Recommendations to Strengthen Alberta Employment and Immigration’s Enterprise Risk Management Practices

by

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EXECUTIVE SUMMARY

Risk management is a growing topic of interest across all sectors, including those in the public sector. Alberta Employment and Immigration (AEI) is no exception, having several risk management processes in place including Enterprise Risk Management (ERM). The Government of Alberta defines ERM “as a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective” (Government of Alberta, 2006 p. 3). AEI developed an ERM process in 2007, which was incorporated into their business planning process and focused on the strategic risks for the organization. These are the risks that will affect the organization’s ability to achieve its organizational goals and objectives.

AEI’s ERM process was audited in 2009 and the results indicated the ministry met the minimum requirements set by Treasury Board. However, if AEI wants to exceed the minimum requirements in the future, the ministry needs to integrate risk management throughout the organization. As such, the audit results present an opportunity to explore whether it would be beneficial for AEI to integrate risk management processes throughout the ministry to further its risk maturity. Moving further along the risk maturity continuum means risk management goes beyond the process requirements and becomes part of the overall culture of the organization. The purpose of this report is to make recommendations to strengthen ERM and move AEI further along the ERM risk maturity continuum.

As part of the deliverables for this project, a literature review was completed, and three jurisdictions were contacted to provide their perspectives on risk management practices in their ministries. Several observations were made from the literature review and interviews. First, the success of ERM implementation is highly dependent on developing a risk management policy that is supported by senior management. AEI currently does not have its own policy, but uses the broad framework developed by Alberta Treasury Board in 2006.

Second, ERM is most effective when linked with other management processes such as planning, environmental scanning and performance management. Within AEI, ERM has been integrated into the business planning process for the ministry. This is very similar to other Alberta ministries and the federal government. In British Columbia, risk management has primarily been integrated into their project management practices.

Third, all three jurisdictions had different approaches to implementation. The federal government began implementing risk management in 2001, focusing on integrating strategic and operational risks. In Alberta, ERM began implementing ERM in 2006 and is starting to gain some momentum. The focus is on high-level, strategic risks. British Columbia’s risk management was much broader when first implemented in 2003, and now primarily focuses on managing risk at the project level.
The final observation is ERM communities of practices are effective mechanisms to share information across government. All three jurisdictions use these groups to provide updates of government direction, share information about risk management processes as well as new research and courses related to risk management. These groups also discuss ways to train ministry staff in risk management processes and increase awareness to build a risk management culture.

Based on the research completed, three options are proposed for AEI's:

1. **Risk management processes remain status quo**
   As there is a fiscal and hiring restraint in the Alberta government and AEI’s audit results indicate its ERM process meets the minimum requirements, no changes be made to current risk management processes.

2. **Increase linkages to current risk management processes within AEI**
   There are two enhancements that offer quick wins for AEI. AEI should expand membership to the Business Planning Advisory Committee (who is responsible for completing the initial ERM risk assessment for the ministry) to elicit a broader perspective of strategic and operational risks facing the ministry. In addition, AEI should develop a “mini community of practice” within the Finance, Organizational Planning and Administration Branch, which is responsible for several risk management processes for the ministry. This will foster a greater understanding of the purposes of risk management processes and appropriate linkages can be made to gain more risk information.

3. **Develop a risk management policy for the ministry and support the growth of a risk management culture**
   The policy should be championed by the Deputy Minister and needs to emphasize the overall value to the organization. The policy will outline the intent of risk management, scope and level of acceptable risk. It should be brief, and concise while emphasizing overall value to AEI, and how the responsibility of risk management lies on all levels of the organization. In addition to the policy, “how to” guides should be developed to support management and senior policy staff in conducting risk assessments. By promoting the use of common language, tools and templates that are aligned with the overall risk management policy of the Ministry, a risk management culture will be supported.

It is recommended AEI begin implementing Option 2 in Fall 2010, and move forward with Option 3 over the next year. These changes will increase staff capacity in risk management. By having senior management support risk management and use it as a decision-making tool, AEI can build a risk culture that is sustainable over the long-term and meets the needs of the organization. Only then can AEI have risk management processes that truly add value, not administrative burden to the organization.
# TABLE OF CONTENTS

Executive Summary ............................................................................................................... i
Table of Contents .................................................................................................................. 1
Introduction ........................................................................................................................... 2
Background ........................................................................................................................... 3
Literature Review ................................................................................................................... 7
  Risk Management in the Public Sector ............................................................................... 7
  Effective ERM Practices ..................................................................................................... 8
    1. Developing an ERM policy that is championed by upper management ................. 8
    2. Linking ERM with existing management processes ........................................... 10
    3. Developing a corporate culture supportive of ERM ............................................ 11
Pitfalls and Challenges with Risk Management ............................................................... 12
  1. Inconsistencies in terminology and models ............................................................ 12
  2. Demonstrating Value to Executive Team ........................................................... 14
  3. Overconfidence in ERM processes ..................................................................... 15
Conceptual Framework ........................................................................................................ 17
Methodology ........................................................................................................................ 19
Findings .................................................................................................................................. 21
  1. Risk Management within Alberta Employment and Immigration .................... 21
  2. Risk Management in other Government of Alberta Ministries ......................... 23
  3. Risk Management in the Government of Canada ............................................... 24
  4. Risk Management in the Government of British Columbia ............................... 25
Discussion ............................................................................................................................ 27
  1. Development and Use of a Risk Management Policy ........................................... 28
  2. Linkages with other risk management and planning processes ............................. 29
  3. Implementation and Timeframes ......................................................................... 30
  4. Risk Culture and Communities of Practice ....................................................... 30
Options .................................................................................................................................. 32
  1. Risk Management practices remain status quo in AEI ........................................ 32
  2. Increase linkages to current risk management processes within AEI .................... 32
  3. Develop a risk management policy at the Ministry level and support the growth of a
     risk management culture. ......................................................................................... 33
Recommendation ................................................................................................................... 34
Conclusion ............................................................................................................................. 35
Appendices ............................................................................................................................ 36
  Appendix 1: Group 1 Interview Questions .................................................................. 37
  Appendix 2: Group 2 Questionnaire .......................................................................... 38
  Appendix 3: Group 3 Interview Questions .................................................................. 39
References .............................................................................................................................. 40
INTRODUCTION

Risk management is a growing topic of interest across all sectors, including those in the public sector. Alberta Employment and Immigration (AEI) is no exception, having several risk management processes, including Enterprise Risk Management (ERM). The Government of Alberta defines ERM “as a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective” (Government of Alberta, 2006 p.3). The objective of this report is to provide recommendations to AEI to strengthen its risk management processes to maximize utility and build a risk management culture. The background information of how ERM was developed in AEI, as well as its current processes will be presented to provide context for this report.

As the first deliverable in this project, a literature review is discussed as part of the research to develop recommendations for AEI. The literature review will begin by discussing differences in ERM between the private and public sectors. In addition, the literature review focuses on finding common practices of effective risk management processes. These practices include developing a policy that is supported by upper management, linking ERM with existing management processes and developing a corporate culture supportive of ERM. Finally, the literature review explores common challenges and pitfalls in implementation. These include inconsistencies in terminology and models, demonstrating value to senior management and overconfidence in ERM processes. These pitfalls are often the result of poor direction and implementation of ERM.

The second deliverable in this project is to examine risk management processes in AEI, as well as in other ministries and jurisdictions. As part of this deliverable, an inventory of risk management processes in AEI will be presented to provide a clear picture of current risk management activities in the ministry. In addition, perspectives from AEI managers on the value of further integrating processes will be presented. Perspectives from other Government of Alberta ministries, the Government of Canada and the Government of British Columbia are also explored to examine the types of linkages with management processes and risk management others make and the maturity of risk management practices in the different jurisdictions. As AEI’s processes are relatively new, this will provide good insight to the direction AEI may want to take.

These perspectives will be compared and contrasted and common practices will be identified. The findings will be compared with the literature reviewed and evaluated using the conceptual framework developed. This information will formulate the recommendations to strengthen AEI’s risk management practices. Three recommendations have been developed and will be discussed, along with timelines for implementation. The recommendations developed are concrete actions AEI can take over the next year to strengthen its risk management practices throughout the organization. Finally, this report will reiterate the importance of building a risk management process that is sustainable and meets the needs of the organization.
BACKGROUND

This section introduces the Ministry of Alberta Employment and Immigration (AEI) and discusses the evolution of Enterprise Risk Management (ERM) in the Government of Alberta from its inception in 2006. The development of an ERM process in AEI is presented, as well as the results of the internal audit undertaken in 2009.

AEI is one of 23 ministries in the Government of Alberta. AEI has approximately 2,200 staff located across the province and has a budget of over one billion dollars. It is mandated to develop policies and deliver programs related to income supports, employment and training, labour force development, immigration, occupational health and safety, employment standards and labour relations. AEI also includes the Alberta Labour Relations Board and Appeals Commission for Workers’ Compensation (2009, Alberta Employment and Immigration).

