



#### **Who Should Read**

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Heads of School

CFOs

Risk Management  
Leaders

# The Institutional Risk Management Playbook

How to Implement a Comprehensive  
Risk Management Process at Your School

#### **Use this Brief**

- To learn about the limitations of current approaches to managing risk at independent schools
- To understand the key elements of a comprehensive risk management process
- To build an ongoing and iterative risk identification and response process

# Independent School Executive Forum

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# Supporting Members in Best Practice Implementation

## Resources Available Within Your Membership

This publication is only one part of our work to assist members in implementing an institutional risk management (IRM) process at their schools. Recognizing that ideas seldom speak for themselves, our ambition is to work actively with members of the Independent School Executive Forum to decide which practices are most relevant for your school, to accelerate consensus among key constituencies, and to accelerate implementation time.

We offer a variety of services to assist you with your efforts. For additional information about any of the services detailed below, please contact your school's relationship manager or visit our website at [eab.com](http://eab.com). To order additional copies of this publication, please search for it by title on [eab.com](http://eab.com).

### Process Audit to Get Started

Our website provides members with access to an audit that assesses the current level of maturity of their risk management process. Completing the audit helps schools to prioritize next steps to establish a comprehensive process to identify, prioritize, and manage risk.

### Implementation Resources and Tools

Throughout the publication, this symbol will alert you to any corresponding tools and templates available on our website at [eab.com](http://eab.com).

### Unlimited Expert Troubleshooting

Members may contact the researchers who worked on any report to discuss the research, troubleshoot obstacles to implementation, or run deep on unique issues. Our staff conducts hundreds of telephone consultations every year.

### Facilitated Onsite Presentations

Our experts regularly visit campuses to lead half-day to day-long sessions focused on highlighting key insights for senior leaders or helping internal project teams select the most relevant practices and determine next steps.



**To access the full range of services** available to you, please visit our website at [eab.com/isef](http://eab.com/isef).

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# Executive Summary

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## **Risk management is much more than crisis preparedness.**

For heads of school, anticipating and addressing risks to their schools is truly an up-at-night issue; unfortunately, most independent schools are focused on preparing for crises—major incidents that are less likely to actually occur. Though it is important to address such crises, this limited view of risk leaves schools exposed to mundane, everyday risks that are more likely to befall their school communities. This playbook outlines how schools can systematically move from a crisis preparedness approach to establish a comprehensive risk management process.

## **Risk management is a collaborative effort that requires the right people and processes to appropriately anticipate and address risk.**

Risk management is a process that requires a solid foundation. Rather than using an ad hoc approach to address crises as they arise, schools must take steps to identify the people and processes necessary to effectively identify, prioritize, and treat the many risks to their institutions. In doing so, independent schools can appropriately and consistently anticipate and address the threats to their schools to ensure their long-term sustainability.

## **Risk management doesn't end when risks are identified and addressed—it is ongoing and iterative.**

Once a risk management process is established, the work is ongoing: the process must be maintained and continually refined. To ensure that they stay up-to-date on the risks to their institutions, schools must engage in a continual cycle of risk reporting, prioritization, and treatment, in addition to assessing and improving existing treatments. The steps highlighted in this playbook are designed to help our members to successfully establish and sustain this process.



# Why Begin a Comprehensive Risk Management Process?

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PART

1

# Headline-Grabbing Events a Wake-Up Call

## Schools Investing in Crisis Preparedness in Response to Tragic Events

In recent years, high-profile school incidents, such as those listed below, have heightened concern at independent schools about the potential risks to their institutions.

