



# Considerations for Maturity Model Selection

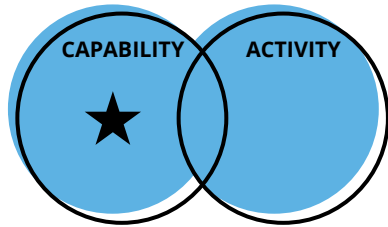
February 2023

# 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



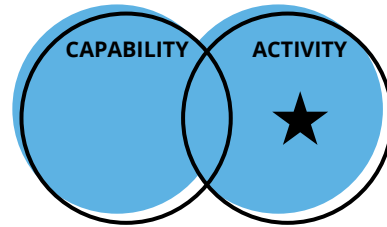
Defines **capability areas**, representing key ERM program attributes, that are assessed to measure program maturation

Complexity: **Medium**

Level of detail: **High-Level**

## Model type 2

### ACTIVITY BASED



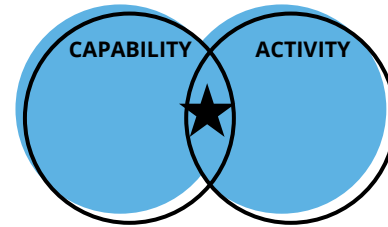
Defines **key milestones**, aligned to distinct maturity levels, to guide the achievement and advancement of key ERM program maturity

