


**Risky Business:
 How ERM Promotes
 Certainty in Uncertain Times**

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Introduction to ERM

What is Enterprise Risk Management (ERM)?

- Risk is defined as the effect of **uncertainty on objectives** (*ISO31000*).
- ERM **integrates managing risk with strategy-setting and performance management** (*2017 COSO ERM*).

How does ERM integrate?

- It is imperative that ERM be **closely aligned with leadership** on the organization's **key strategies and objectives**.
- It is **essential ERM output aligns with** how the organization articulates **what success looks like** and how **organizational performance is monitored**.

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Introduction to ERM

When done well, ERM will typically emphasize two arenas of risk:

1. Risks specifically **associated with the top 3 to 5 objectives** of the organization.
2. The **top 3 to 5 risks** facing the organization **regardless of relationship** to any specific organizational objectives.

The majority of **this presentation will focus on the former**, specifically the University's key objective of maintaining a safe and secure campus.

The **two heat maps** that follow help the organization identify and prioritize ERM efforts in both arenas (specifically and holistically).

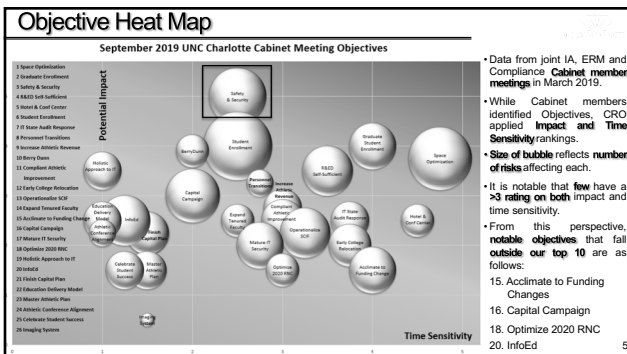
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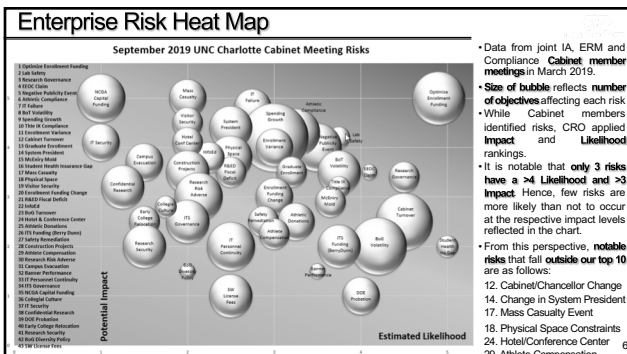
ERM Process

ERM will typically lead / facilitate efforts to **answer the following strategic questions:**

1. What are our **most important goals / objectives**?
2. How do we **define and measure "success"**?
3. What are the **most significant risks**?
 1. Those directly associated with achieving those **goals / objectives**; and
 2. More holistically, what other **general or emerging risks** pose a significant threat?
4. **How are we doing** proactively managing those risks to **optimize performance**?


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ERM Example - Safety & Security

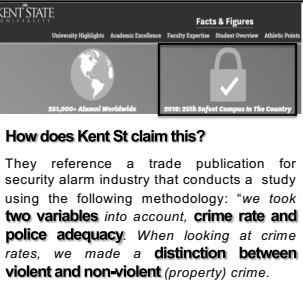
- What are our **most important goals/objectives**?
 - Safety & security is one of the University's top strategic goals and priorities
- How do we **define and measure "success"**? Have we developed **formal KPIs**?



FAU EH&S Policy

"It is also university policy to **comply with all applicable** health, safety, and environmental **protection laws, regulations and requirements**. In the **absence** of specific regulatory mandates for particular situations, **best management safety practices shall be followed**. The university's **goal is to prevent all workplace injuries and illnesses**, property losses or damage, and adverse environmental impacts."

