

Who Manages Risk and How

Risk management is not just the responsibility of a small group of people. It is the responsibility of every faculty member and employee, something we all do, every day, in all aspects of our roles at MRU.

Each and every faculty and department of the university, plays an integral role in managing the risks of MRU. Whether it is setting up a new program, updating current curriculums, or implementing a new departmental procedure, all of these objectives carry with them great opportunities, but also present certain risks.

All faculty members and employees need to be familiar with the basics of risk management, and the steps involved in the **Structure for Managing Risks** so that they can be better equipped to make risk conscious decisions.

The Risk management process will vary based on the overall objectives and variables of your individual program or project, but must include a process called **Risk Assessment**.

Structure for Managing Risks

Risk Identification

The organization should identify sources of risk, frequency and severity of impacts, and their potential consequences interlinked to various other faculties or departments. The aim of this step is to generate a comprehensive list of risks that might prevent, diminish or delay the achievement of the objectives.

Risk Analysis

Risk analysis is about developing an understanding of the risk. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood and severity of those consequences. Factors that affect likelihood and severity should be reviewed in detail with subject matter experts.

Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of the risk analysis, about which risks need treatment and to prioritize treatment implementation. Risk evaluation involves comparing the level of risk found during the analysis process with the risk tolerance of the organization. If the level of risk exceeds the risk tolerance then the risk should be treated to a level that falls within the tolerance.

In some circumstances, the risk evaluation can lead to a decision to undertake further analysis – this is normal. The risk evaluation can also lead to a decision not to treat the risk in any way other than maintaining existing risk controls (treatment).

Decisions should be made in accordance with legal, regulatory and other requirements (policy) of the organization.

Risk Treatment

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. The risk treatment option categories include the following:

- avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- reducing the consequences of the risk (loss reduction);
- reducing the frequency of the risk (loss prevention);
- segregation of the of the risk to reduce the severity to a more reasonable level;
- duplication of the asset at risk – remove reliance on one source;
- diversification of activities – do not rely on one activity to drive the organization;
- transfer the risk to another party or parties (through contractual agreements and risk financing); and
- retain the risk as is.

Selecting the most appropriate risk treatment option involves balancing the costs of risk treatment against the benefits derived from the activity. Some risk treatment options make the activity non-viable due to the costs of treatment while some activities have a high residual risk, regardless of risk treatment, that makes them non-viable.

Decisions should be made in accordance with legal, regulatory and other requirements (policy) of the organization.

Risk Treatment Plan (Implementation)

The purpose of risk treatment plans is to document how the chosen treatment options will be implemented. The information provided in treatment plans should include:

- risks identified and mitigated;
- expected benefit to be gained;
- resource requirements;
- proposed actions;
- performance measures and constraints;
- persons who are accountable for approving the plan and those responsible for implementing the plan;
- reporting and monitoring requirements; and
- project schedule.

Treatment plans should be integrated with the management processes of the organization and discussed with appropriate stakeholders.

