

Tuesday, June 30, 2015

2:00 p.m. – 2:37 p.m.



The Mandate for Public Sector Enterprise Risk Management

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TRANSCRIPT: The Mandate for Public Sector Enterprise Risk Management

>> Natalie Houghtby-Haddon: Good afternoon, everybody. On behalf of George Washington University's Center for Excellence in Public Leadership and FedInsider, I'm pleased to welcome you to our webinar, The Mandate for Public Sector Enterprise Risk Management.

I'm Natalie Houghtby-Haddon, the associate director of the center at GW. I want to express our appreciation for our partners, FedInsider, in making this possible.

Before we begin, we have a few polling questions that we would like you to answer so our questions can fine tune their remarks. You should see those coming up on your screen now.

While you are continuing to complete the polls, I would like to introduce you to some information about our university and also about the ERM program that we are launching this fall. So a little bit about George Washington University. We were chartered in 1821 by Congress on behalf of George Washington, who had left 130 shares of stock in the Potomac company to the nation in order to create a university that was designed to develop and to educate citizens of the nation instead of citizens of individual states or religious organizations that had been the providers of education up until that time. It took Congress a time to get around to chartering Columbia College, as we were then called, and eventually they did in 1821. And since then George Washington University has been educating citizens of the nation and the world. We're glad you're joining us. You will see what our students do, where they go and who teaches. If you have the opportunity to participate in any of our programs, you will take advantage of that.

A little bit about the Center for Excellence in Public Leadership at GW. We do educational programs grounded in the office of personnel's economic core qualifications. We have been doing non-leadership development for federal and state and local government since 1987 and have experience in particular working in complex environments, started as a public private partnership ourself and worked to help our leaders, participants become more effective in working across boundaries in order to develop collaborative relationships that can help solve the problems that government faces.

A little bit then about today's speakers, which we're delighted to have agreed to share with you their knowledge and their information and their excitement about Enterprise Risk Management. Our first speaker is J. Christopher Mihm, manager of strategic issues at the Government Accountability Office. Chris leads GAO's work on government-wide governance and also transformation issues. He, strategic issues, such topics as performance management and interagency collaboration, human capital management, intergovernmental relations, federal agency budgeting and the nation's long-term fiscal outlook, federal, tax policy and administration.

He'll be our first speaker this afternoon.

Our second speaker is Dr. Karen Hardy at the U.S. Department of Commerce. She joined commerce in 2011 and is responsible for integrating risk management systems into the agency's day-to-day operations. She works on strategic decision making processes, the budget cycle and programmatic areas. Dr. Hardy provides leadership in policy development and implementation of Enterprise Risk Management frameworks across commerce's 12 bureaus.

Our third speaker is Dr. Doug Webster, who has extensive executive level experience leading and guiding organizational transformation both as a federal executive and as a consultant to executives at over two dozen federal agencies. His federal experience includes a 21-year Air Force career, service with the Coalition of Provisional Authority in Baghdad as an FAS term appointee and as a tier 2 leader and CFO in the Department of Labor.

He is currently working at USAID and is a recognized cost leader in cost management, risk management and change management. We are delighted he will be one of the instructors in our certificate and Enterprise Risk Management.

So without further ado let me turn the reins over to Chris who will take us into our next segment. Chris?

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>> Christopher Mihm: Well, Natalie. Thank you very much. And for everyone it's a great pleasure to have an opportunity to interact with you today and I hope this is part of a conversation going forward as well.

I'll kind of get to tell you what my bottom line is right at the outset and hope you'll stick with me through the rest of the presentation. At least you'll see where I'm coming from. That is to put Enterprise Risk Management in the context of the big governance challenges that you as decision makers and leaders in public organizations confront today. Enterprise Risk and risk management is a very common term within the private sector. It is now beginning to migrate more systematically into the public sector as well. We have a different set of challenges and different ways we have to operate in the public sector. I just want to offer brief thoughts and comments as to how you apply ERM within a public sector context.

Let me begin with kind of the standard framework for public sector strategic risk management or Enterprise Risk Management. Those are the various bubbles that most of the models that are out there use. I know Dr. Hardy is going to talk to us in a couple of moments about COSO and some of the work she has been doing with them. As you know, it typically starts with what are the results we are trying to achieve, the outcomes that we want. You think about the risks or another word for risk is just the uncertainties. The uncertainties associated with achieving those outcomes. What are some of the alternatives we would use in order to manage that uncertainty. How do we pick those? Then ultimately implementation and the monitoring of what we picked in terms of management strategies which feeds back into the results that we are trying to achieve.

