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# Corporate Stakeholders and Enterprise Risk Management: Towards an Integrating Model

**Paper presented at the 8<sup>th</sup> Risk Governance Conference  
29 October 2020**

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# Agenda

1. Evolution of RM from silo approach to integrated approach
2. COSO Framework
3. GAPS / limitations in COSO Framework
4. ISO 31000
5. GAPS / limitations in ISO 31000
6. New Dimensions in ERM
7. Proposed Conceptual & Practical Framework

# Evolution of risk management from silo approach to integrated approach

*A ship is safe in the harbor, but that is not its purpose*

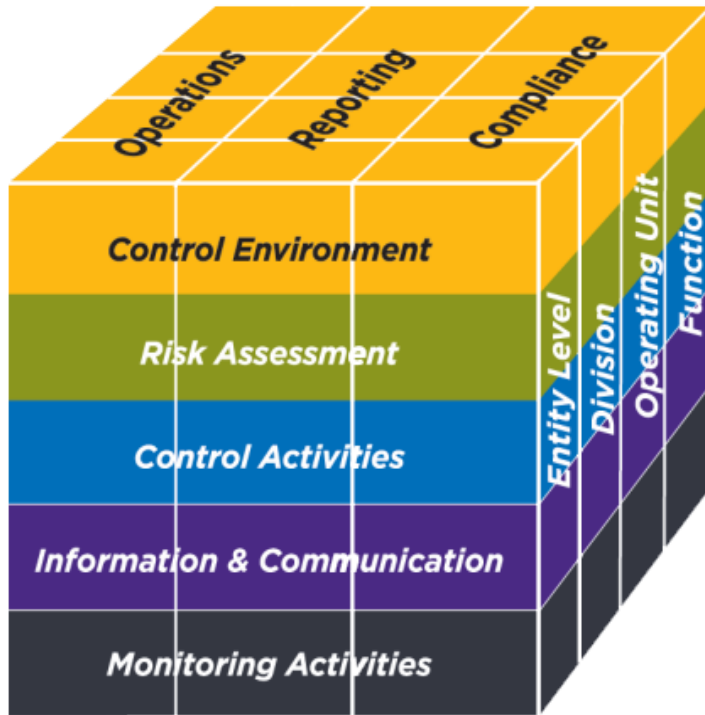
- **Business Risk** - An event or group of unforeseen events and uncertainties, the consequence of which results in non-achievement of business objectives.
- Initially, business entities managed these risks by transferring them to **insurance companies** at a cost – namely insurance premium. Modern business complexities and environment made transfer of all risks to insurance neither practical nor financially viable.
- In house risk management - wrong notion that if risks are managed in each dept., they are managed throughout the enterprise.
- Risks are interrelated, hence a need to manage them through an enterprise wide framework.

**Hence, emergence of Enterprise Risk Management Frameworks**

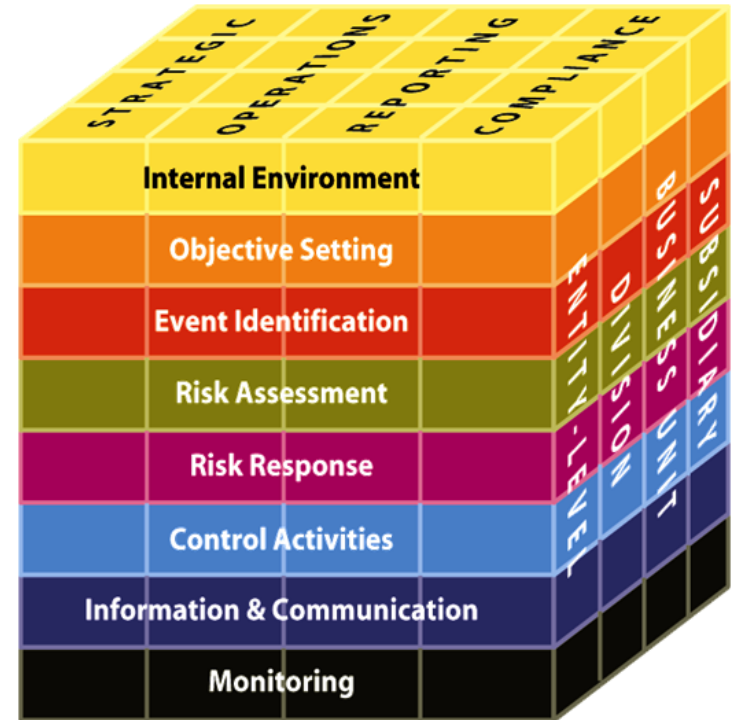
# Evolution of risk management from silo approach to integrated approach

