

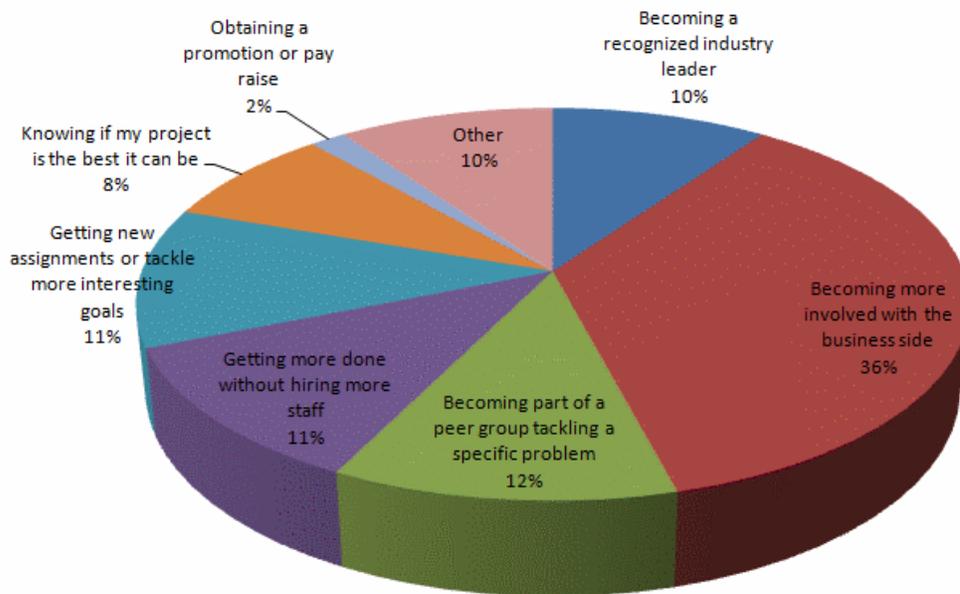
Risk-Based Security > Board Level Risk/Enterprise Risk
Management (ERM) >

Why Focus on Business Reputation Risk?

Created by the Security Executive Council

In a recent Security Executive Council (SEC) Security Barometer poll we found the one thing that security practitioners felt would most help their department and career is to become more involved with the business side of the organization. To achieve that goal successful risk managers must demonstrate a thorough understanding of what is important to senior executives.

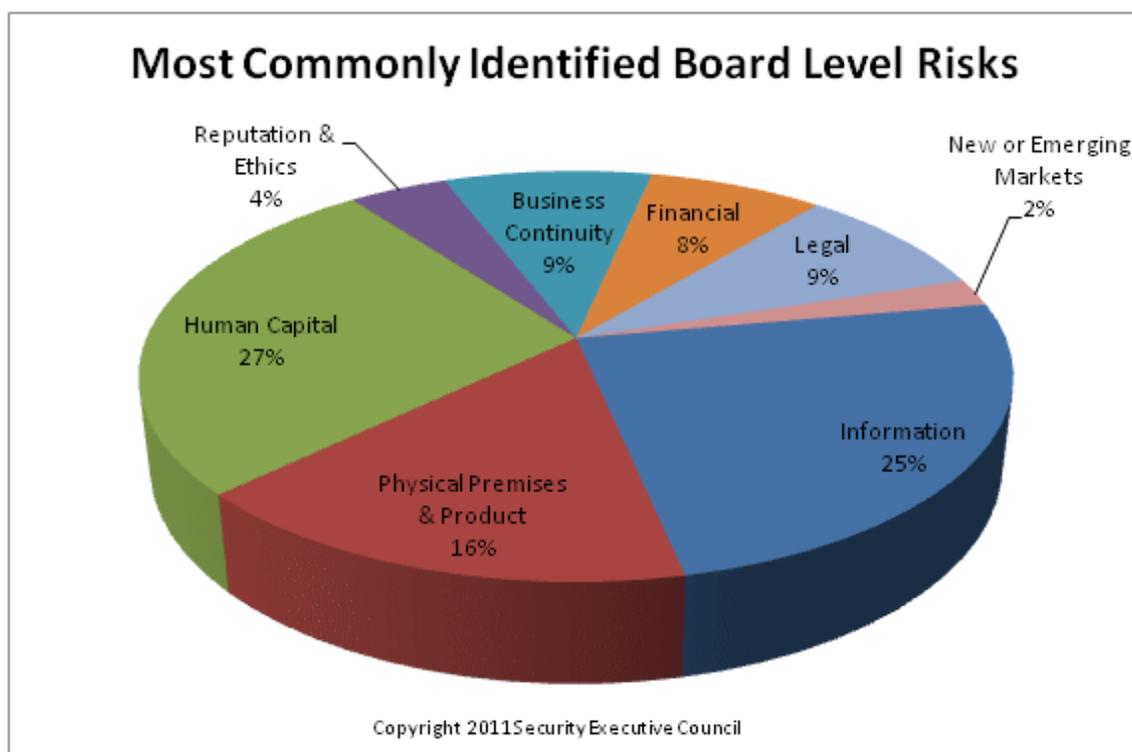
What would most help your department and/or your career in the next 12 months?



