

# Sprinting from the Start: Improving Mission Performance and Reducing Risk

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# Performance and Risk in Perspective



Not Your Normal Pair of Shoes....

**ADIDAS GROUP -- Corporate risk overview/ Risk and Opportunity  
Report 2011**

|   | Likelihood of occurrence | Potential financial impact |
|---|--------------------------|----------------------------|
| <b>Strategic and operational risks</b>                |                          |                            |
| Macroeconomic risks                                   | Likely                   | Major                      |
| Consumer demand risks                                 | Likely                   | Moderate                   |
| Industry consolidation and competition risks          | Likely                   | Major                      |
| Hazard risks  | Possible                 | Major                      |
| Reputation/brand image risks                          | Probable                 | Significant                |
| Own-retail risks                                      | Likely                   | Moderate                   |
| Risks related to rising input costs                   | Highly probable          | Major                      |
| Supplier risks  | Possible                 | Major                      |
| Inventory risks                                       | Probable                 | Moderate                   |
| Customer risks  | Likely                   | Major                      |
| Regulatory risks                                      | Likely                   | Significant                |
| Risks related to key event or promotion partnerships  | Possible                 | Significant                |
| Product innovation and development risks              | Possible                 | Minor                      |
| Personnel risks                                       | Likely                   | Moderate                   |
| IT risks  | Possible                 | Significant                |
| <b>Compliance-related risks</b>                       |                          |                            |
| Legal risks   | Likely                   | Significant                |
| Social and environmental risks                        | Likely                   | Moderate                   |
| Risks related to product counterfeiting and imitation | Probable                 | Moderate                   |
| Product quality risks                                 | Likely                   | Moderate                   |
| Risks related to non-compliance                       | Possible                 | Moderate                   |

# Mission of Department of Commerce = Opportunity



- The U.S. Department of Commerce promotes job creation, economic growth, sustainable development and improved standards of living for all Americans by working in partnership with businesses, universities, communities and our nation's workers.



# Managing Agency Performance

## Key Highlights of GPRA Modernization Act of 2010

- New legislation creates a more defined *performance* framework by prescribing a governance structure and by better connecting plans, programs, and *performance* information.
- More *frequent reporting* and reviews intended to increase the use of performance information in program decision-making.
- More **fact-based** decision-making framework to implement programs and be more results-oriented.



# Enterprise Risk Management

## A System of People, Processes and Tools



Risk Awareness across  
DOC horizontally and  
vertically



Standard ERM  
Framework



| Level      | What is the likelihood the risk will occur? | Severity Rating Matrix   |   |   |   |              | Legend  |  |
|------------|---|--|---|---|---|--------------|---|--|
| Likelihood | 5   | Extremely Likely<br>Current controls will not prevent this risk. | 5 | 4 | 3 | 2            | 1   | <b>High</b> Priority management attention required.<br><b>Moderate</b> Additional management attention may be needed.<br><b>Low</b> Minimum oversight needed to assure risk remains low. |
|            | 4   | Likely<br>Current controls have significant uncertainties.       | 4 | 3 | 2 | 1            | <b>Trendline</b><br><b>Near</b> Impact Fall this fiscal year.<br><b>MSE</b> Impact Fall next fiscal year.<br><b>Far</b> Impact Fall in 3-5 years. |  |
|            | 3   | Moderately Likely<br>Current controls have some uncertainties.   | 3 | 2 | 1 | Consequences |   |  |
|            | 2   | Not Likely<br>Current controls have minor uncertainties.         | 2 | 1 | 1 |              |   |  |
|            | 1   | Extremely unlikely<br>Strong controls in place.                  | 1 | 1 |   |              |   |  |

Standard Tools

...working together for a specific outcome

Risk Smart Workforce

Risk Data to help inform  
decision-making

Process  
Improvements

Culture of Transparency

Performance Management  
Better Prioritization of resources

Better understanding of  
barriers to success



# Two-Pronged/Hybrid Approach to ERM

## Top Down

- Actively look for risk in likely places
- Delegate risks identified by external stakeholders

