Enterprise Risk Management in Higher Education

Effective ERM Planning

In a remarkable response to the coronavirus disease (COVID-19), colleges, universities, and other higher education institutions began closing residence halls on March 11, 2020, effectively transitioning their faculty and staff to a virtual workforce and moving educational experiences online, which impacted core business events such as annual giving days. Few institutions had continuity plans in place to mitigate the financial impact of these events and the transition to remote work and classrooms has compromised the educational, social, and research missions of these organizations.

Whether an institution follows the standards set forth by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO), the International Organization for Standardization (ISO), or an alternate framework, Enterprise Risk Management (ERM) activities should allow institutions to identify, prepare for, and address risks and opportunities related to all aspects of the mission and business.

The events of this spring suggest that the ERM frameworks leveraged in higher education failed to effectively protect against the impacts of a global pandemic, despite existing public health and academic data to suggest that this type of threat was likely.[1,2] These findings suggest that organizations are either not adequately identifying risk and opportunity factors, not including the appropriate community members in ERM planning, or are not defining an effective reporting structure and methodology.

Updating the ERM Framework

To ensure that institutions are prepared for the next disruptive event, institutions across higher education should review and update their frameworks to ensure they adequately protect the organization. The recommendations below are aimed at developing a hybrid ERM framework that leverages the strengths of both centralized and decentralized ERM models and positions institutions to leverage continuous improvement.

To ensure the ERM framework remains relevant and effective, repeat steps noted below at least annually. This requires significant investment on the part of an institution's ERM leadership. Maintaining a flexible structure will better position institutions to move beyond reactive responses and transition to proactively mitigating risks to ensure business continuity.

1 Guan Y, Shortridge KP, Krauss S, Li PH, Kawaoka Y, Webster RG. "Emergence of avian H1N1 viruses in pigs in China." J Virol. 1996 Nov; 70(11):8041-6.

2 Patriarca PA, Cox NJ Influenza pandemic preparedness plan for the United States. J Infect Dis. 1997;176(Suppl 1):S4–7 10.1086/514174

ERM Framework Recommendations

Scan Risk Factors + Opportunities

To initiate activities, review the environmental, operational, financial, reputational, and strategic risk factors that have already been identified through risk management activities. Leveraging at least internal experts, hold a strategic brainstorming session to identify additional factors that may have been excluded from the institution's previous list. The updated inventory that emerges from this session should not exclude any identified factors, regardless of how unlikely.

Document Organizational Structure

To supplement the updated risk and opportunity factors, review the organizational structure to identify all offices and roles that interact with or are impacted, and should participate in enterprise risk monitoring activities. Standard offices to review include: Internal Audit, General Counsel, various compliance entities, and potentially even Treasury, the Provost, and Residential Life. Take this opportunity to ensure all relevant offices and roles are included, safeguarding that there is broad and inclusive representation.

Define Risk Rating Methodology

Next, work together as an ERM team to identify a methodology to review and rate each factor. This will allow the team to prioritize the items that are most likely to occur or would have the greatest impact to the business and mission of the institution. Translate this scoring rubric into a simple and easy to analyze snapshot that can inform the entire ERM team.

Develop Monitoring Metrics

Supplement this risk rating by identifying measures that will most effectively provide the ERM team with visibility into each of the factors. When developing the metrics, ensure that they are both meaningful and measurable. This will likely mean that the metrics must be different for each factor and may require significant discussion and analysis. Effectively defining these metrics will position the institution to quickly assess risk and opportunity level and ensure that individual offices and roles can report correctly on these measures.

Where possible, harness measurements that are already captured in the institutional system, or update procedures to enable the institution to capture them in a system. This should reduce the time investment required to generate reports and will allow updates to the risk rating in real time.

Align the ERM Reporting Structure to the Risks + Opportunity Factors

Lastly, update the new ERM reporting structure. The areas with the highest likelihood, risk, or opportunity typically report to a combination of Board, President and/or Chief Risk Officer. Other areas can report to alternate roles. In general, quarterly reporting is recommended for the highest risk areas. To supplement this, Attain recommends defining an alternate mechanism to quickly report on emerging risks, regardless of whether they are included in the high-risk category.