

A man with glasses and a woman are looking at a document together. The man is resting his chin on his hand, and the woman is smiling. They appear to be in a professional setting.

## THE BOTTOM LINE

- Bottom-up as well as top-down approaches to engaging stakeholders in a risk management program can be equally effective; key is strong leadership to guide the process.
- “Risk management is change management”: It pays to carefully communicate changes to policy.
- Any size school, even very small, can implement an enterprise-wide program if administrators scale efforts realistically and draw on existing resources.

# NO STRANGERS TO DANGER

**Launching a campus-wide risk management program may seem daunting, but with attention to leadership, resources and communication, any school can get started.**

By Cecily Garber

**In the wake of the recent school shootings in states including Texas and Florida, a slew of costly natural disasters and ongoing financial uncertainty, independent schools face increasing pressures to develop robust risk management programs. Some are adopting enterprise risk management, a process developed in the corporate world about 15 years ago following the Enron/Arthur Andersen scandals. ERM helps organizations set risk management strategy and identify and manage risks by engaging stakeholders across the enterprise rather than in silos, department by department. But many schools are not taking that route, at least not yet.**

**W**hy not? Often administrators who oversee risk management have no training in the field. Developing a program takes time in an already overloaded day. And changing the culture around risk can require significant effort. Schools taking the lead in ERM tend to be larger independent schools with more resources, along with boarding schools, which by nature take on more risk, according to Constance Neary, vice president of risk management at United Educators, an insurance brokerage and risk management firm. “ERM tends to overwhelm or intimidate, or it doesn’t resonate with school stakeholders,” she explained.

**See “ERM: Everybody Is a Risk Manager” (July/August 2015) on [NetAssets.org](http://NetAssets.org).**

Whether it’s called ERM or something else, an effective cross-campus risk management program is within reach for large and small schools alike. “It is important to keep in mind that the goal is to mitigate risks, not erase all of them,” said Jeff Shields, NBOA’s president and CEO. “No school can take on all of their risk exposure at one time; it needs to be assessed and addressed regularly using thoughtful criteria and available human and financial resources.”

Here’s how two very different schools established strong leadership strategies, scaled their programs to available resources and carefully communicated with stakeholders to win buy-in. Both programs began in earnest just two years ago.

### Engaging Stakeholders from the Bottom Up



**The Pingry School**  
Short Hills and Basking Ridge,  
New Jersey  
K-12 day school  
1,100 students

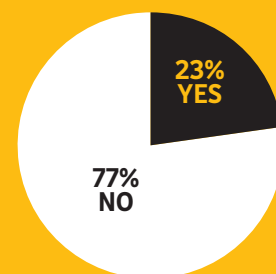
- Strategically introduced ERM within departments to win buy-in before implementing school-wide policies.
- Identified potential leaders looking for professional growth opportunities to serve in the ERM working group (rather than the default option of department heads).

Before implementing ERM, risk management at The Pingry School “meant buy insurance,” said Olaf Weckesser, chief financial officer and director of operations, only somewhat tongue-in-cheek. “The response was reactive. We needed to be thinking about challenges and ways to address them before they happened.” The school also relied “upon smart people in positions of authority to think through problems,” added David Fahey, assistant director of operations and strategic initiatives. The lack of a unified program “was a good way for things to get missed.”

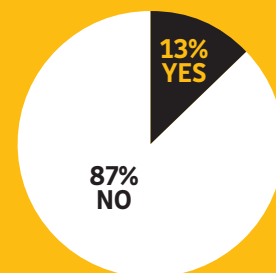
## WHO’S DOING ERM?

Ninety-one percent of independent school administrators identify risk management as a priority, according to a 2016 study by NAIS and United Educators. Yet only 26 percent have a standard risk monitoring process, and just 15 percent maintain a risk register (a list of risks to be managed), usually the first step in a well-developed risk management program. (See “Quantifying Risk” on page 24.)

### INDEPENDENT SCHOOLS WITH a risk management committee



### an ERM program



## WHY NOT?

Not enough time

**32%**

Don’t understand what ERM is

**31%**

Don’t have enough staff

**24%**

Operations structure incompatible with ERM

**25%**

Don’t see the need for ERM

**11%**

*Source: 2016 NAIS-United Educators Survey on Risk Management at Independent Schools*



## COMMUNICATING CULTURE CHANGE

A major stumbling block at many schools is entrenched culture around risk. Changes to how risk is managed, particularly when moving from siloed policies to a centralized program, can meet resistance. "Risk management is a change management process," said Constance Neary, vice president of risk management at United Educators. She advises administrators to think carefully about how they will communicate a new risk management program with staff and faculty. "Those that make the most progress think about branding their effort in terms of something that supports the school."

To that end, consider what issues stakeholders care about. What common goals will bring the community together? Faculty members, for instance, might not be excited about background checks and additional training, but these processes may be more palatable if framed in terms of student safety and achievement.



