



# ITS 835

## Chapter 9

Lessons from the Academy: ERM Implementation in the  
University Setting  
Enterprise Risk Management

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# Introduction

- Higher education environment
- ERM in higher education
- Adopting ERM in Colleges and Universities
- The University of Washington case study
- Summary

# Higher Education Environment

- Generally considered “different” from enterprises
- Historically separate from targets of legislation
- Often, success may lead to lack of risk management
- Multiple high-visibility scandals have shed light on HE
- Many HEIs have migrated to more corporate ERM
- Different HE cultures demand different ERM solutions

# ERM in Higher Education

- Recognition of institutional areas
  - Each encounters unique risks
- Risks can include
  - Litigation settlements
  - Loss
    - Assets
    - Enrollment
    - Donors
  - Reputation damage

# Adopting ERM in Colleges and Universities

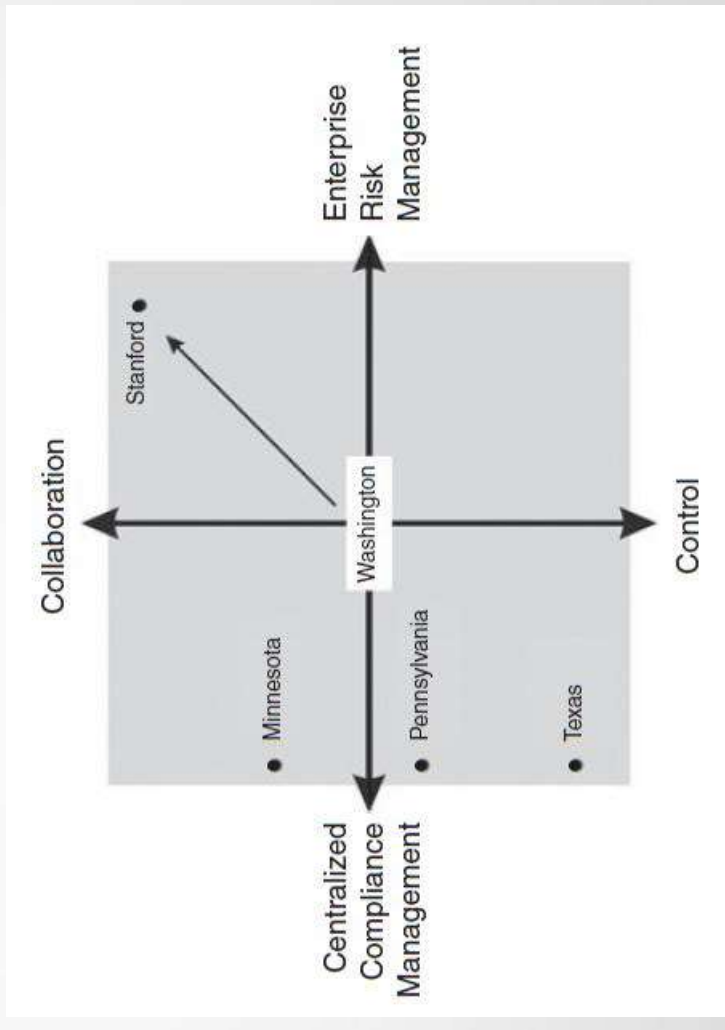
- Think tank of HE to discuss ERM in HE
  - 2001
  - PricewaterhouseCoopers
  - National Assoc of College and Univ Bus Officers (NAUCUBO)
- Focus
  - Definition of risk
  - Risk drivers in HE
  - Implementation of risk management to assess, manage, monitor risk
  - Proactively engage the campus community

