Risky Business: How ERM Promotes Certainty in Uncertain Times

Steven Dunham, Chief Risk Officer
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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.

Introduction to ERM

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

- 1. Risks specifically ${\it associated\ with\ the\ top\ 3\ to\ 5\ objectives\ }$ 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?

Objective Heat Map September 2019 UNC Charlotte Cabinet Meeting Objectives

Data from joint IA, ERM and Compliance Cabinet member meetings in March 2019.

While Cabinet members identified Objectives, CRC applied Impact and Time Sensitivity and Hospital Sensitivity and Christia affecting each.

It is notable that few have a 33 rating on both impact and time sensitivity.

From this perspective, notable our top 10 are as follows:

18. Optimize 2020 RNC 20. InfoEd

Enterprise Risk Heat Map



**Size of bubble reflects number of objectives affecting each risk **While Cabinet members identified risks, CRO applied Impact and Likelihoog

identified risks, CRV applied impact and Likelihood rankings.

It is notable that only 3 risks have a x4 Likelihood and x3 impact. Hence, few risks are more likely than not to occur at the respective impact levels reflected in the chart. From this oerspective, notable.

From this perspective, notable risks that fall outside our top 1 are as follows:

are as follows:

12. Cabinet/Chancellor Change

14. Change in System Presider

17. Mass Casualty Event

18. Physical Space Constraints

24. Hotel/Conference Center

ERM Example - Safety & Security

- 1. What are our most important goals/objectives?
 - Safety & security is one of the University's top strategic goals and priorities
- 2. 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, <u>best</u> 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



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.

Old Dominion University OLD DOMINION (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%

> 35% REDUCTION IN ALL CRIME 76% REDUCTION IN ALL BURGLARIES 80% REDUCTION IN TOTAL

ERM Example - Safety & Security

- 3. 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
- 4. 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

Risk Name	Ineffective threat assessm			Timing of Exposure	0				
Risk Owner		ient Fety Threats Subcommittee Chair	7	Velocity of Impact	Ongoin				
Risk Description			y Threats Subcommittee Chair Velocity of Impact Immediate reats could result in physical harm to someone on a UNC Charlotte campus.						
Maintain involuntary Protective Withdrawal Policy (1903) to provide assessment and separation options for at risk students. Formal operations procedure for the Campo chains with inference and Maximum Shares in Campo chains and Intervitor Them are under development. Fitchingies With Management Assessment of Effectiveness Fitchingies Assessment of Effectiveness Fitchingies The Campo and Procedure of the Campo chains and Procedure of the									
I	npact / KPI	Expected Impact & Likelihood	Worst Case Impact & Likelihood	Indicators	Post acceptance criminal charges	Vendor/Contracto Rejections			
Student Performe	d Harmful Acts	5 @ 90%	50 @ 5%	Healthy Range	< 5%	≤ LY			
Employee/Vendor	Performed Harmful Acts	0 @ 95%	15 @ 10%	Current State / Trend	4%	15% > LY 🗥			

Could R	Replac	e and Enl	hance Current	t R	eportin	ıa		
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Safety & Security Dashboard (illustrative only)												
Safety & Impact and Likelihood Effectiveness of Indicators Security												
		Expected	Worst Case	Per N	Aanage	ment	1		As of: Sept	tember 201	9	
Dash	nboard Impact	Outcome ²	Scenario 12 to 18 mos	nario Number of		Healthy Range	Current State	Trend ⁴	Healthy Range	Current State	Trend ⁴	
Interpersonal 20 100 Safety Crime 80% 5%		7 2 0		% Population Trained (students, parents, staff, etc.)			CSSC Recommended Spending Implemented					
Education	VAWA Offenses	30 80%	100 10%		1	8	~90%	50%	*	90%	65%	0
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Assessment	Employee/Vendor Harmful Acts	0 95%	15 10%	ů	3 2		<5%	4%	1	≤LY	> 15%	
Mental Health /	Off-Campus Treatment Referrals	25 90%	60 5%					Scores Below tical Threshold				
Substance Abuse	Student Suicides	0 80%	5 10%	Ĺ	-			1:2500	*	≤LY	> 15%	0

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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.

ERM Enhances Decision Making to Optimize Performance

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Control Integr GOZ Enbed Accelerate Appetite
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GOZ Embed Accelerate Appetite
Aliqu Optimize

Most Important Goals/Objectives

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

1. Impact

- 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.*
- High One of the most important priorities which is critical to University success.*
 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)
- Over time (between 1 and 3 years out)
 Short term / At any point (in the next 12 months or could happen at any time)
- Pressing (next 30 to 60 days)
- Immediate (already late or urgently needs to happen)

Most Significant Risks				
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	MOST	Sign	ıncanı	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 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

- LIKeIIIOOd

 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)