

Understanding Risk

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What is Risk?

The possibility that an event will occur and adversely affect the achievement of objectives.

In higher ed, risk can be defined as the potential for adverse outcomes that impede UB's ability to achieve its academic, operational, financial, or reputational objectives.



Types of Risk

- Financial
- Reputational
- Information Technology
- Operational
- Strategic
- Compliance



Financial Risks

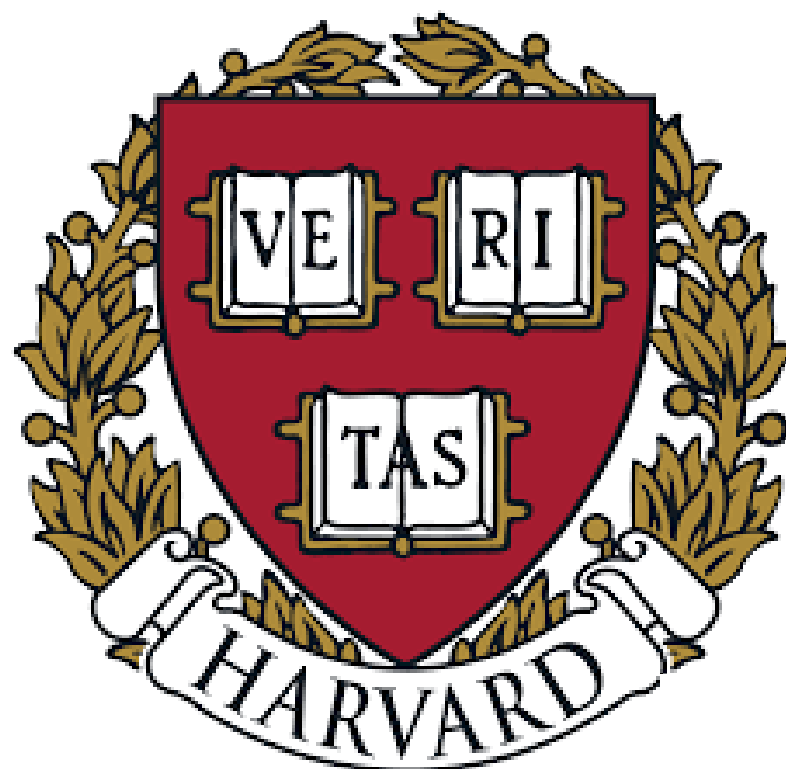
- Budget cuts
- Endowment loss
- Decreased Revenue
- Fraud
- Increasing Costs
- Inflation



Reputational

The potential damage or harm to the public perception, standing, or image of a University or college.

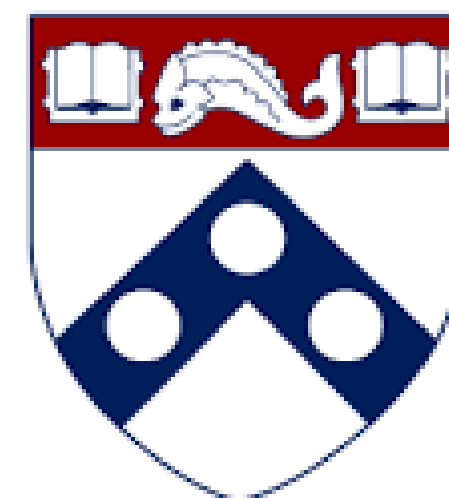
Negative publicity, loss of trust or a decline in the institution's perceived value and credibility within the academic community and the broader public.



