

# Enterprise Risk Management



Board of Trustees Study Session  
May 22, 2013

## Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

# Goals for the study session

- Understand our enterprise risk management strategy
- Review our identification, assessment and management of risks
- Focus on high probability / high impact risks
- Discuss strategy going forward
- Receive board feedback

# 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).

# 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.

# Responsibility for risk management

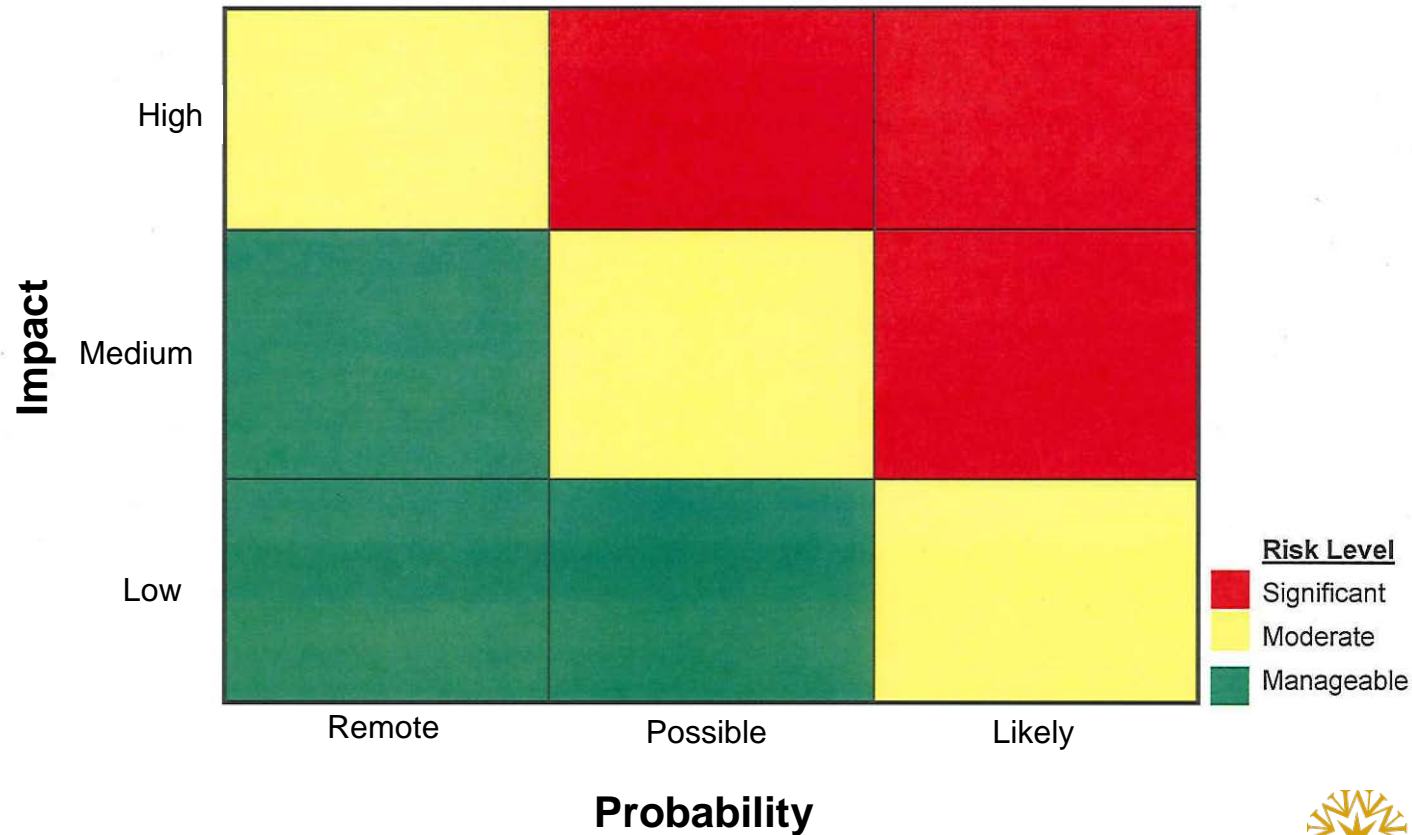
- Board Policy 5.16: “The chancellor for the system office and the presidents for the colleges and universities are responsible for effectively managing risks in order to conserve and manage the assets of the system office, colleges and universities and minimize the adverse impacts of risks or losses.”
- 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 currently occurs at all levels of leadership and management from front-line campus employee 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.

