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Considerations for Maturity Model Selection

ERM maturity model types

ERM maturity models can be broken into four categories. While the first three models are output driven and do not fully address the implementation, quality, or efficacy of the ERM program, the activity and outcome model focuses on expected outcomes.

Model type 1

CAPABILITY BASED

Model type 2

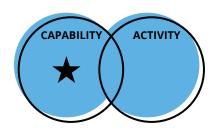
ACTIVITY BASED

Model type 3

HYBRID

Model type 4

ACITVITY & OUTCOME BASED



Defines **capability areas**, representing key ERM program attributes, that are assessed to measure program maturation

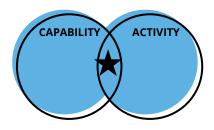
Complexity: **Medium**Level of detail: **High-Level**

CAPABILITY ACTIVITY

Defines **key milestones**, aligned to distinct maturity levels, to guide the achievement and advancement of key ERM program maturity

Complexity: **Easy**

Level of detail: **Detailed**



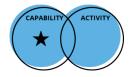
Combines key activities with capability areas to understand and guide maturation of key ERM program attributes

Complexity: **Medium**Level of detail: **Detailed**



Focuses on **activity and expected outcomes** during ERM program
maturation

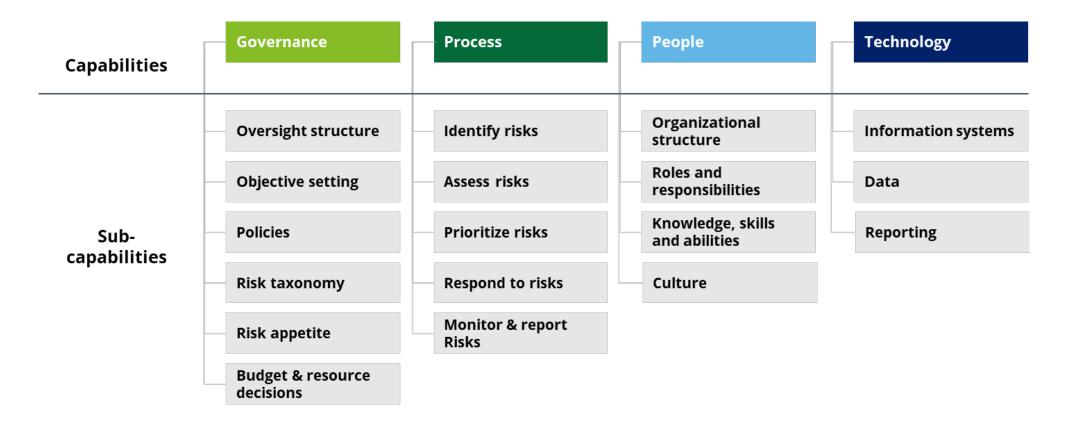
Complexity: **Medium**Level of detail: **Detailed**

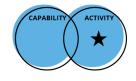


Capability-based maturity model

Traditional ERM maturity models taxonomize common ERM framework capabilities areas that leading frameworks identify as important elements for implementing and sustaining an ERM program.

There are four capability and 18 sub-capabilities areas. Each sub-capability has a 5-point scale describing different levels of maturity and what activities or characteristics are involved at each level.





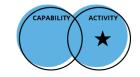
Level 5 – Strategic

Activity-based maturity model

implementation

Level activities define the milestones needed to achieve and advance ERM program maturity. Some institutions also define updated and steady-state activities to recognize the activities needed to sustain program maturity.