Existing Objective S&S Measures



Old Dominion University (ODU) acknowledges a **second place ranking** on the 2017 National Campus Safety Summit's **Safe Campus list**. Criteria include: 1) **major program** implementation achieving **significant quantifiable results**; 2) implementation of an outstanding safety improving **institution-wide procedure**; 3) programs **adopted by other departments**; 4) etc.

36%	REDUCTION IN VIOLENT CRIME OCCURRING ON CAMPUS
35%	REDUCTION IN ALL CRIME OCCURRING IN RESIDENCE HALLS
76%	REDUCTION IN ALL BURGLARIES OCCURRING IN RESIDENCE HALLS
80%	REDUCTION IN TOTAL BURGLARIES OCCURRING ON CAMPUS

How does Kent St claim this?

They reference a trade publication for security alarm industry that conducts a study using the following methodology: "we took **two variables into account, crime rate and police adequacy**. When looking at crime rates, we made a **distinction between violent and non-violent (property) crime**."

ERM Example - Safety & Security

- What are the **most significant risks**?
 - Those **directly associated** with achieving those **goals / objectives**;
 - Less than optimal participation in training / education
 - Resource constraints
 - Increased incident reporting / identification due to increased awareness
 - More holistically, what other **general or emerging risks** are significant?
 - Socio-economic shifts in surrounding communities
 - Increasing trends towards self harm and interpersonal violence
- How are we doing** proactively managing those uncertainties in an effort to **optimize performance**?
 - Identifying and monitoring leading key risk indicators (KRIs)**
 - Validating correlations** between KRIs and KPIs

Summary

To be clear, ERM is **not here to take credit for work already being done** given much of what is being analyzed and reported already exists.

Rather, it focuses on **standardizing and aligning expectations**, and then **creating transparency** throughout the organization on critical areas of risk to our success.

With the ultimate aim of **improving the speed and accuracy of decisions and resource allocation**.

While the **primary audience** of ERM deliverables is the **Cabinet and Board of Trustees**, I hope that it is now clear that the strategic effort to collect and calibrate these insights also **creates value at the tactical level**.

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ERM Enhances Decision Making to Optimize Performance



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Most Important Goals/Objectives

Most important goals / objectives are identified using **two factors** with a **1 - 5 scale**:

1. Impact

1. Negligible – No importance, not a priority with little to no affect on University success.*
2. Low – Somewhat important, low priority, only minor affect on University success.*
3. Moderate – One of many important priorities required for University success.*
4. High – One of the most important priorities which is critical to University success.*
5. Major – One of the top few most important priorities without which the University cannot be successful*.

***Success* = ability to achieve all of the strategic objectives identified in the UNCC Institutional Plan on time*

2. Time Sensitivity

1. Longer term (> 3 years out)
2. Over time (between 1 and 3 years out)
3. Short term / At any point (in the next 12 months or could happen at any time)
4. Pressing (next 30 to 60 days)
5. Immediate (already late or urgently needs to happen)

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Most Significant Risks

Risks that **directly affect the achievement of key strategic objectives, AND general / emerging risks** identified using a similar **two factor 1 - 5 scale**.

1. Impact

- 1. Negligible – Little to no affect on important priorities or on University success.*
- 2. Low – Has limited affect on important priorities or University success.*
- 3. Moderate – Affects one of many important priorities required for University success.*
- 4. High – Affects a few of the most important priorities critical to University success.*
- 5. Major – Affects multiple high importance high priority objectives without which the University cannot be successful*.

***Success* = ability to achieve all of the strategic objectives identified in the UNCC Institutional Plan*

2. Likelihood

- 1. Rare (<10% chance of occurrence)
- 2. Occasionally (10% to 40% chance of occurrence)
- 3. Moderate (50/50 proposition; ~40% to 60% chance of occurrence; random; at any time)
- 4. More likely than not (60% to 90% chance of occurrence)
- 5. Almost Certain (>90% chance of occurrence)