# 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

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

## Impact / Probability Matrix



# Two classes of risks

Strategic Risks

Operational Risks

Financial

Human  
Resources

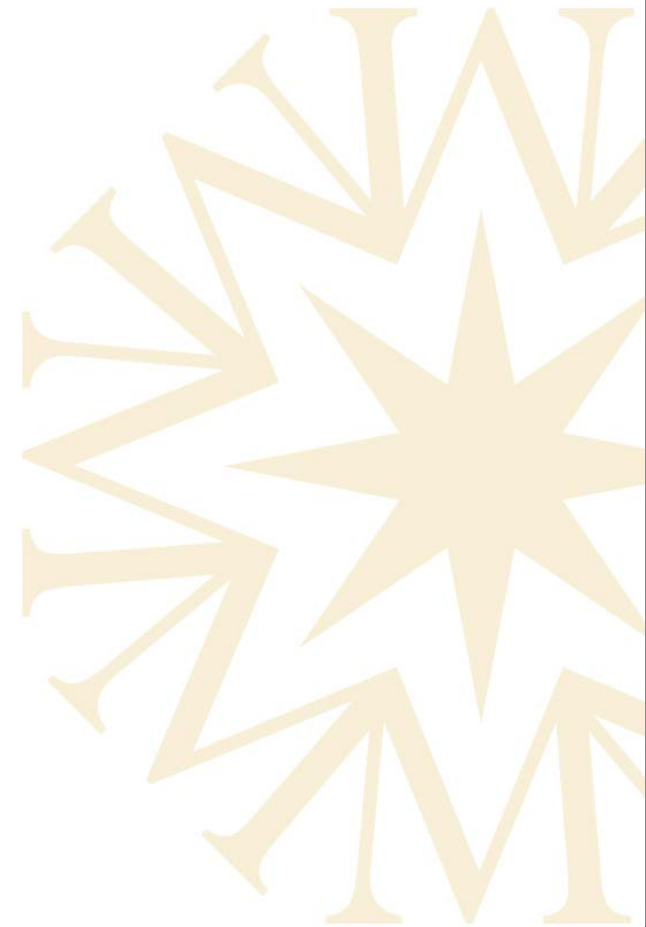
Compliance

Technology

Facilities



# Strategic Risks



# Increasing pressure to transform higher education

1. Changes in the kinds of students we need to serve, in the needs of our students, and in student demand
2. Changes in the nature of work and what is required for graduates to be prepared for jobs and careers; need to demonstrate that our graduates have credentialed competencies
3. Growing concern about access, affordability, and student debt
4. Changes in revenue streams and constraints on revenue growth
5. Need to increase productivity, responsiveness and accountability, and reduce costs
6. Increased competition, particularly from for-profits and non-traditional ventures, that are challenging the traditional higher education model
7. Increased external scrutiny from government, the public, taxpayers and others
8. Demographic changes that will increase competition for faculty, students, and staff
9. Powerful new technologies for teaching, course delivery and collaboration that require significant organizational and cultural change as well as significant investments (financial and human capital)
10. Visibility and reputation of our colleges and universities

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

Risk: Ability to . . .	Management Strategy
1. Continually <b>improve the quality</b> of our academic programs and the quality of the education we provide students.	<ul style="list-style-type: none"><li>• “Extraordinary education” forums</li><li>• Investment in educational innovation and faculty development</li><li>• Learning outcomes for all programs</li></ul>
2. Meet the changing lifestyles and technological sophistication of students with <b>innovative and flexible delivery of instruction</b> and programs.	<ul style="list-style-type: none"><li>• Faculty-driven educational innovations</li><li>• Comprehensive, state-wide e-ed strategy</li><li>• “Smart Transfer Plan”</li><li>• Increase ease for students to build programs across our colleges and universities</li></ul>
3. Ensure the <b>success of all students</b> – underprepared, students of color, first-generation, those updating skills and/or retooling for new careers.	<ul style="list-style-type: none"><li>• Implement predictive analytics, metrics and goals on retention and completion</li><li>• Closing the achievement gap strategies</li><li>• Realign secondary and post-secondary</li><li>• Innovative model for customized training</li></ul>