Risk intelligence embedded in strategic planning and daily Level 4 - Integrated activities are tied to performance management Risk management processes are a key ☐ Risk information is **Level 3 – Comprehensive** component of enterprise required for all budget decision-making Common frameworks, policies decisions and procedures established Uniform framework and Communications **Level 2 - Fragmented** supporting technologies Risk assessment and response strategy to educate staff have been implemented Elements of risk management on ERM executed strategies are coordinated exist at the functional level, ☐ Risk is integrated with ■ Methodology for aligning ☐ Risk analytics is a key Level 1 - Initial / Ad Hoc but policies and procedures internal controls and ERM and internal controls reporting input for do not account for budget Risk is defined differently senior leadership interdependencies ☐ Senior leadership support across the organization decision-making ☐ Risk reporting tools and advocacy for ERM No top-down management used to support Immature risk ☐ Risk management ☐ Finalized Risk Profile decision-making management tools and ☐ Risk governance structure committees are processes with no formal & charter ☐ Use of risk appetite & integrated across the ☐ Risk governance has **ERM** structure tolerance as a guide for institution and risk been formalized and ☐ Initial draft of risk **Level activities** the institution's risk decisions are crosshas clearly defined ☐ Create a risk appetite(s) decisions functional decision-making roles management office ☐ Draft Risk Profile across the enterprise ☐ Risk taxonomy / ■ Methodology for risk lexicon assessment & response ☐ Identify ERM established framework for



Activity-based maturity model ("steady state" activities version)

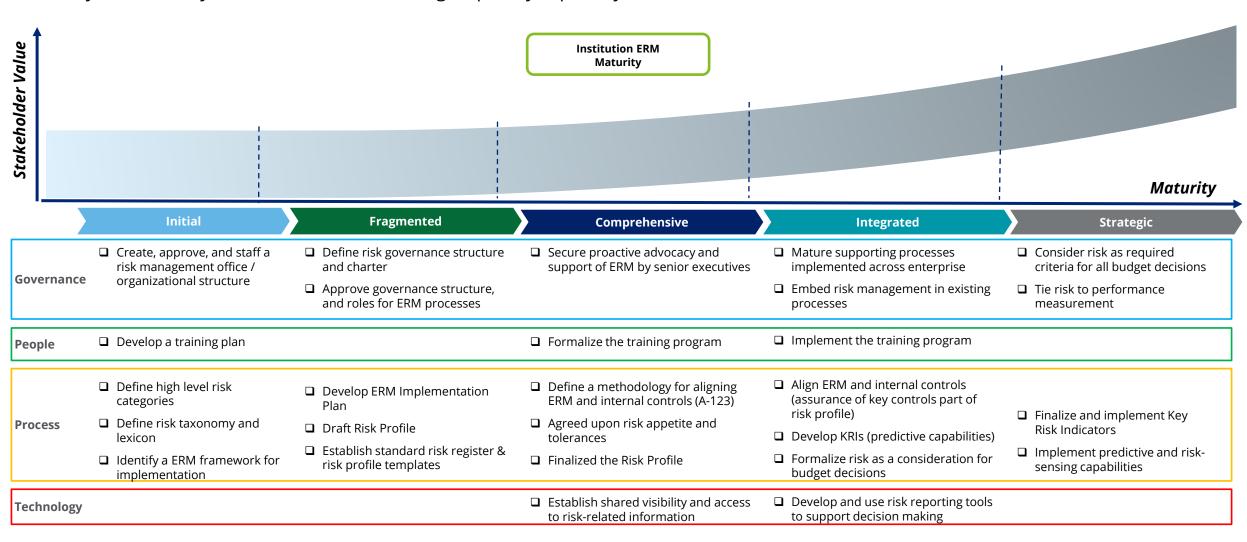
In addition to level activities, some institutions also define updated and steady-state activities to recognize the activities needed to sustain program maturity.

