Collaborative Risk Management:
“Risk Management” vs. “Managing Risk”
The task is not to make sure that the sea is calm, but to prepare oneself to sail in stormy, unknown waters.
—explorer Ferdinand Magellan, before embarking on the expedition that would make the first circumnavigation of the Earth

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The 2013 Arthur J. Gallagher Think Tank for Higher Education Risk Management examined the concept of using functional network structures—collaborative teams formed to manage enterprise-wide risks. This review grew from observations that a significant number of higher education institutions are struggling with the implementation of Enterprise Risk Management efforts. Some indeed are successful, but far more seem to start the classic ERM process and get stuck. This puts pressure on the performance—indeed, on the definition of success—of the typical institutional risk manager. In addition, the approaches commonly taken tend to blur the responsibilities of risk management, senior administration, board oversight, and individual risk owners at the departmental and divisional level.

ERM, properly thought of as a permanent, long-term process with incremental improvements, is treated instead as a short-term project with high pressure to show quick, transformative results. It was observing the prevalence of this mistaken feeling of ERM as unique, as a mysterious, exotic animal to be treated different from other more familiar types of risk management zookeeping, that led us to draft this paper.

At the same time, the members of the Think Tank panel agree we have observed smashing success in other areas of risk management. The growth of collaborative teams has enabled smooth and professional handling of several categories of risk in higher education. Teams addressing “students of concern” (and sometimes staff, visitors and others) have arisen out of increased awareness following the shootings at Virginia Tech and Northern Illinois University. The National Incident Management System (NIMS) as implemented at many institutions has promoted smoother teamwork during crises as varied as Hurricane Sandy and a home football game.

As the Think Tank conversation progressed, it became clear that we stand at the precipice of a new era in the managing of risks. Much can be gained, and learned, via the conventional typical ERM model, yet the press of circumstance and the plethora of exposures demand a new model, one whose outlines are just coming into focus. This white paper will sketch a framework for what we will dub Collaborative Risk Management (CRM). The term “collaborative” is especially fitting in that it connotes, in a single term, the multi-faceted approach

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**Preface**

We may be moving to a world of networks well led, as opposed to organizations well managed.
—Jim Collins, *Great by Choice*
that is evolving: the people who come together, the points at which they gather, and the occasion of their collaboration.

Collaborative Risk Management is distinguished from Enterprise Risk Management in these primary ways:

- CRM accounts for and coordinates among the three risk altitudes: strategic, institutional, and operational.
- It enhances and extends ERM's focus on the crucial interaction of cross-functional, cross-organizational participation.
- It provides a process and fosters a culture in which to surface, and keep on the table, those relatively few risks the management of which will optimize “bang for the buck.”
- By reducing “analysis paralysis,” CRM can be conducted in less time and with lower cost than in ERM.
- CRM is intentional about instilling risk consciousness among all constituents, evidenced by such means as referencing it in all job descriptions.

There can be a tremendous difference between institutions that have risk managers and institutions that manage risks. One end of the spectrum is represented by the often-overworked individual with an overstuffed portfolio. At the other end—even in schools with advanced ERM systems—will be found the Collaborative Risk Management institution, with multiple integrative teams, and a culture that rewards risk ownership and builds risk assessment into every initiative. These teams take into account an appropriate stratification of risk, assuring that board-level, administration-level, and operational-level risks all have proper owners and teams working on them. Support and a structure are established whether or not, and long before, exhaustive “risk registers” are created. Rather than slogging through a cumbersome catalog of many and unequal risks, a strategic, carefully selected few have coalesced and become the main focus. “Risk” has become a category incorporated in the planning process, like staffing and budget, for every enterprise of the institution—woven into the culture not by the efforts of one employee, but by many teams. In this paper we present our findings, with suggestions on how to maximize the use of collaboration, networking, and risk stratification to take higher education risk management to the collaborative level.

This publication would not have been possible without the participation and commitment of each member of the Think Tank. This year’s participants included leaders in higher education risk management and insurance from a variety of institutions:

- Jeannine Bailes, Director of Insurance and Risk Finance, ARM, University of Alabama at Birmingham
- Beth Carmichael, Director of Compliance & Risk Management, Five Colleges
- Troy Harris, Assistant Vice President for Institutional Resilience, Westmont College
- Mark Kebert, Risk Manager, Purdue University
- Gary Langsdale, University Risk Officer, Pennsylvania State University
- Craig McAllister, Director, Risk Management & Insurance, Cornell University
- David Pajak, MBA, DRM, ARM, Director, Risk Management and Chief Emergency Management Officer, Syracuse University
- Nancy Pringle, Vice President and General Counsel, Ithaca College
- Ruth Unks, Director of Enterprise Risk Management, Maricopa County Community College District
- Meredith Whitten, JD, Senior Associate General Counsel, Tulane University
- Joe Yohe, Associate Vice President, Risk Management, Georgetown University

1 In several examples cited throughout this document, we reference schools as having implemented CRM even though the term had not yet been coined. This is simply to recognize that CRM principles have been applied successfully there—albeit unwittingly—because by whatever name, they work.
We particularly wish to thank our speakers and topic experts, who graciously donated time and expenses to present their perspectives and assist with this project:

• Janice Abraham, President & CEO, United Educators, a Reciprocal Risk Retention Group

• Jim Bucknam, President & CEO, Freeh Group International Solutions, LLC

• Omar McNeill, Partner, Freeh Group International Solutions, LLC

• Mary Meshreky, Practice Manager, The Education Advisory Board

• Patrick Tiedemann, Senior Analyst, The Education Advisory Board

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• Dorothy M. Gjerdrum, Executive Director, Public Entity & Scholastic Division

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• John McLaughlin, Managing Director, Higher Education Practice

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• John E. Watson, Executive Director, Higher Education Practice

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Higher Education Risk Management: At a Crossroads

Who should be doing “risk management” at colleges and universities? Much ink has been spilled in attempts to define what a “risk manager” is and what sort of personality and skill set is best for this profession. In higher education we have seen an evolution through the years in the roles and characteristics of risk managers. One indication of this change is the very name of the association of higher education risk managers, the “University Risk Management and Insurance Association” or URMIA. When it was founded over forty years ago, it was named “UIMA” for “University Insurance Managers’ Association.” Over time, risk management rose in prominence to encompass far more than insurance, and the name changed accordingly.

The present day brings us to another crossroad, a shifting of priorities in higher education risk management. There is still a need for insurance expertise, but risk finance is more than just shifting the burden of risk to insurance companies. Those responsible for managing risk must now have skills in finance, law (an understanding of the basics and often beyond, for compliance requirements, contract review, etc.), communication, emergency management, and strategy. There is no question these functions need to be performed in higher education. The question is who will be doing them, and how many of them are the responsibility of a “risk manager.” All of them together are a heavy burden indeed—one that could break the back of an elephant.

Saxe’s poem, cited above, is based on a famous tale from several traditions in India. In this story, six blind men try to figure out what the creature called an “elephant” looks like by touching the elephant’s body. One man grasps a leg, and says the elephant is like a pillar; one touches the elephant’s ear and declares the elephant is like a fan. So it goes: the elephant is variously described as a wall, a snake, a solid pipe, a rope, and so forth. No single perspective is definitive; as ends Saxe’s poem:

And so these men of Indostan
Disputed loud and long,
Each in his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!

In the last fifteen years, insurance has declined from 70% of my job to 15% of my job. “Risk Management” at our institution now encompasses so much more than insurance.
—Higher Education Risk Manager and Think Tank participant
So also there has been a drawn-out debate playing out in institutions everywhere concerning the proper role of higher education risk management. Does it look more like internal audit? Insurance management? Compliance? Financial engineering? In this paper we intend to focus on the state of risk management’s evolution on college and university campuses, whether or not those campuses employ a full-time risk manager.

Two developments in particular have shaped the near-term future of what the risk management elephant will look like in higher education: 1) the faltering rise of Enterprise Risk Management (ERM) and 2) the increased use of collaborative teams to address specific projects and risk issues. As the title of this paper indicates, the key is an understanding of the difference between “risk management”—perhaps assigned to one harried Director of Risk Management (or Chief Risk Officer, or Audit, Compliance, Legal, or Finance)—and “managing risk,” which top-flight institutions realize is a collaborative, distributed, networked assignment for everyone.

Strong forces of change are driving higher education to re-evaluate ERM, given the difficulties some have faced in seeking to implement it. Few in our industry fail to notice great waves of change breaking over the traditional landscape. Regarding risk management, institutional Boards of Trustees are showing renewed and deepening interest. From around 2004–2008, ratings agencies such as Fitch’s, Moody’s, and Standard & Poor’s indicated their intentions to include ERM factors in the rating process for higher education institutions, affecting the perceived riskiness of bonds issued by schools. Board members themselves often come from careers in the business world, where ERM has sometimes been more broadly accepted and incorporated as a practice and way of thinking. Administrators and middle managers are bombarded with trade press articles about risk management failures (see “derivatives” and “Global Financial Crisis”), successes, priorities, and methodologies in ways unheard of a decade ago. By 2008, a joint Association of Governing Boards/United Educators survey of 600 schools indicated that 40% said they were working on comprehensive, strategic risk assessments.

What changed in the higher education landscape, making comprehensive risk management more palatable?

- Certain high-profile catastrophic failures of financial risk management
- Perceived management failures of boards and senior management (e.g., Penn State and the Freeh Report)
- 2008–2009 economic collapses hit higher education hard too
- Government pressure to reduce overall costs of higher education

- Changing dynamics at high-end administrator/Board level regarding knowledge of, recognition of, value of, and desire for strong risk management
- Presidents are (now) thinking about this. They want to embrace it
- Middle management is now more empowered to discuss risks (both as liabilities and opportunities) with administrators

Much positive collaboration can take place when teams are utilized, and the team leader sees the job of the team as “managing risk” for the institution as a whole. On such teams, the risk manager may be a frequent participant but may be the leader on only
a select few, if any. For such schools, comprehensive risk management may be based on a model such as the COSO framework or ISO 31000 standard. But these models are not seen as punitive punch lists to be followed, but as positive habits that make the institution stronger. These schools are not just seeing a different side of the elephant—the best of them are harnessing the elephant and putting it to work. They have managed to take “risk management” out of a single office, incorporate it through the institutional culture, and settle it in functional, collaborative teams. They are seeking to optimize risk, “managing risk” together in pursuit of institutional goals.

In 2009, the Gallagher Think Tank White Paper addressed the state of ERM at the time. This followed a 2000 National Association of College and University Business Officers (NACUBO) paper on ERM and a 2008 URMIA publication as well. This paper proposes that the natural evolution from the ERM tradition is toward the collaborative model. The landscape of risk management has changed in higher education, and many who have traversed this landscape successfully have done so in the highly collaborative manner represented by the new term.

**Getting Safely to “Yes!”**

Operational risk managers have long bemoaned the fact that, like a James Bond villain, we are occasionally nicknamed “Dr. ‘No!’” Internal clients sometimes feel they have exciting ideas for programs and opportunities with great institutional benefits, but when they run those ideas past risk management, all they hear is “No!” because operational risk management focuses on the negatives. Admittedly, part of this is defensive: someone needs to point out the risks and possible downfalls of ideas for which the proponents only see the positive. But this role may cast operational risk managers in an unpleasant light. No one wants to talk with risk management if it only means their ideas will be shot down.

The new landscape of risk management is bringing a simple, one-word change: risk management is now the process of trying to help others get to “Yes!” See, for instance, this recent description from the blog (!) of the Office of the Chancellor, describing the Risk Management Leadership Council (a team that reflects the collaborative approach) at the University of California, then under the leadership of Grace Crickette:

> Her eight years have transformed UC. Grace brought positive thinking to the Risk Management world, evidenced cosmetically by our change in title to Risk Services. More substantively, we now try to help faculty and staff take risks safely, as opposed to closing our eyes, sticking fingers in our ears, and shouting “NO, it’s too risky!” We have decisively switched emphasis from administering losses that have already occurred to preventing losses that might occur. And according to our actuaries, under Grace’s leadership we have collectively saved the University more than half a billion dollars.2

When a collaborative filter is applied, a project or idea has to clear a risk management hurdle, just as it must meet budgetary or facilities needs criteria. But the biggest change with risk management through collaborative teams means that risk takers learn to apply the risk filter themselves, rather than seeking (or ignoring—or, worse, avoiding) an opinion by the operational risk management department.