Enterprise Risk Management (ERM) is a relatively new process for AEI. In 2006, Alberta’s Deputy Minister Council approved the implementation of Enterprise Risk ERM into the 2008-11 business planning process in all ministries. While Deputy Ministers saw the value in incorporating ERM into the planning processes, they also were quite clear in not wanting to create a “cottage industry”. To address the concerns raised by deputy ministers, Alberta Treasury Board developed a broad framework outlining the minimum requirements of ERM ministries were to meet. Ministries were to “focus on the few key strategic risks to the organization, [which] might be described as those things that ‘keep the minister or deputy minister awake at night’” (2007, Alberta Treasury Board internal document). The framework also outlined some basic criteria including ensuring ERM processes develop a systematic process of identifying and evaluating risks, link ERM to the strategic planning process and include senior management in the process (2007). An accompanying reference guide was also developed that was also quite broad to allow everyone the flexibility to implement ERM as they thought would be best for their ministries. No specific model was adopted (e.g. COSO), but general steps of ERM were suggested and guiding principles were presented:

- Every ministry needs to take action to manage risk to a level that is tolerable.
- In developing an ERM process, consideration must be given to the context in which the ministry functions and to the risk priorities of the ministry’s stakeholders and partners.
- Risk management starts with strategic risks and needs to be integrated at the strategic planning, program and operational levels so that these levels of activity support each other.
- All staff should be aware of the relevance of risk to the achievement of their goals. Staff training opportunities in risk management should be available (Alberta Treasury Board, 2006).

AEI waited until after Deputy Ministers approved the ERM framework developed by Alberta Treasury Board and implemented ERM in 2007. To keep things simple, AEI
built ERM into its business plan process, which was very well-developed and accepted by Executive Team (Figure 1). It was added to the process after context is established and the strategic direction for the Ministry is set by the Minister and Executive Team. After this point, the business plan is written and initial risks are identified by the Business Planning Advisory Committee. This is a committee comprised of senior managers across the ministry.

**Figure 1: ERM Process for Alberta Employment and Immigration**

![Diagram showing the ERM process]

The focus is primarily on strategic risks, which are the risks that will affect the organization’s ability to achieve its organizational goals and objectives. The risks are then analyzed to determine impact and likelihood, and top risks are evaluated. Based on this assessment, a risk registry is developed with suggested mitigating strategies and presented to Executive Team to discuss, make changes and approve. The finalized risk registry is then sent to divisions to be incorporated into operational plans and monitored through preexisting reporting cycles.

Operational risks such as financial controls and internal audit are not included in current ERM practices. When developing the process, ERM was intended to focus on the strategic level of the organization. There was concern that integrating the other risk management processes could cause additional work to work areas with established processes without creating benefits to the organization. In addition, the initial thought
was people may get bogged down by operational risks, and not be as strategic in identifying risks for ERM.

In 2009, ERM processes across the Government of Alberta were audited by the Corporate Internal Audit Services (CIAS). The audit was based on the criteria approved by Deputy Ministers in 2006 and are shown in Table 1 below. CIAS developed a continuum to determine the maturity of ERM processes across government. The auditors rated each ministry on 12 criteria, on a four point scale:

- Risk Naïve
- Meets GOA Minimum Requirements
- Exceeds GOA Minimum Requirements
- ERM practices fully implemented.

<table>
<thead>
<tr>
<th>Process</th>
<th>Meets GOA ERM Minimum Requirements</th>
<th>Exceeds GOA ERM Minimum Requirements</th>
</tr>
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<tbody>
<tr>
<td>1. The ministry’s objectives are defined</td>
<td>X</td>
<td></td>
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<tr>
<td>2. Management have been trained to understand what risks are, and their responsibility for them</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>3. A scoring system for assessing risks has been defined</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>4. The risk tolerance of the ministry has been defined in terms of the scoring system</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>5. Processes have been defined to determine risks, and these have been followed</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>6. All risks have been collected into one list. Risks have been allocated to specific job titles.</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>7. All risks have been assessed in accordance with the defined scoring system</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>8. Responses to the risks have been selected and implemented</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>9. Management have set up methods to monitor the proper operation of key processes, responses and action plans (monitoring controls)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>10. Risks are regularly reviewed by the ministry</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>11. Management report risks to the Executive Committee where responses have not managed the risks to a level acceptable to the Executive Committee</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>12. All significant new projects/initiatives are routinely assessed for risk</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Source: Alberta Employment and Immigration Internal Document
As Table 1 shows above, the audit results indicate AEI’s ERM process met the minimum requirements in all 12 categories, and exceeded the minimum requirements in three.

When meeting with CIAS to discuss the audit results, AEI staff asked how to move forward along the continuum and exceed the minimum requirements in more categories; CIAS indicated the ministry would need to integrate risk management throughout the organization. As such, the audit results present an opportunity to explore whether it would be beneficial for AEI to integrate risk management processes throughout the ministry to further its risk maturity. While minimum requirements have been met by AEI, moving further along the risk maturity would mean risk management goes beyond the process requirements and become part of the overall culture of the organization.

Another recent change impacting ERM, Alberta Treasury Board adopted the risk management model developed by the International Organization for Standardization (ISO) called the ISO 31000. This model provides more guidance on integrating risk management in organizations. The adoption of the ISO model may result in AEI needing to adjust some of its processes.

The purpose of this report is to evaluate whether current processes are meeting the needs of the organization, make recommendations to strengthen ERM and move AEI further along the ERM maturity continuum. As AEI’s Executive Team has indicated they want to keep ERM simple, it is also important the processes meet the needs of the organization and add value. In addition, the overall sustainability of the processes will be examined to ensure AEI has effective risk management practices over the long term. As AEI currently faces financial restraints, any changes to processes must demonstrate their ability to strengthen organizational processes, rather than add administrative burden.

Findings from the literature review are discussed in the next section which highlights effective ERM practices, as well as potential pitfalls and challenges AEI should avoid as it moves forward.
LITERATURE REVIEW

One of the deliverables for this project is to complete a literature review. To begin, the literature review examines the differences of ERM in the private sector and public sector as AEI is a public sector organization. It is important to determine whether ERM is relevant to the public sector before moving forward. Next, the literature review focuses on finding common practices amongst organizations successful in implementing ERM. Finally, the literature review explores common challenges and pitfalls in implementation.

Risk Management in the Public Sector

Risk management is not a new concept. Duggan (2006) writes “the management of risks is an integral part of good business and therefore has always been with us” (p. 25). Corbett (2004) acknowledges that risk management appeals to both management and academics as a useful process worth investigating further.

Many risk management scholars do not differentiate between the public and private sectors. However, some authors such as Mylrea and Lattimore believe there are differences. These differences are shown in Table 2 below.

<table>
<thead>
<tr>
<th>Difference</th>
<th>“For-profit” Private-Sector Organization</th>
<th>“Public Policy Mandated” Public-Sector Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goals/objectives</td>
<td>Maximize owner value</td>
<td>Fulfill public policy mandate</td>
</tr>
<tr>
<td>Performance measures</td>
<td>Return on investment</td>
<td>Mandate fulfillment</td>
</tr>
<tr>
<td>Ownership</td>
<td>Private owners</td>
<td>Public owners (i.e., Government on behalf of taxpayers)</td>
</tr>
</tbody>
</table>

These authors distinguish the differences between the public and private sector, and apply the information accordingly to develop an effective risk management process for their public sector organization. Spikin (2009) also acknowledges these points and notes the differences in terms of how loss is measured. While the private sector can easily account for financial losses, it is much more difficult to measure costs to society.

Hood and Rothstein (2000) note that while private and public sectors have their differences, there are several equivalences that make ERM relevant for both. For example, while private sector is generally profit-driven, both the public and private sectors are budget-driven, and have to manage business risks such as information security, IT failures and litigation risks in order to meet their mandates. In addition, shareholder value in the private sector could be equated to public value in the public sector, both of which should be maximized (p.2).

Tebbatte (2006) also notes the growth in corporate governance across the world. She discusses the increasing importance citizens place on governments in ensuring tax dollars are used as efficiently and effective as possible (p.598). As part of this, she continues to notes how “risk management is fundamental to good governance” (p. 601). As citizens become more informed, there is a growing expectation that governments will operate more like a business, and be held accountable for decisions accordingly. As such, ERM interest continues to grow and remains important to both sectors.

Effective ERM Practices

In reviewing the literature, there are several common factors to successful ERM implementation. These factors include:

1. Developing an ERM policy that is championed by upper management
2. Linking ERM with existing management processes
3. Developing a corporate culture supportive of ERM

1. Developing an ERM policy that is championed by upper management

In order to be successful, majority of the literature states it is essential for organizations to have a risk management policy championed and supported by upper management. For example, McCrae and Balthazor (2000) write that a risk management policy “identifies the fundamental principles, requirement and practices that serve as a foundation for all risk management practices throughout the organization” (p. 37). To be successful, the policy “must be integrated into the normal management and governance processes” (p. 38). Likewise, the ISO 31000 (2009) risk management guide believes the policy should outline management’s commitment to risk management.

