



# **STRATEGIC RISK MANAGEMENT**

**NORTH CAROLINA STATE UNIVERSITY  
ADMINISTRATIVE LEADERSHIP MEETING**

**SEPTEMBER 11, 2012**



# SRM Broader than Traditional Risk Management



Compliance  
Exercise

Loss  
Prevention

Strategic  
Tool



# 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](http://www.ncsu.edu/general_counsel/legal_topics/compliance/ComplianceReportingCalendar.php)

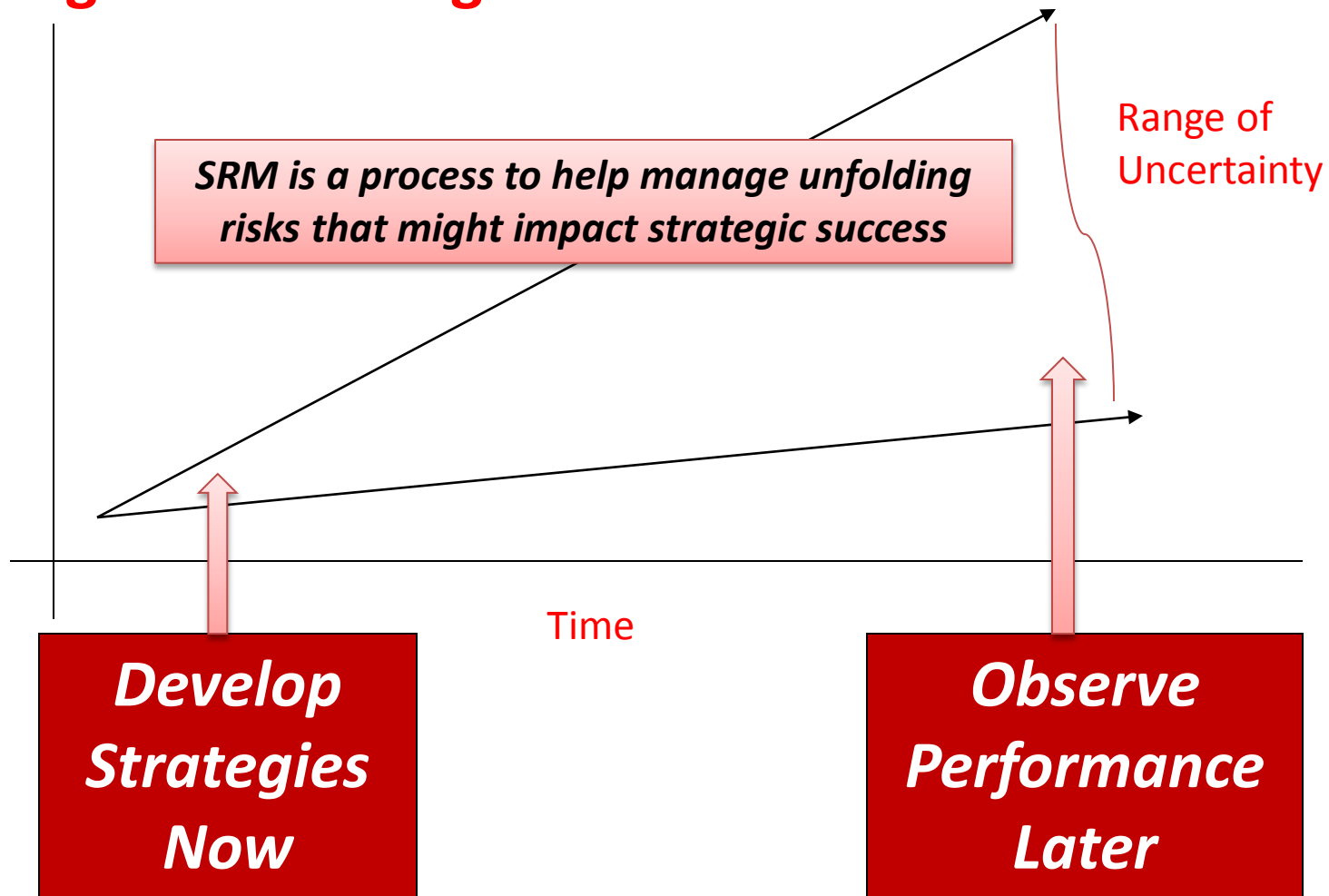


# Why Adopt SRM?

- 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)

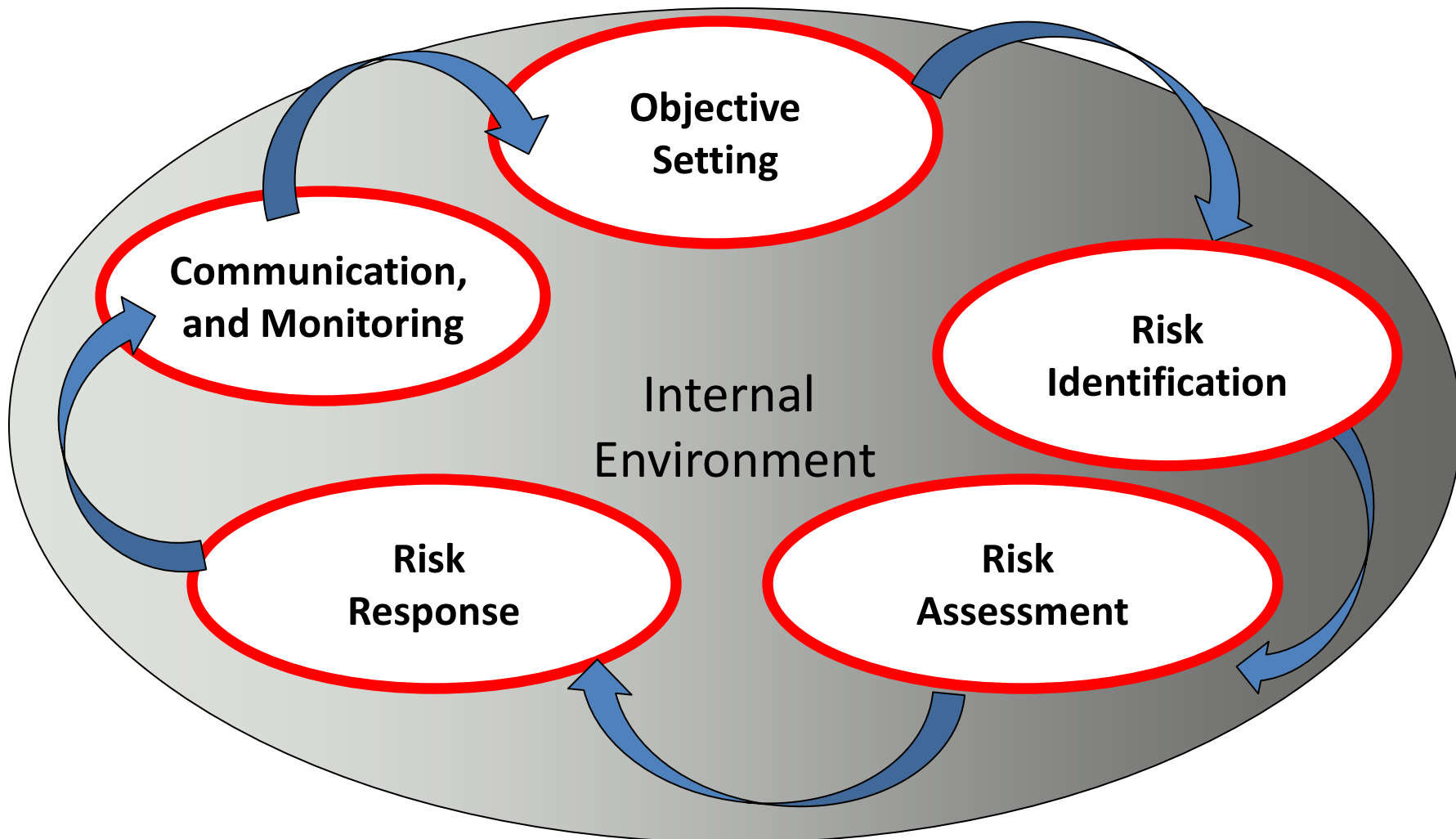


# Strategic Risk Management





# Strategic Risk Management Process





# 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

TOP TEN RISKS	RISK OWNERS
<b>Planning and Allocation of Resources</b> – due to continued decline in state appropriations	Provost and EVC* VC for Finance & Business* Assistant to the Chancellor for External Affairs
<b>Personnel Management</b> – restrictions on hiring and compensation	Provost and EVC VC for Finance & Business*
<b>Self-Governing Restrictions</b> – limited authority and restrictions on self governance	Chancellor* Provost and EVC Assistant to the Chancellor for External Affairs
<b>Limited Endowment</b> – growing small value	VC for Advancement



