The Pingry School's Enterprise Risk Management (ERM) Resource Guide

A Sample of How Independent School Risk Committees Can Codify their Risk Management Process

How to Use this Resource

Use this guide as an example of how to codify key elements of your school's risk management process

Resource Overview

Use a Resource Guide to Outline the IRM Process for Your School

The Pingry School Created a Resource Guide to Codify Its IRM Process

Establishing a clear risk management infrastructure is critical to the success of your school's institutional risk management (IRM) process. The Pingry School created a resource guide to educate the community, codify their policies and processes, and ensure that every person understands their role in the process. The Pingry School's resource guide provides a helpful example for you to reference when building a comprehensive guide for your own school's IRM process.

The Pingry School's resource guide outlines the following:

1. How the risk management process relates to the school's mission and goals.

2. The importance of the institutional risk management process for the strength and success of the school.

3. How risk management fits into existing governance, oversight, and leadership structures in place.

4. Level-sets around risk management language, key-terms, and context.

5. Outlines how the work fits in to the internal and external context of the school.

Reference this example to ensure the comprehensiveness and clarity of your school's resource guide.

Source: EAB interviews and analysis.

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Pingry School

October 31, 2018

MISSION: The mission of The Pingry School is to foster in students a lifelong commitment to intellectual exploration, individual growth and social responsibility by inspiring and supporting them to strive for academic and personal excellence within an ethical framework that places the highest value on honor and respect for others.

THE IMPORTANCE OF ERM:
The Pingry School is committed to the effective management of risk across all school operations in order to support the achievement of our mission. Implementing ERM will:

- Give us a shared language to describe and manage risk
- Generate better decisions that are consistent with our mission and inclusive of stakeholders
- Support our school as a leading, best-in-class institution
- Support appropriate risk taking and help us take risks to build success
- Provide another level of assurance that we are providing for the safety and security of our school, our students and stakeholders
- Increase awareness of risk management across the institution and make sure that everyone recognizes their role in managing risk
- Through the good stewardship of resources, ensure a bright and strong future

GOVERNANCE, OVERSIGHT AND LEADERSHIP:

The **Board of Trustees** provides approval and authority for the implementation and integration of ERM into Pingry School operations. The **Audit** Committee of the Board reports to the Board on key risks and provides assurance to the Board that the framework and processes for managing risk are effective and consistently applied. The **Admin Team** reviews ERM policies and reports, monitors the overall progress of the ERM program and understands and supports the management of key risks.

The **ERM Implementation Working Group** is responsible for implementing ERM, which includes drafting policies and developing tools, resources and training on ERM. This committee oversees the identification and assessment of risk to operations and strategy and the management and communication of risk information. The Working Group is responsible for tracking overlapping risks, reporting on risks that are not being appropriately managed and monitoring for emerging risks. The Working Group will meet at least quarterly.

Current ERM Implementation Working Group members include:

- David Fahey, Assoc. Director of Safety, Operations & Strategic Initiatives
- Jeff Jewett, Director of Global Education

- Cindy McArthur, Director of Auxiliary Programs
- Dale Seabury, Director of Strategic Communications
- Olaf Weckesser, Chief Financial & Operating Officer
- David Szelingowski, Middle School Dean of Students
- Christine Taylor, English Teacher, English Department Chair
- Michael Waelz, Director of Facilities
- Jeff Patten, PE Teacher, Short Hills Campus
- Erin Carannante, Assistant Director of Athletics
- Kate Whitman Annis, Associate Director of Advancement
- Eva Ostrowsky, School Counselor
- John Crowley-Delman, Director of Experiential Learning

Risk owners are the people with the authority to manage particular risks. Risk owners are assigned by consensus of the ERM Implementation Working Group. Risk owners may delegate responsibility and assign activities to others (treatment owners). Risk owners are accountable for the appropriate management and reporting of all risks assigned to them.

DEFINITIONS:

- *Risk* – the effect of uncertainty on objectives. Anything that could harm, prevent, delay *or enhance* our ability to achieve our objectives = risk
- *Source/Trigger* – the event or occurrence that could cause the risk. This may be the *absence* of something occurring as well (e.g. revenue)
- *Consequence* – description of the outcome if a risk is triggered and its effect upon operations. Consequences are expressed both qualitatively and quantitatively (in the risk ranking process)
- *Risk management process* – the systematic and consistent process we use to establish the context and identify, analyze, evaluate, treat, monitor and review risk
- *Stakeholder* – a person or group that can affect, be affected by or perceive themselves to be affected by a decision, activity or risk

CONSIDERATION OF CONTEXT:

Consideration of the school's unique environmental context is important to review before beginning a risk management process. It helps you articulate your objectives, clarify the scope, decide upon appropriate participants and review the risk criteria before beginning.