Again this is all a very standard model. To the extent that you've done any work on Enterprise Risk Management or Googled it or Wikipedia'd it, this is the model that has shown up. Let's talk for a moment about how that model applies or what it looks like in a public sector context. With that let me begin with what I think are kind of what the landscape looks like for the types of management challenges that you as leaders in public organizations confront. It seems to me that it's characterized by four very broad types of challenges. First is the wonderful term the wicked issues which is basically the complexity of the issues that you are trying to address. Think of anything big. Anything important that you care about, that you're working on from a public policy standpoint. I'm willing to assert, in fact I'm certain that it's not going to be one program or one agency that is going to cause that outcome to be achieved. It is rather going to be patterns of programs across various agencies, often across levels of government, often across sectors that need to work together in a coordinated way in order to address those outcomes.

Obviously the poster child for this is how we address climate change. That is not going to be a federal or state or local initiative. It is going to be in a sense a whole government approach. So too with public safety issues, local economic development issues, everything that is down to even education issues where some of the most recent studies are showing that the key to an education attainments for children is not something that is going to take place within the classroom. It's things such as how many hours each night is the TV on and do parents read to their children and how many times each week does the family eat together?

The point is, no matter what issue we're involved in, I'm willing to bet a variety of actors need to get together that make sure that we're successful in doing it.

The flip side of the wicked issues is that often it entails diversity and wide range of public policy tools in order to address these complex and boundary-less issues, these wicked issues. Speaking at the federal level we have \$500 billion each year that is done in federal contracts, \$600 billion each year in grants to state and local governments. A trillion dollars in federal spending run through the tax expenditures, tax code. The point being, that's just about the size of discretionary spending each year.

We have regulations. We have public education campaigns.

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The point to this is that direct federal spending or federal spending for direct service delivery at the service level is a small and declining part of the budget. What that means, we work through third-parties. Sometimes we work through third parties who in turn are working through third parties who in turn are working through other third parties. As we out-source the implementation of programs we are fundamentally also out-sourcing or relying on partners for the discretion on what those programs will look like. Not just that they will be implemented, but how they look in implementation. The second key challenge we face is the complexity. The first is complexity. The second is the wide range of policy tools.

Third, citizen confidence in government as you can see is at historically low levels. As part of the GAO, if you're at the federal level you know GAO. I work for Congress and Congress has its own sets of challenges in terms of public confidence in its ability to make decisions. But across the entire governmental complex, especially at the federal level, citizen confidence is measured by Gallup and all the rest of the polls out there and has consistently shown that citizens don't have confidence in the government to do the right thing much or most of the time.

At the same time we are having increasing demands for civic engagement and transparency. Citizens are looking for opportunities through social dialogues, social media, using the data to tell their own stories, to have influence in government. Certain you're seeing this profoundly at the local levels and the state and federal levels are learning from those experiences.

The fourth challenge we face as public leaders, all of this, the wicked complex issues, diversity of policy tools, citizen governments, transparency and engagement are taking place in environments of austere budgets. I have a friend and colleague who works in a budget shop that says that the slogan they use is slack is the new up in terms of the budget. We have increasing demand, increasing complexity, working through third-parties, demands for transparency and openness and our budgets at best are flat or going down. What you can see, we need new ways of thinking, new management approaches, new capabilities and capacities if we are going to better serve our citizens in the 21st century.

So what does this mean? Turning now directly to what this means in terms of Enterprise Risk Management, if you remember back in grad school days or even undergrad days, in terms of program delivery, you very often saw what was called the logic model. I have the most simplified version up here. We talk about the inputs, the staff, the funds and facilities and outputs, of course are the products and services, providing the clients served and sometimes I'll put an opportunities between the incomes and outputs and you get the outcomes.

The traditional approach to risk management would focus on, would assume the legitimacy of that logic model and then focus very much on the relationships between the inputs, outputs, outcomes. Focus on the uncertainties associated with each of those. That's good and valuable work. Most of us will be focusing on that or continue to focus on that and spend a lot of time thinking about risk management in that context.

But let me suggest to you that in reality, this is the reality that we more often confront, especially if you buy what I would say in the earlier slide about the governance landscape that we all as managers confront. That is, the outcome and the results need to be put at the center and we need to understand and be thinking about the variety of programs contributing to any given outcome in the interplay and relationship across those programs.