### School Crises Capture Attention of Independent Schools Nationwide



#### Mass Shooting

Shooting at Marjory Stoneman Douglas High School in Florida in February 2018 kills 17, leads to a wave of student activism around gun reform



#### Student Tick Bite

Federal appeals court upholds \$41.7 million verdict against Hotchkiss School in Connecticut for rare infection contracted by student during school trip to China



#### Sexual Abuse Cases

2018 lawsuit alleges sexual misconduct by faculty member at St. Paul's School in New Hampshire dating back to 1960s, results in renewed fears about resurgence of old cases

In response, independent schools have taken measures to reduce the chance that such crises occur at their institutions. Time and resources have been invested toward these efforts in several ways, including:



Increasing campus safety measures, including hiring new Directors of Security



Relying more on the support of legal counsel and insurance coverage



Reconsidering student travel and related programming

Source: NBC News, "[17 Killed in Mass Shooting at High School in Parkland, Florida](#)," February 14, 2018; *Hartford Courant*, "[Court Upholds \\$41 Million Verdict in Tick Bite Case](#)," February 9, 2018; *NY Times*, "[St. Paul's School Called 'Haven for Sexual Predators' in New Lawsuit](#)," May 3, 2018; United Educators, "[K-12 Independent Schools Large Loss Report 2018](#)," 2018; EAB interviews and analysis.

# Approach Best Described as Crisis Preparedness

## Reactive, Crisis-Focused Strategy Typical at Most Independent Schools

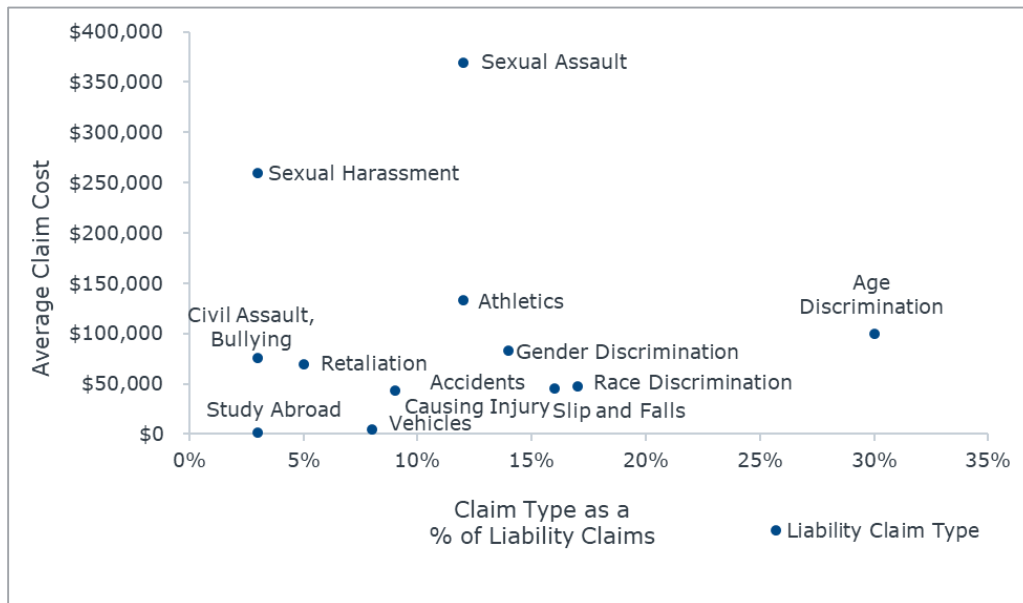
While schools are taking important measures to safeguard their institutions from crises, their current approach to preparing for major incidents has two major drawbacks: it fixates on less likely risks at the expense of preparing for more commonplace risks, and is managed behind closed doors by few individuals, leaving critical members of the school community out of the conversation.

### Drawbacks of Current Approach

#### 1 Schools Reactive to High Profile Cases, Ignoring More Common Threats

Schools focus on shocking headlines, without investing the necessary time to prepare for more likely risks that commonly cost schools money

Average Cost, Frequency of Recent Liability Claims at Independent Schools<sup>1</sup>



#### 2 Risk Owned, Managed by Head of School, CFO

Steps to respond to crises discussed, dealt with behind closed doors, with 66% of independent schools reporting a single person in charge of risk management<sup>2</sup>

#### Questions about Managing Risk Left Unanswered for Others



##### Administrators

“Do we have a plan in place to handle the upcoming wave of faculty retirements?”



##### Faculty

“Am I prepared to chaperone next week’s international trip?”



