



Who Should Read

Heads of school
CFOs
Other business office
leaders

Institutional Risk Management Maturity Assessment

An Audit to Evaluate Your School's Current Approach to
Managing Risk

Ways to Use this Assessment

Use this tool to assess the maturity of your institutional risk management process and determine next steps

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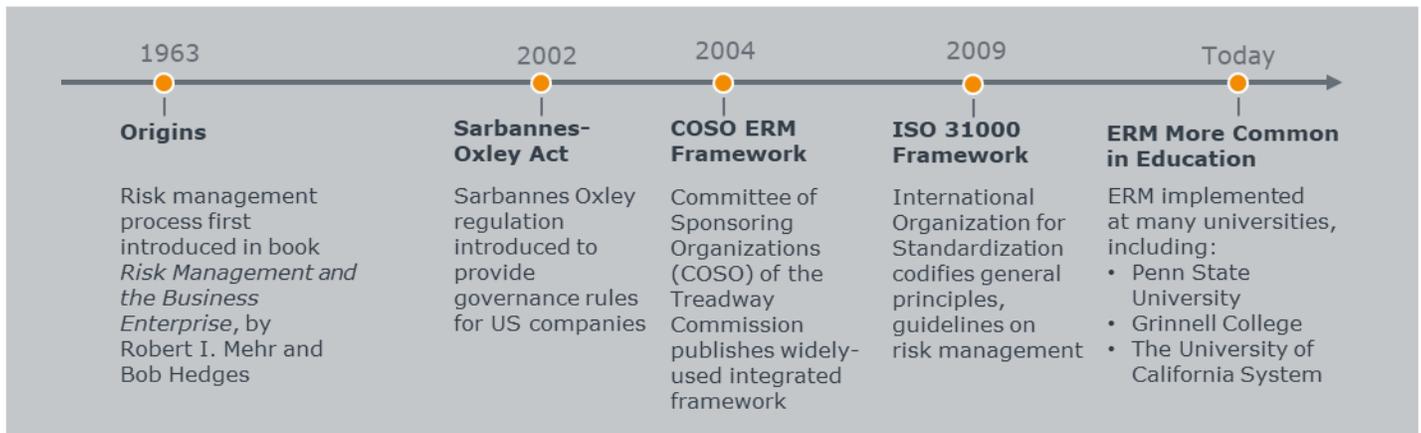
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Risk Management at Independent Schools

What Is Risk Management?

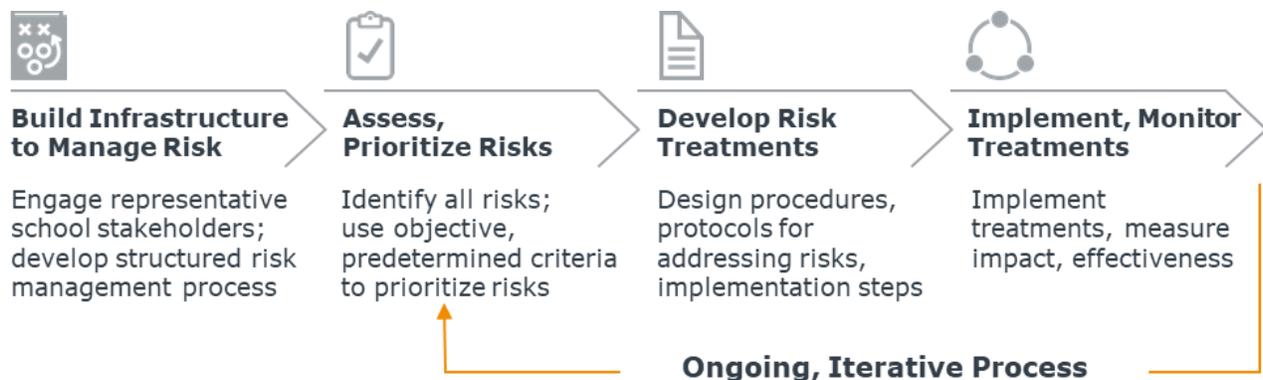
Risk management is defined as **a coordinated, organization-wide effort to identify and mitigate risks**. Risk management is critical for any company or organization to sustain the enterprise into the future. In fact, the history of risk management [also known as enterprise risk management (ERM) or institutional risk management (IRM)], goes back several decades and has been well-established in the corporate world for years:



