Enterprise Risk Management

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What is Risk Management?

Enterprise risk management (ERM) is an **enterprise-wide continuous process** that enables an enterprise to pursue its strategic mission while identifying, controlling and mitigating risks. ERM is a tool that combines compliance and control with strategic decision-making.
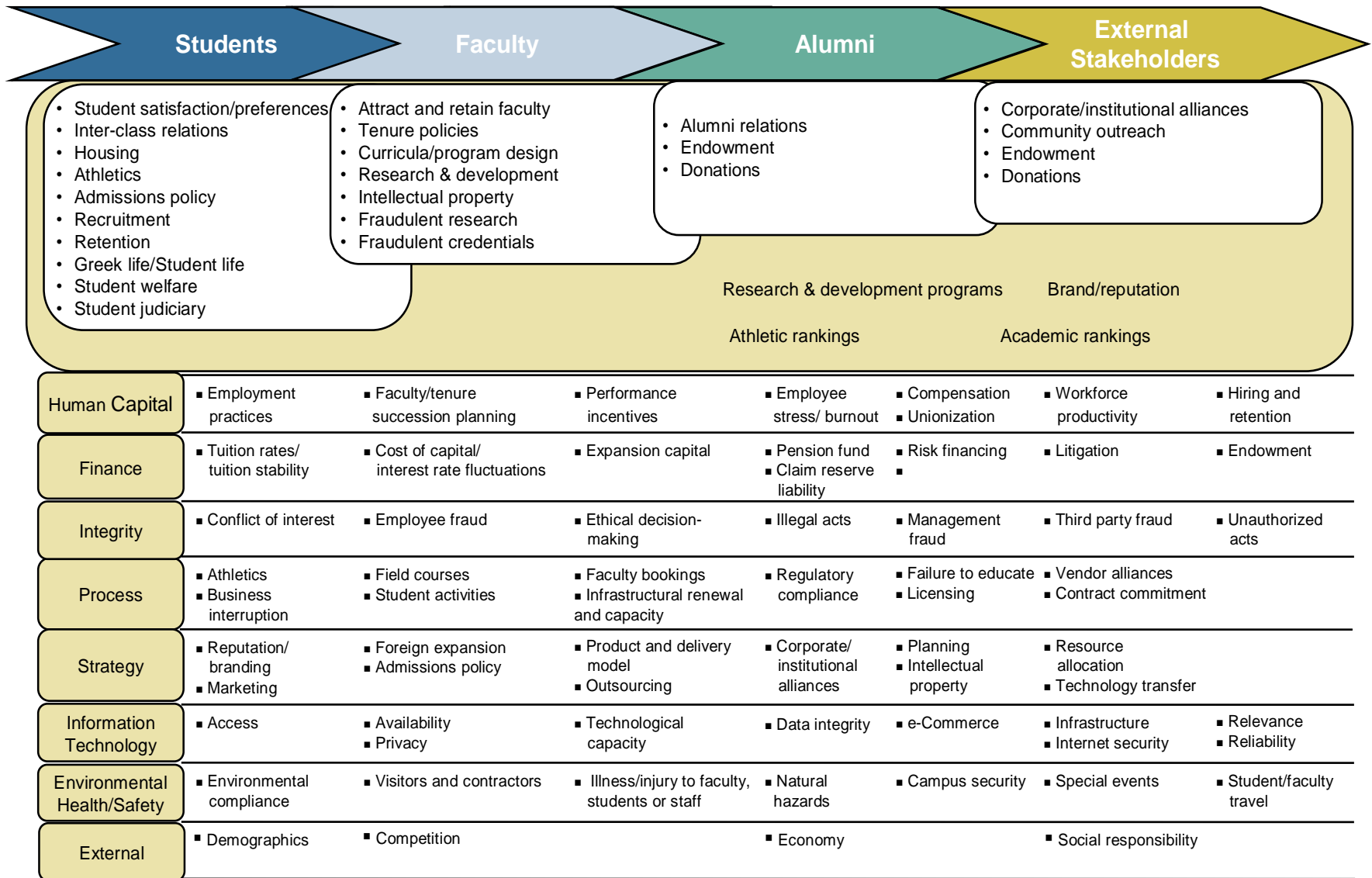
Why is ERM Important.

