Enterprise Risk Management Maturity-Level Assessment Tool

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Abstract

The increasing complexity and range of risks force organizations to recognize their importance in order to achieve the established objectives. The implementation of an enterprise risk management (ERM) framework supports and improves the risk awareness at every level, from strategic to operative, and from top management to employees.

ERM cannot be seen as a static one-time process, but it must be embedded in the organization and dynamically adapted to the changing internal and external environment.

The aim of this work is the definition of a holistic approach to assess the maturity level of ERM within an organization, following the principles defined by The Committee of Sponsoring Organizations of the Treadway Commission (2004b) in the "Enterprise Risk Management—Integrated Framework."

The approach is transferred into an application tool, EnteR, for an automated and guided maturity-level assessment.

By means of EnteR, an organization can evaluate the eight components of the framework: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication and monitoring. EnteR helps organizations to assess the maturity level of the ERM, highlighting strengths and weaknesses from which a prioritized list of measures is derived, whose implementation helps to fill existing gaps in ERM.

The Enterprise Risk Management tool functionalities include:

- identification of weaknesses
- identification of strengths
- definition of a prioritized measures list
- assessment of the maturity level of ERM
- documentation of the ERM
- overview of results considering different dimensions
- multi-period assessment on different reference dates
- overview of multi-period results considering different dimensions.

The ERM evaluation tool can be used as a benchmark for assessing different organizations for equivalent comparison.

A structured collection of elements describes characteristics of ERM. The approach is composed of more than 100 elements with more than 600 corresponding criteria.

Preface

This paper is the result of the master final thesis project carried out in 2007 at Banca del Gottardo by Maria Ciorciari, as last part of her Master of Advanced Studies post-degree at Lucerne University of Applied Sciences and Arts in Switzerland. The supervisor was Dr. Peter Blattner, Financial Risk Management Course director, and co-referee was Mr. Alberto Saracino, head of Risk Management at Banca del Gottardo.

In 2007, Maria Ciorciari won the prize for best master's thesis in risk management at the Lucerne University of Applied Sciences and Arts.

In March 2008 the ownership of Banca del Gottardo, one of the leading Swiss banks offering state-of-the-art private banking services, passed from Swiss Life to BSI, a company in the Generali Group, one of the world's biggest insurance companies. BSI specializes in asset management and related services for private and institutional clients, and is present in the major financial markets worldwide.

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