More recently, formal risk management programs have become more common in higher education, with **66% of colleges and universities reporting that they have a strategic, formal approach to discussing institutional risk**.¹ As risk management becomes a standard part of operating colleges and universities, independent schools must also consider the steps they need to take to ensure that they are implementing a risk management process that focuses on safeguarding their institutions for the long-term.

The Risk Management Process

Comprehensive risk management involves several key steps, which are illustrated below. First, organizations must establish a foundation for risk management that includes the right people and process. Next, they begin an ongoing and iterative process to identify and prioritize risks, develop risk treatments (plans to address risks), and implement and monitor the success of these treatments.



1) According to 921 respondents in 2013 AGB-UE survey.

Source: EAB interviews and analysis; Association of Governing Boards of Universities and Colleges and United Educators, "A Wake-up Call: Enterprise Risk Management at Colleges and Universities Today," 2014.

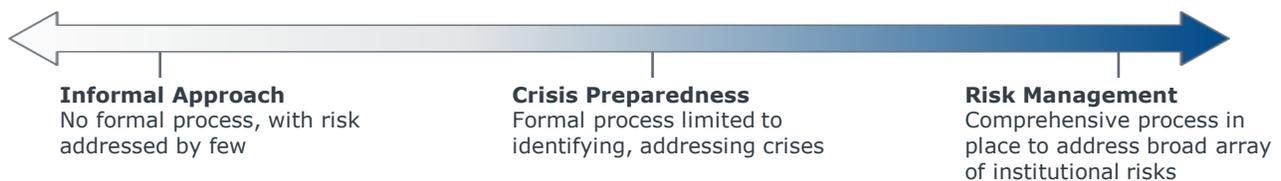
Risk Management at Independent Schools (cont.)

What Does Risk Management Look Like at Independent Schools?

EAB found that most independent schools are not engaging in a formal, comprehensive risk management process. Instead, schools mainly identify and respond to potential crises that could impact their institutions. This is more accurately defined as crisis preparedness. As shown in the table below, crisis preparedness is *not* the same as risk management, and has several shortcomings when it comes to managing risk:

	Complete understanding of institution's risk exposure	Risks prioritized in relation to school's context	Mitigation, response protocols designed by experts with greatest knowledge	Ongoing monitoring, drills keep protocols, appropriate responses top-of-mind	Key stakeholders kept in the loop as appropriate
Crisis Preparedness	✘	✘	?	✔	✔
Risk Management	✔	✔	✔	✔	✔

Most schools fall somewhere on a continuum between having no formal approach to managing risk and comprehensively managing risk, often focusing mainly on crisis preparedness:



How to Use this Assessment

The goal of this assessment is to help schools understand their current risk management process in relation to best practice, identify gaps, and plan next steps.

To get started, we recommend that the individual(s) who are currently in charge of risk management--such as the CFO, head of school, or risk committee members--work collaboratively to complete this assessment. In doing so, schools can determine where they are on the continuum shown above, and get recommendations on what steps to take to establish a comprehensive risk management process.



Directions

1. Answer the questions on pages 5-11 related to key elements of establishing a risk management process.
2. For each section, add up your total score based on your response to each question. If you answered 1, award yourself 1 point; 2 points for 2; and 3 points for 3. Next, tally your total score and plot it on the continuum at the end of each section.

Risk Management Process Assessment

Section 1: Standing Institutional Risk Committee

1) Who is currently involved in managing risk at your school?

