MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Board of Trustees Study Session   **Date: October 22, 2013**

Title: Enterprise Risk Management

Purpose (check one):

☐ Proposed New Policy or Amendment to Existing Policy

☐ Approvals Required by Policy

☐ Other Approvals

☐ Monitoring / Compliance

☒ Information

Brief Description:

In May of 2013, Chancellor Rosenstone provided the Board of Trustees with an overview of the system's enterprise risk management strategy, including risk identification, assessment and management of top strategic and operational risks. Chancellor Rosenstone recommended an annual board review of enterprise risk management. This session will provide an annual review, including a report on steps taken since the May 2013 study session.

Scheduled Presenter(s):

Steven Rosenstone, Chancellor
Mark Carlson, Vice Chancellor for Human Resources
Laura King, Vice Chancellor for Finance and Administration and Chief Financial Officer
Chris McCoy, Interim Vice Chancellor for Information Technology and Chief Information Officer
John O'Brien, Interim Vice Chancellor for Academic and Student Affairs
Brian Yolitz, Associate Vice Chancellor for Facilities

Enterprise Risk Management

Annual Board of Trustees Study Session
October 22, 2013

Minnesota State Colleges and Universities

Goals for the annual study session

- Review our enterprise risk management strategy

- Report on steps taken since the May 2013 board study session

- Provide annual board review of our identification, assessment and management of the top strategic and operational risks

- Receive board feedback

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Background

- Every organization operates in an inherently risky environment.

- Risks cannot be eliminated, but the effective management of risk can create greater value, protect resources and reputation, and increase our ability to realize our core objectives and responsibilities.

- Some appetite for risk is healthy and key to innovation and high returns on investment. "All successful organizations take risks, and the most promising opportunities often involve heightened risk" (AGB, 2009).

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Enterprise risk management

- **What is risk?** Issues and uncertainties that impact our ability to realize the core objectives articulated in the Strategic Framework.

- **What is enterprise risk management?**

    - A structured approach used to evaluate and manage uncertainties we face designed to protect and grow value.

    - An inherent and critical component of leadership's long-term strategy development and execution as well as board oversight.

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Responsibility for risk management

- Board Policy 5.16: "The chancellor for the system office and the presidents for the colleges and universities are responsible for effectively managing risks in order to conserve and manage the assets of the system office, colleges and universities and minimize the adverse impacts of risks or losses."

- System, college and university strategic and fiscal plans are ways that leaders assess and develop plans for addressing risk.

- The assessment and management of risk is everyone's responsibility – it occurs at all levels of leadership and management from front-line campus employees to oversight by the Board of Trustees. Every day, leaders and employees across the system make risk-based decisions.

- At the system level, Academic and Student Affairs, Advancement, General Counsel, Finance, Information Technology, and Internal Audit all engage in risk assessment and management as a normal part of their daily work.

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Two classes of risks

- ***Strategic risks:* threats to the realization of our core objectives**

  - e.g. quality of graduates; reputation; revenue streams

  - Primary responsibility for identifying, assessing and managing systemwide: chancellor and his leadership team; at colleges and universities: presidents and their leadership teams

- ***Operational risks:* threats to assets, people, and compliance with laws and regulations**

  - e.g. integrity of financial system; emergency preparedness; network security

  - Primary responsibility for identifying, assessing, and overseeing management: operational leaders at system office and at our colleges and universities

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Two classes of risks

Strategic Risks				
Operational Risks				
Financial	Human Resources	Technology	Facilities	Academic and Student Affairs

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We focus on risks that have a high probability of occurring *and* high impact