# University of Washington

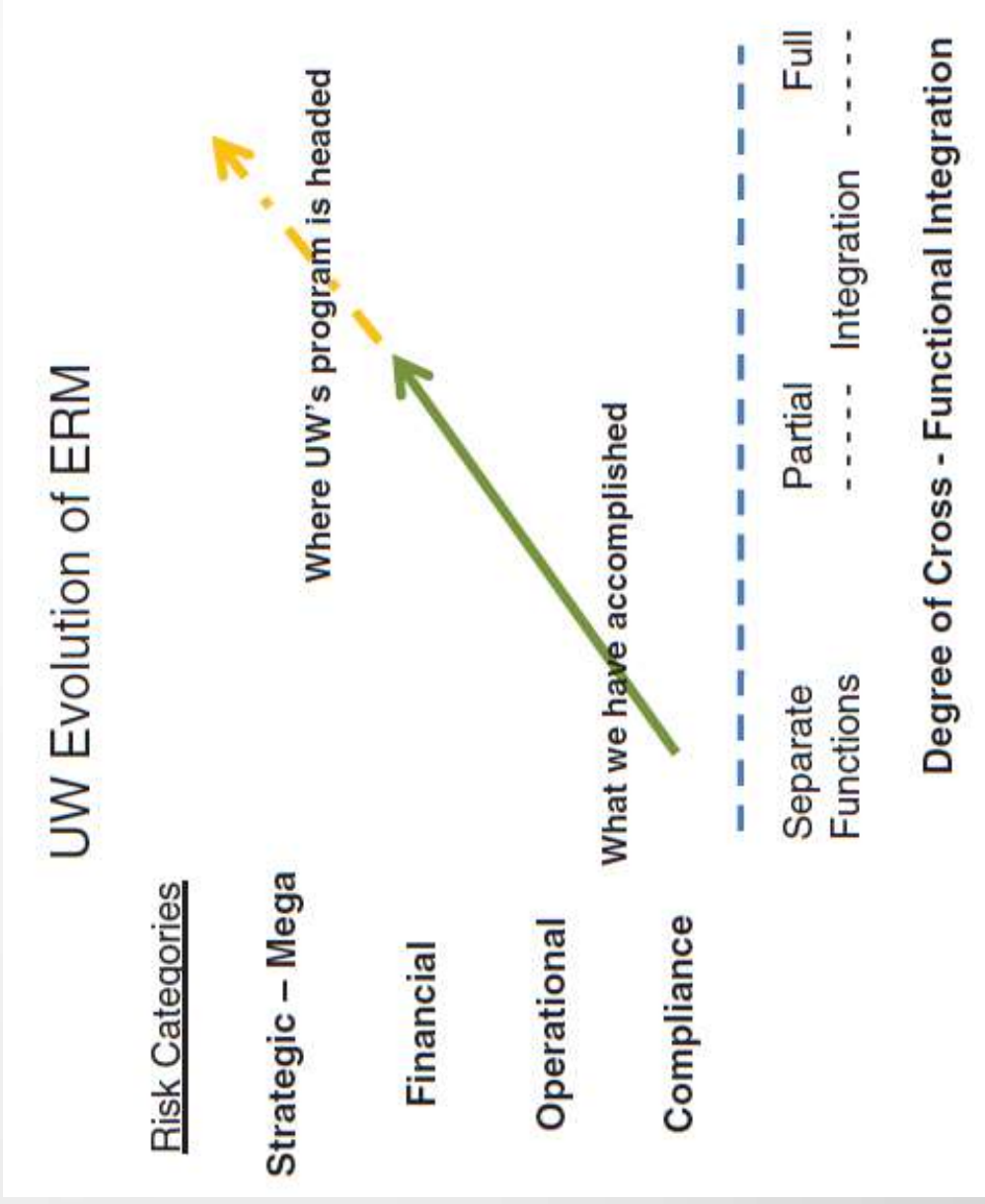
- Sentinel event
  - \$35 million fine for Medicare and Medicaid overbilling
- Push to implement ERM to improve compliance
- UW is built on a decentralized governance model
- Started with
  - Strategic Risk Initiative Review Committee (SRIRC)
  - Each initiative asked
    - Does this proposal add value?
    - What obstacles are apparent and how can they be addressed?
    - How can this proposal be improved?

