Managing Risk In Higher Education
Agenda

• What is risk management?

• Integrating risk management concepts into higher education

• What do you get?

• Questions / comments
What Is Risk Management?

Risk management has existed since business has been conducted.

In the past 20 years, what has changed is the context & framework used to manage risks.

Recently, the focus has shifted to understanding how to apply these principles the right way.

Turnbull Cadbury Report (London)

KonTraG (Germany)

Criteria of Control Board (CoCo)
Risk management is integral to your overall governance model & when used effectively, integrates key organizational elements.
How Risks Are Viewed

Risk Pyramid

Strategic
Market / Business
Financial Performance
Operating
Financial Reporting / Compliance / Legal / Regulatory

• Strategic risks impacting organization
• Top 5 risks “on the radar”

• Peer group performance dashboard
• Market change influence

• Identifying gaps in management’s plans to achieve financial targets

• Linking strategic risks to tactical risks
• Operational controls
• Fraud

• Regulatory compliance risk
• Financial misstatement
Risk Assessment…How The Process Works

Organized By Function
- Finance / Accounting
- Human Resources
- Academics
- Campus Operations
- Student Services

Organized By Type
- Legal
- Foundation
- Information Technology
- Provost Services

Prioritized By Function

Prioritized By Institutional Impact

Risk Management Plan

Integration
- Continuous Improvement
- Accreditation
- Etc.

Resource Allocation & Focus

Risk Accountability

Governance: Audit Committee / BOD / Sub-committees

Note: All risks aligned to organization’s strategic objectives.
Example of Higher Education Risk Identification

**RISK #1:** Downstream impacts of up-stream decisions?

Focus on increasing enrollment

**RISK #2:** Understanding enrollment to cost / liability creation and incremental return.

Cost directly correlated to recruiting volume

**RISK #3:** Siloed mentality limits communication and information flow.

**RISK #4:** Processing of applicants volume driven based on Recruiting. Applicants that "fall off" down stream are not considered.

**RISK #5:** Matching the ability to serve with the capacity to support.

Cost directly correlated to recruiting volume

**RISK #6:** Creation of liability via student loan defaults issued to unqualified students.

**RISK #7:** Financial aid eligible enrolled students that do not purchase textbooks.

**RISK #8:** Textbook management is dictated by enrollment & faculty guidance. De-registration results in inventory overruns.

**RISK #9:** Faculty effectiveness: how to measure.

**RISK #10:** Grant effectiveness & impact

**RISK #11:** Research prioritization & effectiveness

**RISK #12:** How is student attendance monitored

**RISK #13:** Is institutional success measured by:

1) Graduation rates?
2) Preparedness for market?
3) Placement in market?

Support Function Risks

1) Accreditation
2) Program relevance & effectiveness
3) Faculty voice

1) Establishes ownership & accountability through budget process / Delegation of Authority
2) Budget decisions drive operational actions impacting performance / mission.

1) Inadequate safety detrimental reputational impact to recruiting and long-term viability of the institution.

1) Significant legal and regulatory compliance requirements in conjunction with State affiliation.

1) Understanding Return On Investment associated with capital purchases vs. budget availability.
2) Making investments that align with the organizational mission and strategic objectives.

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**Organizational Risk**

**Data point for analytics / business intelligence.**
|------------------------|----------------------|---------------------------------|--------------------|----------------------|-------------------------------|
| • Program effectiveness | • Enrollment         | • External: Effective community relationships | • Faculty effectiveness & expertise  
|                         | • Post graduation success measurement | • Internal: Communication- silos vs. integrated / transparency | • Administration: Functional expertise (Finance / HR / Accounting / etc.) | • Risks associated with energy & green initiatives (e.g., performance contracts)  
|                         |                      |                                 |        | • Risks of lost opportunities (rebates & incentives) | • Accreditation  
|                         |                      |                                 |        |                                              | • Funding  
|                         |                      |                                 |        |                                              | • Student loan liability  
|                         |                      |                                 |        |                                              | • Operational efficiency  
|                         |                      |                                 |        |                                              | • Data management: Business Intelligence, metrics & analytics  
|                         |                      |                                 |        |                                              | • Organized labor  
|                         |                      |                                 |        |                                              | • Fraud  

**Risk Identification: Alignment to Strategic Goals**

- **Goal: Student Learning**
  - Program effectiveness

- **Goal: Student Success**
  - Enrollment
  - Post graduation success measurement

- **Goal: Stakeholder Relationships**
  - External: Effective community relationships
  - Internal: Communication- silos vs. integrated / transparency

- **Goal: Human Capital**
  - Faculty effectiveness & expertise
  - Administration: Functional expertise (Finance / HR / Accounting / etc.)

- **Goal: Sustainability**
  - Risks associated with energy & green initiatives (e.g., performance contracts)
  - Risks of lost opportunities (rebates & incentives)

- **Goal: Operational Effectiveness**
  - Accreditation
  - Funding
  - Student loan liability
  - Operational efficiency
  - Data management: Business Intelligence, metrics & analytics
  - Organized labor
  - Fraud
What Do You Get?

- **Enhanced Communication & Transparency:** Consistent understanding of actions & priorities
- **Integrated Management Tool:** Strategic Alignment
  - Alignment of priorities to achieve strategic objectives
- **Resource Allocation Alignment:**
  - Alignment of objectives & resources based on risks / opportunities that will be most impactful and likely to affect the institution
- **Standardized Decision Model:**
  - Consistent means to evaluate risks and standardized model to enhance decision making

- **Efficiency:** Do More With Less
- **Control:** Ensure those areas that matter are controlled
- **More Effective Operations**
- **Meaningful Savings**

**Achieve Your Mission**