What does that then mean from a standpoint for Enterprise Risk Management? Well, one thing it means, it means we need transformed in different types of organizations. I won't go through obviously in the interests of time how we move, or the need to move from the current state to the high performance state because many of us are on our own organizational journeys to make that transition.

But just to talk a little bit about what that means in terms of Enterprise Risk Management, what it means is that we need to focus more broadly, as you can see, on the results the government seeks to achieve rather than on the operations of any single program or agency. If you go back to the first slide I showed with the bubbles, the results in that very first bubble that I

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showed, those are the larger social outcomes and demonstrable results that we all need to focus on. What this means, we then have to entail or adopt an enterprise or whole of government orientation or sometimes even a whole of society orientation as we are thinking about Enterprise Risk Management.

It means that Enterprise Risk Management is in a sense systemic risk management. So it's not just our own organization, but again the interplay of the other programs that we are dependent upon in order to achieve the outcomes that we need.

It means that we need to evaluate and be thinking about the quality, the collaborative mechanisms that we put in place and network management across the levels of government. As you can see, sectors and even with the public.

We need to think of government capacity in new and different ways. We still think about HR and procurement and think about grants management and the rest, but we also need to understand it is the interrelationship among those and how they work together to achieve the outcomes that we are trying to achieve.

Finally we need to be worried about strategies for civic engagement and the rest.

So with that, I apologize to the colleague that just posted that the slides aren't coming through. We will get those to you.

But then let me end with that and I know Karen Hardy is going to talk to us next in a little bit more detail on Enterprise Risk.

So over to you, Karen.

>> Karen Hardy: All right. Thank you, Chris. And I want to thank Chris for the introduction to the subject matter of Enterprise Risk Management on a broad global view across the federal landscape. Chris provided a perfect illustration of the key elements that will make up a high performing organization. And he also briefly, I know if he had more time he would expand on this. He also talked about the nine key practices that we will be using to bridge that transformation with these high performing organizations within the federal government.

When we speak of transformation we are talking about transforming from an output-oriented bean-counting environment to an environment where we make people count through employee engagement, transforming from managing and stove pipe to managing in matrixes. And then particularly the transformation from risk avoidance to the management of risk. All of these things are indicative and play a key role in high performing organizations within the federal government arena.

One of the things I want to ensure that is a take-away is understanding that there is a difference between traditional and Enterprise Risk Management. However, this should not be any type of perception that risk management is not intact within the government. Government agencies manage risk all the time to programs and their objectives. But it is the way and the mind set in which we managed those risks which is an expanding practice, not just in federal government space but really globally across all types of organizations.

In terms of looking at the historical view versus today's view of how we operate as high performing organizations in the federal government space, we can see the differences between the two. In terms of historically we see that risk management really is relate the to a lot of insurable financial risk. But today it has been transformed into Enterprise Risk Management where we expanded our view to take into consideration operational risk management, strategy as well as financial and reputation risk as well.

We've transformed from just focusing on the preservation of our tangible assets to recognizing the value of tangible and intangible assets such as our workforce and employees.

Silo approach where each department or function manages its risks independently, whereby today Enterprise Risk Management requires to have a more holistic approach to managing risk, coordinated at the highest level within the organization, as Chris talked about, strategically.

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Also risk management standing as a separate function. But today we can't afford to do that. We have to manage risk as a corporate wide or organizational wide daily concern, and it is embedded in our operations.

Then the big difference, this is where the performance, the relationship of performance in risk management comes into play where we were accustomed to looking at risk as just threats and finding ways to avoid risks.

Today within a high performance organization and environment, we have to look at risk not only as threats but also as opportunities. So Enterprise Risk Management, as I said, is an expanded view of risk management within the organization. You must have the foundation of risk management before building into Enterprise Risk Management.

It takes into account a full spectrum of risk. It is not one individual risk that you are managing within the organization, but what you are doing is taking into consideration the interdependencies across the entire organizations so that you show a relationship between those risks and those different functions and then across a portfolio view, able to supply leadership with that view that would otherwise not be available to them when you look at a cross-cutting perspective of risk across the organization.

For example, we are keenly aware of the healthcare.gov incident that took place. And Enterprise Risk Management proposes that in terms of interdependencies, healthcare.gov was not just about an IT project going wrong, but when you look at the holistic view, it's the IT's project's impact on social initiatives and policies. Then the performance target that we set in place to achieve certain objectives. Even the recent cyber breach that we experienced recently, it goes beyond breaching the IT system, but how does that impact the human resource recruitment of talent and the backlog to bring key people on board who play a role in actually carrying out our objectives within our organizations.