# University of Washington, cont'd.

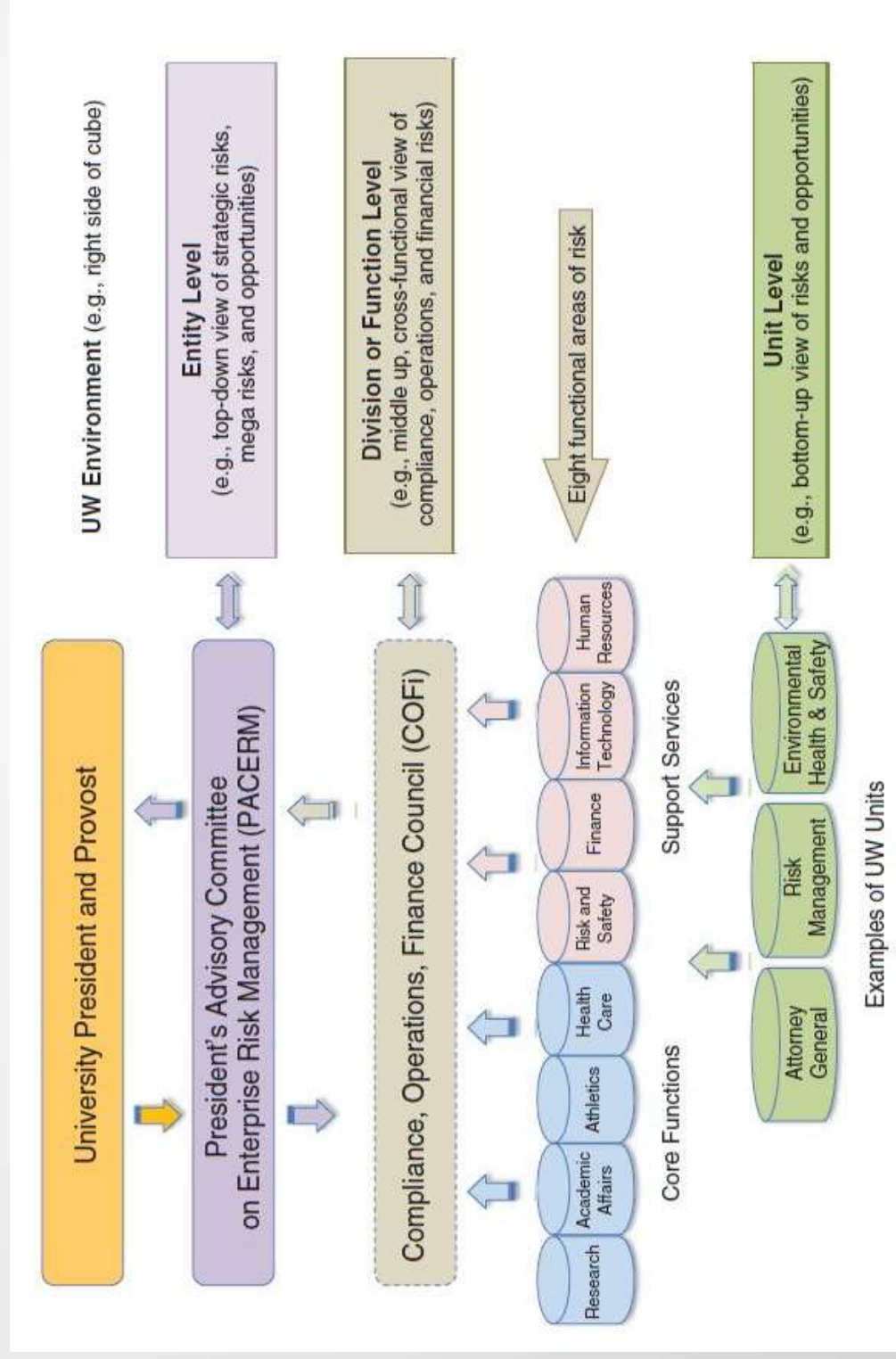
- Committee recommendation
  - Create a Culture-Specific ERM
- Examined other HEIs



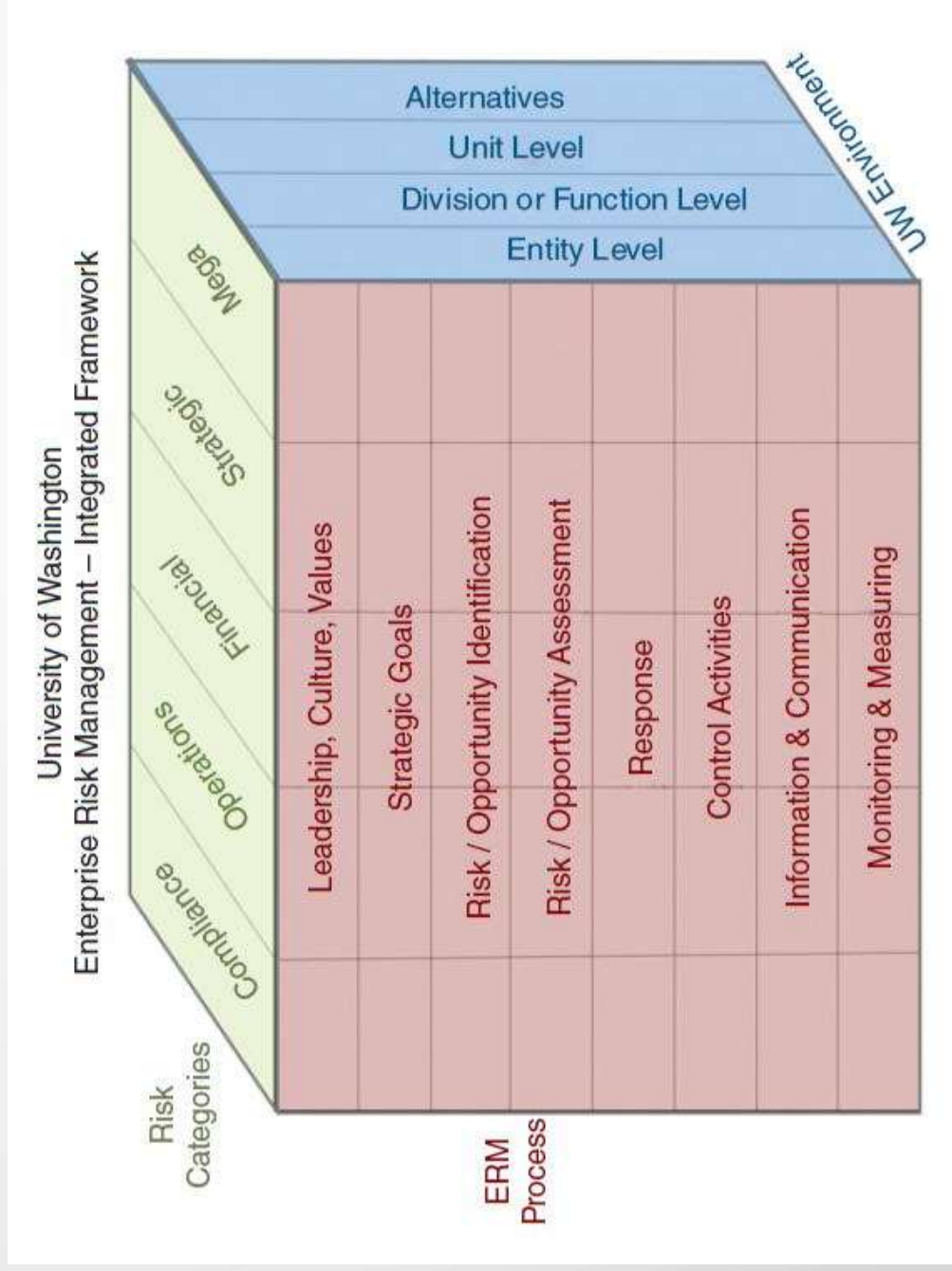
# UW Evolution of ERM



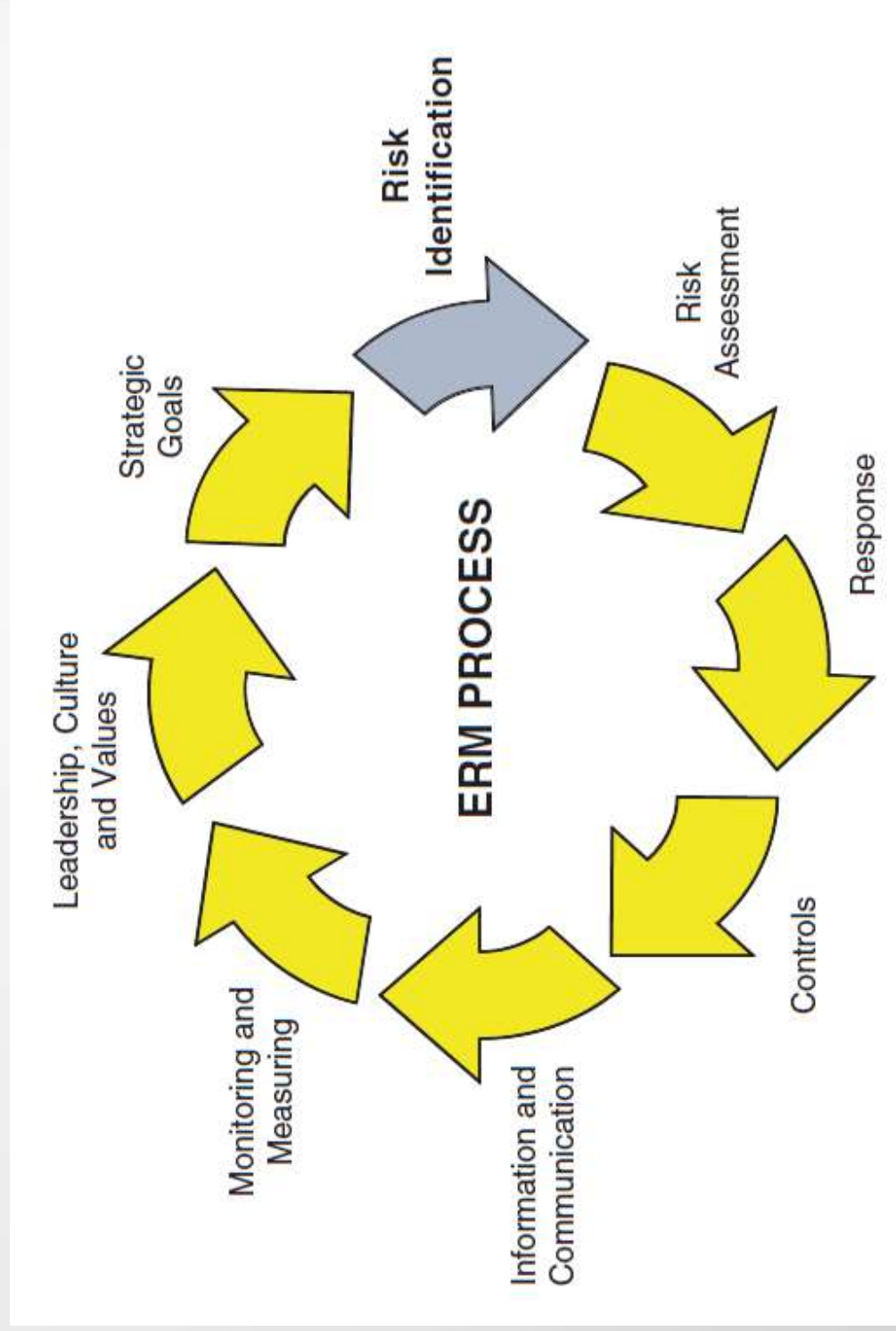
# UW ERM Structure



# UW's ERM Integrated Framework



# UW's ERM Process



# UW's Risk Assessment: Likelihood and Impact

IMPACT	LIKELIHOOD				
	Rare -1-	Unlikely -2-	Possible -3-	Likely -4-	Almost Certain -5-
Catastrophic -5-	5	10	15	20	25
Disastrous -4-	4	8	12	16	20
Serious -3-	3	6	9	12	15
Minor -2-	2	4	6	8	10
Insignificant -1-	1	2	3	4	5

Risk Level	Score Range
Extreme	19.5 – 25
High	12.5 – 19.4
Substantial	9.5 – 12.4
Medium	4.5 – 9.4
Low	1 – 4.4

# Summary

- Outcomes are consistent with guidance offered by
  - National Association of College and University Attorneys (NACUA)
- NACUA eight critical factors
  - Establish the right vision and realistic plan
  - Obtain senior leadership buyoin and direction
  - Align with mission and strategic direction
  - Attack silos at the outset
  - Set objectives and performance indicators
  - Stay focused on results
  - Communicate vision and key outcomes
  - Develop a sustainable process versus a one-time project