##### Board Members

“Do we have a way of responding if allegations surface at our school?”

1) Represents large losses by cost and percentage of claims from United Educators between 2012-2016  
2) Response from 299 independent school business officers in 2016 NAIS-UE Survey.

Source: United Educators, “An Examination of UE’s Recent K-12 Independent School Claims,” 2018; EAB interviews and analysis.



# Schools Confront Complex, Unique Challenges

## Schools Must Address a Variety of Challenges that Pose Significant Risks

Today’s independent schools are complex organizations that face a variety of risks from the mundane to the extreme. Though risks can generally be categorized by function, many risks do not belong exclusively to one department or institutional function. For example, data security involves school owned hardware, as well as safe storage of data by faculty, staff, and students across departments.

Schools’ current approach to risk management--which is reactive and limited to few individuals--has critical shortcomings to handling the many threats facing today’s independent schools.

### Student Health, Safety

Severe food allergies, athletic injuries endanger student well-being while on campus

Athletics

Employee Disputes

### Community Conflict

Increasingly litigious employees, parents threaten schools with lawsuits

Food Allergies

Slip and Falls

### Campus Physical Safety

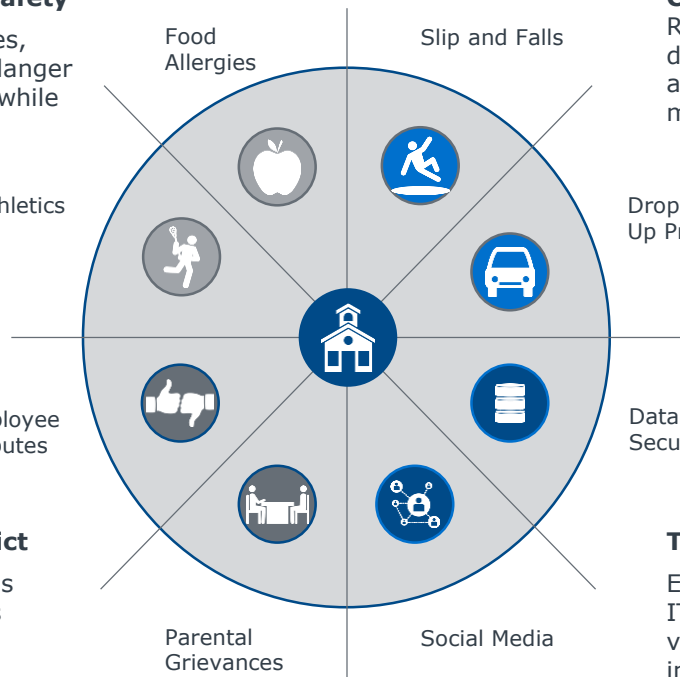
Routine activities become dangerous without appropriate planning, maintenance, vigilance

Drop Off/Pick Up Procedures

Data Security

### Technology Threats

Evolving student, school IT usage bring new vulnerabilities to sensitive information, reputations



“

“It’s even become overwhelming for a lot of very good CFOs and business managers because risk management covers such a broad array of issues that relate to personnel, that relates to acts of God, that relate to insurance coverage, and short- and long-term disability, and liability.”

Guy Bramble, Head of School,

HERITAGE HALL

”

Source: *Exposé Magazine*, “[The Interactions of Heuristics and Biases in the Making of Decisions](#),” 2014; *Heuristics and Biases: The Psychology of Intuitive Judgment*, “[Like Goes with Like: The Role of Representativeness in Erroneous and Pseudo-Scientific Beliefs](#),” 2002; *Behavioral Economics*, no date; *Cognitive Psychology*, “[Subjective Probability: A Judgement of Representativeness](#),” 1972; EAB interviews and analysis.