Monitor Risk and Amend Strategy

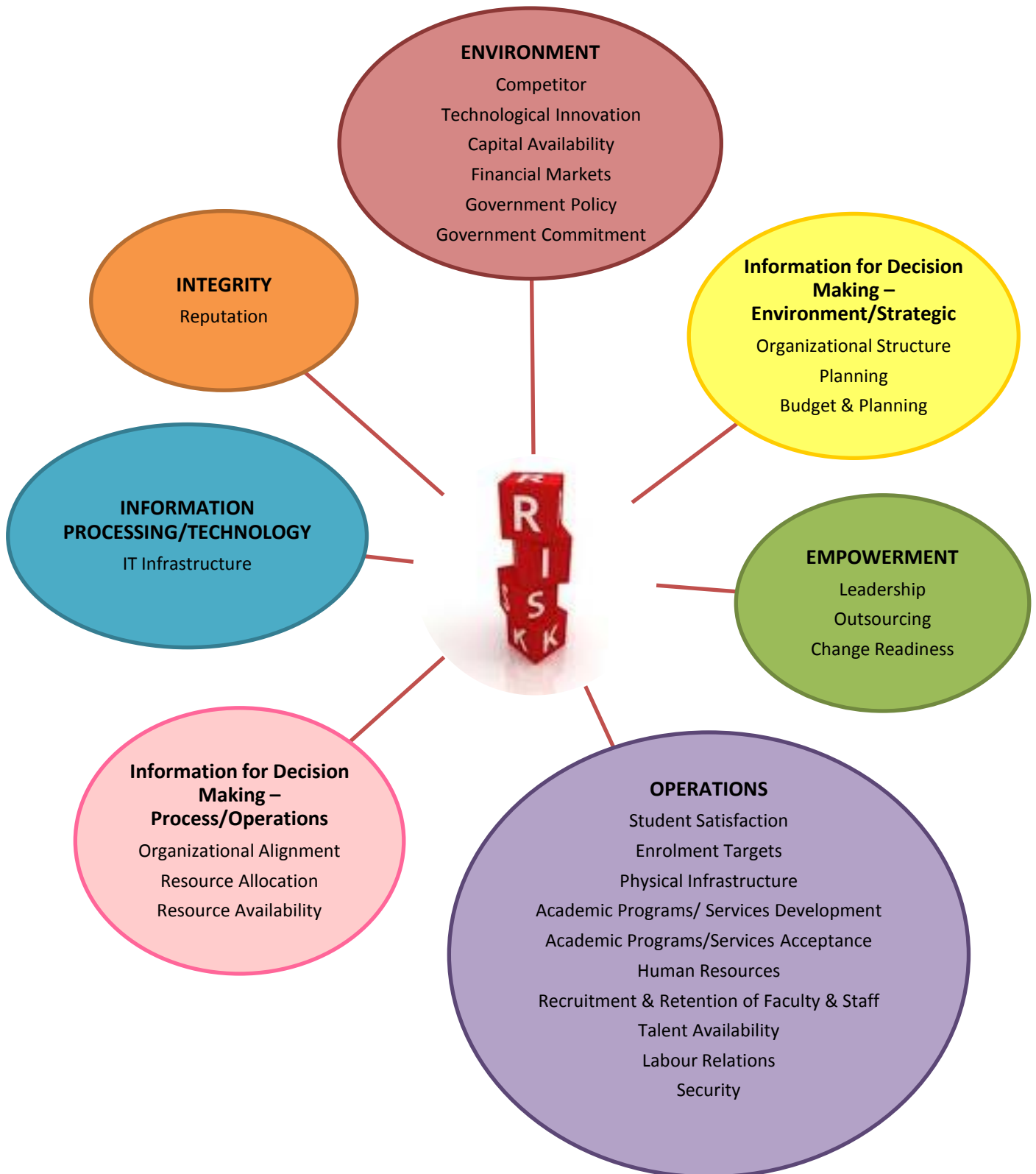
Monitoring and review should be a planned part of the risk management process.

The monitoring and review processes should encompass all aspects of the risk management process for the purposes of:

- analyzing and learning lessons from incidents, changes and trends;
- detecting changes in the external and internal context including changes to the risk itself which can require revision of risk treatments and priorities;
- ensuring that the risk control and treatment measures are effective in both design and operation; and identifying emerging risks.

Monitoring and review can involve regular checking or surveillance of what is already present or can be periodic or ad hoc. Both aspects should be planned. The results of monitoring and review should be recorded and internally or externally reported as appropriate and should also be used as an input to the review of the risk register.

