprises that truly thrive on risk. Because it is ultimately these kinds of organizations that will succeed in a post-COVID-19 world and beyond.

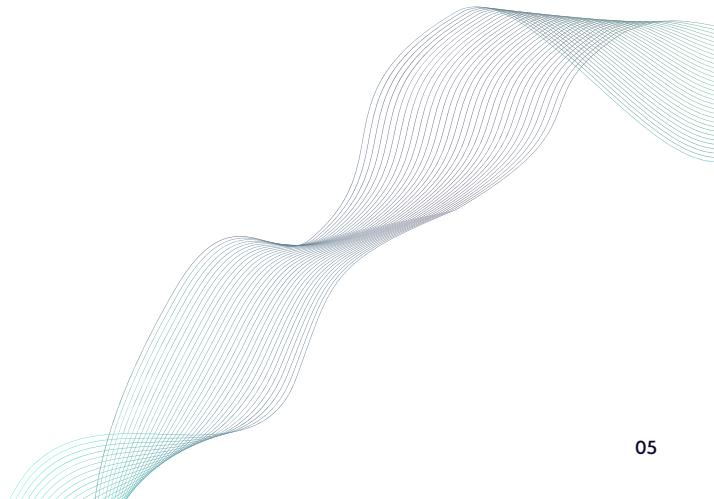


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Today, there are more risks than ever. These risks include globalization, cyber breaches, health crises like COVID-19, and climate change. That's why ESG concerns are increasingly becoming a top priority of every organization. These concerns require a greater emphasis on governance, risk management, and compliance (GRC) software that can assist organizations in quickly identifying and mitigating risk. Indeed, GRC is the key to building resilience, seizing new growth opportunities, and successfully navigating the future.

This eBook will outline the three dimensions of risk and how organizations can successfully navigate the expanding risk universe with an agile and innovative mindset.



The background features a dark blue gradient with two large, semi-transparent wireframe spheres. One sphere is positioned in the upper right, and the other is in the lower left. Both spheres have a grid-like structure with glowing blue and white particles scattered across them. In the bottom right foreground, there is a prominent, glowing green wave pattern composed of numerous small dots.

DIMENSION ONE: THE FOUR WAVES OF GRC

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Here are the four most serious risks that every organization faces today:

Wave 1: Financial Risks

The Great Recession of 2008 was the biggest economic meltdown since the 1929 Great Depression. It was a shocking—and eye-opening—risk event for many organizations. We all quickly learned that even though the world is an interconnected place, a high level of interconnectedness can also create more extreme risks – both financial and non-financial. The Great Recession had a domino effect. When one part of the financial system toppled, it quickly pushed over other pieces. That's why seemingly impervious financial giants like Bear Stearns and Lehman Brothers were instantly obliterated. Protecting against these kinds of global, macroeconomic risks is now essential for every organization.

Wave 2: Cyber Risks

The cyber wave surged in 2015 with the meteoric rise of mobile phones and social media platforms, with billions of people around the world connected like never before. We are all enjoying the benefits of this digital era, yes, but it has an ominous underbelly: cyber risk and threats to data privacy. Cyber attacks are now a serious danger to businesses, with hackers relentlessly focused on gaining access to personal and corporate information. Data is the new oil—it is what powers the digital economy. And it is the responsibility of every organization

to ensure the right data privacy and security standards are in place.

Wave 3: Human Health Risks

In the past year, the lives and livelihood of people around the world have been battered by the Covid-19 pandemic. It's one of the most challenging events in modern times. And it's made worse by the fact that the world is largely interconnected, which has allowed the virus to quickly spread far and wide. Of course, an interconnected world brings many benefits but, as the virus shows, it also brings tremendous health and economic risks—which all organizations must be prepared for moving forward.

Wave 4: Environmental Risks

The next wave bearing down on us could be the most serious of all: environmental risks due to climate change. Our world is increasingly besieged by hurricanes, floods, wildfires, and many other natural disasters as a result of a warming planet. These events are also taking an economic toll on businesses around the world. That's why, for example, a leading company like Amazon has committed to being carbon neutral by 2040 and operating 100,000 electric delivery vans going forward. We have to make sure that our planet survives for generations to come, otherwise, we are lost as a civilization.