- Cadbury / Turnbull Report, UK
- Treadway Commission, COSO, USA (2004, 2017)
- ISO 31000 (2009, 2018)

# COSO Framework



COSO Internal Control Framework



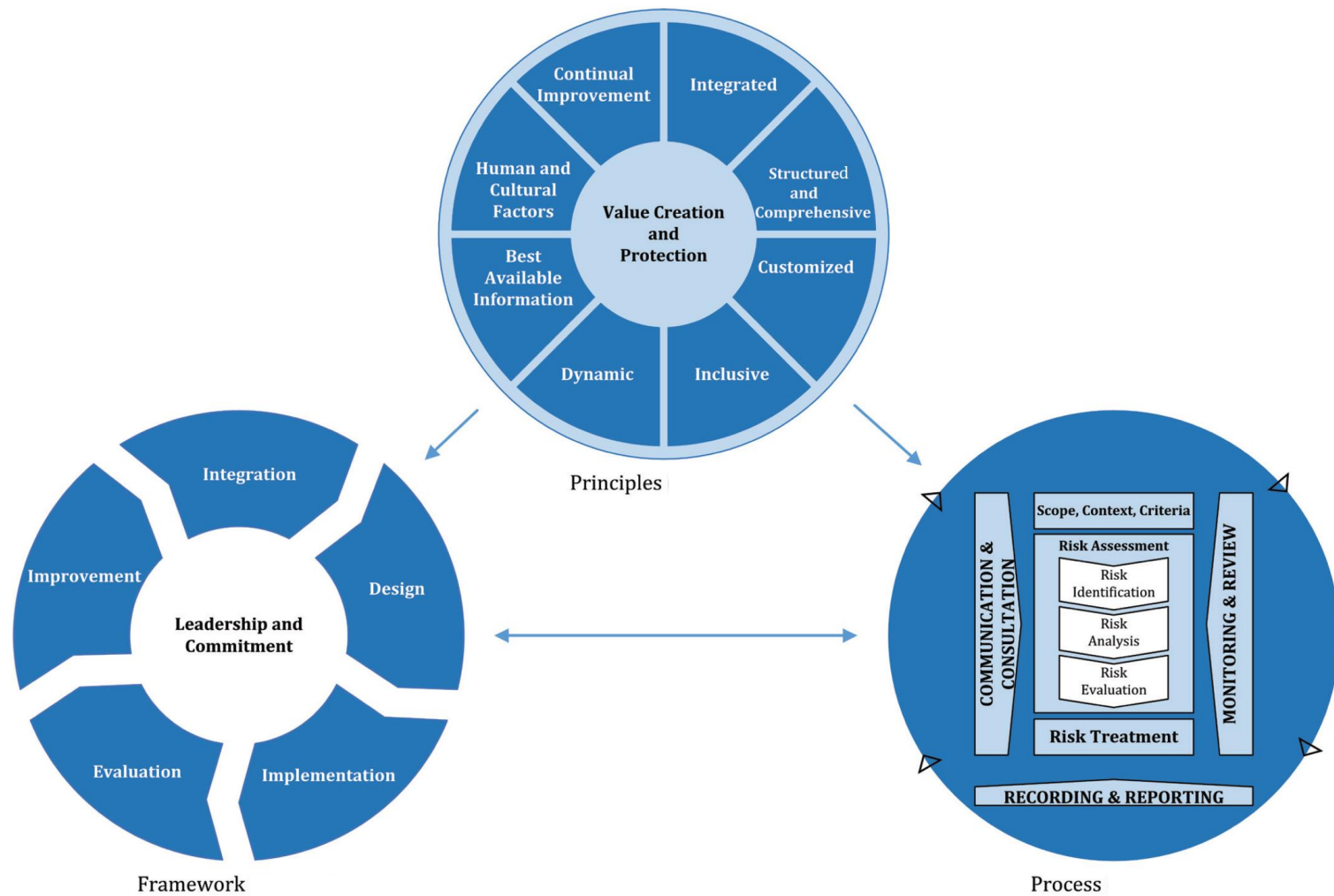
COSO ERM Framework

## GAPs / limitations in COSO Framework



1. COSO – Main emphasis on internal control to manage risks
2. COSO does not have ready acceptance throughout the organization workforce due to imposition from top
3. COSO do not provide for communicating the extent and nature of risk to the stakeholders and the measures taken by management and resources spent to mitigate the risks
4. The COSO process starts with the internal environment, not the external ones and this fails to reflect the influence that the business environment, regulatory conditions, and external stakeholders have on the risks an organisation faces

# ISO 31000, 2018



## GAPs / limitations in ISO 31000

1. Although the ISO13000;2018 document shows its risk management principles, framework, and processes illustrated within three self-contained circles, it does not make the links between the principles, framework and processes clear and explicit
2. While ISO 31000 cover the key risk management points, it does not make clear the processes of how to implement i.e. the guidance in these documents is often limited and fragmented.