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Consider the following recent news item: [CFO magazine reported 66% of board directors see reputational risk as their top concern.](#)

Many security practitioners may intuitively see the importance of reputational risk to their senior executives but the Security Leadership Research Institute (SLRI) Corporate Security Organization Structure, Cost of Services and Staffing Benchmark report tells a different story. Security and risk management practitioners were asked their top five risks that were the greatest concern to their organization. Only 4% of the chosen top risks corresponded to reputational risk.



Drilling down further into the details of the report, it is interesting to note that two industries whose top risks did include a significant portion of reputational risks were transportation services (15%) and food & beverage (11%). How reputation can significantly affect revenue in these industries can be easily understood. But research has shown that across all industries businesses that have good reputations have higher valuations, they find it easier to attract good employees and they find it easier to maintain their good reputation over time. (For more information [click here](#) to download the report "Reputation Risk: A Corporate Governance Perspective" from ComplianceWeek.

Damage to reputation is difficult to hide. The Security and Exchange Commission (SEC) has demanded publicly traded companies clearly publish risks unique to the organization in their 10k reports. **Recently the SEC sent letters to six major companies (all victims of large cyber attacks) instructing the companies to include information about the cyber-attacks in their earnings reports.** The purpose of these disclosures is to ensure that investors are aware of the incidents - even though the major publicity surrounding the attacks has passed.

Next Steps

The purpose of sharing this information is not to have security chasing down risks to the organization's reputation but rather to point out that becoming more involved in the business side of the organization requires understanding how senior executives view risk issues. Risk managers need to consider that the CFO survey found that 75% of the

board members were seeking information on risk from a holistic, enterprise wide, viewpoint. Viewing risk in business silos is unlikely to match what the board is thinking.

SEC Tier 1 Leaders frequently refer to our Board Level Risk chart. The information in this chart was part of a research initiative to create a baseline corporate risk landscape that shows security's involvement in risk management. The chart, while not meant to be exhaustive, can be used to map how the security function can add value through risk mitigation strategies across the enterprise. Viewing security programs in light of the board level risk categories they serve can help risk managers better connect with the business side of the organization.

Visit the Security Executive Council website for other resources in the Risk-Based Security: [Board Level Risk/Enterprise Risk Management \(ERM\)](#) series.

About the Security Executive Council

The SEC is the leading research and advisory firm focused on corporate security risk mitigation solutions. Having worked with hundreds of companies and organizations we have witnessed the proven practices that produce the most positive transformation. Our subject matter experts have deep expertise in all aspects of security risk mitigation strategy; they collaborate with security leaders to transform security programs into more capable and valued centers of excellence. Watch our [3-minute video](#) to learn more.

Contact us at: contact@seclider.com

Website: <https://www.securityexecutivecouncil.com/>