Enterprise Risk Management (ERM)

KEY TERMS & CONCEPTS

Risk management has evolved from a back office function to become a concern at the highest levels of organizational leadership - a key concept behind ERM. Leaders understand that ERM enables more effective control and mitigation of risks and provides enhanced assurance that an organization will meet its objectives by minimizing loss and maximizing opportunities, thereby creating value for its stakeholders.

Enterprise Risk
An enterprise risk may adversely affect the achievement of a department, college, division or University mission, vision or goal. For example, a Challenge or Threat of a SCOT Assessment is closely aligned with an enterprise risk.

Enterprise Risk Management
ERM is a framework supported by the Board of Trustees/President, senior administrators, management and other personnel, applied in strategic or day-to-day management setting, and designed to assist with the development and implementation of management strategies for enterprise risks, to be managed within the University's risk appetite, in order to provide a reasonable probability of success regarding the University's mission, vision and goals.

Management Strategies
Management’s coordination of human, operational, capital and financial resources to ensure the selected risk response is effectively carried out to treat the enterprise risk within the University’s risk appetite.

Risk Appetite
The amount of risk the University is willing to accept in pursuit of its mission, vision and goals. It reflects the University’s management philosophy, culture and operating style. The University’s risk appetite should reflect consistency and be well understood by management across all levels of the University, including its departments, colleges and divisions.

Risk Categories
Enterprise risks are linked to one or more of the following categories, which gives them broader meaning and suggests both the risk level and possible strategies for management:

- **Strategic Risks:** These risks affect high-level goals aligned with and supporting the University’s core mission, vision and goals.

- **Reputational Risks:** These risks affect the assets that form the University’s image and reputation. Although reputation is one of the most important assets, it can be the least protected.
• **Operational Risks:** These risks affect the effectiveness and efficiency of the University’s day-to-day operations and management processes, including performance and accountability goals.

• **Compliance Risks:** These risks affect compliance with relevant laws and regulations and internally imposed policies and procedures.

• **Financial Risks:** These risks affect the University’s ability to effectively manage and control the potential loss of financial resources and physical assets.

**Risk Identification and Assessment**

Enterprise risks are identified and assessed within existing strategic and day-to-day decision-making processes to form a basis for determining how they should be managed within those contexts.

**Risk Responses**

A set of selected responses to an enterprise risk that are the basis for managing them:

• **Avoid:** Exiting the activity, program or service that gives rise to an enterprise risk.

• **Mitigate/Reduce:** Response taken to reduce the enterprise risk.

• **Share:** Methods used to reduce the enterprise risk by transferring, sharing or outsourcing it. This may include insurance products or contracting.

• **Accept:** No response is taken to affect the enterprise risk, other than monitoring it.

**SCOT Assessment**

A tool used by University stakeholders in a strategic planning setting that identifies and assesses the Strengths, Challenges, Opportunities and Threats (SCOT) of a department, college, division or the University. Strengths and Challenges are internal factors while Opportunities and Threats are external. The goal of any SCOT Assessment is to maximize Strength potential and Opportunities while minimizing the impact of Challenges and Threats to help ensure a department, college, division or the University achieves its mission, vision and goals.