You have to allocate resources all the time. It's like engine maintenance. If you do it right regularly, you don't have to spend too much time on it, but if you don't, you'll have to spend time on major work."

—Olaf Weckesser, The Pingry School

## BASIC RISK MATRIX

### LIKELIHOOD

	High	Moderate Risk	Major Risk	Maximum Risk
IMPACT	Medium	Minor Risk	Moderate Risk	Major Risk
	Low	Minor Risk	Minor Risk	Moderate Risk
		Low	Medium	High

This basic risk matrix helps administrators prioritize risks and can be adapted to fit the needs of different schools.

## CONSEQUENCE RANKING

### TYPE OF CONSEQUENCE

	Disruption to the School, Budget or Processes	Effect Upon Reputation	Legal Consequences	Effect Upon People
5	School cannot function, very high \$\$\$ impact	National negative publicity, resignations	Multiple civil & criminal lawsuits, claims or fines	Fatality of 1+ and serious injuries
4	Serious disruption to school, high \$\$\$	National public or press interest	Single litigation claim or fine	Serious injuries to 1+ people
3	Some disruption of school, medium \$\$ impact	Local public or press interest	Possible litigation, claim or fine	Major injuries to 1+ people
2	Minor disruption, minor \$\$ impact	Contained within a dept or division but known by school	Unlikely to result in litigation or claim or fine	Minor injuries to 1+ people
1	Annoyance, small or minor \$ impact	Contained within a dept or division	No litigation, claim or fine	Minor injury to individual

Pingry School uses this matrix to rank consequences of risks.

The Pingry Board of Trustees called for the school to implement ERM in 2016; a couple of members had ERM experience from the corporate world and saw the benefits. But it was Pingry's business office that came up with a novel bottom-up idea for implementation that has engaged the whole school.

"Leadership is one of the keys to successful implementation of ERM," explained Dorothy Gjerdrum, managing director, ERM practice at Arthur J. Gallagher, an insurance brokerage and risk management services firm, who worked with Pingry to establish a program. "There should be a champion (usually the head of school or CFO) and a project leader who

will actually get the work done." She also suggested creating a risk management advisory committee comprised of people across the organization to "provide credibility and oversight and help tailor the program to organizational needs. These people become the [risk management] enablers for the school."

At Pingry, CFO Weckesser is the ERM champion, while Fahey serves as project leader, coordinating efforts throughout the school. A 12-person ERM working group with representatives from different departments does most of the stakeholder work, identifying risks and how to address them. An administrative team of 16 reviews the group's work, and then an audit



committee of six board members reports to the full board.

When staffing a risk management working group or committee, “Find people who have the motivation and time to think about these issues,” advised Fahey. For Pingry that meant enlisting not the heads of departments but rather the “number two,” middle managers who were hungry for leadership opportunities and likely had more time to commit to the new effort.

The unusual approach was not without challenges. “It was tough because sometimes the head of a department might have a different idea about who should serve on the committee,” said Fahey. “It took work to empower and train” the group. But the bottom-up approach encouraged buy-in from stakeholders at large. After all, they saw that policy and procedure changes were coming from peers in the trenches rather than being imposed from above.

Pingry also strategically rolled out its ERM program piece by piece. “Faculty members are generally busy people, and they are ruthless about their goal” of educating students, Fahey said. “Any initiative that takes them away from their

core goal [is liable to meet resistance] .... Teachers could easily say, ‘Yet another corporate thing to make me less of a teacher than I want to be.’”

First, Fahey engaged faculty in division meetings, a smaller setting that allowed him to win buy-in before presenting to the larger group. A workshop on managing risks around international trips helped teachers see the value of ERM. He learned to schedule meetings of the ERM working group when certain coveted breakfast items would be available from the school cafeteria. Clear agendas and action plans for each meeting also helped motivate stakeholders.

Pingry is a larger school with more staff and faculty members than some independent schools, which arguably made the bottom-up approach easier. Still, Weckesser believes schools of any size can use similar tactics. Fewer employees to draw from also makes for fewer employees to engage and communicate with. As for the time and money devoted to implementing ERM, “You have to allocate resources all the time,” he said. “It’s like engine maintenance. If you do it right regularly, you don’t have to spend too much time on



## RIGHT-SIZING RISK MANAGEMENT

Finding staff members with knowledge, skills, time and commitment to follow through in ERM can be challenging, so it helps to know your school’s resources and tailor the program accordingly. Neary advises schools to “right size” their approach to risk management. “Money is tight. People’s plates are full. Take an incremental approach that takes into consideration available resources, so you can at least get started.”

Preplanning is a critical initial step, said Neary. Ask yourself: “Who will lead the effort? Are there people already doing good work with risk management that I can engage?” Then define the scope of the program. She has found that schools are often relieved to know that the process isn’t “one and done” but will be addressed year after year. They realize they don’t have to solve all problems at once.



