School: Risk Management
Course: Introduction to Enterprise Risk Management
Faculty: James Curbeam, Director of Risk Management, Baltimore County School District
Christina Childs, Director of Risk Consulting, RCM&D

Summary

The "Introduction to Enterprise Risk Management" course, presented by James Curbeam and Christina Childs, offers a comprehensive overview of Enterprise Risk Management (ERM) and its implementation in organizations. The course emphasizes that ERM is a strategic decision-making process aimed at identifying, analyzing, and controlling risks holistically, including not just threats but also opportunities. This distinguishes ERM from traditional risk management, which tends to focus solely on risks with negative impacts.

Curbeam and Childs discuss that not all organizations are suited for ERM, highlighting that successful implementation requires a supportive organizational culture and strong buy-in from senior leadership. Without this top-down support, ERM programs are likely to fail. They further explain that while established frameworks like ISO and COSO provide valuable guidance, they are not mandatory. These frameworks often need modification to fit the unique needs of different industries and organizations.

To initiate an ERM program, they stress the importance of senior leadership buy-in as the first critical step. Engaging with the workforce through personal interviews is another key strategy to identify top risks. The presenters advise starting the program in manageable phases and setting realistic expectations since effective ERM implementation can take 18 to 24 months. They also underscore that ERM should be viewed as an ongoing process rather than a project with a fixed end date.

Curbeam and Childs advocate for a top-down approach to ERM implementation, arguing that it ensures sustained engagement and support across all organizational levels. They define the roles of risk sponsors and risk owners, clarifying that while a sponsor drives the ERM program, risk owners hold primary responsibility for managing specific risks. They also explain the concepts of risk appetite and risk tolerance, emphasizing the need for organizations to determine how much risk they are willing to accept to achieve their goals.

The course further delves into risk ranking and visualization. Curbeam and Childs recommend using modified scales, such as a one-through-five scale, to assess both the impact and likelihood of risks. Heat maps are identified as effective visual tools for

presenting risk information to senior management or boards, providing a clear snapshot of risk positions and priorities.

The benefits of ERM include identifying unknown risks, breaking down silos, and fostering cross-departmental communication. By eliminating unexpected consequences, ERM enables more informed decision-making and resource allocation. Challenges to ERM success often stem from a lack of senior leadership buy-in and defensiveness from risk owners. The presenters also highlight the supportive role of brokers and internal auditors in the ERM process, noting that brokers can offer actuarial analysis and industry insights.

In summary, Curbeam and Childs emphasize that ERM is not a one-size-fits-all solution but a tailored process that requires ongoing commitment, communication, and adaptability to an organization's unique culture and risk appetite.

Learning Objectives

1. Understand the concept of Enterprise Risk Management (ERM) and how it differs from traditional risk management.
2. Recognize the importance of organizational culture and leadership buy-in for successful ERM implementation.
3. Explore the flexibility of ERM frameworks like ISO and COSO and their applicability to various industries.
4. Learn the key components and stages of initiating and sustaining an ERM program in an organization.
5. Identify the roles and responsibilities of risk owners, as well as the importance of tools like heat maps for visualizing risk.

Primary Takeaways

1. ERM involves a holistic approach to managing both risks and opportunities, whereas traditional risk management focuses primarily on risks with negative impacts.
2. Successful ERM programs require top-down support from senior leadership to ensure sustainability and effectiveness.
3. While ISO and COSO offer valuable guidance, organizations should tailor these frameworks to fit their specific needs and industries.
4. ERM is a continuous process without a fixed end date, requiring ongoing commitment, resources, and strategic planning.
5. Tools like heat maps and cross-departmental communication are vital for identifying, analyzing, and mitigating risks effectively.

Course Outline

1) Introduction to Enterprise Risk Management
   a) Definition and Scope
      i) Holistic analysis of risk versus siloed approaches
      ii) Focus on both risks and opportunities
   b) Importance of ERM in Organizations
      i) Differentiation from traditional risk management
      ii) Cultural and leadership considerations

2) ERM Implementation
   a) Starting an ERM Program
      i) Necessity of senior leadership buy-in
      ii) Strategic planning and manageable chunks
   b) ERM Frameworks and Guidelines
      i) Flexibility of ISO and COSO frameworks
      ii) Customizing frameworks to fit organizational needs
   c) Top-Down vs. Bottom-Up Approaches
      i) Preference for top-down implementation
      ii) Role of senior leadership in setting risk appetite

3) Key Components of ERM
   a) Risk Ownership and Responsibilities
      i) Difference between ERM sponsor and risk owner
      ii) Risk owners' role in mitigating actions
   b) Risk Appetite and Tolerance
      i) Definition and importance of risk appetite
      ii) Distinction between risk appetite and tolerance
   c) Risk Ranking and Heat Maps
      i) Modified COSO scale for risk ranking
      ii) Visualizing risk through heat maps for better communication

4) Benefits and Challenges of ERM
   a) Benefits
      i) Identifying unknown risks
      ii) Breaking down silos and fostering communication
   b) Challenges
      i) Obstacles such as lack of leadership buy-in
      ii) Overcoming defensiveness and promoting ERM understanding

5) Role of External Resources in ERM
   a) Utilizing Brokers and External Support
      i) Actuarial analysis and industry knowledge from brokers
      ii) Access to additional resources and analytics
   b) Internal Audit and ERM Collaboration
      i) Sibling relationship between internal audit and ERM
      ii) Auditing as a tool for identifying emerging risks

6) Final Thoughts on ERM
   a) Importance of Customization
      i) ERM programs tailored to organizational culture and needs
   b) Cost and Resource Considerations
      i) Financial and human resource aspects
      ii) Starting ERM programs with minimal costs

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