



**CHICAGOLAND  
RISK FORUM**  
CHICAGO & MID-ILLINOIS RIMS CHAPTERS



# Embedding ERM into Company Strategy and Process



## Session Description

Many companies have implemented Enterprise Risk Management programs, but ERM truly being used strategically? This session will explore how companies can use enterprise risk management to support their strategic risk objectives.

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# Risk and Strategic Linkage



***Companies implement business processes to support the organization in meeting its strategic objectives.***

***Identifying and mitigating those risks that can impede success is a key component of strategic risk management.***

# Strategic Risk Management Principles

## Risk Management:

- Creates/ protects organizational value
- Is a part of business decision making
- Is an important part of company processes
- Deals with business uncertainty
- Is dynamic and should be designed to fit the company

# Strategic risk management success factors and sustainability

success factors
Senior management support and long-term view taken of risk management.
Risk is a continuous part of strategic planning, linked to company objectives and integrated into operations.
Risk appetite defined and quantified.
A robust yet scalable risk assessment process in place.
Risks are quantified and interrelationships identified.
Risk owners are identified and held accountable.
Mitigation activities independently validated.
Emerging risks are identified and managed.

# Making It Work

- One Size Does Not Fit All
- Just because you have ERM does not mean you are using it strategically
  - Calling it something different does not change it
- Strategic Risk Management is a partnership
- Executive Leadership must see the value
- May be a multi-year journey
  - Create trust
  - Display value

# Allegion's Approach

- Bi-Annual Risk Survey
  - Top 90 Corporate Leaders participate
  - Rank 30 Top Risks by Vulnerability and Impact
- Select Key Risks for Intensive Monitoring
  - Which Risks have the highest score
  - Subjective Selections can be just as important
- Intensive Monitoring
  - Each Risk assigned to one of more members of Executive Leadership Team (“ELT”)
  - Regular discussions with Director, Enterprise Risk Management

# Allegion's Approach

- In-Person briefings to Board and ELT
- Project Based Risk Management
  - Select key projects
    - Implement at the planning phase
  - Affirmatively have a conversation to discuss Risk Mitigation and planning to get ahead of problems before they occur

# Risk Monitoring Dashboard Template

## Risk Dashboard Template

<b>Enterprise Risk</b>	Risk name						<b>Overall ERM Metrics</b>	
<b>Risk Definition</b>	Full risk definition						<b>Current</b>	<b>Previous</b>
<b>Risk Owner</b>	Risk owner and organization						Green	Green
<b>Risk Support</b>	Name and organization of any supporting team members							
<b>Risk Profile and Trends</b>	<b>Impact</b>	High Increasing	<b>Vulnerability - Actual</b>	Low Flat	<b>Vulnerability - Target</b>	Low Flat	<b>Assessment Comments</b> Insert justification for risk assessment ratings here	

Key Risk Indicators / Metrics						
List all key risk indicators (measures to determine level of risk in an activity and / or indicator of the possibility of future impact. Insert the desired target of each measure and the actual measure for comparison. Indicate if the target achieved base on the actual metric and known circumstances).						
Key Risk Indicator	Definition	Metric				Commentary
		Target	Actual	Trend Towards Target	Trend Analysis	
1						
2						
3						

Management Actions / Control Activities					
List all activities currently in place or planned to mitigate risk factors associated with enterprise risk. Add responsible party, estimated timing for completion or major associated milestone, and status of activity (i.e. completed, on track, or behind schedule).					
Current Mitigation Strategies			Responsible	Target Date	Status
1					
2					
3					
Actions to further mitigate risks if required			Responsible	Target Date	Status
1					
2					
3					

Commentary	
Include below an explanation for a change in ERM scorecard status rating, any known or potential barriers / issues / challenges to completing management actions or control activities, an explanation for any unusual trends in Key Risk Indicators, or additional information not captured above related to the Enterprise Risk or associated risk indicators.	
1	
2	
3	

# ERM value proposition (Example)

## Business Objective

The company's long range strategic objective is to expand operations geographically and by adding expanded product lines to better support customers around the globe. We will also pursue strategic acquisitions where appropriate.

Risk impacting our operations can affect our ability to achieve our strategic goals and realize our mission. Enterprise risk management will support our business strategy and can enhance our ability to maintain a competitive advantage.

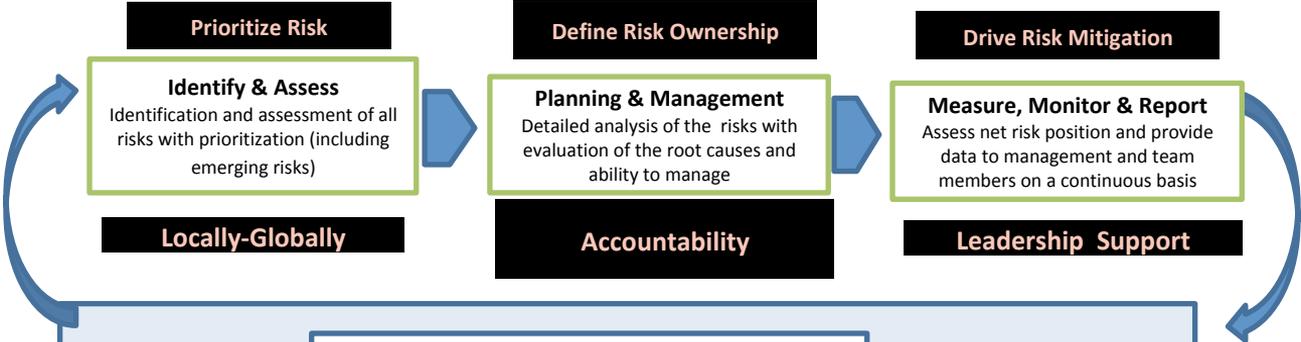
Identify and avoid an exposure to our business that competitors might miss.

Identify and accept an exposure that our competitors will avoid because they don't fully understand it.

Manage overall risk at a lower cost through operational efficiencies.

The ERM process is focused on providing the processes, training, tools, and support to better identify, assess and manage the key risks that can impact the ability to achieve our business goals.

# Risk Management Framework (example)



## Supporting Components

### Risk Based Culture

Risk appetite, tolerance, alignment with company goals and performance incentive plans and ongoing education

### Technology & Systems

Means and methods of managing the ERM process

### Policies & Procedures

Consistent communication about a sustainable ERM process across the organization

### Governance & Compliance

Leveraging and integrating the ERM Process with strategic planning

Strategic

Financial

Operational

Regulatory

# Enterprise Risk Infrastructure (example)