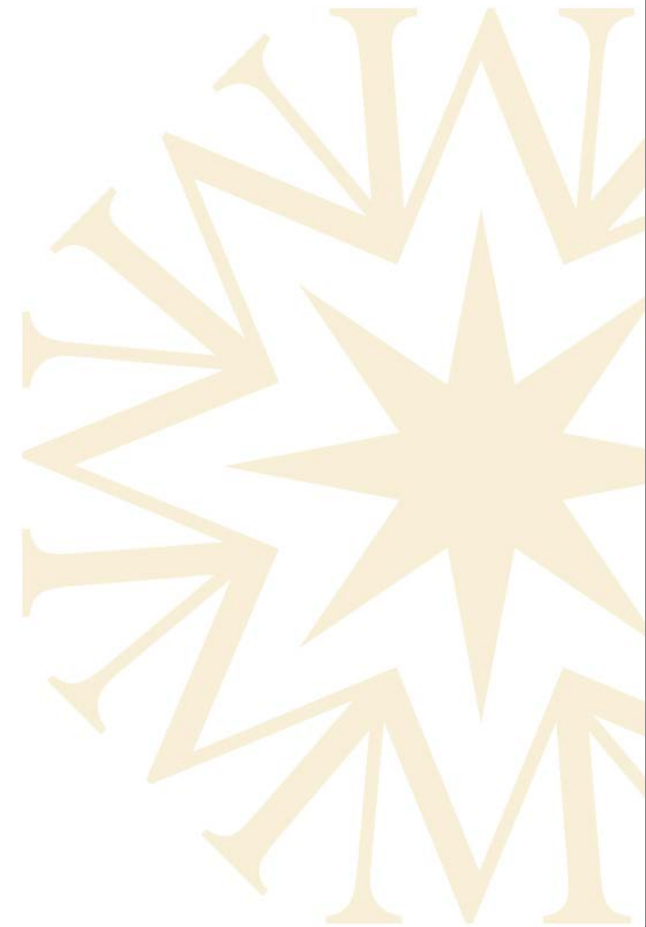
# Top strategic risks: threats to quality, value, reputation, revenue, and market share

Risk: Ability to . . .	Management Strategy
<p>4. Produce <b>graduates with credentialed competencies needed to meet workforce needs.</b></p>	<ul style="list-style-type: none"> <li>• Statewide workforce listening sessions</li> <li>• Itasca Workforce Alignment project</li> <li>• Learning outcomes for all programs</li> <li>• Multi-state learning outcome collaborative</li> </ul>
<p>5. Respond quickly to <b>changes in programmatic needs and student demand.</b></p>	<ul style="list-style-type: none"> <li>• Statewide workforce listening sessions</li> <li>• Itasca Workforce Alignment project</li> <li>• Streamline program approval process</li> <li>• Increase collaboration among campuses</li> </ul>
<p>6. <b>Grow awareness and the reputation</b> of the excellence and high value of our colleges and universities.</p>	<ul style="list-style-type: none"> <li>• Coordinated statewide marketing campaign</li> <li>• Greater targeted civic engagement strategy</li> <li>• Advance statewide common messaging</li> <li>• Implement statewide digital engagement campaign</li> </ul>

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

Risk: Ability to . . .	Management Strategy
<b>7. Reduce costs</b> to protect affordability.	<ul style="list-style-type: none"><li>• Campus Service Cooperative</li><li>• Metrics and goals on administrative and instructional costs and space utilization</li><li>• Academic collaborations</li></ul>
<b>8. Protect and grow key revenue streams:</b> state support, tuition, and private support.	<ul style="list-style-type: none"><li>• Increase the value proposition for state investment – focus on the outcomes for Minnesota; effectively tell our story</li><li>• Increase market share of students served through coordinated statewide marketing and re-design of web strategy</li><li>• Help ensure that more students are prepared and on track to higher education</li><li>• Increase flexible, accessible course delivery</li><li>• Build fundraising capacity on all campuses</li><li>• Statewide scholarship campaign</li></ul>

# Operational Risks



# Top operational risks: Financial

Risk	Management Strategy
<ul style="list-style-type: none"><li>• Enrollment performance</li></ul>	<ul style="list-style-type: none"><li>• Short-term forecast monitoring</li><li>• Long-term demographic forecasting</li></ul>
<ul style="list-style-type: none"><li>• College /university budget forecasting and execution</li></ul>	<ul style="list-style-type: none"><li>• Annual review sessions</li><li>• Close exception monitoring</li></ul>
<ul style="list-style-type: none"><li>• Operational integrity</li></ul>	<ul style="list-style-type: none"><li>• Audits</li><li>• Monitoring</li></ul>
<ul style="list-style-type: none"><li>• System integrity (accounting, payroll, student records, etc.)</li></ul>	<ul style="list-style-type: none"><li>• Audits</li><li>• Monitoring</li><li>• External reviewers</li></ul>