# Crisis Preparedness Is Not Risk Management

## Easily Conflated, Two Approaches Marked by Important Differences

While independent schools are preparing for and averting crises, this crisis preparedness approach falls short of risk management in key ways:

- **Crisis preparedness does not provide schools with a complete understanding of institutional risks**, because it does not focus on every potential type of risk that could impact the institution
- **Crisis preparedness does not involve prioritization of risks**, which is essential to determine how best to allocate school resources
- **Crisis preparedness often overlooks the expertise within the institution** to help identify and mitigate the broader array of risks that threaten the school

The table below illustrates how crisis management is insufficient and why a comprehensive risk management process is necessary to address the myriad risks facing independent schools.

### Risk Management Is Different from Crisis Management

	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
<b>Crisis Preparedness</b>	✘	✘	?	✔	✔
<b>Risk Management</b>	✔	✔	✔	✔	✔

Graphic Key		
✘	Element not present	✔
✔	Element present	?
?	Unclear if element present or missing	

Use EAB’s **Institutional Risk Management (IRM) Maturity Assessment**, at [eab.com/isef](https://eab.com/isef), to assess the maturity of your school’s current process, identify gaps, and plan next steps



# The Institutional Risk Management Playbook

## A Guide to Implementing Risk Management at Independent Schools

The most comprehensive approach for independent schools to manage risk includes four parts, which are outlined below. This remainder of this document highlights select best practices (bolded below) to ensure our member schools establish and maintain an infrastructure that will help them to sustain their institutions into the future in the face of continually changing threats.





# Build an Infrastructure to Manage Risk at Your School

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PART

2



# Schools Must Engage in a Comprehensive Process | 2

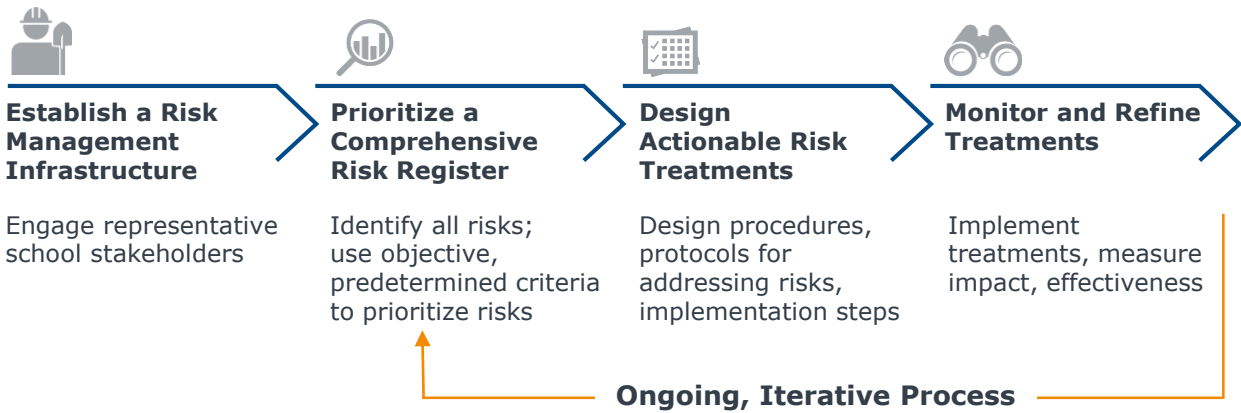
## Use a Comprehensive Risk Management Process to Identify, Address Risk

To address the ever-growing list of risks that independent schools must deal with on an ongoing basis, schools must engage in a more comprehensive, inclusive approach to risk that moves beyond addressing crises alone. To do so, schools need to integrate the key elements of risk management into the operations of their school, including:

- ✓ Full view of organization’s risk exposure
- ✓ Clear, predetermined criteria for assessing risks
- ✓ Risk treatments designed by area experts
- ✓ Continual monitoring, assessment built into process
- ✓ Ongoing communication with stakeholders

As is illustrated below, the first step is to create the infrastructure needed to set up the IRM process. The next three steps will be continually revisited as the school engages in the risk management process on an ongoing basis.

### Comprehensive Risk Management Process



Next, we describe how to identify the right people to develop and support a structured risk management process for your school.