A photograph of two people in business attire shaking hands over a document. A network graph overlay is visible, with nodes and lines connecting them. A glowing green digital hand is also present, interacting with the network.

DIMENSION TWO: SERVING KEY STAKEHOLDERS

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In a world of increasingly volatile and interconnected risks, it is critical to empower key stakeholders, such as employees, partners, and customers—as well as the technology we all use—to harness frontline intelligence and make real-time, risk-aware decisions that unlock new growth opportunities.

Employees: Employees are the first key stakeholder and they must be intimately involved with their organization's GRC initiatives. Pharmaceutical giant Novartis, for example, has crowdsourced its new code of ethics based on shared ideas and insights from more than 2,500 global employees. Novartis calls it the “unbossing” of their code of ethics because the effort is not driven top-down but rather bottom-up.

Partners: Third-party partners, such as vendors, suppliers, and customers, are the next key stakeholder group. These partners must be a part of any GRC strategy. Organizations need to enable a comprehensive process to identify, assess, mitigate and monitor third-party risks, as well improve third-party risk visibility with quick, frequent risk assessments.

AI and machine learning: The next emerging GRC stakeholders are not humans but AI and bots. Many companies now have thousands of bots and virtual agents to help run their operations. These agents can't be ignored. Indeed, the next big risk event could be caused by technological malfunction, whether due to malicious design or accident. AI cannot be left alone as an ungoverned activity.

The background features a dark blue gradient with a complex pattern of light blue wavy lines and small white dots forming a grid-like structure, creating a sense of depth and motion.

DIMENSION THREE: FEDERATION AND FLEXIBILITY

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An agile organization is built on the foundations of federation and flexibility.

The first part of an agile organization is federation. Federation means having an architecture that is decentralized. Being centralized doesn't work these days. Leadership must be distributed across the entire organization, with business units and regional groups empowered to make critical decisions.

The second part of an agile organization is flexibility. Flexibility means the ability to evolve as necessary and rapidly reconfigure your business. As Darwin discovered long ago, it's not the strongest species that survive and thrive but those that are most adaptable.

The best organizations today are not monolithic. They are not majestic, slow-moving cruise ships. Rather, they are a fleet of speedboats, all moving in the same direction and guided by common goals and metrics.



THE THREE DIMENSIONS OF RISK



A photograph of a modern conference room. In the foreground, a long, light-colored wooden conference table is visible, with several clear glasses and small, dark cylindrical objects (possibly pens or markers) resting on it. Behind the table, a row of office chairs with dark, ribbed backs are arranged facing forward. The background is a plain, light-colored wall. A prominent feature is a green, three-dimensional sound wave graphic that originates from the back of the first chair and extends across the entire width of the image, curving upwards towards the top right.

TONE FROM
THE TOP

TONE FROM THE TOP

Business leaders need a comprehensive risk management platform that can give them a unified view of risk that encompasses all four waves of GRC and every stakeholder—as well as emerging technologies like AI.

CEOs and boards need to set the right tone from the top. They must start by embracing GRC and assessing and reassessing their readiness quotient, with emphasis on adapting to changing business requirements. An effective and agile framework can help the board look at the total impact of their company's ESG strategy and operations.

When GRC is viewed as a competitive advantage rather than a checklist item, that's when companies can not only stay in alignment with sustainability processes but can also inspire trust and build a positive relationship with customers, investors, and stakeholders, which is an essential part of organizational growth.



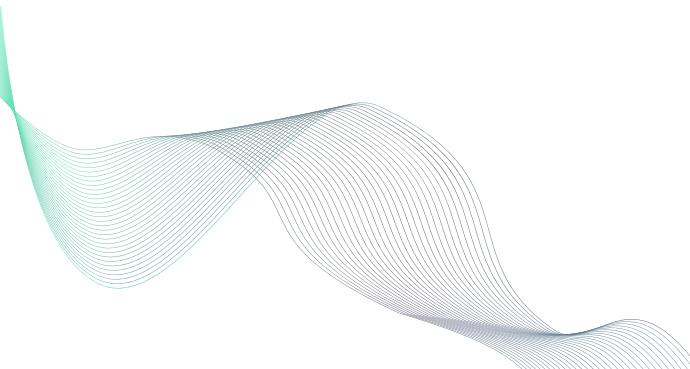
THE METRICSTREAM PLATFORM



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The MetricStream Platform empowers organizations to make real-time, risk-aware decisions that boost business performance, strengthen resilience, and enhance brand reputation. MetricStream's simple purpose-built platform is proven with over a million global users. The platform is designed to serve integrated GRC use cases across industries and is infused with deep domain expertise, rich context, integrated data, and explainable AI. With the MetricStream Platform, organizations can:

- Intuitively harness real-time risk intelligence across the extended enterprise.
- Break down silos to accelerate decision-making and gain a 360-degree view of GRC programs.
- Quantify risk in monetary terms and rate risks using advanced analytics.
- Achieve present and future GRC needs with an expandable foundation.
- Collate data from internal and external information systems to the central GRC hub.
- Meet specific requirements with a highly configurable platform.
- Drive adoption across the organization, accelerating productivity and frontline insights leveraging a simple, intuitive user interface.
- Work smarter and faster using explainable AI.



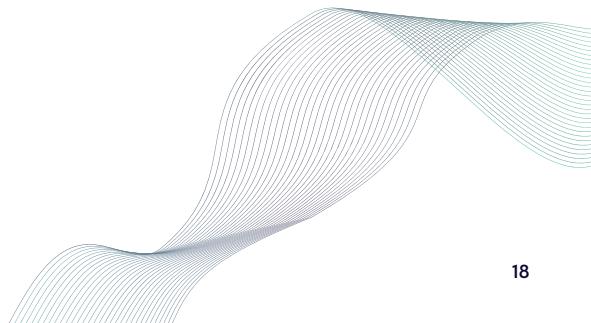


A woman with dark hair and red lips is shown in profile, looking upwards and to the right with a thoughtful expression. She is positioned on the right side of the frame. In the background, there is a large, semi-transparent digital interface. On the left side of this interface, there is a graph with a line connecting two points, one labeled '229.56'. Below the graph, there is some small text that appears to be '01/21/01'. To the right of the graph, there is a circular icon with a dollar sign (\$) inside. Further down the interface, there are several other graphs and charts with various data points and numbers. One chart has a line with points labeled '14.687' and '8.904'. Another chart has a line with points labeled '2.653' and '461.79'. At the bottom left, there is a timestamp '05.12.54.20'. On the far right of the interface, there is a small image of a group of people. The overall aesthetic is futuristic and suggests a theme of data analysis or foresight.

WHAT'S
NEXT

WHAT'S NEXT

With the proper Integrated Risk Platform in place, risk and performance become the opposite sides of the same coin. Risk management is no longer viewed as a brake on the business. Rather, it becomes an accelerator so that you can smoothly navigate any turns and obstacles at maximum velocity while remaining firmly on the road to success.



A close-up photograph of a person's hands typing on a dark-colored computer keyboard. The background is blurred, showing a warm, orange glow. Overlaid on the image is a stylized graphic element consisting of numerous small, glowing blue dots arranged in a wavy, flowing pattern that resembles the letter 'S'.

ABOUT THE AUTHOR

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Gunjan Sinha
Founder and Executive
Chairman

Gunjan Sinha is a visionary, entrepreneur, and business leader. He currently serves as the founder and executive chairman of MetricStream. He is probably still best known as the founder of WhoWhere?- an internet search engine which he sold to Lycos in 1998. He is also the co-founder and board member of the customer engagement software company, eGain (NASDAQ: EGAN). Throughout his career, he has been an active investor and board member in numerous successful Silicon Valley start-ups and venture funds.

Gunjan is a strong believer in social entrepreneurship, having helped create Child Family Health International, a United Nations recognized public non-profit, to transform global health education.

From 2010 to 2017, Gunjan became the founding board member of the US India Endowment Board - started by the US State Department along with the Office of Science and Technology at the White House – an endowment fund that supports innovation and commercialization of science and technology for social good in the US and India.

Gunjan is passionate about social innovation, diversity, inclusiveness, and global risk management. He envisions a world that brings the power of socially conscious innovations to better disrupt its risks, and create opportunities for all.





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