The policy not only sets the overall direction of risk management in an organization, it also sets the foundation. The Canada Deposit Insurance Corporation developed a
policy which established roles and responsibilities of the Board as well as the expectations on management related to risk management (Mylrea & Lattimore, 2008). The authors write the policy should outline delegated authorities to make decisions as well as the overall parameters of the ERM process. In the case of Canada Deposit Insurance Corporation, their ERM committee membership was comprised of top executive and senior managers, indicating the support of the process. The authors stress that buy-in is critical, and ERM processes will not succeed without it (p.16).

Mylrea & Lattimore (2008) also noted the importance of setting the risk tolerance in the policy. However, they found it easier to complete an initial risk assessment first, so their ERM committee and Board could gain an understanding of the process as well as the parameters and types of risks identified. After completing the first risk assessment, they had a better grasp of the parameters and set the overall risk tolerance for the organization. The risk tolerance was then built into the policy for future risk assessments. Bhatta (2008) also notes the importance of setting the parameters for risk-taking. The author writes that by setting the parameters, officials and staff will be empowered to take “sensible risks”, and maximize success (2008, p. 35). In addition, McCrae and Balthazor (2000) also add “the level of acceptable risk” and “the company’s ability to reduce the incidence and impact of risks that materialize” as critical to outline (p. 37).

In establishing its Integrated Risk Management Framework, the Treasury Board Secretariat also outlined the expectations of risk management (2001). Opening with a President’s message, political and senior management support for the framework is demonstrated. The Framework discusses why there is the need to enhance risk management practices, definitions, as well as the overall processes ministries are expected to use. It is easily accessible to all employees and the general public, placed on its Internet. Setting the parameters and risk tolerance as well as communicating this to decision-makers and tax payers increases the transparency of the process.

In addition to developing a policy, it is important to implement ERM at a gradual, steady pace. In a study completed by the Conference Board, results showed that most of the companies considered their ERM processes to be a work in progress (Gates and Hexter, 2005). It was noted that benefits of ERM are not likely to be realized when first implemented. It takes time and patience to implement, and over time processes will be strengthened.

Similarly, Bender and Graham (2004) released a briefing in February 2004 stating that implementation is an ongoing process. They write “plan to adapt and learn. Develop and refine the implementation through experimentation, real organizational learning, and the engagement of staff and stakeholders” (p. 2). They note that implementation will take time, and likely need to be adapted to best fit the organization. By starting with a multi-year implementation plan, providing adequate training to management, keeping things simple and setting realistic expectations of the process, ERM implementation is more successful (2004).
2. Linking ERM with existing management processes

Many scholars note the implementation of risk management is most successful when built into pre-existing processes. The ISO 31000 guide (2009) says “risk management should be embedded in all the organization’s practices and processes in a way that it is relevant, effective and efficient” (p. 11). In particular, they note that risk management should be built into planning and change management processes. Alberta Treasury Board’s Framework also states ERM should be built into business planning processes (2006). This is a logical fit as the purpose of risk ERM is to help an organization achieve its strategic goals and objectives.

Along similar schools of thought, Lawrie, Kalff and Anderson (2009) developed a conference paper in 2009 showing the similarities of current risk management processes to “long-range planning” in the 1970’s. Attempting to look at the external environmental threats and the impact on achieving an organization’s goals are similar outcomes of both exercises (2009). Bhatta (2008) also writes about the importance of understanding the organizational context to successfully implement a risk management process. Environmental scanning remains to be essential to set the context for modern-day risk management.

Lawrie, Kalff and Anderson (2009) also note “a risk-based approach should be used to establish a sound system of internal control, and this system should be incorporated within the company’s normal management and governance processes, and not be treated as a separate exercise to meet regulatory requirements” (p. 6). Likewise, Ralston (2010) discusses the importance of internal controls and audit in risk management. In his article Ralston writes “internal audit will only be successful if it synchronizes itself with the governance, risk management and control landscape, of which it is part, and helps management to respond to the emerging challenges and opportunities” (p.11).

It can also be beneficial to link risk management with performance management. Hill (ND) writes “the organization structure and incentive system must be aligned with the objectives of the risk management program” (p. 12). Likewise, Bayer and Hexter (2008) propose “a risk-adjusted performance framework offers organizations the ability to explicitly link personal incentives with performance objectives” (p. 3). From their research, they found that organizations with effective ERM programs with support from top executives were able to link the two processes quite effectively. As ERM is intended to add value to the organization and help increase the performance of the organization, it is logical to link performance management. However, the ERM and performance management processes should not be linked if either is considered to be weak. Rather, the organization should focus on strengthening both processes, educating management of their purposes and how they can be linked in the future and slowly link key risk indicators to key performance indicators (2008).
3. Developing a corporate culture supportive of ERM

Literature also acknowledges the impact of organizational culture on the success of risk management in an organization. In a recent report by the Financial Executives Research Foundation by North Carolina State University, the authors state “a risk aware culture is clearly one of the top priorities of any successful ERM program” (2010). While many authors reference the importance of culture in risk management and note organizational culture can be one of the biggest barriers to implementation, there is little empirical data supporting this claim (Kimbrough and Componation, 2009). Kimbrough and Componation (2009) developed a quantitative study to determine if there is indeed a relationship. Their study revealed there is a positive correlation in the type of corporate culture of an organization with the success of ERM implementation. They found organizations with an organic culture found their culture “provided a boost to ERM deployment speed and effectiveness, and were more satisfied with the ERM programs in their organizations” (2009, p.25). As organic cultures by nature foster innovation and collaboration, compared to their “mechanicalistic culture” counterparts, this is a rational conclusion (2009, p.20).

McCrae and Balthazor (2000) also write “risk managers have a greater chance of innovation and dynamic control when consistent, ground rules and policy supports them” (p. 38). Having clear guidelines helps empower staff to implement risk management. Furthermore, a culture that fosters innovation will result in managers being more accountable for their actions, compared to a “command and control” organization (2000). Managers may be too conservative and cautious doing the risk assessment, and not do as thorough of an assessment (2000). This places the organization at a greater risk of not meeting its objectives, and defeats the purpose or risk management in the first place.

The Treasury Board Secretariat 2001 Framework notes the importance of building organizational capacity to successfully implement risk management. In particular, organizations need to focus on their human resources and supporting the development of tools and processes to strengthen capacity. It discusses the importance of fostering a culture for continuous learning to “facilitate integration of risk management into an organizational structure (2001, p. 18). This includes learning and sharing experiences with others to build and strengthen systems. As part of this supportive work environment, leaders should be selected who are good coaches who promote innovation. Finally, to enhance capacity, risk management should be built into employee learning plans. An organization that demonstrates a commitment to continuous learning for ERM will build a risk management culture.
Pitfalls and Challenges with Risk Management

In addition to finding effective risk management practices, there were also similar themes about pitfalls and challenges in implementing ERM. These themes include:

1. Inconsistencies in terminology and models
2. Demonstrating value to Senior Management
3. Overconfidence in ERM Processes

1. Inconsistencies in terminology and models

As previously mentioned, the Government of Alberta defines ERM as “a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective” (Government of Alberta, 2006 p.3). Throughout the literature, common terms are used, but the definitions sometimes are slightly different. Corbett (2004) notes it is difficult to know whether people are talking about the same thing without common terminology. For example, the International Standards Organization (ISO) defines risk management as the “coordinated activities to direct and control an organization with regard to risk” (ISO Guide 73, 2009, p.73). Likewise, the United Kingdom defines risk management in the Orange Book as “all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.” (2004, p.54). The Government of Canada’s definitions is defines risk management as “a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues” (2001, p.5). These definitions are all quite similar focusing on having a systematic approach to identify risk.

In addition to the term risk management, Enterprise Risk Management (ERM) and Integrated Risk Management are common terms used. Bayer and Hexter (2008) define ERM as “an enterprise-wide set of processes and analytical tools to identify, assess, and manage risks so that organizations can meet their objectives” (2008, p.3). This is very similar to the risk management definitions discussed above. Cobert (2004) also uses a similar definition, but uses the term “enterprise-wide risk management”. The Government of Canada builds upon their definition of risk management and defines Integrated Risk Management as “a continuous, proactive, systematic approach to manage and communicate risk from an organization-wide perspective” (p. 6). This definition is very similar to the Government of Alberta’s ERM definition. Miller (1998) also uses the term Integrated Risk Management. The ISO does not have an ERM or Integrated Risk Management definition; they simply use the term risk management.