# Committee Necessary for Risk Management

## Members Should Ensure Perspectives Represented from Across Institution

Most independent schools rely on heads of school and CFOs to manage risks to their schools. However, to identify and address the full array of institutional risks, risk management requires the perspectives of a diverse group of individuals to identify and mitigate threats to the school. This begins with the creation of a committee of individuals who represent business functions from across the school.

### Enlist Representation from the Following Business Functions



To appropriately select faculty and staff from these areas, potential committee members should be selected who have both the expertise and capacity to oversee risk management, as defined below.

	<b>Expertise:</b> Person has depth of knowledge of their business function		<b>Capacity:</b> Person has time to participate in committee in addition to core duties
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Once a strong committee has been established, a process must be outlined and codified that includes the key steps of the risk management process the school in which the school will continually engage (as highlighted on page 13). These steps to identify, prioritize, treat, monitor, and refine risk treatments are explored in Section Three.

”

“Risk management never gets done unless you have the right allocation of people. This is a time-intensive process that needs to be focused on by a core group of people as a shared responsibility. Because of this, we were very intentional when we designed our team.”

*David Fahey, Associate Director of Operations, Safety & Strategic Initiatives, The Pingry School*



# Support an Ongoing, Iterative Risk Management Process

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PART

3



# Complete View of Potential Risks Through Register | 3

## Use a Risk Register to Ensure No Stone Left Unturned

Once a risk committee and a process for managing risk have been established, it is time to begin the actual work of managing risk, which will continue at the institution on an ongoing basis.

To begin, the risk management committee must work with the broader school community to identify all possible risks to the school and compile them in a risk register, which is a list that is exhaustive, clearly categorized, and constantly evolving, as described below.

### Risk Register Characteristics

#### Exhaustive



- Register should include all potential risks to institution, regardless of likelihood
- Should cover all school functional groups

#### Categorized



- Risks should be sorted, organized logically
- May include:
  - Human Resources
  - Finance
  - Athletics

#### Evolving



- Register should be a living document
- Register should be continually revised, regularly updated

The only way to ensure that the risk register is as comprehensive as possible is to engage the entire school community in the process of initially identifying and then reporting risks on an ongoing basis. Schools can use workshops to educate faculty and staff on the risk management process and ask them to report potential risks.

Once the risk management committee has compiled an initial list of risks to the school, the committee should take the added step of verifying that the risk register is comprehensive by comparing it with a sample risk list. EAB has compiled a list of risks from member schools to create a sample list that schools can use for this step in the process.

After creating an inclusive list of risks, these items must be objectively prioritized in order to determine which ones to tackle first.

**The IRM Leader's Communication Companion, EAB's Risk Register Template, and the List of Potential Risks to Independent Schools** can be found at [eab.com/isef](http://eab.com/isef).







# Objective Approach Needed to Prioritize Risk

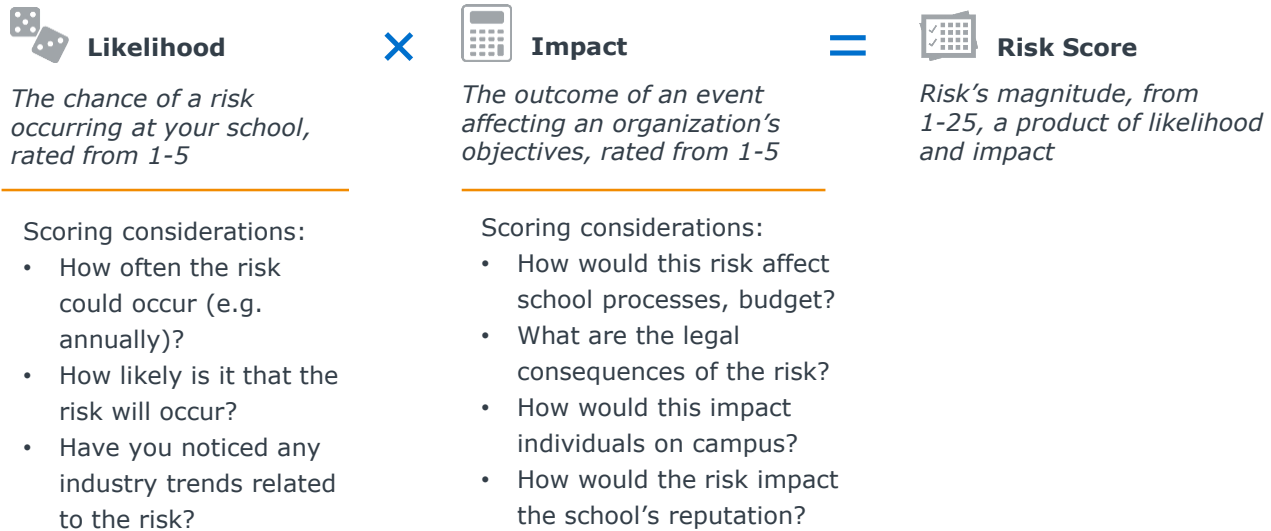
## Decide Which Risks to Address Based on a Two-Step Process

