What is ERM?

Enterprise Risk Management (ERM) is a process-driven tool that enables senior management to visualize, assess, and manage significant risks that may adversely impact the attainment of key organizational objectives. – USG Definition
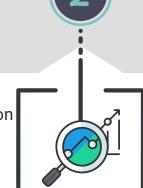
1 Understand Risk Categories

- **Financial**: cash management, financial aid, fundraising, tuition dependency
- **Operational**: safety, security, outsourcing, disaster preparedness,
- **Compliance**: accreditation, privacy, record retention, athletics, federal grants
- **Strategic**: competition, demographic/social/cultural trends, customer needs
- **Reputational**: not managing financial, operational, strategic and compliance risks

Establish ERM Framework 2

- **Identify Project Champion**: President provides ERM support and direction
- **Identify Project Owners:** Senior-level officials who oversee ERM implementation
- **Task ERM Steering Committee**: President's Executive Team representing key functional areas
- **Craft ERM Charter**: create a comprehensive approach to anticipate, identify, prioritize, and manage institutional risks to strategic goals
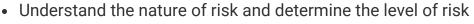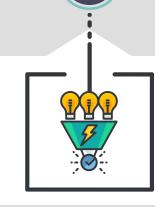
3 Set Key Objectives

- Identify key elements of organizational strategy (i.e., strategic goals and objectives) to establish the **context** for the institution's ERM program
- Focal Areas: student engagement; academic excellence; continuous improvement; institutional distinction; community engagement & partnership building; sustainability & organizational development

Identify & Analyze Risks 4

- Identify sources of risk and their causes and potential consequences
- Understand the nature of risk and determine the level of risk
- Categorize the risk in accordance with the adopted risk categories

5 Assign Risk Rating

Key risks need to be assigned a risk rating based on potential impact and probability of occurrence
- Risk Likelihood: (1-Very Low; 2-Low; 3-Medium; 4-High; 5-Very High)
- Risk Impact: (1-Very Low; 2-Low; 3-Medium; 4-High; 5-Very High)

Engage Steering Committee 6

- Once risk rankings have been identified, ERM Steering Committee members need to review the institutional risk register compiled by an objective assurance and consulting activity performed by the Director of Internal Audit
- ERM Steering Committee determines next steps based on the findings of the internal audit

7 Develop Risk Mitigation

A risk mitigation plan needs to be developed with these questions in mind:
- What process(es) will be implemented to reduce key risks?
- Who will implement and monitor the process(es)?
- What timeline will be established to implement the process(es)?
- What resources will be required to implement the process(es)?

Communicate & Monitor Risk 8

- Ensure communication and monitoring of risks and their mitigation plans remain transparent and relevant
- Designate a risk owner to be responsible for "High" rated risks
- Engage in continuous improvement of ERM process