1. A few individuals such as the head of school, CFO, board members
2. A crisis planning or response team that includes members such the head of school, CFO, board members, administrators, other stakeholders
3. Representatives from departments across the school on a committee designed to address risks across the institution

2) Do you have a separate risk committee that meets to discuss risk management?

1. A risk committee does not exist
2. We have a crisis committee that addresses potential or active crises only
3. We have a risk committee that anticipates and addresses a broad array of institutional risks

Tally your total score for this section and plot your school's level of maturity for the state of your institutional risk committee.

Section 1 Total Score _____/6



Source: EAB interviews and analysis.

Risk Management Process Assessment

Section 2: Board of Trustees' Role in Risk Management

3) What is the current role of the board of trustees when it comes to risk management?

1. The board does not typically discuss risk management or raise many concerns
2. The board is actively involved in day-to-day risk management, such as suggesting or planning ways to mitigate risks
3. The board has limited oversight over risk management and mainly addresses risk in the context of accountability, without getting involved in day-to-day operations

4) To what extent does the board of trustees prioritize risk management?

1. Risk management is not a major priority to the board outside of its finance and audit oversight role
2. In addition to its to finance and audit oversight responsibilities, risk management is a concern to the board mainly as it relates to potential crises that arise in the local or national news
3. In addition to its finance and oversight responsibilities, the board supports risk management as an important school priority when it comes to all potential risks to the institution and provides appropriate oversight

Tally your total score for this section and plot your school's level of maturity for defining the board of trustees' role in risk management.

Section 2 Total Score _____ / 6



Source: EAB interviews and analysis.

Risk Management Process Assessment

Section 3: Risk Management Process

5) What is your existing process for managing risk?

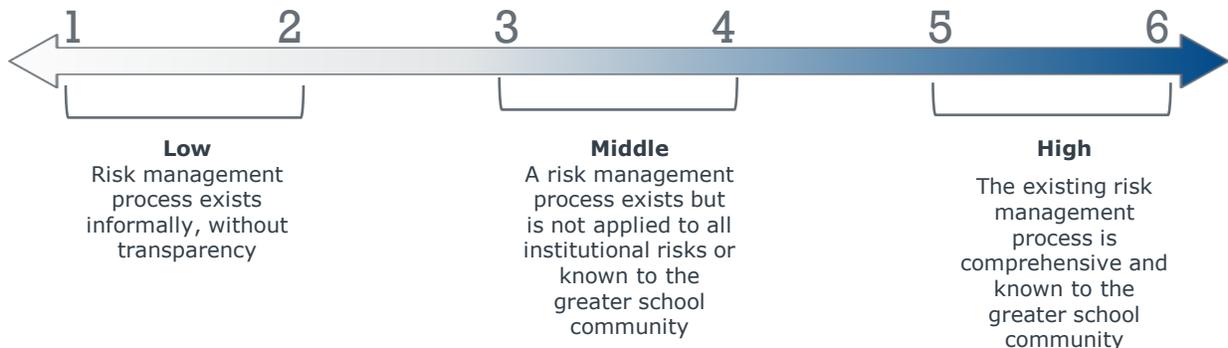
1. We have an informal process that relies on individual risks to be managed on an ad hoc basis
2. We have a clear process for identifying and addressing potential crises that could arise, such as an active shooter on campus
3. We have a clear process for identifying, prioritizing, and addressing a wide variety of potential risks to our institution (not just crises)

6) Is the existing process known throughout the school?

1. No, we have an informal process that is unclear or happens behind closed doors
2. Though our process is written down, it is only known to those who directly manage risk
3. Yes, our process is written down and widely disseminated across the school community, so that everyone is aware of it

Tally your total score for this section and plot your school's level of maturity for the state of your risk management process.

Section 3 Total Score _____ / 6



Source: EAB interviews and analysis.

