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What Is ERM?
Why Do We Need It?

Is ERM yet another
compliance exercise or can
it drive meaningful value
for your organization?

Enterprise Risk Management (ERM) is "the culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, preserving, and realizing value."[1] Industry and regulatory bodies now expect and require it, but beyond meeting those expectations, every organization needs it to survive in this fast paced, ever changing world.

ERM provides an overall framework for risk management – for identifying particular events or circumstances relevant to the organization, assessing their likelihood and magnitude of impact, determining a response strategy, and monitoring risk status over time. By elevating risk insight to organizational decision makers in a timely and transparent fashion, ERM presents an opportunity for organizations to develop capabilities that enhance decision-making and in turn, create and preserve value.

ERM can be described as a risk-based approach to managing an organization. At an enterprise level, ERM programs generally apply qualitative and quantitative measurements through a risk assessment model. This allows organizations to rate and rank risks through consistently applied probability, immediacy, and impact measures, while considering severity and reputation impacts, generating a priority scale across the organization. In addition, ERM allows an organization to prioritize and allocate resources against those risks that support the organization's pursuit of its strategic objectives. ERM uncovers risks in order to build organizational resiliency and sustainability.

We Are Guidehouse

We are an industry leader for ERM. Guidehouse team members were principal authors of the 2017 Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management – Integrating with Strategy and Performance framework.

We are a trusted advisor for implementing ERM in the Federal government. We continue to be integrally involved in helping the Federal government understand ERM and its application in the public sector. For example, we have been involved with the Association for Federal Enterprise Risk Management (AFERM) since its inception as a platinum sponsor and multiple members of our team hold leadership positions within AFERM. We also partner with AFERM on the only survey in the Federal government that is specifically focused on ERM.

We offer highly experienced professionals with the diverse skills to support ERM as a transformational initiative. Our team is comprised of experienced practitioners who have assessed, designed, and assisted with implementing ERM programs for numerous Federal clients. We also have reach back capability to bring professionals with experience in specific risk types such as cyber, human resources, information technology, operations, and strategy.

[1] Committee of Sponsoring Organizations of the Treadway Commission. (June 2017). Enterprise Risk Management – Integrating with Strategy and Performance (Volume 1).

Understanding Desired ERM Benefits

Guidehouse works with you to identify the benefits that you desire from ERM, to align expectations, and efficiently and effectively design ERM capabilities to fulfill those objectives.

ERM Methodology
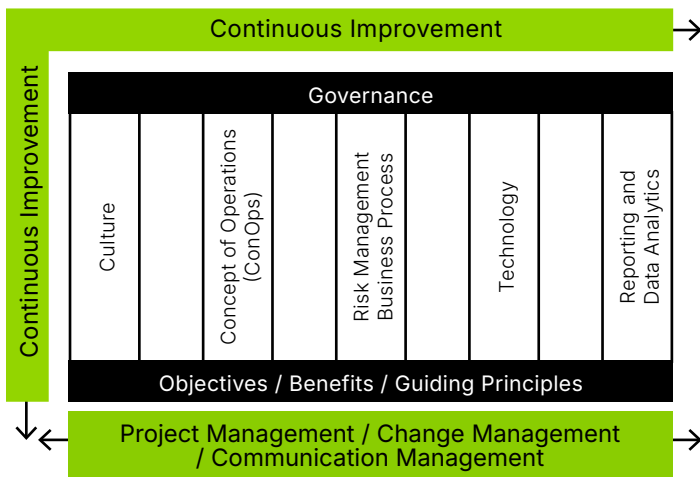
The Guidehouse ERM framework is structured and well organized and assists organizations with understanding and managing uncertainties using an integrated and holistic approach.

We have implemented comprehensive and innovative governance, risk, and compliance programs that have allowed organizations to address the crucial elements for managing and controlling enterprise risk such as regulatory changes, process standardization, and compliance changes.

We have a proven ERM methodology that we can apply to any type of ERM project.

Establish ERM Objectives + Guiding Principles

Agencies that effectively implement ERM capabilities, first establish objectives for ERM and the guiding principles that ERM will follow. Guidehouse collaborates with key stakeholders to understand these components as a basis for designing ERM capabilities. Examples of objectives and guiding principles include:

- Strategy, performance, and risk are considered together which encourages a risk aware culture
- Creation of a portfolio view of the most critical enterprise risks
- Support of a risk-aware culture by reinforcing risk awareness, training, thinking, collaboration, and mechanisms
- Leverage existing structures to prevent duplicative work and be more efficient

Understand the Culture

Culture has been noted by the risk profession as a factor in risk management, and was included in the revised definition of ERM by COSO.

There are several cultural aspects that need to be considered in designing ERM capabilities:

- What capabilities and practices will align with the current organizational culture?
- What behaviors does the organization want to encourage and develop?
- How can the organization increase the awareness of risk throughout the organization?
- How can leadership establish an environment that embraces timely risk transparency without fear of repercussions?

Design a Concept of Operations (ConOps) to Identify What Value to Derive from ERM

Designing a Concept of Operations (ConOps) provides a blueprint for the culture, capabilities, and practices that an agency wants to employ for ERM. It is also an opportunity for leadership to align around the benefits and value they seek from ERM.

The standard Guidehouse ConOps includes all of the components of ERM from leading ERM frameworks (e.g. COSO, ISO 31000, and A-123) and lays out how the components will work together for the desired capabilities.

