

Evaluating the Effectiveness of ISO 31000 Risk Management Framework in Enhancing Financial Resilience: Benefits and Challenges

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ABSTRACT: In an increasingly uncertain business environment, organizations require effective risk management practices to strengthen resilience and support sustainable performance. ISO 31000 has emerged as a globally recognized framework that provides principles and guidelines for identifying, assessing, and managing risks across organizational activities. This study examines the role of the ISO 31000 Risk Management Framework in enhancing financial resilience, with particular emphasis on its benefits and implementation challenges. The findings showed that ISO 31000 contributes to improved risk awareness, stronger governance, enhanced decision-making, and greater organizational resilience. By integrating risk management into strategic and operational activities, the framework enables organizations to respond more effectively to financial uncertainties and changing business conditions. The study also highlights several challenges associated with implementation, including resource constraints, limited risk management expertise, organizational resistance to change, and varying levels of commitment from leadership. ISO 31000 provides a flexible and comprehensive approach to risk management that supports long-term organizational sustainability and financial resilience. Its successful implementation depends on the extent to which risk management practices are embedded within organizational culture, governance structures, and decision-making processes

KEYWORDS: ISO 31000, Risk Management, Financial Resilience, Enterprise Risk Management, Organizational Resilience

1. INTRODUCTION

Risk is inherent in all activities undertaken by any person. Risk can either be an opportunity or a threat; something that will hinder you or help you reach your organizational goals. The Risk Management Framework is the entire process of identifying, assessing, communicating, and managing risks within an organization. The rapidly changing, interconnected business environment has made uncertainty a defining feature of business processes and decision-making. Modern organisations face many types of risk, including financial risks linked to volatility, credit, and liquidity; operational issues; information security; cyber threats; and regulatory risks. Such risks can have a profound influence on profitability, cash flow, investments, and even shareholder value. The need to properly manage all such risks and uncertainties has become a crucial part of financial management rather than a distinct organisational activity. Given the complex nature of current business conditions, companies have learned that failing to manage various risks can lead to operational problems, reputational damage, financial losses, and even organisational collapse. Hence, there is a growing need for a systematic, internationally accepted method for managing various types of risk, and risk management has never been more important.

To tackle these problems, there are various globally established ISO standards formulated by the International Organisation for Standardisation. There are several ISO models that aim at different areas in an organisation's management processes. To cite examples, ISO 9001 is aimed at improving quality management and enhancing customer satisfaction, ISO 14001 is geared towards managing an organisation's environment, ISO 27001 tackles cybersecurity and information security issues, ISO 45001 promotes occupational health and safety management systems, while ISO 22301 helps with business continuity. Though these standards provide useful advice in their respective fields, they tend to address only a specific function or risk field.

Compared with the other frameworks mentioned above, ISO 31000 stands out for its ability to offer an overall organisation-based risk management approach. As opposed to other frameworks focusing only on one business function, ISO 31000 offers principles, recommendations, and methods for dealing with risks applicable to any level of organisational activity. The approach offered by this framework perfectly aligns with current financial management needs, as risk and reward should always be considered together.

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Adopting ISO 31000 offers many benefits beyond risk management. Risk management is instrumental in helping organisations perform better, build resilience and create value over time. These benefits are as follows:

- **Better Decision Making:** It ensures that organisations make sounder decisions based on analysis and evidence. This results in better strategic decisions and more consistent outcomes.
- **Efficiency & Effectiveness:** It speeds the process and cuts costs by avoiding loss and disruption.
- **Governance and Accountability:** This helps strengthen corporate governance and risk management within an organisation.
- **Increased Operational Resilience:** It ensures organisational resilience to adapt to change and survive crises.
- **Customer Trust and Investor Confidence:** This enhances an organisation's reputation and brand, building stakeholder confidence among consumers, investors, and regulators.

Although several studies have examined ISO 31000 implementation in specific industries and geographical regions, limited research has synthesized evidence regarding its contribution to financial resilience across sectors. This study addresses this gap by systematically reviewing existing literature to evaluate the benefits and implementation challenges of ISO 31000.

2. LITERATURE REVIEW

Risk management has become an essential part of organizational strategy due to the increasing uncertainty and complexity of today's business environment. Over the years, researchers have studied the role of ISO 31000 in improving risk management practices, strengthening governance, and enhancing organizational resilience. This section reviews the existing literature on ISO 31000 and highlights the key benefits, applications and challenges associated with its implementation across different sectors.

Nadya et al. (2024) investigated how the firm PT ABC applied ISO 31000:2018 in its move towards integrated risk management (IRM) (Nadya & Siregar, 2024). According to their findings, the approach was successful, as it led to significant improvements in planning and budgeting, increased risk awareness within the company, and enhanced risk oversight across the business. Furthermore, the approach proved highly effective at identifying and managing project risks, particularly in finance, regulatory compliance, and environmental protection. Overall, the study shows that embedding ISO 31000 contributed to greater business readiness and improved risk management.

According to Lizarzaburu, Edmundo et al. (2025), ISO 31000 has been recognised as a flexible and generally accepted risk management approach, especially significant for organisations operating under economic, financial, legislative, and operational challenges in Latin America (Lizarzaburu et al., 2025). By adopting risk management in operational and strategic decision-making, an organisation can make informed decisions and develop sustainable practices. An important core process in the approach would support continuous improvement. In addition, case studies conducted in Peru, Mexico, and Brazil showed that the approach would be adapted by organisations based on their individual circumstances, including finance, legislation, culture, and economics, among other factors. Therefore, the approach has contributed towards better risk assessment, increased trust among stakeholders, and efficient risk management. However, it has also been found that the lack of resources, along with changing legislative frameworks, may prevent the approach from being successfully implemented.

Poveda-Orjuela, P. Pablo et al. (2020) found that sustainable development in businesses relies on how organisations handle uncertainties, leverage opportunities, and assume ownership of resource consumption, such as energy and water (Poveda-Orjuela et al., 2020). The study focuses on internationally acknowledged standards, i.e., ISO 31000 and ISO 50000. It highlights how systematic procedures for identifying, assessing, acting on, and monitoring risk and opportunity could be incorporated into organisational operations. In addition, it focuses on the various tools and methods used to classify and govern the discussed aspects. All these aspects have been studied and analysed as part of the overall management system, CMS QHSE3+, which uses ISO standards to address problems and reduce resource consumption.

Kefalia, Arjan and Refatllari, Nora (2025) found that every sector of the global economy, whether it pertains to production and manufacturing processes or to services provided by firms, operates in a constantly changing environment (Kefalia & Refatllari, 2025). To succeed within such a dynamic environment requires not only strategic planning but also continuous improvement to stay relevant, competitive, and appealing for a clientele that keeps changing, too. Organisations, especially those that operate internationally, need international certifications to demonstrate their commitment to excellence and credibility, as well as consistency with recognised global standards. ISO certification is among the most recognised standards. This process involves obtaining certification from an independent third party rather than the organisation itself. Such certifications indicate that the firm is devoted to business and financial aspects. The study reveals that Albanian firms have become more aware of the need for

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ISO certifications over the last two-and-a-half decades, with many organisations adopting the standards and deriving benefits from them. This research uses information from literature reviews and interviews, particularly those conducted with quality managers employed in the Quality Departments of organisations in Albania.

In their study in 2021, Al-Husainy, Mohammed, Hashim, Noor, and Jadah, Mohsin, Hamid explained the impact of two major types of financial risks, that is, liquidity risk and credit risk, on the overall profitability of commercial banks operating in Iraq (Jadah, 2021). The findings were based on data collected from 18 private commercial banks listed on the Iraqi Stock Exchange over a six-year period from 2010 to 2020. Liquidity risk was positively associated with bank profitability, whereas credit risk significantly negatively affected it.

According to Alijoyo, Antonius, and Franciskus (2022), effective governance now relies heavily on sound enterprise risk management practices, with ISO 31000 among the best frameworks to adopt (F. A. Alijoyo, 2022). Even though the adoption rate of this model is high, several controversies surround its limitations and the benefits it generates. The research aimed to gather the opinions of management team members from fintech lending companies on their experience with ISO 31000 as an ERM tool, including the difficulties encountered in implementing the framework and the benefits it offers once embedded in business operations. The study's results demonstrated that most of the interviewed managers do not see significant obstacles to implementing ISO 31000 as an ERM practice in their organisations. In addition, ISO 31000 can deliver operational benefits to businesses.

According to Weitzel et al. (2021), the pharmaceutical industry has undergone many changes over the years. There has been a re-examination of quality and risk management in the industry as the changes have made it clear that the current approach needs revision (Weitzel et al., 2021). Changes such as international market expansion and advancements in manufacturing processes have made it imperative to consider factors that could increase risk. The change has led to a need to manage risk in the pharmaceutical sector more effectively and in a more structured manner. This has led to the realisation that a different approach is needed, one that is proactive and takes into account the risks at each stage.

Guo (2022) explained that, with the increased convergence of financial services and digital technology, it has become ever more imperative for companies to utilise technological developments to preempt and eliminate potential risks at an early stage (Guo et al., 2022). To investigate the interaction between these factors, the current study, conducted in China, developed a simulation model to evaluate whether enhanced technological capabilities lead to improved risk management outcomes under different policies. This study yields several important findings. Besides highlighting the complex nature of this relationship, it adds value to the already existing literature on the subject by providing guidance on how to prevent and control financial risks and foster sustainable economic development.

According to Yazo-Cabuya, Judith, and Eliana (2024), the increased acceptance of sustainable risk management as an important business function has raised expectations that companies will integrate environmental, social, and governance issues into their strategies (Yazo-Cabuya et al., 2024). Integration of these dimensions cannot be viewed as voluntary; rather, it should be seen as an essential part of good organisational practice. In this regard, the current research aims to elaborate a methodology for prioritising organisational sub-risks from a sustainability perspective, using the analytical network process as its methodological basis. It is recommended to periodically reassess the ranking results.

Podrecca (2024) examines how implementing ISO 45001 affects the correlation between ISO and business performance, from financial and other perspectives (Podrecca et al., 2024). The authors use event-study analysis and apply weighted least-squares regression to data from 157 publicly listed companies that have achieved ISO 45001 certification. It turned out that organisations with ISO 45001 certification perform better in terms of productivity and profit than those without the relevant certification; however, there were no significant differences in sales. In addition to providing theoretical insight into the issue under consideration, the results can be useful in practice. Indeed, as this study's findings show, investing in health and safety may not only be a moral duty but also a means of ensuring good financial performance.

Alijoyo and Norimarna (2021) offer a conceptual investigation into how enterprise risk management contributes to the competitive position of firms that use the Value Chain approach (A. Alijoyo & Norimarna, 2021). It supports the claim that risk management practices are not only supportive but also crucial. It is backed by the experience of experts from publicly traded companies in Indonesia, whose views were generally in line with findings from the conceptual investigation of the issue. What is more important is that without a risk management foundation, the performance of all frameworks becomes questionable and ineffective.

Purwanti et al. (2024) studied bankruptcy risk in the Indonesian real estate industry, aiming to illustrate the application of predictive models to identify companies in a weak financial state during periods of major economic turbulence, such as the

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global pandemic (Purwanti et al., 2024). The fact that the current literature has ignored this industry-crisis combination makes this paper an appropriate effort to fill a gap in the early financial distress detection literature.

Empirically, the paper is based on financial data from 28 Indonesian real estate firms over the period 2019 to 2022, a relevant time span given the inclusion of the pre-pandemic period.

Glette-Iversen et al. (2023) found that over the last few decades, the importance of comprehensive risk analysis in organisational and policy decisions has received widespread recognition, making risk assessment a key aspect of modern approaches to governance and management (Glette-Iversen et al., 2023). Even though considerable scientific work has already been done on how risk assessment results influence decision-making processes, relatively little attention has been paid to what comes after the decision-making process and whether there is any further use for the risk assessment process itself. This issue is significant, as newly received data and changes in systemic or social contexts can render the initial assumptions made during the risk assessment phase outdated and inadequate. In addition, many existing approaches to decision-making and risk management cannot meet these needs.

Camilleri, Anthony, and Mark (2022) conducted a two-part systematic review of scholarly literature on ISO 14001, an internationally recognised standard for environmental management systems (Camilleri, 2022). The review revealed many significant insights into the usefulness of ISO 14001 implementation. One identified benefit was increased organisational efficiency through better resource utilisation and improved waste management processes. This particular standard helped companies, both internally and externally, by enabling them to establish legitimacy in the eyes of external entities.

Goldar, Bishwanath and Majumder (2022) examined the determinants that encourage Indian manufacturing firms operating in the organised sector to acquire ISO 14000 certification (Goldar & Majumder, 2022). One interesting result that stands out from the findings is that firms moving from a non-exporting stage to an exporting one had about a 20 per cent higher chance of acquiring ISO 14000 certification, emphasising the importance of international market presence in encouraging environmental certification. Apart from being a driver of the pursuit of ISO 14000 certification, the study has found that other firm-specific characteristics that play a critical role in influencing the choice of certification include firm size, fuel consumption, financial capabilities, foreign ownership, research and development activities, and adequate managerial competence. There are several theoretical implications of the research paper, one of which is to distinguish between profit motive and environmental/social awareness among firm management as motivators for obtaining environmental certification.