Another different approach used by Nilsen and Olsen (2005) is to use the general term risk management, but to differentiate between the different levels. They believe risk is at three different levels: strategic, tactical and operational. Strategic levels were risks for the political and most senior officials. At the tactical level, executives, managers and
content specialists should be involved. Finally, at the operational level, team leads and workers are most impacted.

Like the inconsistencies in terminology, there are also many discrepancies in the different ERM models used. The overall steps are very similar containing identify, assess, mitigate and monitor stages. However, the number of steps varies from three to seven or more. Figure 2 shows the steps of different models, as outlined by Kallam and Maric (2004):

**Figure 2: Past Risk Management Models Identified by Kallam and Maric (2004)**

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
<th>Step 6</th>
<th>Step 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Williams &amp; Heins (1989)</td>
<td>Define objectives</td>
<td>Identify loss exposures</td>
<td>Measure potential losses</td>
<td>Select best ways to solve problems</td>
<td>Implement decisions made</td>
<td>Monitor and evaluate</td>
<td></td>
</tr>
<tr>
<td>Dickson (1995)</td>
<td>Identification</td>
<td>Analysis</td>
<td>Economic Control</td>
<td>Economic Control</td>
<td>Economic Control</td>
<td>Economic Control</td>
<td>Economic Control</td>
</tr>
<tr>
<td>Head &amp; Horn (1991; 1997)</td>
<td>Identify and analyze</td>
<td>Examine alternative techniques</td>
<td>Select techniques</td>
<td>Implement techniques</td>
<td>Monitor results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pritchett <em>et al</em> (1996)</td>
<td>Set objectives</td>
<td>Identify problems</td>
<td>Evaluate problems</td>
<td>Identify and evaluate alternatives</td>
<td>Choose alternatives</td>
<td>Implement alternatives</td>
<td>Monitor systems</td>
</tr>
<tr>
<td>Vaughn (1997); Vaughn and Vaughn (1999)</td>
<td>Determine objectives</td>
<td>Identify risks</td>
<td>Evaluate risks</td>
<td>Consider alternatives and select risk treatment device</td>
<td>Implement decision</td>
<td>Evaluate and review</td>
<td></td>
</tr>
<tr>
<td>Rejda (1995; 1998)</td>
<td>Identify</td>
<td>Evaluate</td>
<td>Select appropriate technique</td>
<td>Implement and administer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skipper (1998)</td>
<td>Identify and evaluate</td>
<td>Explore techniques</td>
<td>Implement and review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harrington &amp; Niehaus (1999)</td>
<td>Identify</td>
<td>Evaluate</td>
<td>Develop and select methods</td>
<td>Implement</td>
<td>Monitor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trieschmann <em>et al</em> (2001)</td>
<td>Identify</td>
<td>Evaluate</td>
<td>Select techniques</td>
<td>Implement and review</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition to these models, the Alberta Treasury Board (2006) recommends ministries use a general 7 step model:

1. Establish the Context
2. Identify the Risks
3. Assess the Risks
4. Evaluate the Risks
5. Manage the Risks
6. Monitor and Review
7. Communicate and Consult

Likewise, the Government of British Columbia uses an eight-step process which is very similar. Consult and communicate is the first step, and record the risk management process is the eighth step (2008). The Treasury Board Secretariat of Canada uses a nine step process that is quite similar to other models, but provides more detail. For example, assessing risks and measuring the likelihood and impact of risks are two separate steps. Despite there being several risk management models using different steps to accomplish the same tasks, they are ultimately quite similar.

2. Demonstrating Value to Executive Team

As discussed earlier, ERM is most successful when there is a policy developed and supported by Executive Team. However, the policy will not be accepted by senior management in any organization if there is no value added to the organization. ERM will be seen as a paper exercise required that meets audit criteria. According to Friday (2006), “to gain the true benefits of developing an ERM program, organizations need to understand that risk management is more than a methodology and a set of tools to be imposed on the operations of business. It is a philosophy on how to make better decisions and to optimize every opportunity to gain its greatest value while protecting the existing value of an organization”. Likewise, Gates and Hexter (2005), write the “lack of consensus of ERM’s benefits may actually be a greater obstacle than a temporary of lack of resources” (p. 7).

Hood and Rothstein (2000) write that ERM is often used for the wrong purposes. For example, ERM is used as a way to shift blame and avoid risks, at the expense of adding value to the public and solve problems. In addition, too much focus can be placed on completing the tools and templates which creates a paper exercise, rather than help in problem solving that is aligned with public service values.

Figure 3 below outlines possible solutions to pitfalls of ERM. As the figure indicates, the authors believe ERM processes can add value to organizations by being aware of potential pitfalls and working to develop processes that avoid undesirable consequences and behaviours.
Figure 3: Implications for Good Practice

<table>
<thead>
<tr>
<th>Pitfall to be avoided in application of business risk management in government</th>
<th>Possible solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blame-shifting rather than overall problem solving</td>
<td>Develop procedures to ‘get the whole system in the room’</td>
</tr>
<tr>
<td>Excessive concentration on organizational risk at the expense of government-wide or social risk</td>
<td>Develop procedures to focus on systematic risk as well as organizational risk</td>
</tr>
<tr>
<td>Mechanistic or tokenistic application of business risk management</td>
<td>Develop procedures for intelligent deliberation considering second-order effects as well as first-order effects</td>
</tr>
</tbody>
</table>


Podowitz and Stippich (2010) writes “the top reasons companies do not embrace an ERM approach to risk oversight are competing priorities, insufficient resources and – perhaps more importantly – a lack of perceived value”. He recommends this lack of perceived value can be altered by how ERM is presented. Rather than focusing on what can be lost if an organization does not implement ERM, the system should focus on what can be gained – organizational growth, increased efficiencies and strengthened corporate culture. In addition, focusing on past successes, no matter how small, can increase buy-in.

3. Overconfidence in ERM processes

Some of the literature also cautioned about being overconfident in ERM processes. For example, Power writes that maybe too much emphasis is placed on ERM and “such programmatic dreams are doomed to failure; not least because their ‘thin simplifications’ are inadequate” (209, p. 850). In addition, a great deal of focus of deficiencies seem to lie with human error, rather than processes as a whole. He concludes by writing “the growth of risk management from the mid-1990’s onwards – the risk management of nearly everything – was less about managing risk as it is formally understood and more about creating organizational rhythms of accountability and auditable representations of due process” (2008, p.854). In other words, organizations have become too focused on processes rather than the overall effectiveness of the programs.
Corbett (2004) is overall a proponent of risk management. However, he cautions that risk management is not a new concept and traditional methods are not necessarily wrong. Whatever processes are used need to meet the needs of the organization. While further integration may make sense for some organizations, traditional methods may better fit others (2004). In addition, risks will always exist, and it not realistic to think ERM will eliminate all of them. It also may not be in the best interest of the organization to eliminate all risks; however, having a higher awareness is beneficial.

Similarly, Lumsdaine (2008) writes it is important risk practitioners avoid being overconfident with processes. In looking at the current economic downturn, Lumsdaine notes that while people were worried about ratings and processes, firms did not necessarily sufficiently focus on due diligence and test assumptions being made (2008). He concludes that people are too reliant on models and should be focusing on “core principles such as prudence, flexibility, continuous monitoring stress testing and scenario analysis, and a reliance on deeper understanding of not just the benefits but the limitations of the inputs and assumptions that inform decisions” (2008, p.50). The pendulum needs to come back to centre and focus on both models and reality.

In terms of what the findings from the literature review mean for AEI, there are areas for improvement. AEI does not currently have its own risk management policy, or a developed risk management culture. Without a policy in AEI, there is no common use of terminology or risk tools used across the ministry. ERM has been incorporated into the business planning process, which is aligned with the literature review, but other linkages to risk management processes could be explored. While there is general support by Executive Team, the overall value of ERM has not been demonstrated as the processes are still quite new.

The next section presents a conceptual framework to help AEI move forward with risk management. Essentially, having a policy supported by senior management that is linked to other management processes will help to build a risk management culture. However, as the literature indicates, it is important to also know the limitations of risk management. In doing so, a better process can be developed that meets the needs of the organization.
CONCEPTUAL FRAMEWORK

After reviewing the literature, it is clear the risk management policy is critical in setting the direction and managing the processes to assist organizations in meeting their goals and objectives. It is important the policy sets the parameters and risk tolerance for the organization and be supported and championed by the most senior management of the organization. Figure 4 below shows the risk management policy being the driver for the Enterprise Risk Management process.

Figure 4: Conceptual Framework of Risk Management

- Organization’s Goals and Objectives (business and strategic planning)
- Environmental Scan
- Operational Risks
- Internal Audit and Controls
- Business Continuity Plan
- Risk Culture
The policy is at the top of the diagram because it is championed and supported by upper management and sets the overall framework for risk management in the organization. From the parameters outlined in the policy, Enterprise Risk Management (ERM) processes can be developed. For the purposes of this project, ERM is focused on the strategic risks for the organization. These are the risks that will affect the organization’s ability to achieve its organizational goals and objectives.