Sample Risks for Education



RISK DEFINITIONS

RISK AREA	RISK DESCRIPTION
Academic Programs / Service Acceptance	The risk that programs and services developed are not desired by MRU stakeholders.
Academic Programs / Services Development	The risk that MRU does not develop the right programs and services to attract students/academics and/or that MRU programs and services are not fulfilling market needs.
Capital Availability	Insufficient access to capital threatens MRU’s capacity to grow and execute its operational model.
Change Readiness	Employees within MRU are unable to implement process, program and service improvements quickly enough to keep pace with changes in the marketplace.
Competitor	Actions of competitors or new entrants to the market impair MRU’s competitive advantage or even threaten its ability to survive.
Enrolment Targets	The risk that MRU does not reach its enrolment target resulting in a lost opportunity to obtain funding and fees.
Financial Markets	Movement in prices, rates, indices, etc., affects the value of MRU’s financial assets, which may also affect its cost of capital and/or its ability to raise capital (e.g. pension fund, endowments, etc.).
Government Commitment	Changes in government commitment levels threaten MRU’s competitive position and its capacity to efficiently offer programs and services.
Government Policy	Changes in government policy threaten MRU’s competitive position and its capacity to efficiently offer programs and services.
Human Resources	The risk that our people do not have the necessary skills, knowledge and expertise to allow MRU to successfully achieve our mission and objectives.
IT Infrastructure	The risk that MRU does not have the information technology infrastructure (e.g. hardware, networks, software, people and processes) it needs to effectively support the current and future information requirements of MRU in an efficient, cost-effective and well-controlled fashion.
Labour Relations	Changes occur within the work environment that leads to conflicts involving labour unions, thereby disrupting normal operations.
Leadership	The risk that MRU’s employees are not being effectively led, which may result in a lack of direction, focus, motivation to perform, executive credibility and trust throughout MRU.
Organizational Alignment	Failure to align process objectives and performance measures with objectives and strategies may result in conflicting, uncoordinated activities throughout MRU.
Organizational Structure	Executives lack the information needed to assess the effectiveness of MRU’s organizational structure, which threaten its capacity to change or achieve its long-term strategies.
Outsourcing	Outsourcing activities to third parties may result in the third parties not acting within the intended limits of their authority or not performing in a manner consistent with MRU’s strategies and objectives.
Physical Infrastructure	MRU does not have the physical resources or resource capacity available to support MRU’s current and future requirements and achieve its stated goals and objectives.
Planning	An unimaginative and cumbersome strategic planning process may result in irrelevant information that threatens MRU’s capacity to formulate viable strategies.
Recruitment and Retention of Faculty and Staff	The risks that MRU cannot attract and retain the necessary faculty and staff to effectively deliver programs and services and manage University operations.
Resource Allocation	Ineffective allocation of resources (i.e. the budgetary process) resulting in MRU not achieving its vision, goals and objectives.
Reputation	Damage to MRU’s reputation exposes it to loss of students, fees and the ability to compete.
Student Satisfaction	A lack of focus on students and/or alumni threatens MRU’s capacity to meet or exceed expectations.
Talent Availability	The risk that MRU does not foster an appropriate environment for developing leadership qualities and skills and that ineffective leadership will result in a lack of direction, focus, motivation to perform, executive credibility and trust throughout MRU.
Technological Innovation	MRU is not leveraging advancements in technology in organizational activities to achieve or sustain competitive advantage. Alternatively, MRU is exposed to the actions of competitors or substitutes that do leverage technology to attain superior quality, reduce cost and/or time performance in their programs, services and processes.
Security	The risk that MRU security measures fail to prevent damage, injury to or loss of students, staff and/or MRU property.