# Top operational risks: Human resources

Risk	Management Strategy
<ul style="list-style-type: none"><li>• Talent development: may lose 40% or more of our workforce within five years</li></ul>	<ul style="list-style-type: none"><li>• Develop a robust leadership pipeline</li><li>• Build systemwide HR capacity to manage turnover related issues</li><li>• Create performance management tools effective at identifying top performers early</li></ul>
<ul style="list-style-type: none"><li>• Defined contribution retirement administration: initial election/document management errors costly</li></ul>	<ul style="list-style-type: none"><li>• Develop a comprehensive election database</li><li>• Create onboarding education, training tools</li><li>• Negotiate with insurer for additional services</li></ul>
<ul style="list-style-type: none"><li>• Regulatory management (ADA, FLSA, FMLA, Workers' Comp., etc.)</li></ul>	<ul style="list-style-type: none"><li>• Build systemwide HR compliance capacity</li><li>• Design a system audit process to ensure accuracy in compliance</li><li>• Possible move towards shared services model</li><li>• Training and education</li><li>• Compliance reviews</li></ul>



# Top operational risks: Compliance with laws and regulations

Risk	Management Strategy
• Title IX	<ul style="list-style-type: none"><li>• Board policy</li><li>• Designated campus Title IX officers</li><li>• Provide training, other resources</li></ul>
• Nondiscrimination	<ul style="list-style-type: none"><li>• Board policy</li><li>• Required training for investigators, decision makers, employees</li><li>• Compliance reviews</li><li>• Consultation, advice from Diversity and Equity Division and Office of the General Counsel</li></ul>

# Top operational risks: Technology

Risk	Management Strategy
<ul style="list-style-type: none"><li>• System stability</li></ul>	<ul style="list-style-type: none"><li>• Disciplined change management processes</li><li>• Capacity management</li></ul>
<ul style="list-style-type: none"><li>• Data security</li></ul>	<ul style="list-style-type: none"><li>• Network segmentation</li><li>• Appropriate database segmentation</li><li>• Account management</li><li>• Policy, procedures, guidelines</li><li>• Vulnerability management</li></ul>
<ul style="list-style-type: none"><li>• Poorly aligned solutions</li></ul>	<ul style="list-style-type: none"><li>• User groups/committees/communities</li><li>• IT “at the table”</li></ul>
<ul style="list-style-type: none"><li>• Disaster recovery &amp; business continuity</li></ul>	<ul style="list-style-type: none"><li>• Backup solutions</li><li>• Redundancy</li></ul>

# Top operational risks: Facilities

Risk	Management Strategy
<ul style="list-style-type: none"> <li>• Facility and infrastructure reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Annual facility assessments</li> <li>• Repair and replacement goals, mothball, demolition</li> <li>• Investment guidelines</li> </ul>
<ul style="list-style-type: none"> <li>• Contract integrity and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Master contracts/coordinated and consolidated methods</li> <li>• Training, monitoring, auditing</li> </ul>
<ul style="list-style-type: none"> <li>• Operations – safe, secure, compliant</li> </ul>	<ul style="list-style-type: none"> <li>• Policy framework</li> <li>• Project team – organizational options</li> <li>• Standards communication</li> </ul>
<ul style="list-style-type: none"> <li>• Costs/expenses: energy, supplies and materials, disposal</li> </ul>	<ul style="list-style-type: none"> <li>• Physical plant systems inspection and tune ups</li> <li>• Strategic sourcing, master contracts</li> </ul>

# Enterprise risk management going forward

1. Regular discussions by chancellor's cabinet of risk identification, assessment, and management strategies
2. Periodic discussions with Leadership Council of risk identification, assessment, and management strategies
3. Include risk identification, assessment, and management in strategic planning processes, annual performance reviews, and goal setting for chancellor, presidents, and chancellor's cabinet
4. Annual study session with the Board of Trustees to report on identification, assessment and management of high probability / high impact risks

# Questions for discussion

1. Are there additional high probability / high impact risks that the board recommends we should consider?
2. Are there suggestions for how to 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?
4. Does the board want to schedule an annual study session to review the identification, assessment, and management of high probability / high impact risks?