STRATEGIC RISK MANAGEMENT

NORTH CAROLINA STATE UNIVERSITY
ADMINISTRATIVE LEADERSHIP MEETING

SEPTEMBER 11, 2012
SRM Broader than Traditional Risk Management

Everyday Risks

Compliance
Exercise

Strategic Risks

Strategic Tool

Loss
Prevention
NC State Manages Risks Everyday

• 4 T’s of Risk Management: Tolerate, Terminate, Treat and Transfer

Examples:

• Insurance & Risk Management Department
  http://www2.acs.ncsu.edu/insurance/

• Compliance Calendar
  http://www.ncsu.edu/general_counsel/legal_topics/compliance/ComplianceReportingCalendar.php
Why Adopt SRM?

• Tulane (Hurricane Katrina)
• Va Tech (Choi murdered 32 people)
• Duke (Lacrosse case)
• Emory (COI and Ethics)
• FAMU (Band hazing death)
• Penn State (Sandusky scandal)
• UNC Chapel Hill (athletics and academic)
Strategic Risk Management

SRM is a process to help manage unfolding risks that might impact strategic success.

- **Develop Strategies Now**
- **Observe Performance Later**

Range of Uncertainty
Strategic Risk Management Process

Objective Setting

Risk Identification

Risk Assessment

Risk Response

Communication, and Monitoring

Internal Environment

Source: The Committee of Sponsoring Organizations of the Treadway Commission
NC State’s Strategic Goals

1. Enhance the success of our students through educational innovation.

2. Enhance scholarship and research by investing in faculty and infrastructure.

3. Enhance interdisciplinary scholarship to address the grand challenges of society.

4. Enhance organizational excellence by creating a culture of constant improvement.

5. Enhance local and global engagement through focused strategic partnerships.
Strategic Risk Management: Risk Identification

Risks identified through interviews of EOs, Deans and the Executive Committee of the BOT:

1. What are the top 3 strategic risks that NC State faces over the next 2 years that could have significant adverse effect on NC State’s ability to achieve its mission and strategic goals?

2. How would you rate these risks (scale of 1 – 3, with 1 being highly likely) in terms of likelihood of occurrences and severity of impact?
Strategic Risk Management: Risk Assessment

• Risks prioritized to Top 10 and Top 11-25 by the EOs. Assessed probability and impact of risks.

• Assigned Risk Owners among EOs (selected primary owners where multiple ones exist, noted with asterisks on next slides)

• Analyzed Top 10 risks focusing on consequences if risks occurred; assessed current management controls to prevent these occurrences
# Strategic Risk Management: Top Ten Risks And Owners

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<thead>
<tr>
<th>TOP TEN RISKS</th>
<th>RISK OWNERS</th>
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<tbody>
<tr>
<td>Planning and Allocation of Resources – due to continued decline in state appropriations</td>
<td>Provost and EVC*&lt;br&gt;VC for Finance &amp; Business*&lt;br&gt;Assistant to the Chancellor for External Affairs</td>
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<td>Personnel Management – restrictions on hiring and compensation</td>
<td>Provost and EVC&lt;br&gt;VC for Finance &amp; Business*</td>
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<td>Self-Governing Restrictions – limited authority and restrictions on self governance</td>
<td>Chancellor*&lt;br&gt;Provost and EVC&lt;br&gt;Assistant to the Chancellor for External Affairs</td>
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<td>Limited Endowment – growing small value</td>
<td>VC for Advancement</td>
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| **Cultural Issues** – excessive bureaucracy, lack of flexibility, too conservative risk profile | Chancellor  
VC for Finance & Business  
VC and General Counsel* |
| **Change Management** – failure to work as a unified team | Chancellor |
| **Federal Funding Decline** – decrease in research and financial aid | VC for Research, Innovation and Economic Development |
| **Succession Gaps** – insufficient succession planning | Chancellor*  
Provost and EVC  
VC for Finance & Business |
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| **Reputation** – uncoordinated     | Chancellor
    communications strategies,                                 |
    poor brand management,            | VC for University Advancement
    insufficient response planning  | Director of Athletics
                                          | Chief Communications Officer*                                |
| **Systems Shutdowns** –            | VC for Finance & Business*                                        |
    unpredicted emergency             | VC for Information Technology*                                   |
    shutdowns of utilities and IT     |                                                                   |
RISK: DECLINE IN FEDERAL FUNDING

Example “bow-tie” Chart

<table>
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<tr>
<th>CAUSES</th>
<th>TREATMENT</th>
<th>RISK EVENT DESCRIPTION</th>
<th>PROACTIVELY MANAGING CONSEQUENCES</th>
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<td>Decline in federal research funding</td>
<td>Advocate for research funding with federal delegation and business leaders</td>
<td>Decrease in federal funding will lead to a loss of valuable research initiatives, resources and federal financial aid</td>
<td>Inability to recruit and retain quality faculty, staff &amp; grad students</td>
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CAUSES:
- Decline in federal research funding

TREATMENT:
- Communicate impact of federal research funding on economic growth
- Advocate for research funding with federal delegation and business leaders

CONSEQUENCES:
- Inability to recruit and retain quality faculty, staff & grad students

PROACTIVELY MANAGING “CAUSES”:
- Communicate impact of federal research funding on economic growth
- Advocate for research funding with federal delegation and business leaders

PROACTIVELY MANAGING CONSEQUENCES:
- Diversify research funding sources, i.e., industry & foundations
- Improve competitiveness with training and proposal development assistance
Strategic Risk Management: Next Steps

• Colleges/divisions review top 10 university-wide risks
• Identify additional risks within a college/division that are strategic to the unit mission
• Determine if any college/division risks need to supplement the university-wide top 10
• Assess adequacy of unit responses and treatment for causes/consequences
Discussion