Design and Deliver Training

As organizational business environments are becoming more interconnected, our training programs enable greater organizational risk-informed decisions that help align strategic objectives and contribute to strategic planning.

The Guidehouse framework, which always emphasizes the value proposition associated with ERM, provides training throughout the engagement that allows organizations to remain mindful and vigilant of risk.

Integrate ERM with Strategy and Performance

Our approach starts by leveraging the risk management processes already in place at your agency. ERM is most effective and sustainable when it is built into the fabric of day-to-day operations.

Guidehouse's approach does not look at risk in a silo, but considers risk in the strategic planning process, development of organizational objectives, and how traditional risk management processes can be integrated into the management and operations of the performance and mission of the agency.

Determine the Type of Technology to Enable the Implementation of ERM Capabilities

At Guidehouse, we are agnostic about technology. We will help you understand the capabilities that you need, and assess various technology solutions to select the one that best fits your needs.

Regardless of the tool selection, it is most important to get the process and data inputs right, otherwise the outputs of technology will not add value to you risk management practices.

Use Innovative Data Analytics and Reporting to Add Insight

By leveraging all of the information that exists about an organization and layering it on top of performance goals and risk information, agencies can anticipate issues with performance, risk, internal controls, and compliance.

Agencies can analyze Federal Employee Viewpoint Survey (FEVS) scores and other survey results to gain insights about risk management attitudes and behaviors, as well as existing risks to the achievement of organizational objectives.

Integrate Project Management, Change Management, and Communication Management

Project Management, Change Management, and Communication Management methodologies and tools applied in a coordinated manner are essential for a successful program implementation and delivering tangible outcomes. The most effective approach is to integrate all three to create a unified ERM approach.

Our efforts to manage the people side of our engagements help to identify and mitigate risks in a more proactive manner, address anticipated hurdles and challenges, and build commitment and buy-in throughout the project life cycle.

Perform Continuous Improvement

Our continuous improvement efforts enable organizations to align risk appetite and strategy, enhance risk response decisions, reduce operational disruptions, and identify and manage risks across the organization.

Over time, organizational objectives and environments change, requiring a critical look at the entire risk management process. Guidehouse ERM improvement methodologies, such as constant surveillance and monitoring, allow organizations to remove unnecessary or redundant ERM features and focus on incrementally implementing new capabilities that enhance the value generated by an organization's investment in ERM.

Ideas for Getting Started

- Put an ERM framework in place

- Explore desired capabilities

- Train senior leaders on the value of ERM

- Adopt an ERM value proposition

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How Guidehouse Can Support ERM at Your Agency

- Build and Articulate a Value Proposition
- Design a Concept of Operations
- Design ERM Program Components
- Support:
  - Risk Identification
  - Risk Assessment
  - Risk Response
  - Risk Reporting
  - Agency Risk Profile Development
- Design and Deliver Training
- Integrate Risk with Strategy
- Integrate Risk with Performance
- Enhance Use of Data Analytics for Risk Identification and Risk Analysis
- Perform Deep Dives into Specific Risk Types
- Integrate cyber risk management and ERM

Impact of Guidehouse's ERM Methodology in Action

large and complex Federal agency received negative press and oversight attention around its failure to identify and timely respond to significant business risks. The agency's senior leadership decided that the organization needed to establish an ERM program and enhance its culture around risk awareness and management at all levels of the organization. Our customer engaged us to assist in designing and implementing an ERM program to better enable risk transparency throughout the agency and to provide senior leadership with the information needed to identify, assess and respond to the most significant risks facing the agency.

By combining deep ERM industry expertise with an understanding of the client's organization and culture, Guidehouse designed and implemented a program that is entering its fifth year and continues to add value to the organization's efforts to identify, assess, and manage its most important risks.

As part of supporting the program, we designed and delivered training to over 200 executives across the agency, emphasizing the value that ERM can bring to the fulfillment of their personal and organizational business objectives. We also developed training tailored to the over 10,000 managers in the organization, and formulated numerous communications and short trainings made available to all employees. With our support, the agency has been able to foster a risk aware culture throughout the agency, facilitate the identification of risks that could impact the agency's ability to achieve its objectives, and allow for the selection of actions to reduce the residual likelihood and impact of certain risks selected by leadership. In addition, we provided a safe environment for risks to be raised to the highest levels of the organization without fear of negative repercussions. This has resulted in improved quality and timeliness of responses to a number of significant risks, made it a common practice to consider and document risks associated with major decisions, and enabled more informed decision-making and a stronger audit trail for key decisions. The agency used the concept of risk appetite to adjust one of its citizen-focused services to dramatically improve customer service while preserving the quality of the initiative. For the first time, the agency is proactively using risk insight to inform organizational strategy and budget formulation.

About Guidehouse

Guidehouse is a global consultancy providing advisory, digital, and managed services to commercial and public sector organizations. Purpose-built and driven by proven success, the award-winning firm serves the defense and security, energy, sustainability, and infrastructure, financial services, and healthcare industries. With agility, capabilities, and scale rarely seen across legacy consulting models, Guidehouse delivers customized, technology-forward, future-focused solutions that position clients for innovation, resilience, and growth. Its more than 17,000 employees help leaders solve complex, interrelated industry challenges, navigate regulatory pressures, mitigate risks, and achieve transformational change.

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