



# The Value of Enterprise Risk Management to Federal Executives

## What Is Enterprise Risk Management (ERM)?

ERM is a discipline that addresses the full spectrum of an organization's risks, including challenges and opportunities, and integrates them into an enterprise-wide strategically aligned portfolio view. ERM contributes to improved decision making and supports the achievement of an organization's mission, goals, and objectives.

## What Value can ERM Provide Government Leaders?

- **Increase the Range of Opportunities:** ERM identifies new opportunities and unique challenges. ERM improves the organization's ability to identify risks and establish appropriate responses, reducing surprises, and related costs.
- **Improve Resource Deployment:** ERM allows for management to obtain more robust information on risk in the face of diminishing resources to assess overall resource needs, prioritize resource deployment, and enhance resource allocation.
- **Identify and Manage Entity-wide Risks:** The organization faces a variety of risks that can affect many parts of the entity or originate in one unit, but impact a different part of the agency. ERM aims to identify and manage those entity-wide risks to sustain and improve performance.
- **Reduce Performance Variability:** ERM allows for the organization to anticipate the risks that would affect performance and enables them to put in place the actions needed to minimize disruption and maximize opportunity.
- **Enhances Enterprise Resilience:** Medium and long term viability depend on the ability to anticipate and respond to change, not only to survive, but also to evolve and thrive. ERM enables this as the pace of change accelerates.

## Early Actions for Government Leadership

- Set the "tone at the top" and engage personally to demonstrate a commitment to risk awareness.
- Invest in your staff to develop ERM expertise in core functional areas.
- Identify existing risk management capabilities and integration opportunities.
- Establish expectation that risk information and risk insights are part of managerial decision-making.

## Relevant Federal Guidance

The Office of Management & Budget (OMB) issued ERM guidance through its revised Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Circular A-11, *Preparation, Submission, and Execution of the Budget* discusses agency responsibility for identifying and managing strategic and programmatic risks as part of the agency's strategic planning, performance management, and performance reporting practices.



For more information about ERM, including relevant training, tools, and resources, visit [www.ferm.org](http://www.ferm.org)