**Strategic Carpe Diem**

The movement toward greater risk management sophistication on an institution-wide basis has provided two specific additions to the operational risk manager's standard toolbox. ERM’s key contribution to the profession was to specifically include not just operational risks but strategic ones—by definition, ERM is meant to be “integrated, comprehensive, and strategic.” Strategic risks include threats to reputation, enrollment, or mission. They include societal shifts and financial strictures. These go beyond operations, and often go beyond the current portfolio of the typical institutional risk manager. Collaborative Risk Management (CRM) takes the strategic and applies it, via collaborative process, to a stratified view of the whole institution (more on this below).

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Secondly, collaborative risk management specifically aims to incorporate positive risks. That is, CRM means to consider opportunities and the cost of not being able to leap at them—such as letting other schools gain a competitive advantage, or missing out on a clear demographic shift. While operational risk management has historically weighed the cost of a course of action, CRM also considers the potential costs of not acting—the “carpe diem!” failures.

Conventional Enterprise Risk Management has been defined and described by models from COSO, ISO and others. The difference between ERM and more traditional operational risk management is apparent in the models’ definitions of ERM:

- **COSO** 3: “Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.
- **ISO** 4: “Risk: the effect of uncertainty on the objectives of an organization.”

Note the emphasis on process, on strategy, and on uncertainty in general, rather than on negative outcomes. ERM is about reducing the likelihood of all unexpected outcomes—not necessarily negative ones. It is about achieving success as much as avoiding failure. CRM achieves these aims with an explicit focus on how the various entities involved in decision-making collaborate on the issues they face.

**Stratification:**
**Addressing Each Risk at its Own Level**

One significant challenge with integrating risk management throughout the institution is determining whose job it should be. Strategy is traditionally the province of the Board. A healthy Board asks strategic questions: “Where should the institution go next? What major initiatives should we undertake? What societal and demographic forces may threaten our success, or propel us to further greatness?” Few operational risk managers are asked to consider these high-level issues, or to report on them to the Board, much less to manage them. Since ERM incorporates consideration of strategic issues (along with any issues that keep the institution from reaching its objectives), there is a common disconnect between it and what institutional risk managers have traditionally done each day. CRM, though, anticipates that all three levels of stratification are addressed strategically, and that cohesion across those levels is found.

**Risk Management Moves Past Adolescence**

One school that has grasped the concept of integrated risk management is the University of Alberta. Their 2012 Comprehensive Institutional Plan 5 asks, “What is our strategic objective? What risks will affect our objective? What resources do we need to address this risk?” Thus their strategic planning, their risk assessment, and their budgeting processes can move in lockstep.

Certain types of risk should be managed directly by the Board, through the use of Board committees. On the other hand, the Board does not run many aspects of the ERM process—the Board is not in a position to drive ERM initiatives through the institution on a daily basis. The way forward is to

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4 ISO 31000 ([http://www.iso.org/iso/home/standards/iso31000.htm](http://www.iso.org/iso/home/standards/iso31000.htm)) is becoming the de facto international standard for ERM, and its simplicity and clarity for implementation makes it the model of choice for our Think Tank. An implementation guide, ISO 31010, is also available.


delineate carefully the respective roles of the Board, senior administrators, and operational risk managers. **Stratification** is key—some risks, such as strategic questions, major initiatives, and general societal and demographic shifts, are the role of the Board. We might call this true “strategic risk.” Senior administrators, by contrast, are responsible for implementing the decisions of the Board as operations of the institution, and minding specific risks facing the institution as a whole (“institutional risk”). Likewise, operational risk management will likely be aware of, and in a position to address, risks that may be below the sight lines of the Board or senior administrators, but nevertheless might affect the eventual success of the institution in achieving its objectives (“unit risk”). These different risk types should be handled by different groups across the institution. Success-ful CRM must incorporate the perspectives of all of these participants, in their proper strata. Thus risks, besides having aspects such as frequency and severity, have an altitude, a level at which they are best managed. A Board thus manages risk via linkage between various levels of stratification: committees report up to certain senior-level administrators, who may report to Board committees and thus to the full Board.

**Charrettes, Collaborative Teams, and A Way Forward with CRM**

In the fields of architecture, design and planning, when multiple stakeholders need to be consulted about a proposed idea, a charrette may be called. This is an intense meeting to solicit the input of all those involved or who will be affected by the project. Collaborative risk management uses the charrette as a key aspect of its method.

Most colleges and universities have teams that are assembled to address major issues. These functional groups often act as charrettes, gathering information from all vested parties and acting with the interests of the entire institution in mind. They are not typically drawn only from one department or division, but have membership from across the institution. In general, these teams are successful in their specific missions, and in many cases consulting with the charrette for a specific issue—behavioral assessment of students at risk, emergency management, travel abroad, and other cross-departmental issues—becomes an institutional habit. This collaborative team approach also can be leveraged to embed ERM processes until they become successful habits. At that point, managing risk can become as instinctive as managing budgets or managing people.

In this white paper we note several collaborative team efforts that seem to be working quite well—including some that are likely being used on your campus. We also examine efforts to implement con-

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7 The type names used here are for convenience only, though for consistency across the sector we recommend their adoption along with the term “Collaborative Risk Management.”


9 The word *charrette* (pronounced “shuh-ret”: French for “small cart/chariot”) comes originally from art and design schools, where student architects worked on project deadlines in advance of presentations to a large group for discussion. If the design teams ran late, the members might be frantically finishing their projects at the moment they were due. As a small cart was rolled through the workroom collecting the final designs, students not quite ready for the group review were said to be working en charrette, riding along and actually applying the last touches literally “in the cart.” (Most of us have some bitter experience working on projects like this.) *Charrette* thus has come to refer both to large group projects finished frantically at the very last moment, and also especially to the process of group evaluation and review by all stakeholders. It is perhaps appropriate for ERM projects to include both senses of the term.
intentional introduction of the functional, cross-disciplinary teams that characterize the CRM approach. As the Think Tank participants deliberated, we were cheered and excited about the new directions on the horizon for managing risk. Many positive opportunities await; there are good ways to do the work effectively. However, before the sunshine of this new dawn, we must emerge from the often confusing fog of recent ERM efforts. This history is less positive, but to it we must turn in the next chapter.

Overheard at the Think Tank

"A lot of institutions may be thinking about ERM but have not gotten there yet. I look at the idea of putting a lot of these strategic risks into committees—and many of these Board committees would be challenged on how to handle these risks."

"Are Boards getting enough training to be visionary risk managers?"

"You do get some disconnected boards; they breeze in and breeze out and allege they were not told about an issue when it broke out. It’s better since SOX etc."

"We’ve run 600 staff people through a training program on how to manage risk. The Board has not received formal training. We have provided them with a lot of data and information, and assigned risks to committees. We haven’t done much more yet than to say, ‘Here we are; you should expect updates from senior leaders.’ But they’ve gotten quite a bit of information from life in the frying pan."

"In higher ed, many of our Board members are made up of alums and are very committed to making sure things go well."

"The Board is coming in with a different skill set now; more legal, finance, investment—matching up to those committees."

"I see a real difference between boards at different schools, even if the schools are similar."

"Our office uses collaborative groups to handle the traditional risks."

"Boards without the right discipline are focusing on the latest headlines. They meet 3-4 times a year, read AGB and a couple of other publications, and don’t really think about the specific risks of the institution. They tend to be a bit more reactionary than a good ERM program should warrant. ‘I just read in the WSJ...’ ‘MOOCS are becoming very popular; we don’t have one...’ etc. Often Boards, unless steered, tend to be top-of-mind folks."

"AGB is preparing do another survey of the extent of ERM penetration in higher ed. The last one was done just at the commencement of the financial crisis."

"If at an institution it is decided that the Risk Management department is responsible for ERM, then at least we should be gathering information about strategic risks, even if we don’t have the responsibility to deal with them. Even if the responsible party for enrollment management is a VP of Enrollment, if Risk Management is supposed to identify risk, we have a job to do to assess and report to the VP the potential of declining enrollment. It is Risk Management’s job to provide info; it is the job of the VP (risk owner) to seek info and deal with it. Risk Management can be journalism—reporting the facts without responsibility to deal with them."

"When we first started ERM, we had the notion of campuses and divisions and risk owners rather compartmentalized. Now we have risks owned across the institution. For example, our medical center Chief Information Officer is not just in charge of IT for the medical center, but across the entire institution. That started when we discovered that there were problems with IT, and also that other areas had similar problems. They were being handled in silos but could have been handled across the institution—and now they are."

**Takeaway:** There is a large difference between risk management—an (often-neglected) operations support function performed perhaps by one office or even one person, and managing risk—a fully embedded management process that becomes a habit throughout the entire organization. Collaborative Risk Management adds analysis of strategic risks and an attitude of considered “carpe diem!” toward opportunities. It is a process that can be introduced and normalized effectively through the use of cross-divisional teams adhering to the guidelines of a risk management model.
The State of Higher Education ERM: Endangered Species?

As we examine the elephant of future risk management, we must acknowledge that prior attempts to implement ERM at many colleges and universities simply have not worked well. At the end of 2012, the Educational Advisory Board published a status report on ERM, noting that schools are encountering difficulties as they attempt to implement ERM. Some on the Think Tank concluded bluntly, “ERM is an abject failure in higher education.” Others were not as pessimistic. There seem to be innumerable websites and papers on “how to do ERM.” But it is often discussed as if it is a unique sort of exotic animal, different from the day-to-day operational risk management species encountered by most URMIA members and others wearing the risk management hat at colleges and universities.

The biggest problem, the EAB report indicated, was that once a board committee or senior administrator indicated an ERM program was wanted, the institution often plunged at once into a process of risk identification. Long lists of risks—risk registers—were created, some with hundreds of entries. Risk managers, and ERM teams, are getting stuck at this risk register phase and are having difficulty moving on to actual management of the risks. There seems to be an 80/20 problem: 80% of scarce ERM time is spent on identification and assessment (frequency, severity, velocity\(^\text{10}\) and the like), and only 20% is applied to strategic thinking. Given this ratio, administrators are understandably fearful and reluctant to implement ERM, worried that it will quickly become an unsupportable drain on time and resources. We will examine this situation more closely in the following chapter.

According to a 2009 AGB/UE survey, two thirds of higher education institutions do not have an “official” risk management position. Every institution must by default have someone, an individual or several persons, making those risk management decisions, but this may happen as an aspect of other jobs. Those performing the higher education risk management function may be aware (if sometimes rather vaguely) of COSO, ISO 31000 and perhaps other standards for ERM, but few U.S. institutions

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\(^{10}\) Risk management is becoming increasingly aware of the aspect of the velocity of a loss. Other factors being equal, the higher the velocity of a loss, the worse it may be. For instance, a $1 million pollution loss every 10 years due to a leaking underground storage tank has a much lower velocity than a $1 million van collision loss every 10 years. The former develops slowly and can usually be managed relatively slowly and at lower levels within the institution, while the van accident with the same frequency and severity hits very rapidly and requires an immediate, rapid response: its velocity score is higher. This concept is explained and described in pp. 83-85 of the Advisory Board Report, A Practical Approach to Institutional Risk Management: Getting Risk Right in an Era of Constrained Administrative Resources by Meshreky et al.
It seems possible to our Think Tank participants that the number of U.S. institutions that have successfully implemented some form of ERM on a broad scale might be fewer than three dozen—maybe far fewer. Ideally, of course, CRM would become the norm encompassing all three stratification levels, and thus the institution’s CRM model would be the framework for all risk management as practiced by URMIA\textsuperscript{12} and other risk managers in higher education.

Frequently it seems that taking risk management to the next level is not an organic, felt need, but is a reluctant response to an assignment—a reaction to a mandate from a Board or administration.

\textbf{Breaking Bad: Four Fatal Risk Management Conditions}

Where Enterprise Risk Management is found to fail dramatically, certain consistent factors are in play. Think Tank participant Omar McNeill of the Freeh Group observed that in their consulting practice, where they see risk management ‘breaks’ and risks that are not properly managed, generally the problems originate along one or more of four common themes:

\begin{enumerate}
  \item \textbf{Absence of appropriate tone at the top}
  
  The message of compliance with legal requirements, or even internal ones, is lacking. If that message has been communicated, it has been significantly watered down, or in one breath it is disseminated strongly but in another, \textit{sotto voce} message, it is undercut. At one institution there were particular breaches in the athletic space. All agreed that “The message came down strongly from the top, including from the president” that an annual review was required—but it was “because that darned NCAA makes us do it”! In the commercial context, the tone at the top may say, “You must vet third party partners abroad—but let’s not let that bog us down into missing our sales targets.” A contradictory tone at the top can really come back to haunt an organization.

  This problem must be addressed at levels higher than the source of the contradiction: for instance, only an engaged Board can force a president to walk the talk with consistency.

  \item \textbf{Poor monitoring of emerging risks}
  
  The challenge of not “boiling the ocean” is that of not making risk lists with hundreds of entries. But someone has to be thinking of what risks will be coming down the pike as a result of outside factors and forces happening now. It is often the unknown risks that snag us. Who is in charge of monitoring for them? For example, one client asked about the Foreign Corrupt Practices Act (FCPA); the school was in negotiations with institutions in China about possible partnerships, and the risk manager was thinking ahead.

  Appropriate assignment of the management of risk to the right \textit{altitude} (Board, or senior administration, or sponsoring department, etc.) helps ensure that this weakness is addressed properly.
\end{enumerate}

\textsuperscript{11} It should be noted that if, as we assert, ERM is properly understood as a process rather than a project, it will never be \textit{completed}. However, the estimate above refers to initial implementation.

\textsuperscript{12} A familiar nickname for members of the University Risk Management and Insurance Association (URMIA), the elite of higher education risk management professionals.
3. Decentralization and/or Lack of Accountability

This is a problem with independent departments, or “silos” of operation. Common expressions of this are variations of a theme: “That may be alright for the folks at HQ, but that’s not the way we do things out here.” “God is in heaven, the czar is in Moscow, and out here we do what we need to do.”

Academia often thinks it suffers uniquely from this problem. Professors wanting to do research and academic work do not want to get bogged down with risk management issues. But this is not unique to higher education—the same problems happen in the commercial space. Companies with Asian or Latin American operations commonly hear from their regional operators, “You people back in the States have no idea how it is done here.” But local behavior might cause damage to the organization—loss of funds, harm to reputation, or even criminal repercussions.

The use of collaborative cross-functional/cross-organizational teams within Collaborative Risk Management explicitly addresses this weakness.

4. Lack of Effective Communications and Training

A nagging problem at most of our institutions is keeping up with training. It is one thing to have good risk management policies, or to note regulations and statutes with which we must comply. But it is another entirely to “herd the cats”—to make sure all those affected by the policies, statutes and compliance requirements are adequately trained on what they are supposed to do, and that we can prove it with good record keeping. Indeed, just disseminating basic information, such as the existence of a new policy or procedure, is a challenge in the higher education environment where tremendous turnover of students, and often employees, exists each year.

McNeill noted, “This bothers me the most. We have higher education clients who have a problem, and when we ask them for a policy on that issue, they present one that is pristine—very well done, adequate and accurate. But when we ask people ‘on the ground’ about that policy, they either do not recall or perhaps only dimly recall it. We need better training!” This problem also is not unique to higher education: “A U.S.-based commercial company with operations around the world was proud of their ethics reporting hotline, saying it was very effective. We visited a country in Asia where the employees had no idea what the hotline was—and it was a literal hotline, with a phone on the wall and instructions, in English, on how to use it.”

Institutions that acknowledge the training burden and manage the noncompliance risk relatively successfully are those that are careful to:

1. prioritize the most essential training;
2. keep the message as clear and simple as possible;

Case Study

As a quasi-governmental enforcement body, the National Collegiate Athletic Association (NCAA) has rafts of regulations about eligibility, recruiting, practice times, and myriad other issues. Compliance by athletes, teams and schools is notoriously challenging—news articles often arise noting noncompliance, fines, and participation ineligibility. At one school, athletic trainers began putting signs daily on the training tables where athletes came, with an NCAA “regulation of the day.”
3. move as much training as possible to automated, online delivery; and
4. track and verify results and, importantly, improvement in results. Some make it almost a competition for better scores.

Not all training failures are caused by indifference—some are due to sheer overload. The Think Tank panel members noted, with some frustration, that “there is a lot of training fatigue going on within institutions.” One problem is that compliance is not scalable. An institution needs a lab safety policy, and training on it, whether it is a tiny liberal arts college with one small chemistry laboratory or a world-famous research university with hundreds of gleaming rooms full of equipment. The same is true of Clery Act or Red Flag Rule compliance, abuse prevention, transportation policies and myriad other issues. This creates an enormous risk management workload, which can be particularly challenging for the smaller institutions that often may lack additional staff to absorb it.

There are so many facets to compliance. New activities requiring new training arise regularly, including international travel initiatives or exploratory research. New or amended statutes are passed, such as the Clery Act, Title IX and many more. Internal policies and procedures add to the mix. There is so much; it is hard to keep track of all the requirements. One Think Tank member grimly noted that at the 2013 Stetson Conference on Law and Higher Education, someone made the wry joke that “Ten years from now our colleges and universities will all be compliance organizations with educational appendages.”

Delivery methods and tracking capability are challenges too. When a question arose concerning the use of an enterprise training system, managed (for example) by Human Resources, responses varied:

• “Yes, we’ve had one for several years.”
• “We are putting in a new one now; the last was not as effective as we had hoped.”
• “Fixin’ to put one in now”
• “We are developing an in-house system now, and having difficulty figuring out who should be in charge of it: departments? HR? Risk Management?”
• “We recently rolled out a Learning Management System on a trial basis, with one program—abuse prevention—

**The Four Horsemen of Risk Management Failure**

1. *Absence of appropriate tone at the top*: inconsistency between stated and actual expectations
2. *Poor monitoring of emerging risks*: no designated sentinel to warn of impending new problems
3. *Decentralization*: insufficient cross-talk and collaborative effort toward objectives
4. *Lack of Effective Training*: missing or weak risk management policies; poor training on policies
to see how it works. It worked ok; there was inconsistency of message, inconsistency of delivery, etc. But because of the training, the number of incidents of reported abuse have gone up, so we think it is somewhat effective. It is now mandatory that all our institutional employees must receive annual abuse prevention training.”

Alas, training may very well be the most controllable, and yet the least under control, of known risks confronting an institution.

Hindrances to Advanced Risk Management: “The Little Foxes that Spoil the Vines”
A recent poll of higher education institutions asked about areas in which they could use risk management advice. Year over year, ERM steadily moved from the bottom third to the top of the list. Why was this? Further investigation revealed it was Board pressure, mainly. One Think Tank member noted, “My board has been pushing me for three years on this; they keep asking why we haven’t made progress on this ERM initiative.” On the other hand, not every school’s Board expresses interest. Omar McNeill from the Freeh Group noted, “Our experience with our clients is that few of them appreciate the need for effective ERM.” As the lack of broad adoption of conventional ERM has become evident, we see the CRM approach—which reflects both a simpler view of the exposures (i.e., focused beyond the risk register) and a broader view of the constituent pool (i.e., cognizant of the altitude issue)—as the next move forward.

Still, it appears most Boards do recognize that the risk profile of higher ed has changed, due to both internal and external forces.

In response to these increasing pressures, not every institution is stepping up their risk management game. Certainly not every risk management failure is one of the Four Horsemen, resulting in catastrophe. Smaller issues can sap the institutional will and ability to do good risk management too. Here are some common failure points.

1. Many advanced risk management efforts do not focus on the right risks

A number of institutions are still considering a limited number of risks, and especially at higher levels those are often primarily financial. At one institution a number of trustees were interviewed about their risk management training and the “What keeps you up at night?” question. The majority of them talked about financial risks. They were not

The Educational Advisory Board summarizes the internal and external pressures in this way:

Internally, colleges and universities have seen increased operational complexity. Examples include:

- increased travel abroad programs (more and farther)
- more international students coming from multiple foreign countries
- increased numbers and dangers of student groups (jousting club, paintball, parkour, parachuting)
- increased business risk for ancillary revenue (counseling centers, business partnerships, etc.) that often don't have contractual risk transfer available

External pressures include:

- increased compliance risk—increasing number of regulations and increasing enforcement of regulations
- economic conditions result in fewer financial resources to handle risk—deteriorating financial ratios
- heightened scrutiny of higher education: rising levels of debate and dissatisfaction with issues of value, educational outcomes, finances, role in society, and organizational competence
focused on strategic, operations, or compliance risks (although to a Board, financial and strategic risks are intertwined). Collaborative Risk Management offers the occasion to bring other critical risks into the conversation that otherwise might be dominated by Finance or Audit concerns.

There are sacred cows—risks that institutions don’t focus on, even when a number of people in the room recognize they are risks. For example, there are a number of high-profile athletic programs that trustees individually will note have a problem, but collectively the Board does not act. One Think Tank participant drily noted, “People don’t want to air their dirty laundry!” Some people, even at high levels, don’t want the Board to know there are problems at the institution. It takes courage to point out on occasion that the emperor sometimes has no clothes. One leader of a major state university casually noted, “To be a good President, I had to be ready to leave my job any day—that was the possible cost of saying what needed to be said.” Thus sometimes risks, even truly significant ones, are swept under the rug. When something blows up, a striking revelation can be the absence of documentation that there were risks to be dealt with.

There is particular lack of focus on monitoring and mitigating reputational risks. This is manifested at some schools in the poor development and implementation of crisis management and communications teams. A participant observed, “The attitude at some schools is, ‘When something comes up, we can handle it. There are enough smart people in this room that we can tackle whatever comes up.’ And ample evidence and experience indicates that’s simply not true.”

Different risks, at different altitudes, require different levels of Board engagement. The Board is most interested in systemic risks (e.g., changing delivery models, drops in enrollment, Medicare reimbursement cuts, etc.).\textsuperscript{13} If ERM is seen as only a Board issue, operations risks may be overlooked. To be successful, advanced risk management must be a process that is completely embedded as a habit in the culture of the institution, like good budget management.

2. **Risk appetite is not well defined, much less measured**

An essential step in advanced risk management is identification of what is the risk appetite of the institution. In light of recent and visible higher education institutional crises, it is not clear that institutions have really sat down to ask, “What is our appetite for risk?” How would an institution define that risk appetite? It may start by recognizing there are more risks than the financial ones that may have initiated Board interest in broader risk management! Then an analysis needs to take place concerning the major risk categories, and how much risk is acceptable in each area. One participant suggested, “More institutions than one might think are not doing this.”

3. **Proper risk identification and prioritization is lacking**

It can be a challenge for an institution to be aware of the risks it faces. The Think Tank group noted that advanced risk manage-

\textsuperscript{13} See, for instance, p. 41 of the Advisory Board Report, *A Practical Approach to Institutional Risk Management: Getting Risk Right in an Era of Constrained Administrative Resources* by Meshreky et al.
ment must not fail to document the thought process, “to note why you are focusing on the risks you are, and how you are working on them.” Keeping up the institutional knowledge of “why we did what we did” is important, especially when things go awry and the school ends up under a microscope.

Clearly an institution should know its own risks. But Boards and administrators can be reluctant to press for formal ERM because they are concerned about the high administrative intensity required. This is especially true of the creation of risk registers—much anxiety centers on the daunting time and energy commitment attached to making an exhaustive list.

Indeed, many ERM initiatives are given to determined, hard-working employees for implementation. The Education Advisory Board report described how this proceeds at many institutions: Starting with a risk identification process, they painstakingly interview many departments and review many programs. They end up with hundred-fold risk registers—they were true to their charge to make a comprehensive list. But usually the list of risks is not sorted by altitude (strategic vs. institutional vs. unit), so the identified risks are not appropriately assigned to the Board, administrators, or department-level managers. The sheer numbers of risks can induce discouragement and paralysis. Most institutions don’t start the risk identification by referring to their own strategic plan. Doing so would help limit the project focus to the most essential risks jeopardizing the plan. Instead, the broader “What keeps you up at night?” question, especially as posed to a large risk management committee or collaboration team, leads to very lengthy risk registers (although there may also be good buy-in as the committee members “own” the risks they themselves mention).

A common pattern for failed ERM implementation follows this very path: Institutions spend 18-24 months on the early, risk identification phases, then the effort stalls. Then the Board asks about progress… Think Tank participant Ruth Unks, who successfully implemented a classic ERM program at Maricopa County Community College District in Arizona, had encouraging words about this, however. She suggests that part of the stalling has to do with the age of an ERM program: “Ten years ago when we did it at MCCC, we had a ’short’ list of 80+ risks. Last year we had 23, much more focused on the strategic plan.” Trimming to an even greater degree, in their primary risk assessment the University of Chicago identified only four major risks, including the reputation of its economics department.

For most private enterprises, especially those that are not truly huge or global, positive net present value (NPV) projects are fairly clearly prioritized and thus strategic plans, and their associated risk lists, tend to be short. By contrast, even smaller universities and colleges can have large numbers of external stakeholders, broad charters, and many charges to fulfill. This tends to make their strategic plans extremely broad, and sets the institution up for saying yes to everything. This results in “negative NPV projects”—things the school will do one way or another, whether or not they “make money” or make sense from a risk perspective. The definition of success is different, and therefore the list of risks might be much longer.

4. No framework for managing identified risks

Trying to assemble a risk register of hundreds of risks raises a question like the one for the bulldog who chases cars down the street every day: what will he do if he catches one?

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14 As described in the Advisory Board Report, A Practical Approach to Institutional Risk Management: Getting Risk Right in an Era of Constrained Administrative Resources by Meshreky et al., pp. 28-29.

15 For the NPV concept, see pp. 30-31 in Meshreky et al.
Many institutions begin a collaborative risk management/ERM process by painstakingly analyzing the activities of the institution to see what risks are present. It is important go through the institution and identify important risks—but not at first. The risk management models call for development of a framework for managing risks before making a list of them. But many schools don’t even get to the point of making a risk registry and figuring out why it is too long and needs to be trimmed—they just never make any list at all. They shouldn’t start an advanced risk management process with a risk list—but they should create one eventually.

Institutions can get ahead of themselves by starting with an assessment instead of a framework. One participant put it this way:

“We end up with a list of what risks we are worried about, without a way to handle them properly. Many schools do not have a process to deal with the risks they have identified. Putting the risks out on paper without dealing with them is the worst legal place to be.”

A list of 600 risks the institution can’t act on is a nightmare to General Counsel. CRM is about bringing an achievable structure, framework, and strategy to this so they can ultimately manage their vital risks consciously and well.

Think Tank participant Dorothy Gjerdrum, who chairs the ISO 31000 development committee, provided wise counsel: “In some of these programs that stall, there had been a rush to the risk register, the risk map. ERM [and by extension, CRM] is not about the risk map. At the University of California (where ERM has been functioning for some time), the success is in giving people the framework of ERM to step through and make decisions on their own—decentralized decision making.”

5. Shortage of resources

A predictable result of the external financial pressure on higher education is that too many schools are trying to do too much with too few resources. One participant stated, “Too often we are trying to do everything for everyone; we need to concentrate our resources and be the best at what we do.”

A risk manager with significant oversight responsibilities emphasized the creativity required in collaborative risk management:
“There is no way we from my office can meet individually with all staff; we have dozens of different locations, hundreds of thousands of students. We have to do it more vicariously.”

6. Risk management awareness does not permeate institutional culture

For a commitment to advanced risk management, a school does need the proper “tone at the top.” But for it to be truly collaborative and effective, it also needs to be ingrained at all levels. Schools have to create a culture where people are aware of, and comfortable talking about, risk as part of the efforts of the institution and their local departments, etc. McNeill noted, “When we did reviews after a problem, a number of our best recommendations came from people ‘on the ground’ who made suggestions about what risks were out

Ways to be Unsuccessful in Advancing Risk Management

- Take on expansion of (E)RM as a reactive measure: a grudging response to a Board mandate.
- Fail to understand the basics of risk management at the hands-on level—whatever altitude that is: a “grass roots” movement without proper education and comprehension may yield a “grass tops” problem, where risk management capability never grows because it has not been fertilized. People responsible for managing risks, whether Board members, Vice Presidents, administrative assistants, or custodians, may not really understand how to “manage” them like they might understand managing people or a budget or a deadline.
- Use an inconsistent vocabulary on what (E)RM is. Use terms like “trigger” vs. “risk,” or use “hazard” and “risk” and “problem” and “potential” in similar ways without clear definitions. Don’t explain differences between frequency, severity, velocity, loss control, risk financing, insurance… Assume people can “figure out” what to do to reduce exposure, seize appropriate opportunities, and manage risks.
- Forget that, of all risks, reputational risk is the primary concern of Boards and senior administrators. It is a category in ERM models, but an institution may feel it has little control over it. Once an institution’s reputation drops far enough, many other risk issues cease to matter much—the institution may be doomed. Reputational risk also has an uncertain ownership. (This is one reason institutions have seen an increase in awareness of and budget for crisis communications.) It is a function of the management of other risks. But there is a large opportunity side to this risk.

One participant noted, “Healthcare is a great example of how regulation can create culture. When revenues become directly driven (or at least largely affected) by how well a hospital manages risks, it can affect the culture of an institution because it drives focus and support (including financial support) at the highest levels of the organization.”

Collaboration vs. Centralization and “Silos”

The Freeh Group representatives reported that in their experience, when there has been a serious risk management breakdown at an institution, one of the problems is often that the Human Resources function is highly decentralized. One colleague said this out loud at an institution, and received a couple of calls warning him not to promote centralization in higher education! The opposite of centralization is the silo-ing effect. Collaborative teams both disperse responsibility out to those with oversight, and also collect knowledge and awareness more centrally.
When the culture has not been permeated with inspirational risk management, there may be objections: “We’ve done this the same way every day; why change?” There will be some resistance from people who don’t want to add a risk management component to their task list. Some said failure in ERM at their institutions was because of lack of buy-in from faculty: “They don’t see this as their job, or their problem.” But that obstacle may be overcome by selling the value proposition—resistance may melt away when people understand how proper risk management can actually help them do their jobs, and help the institution thrive. Troy Harris frames this notion at Westmont College by using the slogan, “Keeping our resources applied to our mission.” When faculty realize that deft risk management can help guard their program funding as they as educators begin to think risk-wisely, they can appreciate and contribute with engagement and creativity.

**Takeaway:** At many higher education institutions, attempts to enhance risk management have not gone well. Many schools started the process with a relatively vague mandate from the Board or senior administration. But they bogged down soon after starting, by attempting to create a lengthy risk register, and by not having either a measurement of risk appetite, or a framework indicating what would be done about risks once identified.

Four fatal errors undermine many failed efforts at advanced risk management: 1) the absence of an appropriate tone at the top (incongruence between what was said and what was done by senior leadership); 2) poor monitoring of emerging risks; 3) decentralized silos of operation; and 4) lack of effective training across the institution—including also the Board and senior administrators.

Smaller hobgoblins besetting advanced risk management efforts include 1) preoccupation with overtly detailed and narrow risks; 2) not classifying risk appetite; 3) failing to identify risks, and especially to prioritize and assign them their proper altitude for management; 4) starting with a risk register rather than a framework for what to do with risks once identified; 5) a shortage of resources; and 6) no “culture of risk management” permeating the institution.

Overheard at the Think Tank

“We really don’t do ERM—maybe “ERM lite”? [Our partner institution] tried to make a catalogue of risk, and it collapsed under its own weight.”

“Would faculty really say ‘no’ to one another on risk issues? ‘You shouldn’t do it that way!’?”

“Faculty can be reluctant to confront one another. They are collegial and have a need to trust one another, both with expertise and maturity. So they tend not to challenge one another. Ultimately it is the Provost who will say to a faculty member, ‘I understand you have been doing this for fifteen years; however, we need to find a way to do this without bringing so much risk to the university.’ It’s not just the President—it’s also the Provost and Deans, etc. who must stop saying, ‘Who am I to judge my fellow professor Joe?’ They might also hide behind academic freedom. We have seen teams of faculty members more willing to confront as a team than as individuals.”

“My experience is that 90-95% of faculty understand and want to do the right thing concerning risk management. Most faculty are delighted to get assistance from our office.”

“About compliance and training: I believe people really do want to do a good job. There are some people who don’t care about the rules, but the vast majority would do the right thing, I think, if a) the message to do so came down from on high and b) they know what the right thing to do is.”

“I often use the technique of invoking third-party compliance requirements to get buy-in to an initiative we should be making anyway. Somehow it can be easier to do something because we have to than because we should.”
“It’s impossible to comply with everything, of course. We follow Life Safety rules, we follow headline-causing issues, we are concerned with Medical Centers. We pick and choose. We have to.”

“What a luxury a big school has to have a compliance officer and an internal auditor! At a small school, the resources aren’t there. Those of us who are at smaller institutions are not going to get these resources; how are we going to do these things together?!?! Our counsel gets a lot of requests and questions that would be directed elsewhere at other institutions.”

“What keeps you up at night?” is a very broad question, and probably the wrong one for beginning the risk management process. The task seems to become listing the risks, rather than managing them.”

“It is interesting to me that some schools don’t even have general counsel! The thought process apparently that the cost-benefit basis inclines toward occasional use of outside counsel. But there is so much value brought internally (this is also true of risk management and compliance) from a person who knows the institution and gets the full breadth and scope of the realities of the institution.”

“For the few college presidents bold enough to discuss risks, they think about 50%+ of their donations for the next capital campaign are sitting around the Board table. If the President thinks the school might not even survive in ten years, and that’s a huge risk facing the institution, will he/she really say that out loud to the donors?”

“I’ve heard the mantra that higher ed is becoming corporatized. I’m preparing to do a presentation on institution-wide, collaborative risk management for our faculty. I may not use the term ‘ERM’ because they may think, ‘Here we go—more corporatization! when that isn’t really what we are trying to do.”

“Indeed, this corporatization of higher ed means that presidents are to act like CEOs. They usually don’t have training for this, and it is hard for them!”

“There is a propensity, if ERM is driven by Audit, to drive it pretty shallow and pretty wide. That’s where really long risk registers can originate. They don’t want to be caught not having identified a risk!”

“The AGB approach seems to me to be that risk is strategic only; with this in mind, the ERM process at the University of Chicago identified only four risks. But with this high-level understanding, the question remains: how do we drive the changes through the entire culture of the institution?”

“We don’t have to call it ERM; it’s really just good management.”

Ruth Unks: ‘It’s what works within your culture. At MCCC, we don’t use the ERM terms. ‘MIRA’ (for Maricopa Integrated Risk Assessment) means ‘look!’ in Spanish. Not describing this helpful process as ‘ERM’ helped our faculty and others accept our approach.”

“We try to frame the problem for internal customers by saying, ‘RM is about preserving resources for the mission of the institution. We need your help in collaborating with us to keep our institutional funding.’ That seems to work pretty well for us.”

“I think with proper identification, assignment, etc. we can manage very large numbers of risks. While we will always get some who don’t want to comply, eventually most people will buy in and see that it is beneficial to them to comply.”

“Most schools starting out spend 80% of their time on risk registries, 20% on implementation and training; this ratio should be reversed (actually this is true of many risk management processes).”

“Most schools starting out spend 80% of their time on risk registries, 20% on implementation and training; this ratio should be reversed (actually this is true of many risk management processes).”

“How to manage risks? I just started making a list—essentially, my first risk register. I ended up with ca. 250 risks—athletics, transportation, etc. (This was before I knew of URMIA, or ERM, or other sources of help.) I took each of those and graded them by frequency, severity, cost of effort and cost in dollars. This helped me rank those in broad-brush strokes to prioritize needs. Then I allocated (on paper) each of these risks to a VP, then had a conversation with each VP to double-check that they agreed these areas were in their purview. We came down to about 12 major issues we all agreed were the most important. Now I meet with the VPs every year to decide on our work plan—basically the top three risks we all agree are most important this year. It’s not big and fancy and ‘ERM-ish’ but it seems to have been functional and relatively simple.”
Common Success Factors: From “Risk Management” to “Managing Risk”

The Christian ideal has not been tried and found wanting; it has been found difficult and left untried.
—Gilbert Keith Chesterton, Chapter 5, What’s Wrong With The World, 1910

Attempts at many institutions to implement ERM bring Chesterton’s famous quotation to mind. It is not that ERM has not been desired, nor that efforts have been lacking. But it turns out that a successful implementation of ERM is difficult and time consuming. Its benefits are not always obvious, at least at first, to the people who are expected to use its tools. People are famously reluctant to make changes to new ways of doing things (though they are not reluctant to complain about having to do so).

The problems of failed ERM initiatives are common and sometimes daunting. But just as there are fatal mistakes, there are basic features of successful collaborative implementation as well. Well-conceived and well-run Collaborative Risk Management programs have certain things in common:

1. **Shared vocabulary of risk**
   In successful programs, risk is understood as both threat and opportunity. The resulting impact is that applying risk management principles becomes more engaging and empowering as everyone begins to recognize the benefits.

   The definitions of teams and teamwork expectations are clearly defined as well. Everyone should understand the difference between a permanent department, an ad hoc group formed to wrestle with a single issue, and a standing functional team to facilitate cross-departmental collaboration.

2. **Risk management is a process, not a band-aid**
   In successful programs, risk management is not a department or a vague idea. It is a standardized method or process for examining pros and cons of ideas, according to how they help fulfill the strategic plan. A standard model for the risk management process is followed as well: COSO or ISO 31000 or something simpler, developed internally. (As one panelist put it, “Doing the whole sort of COSO/ISO ERM thing is not always practical at a small institution—but there is interest. So how can we find a way to do a program that does not require a massive institutional effort with lots of navel-gazing?”)

   In the successful process, all parties understand how to identify risk, how to measure it against institutional appetite, and how to mitigate it to improve the likelihood of a project’s success. “Risk management” may be perceived as a static, after-the-fact application of judgment upon an idea. By contrast, “managing risk” should be an active, joint, continual process based on an agreed model and framework.
3. All risks have *altitudes*, and all risks have *owners*.

At institutions where ERM and collaboration are successful, risks are not centrally managed by a single person or office. Rather, they are managed at the level best suited for them—there is an “altitude” for each risk. Part of the analysis process is to make sure risks are being addressed at the proper level: Board, senior management, middle management, etc. The Board is ultimately responsible for all risks: they are the first/primary “functional team.” Institutional risks should be mapped to Board Committees, which are also to be functional teams. But the unit-level risks are delegated, with reports back to the Board: the Board keeps their “noses in, fingers out.” The President’s cabinet of senior administrators sees to it that the Board’s intentions are carried through the operations of the institution. But if the Board and senior leadership are not leading the charge for risk management, it will stall.

For a risk to be “owned,” it needs to have a single person on whom the primary responsibility rests for managing that risk. That person may be the head of a department, or an administrator to whom it was delegated, or a Board member in charge of a specific review or process. But that person—usually supported by a committee, department, or other form of collaborative team—is usually the “champion” for that risk and is to take new ideas through the framework and process to address it. To date, at most institutions risk management is not typically part of a performance review process. Perhaps this should change; the Think Tank panel concurred that “managing risk” is a necessary administrative function along with other parts of a job description, such as managing staff, turning in receipts for reimbursement, showing up on time for work, etc.—it should become an expected and natural part of one’s duties.

**“Everybody’s a Risk Manager”**

Each person “owns” the risks they face in the institution. This could be:

- A Board member on Finance Committee wrestling with declining enrollment figures
- An administrator dealing with allegations of an ethics violations concerning a Dean
- A Travel Abroad program debating benefits of sending students to a tumultuous foreign country
- A night custodian finding a ticking box
- A Student Affairs employee hearing of a possible sexual assault in a residence
- An academic division contemplating a new and exciting set of course offerings

In order to incorporate the risk management process and framework, everyone needs to be as aware of it as they are of how budgetary matters are handled, or how performance evaluations take place. Risk management becomes an instinctive, systematized part of the culture at the institution. People confidently know what to do to identify risks, weigh pros and cons, and mitigate risks.

Key: The risk mitigation process involves lowering the *risk score* for an activity to a level below the risk appetite of the institution. It might sound simply like, “Hey, that new program idea would score a ‘54’ on our risk scale—and still a ‘32’ after the estimated effects of benefits are applied. We have to bring that down below ‘20’ to get it approved.”

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17 Think Tank panelist Janice Abraham’s book, mentioned earlier (Risk Management: An Accountability Guide for University and College Boards [2013]), is an excellent guide for this mapping. It is written as guidance for Boards, but is good reading for “the rest of us” to understand best practice—and to learn where to pick up where the activities of the Board rightly leave off for managing risk at the appropriate altitudes.
Don’t abdicate managing risk to the Board!

Although the Board is ultimately responsible for all institutional risk, as advanced risk management is implemented, there are some considerations. Suggestions from our panel:

- When starting ERM, particularly at the Board level, start small, keep it simple, have a good process, and make it robust and repeatable
- Likewise, do not dump risk management onto the Audit Committee; “If the only tool you’ve got is a hammer, everything looks like a nail” and when you keep score with finances, all risks look like financial risks
- When do you tell a Board about a risk issue? If they are likely (10%?) to hear about this from anybody else, tell them! “We know of a number of institutions that are in violation of 3 out of 10 bond covenants; the Board doesn’t know that…”
- Establish an automatic escalation process, so the Board can be comfortable there will be a point at which they will hear about an issue if it becomes important
- Risk management must be tied in to strategic planning and the budget. “Often we do not see the budget supporting the stated key values of the institution.”

4. The process of implementing “managing risk” requires a change in culture.

Transforming an institutional culture that is used to centralized risk management—or little at all—will take time. Effective implementation will require considered “change management” skills. One participant noted, “You don’t just decide one day to change your processes and culture, snap your fingers, and then a miracle occurs.” The organization may be moving from centralized risk management to standardized management of risk. Do not expect this to happen overnight, nor for everyone to understand it right away. Outright marketing efforts may be required.

When do you tell a Board about a risk issue? If they are likely (10%?) to hear about this from anybody else, tell them! “We know of a number of institutions that are in violation of 3 out of 10 bond covenants; the Board doesn’t know that…”

Takeaway: There is a set of common best practices at institutions that have successfully achieved ERM and advanced collaborative approaches to managing risk. Such programs have:

1. Shared vocabulary of risk and an understanding of the purpose of a functional team
2. Risk management as a process everyone follows, like filling out a time card
3. An understanding that every risk has an altitude and every risk has an owner
4. Transformed cultures: “managing risk” is instinctive and habitual

To establish these best practices, the Think Tank recommends the use of an ERM model, with a process and framework implemented through collaborative teams.
Overheard at the Think Tank

“Back when AJG did the first ERM white paper in 2009, [University A] was trying to start ERM from a middle-management level. Is that still possible?”

“I think it can be, but you really need Board/Presidential support. We [at University A] eventually needed a Board statement to get things started.”

“We also started the ERM process with mid-level people, and then it got bogged down. The Education Advisory Board report put risks into three altitudinal lines. The middle one is so important because those folks interact both up and down. What has become very clear to me is that there is an information gap in flow. Our mid-level team was working quite well, and working quite well down, but not bringing their VPs into the loop on what was happening. VPs were coming to the table having never had a conversation about what was happening and how to be a part of it.”

“Across the institution we do have different altitudes of risk, and we use different definitions. Although I’ve been in higher ed for 30 years, the concept of liquidity risk never crossed my lips until 2008, when a number of institutions had to take ‘haircuts’ to meet debt payments.”

“One school we visited last month has ‘retention’ as its #1 risk. Theirs is less than 50%... Definitely a Board-altitude risk.”

“Deferred maintenance’ is a very high risk that needs managing collaboratively; ‘space utilization’ would be near the top too, if people were honest. ‘Dean-owned’ buildings are a problem too.”

“We do have limited resources, and have to be strategic about what risks we tackle. We have to work at the proper altitudes for each risk.”

“A common language with definitions for everyone is important. Otherwise we could easily be using “risk” as a term differently—insurable risk vs. strategic risk, for instance.”

“At a lot of cultures, at many schools, the idea is that risk management is done by ‘those people up in that office.’ But it needs to be broader than that.”

“Why does ERM work so well at big research institutions like (University B)? Chicago? Emory?”

“Here at (University B) there is accountability! It’s expected that there will be assessment and management of risk.”

“The risk owner has to know they own the risk—they own the risk—they own the risk.”

“If you monetize the risk so they feel it monetarily if it isn’t managed well, they will care.”

“We changed our budgeting model at (University D) and the mother ship won’t bail you out any more if risks go unmanaged. We in the Risk Management office now get a lot more calls on how to manage risk.”

“But risk is challenging to add to costing, because there is unknown frequency. Compliance, however, can be costed.”

“How can we turn the equation around and maximize opportunities (and use resources for that)? We don’t want to just focus on negative.”

“If we put this all under ‘risk management’, it still sounds like risk management is punitive—‘if you don’t do this stuff you will be penalized.’ There has to be some reward for good behavior too. We need a broader focus of ‘we can help you achieve your objectives.’”

“We believe it is best practice to have someone at an institution thinking about managing risk, with a framework and a process. It may not be a ‘risk manager’ but someone(s) has (have) to ‘manage the risk.’”

“The well-run institutions will have, for each risk, a champion and a facilitator (maybe the same). That person does not have to be called a ‘risk manager,’ and the process does not have to be called ‘enterprise risk management.’ For us that is a convenient vocabulary term though, and we use it.”

“One of the key things to say is, ‘Take a deep breath; this effective, collaborative managing of risks doesn’t happen overnight.’ Start with the first things first: what are the key strategic risks? All the other risks are descending, are tied to the strategic risks somehow.”
Managing Risk By Collaborative Teams: Installing the Little Plastic Thingy

Managing an organization’s risks in individual silos is like trying to pick up a six-pack without the little plastic thingy that holds them all together; you can do it, but it is far harder than it would be if the cans were connected to each other.

—Andrew Bent, “Seeing the Light: Redefining the Risk Manager” in Risk Management magazine, March 5, 2013

In many of our institutions, we do not see cross-divisional unity. We speak of institutional ‘silos’ within which the work of the school is accomplished. But there may be little cooperation across divisional or departmental lines. There may even be rivalry. To see how the management of risk can happen in such an environment, we may look to some existing institutional efforts where cross-divisional cooperation is happening successfully—where the six-pack is successfully yoked.18

Know Thyself: Where Are Your Collaborative Teams?
The first step is to identify where functional or collaborative teams already exist. “What is your institution good at? Where do you function well?” asked our panelists. “Leverage that success into risk management initiatives.” A collaborative team, or functional team (named because it meets because of its function vs., say, for an event or decision—the name is not related to its competence!), is one whose members are drawn from across several campus departments, divisions, or schools. They meet regularly for conversation, information sharing, and cooperation. Typically they are not ad hoc groups who disband after a particular assignment, like making sure this year’s Homecoming activities go smoothly. These groups tend to convene consistently for years. Their specific tasks do not rise to the Board or senior administrative level, but require cooperation beyond the department level for the good of the school. Training such teams in a framework and procedure for measured risk management may be a natural fit with their current responsibilities.

Examples of functional teams already at work at many institutions:

1. Behavioral assessment

After the shootings at Virginia Tech, Northern Illinois and others, many institutions formed teams for student care. It became clear that, in advance of the shootings, the Virginia Tech shooter had had several encounters with various entities on campus.

A collaborative team is one whose members are drawn from across several campus departments, meeting regularly for conversation, information sharing, and cooperation on specific tasks requiring cooperation for the good of the school. Training such teams in a framework and procedure for measured risk management may be a natural fit with their current responsibilities.

18 In the field of industrial plastics, the six-ring connector used for beverage six-packs—the ‘thingy’—is called a yoke. So if you join a collaborative team, they are “letting you in on the yoke”!

26 Collaborative Risk Management: “Risk Management” vs. “Managing Risk” :: Gallagher Higher Education Practice
Professors, campus police, and others each had some knowledge of his psychological difficulties, but there was no good mechanism for them to share their information in order to help him and keep other students safe. A team for this purpose was formed, and has been emulated elsewhere. Sometimes called a “threat assessment team” or “student crisis team” or “student care team,” these groups gather regularly to compare notes on students (and, in some cases, employees, visitors, etc.) who may need assistance.

2. **EOP/BCP→NIMS/ICS**

The “acronym team” often starts with emergency operations planning (EOP), adds Business Continuity Planning (BCP), then takes on the National Incident Management System (NIMS) roles within an Incident Command System (ICS) structure. Membership is often recruited from several campus areas, as emergency response planning is not limited to, say, Facilities or Academics. On many campuses this group meets regularly to consider emerging incident risks. Sub-groups may form to manage specific risks (foreign travel crisis, IT failure or hacking incident, etc.).

3. **PR/media communications/crisis communications**

Some schools have regular meetings of all those responsible for communications with various groups. The Alumni and/or Advancement folks will send a representative; so will Media Relations, and Human Resources, and Student Development, and IT for website assistance. The purpose of this group is to coordinate responses as much as possible, so the varying constituencies hear the institution speak with one voice. This group becomes particularly important in a crisis—a joint crisis communications plan is essential for smooth, effective response.

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**Case Study:**

**Existing Functional Groups at Think Tank Participants’ Institutions**

1. **Data Security Group**: started as breach response; developed into policy creation and enforcement (“DIRT”—Data Information and Response Team). Membership:
   - Owners of confidential data as part of their business process
   - IT members
   - VP Finance/Admin (may serve as chair)
   - General Counsel

2. **Global Resource Committee**: helps assess risk and support opportunities (educational programs, research, etc.). Membership:
   - Marketing and media
   - Risk Management
   - Comptroller
   - FT leadership/chair
   - Human Resources
   - Research Compliance/Export Controls
   - Vice Provost/International Relations/Dean for International Studies

3. **Construction Management**: includes all stakeholders—architects, engineers, contractors, future users of space, Facilities (maintainers of space), etc.

4. **Disaster Preparedness/Crisis Management/Incident Management**
   - Post-incident debriefing group may also be part of this; run by General Counsel so deliberations are privileged. This may not be a standing team, although ideally it would meet regularly to rehearse roles.

5. **Special Events Function Management** (can reside in Student Activities). Membership:
   - Athletics
   - Risk Management
   - Physical Plant
   - Campus Police
4. Transportation

At schools with sizable owned vehicle fleets or who rent vehicles frequently, coordination on transportation policies and procedures becomes important. A collaborative team may meet regularly to review collision reports and determine driver consequences, or set driver qualifications for school-issued permits, or review route safety guidelines, or discuss characteristics of the needs for the next vehicles to be purchased, etc. Facilities, Risk Management, Athletics, Student Development and other departments who frequently use vehicles—these would have representatives on the team. Consensus-building around transportation policies can sometimes be some of the most ticklish and challenging collaborative work on campus.

5. Minors

Almost every institution has minors, involved in various college- or university-sponsored programs. In recent years, several highly publicized incidents involving minors at risk have led a number of schools to establish a team to manage this risk. Responsibilities may include setting guidelines for adult-minor interactions, drafting policies on responsible behavior around minors, and setting background check and training guidelines for those who will be interacting with minors. As with other such teams, members primarily come from areas of the institution that have exposure to the risk—Athletics, Admissions, music, camps, academics, etc.—and their advisors—Risk Management, General Counsel, etc. Representatives are expected to “own” the committee work and bring it back to their departments as policy and procedure.

6. Laboratory/studio/theater safety

Schools with multiple science laboratories, or art studios, or vibrant theater programs, may set up collaborative groups to develop lab safety, art safety, or performance art safety policies respectively. Training of new staff and students, investigating and reporting incidents, and simple facilities management best practices can be done by team member collaboration to make sure all are on the same page.

7. Curation

Not many schools have this team, perhaps. But if the college or university has one or more museums, extra-special collections, much fine art, archaeological specimens, or other such irreplaceable pieces, a curation committee can share techniques, split costs on joint appraisals, manage shared conditioned storage space, and work together to take care of institution-owned collections.

8. Student enrollment/retention

Admissions, Financial Aid, Athletics, Finance, Residence Life, Student Affairs, Registrar—these and more may serve on a team dedicated to determining how to improve and maintain student enrollment numbers. This team is growing in importance as many schools are seeing significantly negative demographic trends in this area. Of late this risk often has riveted attention all the way to the Board level.

9. Foreign and off-campus travel

With steady growth in travel abroad and off-campus programs, a team is helpful.
Members from Financial Aid, Registrar, individual academic departments, Risk Management, Student Accounts, the Health Center, sometimes Athletics or the Career Services office or its equivalent—these sorts of departments supply members to this group. Review and approval of trip plans, leader qualifications, participant applications, preparation of orientation materials, management of travel tracking software, foreign currency purchases and other similar coordination activities are the function of this group.

Other similar teams may also exist: cyber/privacy/security breach response, safety committees, environmental stewardship groups, sometimes finance and budgeting groups. Your institution may have some, or all, or none of these. But the chances are good you have something similar, created and maintained to manage issues—risks—that require cooperation to be done well.

Using Teams to Manage Risk
Just as the collaborative teams cited above carry out their functions across the organization, so also risk can be managed collaboratively. One way to go about this would be to cross-train these existing teams in the process and framework your institution has chosen for advancing risk management. Tie in your Collaborative Risk Management initiative to the success of these existing teams. Teach the team members how to apply principles of risk management to the tasks they already do—there is a good linkage already.

On the other hand, if your institution would be best served by a team specifically to manage risk as a function of its own, the Think Tank suggests the following eight spices in the secret sauce of success. Your managing-risk collaborative team (actually, any of your institution’s collaborative teams) will need:

1. **A specific goal** (e.g., a Facilities team has a goal: having an operational building that is safe, on budget, functional, etc.)
   
a. The goal must be clearly defined and achievable by the team members
   b. Members are only on the team if they are able to assist in advancing the goal

2. **A Champion:** an individual in the institution with desire and authority to initiate and support the team—although this person may not always serve on the team itself

3. **A Team Leader:** must have the skill set to facilitate the interaction of the team. A number cruncher whose life is in a box will not be able to do this. This is the actual facilitator and chair of the functional group. Key point: this person may, or may not, be the Champion, depending on skill set and place in the organization.

4. **Training/orientation for group members** to make sure they are able to carry out the team goals
   
a. Example: emergency management team will need communication tools and response training
   b. Should be linked to altitude, duties and outcomes: training may be targeted differently, for example, for a tradesperson vs. the chair of the Chemistry department, a Dean, the President or a Board member
   c. Part of the training is about learning to use the term “risk” the same way and to understand how to look for risk and opportunity and manage toward success in institutional goals

5. **Carefully constituted group**
   
a. Team members must be on board with the mission of the team; “Don’t load up the team with non-believers”—but also don’t put all your best friends on the team. Constructive contrarians welcome. (Watch out for “groupthink”!)
b. Occasional attendance by subject matter experts may be helpful and appropriate

c. Long-term teams need to be sustainable

i. Output needs to be happening, and progress occurring. Nothing kills group interest faster than not having meaningful tasks.

ii. A group needs to have fun together!

iii. Publish the team calendar for at least a year in advance to minimize scheduling issues

d. Permit alternates to substitute for those with schedule conflicts

6. A locus of authority: a clear chain of command back to senior administrators, and from there to the trustees. Having a division VP appoint the team may be helpful.

7. “Adequate” resources to carry out the goal

a. Release time from regular roles to serve on the team: includes opportunity cost. This may be formal, or it may be informal/career path promoting.

i. Each group member’s supervisor must be willing to let the employee serve on the group. It may be part of the group member’s job description

ii. There may be significant differences in availability for ad hoc vs. standing group service

iii. Seek interest and appetite in group members. Some of it is “ginning the mill” by knowing who you want to pick—know who might be good for a particular team and who to recruit through supervisors/VPs

iv. If people have to depart the team, close the loop by making sure they hear what happened and what were the results of their group work

b. Funding

c. Space

d. Administrative support (someone to take notes19, etc.)

e. At implementation phase, may need additional resources (computers, software, equipment, etc.)

8. Respect for one another—both from the group and from outside colleagues in their respective units (note that this respect is based on perceived capability)

The main goal of such a team is continual outsourcing: movement of the management of risk from the team into operational areas. The institution will need to make available risk assessment tools (probably developed by the ERM/collaborative risk management team) that are easy to use when a department head or VP or Board member wants to analyze the level of risk an idea brings.

Examples of risk assessment tools to develop20:

- A model for risk management that is easy to understand by everybody
- A framework for decision making

- Basic risk registers, particularly of essential risks to manage (expressly—at least initially—kept limited in number and strategic in nature)

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19 One technical term for “someone who is there to take notes” is *amanuensis*. But that is not likely to come up often in most collaborative groups.

20 The University of California has graciously provided public access to a slate of tools they use for distributed managing of risk on campus for their own ERM program. Templates for risk assessment, risk ranking, new initiative risk reviews and several others are available at: http://www.ucop.edu/enterprise-risk-management/tools-templates/index.html (accessed Sept. 14, 2013).
• A risk scoring system (a spreadsheet?), indicating a formula to apply to new projects or ideas: some function of frequency, severity, velocity, mediation cost and timing, etc. “We can’t do that; the frequency score for problems is a 5, the severity is a 3, the velocity is a 2. Multiply those together and we get 30. The institutional appetite for this type of risk is 24 or less.” Of course, considerable subjectivity may be introduced into both the formula and the application of it, but the risk appetite and scoring system serve as helpful benchmarks. It is unlikely, for instance, that a VP would override the system and allow to take place an activity that scored 65 when the target appetite was between 20–25. The formula—which should not be too complicated mathematically!—should include consideration of offsetting positive scores for opportunities available because of the risks.

Training for all, at an appropriate level of intensity for their altitude and roles, will be needed. Training everyone on appropriate management of risk is an iterative effort. Layers of sophistication (and administration) will be added slowly. It can, and often does, take years to develop the institutional skills, expertise and habits that allow people to manage risk instinctively at the appropriate altitude, as smoothly as they send e-mail, leave voicemail messages, or complete performance evaluations. But that is the goal: to democratize management of risk until it is just another business process everyone is accustomed to applying. Setting up and training teams, or one specific collaborative team, can move that process along one more step.

However, simply having functional teams is not enough; how do we take the next steps forward for managing risk at our institutions? How do we help other people “get to ‘Yes!’” How do we help our institutions see the whole risk management elephant? That is the subject for our final chapter.

“But Has the Emperor Any Clothes?”