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## A LONGER VIEW OF ERM

Three years ago, Net Assets interviewed a handful of business officers for “ERM: Everybody Is a Risk Manager” (July/August 2015). Here’s an update on the ERM program at one of those schools, The Hotchkiss School in Lakeville, Connecticut.

“There is no turning back on having a proactive ERM program now that we’ve been at it for more than seven years,” said John Tuke, CFO at Hotchkiss. “I know we are better off than we started....

We’re still working on how best to communicate up to trustees, laterally to other administrators and down the front line to faculty and staff.” Tuke reported one challenge continues to be “getting everyone to feel vested and responsible for good ERM,” but listed several solid successes. These include a significant decrease in workplace injuries, and improved trip preparation, due diligence and documentation, and concussion awareness. He also reported that more one-on-one meetings as well as resources from insurers and brokers available on the school’s intranet have helped engage stakeholders.



[ERM] has reduced anxiety because people know what to do.”

—Leanne Foster, Trafalgar Castle School

it, but if you don’t, you’ll have to spend time on major work.”

Two years into the process, not only is the Pingry board happy that ERM is in place, but faculty members regularly approach Fahey with ideas or questions about the school’s risk management program. “Once or twice a week, teachers will come up to me in the hallway and say, ‘Can I ask you about an ERM thing?’” he said. “It’s relevant. It’s not something that people feel was pushed upon them, but rather something people really value.”

## Breaking ERM into “Bite-Sized Chunks”



**Trafalgar Castle School**  
Whitby, Ontario, Canada  
Grades 4–12 day/boarding school  
220 students

- Implemented ERM with limited staff and faculty, achieving measurable results in evacuation procedures, international trip safety, school communication and more.
- Leveraged existing resources to streamline process of assessing risks and implementing standards.

At Trafalgar Castle, Head of School Leanne Foster spearheaded the move to a more centralized risk management program. “When I came into the role [in 2016], I found that risk management was piecemeal,” she explained. “The risk policy binder was sitting on the shelf, so to speak. The procedures in place needed dusting off and needed more ownership.”

Foster drives and champions risk management at the school and oversees reputational as well as environmental/market risks. She identified two leaders to manage other primary areas of risk: The CFO oversees facilities and operational risk, and the director of athletics and risk management oversees all risks related to students. However, at a small school in particular, many faculty and staff



## TRAINING TIPS

Louise Melville, a Canadian trainer in student-trip risk management certified by the British Royal Geographical Society and doctoral candidate in risk management, offered these tips in an interview with Net Assets. The tips draw from her experience both as a teacher and a trainer.

- Make risk training different every year. Consider new topics or use case studies.
- Bring in external speakers — faculty tend to listen to them more than familiar faces.
- Include students in the process. When students write their own risk assessments before a trip, faculty and staff may find that students’ worries are quite different from adults’, and then trip leaders can better manage both sets of concerns.
- Aim to be risk aware rather than risk averse. It’s easy for stakeholders to fear the exposure, vulnerability and legal implications of risk, but in a well-developed risk management program, risks are weighed against benefits. Ask: How can we make this risk work for us?

members are already wearing multiple hats, potentially making any additional responsibilities an ask. Foster found ways to lessen their burdens. The athletic director also had teaching responsibilities, for example, so Foster released her from teaching one course. These leaders along with the senior team, which includes the vice principal, director of lower school, director of student support and facilities manager, make up the school’s risk committee, which discusses how to implement policies.

What about wider engagement? “As a small school, we need to encourage every teacher and staff member to be aware of risk issues and to feel accountable for supporting our policies (ensuring visitors in the hallways are wearing a guest badge, not transporting students in personal vehicles, etc.),” Foster explained. “It’s simply not possible for us to achieve our goals if we’re not all stepping up to the plate.”

One of the first steps Foster took at Trafalgar Castle was to develop a risk

matrix, listing each identified risk to the school alongside its likelihood and potential impact (see page 32 for a template). This enabled the risk management group to prioritize which risks to address immediately, in the near future and later. Before implementing ERM, “we had our fire and lockdown drills, but we weren’t looking at risk from an entire operations perspective,” explained Foster. “The risk matrix allowed us to prioritize areas and ensure we tackled them. We paced the work, divided it up among those who had a passion for it, and provided as much support as possible.”

An important goal of Foster’s was not to reinvent the wheel. For example, the school tweaked NBOA’s enterprise risk management assessment tool (an Excel template) to meet its specific needs. Foster also identified public school board policies addressing school safety and set them as minimum standards for the school. Provincial regulations around athletics also served as guidelines. An expert on managing risk in student trips provided training to teachers (see “Training Tips” sidebar, page 34). Evacuation procedures

were streamlined, cutting the time to clear the building by 20 percent. “My advice is to approach [risk management] in bite-sized chunks,” said Foster.

Like Pingry, Trafalgar Castle has seen school-wide benefits two years into its ERM program. “It made us come together. We started talking more in faculty meetings,” