Identifying risks in the realm of enterprise risk management

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An enterprise risk management (ERM) discipline is comprehensive and organization-wide. The effectiveness of ERM is governed in part by the strength and breadth of its practices and processes. An essential element in decision making is a thorough process by which organizational risks and value opportunities can be identified. This article will offer identification techniques that go beyond those used in traditional risk management programs and demonstrate how these techniques can be used to identify risks and opportunity in the ERM environment.

INTRODUCTION

The development of a successful enterprise risk management (ERM)[1] discipline in healthcare requires that the entity be *organizationally ready* to embrace new, sophisticated practices implicit in ERM. *Organizational readiness,* a term not used in traditional risk management (TRM) programs, recognizes that the organization's ERM framework is centered on guiding principles to support the attainment of specific and identifiable strategic objectives. These guiding principles—including the need to be organizationally ready—should be individualized to meet distinctive needs so that they resonate within the organization and are easily embedded into the organization's fabric; however, the following guiding principles[2] developed for the American Society for Healthcare Risk Management (ASHRM)[3] can be used as a starting point. They include:

1. Advance safe and trusted healthcare[4]
2. Manage uncertainty
3. Maximize value protection and creation
4. Advance ERM practices
5. Encourage multidisciplinary accountability
6. Optimize organizational readiness
7. Promote organizational culture that positively impacts readiness and success
8. Utilize data/metrics to prioritize risks
9. Align risk appetite with strategy

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Guiding principles are central to all ERM activities, including the essential elements that are fundamental for effective risk management decision making: risk identification, risk assessment, risk response, and risk evaluation. This article will discuss the first essential element, *risk identification,* and explore how TRM programs differ from ERM programs in the approach and tools used to identify program risks.

MANAGING UNCERTAINTY

Risk identification in the ERM realm endeavors to identify and manage uncertainty.[5] Just like the toss of a coin, uncertainty has the potential for different and distinct outcomes by either creating a loss or creating value. The discipline of ERM strives to address uncertainty in a timely fashion, implementing strategic initiatives to increase the likelihood of adding value while preventing or minimizing loss. How the organization manages uncertainty to create opportunity and add value will in large part dictate the success of their ERM initiatives. Managing uncertainty starts by identifying which risks can impact the organization's strategic objectives.

RISK IDENTIFICATION

Traditionally, incident reporting has been the cornerstone of healthcare risk management.[6]

The cornerstone of TRM has been the identification and reporting of patient safety events referenced in some organizations as incidents, adverse events, serious safety events[7] (SSEs), sentinel events,[8] "never events,"[9] and/or hospital-acquired conditions[10] (HACs). Regardless of the terminology, healthcare organizations have been capturing not only patient safety events that have caused patient harm but those that have the potential to cause harm if left unchecked. Historically, the most common reporting tool for patient safety events has been the organization's adverse event reporting system (incident reporting system). Hospitals are required to track and analyze patient harm as a requirement of participating in Medicare,[11,12] and the reporting of adverse events is a mandatory function in the majority of most jurisdictions and one within the purview of most risk management professionals.[13] However, it is well known that incident reporting captures only a fraction of events and may not reliably identify serious events.[14] Typically, reporting within the adverse event reporting systems is done by the nursing department, as physicians generally do not utilize voluntary event reporting systems.[14] Its concentration on clinical risk relating to patient safety makes the reporting even more limited in scope.

ERM differs from TRM in that both the approach and tools used to identify risks are new and/or used in a more expansive manner, and the risks identified potentially reflect a more comprehensive overview of the whole organization. Risks, when evaluated together, can be seen to have a synergistic effect. This synergistic effect highlights risk relationships, correlations,[15] and connectivity. See **Table 1** for additional differences between identifying risks with TRM and under ERM.

Tools for identifying risks

As seen in **Table 2** there are currently a wide variety of tools and processes available by which an organization can capture adverse events or the potential thereof. This list is not an exhaustive list as there are additional tools developed by individual organizations to capture risks unique to them. As noted, these methodologies can be classified as retrospective, concurrent, preinterventional, and/or prospective. Most, however, evaluate or report on a single process, area, event, or patient safety event. They do not identify the full gamut of organization risks, a tenet of ERM, and most continue to be based on selected patient safety events. There are, however, a handful of methodologies that are used in ERM that deserve further discussion. They are:

- Interviewing
- Brainstorming
- Focus groups
- Surveys and questionnaires

Identifying risks within the ERM discipline

Patient safety events are frequently *not* in the top ten risks identified when discussing which risks senior leaders and board members feel could impact the organization's ability to meet strategic objectives. They understand clinical risks and believe they can manage adverse patient events on a one-by-one basis with the resulting effects not having an overall negative impact on the organization. They are most concerned with those risks over which they have little control, come from outside the organization, and that are still new or relatively unknown. According to the 2014 Healthcare Industry Report[16] from Aon Corporation the top 10 healthcare risks for 2013 include:

1. Regulatory/legislative changes
2. Failure to attract or retain top talent
3. Economic slowdown/slow recovery
4. Increasing competition
5. Damage to reputation/brand
6. Failure to innovate/meet customer needs
7. Lack of technology infrastructure to support business needs
8. Political risk/uncertainties

Table 1: TRM versus ERM Risk Identification Differences

Differentiator	TRM adverse events	ERM discipline
Methodology	Reactive (after the fact)	Proactive (in anticipation)
Audience	One-on-one	Two or more people, often conducted in large groups Support creativity and individual contributions allowing many to participate
Scope	Responding to a specific event	Looks for risks to the organization as a whole
Information	Often sensitive/confidential	The larger the group, the less sensitive or confidential
Focus	Asset preservation, value protection Manages pure risk	Value creation, manage uncertainty, manages speculative risk
Goals	Looks to prevent similar risk, prevent harm, preserve the facts	Identifies risks that impact the organization's ability to meet strategic objectives
Data	Data is often held confidential under PSWP and is reported individually	Data can be aggregated, prioritized, and reported by the group on a consensus basis
Range	Identified risks have great specificity to the event at hand	Risks are comprehensive, broad-based, and ranked by significance and often seen in categories/domains
Risk relationship	Risks are reviewed individually on a siloed basis often missing the synergistic effect that risks have on each other	Risk are looked at as a portfolio of risks (related), identifying correlations and interconnectivity
Level of employee/staff	Individuals who have knowledge relevant to the adverse event	Managerial, supervisory level or higher-ranked employees, staff or board members

Table 2: Risk and Opportunity Identification[17]

Retrospective

- Root cause analysis
- Adverse event reporting
- IHI Global Trigger Tool[18]
- Claims and litigation data
- Satisfaction scores (patient, staff, employees)
- Peer review and quality data
- Committee/Departmental reports
- Consultant reports and inspections
- Key performance indicators (KPIs)
- Occurrence screening

Concurrent

- Root cause analysis
- Record review
- Team rounding
- Focus groups
- Brainstorming
- Interviews
- TJC sentinel event alerts[19]
- Product recall
- Strategic plan review
- NQF-SREs[20]
- Daily huddles
- Internal audit reports
- Current financials
- AHRQ patient safety indicators[21]

Preinterventional

- Universal time out
- Quiet room for high-risk tasks
- Double check calculations (meds)
- History and physicals
- Identification verification
- Informed consent

Prospective

- Predictive analysis
- What if? thinking
- Socratic questioning
- FMECA[22]
- Bow-tie risk assessment
- SWOT analysis
- External alerts
- Surveys
- Questionnaires
- Staff meetings
- Key risk indicators (KRIs)
- Financial pro forma

9. Workforce shortages
10. Cash flow/liquidity risk

Additionally, Risk & Insurance revealed for the first time in its 11-year history that both risk professionals and other executives have identified reputational risk in their list of top-10 exposures.[23] Most identification methodologies listed earlier do not specifically address these types of broad-based risks within the healthcare setting. While this information should come as no surprise to the risk management professional, it does prompt the following questions: "What tools are available to identify

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these types of risks in my organization?"; "Who (individual/group/level) within my organization would best be able to identify these risks?"; and "Is there a professional within the organization best suited to lead this initiative?"

Interviewing for risks

Risk managers typically use interviewing as a staple in the investigation of adverse events. These interviews are generally conducted on an individual basis and have as their purpose the following[24]:

1. Prevent further harm to the patient.
2. Prevent a reoccurrence to the same or other patients.
3. Preserve the facts.
4. Determine organizational culpability and legal liability.
5. Determine if the incident is the proximate cause of the damages.
6. Support and encourage the fair and expeditious resolution of potentially compensable events.
7. Validate coverage for involved parties.

Conducting interviews after a patient safety event are considered a reactive tool and a critical component of an adverse event reporting system and claims administrative program, including early intervention programs supporting disclosure and apology. Interview questions are limited to the case at hand and do not delve into extraneous material.

Interviewing for risks under an ERM discipline, however, represents a separate and distinct activity, is broader in scope, and has at its core the identification of risks that could significantly impact the organization. It has not been until recently that risk managers have expanded into the realm of interviewing for organizational risks.

Prior to conducting the interviews, a list of typical healthcare-related risks can be developed as an example and guide, along with the development of an interview tool for use in capturing information and memorializing the discussion and risks identified. Many organizations use a scribe to document the discussion contemporaneously, either electronically or with written notes. This option is helpful so that the leader/or facilitator is not burdened with documenting the discussion and can instead concentrate on leading the process. Depending on the sophistication of the person or group being interviewed, some questions may be eliminated if they have already been discussed in-depth or if the questions are too basic, to avoid losing the interest of the interviewee. The ability to regroup/refocus and continue the process while not getting bogged down with known or repetitive information is a necessary skill for the leader/facilitator. Before beginning, it is helpful to collect basic demographic information for later analysis. Information to capture includes interviewee, position/title, length of service, date and time of interview, scribe, (if used), and leader/facilitator.

Interviews are often conducted on an individual basis but can include a small group of compatible professionals. Open and honest dialogue is necessary if the process is to be successful. Each person needs to feel unthreatened and able to disclose sensitive information. Paying close attention to reporting relationships can diffuse many problems before they occur. Some staff may be reluctant to bring up information that affects their unit, is thought to be negative, or is perceived to be sensitive. They are reticent to fully disclose this type of information for fear that it will be attributed back to them. All information gathered should be deidentified and aggregated to the extent possible just for this reason. Once all the interviews have been completed and the notes finalized, a summary of the findings is prepared (such as a risk list) along with pertinent narration.

Brainstorming to identify risk

Brainstorming utilizes a group of individuals led by a facilitator to solicit spontaneous responses to prepared questions in order to generate a list of potential risks to the organization. The generated list can be further defined or grouped into common themes, categories, or domains. The use of risk domains or categories can be helpful as a prompt to generate ideas when developing risk lists and to ensure that the focus is not centered on clinical/patient safety events. ASHRM supports the use of 8 domains: operational, clinical/patient safety, financial, strategic, human capital, legal/regulatory, technology, and hazard.

Many organizations further refine the generated list through the use of participant voting. Voting can be by a show of hands, by ballot, or through the use of voting technology. Voting technology is particularly helpful with larger groups and can assist in building group consensus and documenting the findings.

Focus groups

Most risk management professionals are familiar with focus groups because of their unique role in trial preparations. Focus groups within an ERM framework can function as another viable source for information gathering. Relatively small in size—between 6 and 12 participants—focus groups are given a scenario, process, product, system, or hypothetical scenario to discuss. Participants are then asked to discuss their perceptions, opinions, beliefs, and attitudes. Group consensus is not necessary, and participants may respond individually or as a group. As with any methodology initiated to identify organizational risks, the goals and objectives of the exercise should be clearly articulated up front so that all participants know what is expected and how the results will be presented.

Surveys and questionnaires under risk identification

Surveys and questionnaires are ubiquitous in today's connected environment and can be used as an effective ERM risk identification tool. For employees who work at home, away from the corporate office, or in an off-site facility, questionnaires can meet the need and desire for their input in a cost-effective and easy manner. They will also allow input from a wider number of participants than interviews, brainstorming, or focus groups may support. As a general rule, interviews are held with senior-level executives and board members, while brainstorming can be conducted with executives as well as managerial and supervisory-level staff. Surveys and questionnaires can be distributed in hard-copy format or through a personalized hyperlink to those unavailable to participate in other forms of ERM risk identification or to solicit information from a greater number of employees.