Instinctive Questions By a Manager of Risk

When managing risk becomes a standard process to follow, with an appetite to benchmark against and risk treatments available, habitual questions often look like this:

• “Does this new idea fit our institutional objectives? Which ones, and how, exactly?”
• “What kinds of risks does this idea bring? Are they strategic, institutional, or unit in scope? Are they mainly Financial? Operational? Compliance?”
• “How can we be confident in our estimates for the frequency and severity, etc. of risks associated with this project?”
• “If we don’t do this project, what is the risk of missing a big opportunity? How would we account for that positive risk?”
• “What is the maximum risk score allowed for projects like this, and what is our estimate?”
• “Who is the institutional Champion for these kinds of risks?”
• “What loss control and/or financial risk transfer methods, if any, can we apply to this to lower the score?”
• “How does our proposed activity affect other departments, particularly those we’re counting on to support us? How can we get the right people together to discuss the impact of our idea on the rest of the organization?”

Not just new ideas and activities should be subjected to this risk analysis. Risk climates change; an idea that made sense a few years ago might have had its risk score change such that it no longer helps achieve institutional objectives. Regular review of existing programs is a big part of managing risks well.
Overheard at the Think Tank

“Our office uses collaborative groups to handle the traditional risks.”

“I have a staff of several at [University F]: all of those staff- ers are engaged in traditional risk management. We are plate spinners—don’t let the expensive china fall! We help set up safety committees; we have tool boxes, guidelines, etc. to help them. Part of our engineering coursework is designing a functional racecar… we need risk management! We loop around to check to make sure people are still involved in a safety committee.”

“Larger institutions have problems with this issue too—everybody’s short on resources. We went from 11% to <1% of state support. I just got an e-mail from my General Counsel saying, “We need to form a compliance committee.”

“We have to train everybody in how to manage risk, not just the main team. In researching the issue of minors on campus, at first people followed the big numbers—camps, etc. But the most vulnerable areas turned out to be small ones (one-on-one, at-risk kids, etc.) that didn’t track with money and numbers. We’ve had as much sexual assault with little sisters coming to campus to visit a sibling as we have in other areas.”

“One example of a team is event planning—we brought that into one view so compliance with our local county, legal and liability issues are all brought together under one area (custodial, security, etc.). For instance—earthquake planning: we don’t have a lot of people whose full-time job is preparing for earthquake recovery. We grab slices of people’s time. We have a global travel advisory group to look at all of our international travel exposures, both missions and academic.”

“At (University G) we don’t have any travel approval process—they ask for forgiveness instead of permission. Approval happens through budget—if there’s enough money, they are ‘approved.’”

“This is a cultural issue at each institution. Some places would hate the idea of approval for academic anything—but ‘nature abhors a vacuum; and we developed an academic approval process (partly to control academic credentialing for credits). Then we piggy-backed on that process for non-academic trips. In many cases, the leaders of these trips wanted help and were glad to receive it.”

“A fundamental question we are trying to answer here is how to extend the reach of risk management. Maybe functional teams can do it well. For example, with EH&S: if you have ways to reach out into laboratories, you might be able to connect with individuals.”

“I don’t think we are talking about extending the reach of ‘risk management’ exactly. There is ‘risk management’ and then there is ‘managing risk.’ All these functional teams we talked about are about ‘managing risk.’”

“We may need a specific team to be responsible for setting up the ERM framework. At a lot of cultures, at many schools, the idea is that risk management is done by ‘those people up in that office.’ But it needs to be broader than that.”

(Panelist question): “Are we talking about scaling the ERM process to different institutions, or about making RM more agile? (Several respondents): “YES!—both!”

“This is about how to allow the institution to achieve its objectives. Managing risk has to be a component of that.”
Collaborative risk management, when done well, is like the “fifth voice”—the “angel” or the “bird”—in classic barbershop singing. This effect is achieved when various efforts across the institution unite, through the overarching risk management initiatives, to create a whole that is indeed greater than the sum of its individual parts.

**All Happy CRM Programs Are Alike…**
The Think Tank noted certain characteristics of a well-functioning, distributed-risk-management, CRM program in higher education. Successful programs:

1. Build CRM into their culture
2. Have CRM that follows smoothly from their Mission, Vision and Values
3. Have support from the top: this is non-negotiable
4. Have Board committees that realize they are responsible for strategic risks
5. Follow a structural model (e.g., ISO 31000 or COSO) in sequence
6. Understand their appetite for risk: when to seek it, when to avoid it

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**Where Birds Sing Sweetly**

Some institutions *have* managed the collaborative management of risks along with ERM initiatives. A few examples include:

- The University of California: started ERM with Workers’ Comp focus first; saved $7 million
- The University of Chicago: focused their risk register down to just the top four strategic risks
- Maricopa County Community College District: ERM through collaboration—gradual improvement from a standing start; it has taken 10 years (so far) to get it about right

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“From “Risk Management” to “Managing Risk”: Hearing the Angel’s Voice”

“The defining characteristic of the barbershop style is the ‘ringing’ chord. This is a name for one specific and well-defined acoustical effect, also referred to as ‘expanded sound,’ ‘the angel’s voice,’ ‘the fifth voice,’ or ‘the overtone.’ … If the four voices (Bass, Baritone, Lead, Tenor) sing properly tuned chords on the right combination of notes, the frequencies and harmonics in their sounds combine to create an overtone, which sounds like an extra note being sung…. The precise synchrony of the waveforms of the four voices simultaneously creates the perception of a ‘fifth voice’ while at the same time melding the four voices into a unified sound…. The use of the ‘ringing’ chord is more than the production of a fifth note. At the same time, the four voices combine into one blended, unified sound. The result is a musical sound that is incredibly exciting and pleasing to the ear, both for the singer and the listener.”

—from the entry on “Barbershop Music,” New World Encyclopedia
8. Embrace charrettes for in-depth assessment and the inter-departmental cross-pollination they can achieve.
9. Incorporate risk as an element of all program and project analysis.
10. Use an analysis-of-risk column in proposals, alongside those for staffing, space, budget needs; risk assessment is as important as those considerations.
11. Communicate broadly, deeply, and frequently about CRM.

Avoiding Sour Notes in Your CRM Implementation

We strongly recommend purchasing a copy of a standard such as ISO 31000 and the ISO 31010 implementation guide; reading them carefully and following them. Using a collaborative team to implement the ideas will make it much easier. If a step-by-step process outside the standard might be helpful, here are the steps characteristic of Collaborative Risk Management:

1. **Determine why you want to “do CRM”!**

   *Not “Because it’s in style!”* Marshaling the time and resources to implement a different way of managing risks is not easy. You need to understand exactly why this will be beneficial to you overall (or, possibly, that it won’t be) before starting.

   a. Know the likely **benefits; some options:**
      i. Secure your reputation
      ii. Sustain competitive advantage
      iii. Respond effectively when significant events occur
      iv. Avoid financial surprises
      v. Better match financial requests with risk taking
      vi. More effectively manage and harness all of your resources

2. **Determine what model to follow** (e.g., ISO 31000, COSO, hybrid, other)

   The COSO model has been around for some time, but may feel overly wordy and complicated. The ISO model is simpler, almost sparse; as a result its implementation guidelines may seem a bit vague and underdeveloped. There may be other models appropriate for your institution. Schools do develop their own models too. Of course whatever you choose has to work in your particular environment.

3. **Garner support from the top**, especially for incorporation of risk considerations in a go/no-go analysis of initiatives

   This should not be a problem if the Board or senior administration is driving the ERM adoption initiative. It is rather more complicated to determine an institutional appetite for risk, and then to teach people how to, and then help them, measure potential risks to see if they score below the cutoff point. Even without a mandate or official decree from the top to “Go—do ERM!” the proper use of a functional team to help people manage risks for their own projects is essentially ERM what we hope you will achieve by doing CRM. You can set up a collaborative team and, in less time and with lower cost, reap many benefits of full-blown traditional ERM. Note: it is important for institutions just starting this process to engage the Legal Department or General Counsel early on, to frame discussions so there is not fear or objection to openly discussing risks.

4. **Establish the steering committee**

   Given the thrust of this paper so far, it should not be a surprise that we see the Steering Committee as a collaborative team, with the characteristics described in the previous chapter. Collaborative teams tied into functional areas can educate their own reporting areas in risk management techniques. Consider pairing up teams that are working well with teams that have not been as successful (e.g., because of not understanding risk vocabulary, etc.) Often after such a partnership, teams say, “I get it now!” Trained teams are essential for multiplying the risk management department’s time (“We can support you, but that can’t be the risk manager’s project! Break into subcommittees and manage your own risk!”

5. **Determine Principles and a framework** that will govern process (in line with Mission, Vision, Values and institutional objectives)

   Develop the framework within which risk management decisions can be made; it is essential to do this first before cataloging risks. See, for example, the pattern recommended in ISO 31000.

6. **Establish a Process for how risks will be managed** vis-à-vis appetite, to achieve objectives in line with Principles

7. **Determine risk appetite** (max and min risk scores) and a formula for calculating it: this helps with grasping opportunities. Consider:
   - a. Likelihood of occurrence
   - b. Impact of occurrence (dollar value? Reputational impact? For instance, Declining enrollment has much greater impact than a van rollover)
   - c. Velocity/timing of impact (a building fire has a much greater velocity than declining enrollment—it hits much sooner)
   - d. Effectiveness of control/mitigation tool(s) in changing the risk score

8. **Include opportunity analysis** (perhaps using the SWOT approach)—some risks are worth taking in order to achieve long-term institutional goals.

9. **Communicate to stakeholders what CRM is all about.** Explain:
   - a. *Why* are we rolling out CRM techniques?
   - b. *Who* is affected by CRM implementation?
   - c. *What* will change for us in the ways we currently do business?
   - d. *How* will these changes occur? (describe risk owners, functional teams, managing risk vs. risk management, improved outcomes)
   - e. *When* will this take place?

If emphasis on broad-based risk management is a relatively new initiative on your campus, you have to market it! Consider:
• sending out postcards
• websites, YouTube videos, etc.
• providing face-to-face training
• having “people managers” take courses in person: e.g., risk assessment tools for one
• multiple ways to ‘get the process in front of the people’!

10. Perform (Strategic) Risk Assessment: some form of (simplified!) risk register

Note how far down in the checklist process this step comes! Yet many schools put “make a risk assessment and catalog” as the second item on their to-do list, following only the initial mandate for CRM. It is a mistake to make a huge risk register, and it is especially a mistake to rush into this step early, before the framework and philosophy and risk appetite measure are in place.

11. Assign appropriate stratification of risk: at what altitude should this risk be managed?
Add support for management of the risk at the right level.

Some ERM efforts may have been “there” philosophically but were unfortunately unsupported by the necessary institutional tools. We have to provide fundamental tools to help people succeed. Templates, spreadsheets, training and advice are essential.

12. Establish the “risk owner” for each risk to be addressed

Typically this will be the person in charge of the program running the risk, or the person running the department that will most be affected by something going wrong or by a missed opportunity. There may be several “owners” of the same risk in different departments if they would be similarly affected. The point of collaborating teams is to facilitate conversations between these people, to coordinate their responses.

13. Determine specific Board member (or Board Committee) ownership of each risk, and note the conduit for keeping them informed

14. Apply mitigation techniques

Classic risk management; often this will be one (or more) loss control measure, plus one (or more) risk financing measure. But risk

How do we change institutional culture?

When is the institution most sensitive and willing to listen to a message of change?

• After adverse events: after the fact, change occurs (e.g., abuse of minors; international travel incidents; etc—these have induced culture change)
• Fear and responsibility tend to motivate big change
• Changes in personnel (people coming in from “outside”) create opportunities to change culture
• Lasting change in an institution’s culture requires the right leaders and support
• When leaders are practicing CRM fundamentals in their own business units

Many schools put “make a risk assessment and catalog” as the second item on their to-do list, following only the initial mandate for CRM. It is a mistake to make a huge risk register, and it is especially a mistake to rush into this step early, before the framework and philosophy and risk appetite measure are in place.
owners will need information about the options and how to implement them.