Zaher, Heba, and Setyaningsih (2024) reveal that ISO 14000 diffusion at the countrywide level cannot be adequately understood solely from ISO 9000 certification diffusion trends; instead, other country-level factors that exert independent influence were identified (ZAHER & SETYANINGSIH, 2024). Some of the variables that proved to significantly impact the diffusion pattern included measures such as involvement in international environmental accords, the proportion of the industrial sector in the overall economy, and prosperity as measured by per capita income. Thus, the findings expand current theoretical knowledge on the subject and provide practitioners with useful insights for certification-related decisions. In addition, the authors indicate that there is ample room for future research on the subject, as some areas warrant further analysis.

According to Susanto, Agus, Danar, et al. (2024), the implementation of ISO 9001 remains erratic within organisations, with many companies failing to realise tangible gains (Susanto et al., 2025). Using the PRISMA approach in a systematic literature review conducted between 2003 and 2023, they observed that although various implementation strategies, frameworks, and methodologies have been developed to address organisational problems, many gaps remain. According to their findings, these gaps are especially relevant in small and medium enterprises, and the available implementation models fail to incorporate issues of change management, among others. Additionally, they pointed out that there is an urgent need for cheaper ways to obtain certifications, noting that this is one of the most common barriers to the successful implementation of ISO 9001 within many organisations.

Siltori, Patricia and Rampasso, Simon, Izabela (2020) highlighted that ISO 9001:2015 certification offers organisational benefits, as demonstrated through a quantitative analysis of a survey conducted among professionals working in the Brazilian market (Siltori et al., 2021). Using Cronbach's Alpha for validity test, Multidimensional Scaling as an outlier elimination method, and Exploratory Factor Analysis, they found that seven out of twelve variables analysed were sufficiently significant and categorised into two primary factors contributing more than 70% to the total variation of their model. While the first factor covered internal organisational aspects such as improvement in process, reduction in errors, better documentation procedures, and customer satisfaction, the second factor indicated external business benefits like saving cost, gaining market share, and high sales volume. In their conclusions, they stated that ISO 9001 certification not only brings internal process improvements but also external business success, implying that managers can use ISO 9001 alongside other standards for better results.

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Amalia, Nur, and Vyaka (2023) suggested that ISO 9001:2015 implementation in higher education institutions should be carried out systematically, not only in accordance with the standard but also with the university's policies, manuals, and other guidelines. Based on a literature review of three studies on the adoption of ISO 9001:2015 in the university setting, Amalia et al. found that establishing an efficient quality management system primarily depends on cooperation among institutions through interactions with faculty leaders, department heads, study program coordinators, and administrative bureaus (Amalia et al., 2023). Statistical analysis showed that ISO 9001:2015, by itself, does not have a partial independent effect on quality management in organisations, but has a considerable simultaneous effect when integrated with motivation and competence as factors influencing quality, resulting in an F-test score of 53.863. The authors came to the conclusion that quality management systems should be applied in organisations as an integrated tool of control and assurance during the process of production and administration.

Aisyah, Putri, Abelia and Dahlia, Lely (2022) argued that applying Enterprise Risk Management (ERM) on the basis of the ISO 31000:2018 framework helps organisations identify and manage operational risks in a systematic way that is easily measurable (Aisyah & Dahlia, 2022). The qualitative research method used in their study included both in-person and online interviews and an observational method, with the implementation of ERM in a clinical environment leading to the identification of 10 and 12 risks in two major staff categories – doctors and operational employees, respectively. To assess the identified risks, both probability and impact were measured using a 3x3 risk matrix to determine their priority levels. Their study found that disruption of the computer system poses the greatest risk at the clinic and requires urgent action. From their findings, it is evident that implementing ISO 31000:2018 with ERM not only helps mitigate risks but also anticipate potential future risks.

According to Uysal, Cahit, Maşuk (2021), enterprise risk management (ERM) has become the new risk management paradigm with the aim of comprehensively handling all types of risks that face the organization (Uysal, 2021). However, organizations continue to face challenges in implementing and managing complex strategic risks through the ERM process. This means that in view of the disruptive environmental changes faced by firms today, organizations should always be aware of the emergence of new risks and monitor ERM processes continuously. The implementation process will be explained in terms of the ISO 31000 Risk Management Standard and COSO ERM Framework updates. It is essential for users to be informed about the level of changes and assess the possible effect on their organization's risk management process. The purpose of the paper is to contribute to the body of knowledge by stressing some significant managerial implications. The concepts, approach, and guidance provided in this paper help readers gain insights into implementing ERM processes.