Impact / Probability Matrix
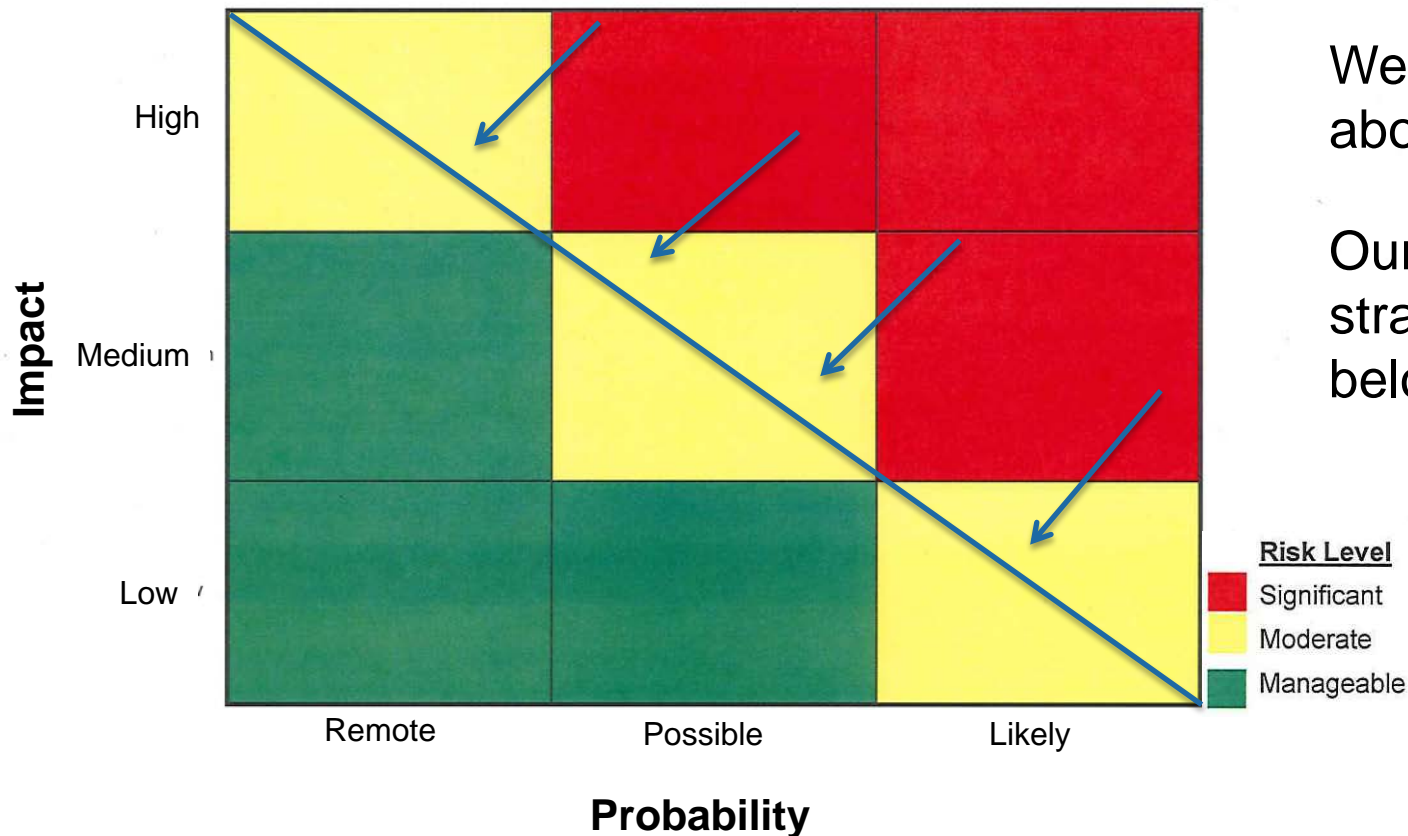
We focus on risks above the diagonal.

Our management strategy drives risks below the diagonal.

Risk Level
- Significant
- Moderate
- Manageable

Impact: High, Medium, Low

Probability: Remote, Possible, Likely

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Steps taken since May 2013 study session

1. Regular discussion and review by chancellor's cabinet of risk identification, assessment, and management strategies has begun.

2. Discussion has occurred with Leadership Council of risk identification, assessment, and management strategies.

3. "Charting the Future" draft recommendations have been reviewed.

4. Presidents are incorporating risk identification, assessment, and management in their strategic planning processes.

5. Risk identification, assessment, and management are being included in annual performance reviews and goal setting for the chancellor, presidents, and chancellor's cabinet.

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Strategic Risks
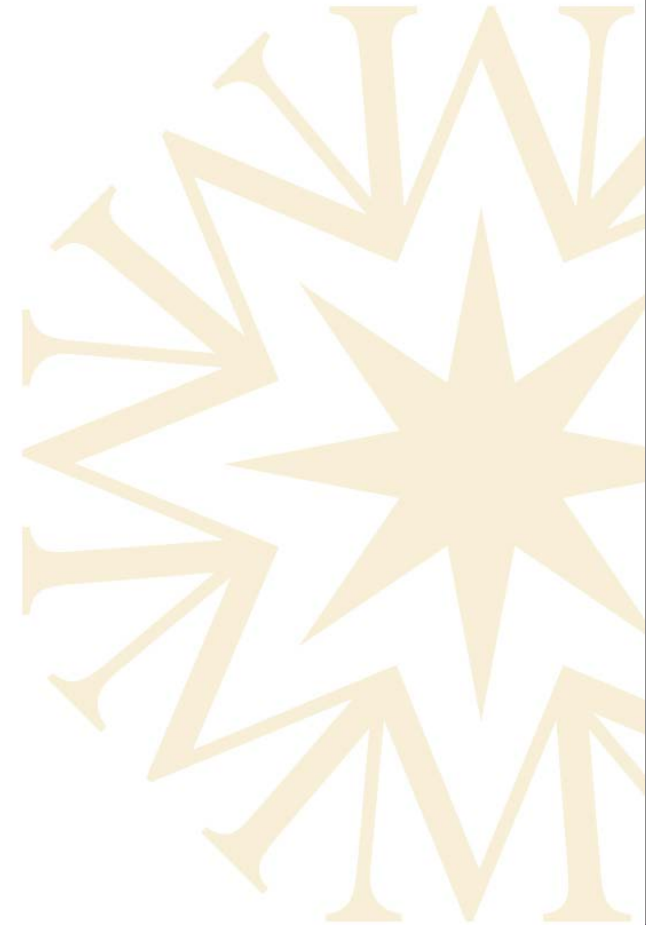
Increasing need to transform higher education

