



MANUFACTURING INDUSTRY SPOTLIGHT

Enterprise Risk Management

An Engine for Achieving Performance

Five Questions Manufacturing Leaders Should Ask About Enterprise Risks

Manufacturers today operate in a volatile environment, facing interconnected risks that can affect operations. Supply chains stretch across geopolitical fault lines, cyber attacks target production systems and back-office data, trade policies shift, and skilled labor markets remain tight. A single vendor disruption, a tariff change, or an unlocked terminal can cascade into missed production, delayed orders, and lost revenue before leadership can react to the initial problem.

Some organizations manage these risks in isolation — a compliance report here, a heat map there — treating risk management as a periodic exercise rather than an operating discipline. That approach is no longer sufficient. A strong enterprise risk management (ERM) strategy connects risk directly to performance, giving leaders the coordinated visibility and accountability needed to protect production and make faster decisions under pressure.

The following questions and answers shed new light on the importance of ERM and how an ERM assessment can help manufacturers reduce risk and operational disruption.

What Are the Most Significant Enterprise Risks Facing Manufacturers Today?



Cybersecurity risks can extend to the production floor, where unsecured terminals, data storage, and inconsistent access controls create vulnerabilities despite formal cyber defenses.



Supply chain risks and third-party vendor management continue to be a significant enterprise-level concern, since a single vendor's failure to deliver can stop production, compromise quality, or increase costs.



Tariff and trade volatility create uncertainty around sourcing, costs, and production planning, making it critical to understand which products, materials, and suppliers carry the greatest exposure.



Workforce management affects production and operations as manufacturers navigate a lack of skilled workers to fill workforce vacancies.



Regulatory change creates risks that could result in fees and penalties for organizations that are unable to swiftly comply.



Financial and market factors — such as inflation, commodity price volatility, changing customer demand, and economic uncertainty — continue to challenge manufacturers and put pressure on margins and growth plans.

How Have Top Risks Changed in Recent Years, and What New Risks Are Emerging?



Cyber risk continues to intensify as organizations face increasingly sophisticated threats while simultaneously increasing their dependence on connected systems and digital operations. Cybersecurity has evolved from a periodic IT project into a continuous operational discipline and requires leaders to broadly assess risk while addressing specific vulnerabilities.



Trade volatility in the market has increased. This is due to the accelerated pace of change in trade policy, with new tariffs being introduced, changed, or rescinded completely.



Supply chain disruptions driven by geopolitical uncertainty and global market instability are affecting manufacturers' ability to keep production lines operating, resulting in a significant impact on the ability to meet customer demand.



Workforce gaps in manufacturing are widening as a significant portion of the experienced workforce approaches retirement, accelerating the loss of critical operational knowledge and technical expertise.