Argadinata, Hasan et al. (2023) proposed that risk identification is a key institutional activity in incorporated universities, and using the ISO 31000:2018 framework helps organizations identify and manage potential threats to the survival of their operations effectively (Argadinata et al., 2023). By utilising the qualitative descriptive case study methodology and conducting interviews with key stakeholders in incorporated universities, they sought to investigate the practical application of risk factors using the ISO 31000:2018 framework. It was found that using the ISO 31000:2018 framework improved the effectiveness and structure of risk management among the incorporated universities. Nevertheless, they pointed out that there are various barriers to the effective implementation of the ISO 31000:2018 framework, such as low knowledge and competency about risk management among employees; lack of organization resources; insufficient commitment and support from leaders; poor coordination among university units; and lack of an organizational risk management framework. As a result, it can be concluded that although the ISO 31000:2018 framework can provide a basis for risk identification, it still requires adequate support and collaboration across various areas to maximise its effectiveness.

According to Adedeji, A. J. (2025), there is great potential to achieve better performance in manufacturing organizations through the integration of several Quality Management System frameworks based on the ISO system (Adedeji, 2025). In particular, their study focuses on the relationship between the integration of QMSs and operational performance within the Nigerian manufacturing industry. Using quantitative methodology, regression analysis on a questionnaire survey conducted on 320 participants employed in various manufacturing organizations in Southwest Nigeria, they assessed the effect of four important ISO standards, namely ISO 9001 (quality management), ISO 45001 (occupational health and safety), and ISO 14001 (environmental management); and ISO 31000 (risk management) on efficiency, reduction in defects, customer satisfaction, and improvements in processes. The results revealed that integrating the ISO standards significantly improves operational performance; in addition, ISO 31000 was found to be the most influential factor among the four ISO standards.

Another paper related to risk and risk management is Nugroho, R. L., & Pangeran, P. (2021), which shows how using a Balanced Scorecard combined with an ISO 31000-based risk management strategy can help companies achieve a more holistic approach to risk identification and mitigation (Nugroho & Pangeran, 2021). The authors conducted research at Shofa Pharmacy and one of its branches using ISO 31000 as a base risk assessment model and simultaneously assessing organizational performance

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from the four Balanced Scorecard perspectives of financial, customer, internal business processes, and learning and growth. As a result, the study identified 10 main types of risk faced by the company, including financial risk, operational risk, technological risk, business ethics risk, health and safety risk, economic risk, legal risk, political risk, market risk, and project risk. In addition, it was found that the most important risks are associated with four types of risks, such as technological risk associated with the protection of information technologies, economic risk linked to declining demand, political risk caused by the rise in the cost of living, and project risk related to the evaluation process, which were considered to be of the highest risk level.

Ardilo, Aldi (2022) noted that emotional intelligence plays a very important part in effective risk management practices because ISO 31000 defines risk management as a competence based science that involves not only intellectual capacity but also the commitment of leaders to this task (Ardilo, 2022). Understanding that emotional reactions of people tend to surpass their logical thinking at times, they have analysed the relationship between emotional intelligence and risk leadership in organizational settings. Using a qualitative descriptive research design based on a case study verification approach, they applied non-probability sampling to select individuals holding high-level management positions and studied the role of leaders' emotional capacities in risk management. The results of their analysis demonstrated that when leaders have limited emotional capacities, they experience great difficulties in establishing a proper organizational risk culture. They added that emotional intelligence, organizational risk culture, and risk management maturity are all linked together, and it is important to know about these associations when making decisions aimed at enhancing risk management in organizations. Hence, Ardilo and Aldi (2022) concluded that emotional intelligence should be a crucial requirement for effective risk management, especially when its principles align with ISO 31000 standards.

According to Parviainen et al. (2021), the increasingly vast scope of international maritime transportation continues to heighten the risk of oil spills, with potentially dire environmental and socio-economic ramifications, necessitating an enhanced approach to risk management (Parviainen et al., 2021). These authors found that despite the existence of models and Pollution Preparedness and Response strategies, the existing approach fails to achieve the level of comprehensiveness required to utilize multiple sources of information and consider system uncertainties. Having recognized the ISO 31000:2018 standard as an appropriate framework for oil spill risk management, the authors set out to determine whether probabilistic graphical models in the form of Bayesian Networks could be incorporated and integrated into it. The authors conclude that such an integration would enable flexible, probabilistic risk management for pollution preparedness and response, but at the same time acknowledge some difficulties that remain to be addressed through additional research.

