Enterprise Risk Management

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Risk management is the process used by entities to identify potential threats to an organization. For instance, in the Healthcare setting, Risk Management Team is involved in identifying, assessing, and reducing appropriate risks to patients, employees of the facilities, visitors to the healthcare facility, and organizational assets. Risks associated with the healthcare setting can stem from various healthcare activities that include strategic management errors and accidents that can affect patients, visitors, or staff, among others (Alam, 2016). Therefore to minimize the exposures to these risks, a healthcare organization has the priority to come up with a risk management team that prioritizes the safety and, most importantly, patient care. The two types of risk management adopted by organizations include enterprise risk management and traditional risk management.

Traditional risk management and enterprise risk management processes have little differences between them. However, the two methods aim at reducing the effects of potential threats on a business. The risk management process can do this by identifying the threat and analyze it of the potential risks. The traditional risk management process deals with certain specific aspects of dealing with the potential risk, and therefore, it is more localized. Enterprise risk management, on the other hand, embraces a more extensive view of the risk by understanding the broader scope of the threat and its factors. For instance, in a healthcare setting, a traditional risk management process would mean solving the risk mainly by focusing on the specific hazards and addressing them with straightforward solutions like getting an insurance cover to protect the entire enterprise against the threat. However, with enterprise risk management, it will use a comprehensive approach and considers all factors involved, such as the business risks as well. It then proceeds and amalgamates all the risk factors and check for any possible connections or trends (Carroll, 2016). For instance, it will address the insurance cover
brought and its protection and seeks to ensure the business is not vulnerable to other potential risks, thus minimize the chances of encountering possible risks. An excellent example in a healthcare setting would be bringing together under one umbrella by Health Information Trust Alliance of all the regulatory and requirement compliance bodies such as HIPAA, NIST, and ISO, among others. This can be described as ERM process which its principal aim is to protect the entire healthcare setting, by ensuring that compliance requirements benefits all areas of enterprises and not have uneven benefits to some areas of the enterprise

According to Kristen (2012), enterprise risk management is a more practical approach for today's organization. This is because it has a broad perspective on overall organizational risks. ERM is a strategic decision approach that provides business with maximum value protection. This is through managing potential business risk and possible uncertainty. It focuses on enterprise sustainability through its efforts to lower risks and provides strategic solutions across the entire organization. ERM is a continuous process; it helps a business to identify the risks in the business. Analyze the risks and their factors. Understand how to mitigate the risks. Monitor the threats that might hinder an organization's ability to meet its objectives. ERM often helps the threats that impede an organization's capability to implement its core strategic objectives. Therefore, ERM helps aligns the company goals and objectives. It does not dwell on specific activities of the company but instead takes a wide-angle view of an organization. ERM focuses on being proactive instead of being reactive. For example, in a healthcare setting, ERM will identify the risks associated with dependency on one supplier of hospital amenities needed by the hospital. Therefore the ERM process will identify those risks and address them by developing multiple-supplier sources to reduce and mitigate any unforeseen risk. ERM, therefore, is considered effective nowadays for it offers an organization a wide range of benefits that includes

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increased awareness of risks that are a threat to the business and the ability to respond to them effectively. ERM helps in increased efficiency and effectiveness of operations.

Key drivers of value-driven enterprise risk management align an organization board, the executive team, and the front line management. Key risk driver affects the organization in the future if not addressed adequately. The risk management team identifies potential threats or risks that can harm an organization's business. Each risk also has its set of risks drivers. However, in a health setting, risk drivers include operational, technology, strategic, clinical, and patient safety, as well as financial risks, among others. For example, patient safety should be assessed to reduce patient risk. For instance, the prolonged urinary catheter has been termed as the leading risk factor for urinary tract infections and such a key driver for the risk management team to regularly evaluate the risk.

To drive enterprise risk management, key drivers are applied to create new alternatives that increase value creation. For instance, a value-driven approach to ERM can be illustrated in safe patient handling activity. Through the use of a value-driven strategy, value creation, and value protection activity in a safe patient handling program increase a total value potential. This total value approach is better understood and managed through value-driven approach alternatives. To understand how this concept works, it is better to analyze the total costs associated with the implementation of the approach and analyze the benefits of the safe patient handling program (Celona et al., 2011). This is by understanding the downside risk and value-creation uncertainties. Then understand which key value drivers to create that will see increased total program value. The benefits include reduced safety falls and increased patient satisfaction and reduced staff injuries, thus reduced costs from worker's compensation. The question then would be what benefit is safe handling patient program implementation have for a healthcare
setting. Now dealing with the future impact of implementation means there is an uncertainty of the impacts. Thus, there is a need to understand uncertainty. After understanding the uncertainty impacts, create estimates for input factors, for instance, reduction in staff turnover due to physical job demands. After that, we increase the value by creating new alternatives that will increase the safe handling patient program value. This is made possible by analyzing the costs and benefits of reducing employee turnover. In this case, employee turnover is the key risk driver and therefore investing in communication programs that address employees would translate to a reduction in employee turnover and thus would see an increase in program value.

The business environment is evolving and changing very fast. This means that the complexity of risks that affect enterprises is also increasing at the same rate. It is paramount for a business to understand if the risk management approach they have employed in addressing these risks is proactively managing the risks. ERM is essential for it accomplishes more effective risk oversight than any other risk management approach.

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References