MICHIGAN STATE
UNIVERSITY



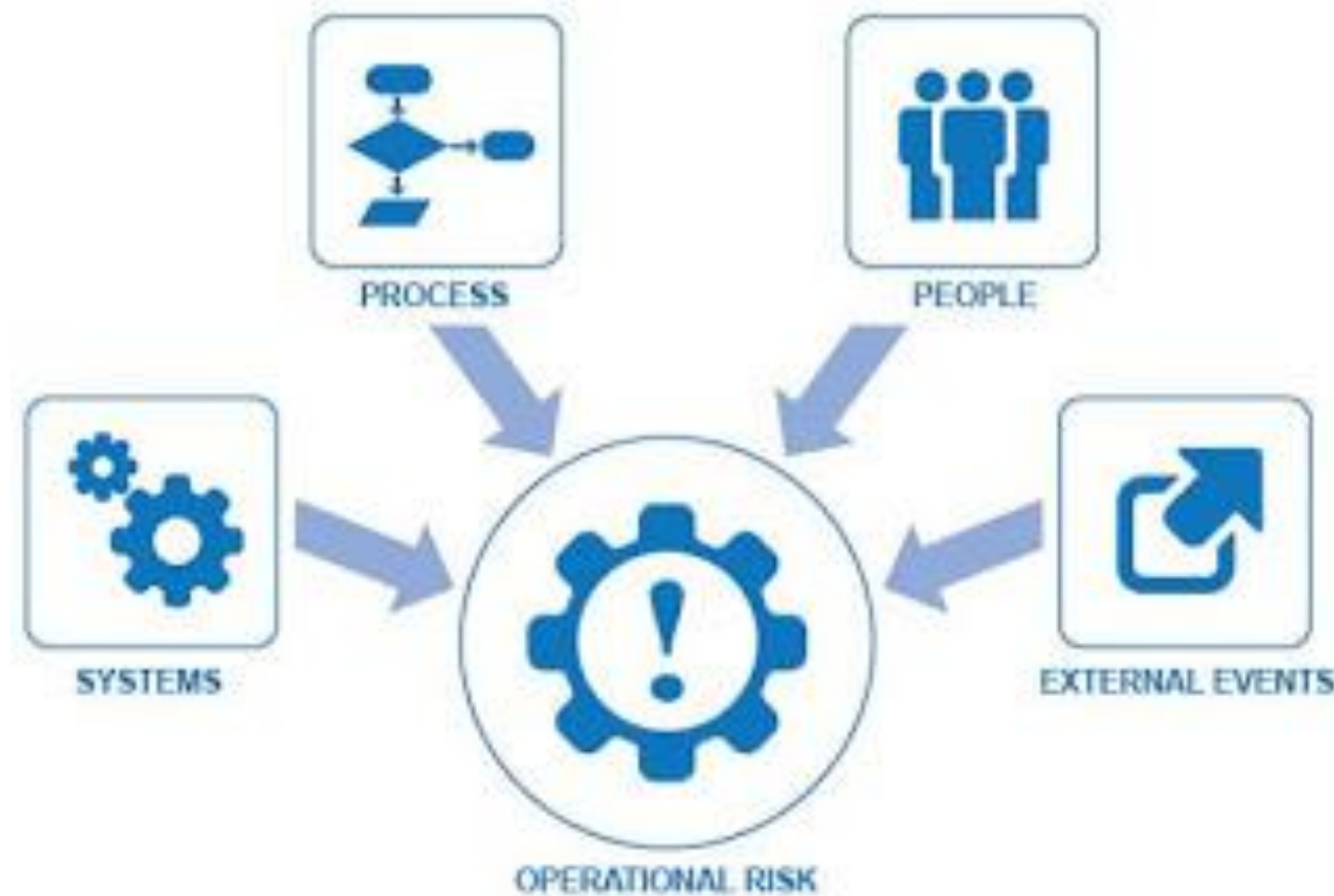
Stanford
University



Penn
UNIVERSITY of PENNSYLVANIA

Operational

Potential loss, disruption, or inefficiencies due to inadequate or failed internal processes, systems, or human factors in day-to-day operations.



