What is Enterprise Risk Management (ERM)?

- Risk is defined as the effect of uncertainty on objectives (ISO 31000).
- ERM integrates managing risk with strategy-setting and performance management (2017 COSO ERM).

How does ERM integrate?

- It is imperative that ERM be closely aligned with leadership on the organization's key strategies and objectives.
- It is essential ERM output aligns with how the organization articulates what success looks like and how organizational performance is monitored.

When done well, ERM will typically emphasize two areas of risk:

1. Risks specifically associated with the top 3 to 5 objectives of the organization.
2. The top 3 to 5 risks facing the organization regardless of relationship to any specific organizational objectives.

The majority of this presentation will focus on the former, specifically the University's key objective of maintaining a safe and secure campus.

The two heat maps that follow help the organization identify and prioritize ERM efforts in both arenas (specifically and holistically).
ERM Process

ERM will typically lead / facilitate efforts to answer the following strategic questions:

1. What are our most important goals / objectives?
2. How do we define and measure “success”?
3. What are the most significant risks?
   1. Those directly associated with achieving those goals / objectives; and
   2. More holistically, what other general or emerging risks pose a significant threat?
4. How are we doing proactively managing those risks to optimize performance?

Objective Heat Map

September 2019 UNC Charlotte Cabinet Meeting Objectives

- Data from joint IA, ERM and Compliance, Cabinet, meeting notes.
- While Cabinet members identified Objectives, CRO applied Impact and Time Sensitivity rankings.
- Size of bubble reflects number of risks affecting each.
- If a risk has a 15 rating on both Impact and Time Sensitivity.
- From this perspective, notable objectives that fall outside our top 15 are as follows:
  15. Acclimate to Funding Changes
  16. Capital Campaign
  17. Optimize 2020 RNC

Enterprise Risk Heat Map

9. Data from joint IA, ERM and Compliance, Cabinet, meeting notes.
- Size of bubble reflects number of risks affecting each.
- Color of bubble reflects Impact and Likelihood rankings.
- It is notable that many 1 risks are from a 14 likelihood and 15 impact. Hence, few risks are more likely than not to occur at the respective impact levels reflected in the chart.
- From the perspective of not having a 15 rating on both Impact and Likelihood rankings.
- Note that 15. Cabinet/Chancellor Change, 14. Changes in System President, 17. Mass Casualty Event, 18. Physical Space Constraints, 24. Hotel/Conference Center, are as follows:
  15. Cabinet/Chancellor Change
  14. Changes in System President
  17. Mass Casualty Event
  18. Physical Space Constraints
  24. Hotel/Conference Center
ERM Example - Safety & Security

1. What are our most important goals/objectives?
   - Safety & security is one of the University’s top strategic goals and priorities

2. How do we define and measure success?
   - Have we developed formal KPIs?

3. What are the most significant risks?
   - Those directly associated with achieving those goals/objectives;
   - Less than optimal participation in training/education
   - Resource constraints
   - Increased incident reporting/identification due to increased awareness
   - More holistically, what other general or emerging risks are significant?
   - Socio-economic shifts in surrounding communities
   - Increasing trends towards self-harm and interpersonal violence

4. How are we doing proactively managing those uncertainties in an effort to optimize performance?
   - Identifying and monitoring leading key risk indicators (KRIs)
   - Validating correlations between KRIs and KPIs

Existing Objective S&S Measures

Old Dominion University (ODU) acknowledges a second place ranking on the 2017 National Campus Safety Summit’s Safe Campus List. Criteria include: 1) major program implementation achieving significant quantifiable results; 2) implementation of an outstanding safety improving institution wide procedure adopted by other departments; 3) programs/activities; 4) etc.

They reference a trade publication for the security alarm industry that conducts a study using the following methodology: “we took two variables into account, crime rate and police adequacy. When looking at crime rates, we made a distinction between violent and non-violent (property) crime.”
In this example, contains on safety and security. Additionally, the one slide now also has efforts to achieve success.

### Could Replace and Enhance Current Reporting

In this example, one risk assessment slide contains four pages of traditional reporting on safety and security.

Additionally, the one slide now has expanded data on how we measure performance and leading indicators on efforts to achieve success.

### Safety & Security Dashboard

<table>
<thead>
<tr>
<th>Safety &amp; Security Dashboard</th>
<th>Impact and Likelihood</th>
<th>Effectiveness of Mitigations</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expected Outcome</td>
<td>Most Common Mitigation</td>
<td>Number of Mitigations</td>
</tr>
<tr>
<td>Safety Education</td>
<td>80%</td>
<td>50%</td>
<td>7</td>
</tr>
<tr>
<td>Threat Assessment</td>
<td>90%</td>
<td>10%</td>
<td>8</td>
</tr>
<tr>
<td>Mental Health / Substance</td>
<td>60%</td>
<td>40%</td>
<td>7</td>
</tr>
</tbody>
</table>

*Note: The table above is illustrative and may require further analysis.*

1. **Expected Outcome**: The likelihood of the event occurring.
2. **Most Common Mitigation**: The mitigation with the highest effectiveness.
3. **Number of Mitigations**: The total number of mitigations identified.
4. **Health Range**: The range of health statuses within the dashboard.
To be clear, ERM is *not here to take credit for work already being done* given much of what is being analyzed and reported already exists.

Rather, it focuses on *standardizing and aligning expectations*, and then *creating transparency* throughout the organization on critical areas of risk to our success.

With the ultimate aim of *improving the speed and accuracy of decisions and resource allocation*.

While the *primary audience* of ERM deliverables is the *Cabinet and Board of Trustees*, I hope that it is now clear that the strategic effort to collect and calibrate these insights also *create value at the tactical level*.

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**Summary**

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**ERM Enhances Decision Making to Optimize Performance**

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**Most Important Goals/Objectives**

Most important goals / objectives are identified using two factors with a 1 - 5 scale:

1. **Impact**
   1. Negligible – No importance, not a priority with little to no affect on University success.
   2. Low – Somewhat important, low priority, only minor affect on University success.
   3. Moderate – One of many important priorities required for University success.
   4. High – One of the most important priorities which is critical to University success.
   5. Major – One of the top few most important priorities without which the University cannot be successful.

*“Success” = ability to achieve all of the strategic objectives identified in the UNCC Institutional Plan on time

2. **Time Sensitivity**
   1. Longer term (> 3 years out)
   2. Over time (between 1 and 3 years out)
   3. Short term / At any point (in the next 12 months or could happen at any time)
   4. Pressing (next 30 to 60 days)
   5. Immediate (already late or urgently needs to happen)
### Most Significant Risks

Risks that **directly affect the achievement of key strategic objectives** AND general / emerging risks identified using a similar **five factor 1-5 scale**

1. **Impact**
   1. Negligible – Little to no affect on important priorities or on University success.*
   2. Low – Has limited affect on important priorities or University success.*
   3. Moderate – Affects one of many important priorities required for University success.*
   4. High – Affects a few of the most important priorities critical to University success.*
   5. Major – Affects multiple high importance high priority objectives without which the University cannot be successful*.

   *“Success” = ability to achieve all of the strategic objectives identified in the UNCC Institutional Plan

2. **Likelihood**
   1. Rare (<10% chance of occurrence)
   2. Occasionally (10% to 40% chance of occurrence)
   3. Moderate (50/50 proposition; ~40% to 60% chance of occurrence; random; at any time)
   4. More likely than not (60% to 90% chance of occurrence)
   5. Almost Certain (>90% chance of occurrence)

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