Complexity: **Easy**

Level of detail: **Detailed**

## Model type 3

### HYBRID



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

Complexity: **Medium**

Level of detail: **Detailed**

## Model type 4

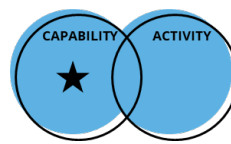
### ACTIVITY & OUTCOME BASED



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

Complexity: **Medium**

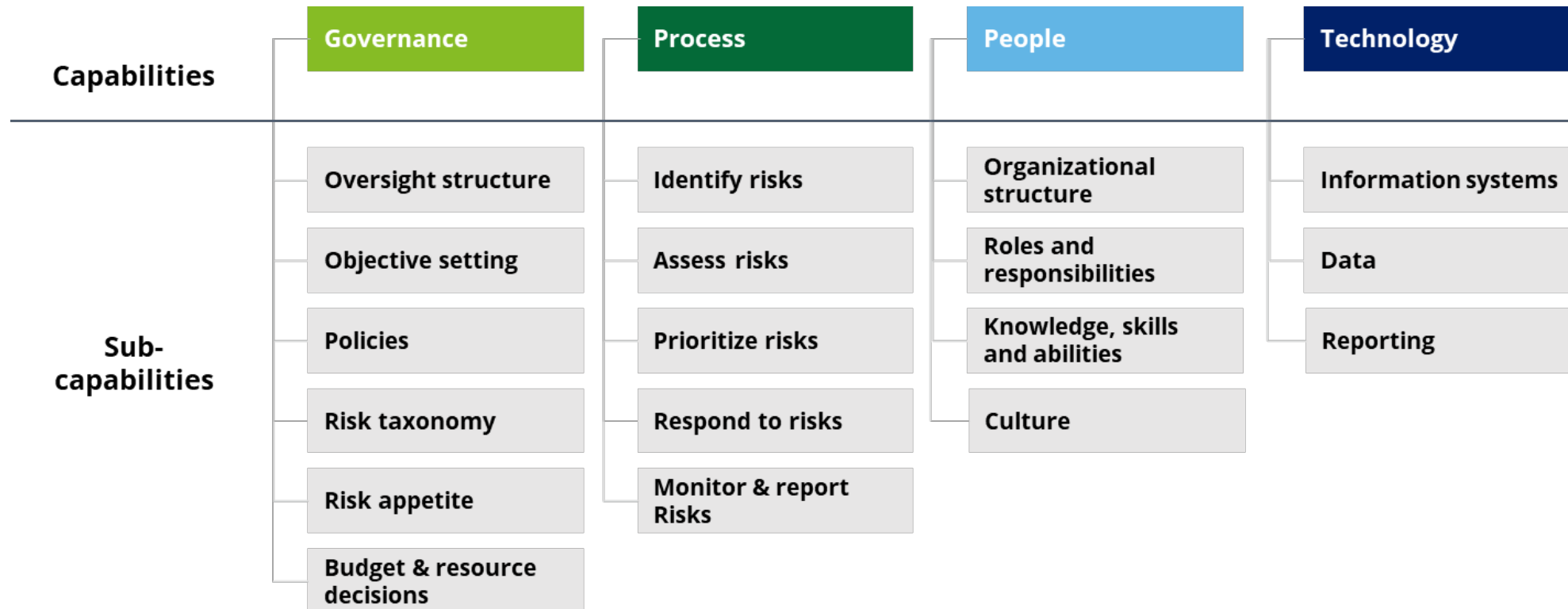
Level of detail: **Detailed**

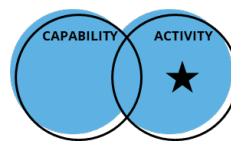


# Capability-based maturity model

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

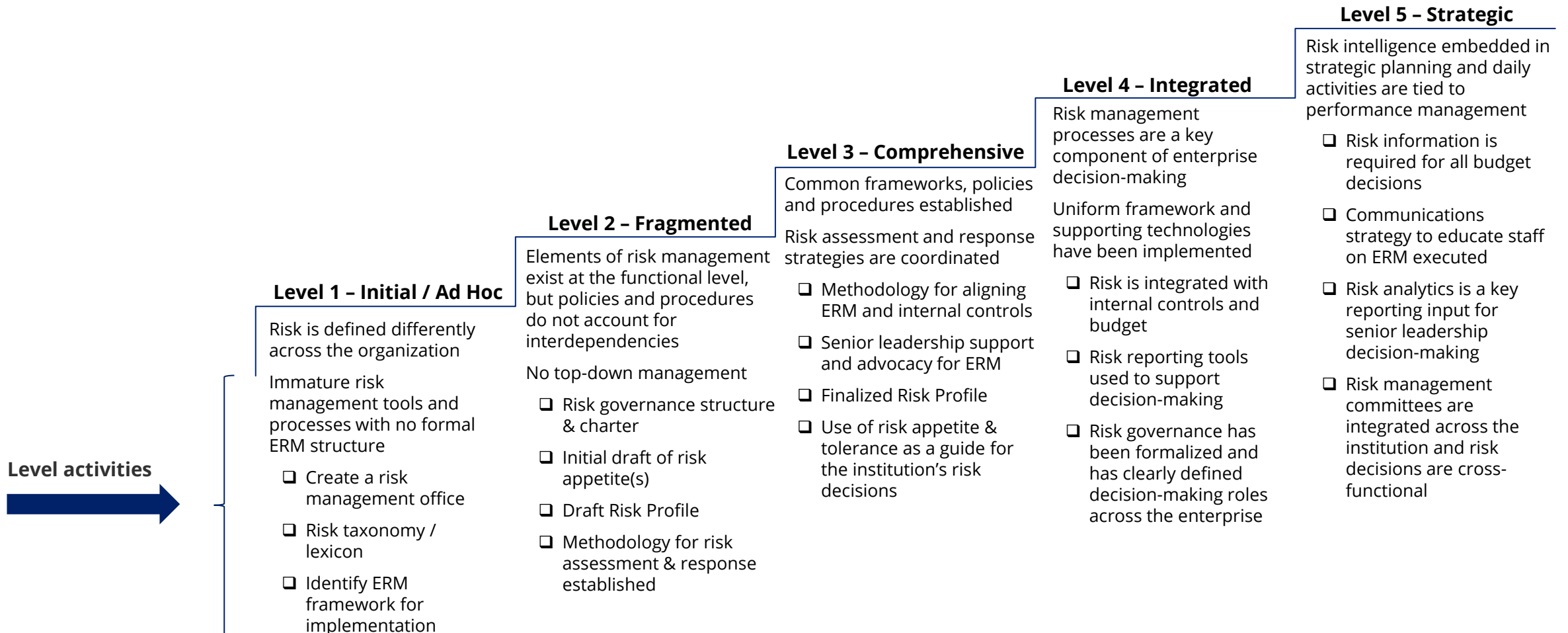
There are four capability and 18 sub-capabilities areas. Each sub-capability has a 5-point scale describing different levels of maturity and what activities or characteristics are involved at each level.

