



You Be the Judge: Is There Risk in Having an Enterprise Risk Management Process?

BY MARY PETER

When your organization began discussing the value of enterprise risk management (ERM), did you consider the risk of having such a process? Did anyone suggest the risk of NOT having one? After the U.S. and worldwide economic crisis began, many companies chose to utilize ERM to establish sustainability. Why let a good crisis go to waste, right?

By bringing the board, executive management and a designated cross-functional team together, an ERM process lays the foundation of communication across the organization from the top down. Leaders have the opportunity to look across divisions, departments and processes in a way they may not have seen before. From this view, it may appear the company operates as several separate companies (silos), not knowing what each other does or how their efforts may impact others. Can this be a risk in itself?

Identifying integrated risks across the company, finding multiple risk events, including known and unknown risks is a challenge. To apply ERM across the enterprise, all risks throughout the company's portfolio of risks need to be reviewed. You acknowledge risks once they have been identified, and particularly if they have been qualified and quantified. Once the



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risks are put down on paper, or perhaps in a database, they are known risks. Stopping the ERM process at this point is a great risk for any organization. Continuing up the hill, the ERM journey becomes tough, but, this is where the strong persevere and take on the challenge.

Taking a strategic look at risk is focused on what risks prevent the company from achieving its goals and objectives. A customized risk appetite is utilized to measure the impact of risks. The assessment goes beyond internal processes and people, to external customers and stakeholders. Broken controls, processes and unsuccessful endeavors can be repaired through well designed risk responses. On the upside, processes that work well can be emphasized and expanded to accelerate growth and profitability.

New leaders of the company typically step forward. With top level support, they are given a chance to create the sustainability needed for individual companies and the insurance industry at-large. As they rise to the occasion and learn through dialogue, information and experience, their ERM experience will take them into the future with expanded knowledge, confidence and understanding. Is there a risk that the value ERM would bring to your company becomes a missed opportunity? How much risk are you willing to take?



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