RISK ASSESSMENT WORKSHEET

Faculty/Department:

Category of Dept: Academic University Advancement Student Affairs Administration
 Student Union Daycare Foundation Other_____

Risks Identification: (append additional sheets if insufficient space)

Risk Item (describe the specific risk and how it impacts your group as well as other groups)	Frequency	Outcome/Severity	Risk Analysis & Evaluation		
	1. Rare/Unlikely 2. Moderate 3. Almost Certain	1. Minor 2. Moderate 3. Major	Existing Risk Treatment	What Further Treatment Required to Reduce the Risk to a More Acceptable Level	What Treatment is NOT Required & Why it Should be Removed

Risk Treatment and Implementation: (based on Risk Analysis and Evaluation on page 1)

Treatment to be Implemented, Improved or Removed	Implementation Plan (add additional pages as needed)	Party Responsible to Make Changes	Date for Implementation

Part – [for new policies – assigned by President's office]

Parent Policy: Risk Management Policy
POL [new policies – assigned by President's Office]

Institutional Risk Tolerance Statement (Appendix B)

Procedure Type:	[new policy – determined by PEC]		
Procedure Sponsor:	Vice-President, Administrative Services	Effective:	
Office of Administrative Responsibility:	Risk Services	Last Reviewed:	
Approver:	Board of Governors	Approved:	

1. OVERVIEW

The University acknowledges that there is an element of risk in any decision or activity. The purpose is not to eliminate risk, but to take the risks and capitalize on the opportunities that will allow the University to achieve its strategic objectives. This *Statement*, which is to be applied at the institutional level, explains a critical component of the University's risk management framework by attempting to quantify the level of risk the University is willing to tolerate across the following vital areas:

Academic Risk - 'the uncertainty of something happening that will have an impact on the achievement of academic objectives'.

Financial Risk - is the practice of creating economic value and compliance using financial instruments to manage financial risk exposures, such as, cash flow, investment performance, legislative reporting, fraud and inflation risks – to name a few.

Reputational Risk - related to the trustworthiness of an organization. Damage to a firm's reputation can result in lost revenue (opportunity) or destruction of community goodwill, even if not found guilty of a crime or negligent.

Operational Risk- is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Hazard Risk – set of circumstances, or inherent properties that can cause injury, illness, death or property damage.

Strategic Risk – uncertainties and untapped opportunities embedded in your strategic intent and how well they are executed.

2. QUANTIFYING THE RISK

In the University's risk framework the level of risk is quantified by combining the *likelihood* of a negative event or condition occurring and the *Impact* of that event or condition.

Assisted by the tables below, the decision maker (VP, Dean, AVP, Director, Manager, coordinator) estimates likelihood on a scale from “rare” to “almost certain,” and Impact on a scale from “negligible” to “high,” then determines the overall level of risk by placing them in the matrix that follows. This is a rough and simple understanding of the likelihood and severity and is not meant to be scientific.

Likelihood of Event or Condition Occurring

Category	Qualitative interpretation
Rare/Unlikely	Has not occurred in the last 20 years.
Moderate/Likely	Similar events have occurred at North American universities in the last twenty years.
Likely/Almost Certain	Similar events have occurred at Mount Royal University in the last 10 years.

Impact of Event or Condition Occurring – with no regard to frequency

a. Academic:

Category	Qualitative interpretation
Negligible/minor	Small group (1 – 5%) of students/faculty affected with short (less than a month) disruption to classes or research.
Moderate	Definite disruption to classes/research for up to 10% of the student or faculty population for more than two weeks.
Major/high	Any widespread (more than 10% of students/faculty) disruption to for more than one semester.

b. Reputation

Category	Qualitative interpretation
Negligible/minor	Low significance negative mention in local and social media for less than two days.
Moderate	Moderate negative (local, social and national) coverage for less than one week.
Major/High	Intense negative media (local, social, national and international) coverage for more than one week.

c. Financial

Category	Qualitative interpretation
Negligible/Minor	MRU financial impact of less than \$250,000 or 10% of the department budget.
Moderate	MRU financial impact between \$250,000 and \$3,000,000 or between 10% – 25% of department budget.
Major/High	MRU financial impact greater than \$3,000,000 or more than 25% of the department budget.