These are the key external and internal factors that influence and shape The Pingry School.

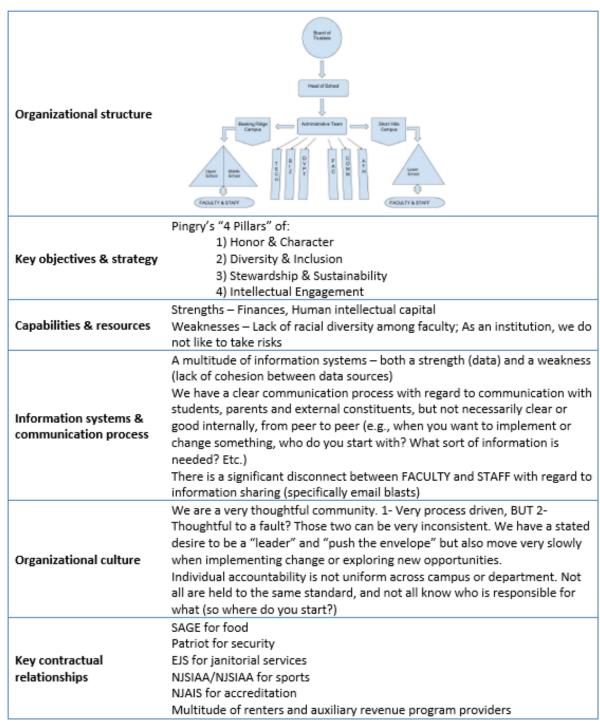| External Factors	Local, Regional, National & International Environment
Social & cultural environment	We are a diverse suburban school in the NYC metro with two separate campuses: • We have an ethnically diverse student population (47% students of color), but our faculty and neighborhood are less so

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	• Politically, we are located in a heavily GOP-leaning district of a Democratic state • Ready access to NYC resources (museums) • The two campuses are 20 miles apart • Both campuses have poor access to public transit, despite significant public • transit in the region • Efforts and trends towards "globalism" expose us to risks around the world, such as terrorism in France affecting our global programs offerings
Legal & regulatory environment	Both campuses have substantial restrictions on future building projects due to environmental, zoning, and land use regulations We are affected by external educational and societal trends, but have few outside mandates. Examples: • NJAIS accreditation (mostly a reflection of self-study goals) • What do colleges want for admissions? • Mental health pressures increasing on students • "Best practices" and benchmarks from peer schools
Technological environment	Heavy and increasing reliance on technology & internet - leaves us vulnerable and ineffective if unavailable
Competitive environment	We face competition from: • Nearby public schools that are generally well-funded and provide a quality education • Nearby private schools, to a lesser extent, distant boarding schools • "Virtual" schools, online and such (likely significant concern in 5+ years) We see ourselves as the leading school in the area: • We must maintain our reputation as leading school to allow us to charge what we charge • Our reputation is affected by media and social media both internal (pingry.org) and external (informal social media, news stories, etc.)
Natural environment	• We are a diverse suburban school in the NYC metro with two separate campuses • Affected by natural disasters, terrorism, etc. in NYC area
Financial & economic environment	• We rely on donor generosity for 13% of our operating budget, consisting of annual fund and endowment draw • Affected by economic swings of NYC metro (can families continue to pay our tuition? Will donors continue to donate?)

Internal Factors	How Pingry School Operates
Governance structure	Board of Trustees Subcommittees of the Board Head of School

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Organizational structure	
Key objectives & strategy	Pingry's "4 Pillars" of: 1) Honor & Character 2) Diversity & Inclusion 3) Stewardship & Sustainability 4) Intellectual Engagement
Capabilities & resources	Strengths – Finances, Human intellectual capital Weaknesses – Lack of racial diversity among faculty; As an institution, we do not like to take risks
Information systems & communication process	A multitude of information systems – both a strength (data) and a weakness (lack of cohesion between data sources) We have a clear communication process with regard to communication with students, parents and external constituents, but not necessarily clear or good internally, from peer to peer (e.g., when you want to implement or change something, who do you start with? What sort of information is needed? Etc.) There is a significant disconnect between FACULTY and STAFF with regard to information sharing (specifically email blasts)
Organizational culture	We are a very thoughtful community. 1- Very process driven, BUT 2- Thoughtful to a fault? Those two can be very inconsistent. We have a stated desire to be a "leader" and "push the envelope" but also move very slowly when implementing change or exploring new opportunities. Individual accountability is not uniform across campus or department. Not all are held to the same standard, and not all know who is responsible for what (so where do you start?)
Key contractual relationships	SAGE for food Patriot for security EJS for janitorial services NJSIAA/NJSIAA for sports NJAIS for accreditation Multitude of renters and auxiliary revenue program providers

