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Agenda

- » Discuss recent ERM trends with boards and executives

- » Learn about a four-step ERM methodology

- » Explore how you can create your own ERM process

- » Discover how ERM can be used to explore and create exciting possibilities

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Enterprise Risk Management (ERM)

» What is ERM?

– Important strategic tool that helps Management and the Board of Trustees evaluate risks that might impact the organization's long-term strategic success

– Business strategy and process that helps to identify, assess and prepare for issues that may interfere with an organization's overall operations

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Enterprise Risk Management (ERM)

» What is the goal?

– Identify and prioritize the core risks (internal/external) to the organization and create a set of tasks/activities to minimize the effects of those risks

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Recent Trends

» Ownership of ERM is changing

» Organizations are realizing the value

» Boards are recognizing ERM as a best practice

» ERM is being integrated with other business processes

» Alignment with strategic plan

» Increasing collaboration

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blumshapiro's Four Step Methodology

Reevaluate Risks & Prioritizations

Phase I Risk Governance Structure	**Phase II** Risk Identification & Prioritization	**Phase III** Risk Mitigation & Testing	**Phase IV** Risk Monitoring & Tracking

Phase I
- Confirm ERM steering committee
- Confirm governance structure/approach
- Develop/confirm risk management policy and standards
- Develop/confirm communication policy and standards
- Develop/confirm ERM process and approach

Phase II
- Identify/confirm core ERM categories
- Identify risk owners to interview
- Initiate focus group/individual interviews with risk owners
- Send risk surveys to risk owners
- Develop/confirm ERM risks by category
- ERM steering committee prioritizes risk
- Final review/approval of risk matrix

Phase III
- Identify/confirm risk mitigation strategies for high/medium risks
- Assess design effectiveness of risk mitigation plans
- Test operating effectiveness of risk mitigation plans
- Review results with ERM steering committee

Phase IV
- Ongoing monitoring of due dates of risk mitigation tasks
- Ongoing monitoring of emerging risks
- Develop quarterly reports of risk mitigation results

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Phase I: Risk Governance Structure

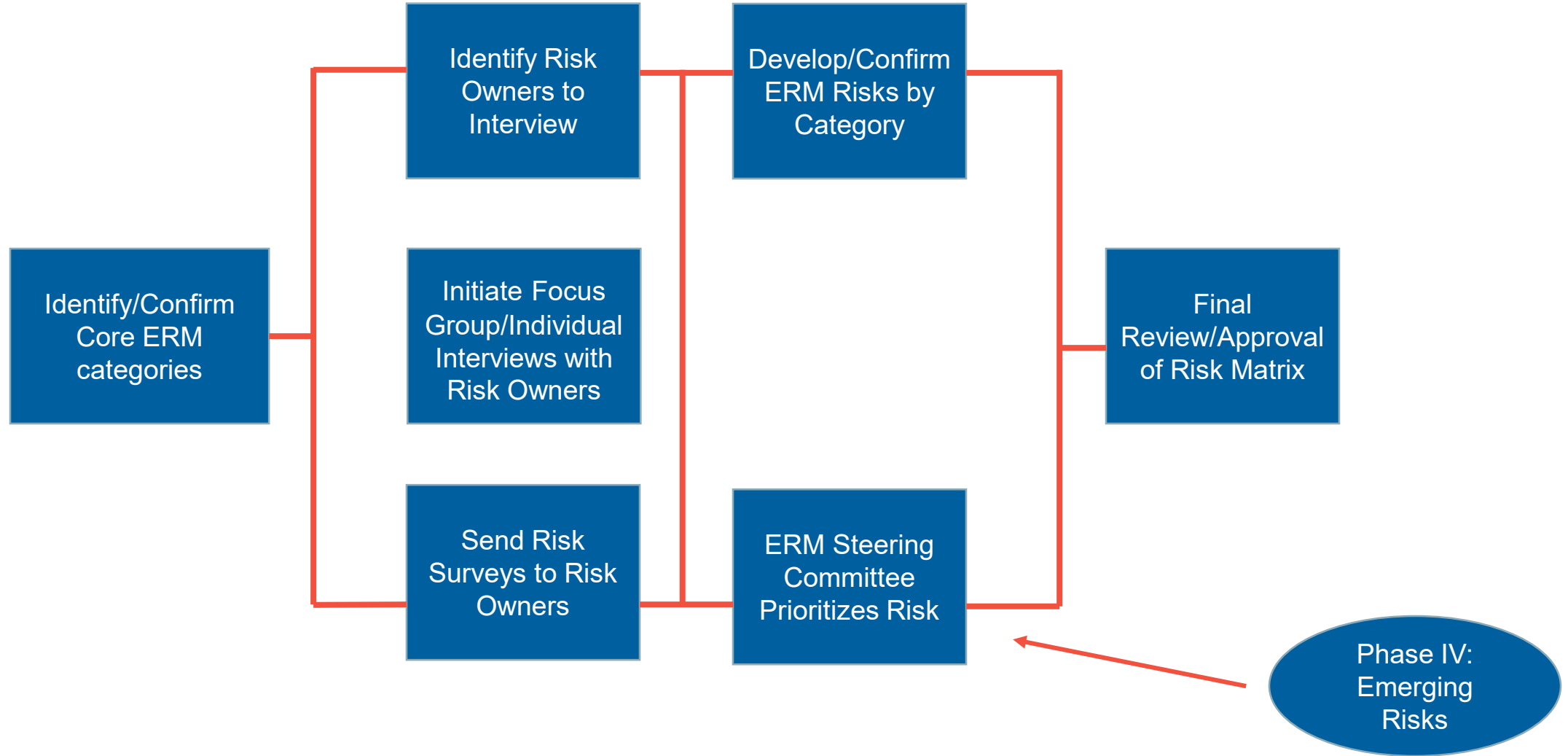| Confirm ERM Management Team	→	Confirm Governance Structure & Approach	→	Develop/Confirm Risk Management Policy Standards	→	Confirm Communication Standards/Policy	→	Develop/Confirm ERM Process & Approach

