



A Risky Enterprise

by James Brown



Enterprise Risk Management (ERM) - a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio. (www.rims.org)

The Division of Risk Management ("Risk") continually strives to find new ways to protect the Risk Fund and prevent injuries. For us, the ERM process includes a collaborative approach between Risk's two main sections – Loss Control and Claims. Integrating these two sections makes sense on numerous levels as information is effectively shared and significant claims from one covered entity are proactively addressed in another. ERM practices can benefit any organization and do not require you to drastically change your organizational structure or how you conduct your business. In the ERM process, you identify and prioritize risks and implement ways to prevent loss or reduce its occurrence to acceptable levels.

Contrary to what you may think, ERM is more than about saving money. It is about removing roadblocks that prevent your organization from achieving its goals. The ERM approach asks an organization to work from the top down and from the bottom up. Small risks and roadblocks seen by line employees can be reported to management with the understanding and expectation they will be addressed. Executive level employees can offer support and resources (not always financial) to assist and are crucial in integrating ERM practices into existing organizational culture. When you use ERM's collaborative approach, you can see the forest for the trees, and the trees for the forest all at the same time.

With ERM you will look at your organization in a different way. Rather than simply "managing" the day to day issues, ERM encourages a root-cause analysis of the daily issues in an attempt to rid the organization of recurring problems. For example, let's say your organization has recently dealt with a large-scale reorganization and subsequent lay-offs due to poor economic times. These changes resulted in unhappy employees and rumors spreading through the various departments. These unhappy and disenchanted employees are now less productive and your stakeholder clients have suffered. A greater number of client complaints have come in to your reps and more discrimination or wrongful termination claims from current and former employees were filed against the organization. This resulted in time and money lost repairing your organization's image and defending the necessary reorganization and staff reduction.

An ERM root-cause analysis would be fairly straightforward in this case. The root cause of the disgruntled employee problem is identified as the drawn-out reorganization and lack of information from executive level management. Lack of information left employees to fill in the information themselves and this led to the spread of misinformation based on assumptions. Executive leadership can now set the record straight with the correct information



and provide a forum to let employee concerns be heard and addressed with the correct information. This information process can now be incorporated into your organization's standards and practices to prevent this from happening in the future.

While it is too late to start the reorganization over and disseminate information to your employees from the start, you have identified and addressed the systemic problem and set your organization on an appropriate course for the future. You have also created a process to address all employee concerns that may arise at any time, providing them an appropriate outlet to voice their concerns and get the correct information from management. In addition, you can share your experience with other similarly situated organizations and be the lighthouse that warns them of danger. As you share information with them, they share information with you on claims they have worked through and others they avoided through standards and practices they implemented.

This proactive, collaborative approach is not just part of the Division of Risk Management's mission statement; it is also a basic ERM principle. Working together to reduce claims and liability requires that we look beyond day to day tasks and problem solving and look toward increased information sharing across the various entities within your organization and the various entities that participate in the Risk Fund. You can work within your existing organizational culture and framework to implement a more collaborative approach that identifies and addresses the biggest risks first and works toward addressing the minor risks. When you successfully implement ERM culture into your organization you will make great strides toward reducing liability, promoting the health and safety of your employees and creating a work environment that encourages cooperation and coordination.

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