ERM brings value by:

- Proactively identifying, assessing, and prioritizing material risks.

- Developing and deploying effective mitigation strategies.

- Aligning with strategic objectives and administrative processes.

- Embedding key components into the organization's culture

  – Risk ownership, governance, and oversight

  – Reporting and communications

  – Leveraging technology and tools

Issues Prompting Discussion of Risks

- Audit findings
- Business Continuity Planning
- Construction Projects
- Crisis Response Drills
- Cyber Security
- Enrollment Declines
- Financial Underperformance
- High Profile Event
- Legal/Regulatory Compliance

- New Academic Programs
- Litigation
- Reputation Issue
- Research/Healthcare
- Staff Reduction
- Student Health/Safety
- State Budget Cuts
- Tuition Increases

Higher education Enterprise risk inventory[1]

Students → **Faculty** → **Alumni** → **External Stakeholders**

Students
- Student satisfaction/preferences
- Inter-class relations
- Housing
- Athletics
- Admissions policy
- Recruitment
- Retention
- Greek life/Student life
- Student welfare
- Student judiciary

Faculty
- Attract and retain faculty
- Tenure policies
- Curricula/program design
- Research & development
- Intellectual property
- Fraudulent research
- Fraudulent credentials

Alumni
- Alumni relations
- Endowment
- Donations

External Stakeholders
- Corporate/institutional alliances
- Community outreach
- Endowment
- Donations

Research & development programs   Brand/reputation

Athletic rankings   Academic rankings

Human Capital	▪ Employment practices	▪ Faculty/tenure succession planning	▪ Performance incentives	▪ Employee stress/ burnout	▪ Compensation ▪ Unionization	▪ Workforce productivity	▪ Hiring and retention
Finance	▪ Tuition rates/ tuition stability	▪ Cost of capital/ interest rate fluctuations	▪ Expansion capital	▪ Pension fund ▪ Claim reserve liability	▪ Risk financing ▪	▪ Litigation	▪ Endowment
Integrity	▪ Conflict of interest	▪ Employee fraud	▪ Ethical decision-making	▪ Illegal acts	▪ Management fraud	▪ Third party fraud	▪ Unauthorized acts
Process	▪ Athletics ▪ Business interruption	▪ Field courses ▪ Student activities	▪ Faculty bookings ▪ Infrastructural renewal and capacity	▪ Regulatory compliance	▪ Failure to educate ▪ Licensing	▪ Vendor alliances ▪ Contract commitment	
Strategy	▪ Reputation/ branding ▪ Marketing	▪ Foreign expansion ▪ Admissions policy	▪ Product and delivery model ▪ Outsourcing	▪ Corporate/ institutional alliances	▪ Planning ▪ Intellectual property	▪ Resource allocation ▪ Technology transfer	
Information Technology	▪ Access	▪ Availability ▪ Privacy	▪ Technological capacity	▪ Data integrity	▪ e-Commerce	▪ Infrastructure ▪ Internet security	▪ Relevance ▪ Reliability
Environmental Health/Safety	▪ Environmental compliance	▪ Visitors and contractors	▪ Illness/injury to faculty, students or staff	▪ Natural hazards	▪ Campus security	▪ Special events	▪ Student/faculty travel
External	▪ Demographics	▪ Competition		▪ Economy		▪ Social responsibility	

[1]This inventory does not capture the risks associated with a university medical center

ERM Goals and Objectives

1. Create a culture of risk awareness where all employees understand and consider risk in decision-making.

2. Reduce operational surprises and losses.

3. Increase capacity to identify and seize opportunities by facilitating greater transparency and openness regarding risk.

4. Enhance institutional decision-making by providing senior management and trustees with timely and robust information that improves their understanding of enterprise-level risks and opportunities.