Facilitated Meetings

Deliverables

» List of ERM steering committee members (name, position, email, phone number)

» Documented governance structure and approach used by ERM steering committee

» Documented risk management policy standards

» Document communication policy standards

» Document ERM process and approach

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Phase II: Risk Identification & Prioritization

Identify/Confirm Core ERM categories

Identify Risk Owners to Interview

Initiate Focus Group/Individual Interviews with Risk Owners

Send Risk Surveys to Risk Owners

Develop/Confirm ERM Risks by Category

ERM Steering Committee Prioritizes Risk

Final Review/Approval of Risk Matrix

Phase IV: Emerging Risks

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Phase II Deliverables

» List of ERM categories

» List of risk owners to interview

» Memorandum to risk owners apprising them of the goals/objectives of the ERM project

» Risk survey based on interviews (to be determined)

» List of ERM risks, prioritized by category (risk matrix/register)

» Risk heat map

» Steering committee sign-off of prioritized ERM risks

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EXECUTIVE SUMMARY

Example

ERM Overview

Enterprise Risk Management (ERM) is the discipline by which an organization in any industry assesses, controls, exploits, finances, and monitors risks from all sources.

ERM helps to address the needs of management and Boards, who want to understand the broad spectrum of risks facing complex organizations to ensure they are appropriately managed.
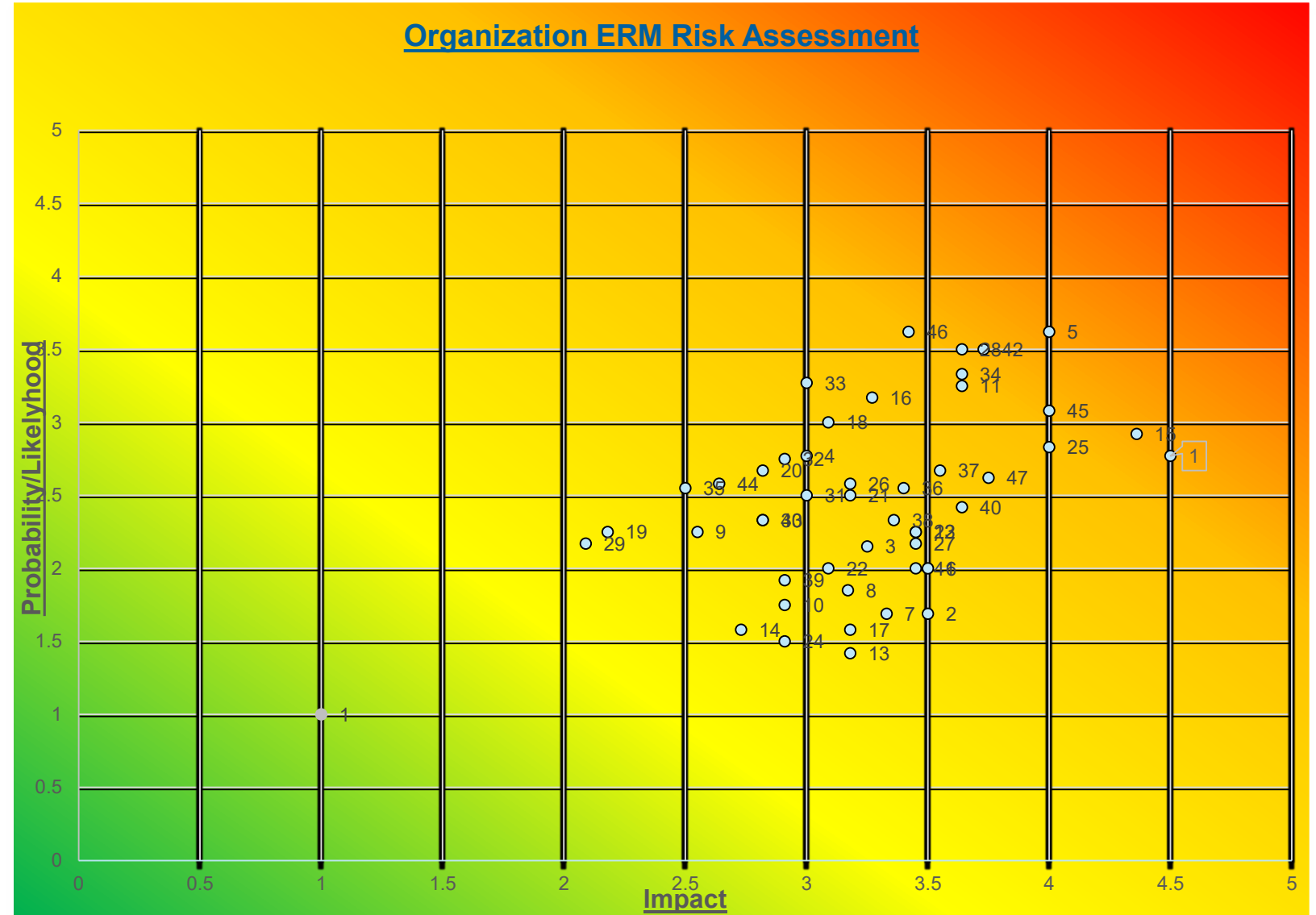
Organization ERM Project Facts

» 12 individual or department interviews were held, including key team members

» 47 risks were identified

» The leadership team met and rated risks online

» Risks were rated based on impact and probability

» Final risk ratings reviewed to ensure consistency

» Heat map developed; risks clustered to center right half

All Risks Impact the Organization's Reputation

Loss of Trust
• The Community trusts the Organization

Adverse Event
• Negative events can impact the perception of the Organization

Philanthropy
• The region expects lasting philanthropic solutions

Outcomes
• Organization needs to create innovative community outcomes
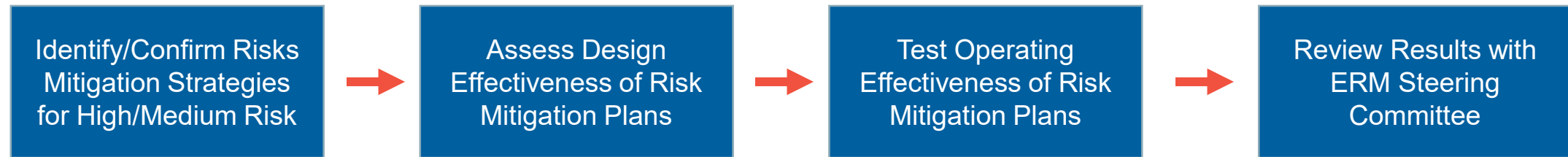
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Heat Map

ERM Briefing

Top Risks by Combined Risk Ratings

Based on the ERM project, the following risks have been identified as most critical to the Organization. The Leadership Team will identify which risks to remediate first and assign ownership responsibilities to key people within the organization to help create remediation strategies.

Risk Ranking	Risk Description	Impact	Probability	Combined Risk Rating
1.		4.29	4.86	20.85
2.		4.57	4.43	20.25
3.		4.43	4.57	20.25
4.		4.29	4.43	19.00
5.		4.43	4.29	19.00
6.		4.57	4	18.28
7.		4.43	4	17.72
8.		4.57	3.86	17.64
9.		4.14	4.14	17.14
10.		4.71	3.57	16.81

⟵ Reputational Risk Continuum ⟶

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Phase III: Risk Mitigation & Testing

| Identify/Confirm Risks Mitigation Strategies for High/Medium Risk | → | Assess Design Effectiveness of Risk Mitigation Plans | → | Test Operating Effectiveness of Risk Mitigation Plans | → | Review Results with ERM Steering Committee |

Deliverables

» Risk mitigation work plans

» Testing results and observations document(s)

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Phase IV: Risk Monitoring & Tracking

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┌─────────────────────┐      ┌─────────────────────┐      ┌─────────────────────┐
│ Ongoing Monitoring  │      │ Ongoing Monitoring  │      │ Review Risk Results │
│ of Due Dates of Risk │ ──▶ │ of Emerging Risks   │ ──▶ │ Quarterly with      │
│ Mitigation Tasks    │      │                     │      │ Steering Committee  │
└─────────────────────┘      └─────────────────────┘      └─────────────────────┘
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                                   ╱─────────╲
                                  │ Phase II  │
                                  │ Review    │
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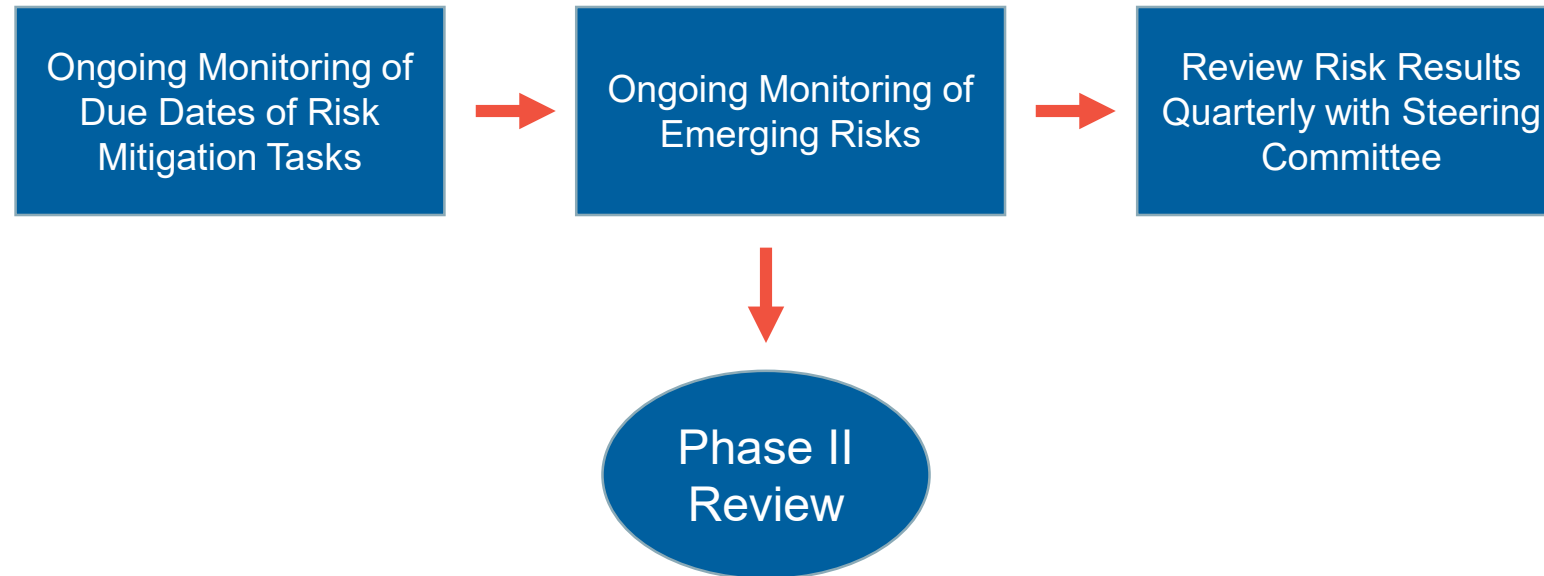
Deliverables

» Updated risk matrix/register document

» Quarterly risk results document

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Challenges

» Demonstrating the benefit of ERM

» Defining risk

» Establishing ownership

» Determining the appropriate approach

» Identifying and quantifying risks

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Challenges

» Prioritizing risks

» Developing mitigation plans

» Follow through of risk mitigation plans

» Risk reporting

» Keeping ERM alive

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Other ERM Outcomes

» Risk mitigation plans can expose previously unidentified risks and/or opportunities

- Information technology

- Human resources

- Data and analytics

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Q&A

THANK YOU

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