



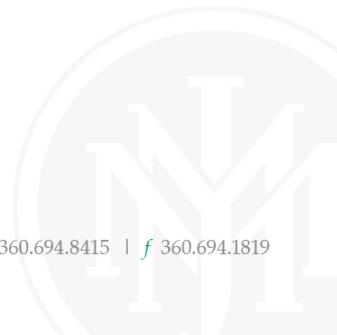
M.J. Murdock
Charitable Trust

Higher Education Governance Workshop

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M.J. Murdock Charitable Trust

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- The word risk derives from the early Italian risicare which means “to dare”. In that sense risk is a choice rather than fate.
- -Peter L. Bernstein, Author of Against the Gods: The Remarkable Story of Risk



ERM as Board Responsibility

- Key Part of Fiduciary Responsibility
- Should be a Board Priority
- Work Closely with Management to Identify Risks
- Look at Risks Across Organizations not Silos
- Use Stress Testing as Tool for Determining Potential Outcomes



Key Steps In ERM

- Risk Identification
- Risk Assessment
- Risk Mitigation
- Report to the Board

Source: Risk Management; AGB and Janet Abraham



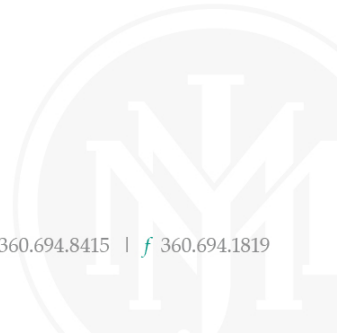
Risk Identification

- Led by the Senior Administrators
- Keep to no more than Twenty Risks Across the Institution
- Use Broad Categories to Start and then Drill Down on Specific Risks by Category

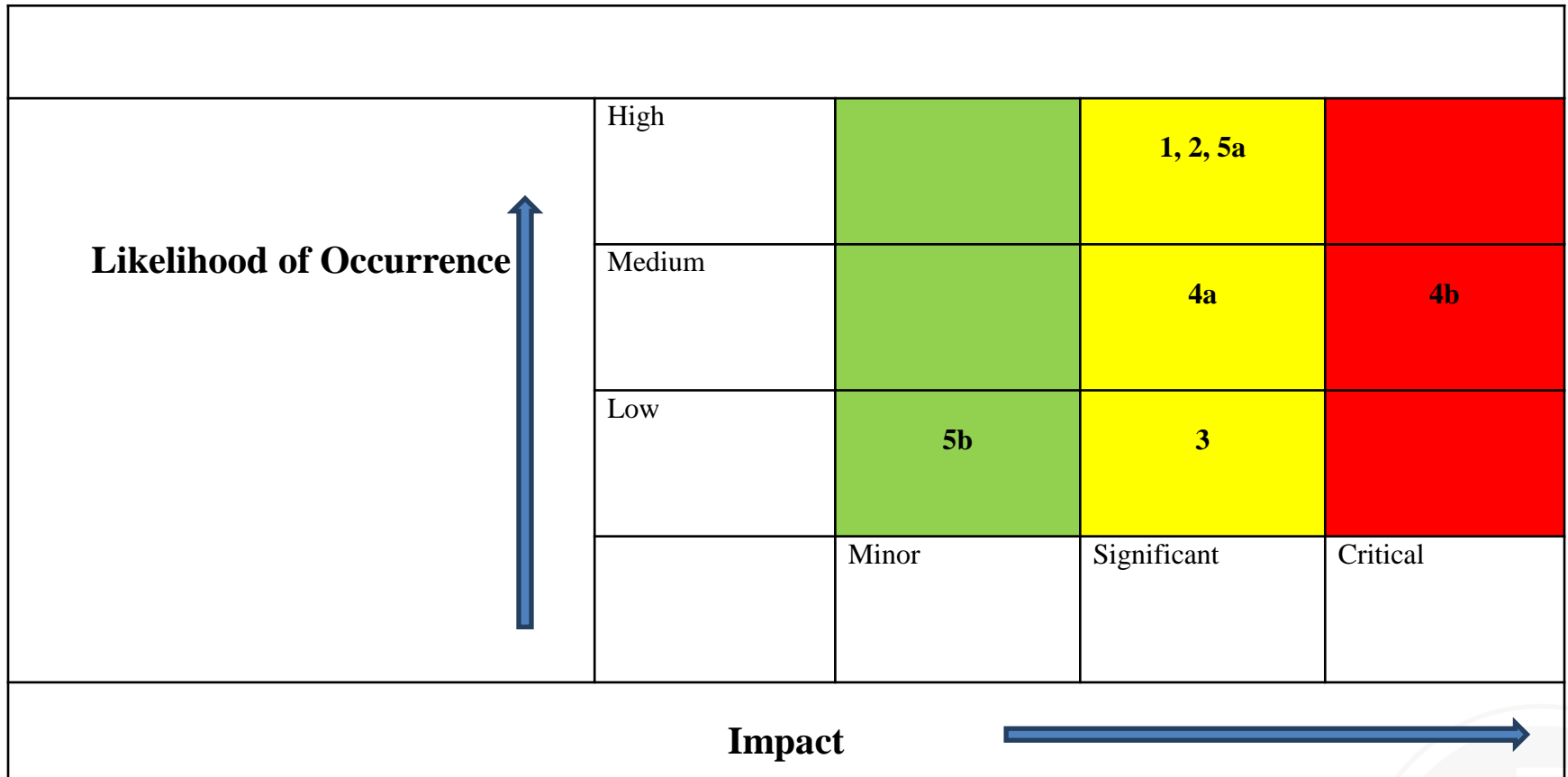


Risk Assessment

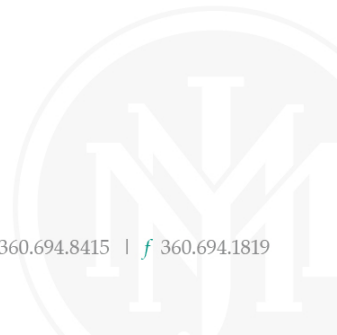
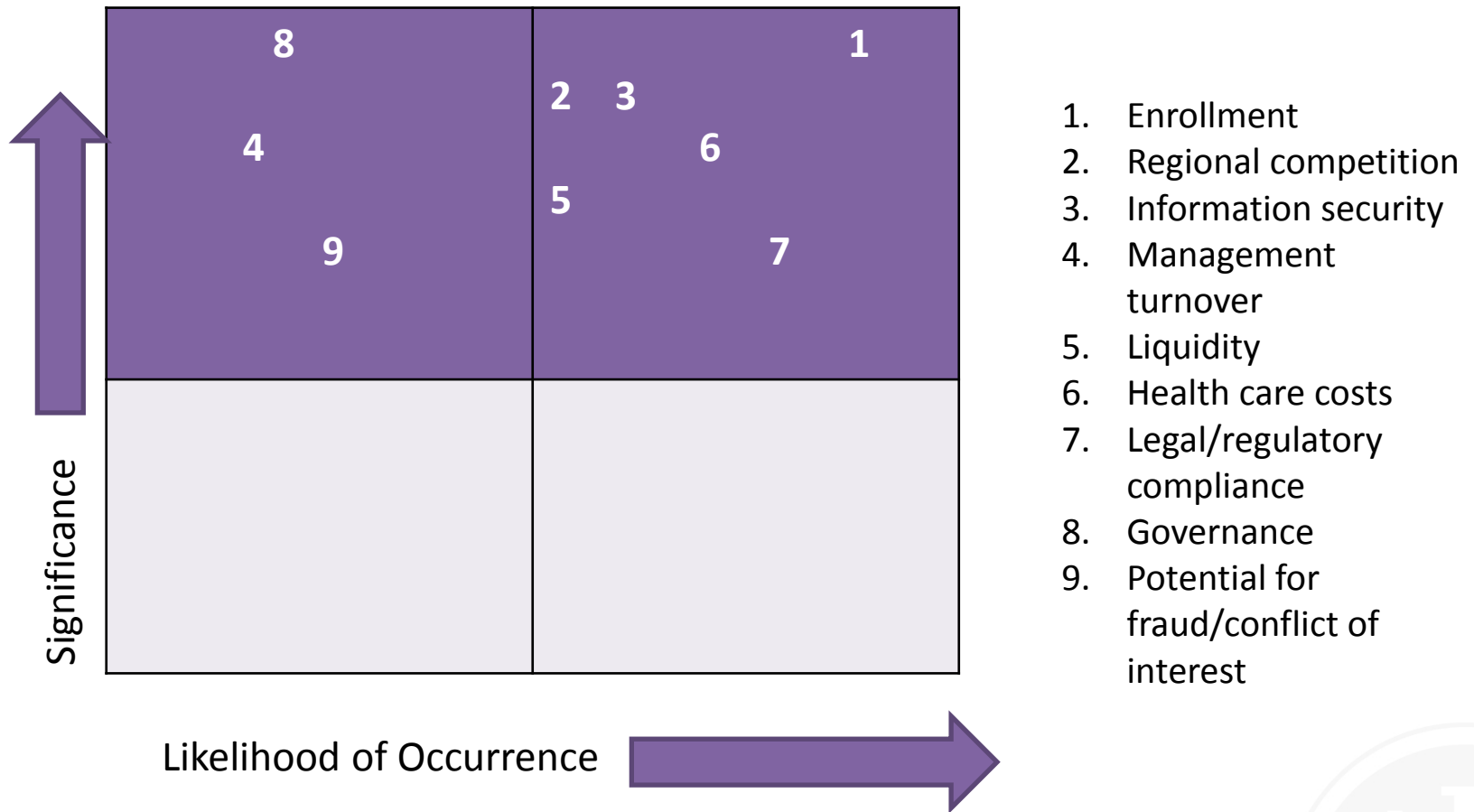
- Create Entity Related Heat Map
- Use two Dimensional Grid
 - One Dimension is Likelihood of Occurrence
 - Low – Medium –High
 - One Dimension is Impact of the Organization
 - Minor – Significant – Critical
- Look at Downside Risks
 - Impact of Downside Events
- Look at Upside Risks
 - The Risk of Not Achieving Objectives



Heat Map Example I

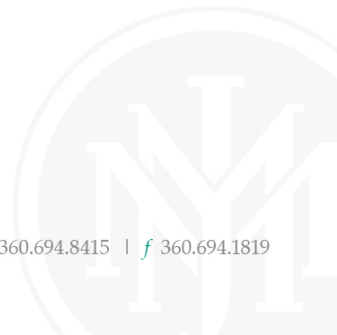


Heat Map Example II



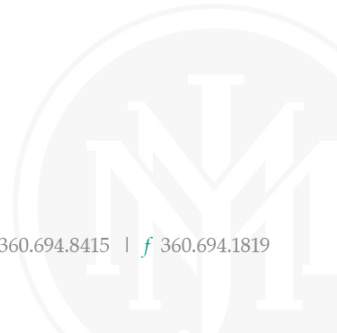
Stress Testing

- Helps to Understand Potential Downside
- Great Education Tool-Understand key Levers
- Particularly Helpful for Review of Finances
- Assume a Number of Factors go Wrong Simultaneously
- Using 2008/2009 Time Frame is a Good Starting point



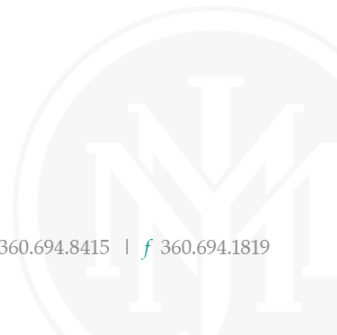
Addressing Risks

- Highest Priorities are in the Upper Right Box
- Move Across to the Left and then Down
- Ignore anything that is Low Risk or Low Impact
- Update Risk Heat Map at Least Annually