15. Review effectiveness; repeat steps as needed.

Seeing the Elephant of the Future
So—what does this future risk management elephant—let us call him “Edwin” 22—look like? It is no wonder Edwin, the Higher Education Risk Management Elephant, confuses the six proverbial blind men, because each of them may argue that…

• Edwin is bigger than ever. He may not actually have been growing all that much, but he has been given a lot to chew on—new compliance requirements, new culture-based risks (research, travel, internships, minors, athletic concussions…) and a lean fiscal diet. He seems to have been busy spawning children who think and act like he does while managing risk.

• Edwin has a considered model, framework, policy and structure as guidance. They follow from the institution’s mission, vision, and values—the objectives, the risk analysis, and the budget are mutually supportive. Whenever Edwin goes to work, he starts with these—not by creating a lengthy risk register.

• His mouth is big enough, but not too big. His appetite is “just right,” as the Bears remarked of Goldilocks—he wants neither too much risk nor too little opportunity.

• He manages by walking around. He is on his broad feet and sturdy legs a lot—a truly peripatetic pachyderm, spending much time in collaboration using carefully selected, systematic frameworks and policies. He does not sit on his tail in an office, waiting to be consulted.

• He strives to be aware of developing risks. When it comes to new information about possible risks, he is all ears. He tries to keep up with them all—and never to forget any. Every risk he knows of has a champion and an owner and a conduit to active Board oversight.

• He carefully tracks and assigns risks to the appropriate altitude for management, but focuses only on the major ones—likely the most impactful in nature.

• He conducts a lot of training and advising, teaching others how to manage risk just like they manage staff or budgets. He creates a trunkful of tools for others to use—spreadsheets, web-based FAQs, training, materials… He will be just as busy, it seems, as he is now—but in collaboration, not solo.

• Wisely, he has retained his long memory and thick skin.

And… he sings like an angel.

22 Get it? Ed-win…

Takeaway: Even to schools who have developed an allergy to “ERM” wording, it is clear that a collaborative, distributed management process—represented by the next-generation Collaborative Risk Management approach—is a superior way to help people manage risks in ways that enable the institution to reach its objectives. Either way, the future of risk management will:

1. Have support from the top of the institution;
2. Involve lots of teamwork;
3. Use a model like ISO 31000 to develop framework, policy and structure for managing risk;
4. Have a scoring system for risk appetite, against which to measure initiatives;
5. Make sure every risk management effort has a champion, a facilitator, and a conduit for Board review;
6. Provide lots of advice, assistance, templates, and training to the risk “owners” and collaborative teams managing risk.
Overheard at the Think Tank

“(University G) has a good model for compliance; it is in about year 2-3 of the process.”

“At (University C) Risk Management has a relationship with Internal Audit that helps with collaboration on both risk management and compliance issues. Internal Audit has a seat with the Board Audit committee; Risk Management does not.”

“Some schools have a great collaborative relationship with Internal Audit and Risk Management. This can make for a smoother ERM project, as Internal Auditors have been talking ERM for quite some time.”

“Seeing what is on the horizon, I think we will need to collaborate especially around the area of compliance. Around 150 people at our institution have some sort of compliance responsibilities (NCAA, financial, OSHA, EPA, etc. etc. etc.). All the people responsible will keep that responsibility, but the Compliance Officer we just hired is in charge of making sure these risk owners are indeed doing what they are supposed to be doing.”

“A lot of the groups that come together to discuss these issues are able to take advantage of a relatively rapid response capability of a university. We should therefore focus a lot more on the preventive end—being proactive instead of reactive.”

“We had export control/foreign faculty coming in to interact with our faculty on non-basic research. Stuff like lasers and nanotechnology issues required expertise, which we did not always have on the small campus. We are working collaboratively to develop a policy all the schools can use for the topic of export control, and rolling out training to all our campuses’ faculty. Financial accounting on sponsored research happened across campuses too.”

“One of our groups addresses policies for dealing with minors on campus (we selected volunteers interested in task force work). We are trying to develop a certification system for students who will work with early childhood education, etc. (Note: it was important to have sub-committees, mini-task forces to work on specific projects rather than to have the committee do all the heavy lifting.)”

“APP A (the Physical Plant folks) are working to put together teams, especially on major construction projects, to supersede the single construction manager model, who might make decisions based only on budget or cost. Others are important too: Business Continuity, LEED certification, institutional research, etc. Others are being brought in to the decision. Collaborative decision making is happening in this area where it wasn’t before. After Hurricane Sandy, this kind of team also handles low-level decisions on what generators to keep going to keep research refrigerators running, etc. It used to be that the team went away after the design stage; now they stay together throughout the project.”

Six blind elephants were discussing what “men” were like. After arguing, they decided to find a “man” and determine what it was like by direct experience. The first blind elephant felt the man and declared, “Men are flat.” After the other blind elephants also felt the man, they agreed…”

“On big construction projects, issues with private developers, debt leverage, etc. require collaboration.”

“After a major incident a few years ago, our latest initiative is a “seamless student experience”; services for students enrolling on multiple campuses who need financial aid, registration, etc. are now unified. It reduces competition between schools. We formed a new group to manage the integration of all processes as a one-stop shop. It will take several years to implement this fully, but the project is under way.”

“I see a lot in the public sector (e.g., PRIMA) where many smaller institutions do a good job of buying insurance and setting limits/deductibles, etc. but they don’t feel like they have the time and interest to go forward. They don’t feel like the resources or support is there. They do a good job of being a traditional risk manager, but they don’t look at strategic risk. That is too much. But there will be other folks who will be looking at those strategic risks—it just won’t be the risk manager.”

“This is not unlike the conversation about diversity on our campus: ‘We have a diversity officer now; phew! We don’t have to deal with that now!’ No—diversity is everyone’s job. Likewise, risk management is everyone’s job. How do we get to the table to discuss these risks with senior management?”
Many reference works, articles and websites were helpful for the Think Tank group. Here are a few, with brief annotations.


Summary of how collaboration works with ERM and advanced risk management, particularly on the appropriate roles of internal audit, risk management, and other committees and stakeholders.

Skadden, Arps, Slate, Meagher & Flom LLP. *Rutgers Case Study and Recommendations for the Board of Governors of Rutgers.* July 22, 2013. Available online at http://www.rutgers.edu/sites/default/files/Final-Skadden%20Report%20-7-22-2013.pdf A review of factors in the management of a wrongful dismissal case. Helpful to readers of this paper might be the recommendations, and especially the compendium of helpful appendices and collected information on Risk Management Committees and risk assessment.


Appendix A: Sample Higher Education Risk Registers

In my experience, the way invention, innovation and change happen is [through] team effort. There’s no lone genius who figures it all out and sends down the magic formula. You study, you debate, you brainstorm and the answers start to emerge. It takes time. Nothing happens quickly in this mode. You develop theories and hypotheses, but you don’t know if readers will respond. You do as many experiments as rapidly as possible. ‘Quickly’ in my mind would be years.

—Jeff Bezos, Amazon founder, after purchasing the Washington Post, in an interview (with the Post) on how to fix it (the Post), September 2013

Risk registers are essential for expanding risk management across the institution. But fortunately they do not have to be created from scratch. Several good quality higher education risk registers have been painstakingly crafted already. Those charged with risk management can “borrow from the best” and adapt the lists to fit their own institutions. There is no need for that legendary lone genius with the magic formula. Below are links to a few examples; others can be found online. (Not surprisingly, a number of schools keep their risk registers private or behind firewalls. Many from the U.K., Australia, Canada and New Zealand are readily available, however.)

1. Appendix B of the University of Vermont’s excellent Risk Assessment Guide (pp. 24-25 of the PDF at this link) is a helpful example:

2. The University of Cambridge not only has comprehensive risk registers and scoring systems available online, but provides a longitudinal comparison by providing all their successive semiannual risk registers through the last several years:
   http://www.admin.cam.ac.uk/offices/secretariat/risk/register/

3. United Educators CEO Janice Abraham, a Think Tank panelist, suggests a short, strategic list of just a few critical risks as a starting point for conversation:
   https://www.ue.org/learnue/hot_topics/risk_oversight/13-08-08/A_Collective_Risk_Register_for_Higher_Ed.aspx

4. The University of Edinburgh has posted its risk register, including scoring:
   http://www.ed.ac.uk/polopoly_fs/1.101839!/fileManager/URRv10_5-Final.pdf
Appendix B: Higher Education ERM/CRM Websites

Immature poets imitate; mature poets steal; bad poets deface what they take, and good poets make it into something better, or at least something different.

—poet T. S. Eliot, “Philip Massinger” from The Sacred Wood (1921)

Several institutions are rightly proud of their efforts to bring risk management into a modernized, collaborative future. Here are links to websites of just a few (of many we could have added) that have been willing to make their efforts public, so that the rest of us might steal, and make a different risk management poem of our own.

4. An example from outside the U.S., Australia National University has a succinct summary of the way risk management is to be done there, following ISO 39000.


5. The University of Vermont has a good site with several helpful resources:


6. While not officially an institution’s operational ERM site, the University of North Carolina Poole College of Management’s Enterprise Risk Management Initiative is noteworthy.


7. Ohio University has posted their University Risk Management Initiative (URMI), including their twelve-step process:


1. The University of California has an excellent ERM site designed to be used and accessed by people from that institution, but which is graciously made available to the general public as well. Here are a large number of valuable templates for risk assessment, risk ranking, new initiative risk reviews, and other relevant materials.


2. The Maricopa County Community College District in Arizona has spent ten years under Ruth Unks developing the “MIRA” program: Maricopa Integrated Risk Assessment. There is much good information on this site.


3. Purdue University has a fully developed ERM program and website, using the COSO model for framework and structure.

Appendix C: Risk Appetite Scores and Formulae

A common mistake that people make when trying to design something completely foolproof is to underestimate the ingenuity of complete fools.


There are several ways to calculate a risk score to compare against a predetermined risk appetite. So also with opportunities—there are ways to estimate pros and cons quantitatively, as well as with a qualitative gut feel. But of course in the end none of these are foolproof. They are for guidance only and are just as subject to the “black swan” phenomenon as anything else. Here are a couple:

1. The Maricopa County Community College District’s risk appetite analysis is summarized in the images below. MCCCD provides wallet-card risk assessment steps that employees are trained to use to analyze risk (http://www.maricopa.edu/mira/).

The Blind Men and the Elephant
A Hindoo Fable by John Godgrey Saxe (1872)

It was six men of Indostan
To learning much inclined,
Who went to see the Elephant
(Though all of them were blind),
That each by observation
Might satisfy his mind.

The First approached the Elephant,
And happening to fall
Against his broad and sturdy side,
At once began to bawl:
"God bless me!—but the Elephant
Is very like a wall!"

The Second, feeling of the tusk,
Cried:"Ho!—what have we here
So very round and smooth and sharp?
To me 't is mighty clear
This wonder of an Elephant
Is very like a spear!"

The Third approached the animal,
And happening to take
The squirming trunk within his hands,
Thus boldly up and spake:
"I see," quoth he, "the Elephant
Is very like a snake!"

The Fourth reached out his eager hand,
And felt about the knee.
"What most this wondrous beast is like
Is mighty plain," quoth he;
"'T is clear enough the Elephant
Is very like a tree!"

The Fifth, who chanced to touch the ear,
Said: "E'en the blindest man
Can tell what this resembles most;
Deny the fact who can,
This marvel of an Elephant
Is very like a fan!"

The Sixth no sooner had begun
About the beast to grope,
Than, seizing on the swinging tail
That fell within his scope,
"I see," quoth he, "the Elephant
Is very like a rope!"

And so these men of Indostan
Disputed loud and long,
Each in his own opinion
Exceeding stiff and strong,
Though each was partly in the right,
And all were in the wrong!

So, oft in theologic wars
The disputants, I ween,
Rail on in utter ignorance
Of what each other mean,
And prate about an Elephant
Not one of them has seen!