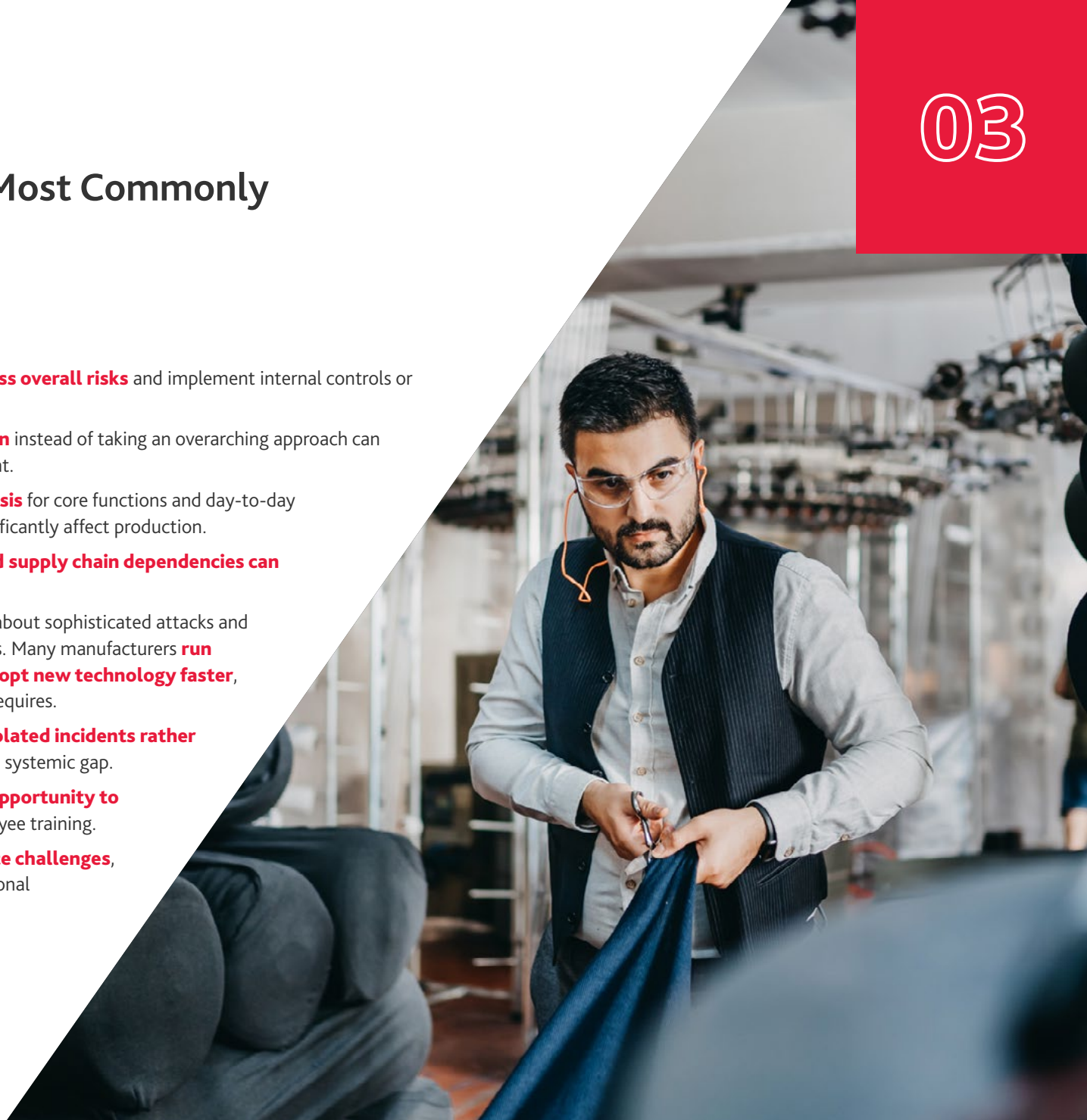


Automation and artificial intelligence (AI) have begun accelerating productivity in some areas while simultaneously also expanding the attack surface and introducing types of risk that didn't exist even a few years ago.



Where Do Manufacturers Most Commonly Struggle With ERM?

- ▶ It's often **difficult to understand the need to assess overall risks** and implement internal controls or playbooks to manage potential risks.
- ▶ **Addressing enterprise risks from a siloed position** instead of taking an overarching approach can create fragmented accountability for risk management.
- ▶ **Failing to regularly re-evaluate risk on a daily basis** for core functions and day-to-day operations when systemic risk is widespread can significantly affect production.
- ▶ Some organizations fail to recognize how **vendor and supply chain dependencies can quickly halt production lines**.
- ▶ Understanding that data security gaps are often less about sophisticated attacks and more about legacy infrastructure is critical for success. Many manufacturers **run outdated systems while asking employees to adopt new technology faster**, with less training and fewer resources than the shift requires.
- ▶ Treating small, seemingly contained data losses as **isolated incidents rather than meaningful organizational risks** that signal a systemic gap.
- ▶ As AI use proliferates, some organizations **miss the opportunity to mitigate AI risks** through extensive, in-depth employee training.
- ▶ Some manufacturers **struggle to address workforce challenges**, including the need for training and capturing institutional knowledge before workers leave.



How Can Manufacturers Better Connect Risk Management to Operational Performance and Strategy?



Embed ERM into the organization's everyday operating rhythm and decision making instead of treating it as a once-a-year compliance exercise. This helps people know how and when to act during a crisis.