So if you want to put this in perspective in terms of where we are now versus where we need to go, this diagram demonstrates how we operate now in terms of the various silos. We are able to put labels on the silos, the type of work we do within the federal government. This is indicative of how we are managing now pretty much through risk management in the silo approach across the organizations.

You can see the compartmentalization of the multiple sectors of risk and control activities and how they are usually fragmented and usually -- usually executed in a fragmented style. Not necessarily aligned with any type of strategy execution within an organization. And where we want to be or need to be, this demonstrates a more strategic alignment of those activities across the organization and shows this the cohesiveness within a higher performing organization in terms of consolidating those efforts of managed risks across the organization in different areas.

One of the most important policy pieces in terms of instituting and implementing Enterprise Risk Management across the federal government was the issuance of the revised OMB circular A-11 Part 6 which focuses on the budget formulation, preparation, processing in the federal sector. Part 6 gets into the performance management piece. This was a key document revision from last year because it elevates the important relationship between performance and risks. Within that document it has six sections where Enterprise Risk Management is actually instituted and included in that content language so that as an organization, we can start to execute it within the performance and strategic environment.

Some of the key pieces of that guidance include defining what Enterprise Risk Management is, identifying what are the key roles of risk managers in A to C, answering a very common question. Why is Enterprise Risk Management considered the best practice? And how they are relevant to strategic reviews? What other guidance does OMB provide in terms of risk?

So OMB has issued previous guidance around risk management within the federal sector which includes risk to credit programs across the government.

Another big question has to do with the difference between internal control and risk. And then what is the difference between OMB circular A-123 and Enterprise Risk Management

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across the government? These are questions that are continually being asked and embedded across the federal government and communiques and practice as we move to evolve Enterprise Risk Management in the federal space.

At a recent professional development training session this past year, some leading edge questions were asked of participants who were either in the internal control financial management, risk management arena concerning the biggest challenges to instituting Enterprise Risk Management within agencies.

Based on survey responses from the individuals, as you can see from the graphic here, some of the core challenges lie in areas such as leadership, culture, organizational silos and resources. Some of the key skills that future governments will be looking for are individuals who are able to tackle these challenges in these areas. Certainly skills will be needed to be successful at doing that within agencies across the federal government.

OMB back in the summer of 2014 set out to do a benchmark of the type of activities that government agencies are engaged in in terms of Enterprise Risk Management. Overall, OMB wanted to know what is the government doing, how is the government doing Enterprise Risk Management, and what are some of the common recurring practices that could be shared across the federal government and their agencies?

This is not in any particular priority order, but it indicates the top ten resonating things that came out of the interviews. The interviews were conducted at agencies that have Enterprise Risk Management on their radar and they have begun to engage in Enterprise Risk Management within their organizations.

In addition to number one, we talked about the role of the chief risk officer. They also talked about the importance of making better use of data analytics within the organization to help promote and institute Enterprise Risk Management in agencies. Quantify the impact of past events serves to inform ERM. Oregon to the interviewees, a culture of risk-reward is established within agencies. It is important for employees to know that risk is a positive initiative within the organizations and that there should be a relationship between sharing risk and also being rewarded for increasing the performance across the organization through Enterprise Risk Management.

There must be senior management buy-in at the top which is essential to especially implementation of ERM. There should be a coexistence for those folks in the financial and management arena. There should be a coexistence between ERM and internal controls within the organization. They are not stand alone activities.

Establishing and leveraging a formal governing body is also key within organizations, as well as engaging key people on the front end of ERM within the organization.

One of the things we have been seeing is that usually from the key folks on the front end of strategic development or planning, they are usually not at the table at the same time. Sometimes that can create fragmented perceptions and work toward establishing strategic plans within the organization. So it is important that across the community or the matrix of an organization, it is pulled together in the front end of ERM development.

Documentation of risk decisions and the rationale for managing risk is also a key element of successful ERM. There as to be some type of historical blueprint of why managers view risk a certain way and why they select certain responses to that risk within the organization.

Then implementing a risk management framework and have a phased approach to that implementation is extremely important. One of the two popular frameworks that you will hear about in terms of Enterprise Risk Management relate to two things: The COSO ERM framework. Some of you might have heard that and also ISO31000. There's often a debate about whether one is better than the other or which should an organization institute to implement Enterprise Risk management.