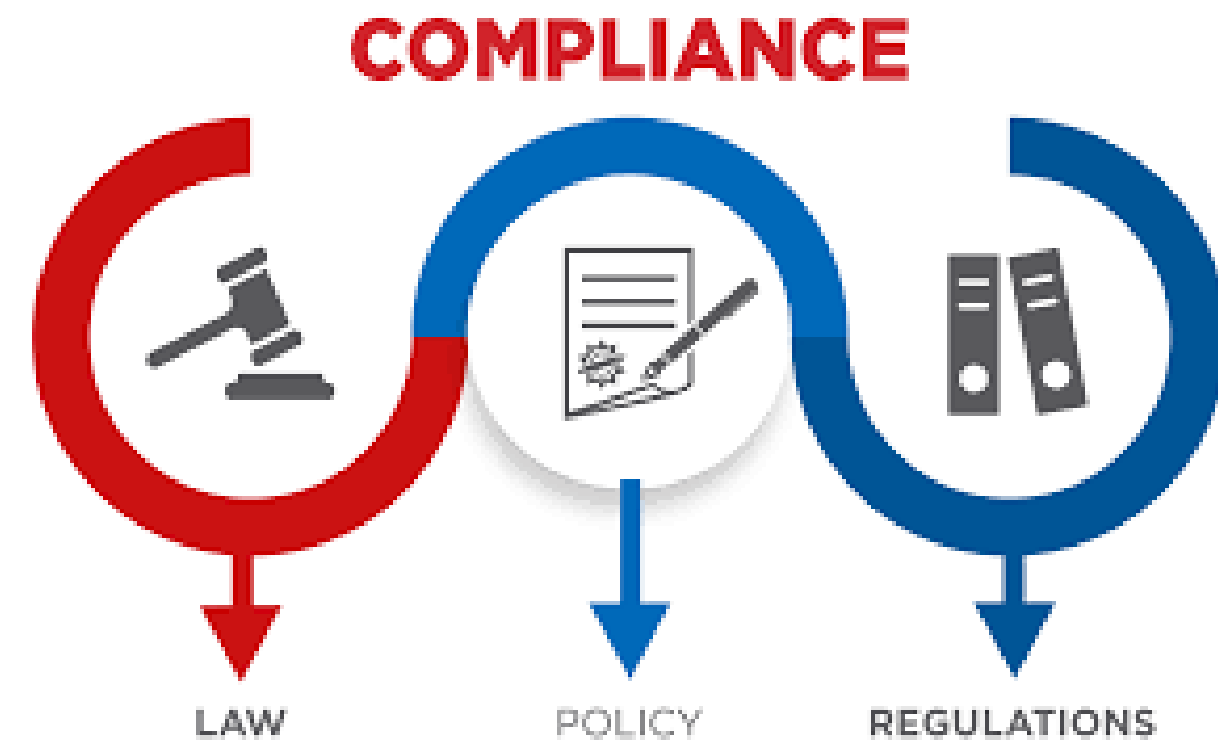
Accreditation

Financial Aid

Privacy & Data
Protection

Research

Labor &
Employment
Laws



So what does UB do?

Identify risks of all types, and measure, prioritize and respond to those that are most challenging to your area's core objectives or current areas of weakness.

A framework for risk management

- Involves identifying risks and opportunities
- Assessing likelihood and magnitude of impact
- Determining a response strategy, and monitoring progress

Inherent (gross) Risk – The risk to an entity in the absence of any actions management might take to alter either the risk’s likelihood or impact.

Residual (net) Risk – The remaining risk after management has taken action to alter the risk’s likelihood or impact.

Likelihood – The possibility that a given event will occur. Will use qualitative terms such as high, medium, and low, or other judgmental scales, and “probability” indicating a quantitative measure such as a percentage, frequency or occurrence, or other numerical metric.

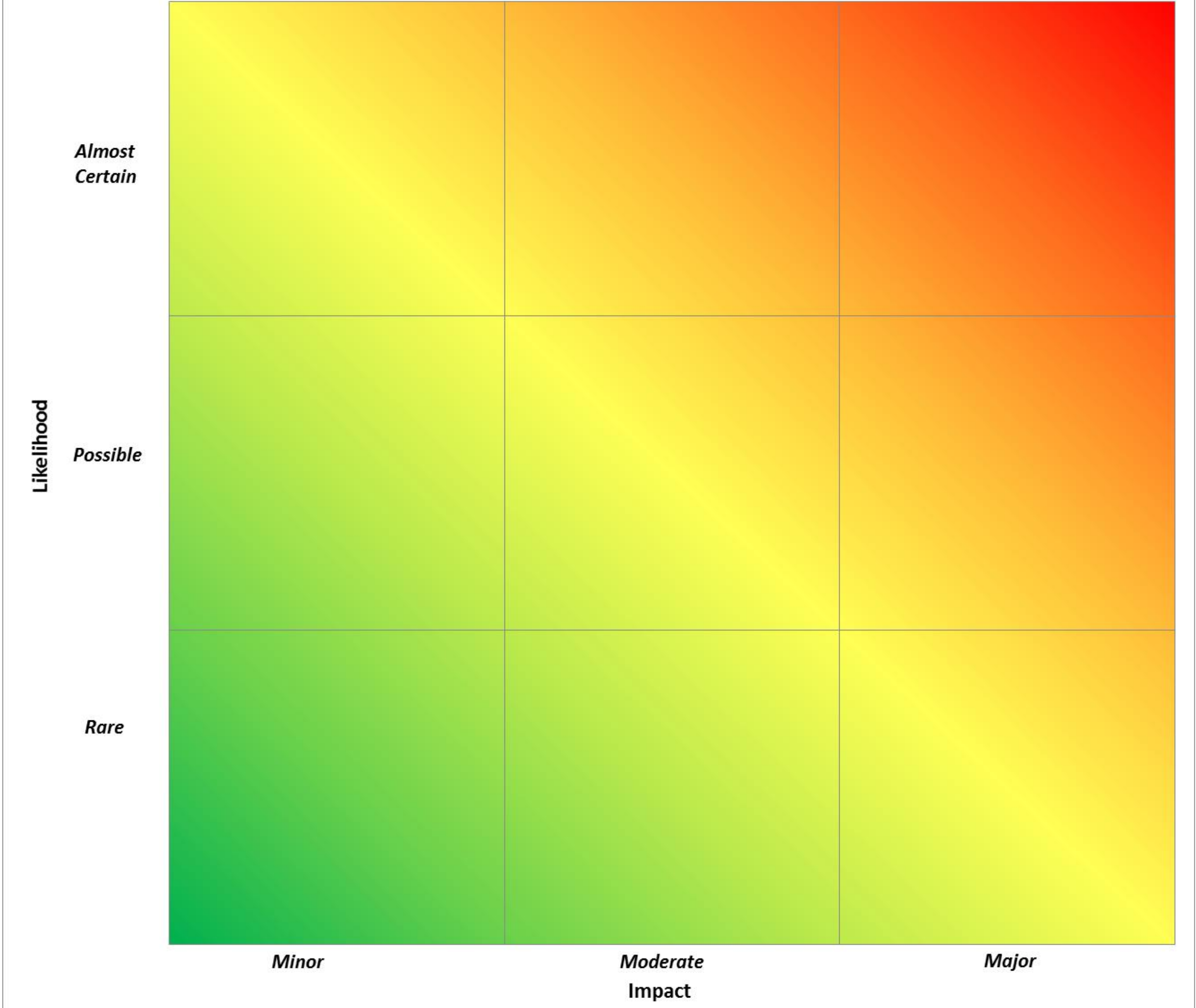
Impact – Result or effect of an event. There may be a range of possible impacts associated with an event. The impact of an event can be positive or negative to the entity’s related objectives.

