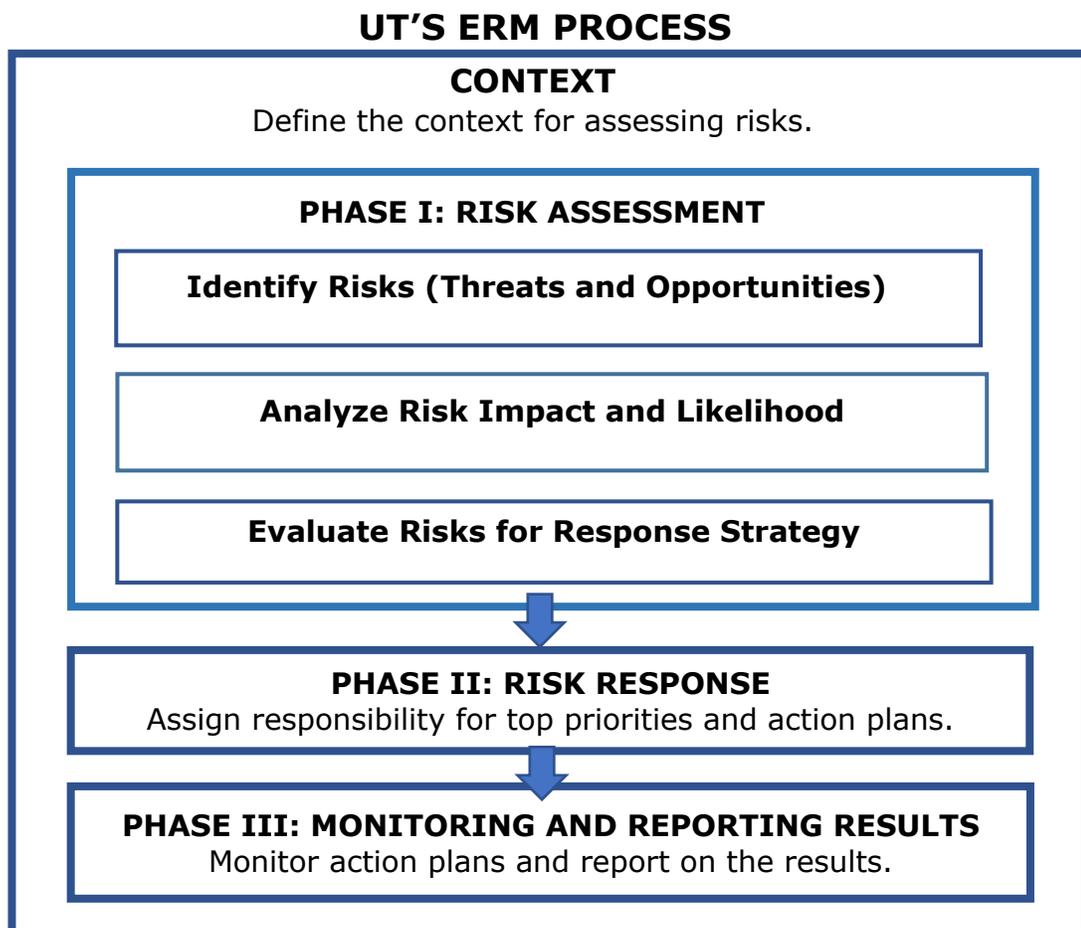


The University of Tennessee System Enterprise Risk Management Process

Enterprise Risk Management (ERM) is a framework for leaders to use in managing risk. The goal of such a framework is to improve an organization's performance toward achieving its goals and objectives by proactively and systematically identifying, analyzing, and responding to risks.

The impetus for an ERM Initiative at the University of Tennessee (UT) is a state statute requiring all state agencies to assess risks, among other activities. Guidelines for compliance with this statute require agencies to implement ERM in alignment with the Committee of Sponsoring Organization's (COSO) ERM framework: *Enterprise Risk Management—Aligning Risk with Strategy and Performance* (2017). Agencies have the latitude to develop an implementation process tailored to their individual needs.

As shown below, UT's ERM process involves three phases: Phase I Risk Assessment, Phase II Risk Response, and Phase III Monitoring and Reporting Results. The following pages contain detailed questions that must be addressed in each phase.



PHASE I: RISK ASSESSMENT

Following are questions to be considered during Phase I.