1

## Strategic Risks

DOC Department Management Council  
Mission Critical Areas and risks identified



4

ERM-C

3

Individual Risk Inventories developed using Risk Management methodology



2

## Operational Risks

Process/Transaction Risks

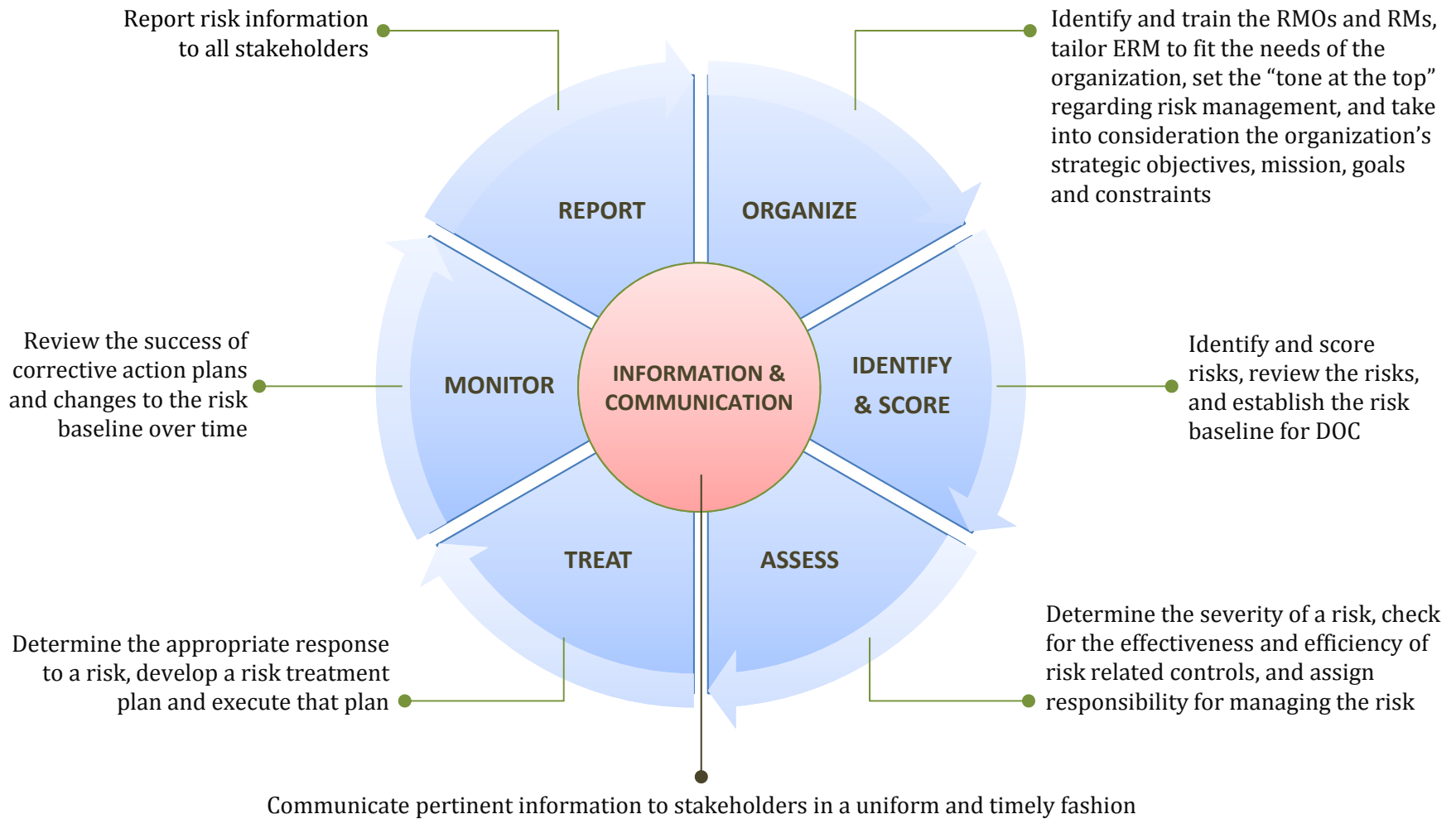
## Bottom Up

- Provide system for continuous identification of risks
  - Elevate top risks



# ERM FRAMEWORK

*A standardized means of addressing risks*



**ERM Guiding Principles at DOC** ▶ A common enterprise risk management process is applied across the entire Department ▶ Risk management practices at all levels are integrated into informed decision making and priority setting ▶ Emerging risks to Department and Bureau objectives are dynamically identified and managed ▶ Consistent and disciplined consideration and treatment of risk is part of our day-to-day processes





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# Department of Commerce

## Export Enforcement and the Risk Management Process

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## **Objectives of BIS Firearms Program**

- Provide for qualified Special Agents
- Trained in the proper use of firearms
- Understand use of force authorities
- Comply with legal requirements (accountability; certification; safety)

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## Perceptions

- “Why is the Department looking into our program?”
- “If it’s not broken, why fix it?”
- “Is anyone else being looked at?”
- “Will the results be used to ‘harm’ us?”

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## Achieving Buy-In

- Understanding the program
- Obtaining briefings from Commerce OPERM
- Articulating purpose to stakeholders (those affected at the lowest level)
- Sharing progress and results with stakeholders

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# Training

- OPERM provided training (workshops) to all participating
- Flexible to meet agency needs
- Workshop steps (writing and scoring risks; brainstorming; recording risks; discussion on risks and scores; reviewing list and reconsidering scores)

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## The Process

- Simple; OPERM led
- Full involvement from agency stakeholders at every turn
- Confidentiality during the process...no talking “out of school”
- Comprehensive review at the conclusion

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# Applicability

- Approach to many projects viewed through “ERMP process” lens
- Apply control measures to ensure decisions are carefully managed
- Adopted the ERM framework and cycle our potential risk through the sequence (organize identify and score assess treat monitor report)
- Process provides standardization
- Identification of risk becomes second nature (“If \_\_\_\_, then \_\_\_\_”)
- Applicable across all “gun carrying” offices in the Department

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# Questions?

For more information about risk management tools, presentations, and training for your organization contact:

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