d. Operational

Category	Qualitative interpretation
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Negligible/Minor	Little impact on facilities/systems (less than a 24 hour interruption) or staff/students (less than 10% impacted). Small group impacted for a short amount of time.
Moderate	Localized or campus wide facilities/systems failure for more than 24 hours and less than one month or less than 30 percent of staff/students impacted. Many groups impacted for less than a month.
Major/High	Facilities/systems failure for more than one semester or 30 percent of the staff/students impacted. Campus wide impact for more than a semester.

e. Hazard

Category	Qualitative interpretation
Negligible/Minor	Minor sprains and strains to university community members or minor (<\$100,000) property damage to others.
Moderate	Significant injury to one or more university community members or significant property damage to others (<\$2,000,000).
Major/High	One or more fatalities to university community members or catastrophic property damage to others (>\$2,000,000).

f. Strategic

Category	Qualitative interpretation
Negligible/Minor	Directly affects only one Faculty or department ability to materially achieve their strategic objectives for the year.
Moderate	Directly affects two or more Faculty or departments ability to materially achieve their strategic objectives for the year and consequentially affects university wide strategic objectives for the year.
Major/ High	Directly affects the university's ability to materially achieve two or more strategic objects for the year or for the next five years.

3. THE MATRIX

The risk level is evident when the risk is placed in the appropriate cell in the matrix below.

If a risk falls into several categories, it is always placed in the category with the highest risk level. For example, if an activity could result in a major reputation impact and a moderate financial/ physical Infrastructure impact, it should be considered a major impact.

OUTCOME	Major/High	Level 2	Level 3	Level 3
	Moderate	Level 1	Level 2	Level 3

Negligible/Minor	Level 1	Level 1	Level 2
	Rare/Unlikely	Moderate	Likely/Almost Certain

LIKELIHOOD

Treating the Risk

Level 3	The University will not accept a risk at level three unless fully reviewed and approved by the President's Executive Committee. For all other risks at level three, <i>Risk treatment</i> actions must be established immediately such that the <i>residual risk</i> is at 2 or below.
Level 2	Level two risks must be discussed with the appropriate supervisor and the University will accept the risk at level 2 as long as it is reduced in the long term using few additional resources. The risk should be analyzed to determine whether it is being "over managed," where the control strategies could be relaxed in order to redeploy resources.
Level 1	A low risk that requires no additional risk treatment. The risk should be analyzed to determine whether it is being "over managed" and that control strategies can be relaxed in order to redeploy resources.

Although this *Statement* primarily examines the potential negative Outcomes of risk, it is also recognized that uncertainty can lead to opportunities for the University. All members of the University community are encouraged to identify opportunities that can have a positive impact on achieving the University's objectives.

It is also important to acknowledge that there can be overall negative Outcomes as a result of failing to pursue an opportunity in order to avoid risk that the University could tolerate.

Note: *It is assumed that regulatory requirements and any requirements in the relevant Collective Agreements will be met and are not risk assessed.*

4. DEFINITIONS

- (1) **Outcome:** The outcome or impact of an event affecting objectives.
- (2) **Likelihood:** The chance of something happening.
- (3) **Residual Risk:** Risk remaining after risk treatment.
- (4) **Risk Tolerance:** The organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives. NOTE: Risk tolerance can be influenced by legal or regulatory requirements
- (5) **Risk Treatment:** Process to modify risk. Risk treatment can involve:
 - avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
 - reducing the consequences of the risk (loss reduction);
 - reducing the frequency of the risk (loss prevention);

- segregation of the of the risk to reduce the severity to a more reasonable level;
- duplication of the asset at risk – remove reliance on one source;
- diversification of activities – do not rely on one activity to drive the organization;
- transfer the risk to another party or parties (through contractual agreements); and
- retain the risk as is.

(6) **Department:** Is meant as a generic term to include all sizes of departments, Faculties or Chairs. This is any large or small unit at MRU with a defined budget.