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The bottom line is at the end of the day you are concerned about outcome. Whichever model serves and supports the outcomes you are trying to reach, that is the framework that you should take into consideration within your organization.

So on that note I want to actually move forward and turn it over to Doug to talk about the GW program and how it can support some of the things that Chris and I talked about.

>> Douglas Webster: Thank you very much, Karen. It is a pleasure to have an opportunity to speak with everyone here today. To get started, I would like to share with you the student profile. This program has been built specifically for the public sector. As you can see on this slide, we are really talking about and focused on having folks that have either a government background or work in that environment, not only because that's the direction that this course is tailored, but by sharing your experiences in a class with folks that share your background there is going to be a great opportunity for cross-learning that is not typically available in another environment. So we are focused on government risk practitioners at various levels, private sector contractors, particularly those working in public sector environments. Those involved with some aspect of ERM and those looking to broaden their experience with ERM and to the degree that we can have folks that represent teams from agencies, that will provide particular value to those teams, because in terms of exercises throughout the program they will be able to come together as a team within the class to work together on various exercises and generate insights that are going to be directly applicable to taking back to their organization.

Individual learning objectives have been built totally consistently with what you just heard from Chris Mihm and Dr. Hardy's comments. So we are looking to link our risk management efforts to critical risks that can impact the strategies and goals of the agency. ERM process, integrating the ERM process within existing operations, create a risk aware culture. This is particularly important as Dr. Hardy said and as we are going to see as we share momentarily the course structure in terms of the various courses as part of this overall program. We are very aware that culture plays a critical role in the success of Enterprise Risk Management. Also how to collect, synthesize and analyze risks to determine response. How to institutionalize an ERM program that will have measurable results. And then certainly applying and integrating the concepts, methods and techniques of ERM into the daily business practices and processes.

This curriculum is consisting of four courses of three days each. There will be an accruing 12 CEUs and the courses are offered twice a year at GWU satellite campuses.

Four courses are involved, the first involving management foundation of ERM. Thing second course is Enterprise Risk Management tools and techniques. Third, organizational change management. As I just mentioned, culture is so important. The fourth is a Capstone course.

In terms of the very first course -- before I talk about the first course, let me emphasize the GWU difference. This is really a different program from what I believe you will find anywhere else. First off, this is very much focused on the public sector, which is not typical in terms of training opportunities for Enterprise Risk Management. Those other opportunities, many times are not focused on Enterprise Risk Management, but are in fact more collection of very traditional risk management topics. They may include a small core tied to Enterprise Risk Management, but what you will often find out there is they tend to bring in an array of different types of risk management courses which are fine in their own right but don't truly make the case and tell the story that is necessary to make Enterprise Risk Management implementable at a federal agency or state or local agency, for that matter.

This program was designed specifically to focus on teaching the principles and practices of ERM in this specific public sector environment.

So what are those four courses? First one is management foundations of Enterprise Risk Management. This talks about the relationships between performance management, cost management, mean, risk management and it is really important to understand how value is -- achieving a value is a matter of mission success for organizations. Risk management is not an end objective in its own right. One of the important elements of this course is to make the case

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and to chair the principles and practices for how performance, budget, resources and risk all fit together to maximize value. And so that's what we mean when we refer to the role of value-based risk management.

The principles of risk management generically will be discovered in this first course to set the stage for Enterprise Risk Management. And in organizational change management will also be introduced. In my experience and I'm sure with those of others who have spoken here today, one of the largest challenges of Enterprise Risk Management and it was reflected in the survey that Karen Hardy reported on earlier, the number one challenge is culture. That means that organizational change management is critical. Enterprise Risk Management and contributions to effective public sector management will be the final portion of that first course, ERM I.

ERM II is a guide to implements ERM in the government. We get into more detail at this point in terms of methodologies, tools, techniques processes applicable to ERM. The course objectives will be a methodology to apply during ERM implementations. Tools and techniques apply in ERM framework. There are several out there. We will discuss them. Dr. Karen Hardy mentioned COSO. We will also be including ISO 31000. GAO is coming out -- not GAO but OMB is coming out with information on the United Orange Book, yet another one and how you embed them in processes.

Course III, organizational change management. Because organizational change management is sump a critical aspect of Enterprise Risk Management, we've chosen to dedicate and entire course out of this program to that. That having been said, it is specifically tailored to Enterprise Risk Management. It is not a simply a generic organizational change management course, but one that recognizes the role of organizational change management in implementing Enterprise Risk Management.