Risk Mitigation

- Each Risk should have a Plan to Address
- Each Risk should be Assigned to Management Personnel
- Each Risk should be Assigned to a Committee
- A Board Report should be Developed and Reported at Least Annually





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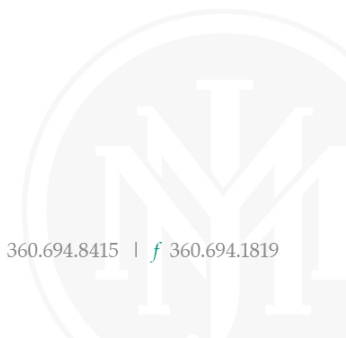
Appendix

University Risk Register

Source: Risk Management; AGB and Janet Abraham

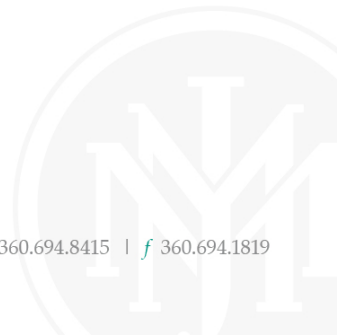
Public Research University –Risk Register

- 1)Economic conditions and base funding
- 2)Enrollment growth
- 3)Human resources process and leadership
- 4)IT infrastructure
- 5)Physical infrastructure
- 6)Progressive faculty renewal
- 7)Relationships with key supporters
- 8)Reputation
- 9)Research growth, complexity
- 10)Safety and security



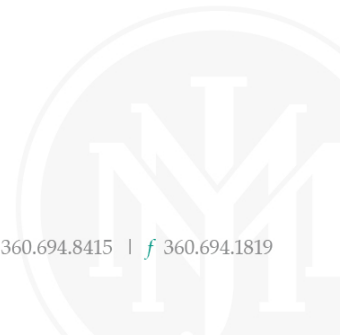
Independent Research University –Risk Register

- 1) Effectiveness and efficiency of financial operations
- 2) Facilities renewal and optimization
- 3) Adequacy of human capital
- 4) Conflicts of interest
- 5) Disruption of operations
- 6) Fundraising sufficiency
- 7) Health and safety
- 8) Regulatory compliance
- 9) Sponsored research—volume uncertainty
- 10) Student success



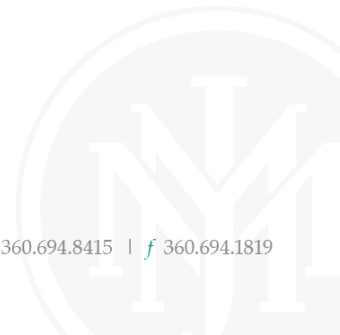
Independent Comprehensive University –Risk Register

- 1)Academic quality (including faculty retirement planning)
- 2)Budgeting and forecasting
- 3)Community safety
- 4)Compliance risk
- 5)Decentralization
- 6)Deferred maintenance
- 7)Enrollment management/retention
- 8)Financial aid
- 9)Financial stability
- 10)Political and regulatory change
- 11)Branding



Public University System –Risk Register

- 1)Governance: System wide and institutional goals, roles and methods
- 2)Student enrollment
- 3)Government support
- 4)Liquidity, debt and reserves
- 5)Health care costs
- 6)Employee morale
- 7)Management turnover
- 8)Return on investment in new capital projects and programs
- 9)Legal/regulatory compliance
- 10)Information security
- 11)Disaster recovery and business continuity
- 12)Potential for fraud and conflicts of interest



Institutionally Related Foundation Risk Register

- 1) Changing state legislation and regulation
- 2) Fiduciary: Investment of endowment, financial reporting and disclosure requirements
- 3) Economic climate reduces donations
- 4) Failure to follow established procedures and policies separating foundation from university
- 5) Succession planning for leadership
- 6) IT and data security
- 7) Crisis response plans
- 8) Coordination and alignment with other groups supporting university (alumni association, boosters, etc.)

