



Defining ERM and How It Benefits an Executive

Gordon Proctor



Why Manage Risks?



**“I suppose I’ll be the one
to mention the elephant in the room.”**

What is the Performance Link?



- As the emphasis on performance has grown, so has the emphasis on managing risk to the performance objectives
- What are the risk to performance objectives?



ERM Complements Performance



- Asset and performance management drive performance
- Risk management is an enabler
- It identifies, mitigates uncertainty to objectives



What Do We Mean by Risk?



- “Risk is the positive or negative effects of uncertainty or variability upon agency objectives.”
- It includes
 - Uncertainty
 - Variability
 - Threats
 - Opportunities



What Is Risk Management?



- “Risk management is the cultures, processes and structures that are directed towards the effective management of potential opportunities and threats.”

From Backroom to Boardroom



- Risk management used to be a specialty area for controlling insurance costs
- Now it is a much broader architecture for enhancing corporate competencies
- Please don't confuse "risk measurement" with "risk management"
- Measurement may be highly technical
- Management is dynamic, active, simpler

ERM: A Dynamic Process

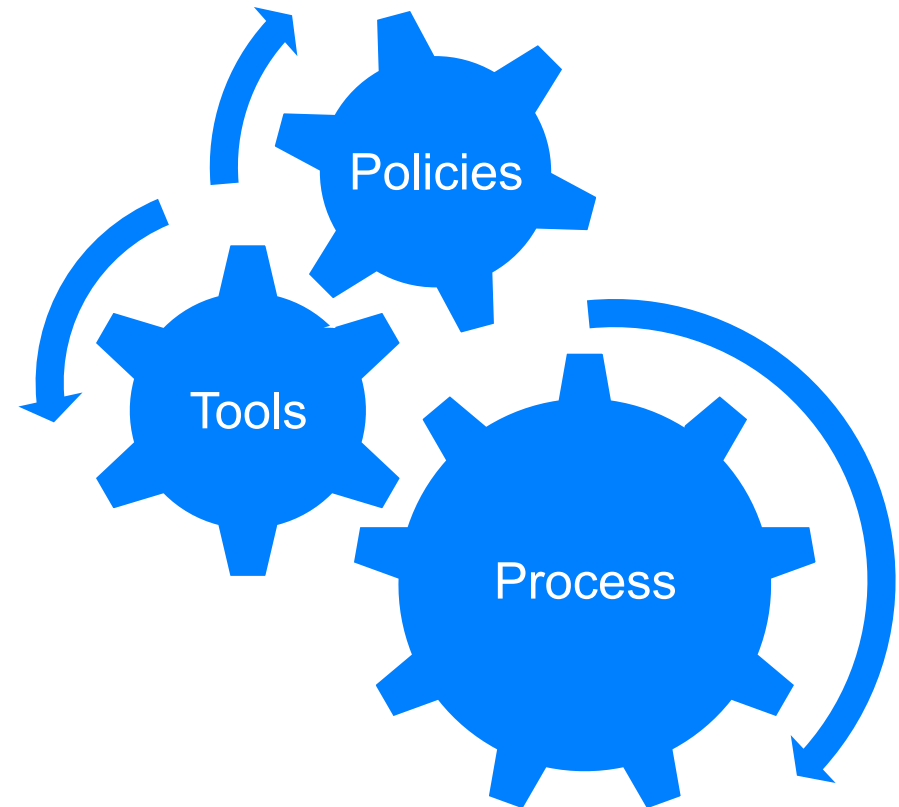


- “The risk management process is the systematic application of policies, procedures, and practices to the identification and management of uncertainty or variability upon achievement of agency objectives.”
- Think of dynamically “managing risks” instead of risk management

Key Organizational Elements



- Base Enterprise Risk Management in policy
- Give staff the tools
- Create ongoing process to actively manage risks



Workshop Mirrors Risk Process



- Risk guide follows ISO's systematic process
- It's a plan, do, check process
- Workshop exercises approximate the ISO process