As much as they would like to, schools simply cannot equally address every risk to their institution. Rather than simply responding to those that seem to be most urgent—based on headlines alone—risk management committees must take steps to objectively prioritize risks found in their risk register using a two-step process.


### Determine Each Risk’s Score

The first step to prioritizing risks requires the risk management committee to score each of the compiled risks. Each member of the risk committee should review the list of risks and rate each one based on potential impact and likelihood of occurrence at the school. The formula, impact x likelihood, is a simple and straightforward way to assess individual risks in relation to the institution.

The formula also allows schools to determine which risks to prioritize based on objective criteria, rather than based on an emotional or intuitive response to threats featured in headlines.



Once each committee member has determined each risk’s score, the group should have a discussion to populate the risk register with a final score. This conversation should take into consideration the individual perspectives of the members, but ultimately lead to consensus.

See EAB’s **Risk Tolerance Discussion Guide**, at [eab.com/isef](http://eab.com/isef), for guidance on determining a risk goal score. 



## Objective Approach Needed to Prioritize Risk (cont.) | 3

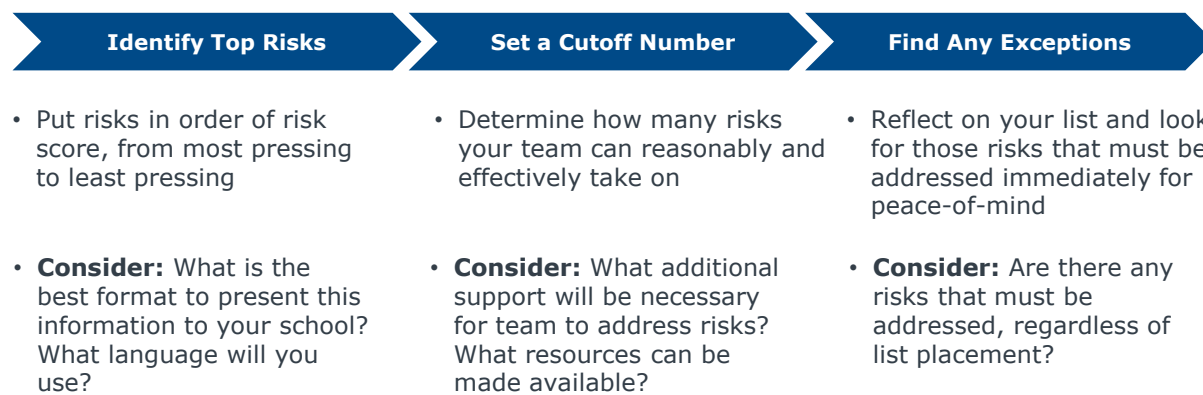
### Decide Which Risks to Address Based on a Two-Step Process

The risk committee's next step is to determine which risks to prioritize for treatment. This step is critical to ensuring that schools determine which risks to their communities are sufficiently threatening as to warrant an investment of resources toward mitigation.