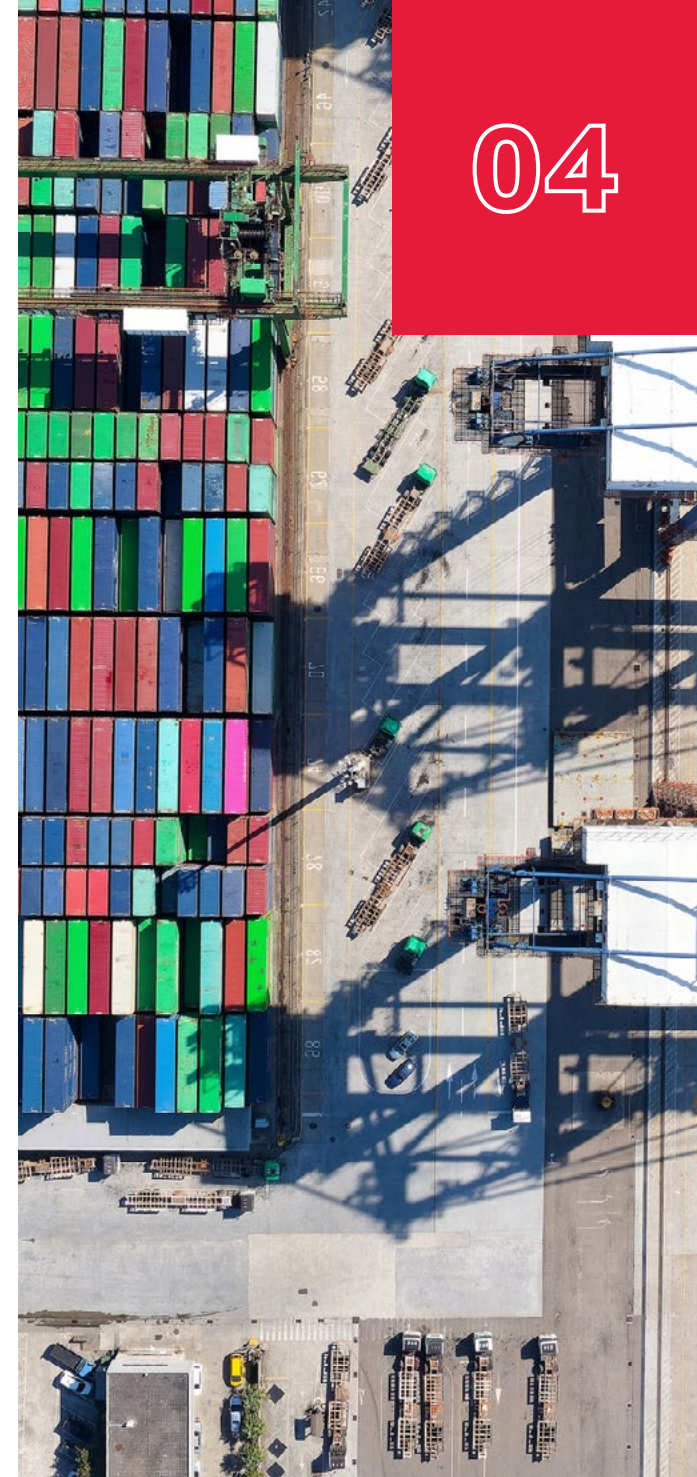
Assign clear accountability to pertinent stakeholders, rather than centralizing risk ownership inside a single compliance function. Doing so connects risk management directly to the people who control operational and strategic outcomes.



Combine qualitative judgment with quantitative data — such as cash flow, cost, revenue impact, and budget exposure — to give leaders the granular insight needed to make timely, performance-oriented decisions instead of reactive ones.



Align risk management with strategic planning for performance and production to help ERM function as a defensive activity that can drive cost savings, efficiency, and better resource allocation.



How Can an ERM Assessment Help Build Resilience and Agility?



An ERM assessment can help an organization learn how to replace duplicative, siloed activities with one coordinated process, freeing up time and reducing organizational fatigue.



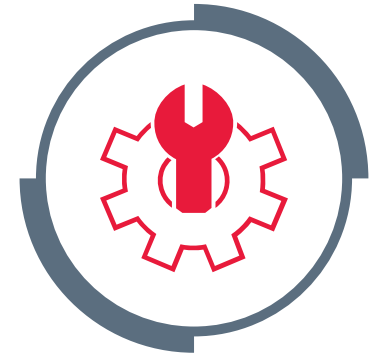
Organizations can use an ERM assessment as **both a detection tool and an early-warning system** that helps spot emerging risks to production and performance.



Using the information learned during an assessment, an organization can **build an aligned resilience ecosystem** that allows it to respond to disruption quickly rather than starting from scratch with every new crisis.



Proactive, enterprise-wide risk management protects core KPIs by addressing risks before they impact yield, machine uptime, labor efficiency, and production.



ERM assessments are preventative, helping prepare for things that **may happen**, not things that definitely will happen.



Turning Risk into a Performance Opportunity

For manufacturers, unaddressed risk shows up on the plant floor as missed production, delayed orders, and erosion of an already thin profit margin. An enterprise risk management assessment helps turn risk management from a reactive, compliance-driven exercise into a tool that actively supports production goals, protects operational performance, and strengthens long-term resilience. Organizations that make this shift are better positioned to maintain productivity through disruption and stay focused on strategic objectives rather than constantly reacting to the latest crisis.

BDO's eBook, **Enterprise Risk Management: An Engine for Achieving Performance**, explores how manufacturing organizations are replacing static heat maps and siloed risk efforts with an integrated ERM strategy that strengthens resilience, improves accountability, and supports better decision-making across the enterprise. BDO's [ERM services](#) offer tailored risk management strategies designed to help manufacturing leaders protect their organizations and achieve their performance goals, with a cross-functional approach spanning protection, innovation, and operations.

Explore the **Enterprise Risk Management: An Engine for Achieving Performance** ebook ►





Contact BDO today to learn more about our **Enterprise Risk Management services** and how we can help your organization build resilience for the future.

Have questions or want to learn more? Contact us!

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