1. Demographic changes that will increase the proportion of under-prepared and under-represented students requiring increased levels of academic and financial support

2. Changes in the nature of work and what is required for graduates to be prepared for jobs and careers; need to demonstrate competencies our graduates have mastered

3. Growing concern about access, affordability, and student debt

4. Changes in revenue streams and constraints on revenue growth; need to increase productivity, responsiveness, and accountability, as well as reduce costs

5. Increased competition, particularly from for-profits and non-traditional ventures, that are challenging the traditional higher education model

6. Increased external scrutiny from government, the public, taxpayers and others; increased federal and state regulation; growing link of funding to outcomes

7. Demographic changes that will increase competition for faculty, students, and staff

8. New technologies for learning, course delivery and collaboration that require significant investments in technology and human capital as well as cultural change

9. Awareness and reputation (i.e. brand) of our colleges and universities

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Top strategic risks: threats to quality, value, reputation, revenue, and market share

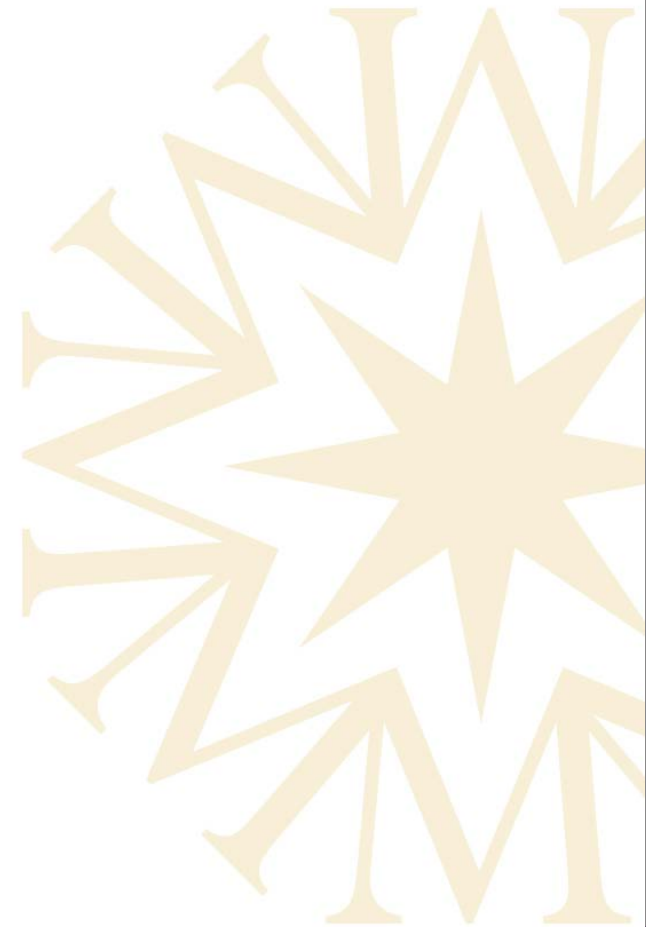| Risk: Ability to . . .	Management Strategy
1. Continually **improve the quality** of our academic programs and the quality of the education we provide students.	• "Extraordinary education" forums • Investment in educational innovation and faculty development • Learning outcomes for all programs
2. Meet the demand for state-of-the-art **individualized, interactive learning, e-services and flexible delivery options**.	• Faculty-driven educational innovations • Comprehensive, state-wide e-education strategy
3. Ensure the **success of all students – especially students of color, American Indian, first-generation and financially disadvantaged** – as well as those updating skills and/or retooling for new careers.	• Predictive analytics, retention tools, metrics • Closing the achievement gap strategies • Improve student preparedness & affordability • "Smart Transfer Plan" • Increase ease for students to move among our colleges and universities • Innovative model for customized training

Top strategic risks: threats to quality, value, reputation, revenue, and market share