#### Prioritize Which Risks to Treat After Reviewing Ranked Risk List

The risk committee must then determine a cutoff score for which risks to treat (e.g. top ten) based on what is appropriate and manageable for the school. This prioritization ensures that the most pressing risks are addressed first.

Finally, the group must discuss whether there are any exceptions the prioritized list, that is, any risks that must be addressed, even if they fall below the cutoff.



After the committee has determined which risks to prioritize, they must assign risk owners to effectively treat each risk.

See EAB's **Risk Register Template** is available at [eab.com/isef](http://eab.com/isef), for additional guidance on scoring risks.



Source: EAB interviews and analysis



# Assign Risk Treatment to Appropriate Owners

## Risk Owners Should Have Expertise and Authority to Address Assigned Risk

While schools often rely on heads of school or CFOs to address all risks, it is critical that each risk be assigned to the appropriate owner. Risk treatments—or steps to mitigate the risk—should be created by risk owners who are most familiar with the risk and the best ways to limit the school’s exposure.

To designate the right person to manage risk treatment, the following criteria should be considered:



### Expertise

Who has the necessary expertise to create the risk treatment?



### Authority

Who has the authority to manage risk treatment creation?



### Accountability

Who will ensure risk treatment created satisfactorily, on time?

Determining the appropriate risk owner requires a discussion among members of the risk committee. Once chosen, risk owners can enlist the help of treatment owners to work with them to build the most appropriate treatment. The graphic below illustrates the differences in their responsibilities and how risk owners and treatment owners can work together to complete a treatment.



By identifying the best owner to treat each risk, risk mitigation is no longer the sole purview of the head of school and CFO, which helps to ensure that risk management is a shared responsibility among the broader school community.