Course objectives are assessment for change management principles, unique challenges, and then we are planning to also use the ADKAR models, which is one of those models current will you out in terms of how one can go about operationalizing the implementation of organizational change management.

ERM IV is a Capstone course. In this course we will work to bring all the knowledge and learning of the prior three courses together. There will be team exercises and working together among the cohorts in the class to apply the full spectrum of knowledge learned. And the course objectives in this case this last course is analysis of case studies, principles of the organizational change management, a recapping of that. Applying learned concepts, methods, practices and techniques. Finally, demonstrating competency in ERM in application in an agency setting.

Finally, I would like to indicate that the fellow, senior fellows that will be teaching this course are myself, of course, and Arnold Hill, which is a manager at NASA. He has considerable federal experience as well.

I would like to just wrap up here and say that again emphasizing that the GW difference here in this program is the fact that it is focused exclusively on Enterprise Risk Management. We did not go off and seek to pull together a hodgepodge, if you will, of various risk management courses and simply label it ERM. That was the hot new buzzword of the day, particularly in the federal government. Rather we took a step back from what was out there and looked at what learning content made sense to come together to make for a meaningful learning experience as it relates to Enterprise Risk Management.

If you in fact would like further information on this program and we certainly hope that you will, we would ask you to get in touch with Natalie Houghtby-Haddon or Moe Nikbakhshian, either of the individuals listed on this chart.

With that I would like to turn it back to Natalie. Thank you very much.

>> Natalie Houghtby-Haddon: Thank you so much, Doug. I appreciate that. Again, I want to thank our speakers, Doug and Chris and Karen, for their insights. We do have some questions from the audience that I want to ask. One of which is to ask: What professions are most

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centrally involved in Enterprise Risk Management? Is it the finance people? Is it the auditing people? Is it somebody else? Who should be concerned about Enterprise Risk Management? I'll throw that out to anyone of the three of you.

>> Douglas Webster: Well, this is Doug. Let me kick it off if I might and see who else has something to offer.

I suggest that anybody who makes a decision that incurs risk. Theoretically and I think practically should have an interest in Enterprise Risk Management. One might say: That means everybody. I would say yes. When we make decisions that incur risk, seldom are we doing it in a bubble, an isolated arena. We make decisions to accept or manage risk and hopefully to manage those risks that frequently impact others. Those others may be outside of our direct functional area or even organizational unit.

So understanding the principles of Enterprise Risk Management, I would argue, applies literally across the organization. Some people have said everybody is a risk manager. At the same time it clearly is critical at the highest level of the organizations, but the highest levels of the organization can only react to risks that get identified to it, not only at the top but lower levels down below. So it requires that cultural change that Karen talked about to raise those issues up to be addressed so they can be properly prioritized. That's my input.

>> Karen Hardy: I'll add to that. Just as a practical example in terms of why everyone really is involved in Enterprise Risk Management, let's say that you are under a building renovation and that renovation impacts thousands of folks. Even if you are bidding in an IT system that takes a paper-based process to an electronic state within your organization. One of the things you have to think about, as Doug said, what is the residual impact of you managing your risk and the impact to other parts within your organization. If you have a facility renovation, what impact would that have on the manager of a disability program? And that's one of the things that Enterprise Risk Management does. I think that's one of the biggest take-aways and values is that it requires you to expand on the way you think about managing your risk within your organization rather than from the stove pipe thought of I just need to be concerned about the risk to completing the IT project, to a more holistic thought process whereby I need to think about managing the risk to this IT project and the impact this project will have on other parts of the operation if it does not meet its objectives or if risks are not identified properly and mitigated with feedback from other stakeholders within your organization.

>> Christopher Mihm: Just to very quickly build on both of the good points that Karen and Doug were making. I mean, if there's a common theme that has cut across all three of our presentations and it's one of the things that makes the GW program and others like it so exciting, is that we really are at an inflection point for Enterprise Risk Management in government. Typically in the past, the parts of government that have been focused on ERM or that have been comfortable talking about risk management have been those where the professional disciplines in the private sector that kind of brought that language and that way of thinking into government. So as the question implies, things like finance where they are very comfortable talking about risk in terms of financial obligations and all the rest. Things like auditing, which is my professional background. Obviously we are very comfortable looking at internal controls and risks within agencies. Public health and IT programs. What we are now seeing is in a sense the evolution and the expansion of thinking about risks across a much wider and broader array of programs.