Identify Risks (Threats and Opportunities)

- ? Given the strategies chosen, what uncertainties lie ahead that could affect the achievement of our goals and objectives?

Two types of uncertainties:

- **Threats:** What negative events could occur that would derail us from achieving our goals and objectives?
- **Opportunities:** What circumstances could arise that would help achieve our goals and objectives? What opportunities exist that we could take advantage of?

Objective: To identify and define potential events that could affect the achievement of goals and objectives—either negatively or positively.

- ? Which of these threats and opportunities are key to achieving our goals and objectives?

Analyze Risk Impact and Likelihood

- ? What is the **magnitude** of the **impact** to the achievement of our goals and objectives if each key threat occurred? Conversely, what is the **magnitude** of the **impact** if each of the opportunities/favorable circumstances arise? (See definitions on the following page.)

Objective: To identify the critical few risks by analyzing their impact on goals and objectives and the likelihood of occurrence.

- ? What is the **likelihood** of each of these threats and opportunities occurring? (See definitions on the following page.)

Evaluate Risks for Response Strategy

- ? What actions are currently being taken to address each threat or opportunity? Are the actions adequate or inadequate?
- ? What should the response strategy be for each threat/opportunity? (See definitions on following page.)
 - **Threats:** Avoid, Share, Mitigate, or Accept
 - **Opportunities:** Ignore, Share, Defer, or Pursue

Objective: To determine how the University should respond to the top priority risks—threats or opportunities.

- ? What position/office should be responsible for implementing the response strategy for each of the top priority risks (threats and opportunities)?

DEFINITIONS

Magnitude of Impact

Rating	Description
High	The impact would preclude or highly impair (threats)/facilitate or significantly enhance (opportunities) the organization's ability to achieve goals or objectives.
Medium	The impact could significantly affect the organization's ability to achieve goals and objectives.
Low	The impact will not significantly affect the organization's ability to achieve one or more of its goals or objectives.

Likelihood of Occurrence

Rating	Description
High	The event is very likely or reasonably expected to occur.
Medium	The event is more likely to occur than unlikely.
Low	The event is unlikely to occur.

Risk Response Strategies

Threats		Opportunities	
Avoid	An informed decision not to be involved in or to withdraw from an activity in order not to be exposed to a particular risk	Ignore	An informed decision, based on currently available information, to decline to pursue a potential opportunity or consider it further
Share	Share the risk with other parties, including co-sourcing, outsourcing, or insurance	Share	Partner, subcontract with, or acquire another party to pursue the opportunity or refer the opportunity to another party
Mitigate	Take action to reduce a risk's occurrence or the impact of its consequences if it does occur	Defer	Postpone immediate action to monitor evolving circumstances surrounding the opportunity and/or to gain additional knowledge
Accept	An informed decision to tolerate a particular risk and take no additional action	Pursue	An informed decision, based on currently available information, to create an action plan to be involved in an activity or event that would increase the chances of achieving goals and objectives

PHASE II: RISK RESPONSE

Following are questions to be considered during Phase II.

Assign Responsibility for Risk Responses

- ? What position/office/area has the knowledge, skills, abilities, and scope of influence to address each of the top priority risks (threats and opportunities)?
- ? Who will document and then inform those who have been assigned responsibility?
- ? Who will brief the position/office/area assigned on the background (ERM, System Strategic Plan, risk assessment, etc.)?

Objective: To ensure risks are addressed effectively by assigning responsibility to the position/office with the requisite capabilities and influence.

Request Action Plans from Responsible Officials

- ? What is the timeframe for requiring the submission of action plans (actions, timelines, persons responsible, resources, etc.)?
- ? Once plans are submitted, what feedback or revisions is needed?

Objective: To ensure that appropriate action plans are developed and implemented for responding to key threats and opportunities.

PHASE III: MONITORING AND REPORTING RESULTS

Following are questions to be considered during Phase III.

Monitoring Implementation of Response Plans

- ? What methods will be used to monitor the implementation, including what information is to be collected, who will collect it, how often the status of the plan should be reported?
- ? How will the monitoring (determining whether actions have been completed, completed timely, etc.) be documented?

Objective: To ensure that actions identified in response plans are implemented timely and appropriately.

Reporting Results

- ? Who needs to be made aware of the results of the response plan implementation?
- ? How and how often will reporting be provided to each stakeholder?

Objective: To ensure that all relevant stakeholders receive appropriate information on the implementation of actions plans so that the impact on risks can be assessed.