to sustain program maturity.									
	Level 1 – Initial / Foundational	Level 2 - Fragmented / Defined	Level 3 – Comprehensive / Cross-Functional	Level 4 – Integrated	Level 5 – Strategic / Leading Practice				
Level milestones	 Approve ERM mission & vision statements Create, approve, and staff a risk management team Design ERM framework for implementation Develop risk lexicon and taxonomy Develop enterprise risk assessment methodology 	 Assess ERM maturity and desired future state □ Obtain leadership approval for risk management function's charter □ Conduct enterprise risk identification and assessment □ Draft enterprise risk register □ Draft Risk Profile □ Implement ERM training program 	 Share risk-related information & outputs throughout the institution Finalize and implement enterprise risk appetite & tolerances Develop methodology for aligning ERM and internal controls Develop risk assessment deep dive methodology for priority 	 Embed risk management in existing processes Formalize risk as a consideration for budget decisions Begin development of KRIs (predictive capabilities) Use risk reporting technology to support decision making Align ERM and internal controls 	 □ Use risk as a key metric for performance measurement □ Utilize enterprise & office / division risks as a key input for the strategic planning processes □ Finalize and implement KRIs □ Implement predictive and risk-sensing capabilities □ Require risk as an input for all budget decisions 				
Update activities		 Update foundational ERM program documents and structure if needed Periodically update ERM mission & vision statements as needed 	 risks	Update methodology for risk assessments as needed	☐ Update risk escalation and reporting tools and procedures as needed				
Steady state activities			 Continue ERM training program as needed Conduct enterprise risk identification and assessment as needed Develop yearly Risk Profile 	Develop yearly Risk ProfileConduct risk deep dive(s) for priority risks	 Develop yearly Risk Profile (integrated with assurance of key controls) Conduct risk deep dive(s) for priority risks Continue risk integration with resource and budget decisions 				



Hybrid maturity model

In a hybrid maturity model, level activities are grouped by capability areas.





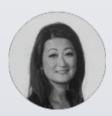
Activity and outcome model

In this model, activities and expected outcomes are defined and measured to determine program maturity.

		Initial	Fragmented	Comprehensive	Integrated	Strategic
Overview		ERM efforts are ad hoc and lack executive sponsorship. Risk is defined differently across the organization and there is no overarching governance structure	ERM processes exist throughout the organization, but maturity levels and outcomes vary. There is little to no top-down management.	ERM program is formally established, guidance and governance is documented, and executive sponsorship drives program progress.	ERM efforts are effective and integrated across the enterprise to drive enhanced, quantifiable risk decisions. Leadership is committed to ensuring that all staff have the training necessary to manage risks.	Risk activities are embedded into decision-making at all levels of the organization. Risk analytics provide predictive capabilities and ERM focuses on value creation as well as value preservation.
Activities	Governance	Create, approve, and staff a risk management office / organizational structure	 Define risk governance structure and charter Approve governance structure, and roles for ERM processes 	Secure proactive advocacy and support of ERM by senior executives	 Mature supporting processes implemented across enterprise Embed risk management in existing processes 	 Consider risk as required criteria for all budget decisions Tie risk to performance measurement
	Process	 Define high level risk categories Define risk taxonomy and lexicon Identify a ERM framework for implementation 	 Develop ERM Implementation Plan Draft Risk Profile Establish standard risk register & risk profile templates 	 Align ERM with Internal Audit and Compliance Finalized the Risk Profile 	 Agreed upon risk appetite and tolerances Develop and implement KRIs Formalize risk as a consideration for budget decisions 	 Implement predictive and risk- sensing capabilities
	People	Develop a training plan		Formalize the training program	Implement the training program	
	Technology			Establish shared visibility and access to risk-related information	 Develop and use risk reporting tools to support decision making 	
Outcomes		ERM FrameworkRisk Training Plan	 ERM Program Charter Enterprise Risk Committee Charter ERM Implementation Plan Preliminary Risk Profile Risk Register 	 ERM Alignment with Internal Audit and Compliance Final Risk Profile Risk Information Availability 	 Incorporation of KRIs Risk Appetite and Tolerance Risk informed budgeting Risk information on GRC or similar tool 	 Risk driven budgeting Risk informed performance measures Risk Sensing technology integration



Contact us



Jennifer Ahn Risk & Financial Advisory Leader | Higher Education Deloitte and Touche LLP jenniferahn@deloitte.com +1 571 227 8588



Cynthia Vitters Managing Director | Higher Education Deloitte & Touche LLP cvitters@deloitte.com +1 571 858 0857



Jake Braunsdorf Senior Manager | Higher Education Deloitte and Touche LLP jbraunsdorf@deloitte.com +1 202 304 8059

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@DeloitteEdu



linkedin.com/company/deloitte



highereducation@deloitte.com



deloitte.com/highereducation