



Using Enterprise Risk Management to Develop and Implement Agency Reform Plans

AFERM Summit Lessons Learned: Generating Real Value with ERM

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The Forthcoming Reform Plans

- According to OMB (M-17-22, April 17, 2017):
 - Create a lean, accountable, more efficient government that works for the American people;
 - Focus the Federal government on effectively and efficiently delivering those programs that are the highest needs to citizens and where there is a unique Federal role rather than assuming current programs are optimally designed or even needed;
 - Align the Federal workforce to meet the needs of today and the future rather than the requirements of the past; and
 - Strengthen agencies by removing barriers that hinder front-line employees from delivering results.

The Commitment in M-17-22

- OMB will release the final Government-wide Reform Plan as part of the President's FY 2019 Budget request to Congress.
- The Government-wide Reform Plan will encompass agency-specific reforms, the President's Management Agenda and Cross-Agency Priority Goals, and other crosscutting reforms.
- The final reforms included in the Government-wide Reform Plan and the President's FY 2019 Budget should be reflected in agency strategic plans, human capital operating plans, and IT strategic plan.
- Agencies will begin implementing some reforms immediately while others will require Congressional action.

The governance context for the reform plans

- The types of issues that government confronts are growing more complex and boundary-less (wicked issues).
- The approaches (policy tools) that government uses to address these issues are wide ranging and increasingly indirect (hollow government).
- Citizen confidence is at historic lows and citizens are rightly demanding increased transparency and opportunities for active engagement.
- All of this must take place in an environment where agencies are stressed to develop and maintain the basic capacities they need (austerity budgets).

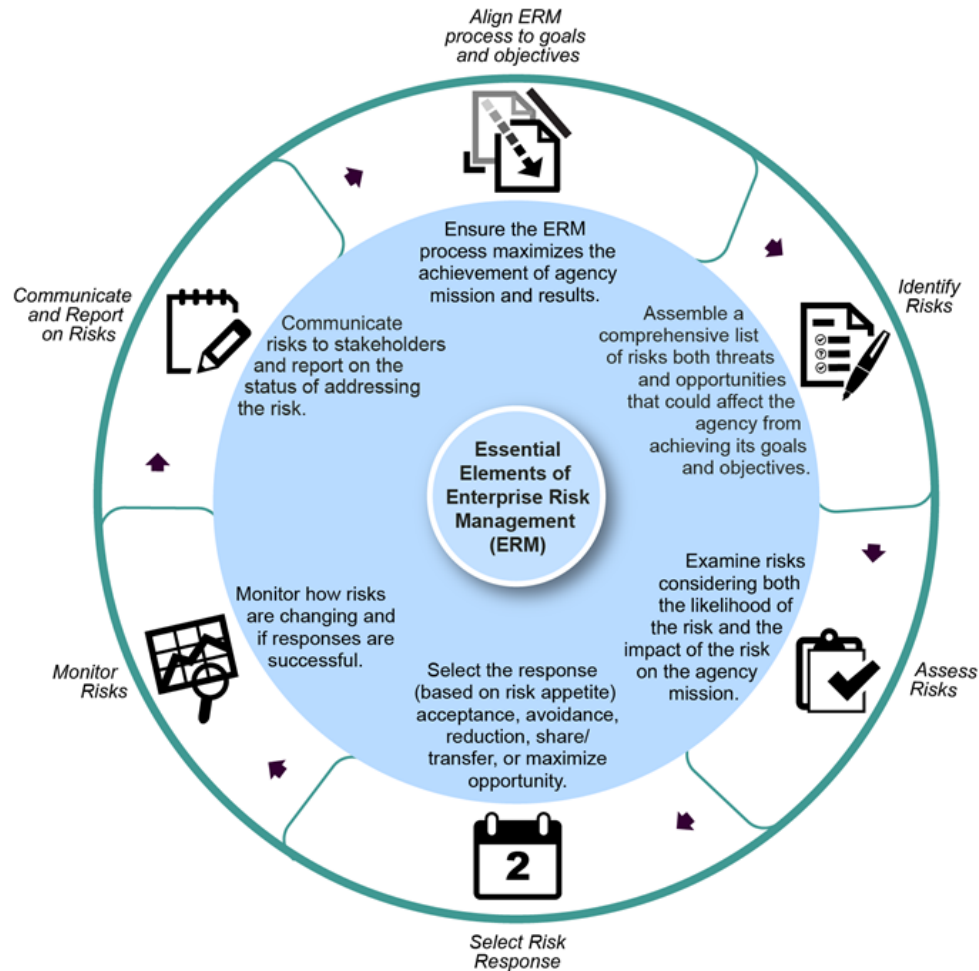
Managing Complexity

- Focus performance on the results that government seeks to achieve rather than on the operations of any single program or agency. This entails looking at policy coherence across various policy tools.
- Manage systemic risk in addition to the operational and enterprise risk confronting any single agency.
- Adopt collaborative mechanisms and network management across levels of government, sectors, and with the public.
- Use data and evidence to drive decisions.
- Build government capacity in new and different ways. Specifically, strengthen the capabilities the Center of Government in strategic management and guiding effective implementation.
- Employ strategies for civic engagement, open government, and transparency

Enterprise Risk Management must be a central part of the reform process

- ERM is a leadership decision-making tool and as such is part of the governance and accountability function:
 - encompasses all areas where an organization is exposed to risk (financial, operational, reporting, compliance, governance, strategic, reputation, etc.),
 - helps management to understand an organization's portfolio of top-risk exposures that could affect achieving agency goals,
 - recognizes how risks interact (i.e., how one risk can magnify or offset another risk), and also examines the interaction of risk treatments (actions taken to address a risk), such as acceptance or avoidance.

Essential Elements of ERM



Good Practices to Implement and Sustain ERM

- 1) Leaders guide and sustain ERM strategy
- 2) Develop a risk-informed culture to ensure all employees can effectively raise risks
- 3) Integrate ERM capability to support strategic planning and organizational performance management
- 4) Established a customized ERM program integrated into existing agency processes
- 5) Continuously manage risks
- 6) Share information with internal and external stakeholders to identify and communicate risks

Essential Considerations for the Reform Plans Where ERM Needs to Have a Central Role

The case for change

1. Top leadership ownership and fostering culture open to risk management and reform
2. Identification of key risks to achieving mission goals and objectives
3. Root cause analysis and the “business case” for change
4. Integration with existing management processes

Essential Considerations for the Reform Plans Where ERM Needs to Have a Central Role

Implementation

1. Top leadership's continuing involvement drives change
2. Dedicated implementation team
3. Milestones and performance tracking
4. Constant two-way communication with staff
5. Stakeholder engagement
6. Continuous follow-up, review, and public reporting

Thank you!