5. Improve the efficiency and effectiveness of institutional risk management efforts.

NIU ERM Proposal Requirements

- Conduct an overview of state of the art ERM practices for major NIU stakeholder groups to provide them with a common knowledge base from which to launch comprehensive risk assessments and thereafter maintain a robust on-going ERM program;

- Recommend a sustainable methodology and tools to enhance and supplement current risk assessment efforts;

- Explain options for and assist NIU in developing governance, oversight, and operational structures (including subject area work groups) with clear and appropriately focused roles and responsibilities at each level of oversight;

- Assist University personnel in learning and utilizing a "high risk discovery" methodology and tools to identify, evaluate, rate and prioritize risk (e.g., heat maps, risk rankings)

- After identifying key risks, assist the President and Senior Leadership in determining: risks that require monitoring; risk tolerance; opportunities for transferring risk; the allocation of risk ownership and accountability; the need for specific polies and processes to manage risks and disasters or crises; plan to mitigate risk; development of a formal annual schedule for reviewing, monitoring, and re-assessing risks; a protocol to report risk management activities to the Board of Trustees;

NIU ERM Proposal Requirements

- Identify staffing and other resource requirements for the on-going day-to-day activities needed to support an ERM program.

- The necessary information, tools and skills to empower University leadership and staff to successfully perform the ERM activities;

- Instruct and work with University's team and representatives;

- Identify all known and other potentially serious risk exposures; assist stakeholders in completing an initial "University-wide risk assessment" and then identifying challenges, opportunities, and situations in which preparedness is critical to provide to improve the University's risk/control environment;

- Evaluate mitigation strategies;

- Develop policy and procedures;

- Identify "blind spots" or other unanticipated risks that might not yet have come to the attention of leaders;

- Integrate "blind spots" into a comprehensive University-wide risk assessment;

Options for Consideration

- Do not undertake an ERM process at this time
- Vendor
- In-House
- In-House with limited consultation

Option 1: NO ERM

Pros:

- Keeps focus on issues that are important now
- Allows time to consider future options
- Retains resources (people, money, time) for other uses

Cons:

- Leaves in place a siloed approach to risk
- Delays implementation of mitigation and control measures
- Leaves leadership and the board without a comprehensive view of enterprise-wide risk

Option 2: Vendor

Pros:
- Outside expertise
- Big picture understanding of the issues
- Experience from other institutions

Cons:
- Cost
- Limited time and resources for information gathering
- Limited understanding of our institutional culture
- Generic approach
- No capacity for long-term follow up

Option 3: In-House

Pros:
- Resident expertise
- Knowledge of our institutional culture
- More time/longer process permits better information collection, ability to work through matters in greater depth, capacity for long-term follow up
- Lower Cost

Cons:
- Limited perspective
- Limited comparative knowledge in higher education sector
- Lack of perceived authority that often comes with outside expertise

Option 4: In-House with Limited Consultation

Pros:

- Outside Expertise
- Comparative Knowledge
- Wider range of perspectives, knowledge bases
- Ability to draw from consultants (e.g., Marsh), practitioners (DeKalb Fire Dept), experts on other campuses, professional societies (Society for College and University Planning(SCUP))
- Limited and controllable costs

Cons:

- Need for strong coordination
- Higher transactional costs
- More variation in approach

Vendor Plan and Timeframe

Key Project Activities

- Plan and Understand Project
- Gather and Analyze Risk Information via Interviews & Surveys
- Prepare Workshop Materials
- Facilitate Assessment Workshop
- Develop Assessment Report and Recommendations
- "Deep Dives" in 2-3 risk areas
- Ongoing Coaching and Support during the project period

Timeframe: 3 - 4 Months

In-House Plan and Timeframe

Project Phases (with or without external consulting assistance)

Phase I: Identify strategic objectives

Phase II: Identify operational controls and risks factors by functional areas

Phase III: Assess risks and match with current risk management controls

Phase IV: Identify key risk factors, interactions among risk factors and priorities

Phase V: Design specific risk management action plans for control, mitigation, and timelines for each risk area, and identify resource needs for implementation

Phase VI: Communicate resource needs and proposed action plans and timelines to the Board, the President and key decision-makers

Phase VII: Design dashboards and set timelines to monitor progress

Timeframe: 4-6 months

QUESTIONS?