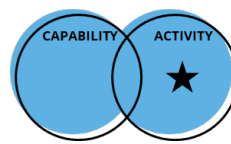




# Activity-based maturity model

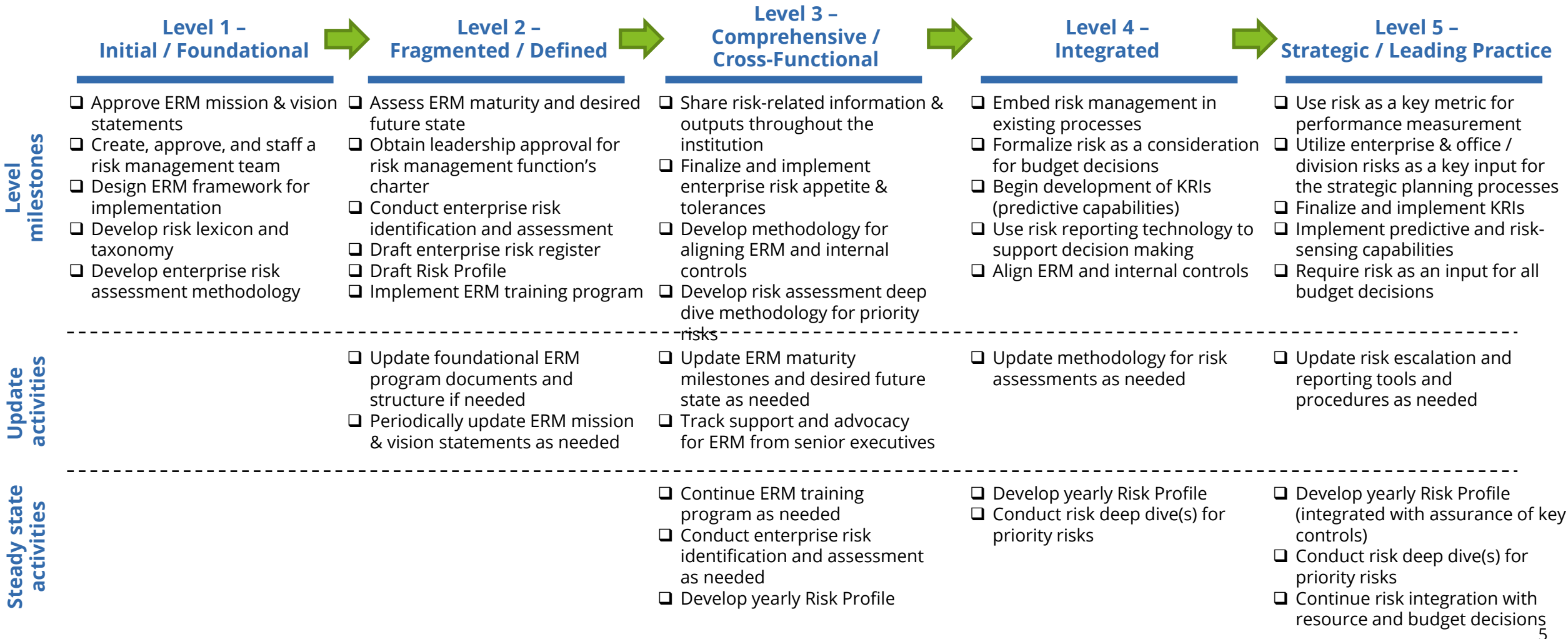
Level activities define the milestones needed to achieve and advance ERM program maturity. Some institutions also define updated and steady-state activities to recognize the activities needed to sustain program maturity.

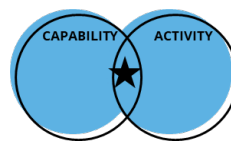




# Activity-based maturity model (“steady state” activities version)

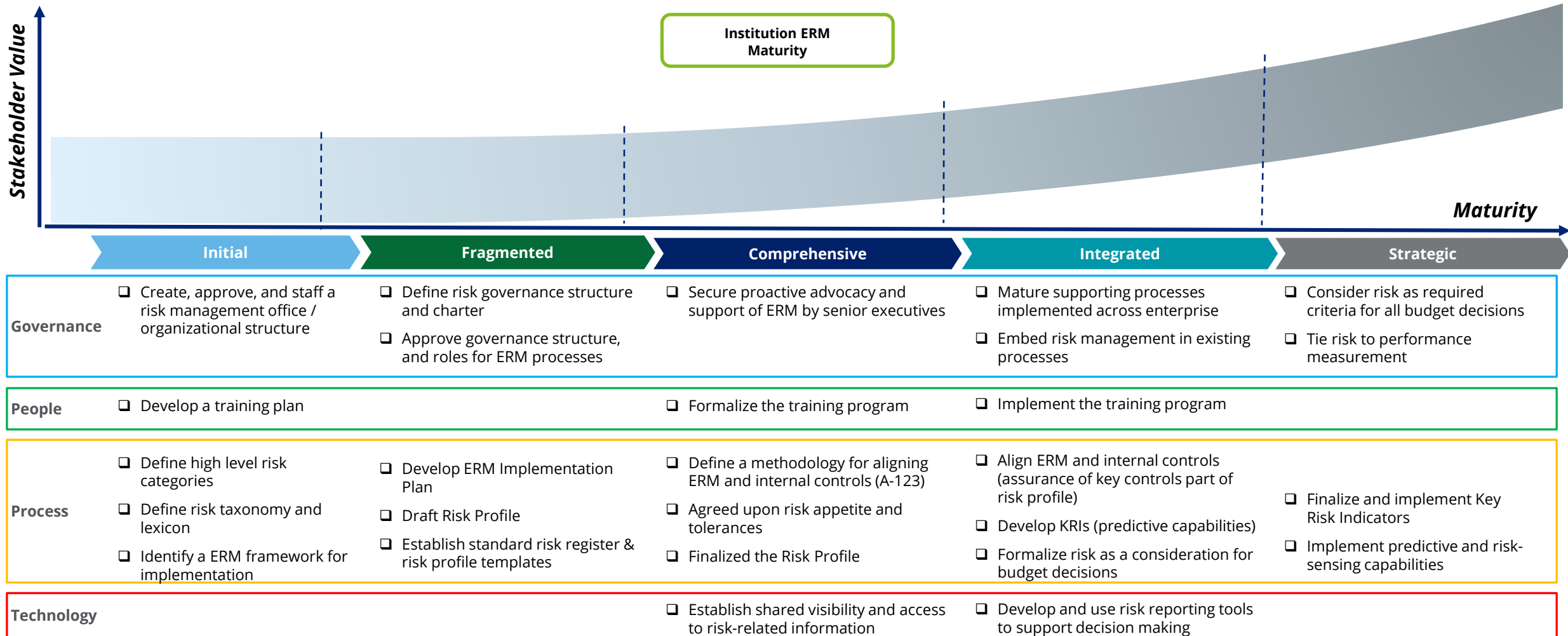
In addition to level activities, some institutions also define updated and steady-state activities to recognize the activities needed to sustain program maturity.