Likelihood and Impact Scales

<u>Likelihood Measure</u>			
Scale	1	2	3
General Description	Rare	Possible	Almost Certain
Detailed Description	The risk event is not expected to occur but could occur at some time under most conditions . It may be possible under a specific set of conditions, such as under multiple and simultaneous failures.	The risk event may occur at some time under specific conditions . It has happened to other higher education institutes under specific circumstances. External factors may cause the risk event to occur.	The risk event is expected to occur or is occurring . UB and/or other higher education institutes have experienced the risk event in the recent past. External and internal conditions are or will become favorable for the risk event to occur.
% of Chance Annually	< 20 % Chance of occurring in 1 Year	20 - 60 % Chance of occurring in 1 Year	> 60 % Chance of occurring in 1 Year
Event	Not likely to occur	May or may not occur	Almost certain to occur

<u>Impact Measure</u>			
Scale	1	2	3
General Description	Minor	Moderate	Major
Detailed Description / Consequence	The risk event would result in small losses that can be absorbed with little to no effect on operating results . The risk event may divert management attention for a limited period of time.	The risk event would result in noticeable losses that can be absorbed but would have an effect on operating results . The risk event would divert management attention for a period of time .	The risk event would result in significant or substantial losses that may or may not be absorbed . If absorbed, losses would have a large effect on operating results . The risk event would divert management attention for an extended period of time.
Monetary	< \$250,000	\$250,000 to \$5 Million	> \$5 Million
Process	Interruption or Outage: < 1 Day	Interruption or Outage: 1 Day to 1 Week	Interruption or Outage: > 1 Week
Human	Minor injuries involved with incident. Some impact to morale, emotional health of an individual or small group.	Injuries involved with incident. Loss of morale, instances of harassment, hostility towards others.	Significant emotional impact, loss of morale, or distress for large numbers of people. Loss of life involved w/ incident.
Reputational	Impact on University's reputation is nonexistent or minor. No community or peer impact.	Minor, likely temporary impact on University's reputation, community rep, peer relations.	Substantial to significant impact on University's reputation, community rep, peer relations.

Heat Map



Implications for UB community

- Opportunity to raise strategic concerns
- Ensure that limited resources are allocated to areas of highest risk
- Manage risk successfully by designing early warning indicators
- Operate with lower risk levels
- Improved resiliency, protect our image and values
- Build a consistent approach to risk

What are your responsibilities for risk mitigation and risk management?

- Adhere to University Policies
- Alert management of risks that do not seem well managed
- Participate in training
- Observe Internal Controls
- Communicate

What are your top risks ?

Any questions?