# New Dimensions in ERM

- Traditional risk management focus on operational and financial risks;
- Emphasis on management of **environment and social risks** rather than only economic risks; and
- Impact on sustainability.

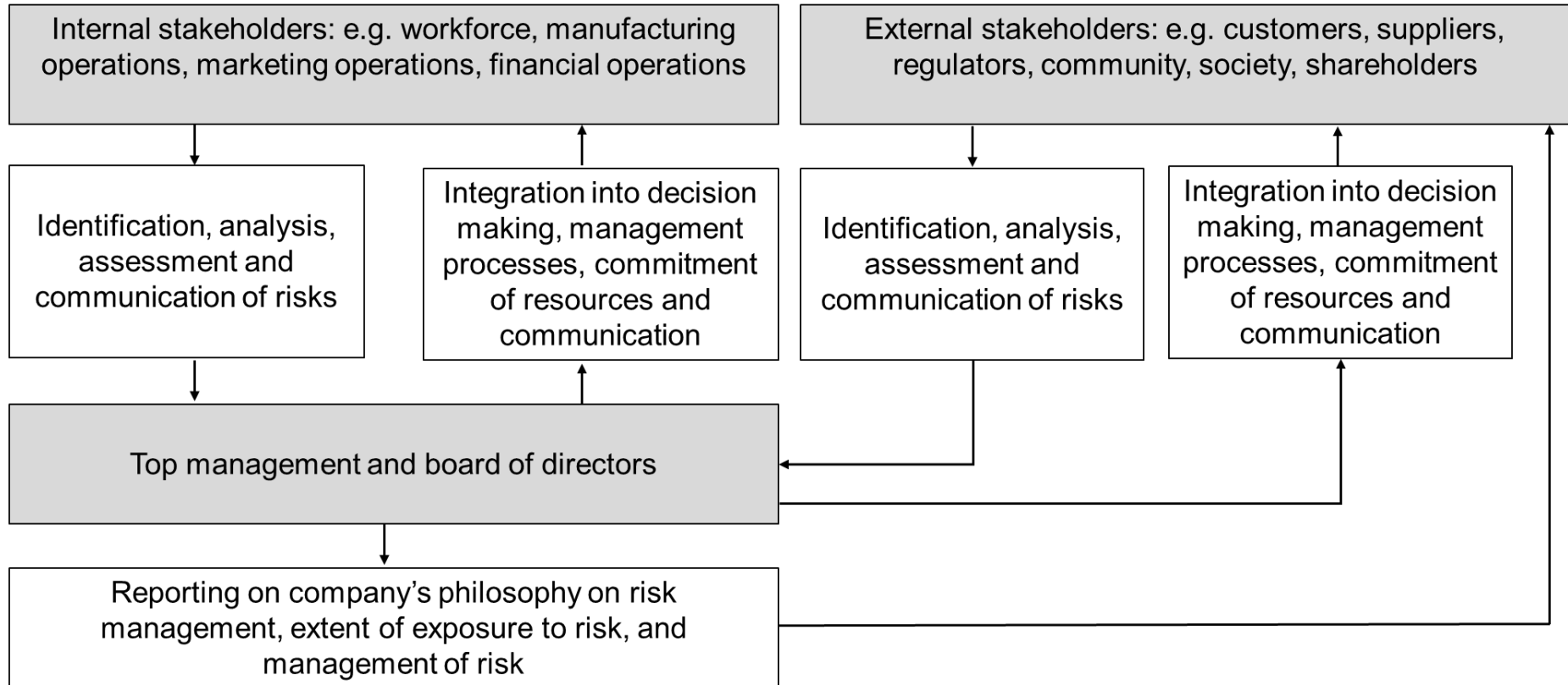
## KEY DRIVERS

- Corporate Governance Laws
- UN Global Reporting Initiatives
- CSR and Stakeholders Theory

## KEY GAPS

- Need to integrate CSR, Environmental and Social risks with ERM
- Need to integrate external stakeholders in the RM process

# Proposed Conceptual & Practical Framework Model of Stakeholder- Integrated ERM



# Thank You