



## Who Should Read

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Risk Management  
Committee Members

# Risk Tolerance Discussion Guide

A List of Questions to Consider When Determining  
Tolerance for a Given Risk

### Ways to Use this Discussion Guide

Use this guide to discuss your school's tolerance for a given risk and determine a goal risk score

# Resource Overview

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## What Is Risk Tolerance?

As part of the risk management process, schools must be able to articulate to risk owners what direction to take to develop an effective risk treatment. To appropriately guide risk owners, a risk committee must begin by considering its **tolerance** for a given risk.

**Risk tolerance is defined as an organization or stakeholder’s willingness to bear a risk to achieve its objectives.** In other words, a school must consider the level of risk it is willing to accept after a risk has been treated.

In the context of a risk management process, this is a step that takes place after each risk has been scored, ranked, and prioritized for treatment. Risks that have been prioritized are reviewed individually by the risk committee to assess their likelihood and impact scores and consider how best to treat them. To determine the most appropriate treatment, the risk committee needs to discuss a level of risk that it will tolerate after treating the risk. This amount of risk is referred to as **residual risk**.

Many factors may play into making this decision. For example, is this risk one that we want to continue to take because it is an ingrained part of our school’s culture? If so, what types of modifications can we make through risk treatment to reduce likelihood or impact so that we can better tolerate this risk at our school? The purpose of this discussion guide is to support risk committees in asking these critical questions to decide the best course of treatment for a risk.



### Instructions for Using the Risk Tolerance Discussion Guide

The **Risk Tolerance Discussion Guide** provides ten questions for risk committees to consider when determining tolerance for a given risk. As a group, the institutional risk committee should gather to review the checklist questions for each individual risk that has been prioritized for treatment and before assigning risk treatment creation to risk owners.

1. After taking about 5 minutes to complete the questions individually, risk committee members should discuss their responses as a group.
2. Based on the responses and collective discussion, the group should come to a consensus about their tolerance for a given risk and then determine a new goal risk score to assign to the risk.
3. The goal risk score should be captured in the risk treatment and shared with the risk owner.

# Risk Tolerance Discussion Guide

## School Mission and Culture

- Is this risk critical to our school's mission? How so?
- Is this risk an integral part of our school's culture or traditions? How so?
- Could treating this risk contribute to a school culture that promotes a culture of student fragility and "safetyism" (i.e. the notion that people are weak and need to be protected--not exposed--to difficulty)?

### Notes

## Risk Impact and Likelihood

- Would this risk be tolerable with a lower likelihood? If so, suggest a new, more tolerable likelihood score with an explanation.
- Would this risk be tolerable with a lower impact? If so, suggest a new, more tolerable impact score with an explanation.
- Do the overall benefits of this risk to the school outweigh its detrimental likelihood and impact?

### Notes

## Implications for School Community

- Is treating this risk necessary for legal or regulatory requirements that your school faces? If so, explain why.
- Is treating this risk necessary for your school's obligations with regard to ethical or social responsibility? If so, explain why.
- How will perceptions of school stakeholders impact how you treat this risk?
- Do you have concerns related to treating this risk, such as secondary risks that may arise through treatment? If so, explain what they are.

### Notes