Source: The Pingry School, Basking Ridge, NJ

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Stakeholders are people or groups that can affect, be affected by or perceive themselves to be affected by our decisions and activities. This list may change over time, but as of the date of publication, the **internal stakeholders** of The Pingry School include:

- Students
- Parents
- Donors
- Faculty and staff
- Alumni
- Board
- Admin Team
- Head of School

External stakeholders include:

- Donors
- Prospective parents
- Neighbors
- Applicants
- Other schools
- Vendors
- Local governments
- NJAIS
- IRS
- NJ DoL
- Pension plan
- Insurance companies
- Lawyers
- Future generations

TREATMENT STRATEGIES:

- Avoid the risk
- Take or increase the risk in order to pursue an opportunity
- Remove the risk source
- Change the likelihood or consequence
- Share the risk (through contracts, insurance, risk financing or transfer mechanisms)
- Retain the risk by informed decision

Source: The Pingry School, Basking Ridge, NJ

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RISK RANKING CRITERIA:

Using established criteria to rank risks helps us prioritize risks and create consistency.

Likelihood Ranking

	How Likely?	% of Time	How Often?	Frequency
5	Certain or almost certain	75% or more	Expected to occur	Daily, weekly
4	Likely	50-75%	Will likely occur	Monthly
3	Possible	25-50%	Fairly likely to occur	Once a year
2	Unlikely	4-25%	Could occur	Once in a decade
1	Rare	0-5%	Would rarely occur	10+ years or more

Consequence Ranking

	Disruption to the School, Budget or Processes	Effect Upon Reputation	Legal Consequences	Effect Upon People
5	School cannot function, very high $$$ impact	National negative publicity, resignations	Multiple civil & criminal lawsuits, claims or fines	Fatality of 1+ and serious injuries
4	Serious disruption to school, high $$$	National public or press interest	Single litigation, claim or fine	Serious injuries to 1+ people
3	Some disruption of school, medium $$ impact	Local public or press interest	Possible litigation, claim or fine	Major injuries to 1+ people
2	Minor disruption, minor $$ impact	Contained within a dept or division but known by school	Unlikely to result in litigation or claim or fine	Minor injuries to 1+ people
1	Annoyance, small or minor $$ impact	Contained within a dept or division	No litigation, claim or fine	Minor injury to individual

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IMPLEMENTING THE RISK MANAGEMENT PROCESS:

The steps used to manage risk are as follows:

1. Clarify the decision, project or area of risk to be reviewed:
   a. How significant is the decision, project or area of risk in relation to our mission and key objectives?
   b. Is there a timeframe for the decision or project?
   c. Do the objectives of the decision, project or area of operations align with our mission?
   d. What are the specific goals for the outcome of the process?
2. To prepare for the Risk Management Process, review the list of internal and external factors and the list of stakeholders for The Pingry School and then answer these questions:
   a. Which stakeholders might be affected by the decision, project or area of risk? Who will care about the outcome of this process?
   b. Of those stakeholders, who should be engaged in the process?
   c. Consider the description of context for the school as a whole *and* the specific context of your decision or risk. What are the key considerations in relation to your decision, project or area of risk?
3. Identify, analyze and evaluate risks:
   a. Identify risks – thinking broadly, beyond insurable risks
      i. Input can be obtained through workshops, interviews or surveys
   b. Analyze risks – to create a prioritized list
      i. Use the ranking scales in this Resource Guide
      ii. Allow for dialogue and input from as many as possible
   c. Evaluate risks – to answer the questions:
      i. Are we doing enough?
      ii. Are we comfortable with the risk at its current level?
4. Treat risks that are outside our comfort zone or tolerance level:
   a. Assign risk owners to assure accountability
      i. Encourage risk owners to engage others in controlling or managing risks
      ii. Risk owners will design treatment plans with timeframes and reporting built in
      iii. Risk owners will use the ERM Smartsheet to track results
   b. Consider how you will measure results and recognize improvement
   c. Who else needs to know about this risk?
5. As necessary, elevate risks to the ERM Implementation Working Group for assistance.