MEASURING AND
COMMUNICATING
**THE VALUE OF
RISK MANAGEMENT**

Part 2:
Risk Maturity Models

MATURITY MODELS: **INTRODUCTION**

The benefits of developing maturity models are...

✓ Provides a visual depiction of an organization's capabilities and progress over time

✓ Connects what you and others are doing in the organization

✓ Tracks your organization's maturity level by measuring and monitoring it annually

✓ Communicates challenges and opportunities

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Measuring and Communicating the Value of Risk Management / Part 2: Risk Maturity Models
Presenters: Grace Crickette and Bonnie Kolesar

LEARNING **OBJECTIVES**

In this session, we will learn...

✓ Why a Maturity Model, what it is, why is important, and how it can be used

✓ The various visual forms a Maturity Model can take and the ways one can use them with other reports

✓ What data and progress to track using a Maturity Model

VISUALIZING
PROGRAM STRUCTURE

DEFINE

01

Define your program within your organizational structure

ENGAGE

In order to measure the success of your program:

02

Use a dynamic method to engage and capture the reader's interest

DEPICT

03

A picture speaks a thousand words!
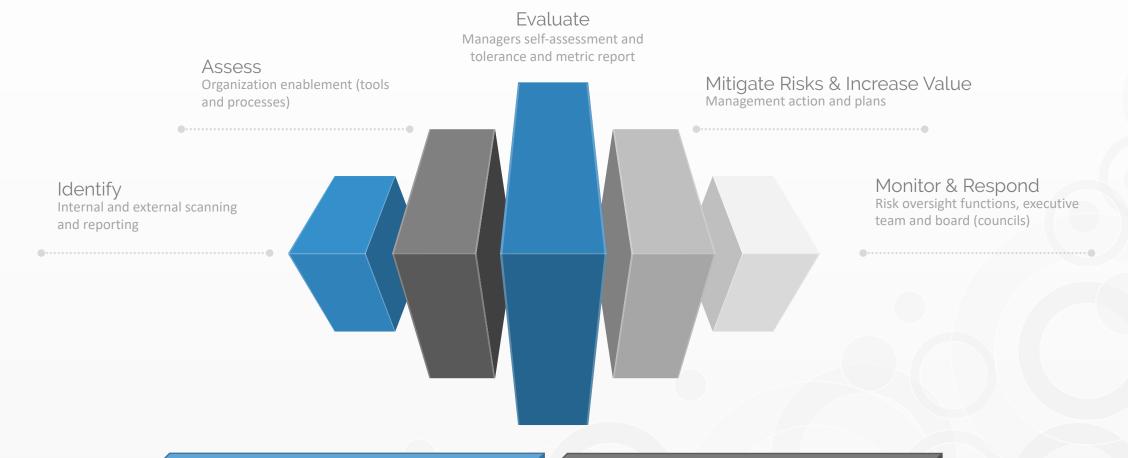
RISK MATURITY MODEL A: **RISK GOVERNANCE**

Risk Governance

01 Management Structure

02 Accountabilities, Responsibilities and Authorities

03 Risk Appetite & Tolerance

04 Policies and Procedures

RISK MATURITY: **RISK GOVERNANCE**

Model A: Risk management framework

Evaluate
Managers self-assessment and tolerance and metric report

Assess
Organization enablement (tools and processes)

Mitigate Risks & Increase Value
Management action and plans

Identify
Internal and external scanning and reporting

Monitor & Respond
Risk oversight functions, executive team and board (councils)

Risk Reporting and Communication

Risk Management Assurance (Audit)

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RISK MATURITY: **RISK SOLUTION SET**

Model B: Risk management solution set

SAFETY AND SECURITY
- Safety Program
- Safety Department
- Threat and Security Services
- Travel Assistance

CONTINUITY PLANNING
- Emergency Committee
- Continuity Forum
- Continuity Software
- Emergency Management
- Incident Command Centers

AUDIT RISK AND COMPLIANCE
- ARC Tools and Training
- Data Management/ Analysis
- Audit and Advisory Services
- Risk Assessments
- Risk Ranking Tools
- ARC Panel

RISK MANAGEMENT AND FINANCING PROGRAM
- Workers' Compensation
- Professional Liability
- General Liability
- Employment Practices Liability
- Property
- Fine Arts
- Construction
- Auto

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RISK MATURITY: **RISK SOLUTION SET**

Model C: Expanded version of a Risk Solution Set

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MATURATION OF THE RISK MANAGEMENT PROGRAM

In Program Elements

As your program matures, you may consider using models such as:

✓ Rating Agency criteria (this model is helpful if your organization issues bonds for funding)

✓ Level of adoption and engagement in program elements

✓ Risk Management Maturity through program integration

RISK MATURITY: **RATING AND RANKING**

Model D

THE SCALE

Clearing defining your scaling is critical so that the rating is as clear as possible. Apply a score to each of your unique program elements (you may do this with or without input, i.e. a survey across departments)

IDENTIFY ▸ Internal and external scanning and reporting

ASSESS ▸ Organization enablement (tools and processes)

EVALUATE ▸ Managers self-assess, and tolerance and metric report

MITIGATE RISKS & INCREASE VALUE ▸ Management action plans

MONITOR & RESPOND ▸ Risk oversight functions, executive team and boards (councils)

3

Level **02**

Developing; component is in planning and development phase.