According to Wilbanks, W., David and Byrd, Traci (2020), the application of risk management theory to OSH practice goes beyond being recommended; it is imperative for practitioners to have it in order to operate effectively across the various areas of specialization in OSH practice (Wilbanks & Byrd, 2020). The authors further argued that it is important to have international consensus standards, such as the ISO 31000, as guides for achieving risk-based competency for OSH practice because they will offer the structured framework through which a practitioner's activities are aligned to the primary functions of the organization. Their central idea was that risk is the key element that runs through every aspect of OSH practices, irrespective of whether it involves ergonomics, industrial hygiene, loss control, process safety, or construction and mining safety. They asserted that, no matter what area a practice focuses on, the approach to problem-solving eventually centers on risk assessment.

Vargas, Braun, Danieli and Campo, Souza, Maria de, Lucila (2022) opined that risk management practice is now at the core of strategic decision-making for any organization (Vargas & Campos, 2022). The authors noted that good risk management helps in achieving the strategic goals of organizations and therefore enhances operational effectiveness. However, the authors warned that applying a risk management standard without proper planning and structured guidelines can be quite challenging for an organization. To deal with the problem, the authors carried out a descriptive and qualitative bibliographic research on the two most common risk management frameworks, ISO 31000:2018 and the PMBOK Guide 2017, comparing the use of the tools and techniques in both frameworks from different perspectives of risk management processes as guided by the complementary IEC 31010 risk management technique guide. The authors' results highlighted important insights into how both frameworks handle risk management, noting areas where they diverge and agree. Overall, the authors found that the comparative analysis can serve as a good stepping stone for any organization that wants to start implementing risk management strategies because it provides fundamental information that is essential for better decisions.

As stated by Lavrnić, Igor (2020), energy supply vulnerability is currently among the top issues that pose a major threat to the economies of many Eastern European countries, especially those previously under Soviet and Yugoslavian rule, whose energy infrastructure still depends heavily on high voltage and medium voltage power grids for distributing electricity amongst its consumers (Lavrnić, 2021). According to him, there is a high level of exposure to geomagnetic storms because the transformers

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used in those power grids are highly sensitive to geomagnetic currents, which, in turn, can render entire power grid infrastructure non-operational for several months to a year. Moreover, he pointed out that there are numerous other risks associated with such situations; apart from technological risks, the biggest human impact on individuals would be lost income, while businesses face equally important risks because production processes will be hindered. Therefore, as an answer to the presented problems, Lavrnić (2020) suggested that the ISO 31000 standard for risk management should be applied in order to develop organizational resilience against those threats. In general, he maintained that implementing ISO 31000 principles could help address the discussed energy-related disasters through risk assessment and mitigation.

Hussein, Alaa, Hasan, and Jawad, Kamel, Maha (2024) posited that the adoption of formal risk management practices among public institutions is highly inadequate, based on their critical assessment of various departments and units of Iraq's Ministry of Interior (Hussein & Jawad, 2024). Among other issues noted, the researchers highlighted the Ministry's lack of an established risk management framework, pointing out that a review of its strategies and plans found that risk management was not taken into account in planning any institutional action. The authors' results indicated that the gap between the current level of risk management practice and the provisions of ISO 31000:2018 is as high as 60%, indicating a significant discrepancy. It was observed that addressing the above issue requires adopting an institutional risk management strategy, and the provisions of ISO 31000:2018 serve as an important yardstick for doing so.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study uses a systematic literature review approach to examine the effectiveness of the ISO 31000 Risk Management Framework in enhancing financial resilience. A systematic review was considered appropriate because it enables the identification, evaluation, and synthesis of existing research findings related to ISO 31000 and its application across different sectors and organizational contexts.

3.2 Data Sources and Search Strategy

Relevant literature was collected from reputable academic databases, including Scopus, Web of Science and Google Scholar. The search process focused on peer-reviewed journal articles, conference papers, industry reports, and regulatory publications related to risk management and financial resilience. Keywords such as "ISO 31000," "risk management," "enterprise risk management," "financial resilience," "organizational resilience," and "risk governance" were used individually and in combination to identify relevant studies.