TOP TEN RISKS	RISK OWNERS
<b>Cultural Issues</b> – excessive bureaucracy, lack of flexibility, too conservative risk profile	Chancellor VC for Finance & Business VC and General Counsel*
<b>Change Management</b> – failure to work as a unified team	Chancellor
<b>Federal Funding Decline</b> – decrease in research and financial aid	VC for Research, Innovation and Economic Development
<b>Succession Gaps</b> – insufficient succession planning	Chancellor* Provost and EVC VC for Finance & Business

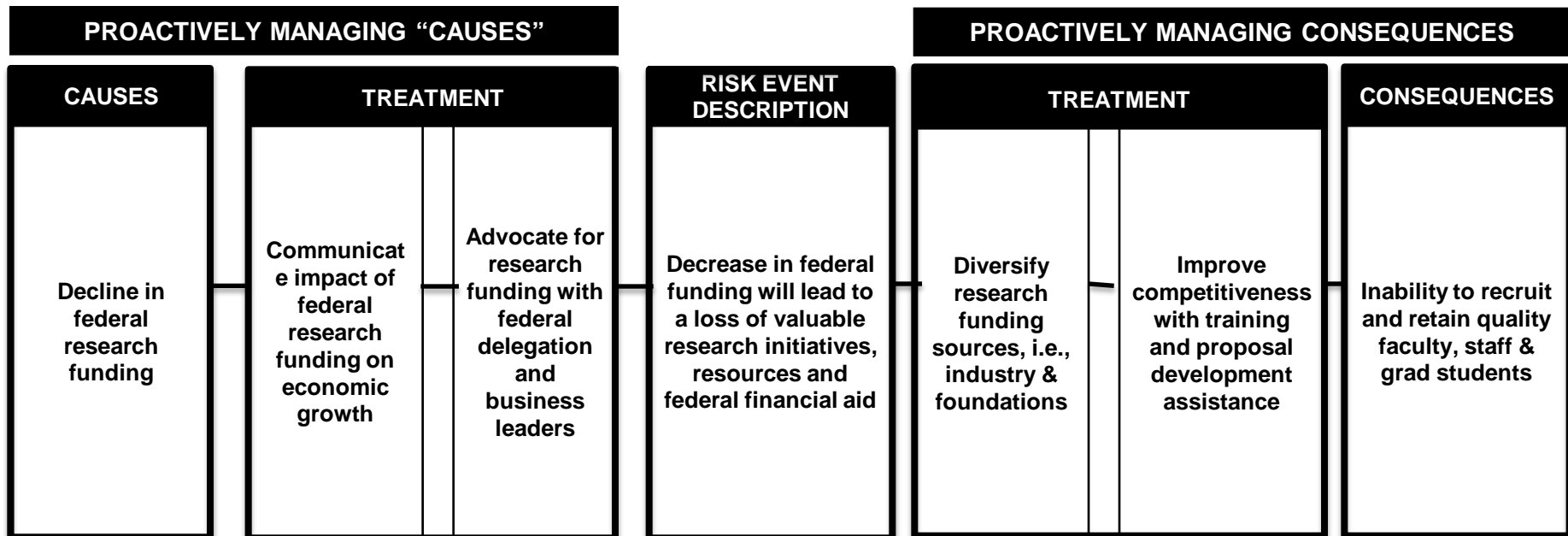


TOP TEN RISKS	RISK OWNERS
<b>Reputation</b> – uncoordinated communications strategies, poor brand management, insufficient response planning	Chancellor VC for University Advancement Director of Athletics Chief Communications Officer*
<b>Systems Shutdowns</b> – unpredicted emergency shutdowns of utilities and IT	VC for Finance & Business* VC for Information Technology*



# RISK: DECLINE IN FEDERAL FUNDING

## Example “bow-tie” Chart





## 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