There are many inputs into ERM in an organization. First, the organization’s goals and objectives form the basis of ERM processes. Without organizational goals and objectives, there is nothing to assess as part of the ERM process. Second, environmental scanning processes can provide insight and help set the context for identifying risks as part of ERM. While ERM focuses on strategic risks, operational risks can be a valuable source of information in the process. Without getting bogged down into the details, operational risks can inform people of the potential risks that may be percolating from projects or operations. Similarly, the knowledge of current internal controls and audit procedures can feed into the process. Knowing types of controls already in place can provide people with context about risk. The organizational culture and openness to discuss risks is also an input into the process. Cultures that foster open communication and innovation are more likely to embrace ERM and be more successful in implementation.

The relationship between the inputs and factors and ERM is twofold, which is depicted by the double-ended arrow. First, they provide information and context for the ERM process. Second, the ERM process can help shape the inputs. A solid ERM process that is linked with other processes in the organization results in a better informed, flexible organization. ERM should inform the other processes, as much as they inform the ERM process. The stronger the ERM processes, the better the risk culture. Likewise, the ERM process will be more effective with a stronger risk culture; again, they build each other.

The Risk Management Policy, on the other hand, does not have such a relationship with ERM. It is a top-down relationship, where the policy provides direction to ERM, but ERM does not inform the policy. The reason for this relationship is to provide consistency and constant guidance. Processes can change to reflect new realities. However, the policy should be able to withstand changes in the environment. The overall organizational policy for risk management should remain constant, to guide managers and risk practitioners over the long-term. When the policy is updated, it may look to the experiences and outcomes of the ERM processes, but the main driver for the policy is the desired risk level senior management is willing to delegate throughout the organization.

The next section discusses the methodology for the data collection. This conceptual framework will be used as the lens of how the data will be analyzed.
METHODOLOGY

The deliverables for this project were to complete a literature review as well as recommendations on how to strengthen AEI’s risk management processes. As such, the methodologies of both deliverables are discussed in this section.

There is a wealth of information available about risk management. When conducting the literature review, a primary focus was on finding information related to the public sector. University of Victoria and Government of Alberta library databases were searched using key words such as “risk management”, “enterprise risk management”, “integrated risk management”, “integration of risk management”, “risk management in the public sector”, “value of risk management” and “pitfalls of risk management”. These terms were also used to search Google Scholar, and Google search engines. In addition, ERM resources on Alberta Treasury Board’s internal website were examined.

In addition to the literature review, this project relies on qualitative information gathered through a series of interviews and questionnaires with the expectation to learn what is currently happening within AEI, other ministries and other jurisdictions. Three different groups were consulted:

- **Group 1** was comprised of managers internal to AEI who had risk management responsibilities.
- **Group 2** was comprised of risk management practitioners external to AEI, but within the Government of Alberta.
- **Group 3** was comprised of individuals involved in risk management in the Government of British Columbia and Government of Canada.

Ten managers within AEI were interviewed as part of Group 1. Interview questions are included in Appendix 1. The questions focused on asking respondents about the risk management processes they were involved with. In addition, questions were asked to determine current linkages to other risk management processes. Interviews were completed with a good cross-section of staff. Participants were chosen based on their roles in the organization. For example, the manager responsible for developing administrative controls for financial processes was interviewed because of his extensive role in managing financial risk. Likewise, two managers were interviewed to talk about their involvement in managing program and policy risk. Nine of the interviews were in-person and one was completed via teleconference. All participants were asked for additional names of people to interview within AEI.

For Group 2, a questionnaire was developed to elicit feedback from other ministries within the Government of Alberta about risk management practices. The questionnaire can be found in Appendix 2. Twelve ministries completed the questionnaire. The questionnaire was sent to members of the Government of Alberta Enterprise Risk Management Communities of Practice. This group was targeted because all members are involved in ERM and have a good awareness of other risk management practices.
within their ministries. In addition, as the group is a community of practice, it is customary to share information across ministries and learn effective practices and lessons learned from one another. The questionnaire asked for additional names of risk practitioners to contact to elicit additional perspectives.

Finally, for Group 3, telephone interviews were conducted with four Government of British Columbia employees, as well as two Government of Canada employees. Interview questions can be found in Appendix 3. British Columbia was chosen by the researcher as an external jurisdiction to contact because they implemented ERM practices earlier than Alberta and were mentioned frequently in a training course taken by many Alberta risk management practitioners. The federal government was contacted because they released their Integrated Risk Management Framework in 2001, again meaning they had processes in place before Alberta. Participants were chosen based on the similarities of ministry portfolios with AEI, as well as the focus of their jobs. The Researcher viewed the online telephone directories of both governments to find people with risk management responsibilities. In addition, the Researcher specifically wanted to contact someone involved with the Treasury Board Secretariat’s Integrated Risk Management Framework. While only six people were contacted, the responses to the interviews were quite similar; indicating to the researcher the information was accurate. Additional people from both jurisdictions were contacted, but did not respond.

After the interviews and questionnaires were completed, the information was compiled into one document and analyzed for common themes. Findings were reviewed to determine if:

a) It would be beneficial to develop an integrated risk management plan;

b) It is best to keep the risk management processes completely separate; or

c) It is beneficial to link different steps of processes together, but best to keep them mainly separate.

In addition, information was reviewed to find practices that could strengthen AEI’s risk management processes.

The findings from the interviews and questionnaires were reviewed to identify common themes also found in the literature review. As part of the overall premise of this project, the common themes and practices were viewed with a lens of compatibility with AEI. For example, given the financial and human resource constraints, recommendations should be realistic and achievable with current staff. In addition, the recommendations need to reflect the Executive Team’s desire to keep ERM simple, while still adding value to the organization. Anything seeming complex or cumbersome would not be acceptable for the client, therefore were not included.

Using this methodology, the interviews and questionnaire were administered. The next section provides the key findings from the data collection tools outlined in this section.
**FINDINGS**

Using the methodology outlined in the previous section, people from multiple organizations were consulted. The findings in this section are broken down as follows:

1. Risk Management within Alberta Employment and Immigration
2. Risk Management in other Alberta Government Ministries
3. Risk Management in the Government of Canada
4. Risk Management in the Government of British Columbia

1. Risk Management within Alberta Employment and Immigration

Ten managers in AEI were interviewed between May 1-15, 2010. The interviewees are all involved in various risk management processes from information security or project management to internal audit and Enterprise Risk Management. Table 3 summarizes the risk management practices in AEI.

<table>
<thead>
<tr>
<th>Process</th>
<th>Lead Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Risk Management</td>
<td>Finance, Organizational Planning and Reporting (FOPA)</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>FOPA</td>
</tr>
<tr>
<td>Contract Management</td>
<td>FOPA</td>
</tr>
<tr>
<td>Business Continuity</td>
<td>FOPA</td>
</tr>
<tr>
<td>Insurance Loss Prevention</td>
<td>FOPA</td>
</tr>
<tr>
<td>Systems Project Management</td>
<td>Information Management and Applications Support (IMAS)</td>
</tr>
<tr>
<td>Information Security</td>
<td>IMAS</td>
</tr>
<tr>
<td>Freedom of Information and Privacy</td>
<td>Information and Privacy</td>
</tr>
<tr>
<td>Policy Development and Ministerial Reports</td>
<td>All branches</td>
</tr>
</tbody>
</table>

The primary focus of these processes is to reduce risks and better manage resources in the Ministry. However, the intended audience varies greatly. AEI’s Executive Team is the intended audience for Enterprise Risk Management. Project managers and sponsors are the intended audience in project management risk management, including systems development and information security projects.
The Office of the Auditor General (OAG) is the driver behind the development of many of the risk management practices. For example, the 2005 OAG report recommended implementing risk management practices in managing information and technology projects. They also recommended ministries incorporate risk management in their planning processes. Likewise, the internal audit processes for the ministry were developed, based on OAG recommendations. Despite the OAG recommendations, the ministry is responsible to identify and own its risks. They are accountable to accepting, mitigating and monitoring the different risks.

When the respondents were asked what other risk management processes they were aware of, none of them were able to list all the different processes. However, while they did not know what the exact processes were, they all knew other risk management processes existed. Most of the respondents were hesitant to increase linkages and integration among the different processes. In addition, all interviewees did not support the idea of developing an overall integrated risk management plan, incorporating all risk management processes in the ministry. They were concerned about causing additional work without seeing the value to their jobs. Some of the respondents felt if risks were broadly shared across the ministry the processes would not be as useful. Risks could potentially be understated or not stated at all if there was fear the risks would be leaked to the general public.

With that being said, respondents involved with financial risk management thought the linkages with ERM could be strengthened. They felt their risk assessments of financial processes and controls may be able to inform the ERM process. As the audience for both internal audit and ERM is senior management, it may be a natural fit to link together as certain points. By working with staff from across the department, the finance people have a good sense of priorities across the organization and have noticed an overall increase in the appetite for risk management.

