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.

**UT’S ERM PROCESS**

**CONTEXT**
Define the context for assessing risks.

**PHASE I: RISK ASSESSMENT**
- Identify Risks (Threats and Opportunities)
- Analyze Risk Impact and Likelihood
- Evaluate Risks for Response Strategy

**PHASE II: RISK RESPONSE**
Assign responsibility for top priorities and action plans.

**PHASE III: MONITORING AND REPORTING RESULTS**
Monitor action plans and report on the results.
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?

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.)

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

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

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>The impact would preclude or highly impair (threats)/facilitate or significantly enhance (opportunities) the organization’s ability to achieve goals or objectives.</td>
</tr>
<tr>
<td>Medium</td>
<td>The impact could significantly affect the organization’s ability to achieve goals and objectives.</td>
</tr>
<tr>
<td>Low</td>
<td>The impact will not significantly affect the organization’s ability to achieve one or more of its goals or objectives.</td>
</tr>
</tbody>
</table>

### Likelihood of Occurrence

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>The event is very likely or reasonably expected to occur.</td>
</tr>
<tr>
<td>Medium</td>
<td>The event is more likely to occur than unlikely.</td>
</tr>
<tr>
<td>Low</td>
<td>The event is unlikely to occur.</td>
</tr>
</tbody>
</table>

### Risk Response Strategies

<table>
<thead>
<tr>
<th>Threats/Opportunities</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threats</strong></td>
<td><strong>Opportunities</strong></td>
</tr>
<tr>
<td>Avoid</td>
<td>An informed decision not to be involved in or to withdraw from an activity in order not to be exposed to a particular risk</td>
</tr>
<tr>
<td>Share</td>
<td>Share the risk with other parties, including co-sourcing, outsourcing, or insurance</td>
</tr>
<tr>
<td>Mitigate</td>
<td>Take action to reduce a risk’s occurrence or the impact of its consequences if it does occur</td>
</tr>
<tr>
<td>Accept</td>
<td>An informed decision to tolerate a particular risk and take no additional action</td>
</tr>
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</table>
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.)?

**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?

**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?

**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?