Risk: Ability to . . .	Management Strategy
4. Produce **graduates with the demonstrated capabilities needed to meet workforce needs and be prepared for careers.**	• Statewide workforce listening sessions • Itasca Workforce Alignment project • Learning outcomes for all programs • Multi-state learning outcomes collaborative • Develop measures that assess capabilities of graduates
5. Respond quickly to **changes in programmatic needs and student demand**.	• Statewide workforce listening sessions • Itasca Workforce Alignment project • Streamline program approval process • Increase collaboration among campuses
6. **Increase awareness and reputation** of our colleges and universities to improve student recruitment and increase investments in our schools.	• Statewide marketing research • Common messaging • Statewide digital engagement • Targeted civic engagement • Positioning, brand strategy

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Top strategic risks: threats to quality, value, reputation, revenue, and market share

Risk: Ability to . . .	Management Strategy
7. **Reduce costs** to protect affordability.	• Campus Service Cooperative • Metrics and goals on administrative and instructional costs and space utilization • Academic collaborations
8. **Protect and grow key revenue streams** (state support, tuition, and private support) to protect quality and ensure fiscal sustainability.	• Increase the value proposition for state investment – focus on the outcomes for Minnesota; effectively tell our story • Increase market share of students served through coordinated statewide marketing and re-design of web strategy • Help ensure that more students are prepared and on track to higher education • Increase flexible, accessible course delivery • Build fundraising capacity on all campuses • Execute statewide scholarship campaign

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Operational Risks

Top operational risks: Financial

Risk	Management Strategy
• Enrollment performance	• Short-term forecast monitoring • Long-term demographic forecasting
• College/university budget forecasting and execution	• Annual review sessions • Close exception monitoring
• Federal and state financial support and MnSCU operational partnership with the state	• Monitor state resources and federal grant programs (e.g. Pell, Perkins, Trio) • Maintain strong partnerships with state administrative leaders
• Operational integrity	• Audits and monitoring • Training
• System integrity (accounting, payroll, student records, etc.)	• Audits and monitoring • Training • External reviewers

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Top operational risks: Human resources

Risk	Management Strategy
• Talent development and retention to mitigate the potential loss of 40% or more of our workforce within five years	• Develop a robust leadership pipeline • Create performance management tools effective at identifying top performers early • Ensure robust recruitment and retention of a strong and diverse workforce • Build systemwide HR capacity to manage turnover-related issues
• Regulatory management (ADA, FLSA, FMLA, Workers' Comp., etc.)	• Build systemwide HR compliance capacity • Design a system audit process to ensure accurate compliance. • Possible move towards shared services model • Training and education

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Top operational risks: Human resources (cont'd)

Risk	Management Strategy
• Nondiscrimination	• Board policy • Required training for investigators, decision makers, and employees • Compliance reviews • Consultation and advice from Diversity and Equity Division and Office of the General Counsel
• Defined contribution pension administration	• Develop a comprehensive election database • Create onboarding education & training tools • Negotiate with insurer for additional services

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Top operational risks: Technology

Risk	Management Strategy
• System reliability, disaster recovery and business continuity	• Improved testing and training • Redundancy • Backup solutions
• Data security and information management	• Network segmentation • Appropriate database segmentation • Account management • Policy, procedures, guidelines • Training and education • Vulnerability management • Timely response
• Poorly aligned solutions	• User groups/committees/communities • IT "at the table"
• System stability	• Disciplined change management processes • Capacity management

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Top operational risks: Facilities

Risk	Management Strategy
• Facility and infrastructure reliability	• Annual facility assessments • Repair and replacement goals; investment guidelines; mothball, demolition
• Contract integrity and compliance	• Master contracts/coordinated and consolidated methods • Training, monitoring, auditing
• Operations – safe, secure, compliant	• Policy framework • Communication, training, and education
• Costs/expenses: energy, supplies and materials, disposal	• Physical plant systems inspection; tune ups • Strategic sourcing, master contracts
• Emergency preparedness and response / continuous operations planning	• Board policy and system procedures • System office and campus plans • Education periodic review; training exercises and scenarios

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Top operational risks: Academic and Student Affairs

Risk	Management Strategy
See Strategic Risks; IT Risks; Facilities Risks	
• Student mental health	• Analyze mental health data to identify students at risk • Support campus-level initiatives by sharing best practices and providing training
• International education	• Share information on liability risks and best practices • Develop system level support
• Title IX	• Board policy • Designated campus Title IX officers • Provide training, other resources • Periodic reviews

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Questions for discussion

1. Are there additional high probability / high impact risks that the board recommends we should address?

2. Are there suggestions for how we should better manage the high probability / high impact risks that we have identified?

3. Do we have an effective management system that supports the identification, assessment, and management of risk?

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