As I said in kind of my initial comments on this, if you think of risk as just one way in terms of uncertainty, that is what are you uncertain about in regards to whether or not you are going to be able to achieve the outcomes that you want to achieve? As Doug was saying, if that's it, then everyone in a sense is a risk manager. We are all thinking about geez, here are the things I'm uncertain about. Here is how I'm going to manage those. What Enterprise Risk Management does is provide us a more disciplined approach and framework for how we go about doing that so it's not just a bunch of one-offs or things we keep in our own heads, but

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ways to work with vocabulary and approaches with others so we can collectively look at thing risk and make progress towards those.

>> Natalie Houghtby-Haddon: Thank you, all three, for sharing your answers and for helping us to understand that more fully.

One of the things you have all touched on a little bit, but I think it is important to say one more time: What is the difference between risk management and Enterprise Risk Management? Can you say that one more time so we can all understand what this shift is that makes Enterprise Risk Management so critically important?

>> Douglas Webster: This is Doug again. I'll go ahead and kick it off. This is an important favorite topic of mine. There is so much misunderstanding about Enterprise Risk Management. I see all kinds of cases about people talking about ERM and they are talking about something different than what I and the other members in this panel here think of in terms of ERM and very different from what we talk about in this course.

Enterprise Risk Management is not simply a new fancy term for traditional risk management conducted within traditional stove pipes. It is not an elaborate more improved version of internal controls. It is not even doing risk management across the entire enterprise but in a stove pipe nonintegrated way.

What risk management is is really having an understanding of how the cross functional impacts of risks and risk treatments across the organization. It is strategically aligned, consistent implementation of policies that drive risk within the functional stove pipe.

So, for example, it doesn't mean that the CFO won't continue to be worried about the risk of not getting a clean audit opinion. It doesn't mean that the CIO won't continue to be worried about cybersecurity. Those types of functional risks will remain.

What ERM brings to the table that is absent without ERM is linking those together in terms of collaborative approach that develops a portfolio view of risk across the entire enterprise and, therefore, allows leaders of the organization to prioritize risk treatments, investment, et cetera into a manner to maximize value at the portfolio level of the enterprise.

I'll defer to others to add to that as they might.

>> Christopher Mihm: The only thing I would add to that and I think that is excellent and Karen has a perspective on this as well. But the only thing I would add, given the types of complexities of the issues that we are trying, each of us is trying to achieve or address in our lives, very often Enterprise Risk in a sense is also helping to manage or understanding at least the risk of our delivery partners and those third-party that is we are dependent upon if we are going to achieve the results we want to make. That's what I meant by the bullet in my slide. The broader Enterprise Risk becomes systemic risk across that front.

>> Karen Hardy: On the flip side of that, I think when organizations manage risk, and in responding to these risks in terms of if the response is mitigation, then the enterprise piece helps you to do more collaborative mitigation of those risks and collectively, whereby the single flow of risk management, you are not thinking in terms of sharing the mitigation of risk in an organization. ERM serves up that opportunity within organizations to actually do that.

And when you consider, as Chris mentioned early on, about the constraints in terms of resources and budgets, it will be hard pressed to see organizations looking to manage or mitigate some of these critical risks out there without partnering at some level with different and various organizations. And I think Enterprise Risk Management really benefits organizations in terms of helping individuals, leaders, managers understand and engage in a process in conversations that that brings people to the table that have never come together before to strategically review and assess risk within the organization properly.

>> Natalie Houghtby-Haddon: Well, thank you all for that answer as well, too. And Doug, that leads me to ask one of the questions that has been posed which is in terms of the certificate, who should sign up for it? Who should want to take these courses? Is it government people?

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Is it state and local as well as federal? Is it contractors who work? Who are the types of people who should sign up for the certificate program?

>> Douglas Webster: Well, let me start that response by saying that the principles of ERM are universal. It doesn't matter what type of organization you are in. You know, the kinds of things we have been talking about, the need to integrate risks, to develop a portfolio view across the enterprise applies to any organization. That having been said, there are certainly unique challenges in the public sector in terms of the strong diversity of stakeholders and conflicting needs, in terms of a difficulty many times to establish measurable outcomes in terms of quantifiable outcomes. These types of things can provide particular challenges to ERM and the public sector. Not to mention the cultural challenges such as incentives for performance and not having a profit incentive and having it more difficult to remove employees for not meeting certain goals, and all those kinds of things.