Risk Management Process Assessment

Section 4: Risk Identification

7) Please select the answer below that most accurately reflects the process that your school currently uses to identify risks to your institution.

1. We identify few risks, instead waiting for them to take come up at our school
2. We identify risks brought to our attention in the news, by our insurance provider, or some other outside source
3. We have a process in place that allows us to proactively identify risks to the school that range from everyday risks to major threats

8) Who is involved in identifying new risks to the school?

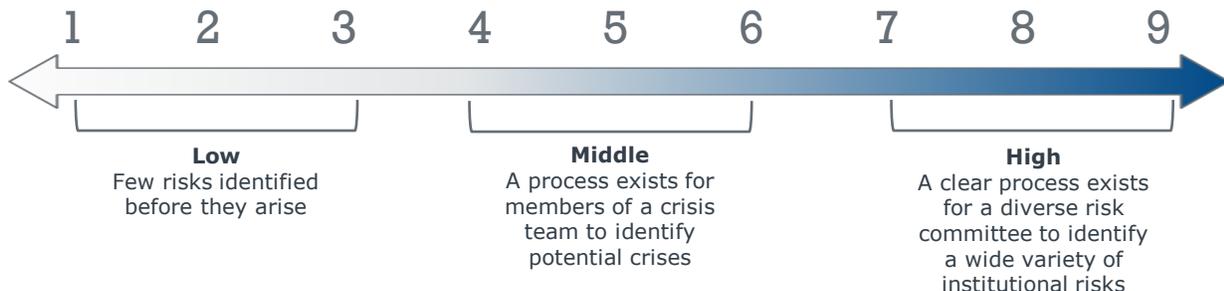
1. Risks occasionally identified by the head of school, CFO, administrators, board members
2. Members of the crisis team/committee who are charged with addressing potential crises that could happen at the school
3. Individuals from across school divisions and departments, including administrators, faculty, staff, board members, and others

9) What types of risks are typically identified through your existing process?

1. We don't have a clear process in place to identify risks proactively
2. Our existing approach mainly identifies high-profile crises that could impact the school
3. Our existing process identifies a broad array of risks, from mundane risks to major crises

Tally your total score for this section and plot your school's level of maturity for identifying institutional risks.

Section 4 Total Score _____/9



Source: EAB interviews and analysis.

Risk Management Process Assessment

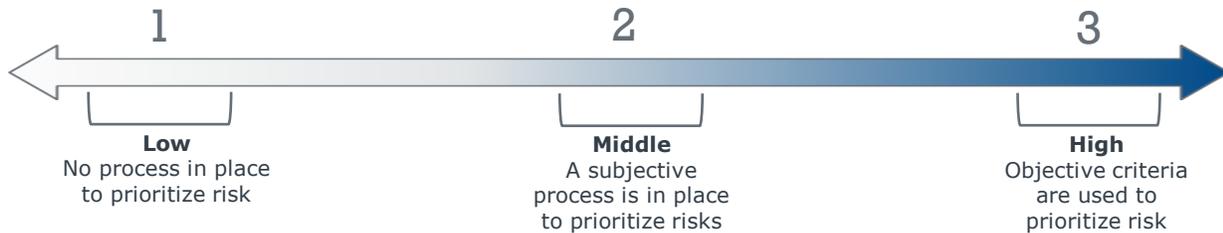
Section 5: Risk Prioritization

10) Does your school have a process for prioritizing which risks to address?

1. We have no clear process in place
2. We prioritize the risks that seem to be most concerning to key school stakeholders such as administrators, board members, parents, and students
3. We have an objective set of criteria for prioritizing risks (e.g. likelihood and impact)

Tally your total score for this section and plot your school's level of maturity for prioritizing risks.

Section 5 Total Score _____/3



Risk Management Process Assessment

Section 6: Risk Ownership and Treatment

11) When treating a risk, who is responsible for creating the risk treatment (i.e. plans to prevent or mitigate risks)?