3.3 Data Analysis

The selected literature was reviewed and analyzed using a thematic approach. The findings from different studies were grouped into major themes, including the principles and framework of ISO 31000, organizational performance, governance and compliance, financial resilience, and implementation challenges. The evidence gathered from the literature was then synthesized to identify common findings, emerging trends, and areas requiring further research.

4. RESULTS & DISCUSSION

4.1 Framework

ISO 31000 risk management framework offers a flexible foundation on which financial organizations can implement effective and sustainable risk management processes throughout their structures. Contrary to the prescriptive compliance approach, the ISO 31000 framework incorporates five interdependent elements as shown in **Fig 1**. These elements are crucial in ensuring that financial organizations view risk management as an inseparable process of organizational governance when considering the risks that arise in credit, market, liquidity, and operational areas.



Figure 1: Components of the ISO 31000 Risk Management Framework (Source: ISO 31000 Guidelines)

Commitments from the organizational leadership in the form of commitment and support are mandatory to the success of the risk management framework, where boards and senior management are supposed to set risk policies, determine risk appetite and distribute responsibilities appropriately. Implementation, on the other hand, involves integrating the risk management process into financial planning, investments, and performance management systems of the organization. Most importantly, through evaluation and improvement steps, the framework ensures that the effectiveness of risk management processes is continually measured and improved accordingly.

4.2 Principles

The ISO 31000 standard identifies eight principles as the cornerstone of risk management, and these principles are particularly important for the finance industry. To start with, it is worth noting that the ISO 31000 standard stipulates that one of the primary objectives of any risk management activity is the protection and creation of value. This objective is very relevant from the perspective of the finance industry since the key goal of such organizations is always centered around value maximization and protection. According to the integration principle, the risk management process needs to be integrated into all activities undertaken by the organization. Within financial institutions, risk factors must be considered concurrently in activities such as credit analysis, treasury, investments, and auditing. Customization refers to the need for the process to take into account the varying risk environments of institutions, for instance, a retail bank, a development financial institution, and an infrastructure financier, each with unique environments. The inclusive approach ensures the full participation of stakeholders, including regulators, shareholders, and board committees, in the process. According to the best information principle, decisions regarding risk must take into account past information, present data, and future projections, rather than mere assumptions. The human and cultural factors approach acknowledges that organizational culture and individual behavior, including those exhibited in decision-making concerning credit and trading, contribute immensely to risk management outcomes. Lastly, dynamic and continual improvement principles ensure that the process is proactive rather than reactive, anticipating changes in the financial environment.

4.3 Risk Management Process under ISO 31000

The ISO 31000 framework outlines a systematic process that enables organizations to identify, assess, treat, and monitor risks. The process is designed to be continuous rather than linear, ensuring that risk management remains responsive to changing circumstances.

4.3.1 Scope, Context, and Criteria

The first step involves establishing the scope, context, and criteria for risk management activities. During this stage, organizations define the objectives of the risk assessment process and determine the internal and external factors that may influence outcomes. External factors may include economic conditions, market competition, technological developments, and regulatory requirements, while internal factors may include organizational structure, resources, culture, and operational capabilities.

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Defining risk criteria helps organizations evaluate risks consistently and prioritize them according to their potential impact on organizational objectives.

4.3.2 Risk Assessment

Risk assessment is one of the most important stages. It consists of risk identification, risk analysis, and risk evaluation. The risk identification process includes recognizing the possible factors that could cause uncertainty and affect the achievement of the set financial objectives. These include tangible risk factors, such as credit exposure and liquidity mismatches, as well as intangible factors, such as reputation and governance risks. On the other hand, risk analysis focuses on the probability and size of risk events, taking into account the mitigating controls in place and the possibility of risks becoming interdependent, especially in financial systems, since one event can quickly snowball into others. Risk evaluation is conducted by analyzing the risk results and comparing them against predetermined criteria to identify the necessary actions.

4.3.3 Risk Treatment

Risk treatment refers to the selection and implementation of appropriate actions to address identified risks. Organizations may choose to avoid, reduce, transfer, share, or retain risks depending on their nature and potential impact. For example, financial institutions may reduce credit risk by strengthening lending policies and improving customer due diligence procedures. Market risks may be mitigated through diversification and hedging strategies, while operational risks can be minimized through stronger internal controls and employee training programs. Effective risk treatment aims not only to reduce potential losses but also to enhance organizational resilience and support sustainable performance.

