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| **Implementing Enterprise Risk Management** |  |
| The Leadership ICMA Team (LICMA Team) assigned to this project was tasked with identifying best practices for implementing and guiding an Enterprise Risk Management (ERM) program based on ISO 31000 for the City of Charlotte, North Carolina. A variety of means were used to accomplish this task. The LICMA Team conducted literature research, interviews of individuals associated with leading risk management organizations, private and public organizations that have enacted enterprise risk management within their own organizations and consultants that assist organizations with implementing enterprise risk management. |

**Finding**

Enterprise Risk Management is a natural evolution from the traditional risk management process. This evolutional process has transformed risk management into a concept that seeks to break “silos” and look at issues from an organizational standpoint. The goal of an ERM program is to have all areas of risk functioning within the same framework, adopting a universal approach to managing organizational risk. Clearly defined strategies and integrated functions are used to help evaluate risks associated with a variety of activities.

**Why this may apply to other jurisdictions**

Municipalities have been able to see the benefits that ERM programs have brought to private organizations, especially within the financial sector. Many organizations are being held more accountable today than they have been previously, including expectations that they will foresee risks that are at times impossible to forecast. Therefore, these organizations are pursuing new ways to close the expectations gap that have been created.

Further, ERM is used to enhance value within an organization and to better position an organization to strategically achieve goals. “In some situations, ERM may reveal areas where the enterprise is being too risk averse or is ineffectively responding to similar risks that exist across multiple silos of the enterprise. In other situations, ERM may identify risk opportunities that may create potential increased returns to the enterprise. If risks are ignored in strategy, risk opportunities may be overlooked.” (Beasley & Frigo)

Therefore, the introduction of an ERM program can position a municipality to better utilize its resources while enhancing service delivery to its stakeholders. Further, it can position the organization to take advantage of opportunities that may emerge and properly defray the risks that may be created by those opportunities.

**Four key elements for a successful ERM program**

**Engaged Executive Team** – Implementing an ERM process requires resources and staff time in order to be effective. Without the support of the top members of the organization, it is unlikely that these two crucial components will be available for the program. Further, clear direction from the executive team helps to inform staff of the importance of the program and their need to engage in the concept.

**Employee Engagement -** In order maximize the effectiveness of the program, staff will need to understand what ERM is and how it can benefit them. The best way to accomplish this goal is with an effective and continuous education process. This can be achieved by having a well thought-out employee engagement plan. This plan should be concentrated on gaining the interest and support of staff members at all levels of the organization.

**Elected Official Support -** The goal of the ERM program is to help identify and manage long-term risks to the organization. Without the support of the elected officials, the usefulness of the data collected through the ERM program will be significantly curtailed. Therefore, securing the support of the elected officials is critical a successful endeavor.

**Scalable Approach -** The ERM program does not need to affect the entire organization during its initial phase-in period. Structuring a program that can show initial success and then be expanded to the rest of the organization will allow for a greater likelihood of a final successful implementation. The LICMA Team recommends that an organization select one or two initial departments to target for implementation of the ERM program that can showcase success to the entire organization, then expand the program to include additional departments.

**Team Members**

**Bob Lamb** served as the Project Manager for the Charlotte LICMA Team, ensuring that tasks and deliverables were on-time and provided presentation management. Bob has recently accepted the position of Economic Development Director for the County of Delaware, Ohio.

**Greg Stopka** oversaw planning of the onsite engagement activities. Greg is the Central Regional Director with the Alliance for Innovation, inspiring innovation to advance communities by being the premier resource for emerging practices in local government, building cultures of innovation and connecting thought leaders.

**Kel Wang** served as the subject matter expert on the project team. He has been with the City of Edmonton for seven years in multiple business areas, including Corporate Communications, Police Services and Finance. His focuses have been providing strategic services, including strategic planning, performance measurement, project management and financial planning.

**David Wilson** led the research effort and oversaw production of the final report and editing. David is Director of Finance and Technology Services for the City of West Hollywood. He is responsible for overseeing the department’s three divisions, which include General Accounting, Revenue Management and Information Technology, and acts as the City’s Risk Manager and Treasurer.