2

Level **01**

Awareness; management recognizes need for development.

1

Level **00**

Non-existent; there are no planned actions in the area.

Level **03**

Practicing; component exists and is used; possibly no formal documentation.

Level **04**

Optimizing; component continuously practiced, formal documentation in process

Level **05**

Leading; component is defined, documented, communicated, and aligned with ongoing management practices

4

5

6

RISK MATURITY: **EVOLUTION**

Model E: Moving from transactional to strategic

TRANSACTIONAL

RISK-SPECIFIC

- Purchase insurance to cover risks
- Hazard-based risk identification and controls
- Compliance issues addressed separately
- Safety & emergency management handled separately
- "Silo" approach—risk management is not integrated across the organization
- Risk Manager is the insurance buyer

RISK IS BAD—FOCUS ON TRANSFERRING RISK

INTEGRATED

CHANGE-DRIVEN

- Greater use of alternative risk financing techniques
- More proactive about preventing and reducing risks
- Integrates claim management, contracts review, special event RM, insurance and risk transfer techniques
- Cost allocation used for education and accountability
- More collaboration—as departments are willing
- Risk Manager may be the risk owner

RISK IS AN EXPENSE—FOCUS ON REDUCING COST OF RISK

STRATEGIC

ENTERPRISE-WIDE

- A wide range of risks are discussed and reviewed, including reputational, human capital, strategic, and operational
- Aligns RM process with strategy and mission
- May include "upside risks" (opportunities)
- Helps manage growth, allocate capital and resources
- Risks are owned by all and mitigated at the department level
- Many risk mitigation and analytical tools Risk Manager is the risk facilitator and leader

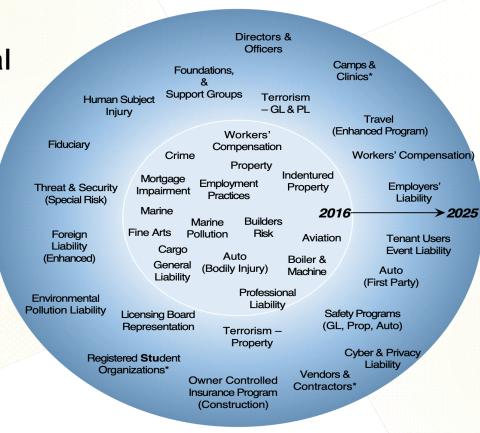RISK IS UNCERTAINTY—FOCUS ON OPTIMIZING RISK TO ACHIEVE GOALS

RISK MATURITY: **TOTAL ORGANIZATIONAL RISK**

Model F: Total organizational risk over time

Total Organizational Risk

While reducing the Cost of Risk is one of our primary goals, we are also work with you to ensure that your organization it's assets, and it's business partners are appropriately provided proper protection in case of an adverse event through insurance policy review, risk financing strategic planning, and loss prevention and loss control enhancements.

Our development of programs to provide this protection is as diverse as your organization itself, and changes and grows as you do.

RISK MATURITY: **INTEGRATING PROGRAM ELEMENTS**

Model G: Example of Application of "Operational — Facilities"

RISK IDENTIFICATION
Hazard Condition Risk Assessment Tool

RISK PRIORITIZATION
Deferred Maintenance Prioritization Log data integrated into RM Data

RISK REPORTING
Hotline information integrated into RM Data

RISK MANAGEMENT
Annual planning includes analysis of program and consideration of risk

INVESTIGATION OF ADVERSE EVENTS
Investigations include root cause analysis and consideration for facilities impact

MANAGEMENT OF RELATED CLAIMS
Investigations include root cause analysis and consideration for facilities impact

RISK MATURITY: **ACTIVITIES AND MATURITY**

Model H: A compilation of ratings

Risk Management Maturity

Our Risk Management program is comprehensive and used throughout the organization.

We work with our departments to build our program step by step.

Various elements of our program are integrated to what our departments are already doing.

We track your maturity level, measuring and monitoring annually.

Categories of Risk Management Activities				
Internal Environment / Objective Setting	**Event Identification / Risk Assessment**	**Risk Response / Control Activities**	**Information and Communication**	**Monitoring**
Tone-At-The-Top Strategic Planning Framework Groups & Communications Policies Training & Tools	Strategic Risk Assessments Unit/Process Risk Assessments Incident Reporting Methodology	Risk Response Control Activities	Information Communications Training	Monitoring

- ## Maturity levels are assigned

Risk Management Program Components	Average Maturity Level Rating
Internal Environment/Objective Setting	3.17
Event Identification/Risk Assessment	2.98
Risk Response/Control Activities	2.88
Information & Communication	2.88
Monitoring	2.58

Level 5: Leadership	Level 4: Managed	Level 3: Repeatable	Level 2: Initial	Level 1: Ad hoc

COMMUNICATING **RISK MANAGEMENT MATURITY**

We recommend that the risk manager…

✓ Complete a yearly review aimed at continuous improvement and program maturity

✓ Tailor your approaches to your organization's needs

✓ Pair this with other, more quantitative reports, such as the TCOR

CONCLUSION

These are the takeaways from the presentation today:

✓ Why a Maturity Model is important and how it can be used

✓ Various forms a Maturity Model can take

✓ Maturity Models are more quantitative than its numbers-driven cousin, TCOR

✓ Maturity Models can positively impact the organization's bond rating if the program is maturing

THANKS FOR WATCHING

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