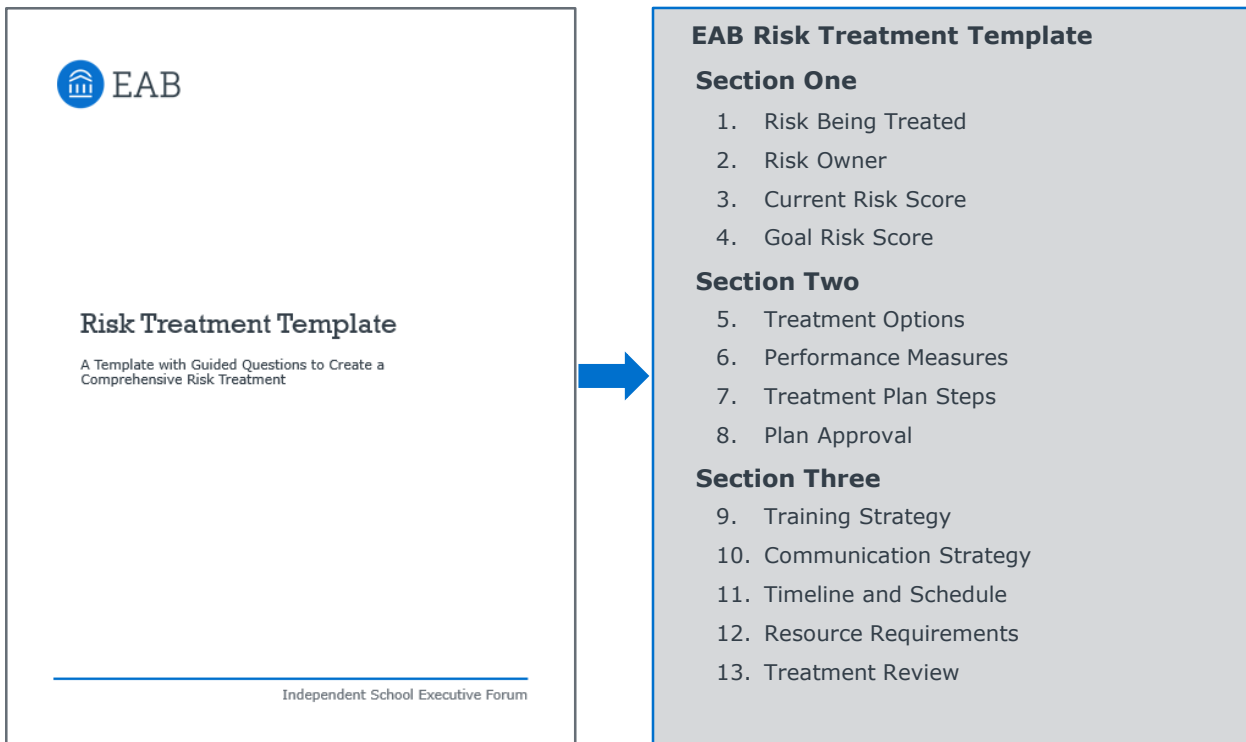


# Design Comprehensive Risk Treatments

## Risk Treatment Template Ensures Structured, Consistent Plan Development

To avoid an ad hoc approach to the creation and execution of risk treatments, a template should be used to ensure complete and consistent treatment plans are created. EAB has developed a risk treatment template that includes guided questions for risk owners so that they may create comprehensive treatments for each prioritized risk.

EAB's template includes the following sections:



Each section of the template helps risk owners plan for all of the practical considerations needed when treating a risk; this ensures that every aspect of plan implementation, from developing a training strategy to identifying required resources, is thoughtfully addressed.

See EAB's **Risk Treatment Template** at [eab.com/iseef](http://eab.com/iseef), for guidance on creating a risk treatment.





# Refine Treatments Following Critical Incidents

## Use Incidents that Put Treatments to Use as Opportunities for Improvement

Even after being thoughtfully designed and implemented, risk treatments still require an additional step to assess their effectiveness: review following incidents where treatments are used.

Specifically, critical incidents provide schools with the opportunity to formally assess whether existing treatments need to be refined. When used as learning opportunities, these incidents prompt schools to first ask important questions about the response to the incident, and then determine whether any additional action is required. These two steps are detailed below.

### 1 Review Incident Details

**For each incident, ask:**

1. What went wrong?
2. What could be done better?
3. What could have been prevented?
4. Did someone not complete a step or was there a step missing?

### 2 Devise Next Steps

**Potential outcomes:**

- Update treatment by making changes to reflect gaps identified through the review process
- Create new treatments as needed to address identified areas of need

To appropriately complete these steps, schools should use the guidelines below to convene a group to review incidents and determine whether treatments should be revised.

### Independent School Committee Composition Guidelines







- ✓ Include risk committee members
- ✓ Add additional members to individual meetings as needed for specific incident review meetings
- ✓ Representation, knowledge, expertise across school functions present
- ✓ Committee has authority necessary to recommend policy, treatment changes
- ✓ Members commit to regular meetings



# How EAB Can Help Throughout the Process

Implementing a comprehensive approach to institutional risk management requires the creation of a strong infrastructure to support this ongoing and iterative process. We have created six tools that are available on our website to support our members, whether you are just beginning the process of formalizing risk management or working to improve the system you already have in place.

## Online Tools

- 1 IRM Maturity Assessment**  
 Assess the maturity of your school's current institutional risk management process in relation to best practices to identify gaps and plan next steps
- 2 IRM Leader's Communication Companion Toolkit**  
 Develop an initial school-wide communication strategy to address potential roadblocks to success and launch an ongoing messaging strategy
- 3 Board Communication Slides**  
 These slides allow schools to customize messaging to their board on the importance of IRM and the role of the board
- 4 EAB Potential Risk List and Sample Risk Register**  
 Compare EAB's risk list to your school's list of potential risks; then use the risk register to guide the scoring, ranking, and prioritizing of risks
- 5 Risk Tolerance Discussion Guide**  
 Reference this guide to discuss your school's tolerance for a given risk and determine a goal risk score to communicate to risk owners
- 6 Risk Treatment Template**  
 Utilize this template to support risk owners in creating comprehensive risk treatments

## Onsite Support

In addition to the support provided by these tools, EAB can come to your campus to share our full presentation on institutional risk management to members of your school community. Contact your dedicated advisor for further information.



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