# 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
<b>Overview</b>		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.
<b>Activities</b>	<b>Governance</b>	<ul style="list-style-type: none"> <li>Create, approve, and staff a risk management office / organizational structure</li> </ul>	<ul style="list-style-type: none"> <li>Define risk governance structure and charter</li> <li>Approve governance structure, and roles for ERM processes</li> </ul>	<ul style="list-style-type: none"> <li>Secure proactive advocacy and support of ERM by senior executives</li> </ul>	<ul style="list-style-type: none"> <li>Mature supporting processes implemented across enterprise</li> <li>Embed risk management in existing processes</li> </ul>	<ul style="list-style-type: none"> <li>Consider risk as required criteria for all budget decisions</li> <li>Tie risk to performance measurement</li> </ul>
	<b>Process</b>	<ul style="list-style-type: none"> <li>Define high level risk categories</li> <li>Define risk taxonomy and lexicon</li> <li>Identify a ERM framework for implementation</li> </ul>	<ul style="list-style-type: none"> <li>Develop ERM Implementation Plan</li> <li>Draft Risk Profile</li> <li>Establish standard risk register &amp; risk profile templates</li> </ul>	<ul style="list-style-type: none"> <li>Align ERM with Internal Audit and Compliance</li> <li>Finalized the Risk Profile</li> </ul>	<ul style="list-style-type: none"> <li>Agreed upon risk appetite and tolerances</li> <li>Develop and implement KRIs</li> <li>Formalize risk as a consideration for budget decisions</li> </ul>	<ul style="list-style-type: none"> <li>Implement predictive and risk-sensing capabilities</li> </ul>
	<b>People</b>	<ul style="list-style-type: none"> <li>Develop a training plan</li> </ul>		<ul style="list-style-type: none"> <li>Formalize the training program</li> </ul>	<ul style="list-style-type: none"> <li>Implement the training program</li> </ul>	
	<b>Technology</b>			<ul style="list-style-type: none"> <li>Establish shared visibility and access to risk-related information</li> </ul>	<ul style="list-style-type: none"> <li>Develop and use risk reporting tools to support decision making</li> </ul>	
<b>Outcomes</b>		<ul style="list-style-type: none"> <li>ERM Framework</li> <li>Risk Training Plan</li> </ul>	<ul style="list-style-type: none"> <li>ERM Program Charter</li> <li>Enterprise Risk Committee Charter</li> <li>ERM Implementation Plan</li> <li>Preliminary Risk Profile</li> <li>Risk Register</li> </ul>	<ul style="list-style-type: none"> <li>ERM Alignment with Internal Audit and Compliance</li> <li>Final Risk Profile</li> <li>Risk Information Availability</li> </ul>	<ul style="list-style-type: none"> <li>Incorporation of KRIs</li> <li>Risk Appetite and Tolerance</li> <li>Risk informed budgeting</li> <li>Risk information on GRC or similar tool</li> </ul>	<ul style="list-style-type: none"> <li>Risk driven budgeting</li> <li>Risk informed performance measures</li> <li>Risk Sensing technology integration</li> </ul>



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