4.3.4 Communication and Consultation

Both communication and consultation occur concurrently throughout the process phases, ensuring that all stakeholders are effectively kept up to date on all matters associated with risk management processes. In financial institutions, this helps ensure that risk intelligence flows up to senior management and that various perspectives are considered when setting risk criteria and risk management strategies.

4.3.5 Risk Monitoring, Risk Review, Risk Recording and Risk Reporting

Monitoring and risk review involve risk information assessment, risk control efficiency evaluation, and identification of new risks. These functions often form part of the internal auditing process and the regulatory framework for reporting. Risk recording and reporting document results from the risk management process and provide a basis for governance decisions. In the context of financial institutions, regulatory requirements now mandate comprehensive reporting frameworks, including risk management policy execution reports by companies' boards as stipulated by the Companies Act 2013.

4.4 Benefits of ISO 31000 in increasing Financial Resilience

The integration of ISO 31000 principles into financial institutions yields benefits far beyond technical improvements in risk management processes. Rather, it creates value across business, governance, and regulation simultaneously. Benefits of Institutionalizing ISO 31000 was shown in Fig 2.



Figure 2: Key Benefits of ISO 31000 Implementation

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In terms of business value, integrating ISO 31000 principles enables financial institutions to expand their opportunity set by systematically identifying and managing entity-level risks to ensure consistent business performance, prevent losses, and deploy resources efficiently in line with risk-adjusted priorities. Such benefits are especially significant in financial institutions, as capital deployment choices, credit risk concentrations, and liquidity management are critical to their survival and success.

In addition to the business benefits, there are important governance benefits from implementing ISO 31000 principles. By integrating risk management at the level of organizational culture and vision, ISO 31000 makes it possible for boards to fulfil their mandate on risk management more effectively through the definition of appropriate lines of responsibility and accountability for each organization's levels and businesses. It is especially valuable in the financial sector, as failures in corporate governance have long been among the most important sources of systemic risk.

From a regulatory perspective, the incorporation of ISO 31000 helps Indian financial institutions meet some of the legal requirements they must fulfil. The Companies Act of 2013 makes it mandatory for the board of directors to provide insight into risk management policies in their directors' report, as prescribed under Section 134 of the act, whereas Section 177 of the same act requires the audit committee to assess internal financial controls and the risk management system. Alignment with ISO 31000 standards, in this light, is twofold: enhancing risk management competence and developing an audit-ready trail of documentation.

5. CONCLUSION

In an increasingly uncertain and interconnected business environment, effective risk management has become a critical requirement for organizational sustainability and financial stability. This study examined the ISO 31000 Risk Management Framework and its role in enhancing financial resilience by synthesizing findings from recent literature across different sectors and organizational contexts. What ISO 31000 has to offer in terms of financial risk management is in no small part due to its refusal to prescribe an approach applicable only under a specific set of conditions. Instead, this standard provides a framework that is very adaptable to the needs of organizations with various approaches and attitudes towards risks. The adaptability of ISO 31000 to the needs of organizations of various types and sizes appears to be one of the most valuable aspects of the standard, as it allows for more effective risk management.

It is important to admit that implementing the ISO 31000 poses certain challenges. The nonprescriptive approach of ISO 31000 creates issues, especially for financial companies, where risk management decision-making is measurable. The lack of specific figures makes it possible for two different financial organizations to implement ISO 31000 with totally diverse degrees of maturity regarding risk management practices. It is important to note that ISO 31000 is a guidance document rather than a certification standard. Thus, its implementation in an organization becomes a challenging task, especially for those organizations that are more concerned about meeting regulatory requirements than any other criteria. In addition, stakeholder support is crucial in order to make a risk management framework effective, and obtaining such support from different stakeholders at once, including board members, operations staff, and regulatory authorities, is quite problematic for financial organizations due to their hierarchical nature.

Nevertheless, in a broader perspective, the evaluation still indicates ISO 31000 to be largely underused and undervalued among financial organizations. Financial organizations usually focus on their sector-specific frameworks, such as Basel III in banking and COSO ERM incorporates, not taking into account that ISO 31000 provides one important thing these frameworks lack a universal language of risk management that can connect different approaches across levels. If implemented effectively, not only to fulfil requirements, and coupled with other risk management methods such as quantitative financial risk tools, ISO 31000 can completely transform the risk management process into an intelligence-driven one. The issue is that organizations should be willing and ready to achieve such outcomes.

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