Even though there was little support to develop an integrated risk management plan, several of the respondents felt having materials for managers to use would be useful. Tools, templates, matrixes and common definitions could be developed and made available to managers to use, as they saw fit. The respondents felt this could help staff better manage risks in their portfolios and saw this as adding value to the organization.
2. Risk Management in other Government of Alberta Ministries

Twelve ministries completed the questionnaire sent to the ERM Communities of Practice group between May 11 and 21, 2010. All but one respondent were directly involved in their ministry’s ERM process. A majority of the respondents were aware of risk management processes other than ERM, with two from smaller ministries indicating ERM was their only risk management process. Many also linked with other management processes in their ministry including strategic planning, business continuity planning, operational planning and project management. In one ministry, several processes were linked together by having one individual responsible for multiple risk management functions.

ERM practices in a majority of the ministries were developed and implemented after 2006 when Deputy Ministers approved the Alberta Treasury Board Framework. As such, most processes are still in the early stages of being implemented and are continuously being improved to meet their ministry’s needs. Several respondents commented their processes continue to be a work in progress.

To gather input into ERM processes, a majority of the ministries have cross-department committees made up of senior people from other divisions. This aids in gaining a broader perspective. When asked whether it would be useful to make additional linkages to other risk management processes within their ministry, the responses were mixed. Half of the respondents felt they already made sufficient linkages and any attempt to make more would not add value. They felt their ERM process was broad enough to capture the main risks of their ministry and did not want to complicate the risk management processes in their organization. However, the other half indicated that making more linkages would be useful, and several are already trying to make more linkages. They felt that having a better grasp of the different risk processes in their ministries would result in a stronger risk register for their senior executives. A few respondents thought the concept of making more linkages would be useful, but they were not sure how that would look for their ministries.

Over half the respondents noted they use their ERM risk registry as the integrated risk plan for their ministries. They felt as ERM focused on the strategic risks for the department and was developed in consultation with other divisions, it sufficiently captured the high-level risks for their ministry, and no other plan was needed. Three ministries have a separate risk management policy or framework they developed to complement the Alberta Treasury Board Framework.

Two of the respondents noted that additional linkages with other ministries may be useful to manage risks that impact several areas. They thought that as ministry ERM processes evolve, it may be something the Government of Alberta could explore further in the future.
3. Risk Management in the Government of Canada

Two people were interviewed from the federal government between May 19 and 25. The first person interviewed was a Senior Risk Officer from Human Resources and Skills Development Canada (HRSDC). He explained his ministry followed the framework and implementation guide developed by the Treasury Board Secretariat. He noted the audience for their risk management processes is HRSDC’s senior management, not the Treasury Board Secretariat.

While the Integrated Risk Management Framework was released in 2001, HRSDC started to implement risk management in 2000. Since then, they have developed a risk management hand book, offered training to staff and developed a corporate risk profile and other documents for senior management to aid in decision making.

Risks are differentiated between strategic and operational in nature. Two separate units within his branch work on the different types of risks. Only the strategic risks are included in the corporate risk profile for senior management so the document remains focused and reasonable in length. However, both units work together to find common themes and other issues that may need additional monitoring or joint mitigating strategies.

Risk management in HRSDC is aligned with both the strategic planning and environmental scanning cycles. In addition, risk management is part of the management accountability framework, which the ministry sends to Treasury Board each year, like a report card.

The second person interviewed from the Government of Canada was from the Treasury Board Secretariat (TBS). The focus of the interview was not on the processes in TBS itself, but of the development of the overall framework for the government. TBS proposes integrated risk management is where strategic and operational risks come together to form a more holistic risk management approach.

The Integrated Risk Management Framework was initially developed in 2001 with an implementation guide released in 2004. Despite being released close to a decade ago, the Framework is very much alive and well in the federal government. It is currently being updated to reflect the new ISO standard and changes in leadership within the federal government. The concepts remain very similar to the original documents, but the new policy focuses on the principles of risk management. Separate guides of how to implement risk management and complete assessments are also being developed. For example, separate tools are being developed for line managers and risk managers to help provide consistency across the government.

The federal government does not have one over-arching risk management plan. While ministries “own” their corporate risk profiles, TBS does have an oversight mechanism to evaluate Integrated Risk Management practices in ministries. TBS looks at the overall corporate risk profiles, linkages with other processes, senior management support and
signs of continuous improvement. TBS also assists ministries incorporate risk management throughout their organizations and be seen as a valuable management tool and aid in decision-making. TBS recommends risk management is linked to strategic planning to help set priorities, allocate resources and reduce duplication.

The final observation made by both interviewees from the federal government was the importance of sharing information. The federal government has a risk management Community of Practice where risk practitioners discuss processes and overall lessons learned. Both respondents mentioned the importance of this group as processes are continuously evolving. This group was consulted with in the redesigning of the TBS Integrated Risk Management framework. Open communication and collaboration strengthens risk management across the government.

4. Risk Management in the Government of British Columbia

One person from both the ministries of Housing and Social Development and Advanced Education and Labour Market Development involved in risk management functions were interviewed from the Government of British Columbia. In both ministries, there is not a centralized risk management function. Risk management was seen as a corporate priority seven years ago, linking with financial management functions. There was extensive training and a push to integrate risk management in all processes throughout the organization. However, due to recent reorganizations many corporate risk management roles have been eliminated.

Despite not having a corporate risk management function, both respondents are quite involved in project risk management. As projects become more complex, and dynamic in terms of being cross-jurisdictional, risk management is seen as being integral to effectively manage the projects. Other risk management practices related to financial controls, business continuity and contract management are also used throughout both ministries.

Both respondents discussed the importance of the risk management Community of Practice as an effective mechanism to share information and best practices on processes. In addition, both respondents have noticed that risk management had permeated throughout their ministries. Cross training and mentorship was seen as key to continuing to build their risk management cultures.

In addition to ministry respondents, two people from the Risk Management Branch in the Ministry of Finance were also interviewed. Both individuals were involved with ERM, but were also aware of other risk management practices in their branch. When asked about their role, the interviewees discussed how they provide their ERM expertise to ministries and cross-ministry project teams. They explained how working horizontally to develop a risk registry and mitigating strategies for the recent 2010 Winter Olympics in Vancouver was a great way to showcase the benefits of ERM across government.
ERM in the Government of British Columbia is strongest at the project level. Project managers see the value in completing risk assessments, and it is a practice that Treasury Board values. While an ERM policy and framework were developed in 2003, they are not widely used or communicated. With that being said, ERM at the strategic level is also gaining momentum. There is a growing awareness at the executive level of the importance of risk management, and the Office of the Auditor General has echoed this message.

Moving forward, the respondents from the Ministry of Finance stressed the importance of working with ministries to continue to build capacity and integrate with other processes. The steps in risk management are very similar to other management processes such as business continuity planning, strategic planning and project management. There is an opportunity to leverage the different processes to build a risk culture and awareness throughout an organization. Working with ministries to facilitate ERM discussions, go through the process and complete the risk assessment helps to share knowledge and demonstrate the value in ERM to others.

The experiences of the three jurisdictions provide great insight of different approaches to risk management. These findings will be further explored in the next section.
DISCUSSION

It is interesting to examine ERM processes of different organizations. This section will compare and contrast ERM from the different jurisdictions, as well as relate the findings to the literature review. Table 4 below outlines the similarities and differences in risk management practices across the Governments of Alberta, Canada and British Columbia.

Table 4: Summary of Findings

<table>
<thead>
<tr>
<th></th>
<th>Alberta</th>
<th>Canada</th>
<th>British Columbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and Use of a Risk Management Policy</td>
<td>Broad framework developed by Alberta Treasury Board in 2006. Several ministries have departmental frameworks</td>
<td>Integrated Risk Management Framework released in 2001. New framework is under development Ministry interested in developing own framework</td>
<td>Broad framework developed in 2003, but not widely used now. No evidence of ministry frameworks</td>
</tr>
<tr>
<td>Linkages with other risk management and planning processes</td>
<td>Yes – strongest linkages with business planning</td>
<td>Yes – strongest linkages at the strategic level, with linkages at the operational level</td>
<td>Yes – linkages primarily at the project management level</td>
</tr>
<tr>
<td>Implementation and Timeframes</td>
<td>Four years</td>
<td>Nine years</td>
<td>Seven Years</td>
</tr>
<tr>
<td>Risk Culture and Communities of Practices</td>
<td>No culture, but knowledge and interest of risk growing Community of Practice developed</td>
<td>Well-developed risk culture Community of Practice developed</td>
<td>Risk management common practice at project level Community of Practice developed</td>
</tr>
</tbody>
</table>

Risk management is an evolving process and can be accomplished through different ways. It is important for AEI to implement and improve risk management processes in a way that makes sense for the organization. There is no set path organizations need to take, but as we see below, certain paths may lead to greater success for AEI.
The remainder of this section explores the categories outlined in Table 4:

1. Development and Use of a Risk Management Policy
2. Linkages with other risk management and planning processes
3. Implementation and Timeframes
4. Risk Culture and Communities of Practice

1. Development and Use of a Risk Management Policy

An overwhelming amount of the literature states the importance of developing an overall risk management policy. As such, the risk management policy is highlighted as the top step in the conceptual framework presented in this paper. The policy developed by the Treasury Board Secretariat is very in line with the literature’s recommendation. It provides details about the purpose of risk management and how to implement so there is consistency across ministries. In addition, it received support from upper management. Nearly ten years later, risk management is alive and well in the federal government. In Alberta, it is taking time for ERM to gain momentum and add value to the ministries. The Government of British Columbia also has a policy and accompanying reference guide that ministries use. However, the reference guide recommends having dedicated personnel to risk management, which is not the case in the two ministries interviewed.