There are unique aspects of ERM despite the fact that the basic principles are the same. Unique aspects as it applies to the public sector.

Those certainly are applicable to the federal government but they are not unique to the federal government. State and local governments would also benefit. Those who are private contractors supporting the public sector and trying to provide consulting services, for example, to the public sector would be equally, would equally benefit from this course because to the degree that they are needing to engage with their clients and provide services that understand and help manage risks, they too will benefit from this.

>> Natalie Houghtby-Haddon: Great. We have another question from one of our attendees who asks: How condition ERM be effectively applied in studying strategic objectives as well as execution, for example prior to finalizing agency's strategic plans and risks, for goal and objective setting?

And so let me see. The question goes on here. I apologize for not being able to read it as smoothly. How do you also ensure that goals are achievable, meaningful and practical and are balanced with a portfolio view of value? Does that make sense? So I guess the question is, to reframe it, is how do you both use ERM in the setting of strategic objectives as well as executing those objectives? Keeping in mind all the other kinds of measurable and so on constraints that agencies are looking for?

>> Karen Hardy: Well, this is Karen. I often refer to Enterprise Risk Management as a mind set. It's thinking collectively, portfolio view, cross-cutting. If Enterprise Risk Management is a mind set and if you institute risk assessment in assessing risk within the strategic planning and execution arena, then you are going to be looking for a common risk or risk that has -- a risk that may have impact to multiple strategic objectives in your organization, which would serve the organization well. The whole point is to be able to assess what could keep us from achieving our objectives in this area and then looking forward, how can we, or what types of strategies or actions can we put in place to ensure that we are better positioned to achieve these particular objectives? Again Enterprise Risk management from a different perspective to me, mind set, cross-cutting, portfolio view, instituting any type of framework that you are engaged in within your organization, within the strategic planning arena, to identify those risks and come up with actions for addressing those risks that could keep you from achieving those objectives, are very important.

I'm sure that Chris will have probably a point of view on this as well.

>> Christopher Mihm: Thank you, Karen. I see that the question came from a colleague at the federal level. So for the nonfederal people, bear with me just very quickly on this.

Under the GPRA Modernization Act and the OMB circular A-11 that Karen talked about in her presentation, which is a reminder for anyone is the OMB guidance that goes out each year that gives agencies guidance on how they put together their budget and think about performance. This is a foundational document each year of the presentation, preparation, rather, of the president's budget.

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Under A-11, agencies are to be conducting annual strategic objective reviews which are reviews, as the name implies, that the level of strategic directives, one step above the strategic goals but below the targets you want to take. One of the core parts is to be an assessment of ERM in the context of those strategic objectives. Agencies are required to start beginning to build this capability, this way of talking and this way of thinking about how are we using ERM or how does ERM inform us on how we are doing against these strategic objectives? These are to be the fundamental outcomes that over time agencies want to achieve.

It's an excellent question and it's right on where the federal government or Executive Branch is trying to go with ERM.

>> Douglas Webster: If I can quickly add an additional thought, this is Doug, before we run out of time. In terms of linking risk management and specifically Enterprise Risk Management, if you don't have objectives, you don't have risks. People focus too many times on risk without defining their object stiffs. As the guru Lewis Carol said, talking to Alice, if you don't know where you're going, any road will get you there.

I view that at the highest level of the organization we really link this to strategic planning and operational planning and looking at your strategic goals and how they cascade down through your organizations and each level of cascading down, there are risks associated with those. That needs to be LinkedIn a dialogue between capabilities that flow up and responsibilities that flow down. Risk needs to be part of the organization of how you achieve those higher level goals.

>> Natalie Houghtby-Haddon: Great. Well, thank you, Doug; and thank you, Chris; and thank you, Karen, for joining us today and having such a lively conversation about Enterprise Risk Management. We want to thank each much you for attending. I want to remind you that the slides for all three presenters are available in the event resources section that you can see on your screen on the left-hand side. You can download the slides there. In addition, there is information about the certificate program. If you're interested in the certificate program we invite you to join us for an information session on Tuesday, July 14, at 1:00 o'clock in the afternoon.

You will see that there's a link there in the slide that's currently showing on your screen too, as well. We hope you will you join us for more conversation about Enterprise Risk Management and hope that you will consider attending the certificate program as well at George Washington University.

On behalf of GW and the Center for Excellence in Public Leadership, I want to thank you for your time and attention and give another word of thanks to our presenters today. Thank you all very much for coming.

(The webinar concluded at 3:02 p.m. EST.)