Up-front development time is needed to craft a tool that is specific to the task and is user friendly, clear and concise, free of bias, nonpunitive, and nonjudgmental. Developing a short *statement of purpose* as a preamble to the tool should specify its purpose, how long it should take to complete, and how the results will be used, as well as to stress upon the participant the importance and value of their input. Care needs to be taken to ensure that the information requested flows in a logical order and response options are complete and relevant. Offering open fields for free text narration is useful to gather information that does not fit with a yes/no answer, in a drop-down box, or by using a Likert scale to rank agree/disagree values. Once completed, the tool can be used repeatedly with various audiences with minimal to no revisions.

External data sources

TRM has primarily focused its efforts on preventable risks that are internal to the organization, with the majority of risk identification methodologies implemented for the reactive reporting of patient safety events. The more elusive risks (eg, emerging, new, unknown) that can significantly impact an organization's ability to meet stated strategic objectives have not prompted an infusion of robust identification methodologies.

All organizations take risk if they are to survive. Fundamental to the premise of ERM is that not all risks are inherently bad and that some risks bring rewards, create value, are necessary for growth, are required if financial goals are to be met, and are used to gain a competitive advantage. A recent article in the *Harvard Business Review*[25] referred to these risks as *strategy risks.*

Resilience is key to the organization's approach to those external risks with which they have little to no control or influence on their occurrence. Identifying these external risks and implementing mitigation strategies is the most effective management strategy with which to engage. Emergency preparedness, contingency planning, and business continuity are all approaches to managing external risks where the organization has no control or influence over the occurrence of the risk. The best approach remains risk identification and mitigation.

The ERM identification tools discussed in this article will assist senior leadership and the board in identifying where external risks with no control exist and identifying strategy risks, as well as those elusive, broad-based, organization-wide risks so that strategic objectives can be met, value created, and loss minimized.

Information to solicit and questions to ask

Regardless of the tool used, the following[17] are just a few of the questions to which answers are sought. In some instances, these questions will be given to the respondent ahead of time so that they can be better prepared to participate and to see the type of information being solicited, or so that the questions could be used as the basis to develop a list of specific questions to ask:

Risk Identification

- How do you define risk?
- What methodologies are used to identify risks in your division, unit, and/or department?
- Do you use any benchmarks, metrics, or early warning systems to alert you of recent or impending risk?
- What would you identify as the top 5 risks in your unit, department, or division?
- What are some of the drivers of these risks (inadequate staffing, inefficient deployment of resources)?
- How frequently do they occur (daily, weekly, often, rarely)?
- What makes your palms sweat? Why?
- Do you receive care at your organization, and are your physicians on staff? If not, why not? (You are not looking for complicated personal medical reasons here; you're trying to determine the reputation and quality of services rendered at the facility.)

Risk Ownership

- Have strategies to minimize risks been developed in your unit, department, or division?
- How are employees encouraged to participate in risk minimization?
- How is success measured?
- Are employees held accountable? If so, how?

Risk Prioritization

- How do you determine which risk to respond to (cost benefit, resource consumption, ease of implementation, needs assessment)?

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- How are risks prioritized (likelihood [frequency], impact [severity], level of harm, time to impact/respond)?
- What are the consequences for nonaction?

Risk Treatment

- Do current risks have mitigation strategies in place? Are they effective?
- Do you feel that resources are being wasted (time, money, space, energy, people)? If so, where?
- Given unlimited resources, where would you concentrate activities?

Risk Strategies/Solutions

- What action plans should be in place to minimize risks?
- Are a responsible party and a risk champion identified for each mitigation strategy?
- How are implemented strategies monitored?
- By what criteria will success be measured (benchmarks, metrics, key risk indicators)?

CONCLUSION

To support the transition from traditional risk management to enterprise risk management requires that healthcare organizations strengthen and broaden methods to identify organizational risks. An essential element for effective ERM decision making starts with risk identification and having comprehensive, organization-wide methods to identify risks that could significantly impact the organization. The additional tools discussed in this article will strengthen the process for identifying organizational risks and opportunities within an ERM discipline.

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