The broad framework developed by Alberta Treasury Board is a good starting point. However, it may be useful for AEI to develop a detailed policy to complement the framework; the policy could outline the parameters of ERM, need for executive support and risk tolerance of the ministry. From the surveys completed, ministries in Alberta who developed their own policy or framework have greater integration of risk management processes. The policy can aid in building a risk culture, which sustains risk management in organizations and adds value.

While the literature outlines many different risk management models, choosing one model to focus on is important. Both Alberta and the federal government are reviewing the ISO 31000 guide for risk management. It is positive to see both governments looking to the same standard. The ISO 31000 Framework is easy to understand, and is less technical than some of the other models, making it easier to develop tools and templates for line managers to use. The ISO 31000 Framework (2009) recommends the following components should be included in the risk management policy:

- the organization’s rationale for managing risk; links between the organization’s objectives and policies and the risk management policy;
- accountabilities and responsibilities for managing risk;
- the way in which conflicting interests are dealt with;
- commitment to make the necessary resources available to assist those accountable and responsible for managing risk;
- the way in which risk management performance will be measured and reported; and
• commitment to review and improve the risk management policy and framework periodically and in response to an event or change in circumstances (p. 10-11).

For ministries like AEI, the adoption of the ISO 31000 presents a window of opportunity to review current processes and develop an internal policy.

2. Linkages with other risk management and planning processes

The literature review also noted the success of risk management practices is often dependent on linkages with other processes. The Conceptual Framework also shows linkages to ERM with other risk management processes such as internal audit, information security and business continuity.

Within AEI, there have been organizational changes in the last year that also present opportunities. The Finance, Organizational Planning and Administration Branch has recently been formed, which has resulted in majority of the risk management processes in the ministry being housed in one area. Survey results of Government of Alberta ministries indicate that those with staff responsible for multiple risk management processes have a better grasp of integrating the information. While there are several people responsible for the processes in AEI, it should be easier for people to connect together and learn about other risk management practices and information.

Risk management is built into the business planning processes in Alberta ministries, and has helped to plant roots into organizations. As shown in the Conceptual Framework outlined in Figure 3, business planning is both an input and recipient of information from ERM. Some Alberta ministries have integrated risk management into their operational planning processes as well. As AEI has taken a very conservative approach, this would be a difficult step to take at this point. However, as the research and findings have shown, risk management is on a continuum. It can be implemented as quickly or slowly as to what makes sense for an organization. In the future, AEI may want to look at building ERM into its operational planning, but it is not a priority now.

As for developing one master integrated risk management plan, many of the other Alberta ministries felt their ERM risk registries were sufficient in capturing the risks needing their executive’s attention. Managers interviewed in AEI thought more linkages could be made, but did not like the idea of developing an overall plan. In the federal government, ministries are primarily focused on the strategic risks as well. Therefore, it is probable that while linkages with operational risks would benefit ERM processes, a master plan would not be beneficial.
3. Implementation and Timeframes

The literature review indicated implementation of ERM at a gradual, steady pace to be more effective than a fast, full process implementation approach. All three jurisdictions interviewed had different approaches to implementation. The Treasury Board Secretariat developed a policy in 2001 for all ministries to adopt, providing a great deal of detail and what was expected from ministries. The focus was on developing an integrated risk management plan where strategic and operational risks were both considered. British Columbia implemented risk management throughout all levels of the organization at once in 2003. While corporate risk offices are no longer located in all ministries, risk management is strong at the project level. Alberta’s approach was in the middle: Alberta Treasury Board developed a broad framework, focusing primarily at the strategic risk level, but left the development of the processes with the ministries. Ministries have developed processes and are in the early stages of implementation.

Seeing the different timeframes in three jurisdictions shows implementing risk management is a work in progress. Despite releasing their framework in 2001, the Treasury Board Secretariat continues to review their tools, and update as needed. British Columbia has focused more on project risk, rather than strategic risk. Alberta ministries have primarily focused on implementing risk management at the strategic level, with a few ministries starting to include it in their operational plans and project management documentation. Deputy Ministers in Alberta have been very clear they do not want to see risk management become a “cottage industry”, so ministries have overall been quite cautious in implementing processes. AEI, in particular, focused their ERM implementation on meeting the minimum requirements set by Treasury Board. Alberta Treasury Board has not been very prescriptive in how risk management is implemented, allowing ministries the flexibility to implement processes that make sense for them.

4. Risk Culture and Communities of Practice

The literature has indicated building a risk management culture helps with successful implementation. The Conceptual Framework also shows how a risk management culture is an input into effective ERM.

As risk management is still quite new in AEI, there is not an overall risk management culture. However, at the Government of Alberta level, risk management is gaining momentum. Human Resources and Skills Development Canada indicated having a strong risk management culture that has been nurtured over time. Likewise, risk management is a common practice in the Government of British Columbia at the project level.

One way to contribute to the development of a risk culture is to establish a community of practice. All jurisdictions developed a risk management community of practice. The purposes of these groups are similar, providing a forum to provide corporate updates, allow risk practitioners to share information about their processes, literature they have
read and courses they have completed. The Treasury Board Secretariat used the Community of Practice in the federal government to obtain feedback on the new policy and user guides under development. Moving forward, these groups could also be the conduit to manage risks across ministries and jurisdictions.

Communities of practices can also share information of how to train ministry staff in risk management processes. Training can be costly, so finding ways to communicate information with line staff is very important. British Columbia interviewees discussed the importance of mentoring staff and learning from each other. The federal government discussed they are looking to develop in-house training tools. If AEI does want to develop a risk management culture, line managers and senior policy advisors need to learn about ERM and the benefits it has for the organization. Information and demonstrated value must be filtered further than the Business Planning Advisory Committee and Executive Team. Staff can use risk management in their project management and policy development tasks. This would help dispel the myths of risk management being strictly an executive team concern or being a paper exercise and look to build an organizational risk culture.

The findings from the literature review and interviews indicate there is room for improvement in AEI’s risk management practices, and opportunities to implement changes. Given the human and financial constraints, any recommendations for improvements will need to be simple and practical. The next section keeps these restraints in the forefront and outlines three options for AEI on how to strengthen its risk management processes.
OPTIONS

Based on the literature review, findings and discussion above, three options are presented for AEI’s consideration:

1. Risk management processes remain status quo
2. Increase linkages to current risk management processes within AEI
3. Develop a risk management policy at the Ministry level and support the growth of a risk management culture.

1. Risk Management practices remain status quo in AEI

As there are fiscal and hiring restraints in the Government of Alberta and AEI’s audit results indicate its ERM process meets the minimum requirements, no changes be made to current risk management processes. The disadvantage to this option is risk management information may be missing to truly inform the ERM risk register because linkages to other risk management processes are not being made. In addition, ERM may be seen by Executive Team and staff as a paper exercise to meet to meet expectations set by Alberta Treasury Board, rather than a meaningful management process to aid in decision-making.

2. Increase linkages to current risk management processes within AEI

Rather than keeping the ERM process at status quo as in Option 1, this option proposes two enhancements be made to the current risk management processes. First, expand Business Planning Advisory Committee membership for meetings related to ERM. Members of the internal audit team, financial processes and controls, business continuity, information security and the project management office should be invited to the risk assessment meetings. This is aligned with the finding that linking with other risk management processes strengthens ERM in an organization.

Second, linkages between risk management processes housed in the Finance, Organizational Planning and Administration Branch (FOPA) should be strengthened. Due to a recent reorganization, more of the risk management processes in AEI are in FOPA, with ERM being the newest addition. A “mini community of practice” should be developed to inform each other of the different risk management processes as many are currently completed in isolation. As the findings show, sharing information helps to increase awareness of risk management. By working more closely together, the risk practitioners in FOPA can foster a greater understanding of the purposes of the different risk management processes, and appropriate linkages can be made where it makes sense.
This option provides a more holistic approach to ERM in AEI, without requiring additional human or financial resources. However, this option will not aid in developing broader support for risk management by Executive Team and ministry staff outside of FOPA.

3. Develop a risk management policy at the Ministry level and support the growth of a risk management culture.

Option 3 is to develop a risk management policy that is supported by AEI’s Executive Team. The Deputy Minister should be the champion of the policy. As much of the literature indicates, a risk management policy supported and championed by upper management is critical to the success of any system. While Alberta Treasury Board has developed a broad framework, AEI would be well-served by developing its own policy that specifically outlines the intent of risk management, scope and level of acceptable risk. Terminology should be defined and aligned with Alberta Treasury Board to ensure there is a common understanding throughout the organization. The policy should be brief, and concise while emphasizing overall value to AEI, and how the responsibility of risk management lies on all levels of the organization.

Having Executive Team’s support is fundamental to the success of risk management in AEI. To gain Executive Team support, the policy needs to be practical, and express the value of risk management to the organization. Successes of ERM should be highlighted to Executive Team, including recent audit results and discussions by the Business Planning Advisory Committee. Risk management should be presented in a way to demonstrate to Executive Team how it can help maximize resources by capitalizing on opportunities and reducing loss to the organization.

To support managers and senior policy staff in conducting risk assessments, “how to” guides should be developed and promoted. Risk assessments should be required by Executive Team for any major project proposal, which will be outlined in the policy. By promoting the use of common language, tools and templates that are aligned with the overall risk management policy of the Ministry, a risk management culture will be supported. An organization with a growing risk management culture will see the benefits, and not see the processes of being a paper exercise.

Option 3 will take staff time to develop the policy, tools and templates, as well as training and promotional materials. However, if done gradually over time, this could be completed with current staff resources. From experiences of other ministries and governments, risk management implementation takes time and does not have to be completed all at once.
RECOMMENDATION

AEI should build upon the momentum gained from its audit experience and look to move beyond the minimum requirements outlined by Alberta Treasury Board. It is recommended AEI implement Option 2 and move to Option 3. These options will lay the foundation to build a risk culture that is sustainable over the long-term. Table 5 outlines timelines to implement options 2 and 3, based on AEI’s current business planning process:

<table>
<thead>
<tr>
<th>Step</th>
<th>Completion Date</th>
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<tbody>
<tr>
<td>Expand membership of the Business Planning Advisory Committee to complete a risk assessment on the draft 2011-14 Business Plan.</td>
<td>October 2010</td>
</tr>
<tr>
<td>Develop a Community of Practice in FOPA to discuss risk management processes. Membership can be expanded to outside the Branch, once established.</td>
<td>December 2010 (regular quarterly meetings will occur after this date)</td>
</tr>
<tr>
<td>Develop a risk management policy that aligns with the Government of Alberta Framework, and ISO standards.</td>
<td>February 2011</td>
</tr>
<tr>
<td>Policy is approved by Alberta Employment and Immigration’s Executive Team and introduced as part of the 2012-15 Business Planning Cycle.</td>
<td>March 2011</td>
</tr>
<tr>
<td>“How to” guides are developed to help managers and senior policy analysts understand risk management and complete risk assessments</td>
<td>June 2011</td>
</tr>
<tr>
<td>Risk management policy and guides promoted to staff through posting on the Intranet and presentations to work units. Instructional videos and webinars could be developed as well.</td>
<td>September 2011</td>
</tr>
<tr>
<td>Changes to risk management processes are monitored, reviewed and altered, as required.</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

The timelines outlined in Table 3 above will result in incremental changes that can be made with current staffing levels. Learning from the other jurisdictions, a slow but steady pace of implementation is better for long-term sustainability. These changes will increase staff capacity in risk management and support the growth of the organization’s risk culture.
CONCLUSION

This paper began by discussing the evolution of ERM in AEI and the Government of Alberta. ERM is relatively new in Alberta, only receiving Deputy Minister approval of a broad framework in 2006. AEI is at an interesting crossroad in its risk management journey; the minimum requirements outlined by Alberta Treasury Board for their ERM process have been met, but there is always room to grow. The literature recommends developing a policy supported by upper management to outline the parameters and risk tolerance of the organization. In the public sector, the Treasury Board Secretariat of Canada developed a detailed framework in 2001, and risk management processes are very strong in the federal government.

The literature also discussed the importance of linking ERM with other management processes such as business planning, environmental scanning, internal audit and performance management. It is positive that AEI integrated ERM within its existing business planning process. However, additional linkages could be made to other risk management processes ensure its risk registry accurately reflects the risks Executive Team should most focus on. By involving others in the risk identification process, overall awareness of risk management will increase in the ministry. This awareness will help build a healthy risk culture, where engaging in discussions related to risk is encouraged. As the literature also notes, it will be important to continually review processes and linkages to ensure they are still needed. Like in any process, it is important to question assumptions and evaluate the usefulness of the outputs of ERM.

ERM processes were also reviewed across three jurisdictions. There were similarities and differences of experiences across the jurisdictions. The primary similarity was the development of a framework at the corporate level. However, the acceptance of the framework varied across jurisdictions. As the three jurisdictions are at different stages of implementation, lessons can be learned by AEI on how to implement sustainable changes to its risk management processes that add value, without becoming a “cottage industry”. The final products of ERM need to be focused and manageable for AEI’s Executive Team.

Finally, three options were provided to AEI, with the first option to keep risk management processes status quo. The other two options provided recommendations on how to strengthen risk management processes in AEI. To ensure risk management processes are sustainable, it is important for AEI to think long-term and envision what a fully evolved risk management system in their organization would look like. Building a savvy risk culture does not have to be an unreasonable amount of work; by having senior management support risk management and use it as a decision-making tool, AEI can build a risk culture that is sustainable and meets the needs of the organization. Only then can AEI have risk management processes that truly add value, not administrative burden to the organization.
APPENDICES

Appendix 1: Group 1 (Internal to Alberta Employment and Immigration) Interview Questions
Appendix 2: Group 2 (Government of Alberta Risk Practitioners) Questionnaire
Appendix 3: Group 3 (External to Government of Alberta) Interview Questions
Appendix 1: Group 1 Interview Questions

(Internal Alberta Employment and Immigration Staff)

1. Have you read the Implied Consent letter, and agree to participate in this interview?
2. What is your name and position with Alberta Employment and Immigration?
3. What risk management processes are you involved with?
4. What is the primary focus of these processes?
5. Who is the intended audience and/or end user?
6. Who requires these processes to be done (i.e., Treasury Board, Service Alberta, Office of the Auditor General, ministry protocol)?
7. How long have these processes been in place?
8. Are you aware of other risk management processes within the ministry?
9. What linkages do you make with other risk management processes in the ministry?
10. Do you see value in making more linkages? If so, what linkages do you think should be made? If not, why not?
11. What do you think these linkages would look like? Would it be more integration or references in different documents?
12. Do you think having an integrated risk management plan for the ministry would be useful? If so, how would you see your processes fitting in? If not, why?
13. Do you have any further thoughts?
14. May I contact you again?
15. Are there any answers you are not comfortable having public?
Appendix 2: Group 2 Questionnaire

(Government of Alberta Risk Practitioners, excluding Alberta Employment and Immigration staff)

1. Have you read the Implied Consent letter, and agree to complete this questionnaire?
2. What is your name and position with Government of Alberta?
3. What risk management processes are you involved with?
4. What is the primary focus of these processes?
5. Who is the intended audience and/or end user?
6. Who requires these processes to be done (i.e., Treasury Board, Service Alberta, Office of the Auditor General, ministry protocol)?
7. How long have these processes been in place?
8. Are you aware of other risk management processes within your ministry?
9. What linkages do you make with other risk management processes in the ministry?
10. Do you see value in making more linkages? If so, what linkages do you think should be made? If not, why not?
11. Do you have an overall integrated risk management plan? If so, do you think it is effective? If not, do you think it would be useful?
12. Do you have any further thoughts?
13. Do you have suggestions of other people I should contact?
14. May I contact you again if I have further questions?
Appendix 3: Group 3 Interview Questions

(External to Government of Alberta Respondents)

1. Have you read the Implied Consent letter, and agree to participate in this interview?
2. What is your name and position?
3. What risk management processes are you involved with?
4. What is the primary focus of these processes?
5. Who is the intended audience and/or end user?
6. Who requires these processes to be done (i.e., Treasury Board, Office of the Auditor General, ministry protocol)?
7. How long have these processes been in place?
8. Are you aware of other risk management processes within your organization?
9. What linkages do you make with other risk management processes in your organization?
10. In your opinion, are these linkages effective?
11. Do you see value in making more linkages? If so, what linkages do you think should be made? If not, why not?
12. Do you have an integrated risk management plan? If so, do you think it is effective? If not, do you think it would be useful?
13. Do you have any further thoughts or advice on how to develop an effective integrated risk management plan?
14. Do you have suggestions of anyone else I should try and contact?
15. May I contact you again for further clarification?
REFERENCES


