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Adapting enterprise risk management (ERM) for sustainability

What have agencies learned from implementing ERM?

Many agencies have learned that the way to success and sustainment in an ERM program is not through a standard "textbook" implementation, but through a flexible and adaptable approach. As a result, programs on the leading edge of government ERM are seeking guidance to adapt their processes and frameworks for sustainability by creatively navigating the many challenges that ERM programs face.

By recognizing the challenges facing an ERM program and adapting to those challenges, ERM leaders can be better positioned to build sustainable programs.

Fast Facts: Government ERM

- *The 2018 Association for Federal Enterprise Risk Management annual survey reported that 76% of respondents' organizations have an ERM program – up from 2015 when 56% had ERM programs.*[1]
- *The 2018 Federal Employee Viewpoint Survey reported that 34% of employees feel they cannot disclose a suspected violation of a law, rule, or regulation without fear of reprisal – the lowest response rate in the 2013-18 period.*[2]
- *The Risk and Insurance Management Society (RIMS) created the Certified Risk Management Professional-Fed (CRMP-Fed) micro-credential in 2018.*[3]

Why is there a need to adapt?

In many agencies, ERM is a critical point of connectivity and information filtering between organization leadership, CXOs, and other program and functional leaders. This role requires ERM programs to continuously maintain the interest of leaders who may have different objectives, priorities, and responsibilities. Leaders, particularly new leaders, may prioritize showing immediate results while other leaders may focus exclusively on a single initiative or be pressured to improve program delivery with fewer resources.

Below are three "realities" and associated challenges that force ERM programs to adapt what they do and how they do it:

E — 1. Being realistic about the "E" (enterprise)

Ideally: People from each program and office help build a risk-aware culture using consistent practices.

Reality: Programs and functions are focused on managing their own risks internally, outside of ERM.

A. ERM may overlook on-going risk response activities and program/office efforts may be unrecognized.
B. Management of enterprise risks is seen as something separate, on top of program/office-level efforts.
C. Agencies are swimming in data that programs/offices may be reluctant to share if its usage is unclear.

R — 2. Getting leadership to embrace "R" (risk)

Ideally: Senior leadership understands the value of ERM and provides regular, visible "tone at the top."

Reality: Leaders have competing priorities, limiting their ability to actively champion ERM.

A. Political appointees' average tenure is 18 months. Leaders frequently turnover and those acting between appointees may be reluctant to make the major changes or decisions ERM often requires.
B. Front-line programs did not play major roles in implementing Circular A-123 before the inclusion of ERM and senior leaders may not be able to differentiate ERM from internal controls.
C. Enterprise governance is a challenge, limiting the authority to drive risk management decisions.

M — 3. Making an impact on the "M" (management)

Ideally: Risk owners take action to manage risks and report results that ERM governance bodies monitor.

Reality: Risk owners lack resources to drive net new action; ERM lacks authority to compel risk response.

A. Risk profiles often include persistent issues whose management and mitigation have not been effective.
B. Programs and offices may help identify risks, but participation wanes later in the ERM cycle.
C. Without quantifiable results shared via ongoing reporting, leadership may not embrace ERM.

[1]Association for Federal Enterprise Risk Management, https://www.aferm.org/about/surveys/
[2]Office of Personnel Management, https://www.opm.gov/fevs/
[3]RIMS-CRMP-Fed, https://www.rims.org/certification/Pages/RIMS-CRMP-Fed.aspx

Adapting ERM for sustainability

How can ERM programs adapt to overcome realities affecting their impact?

ERM programs face challenges inherent to most organization-wide endeavors that unify disparate siloes under common governance and processes. Rather than fighting these challenges by sticking to the textbook approach, ERM programs can be more effective by acknowledging the realities of organization-wide endeavors and adapting their methods to respond to the associated challenges.

The table below describes ways ERM programs can adapt to each of the challenges listed on the previous page.

E ***1. Being realistic about the "enterprise"***	
A. Showcase risk management achievements	Use ERM to showcase program-level success stories, providing an avenue for programs to receive recognition for managing their own risks, make their case for additional funding, and share leading practices across the organization. Highlight the performance gains when program-level risks are managed well, or use ERM to connect the dots where programs managing the same risks could benefit from shared solutions (and shared costs).
B. Invest in relationships	Build relationships of trust with programs so they willingly share data in return for services such as risk sensing, analytics, and other tools from the ERM team. Give flexibility to manage risk as program requirements demand, while showing the value of transparency and sharing.
C. Find an ambassador	Work with an influential program leader who understands ERM and is willing to devote their program's time and energy to support ERM. Cultivate at least one of these relationships to develop an ambassador who demonstrates the value of ERM and advocates for it.
R ***2. Getting leadership to embrace "risk"***	
A. Frame decisions as risk-based	Highlight gaps where action that may be needed has slowed, is ineffective, or is not planned or funded and use simple memos/business cases to elicit binding decisions to compel the desired action and resourcing.
B. Integrate	Inject risk discussions into other management forums that leaders already attend to make it easier for new appointees to actively participate in ERM.
C. Communicate	Provide leadership with compelling, easy to understand evidence showing impact on the mission due to ERM and other, risk management activities. Compliance is a by-product.
M ***3. Making an impact on risk "management"***	
A. Offer an ERM PMO	Drive the implementation of risk response plans by combining project management techniques with ERM methods to help plans stay on time and on budget, measure and report progress on Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs), and manage execution risks that could limit the plan's impact.
B. Coordinate funding for response plans	Assess and prioritize risks identified by programs to determine the most critical risks facing the organization. Develop response plans for priority risks and coordinate with the budget process so decisions can be made to fund the necessary activities, initiatives, or controls.
C. Connect data sources	Use technology to integrate a wider range of existing internal and external data (and move away from manual data calls in spreadsheets) to generate evidence-based risk analysis and targeted response activities that build senior leaders' commitment to ERM.

To learn more about adapting ERM programs for sustainability, contact:

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