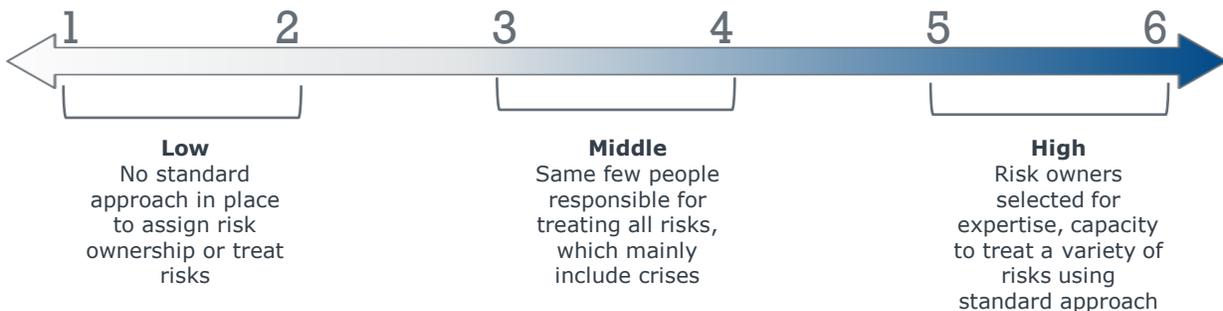
1. We do not assign individuals ownership for treating risks
2. The same people (e.g. head of school, CFO) treat all risks
3. We select risk owners with the appropriate level of expertise and authority to treat each risk

12) Does your school have a standard approach to creating formal risk treatments?

1. We have no standard approach in place for creating risk treatments
2. We have a standardized approach for creating treatments for crises only
3. We have a standardized approach to treat all risks

Tally your total score for this section and plot your school's level of maturity risk ownership and treatment.

Section 6 Total Score _____/6



Source: EAB interview and analysis.

Risk Management Process Assessment

Section 7: Implementing and Monitoring Risk Treatments

13) What does the school do to ensure that the treatment is working for a given risk?

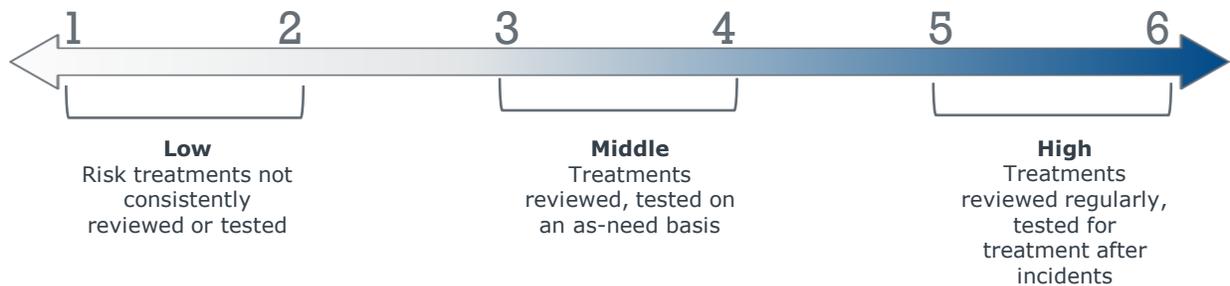
1. We do not consistently review or test treatments
2. We train and drill school stakeholders as needed
3. We utilize various methods to track treatment effectiveness (e.g. success metrics, training, drilling, tabletop exercises)

14) How does your school revisit treatments to determine whether they need to be revised?

1. We do not consistently revisit treatments to determine whether they should be revised
2. We do so according to a standard schedule (e.g. every other year)
3. We revisit treatments on a standard schedule and after an incident arises to assess treatment effectiveness

Tally your total score for this section and plot your school's level of maturity for implementing and monitoring risk treatments.

Section 7 Total Score _____ / 6



Source: EAB interviews and analysis.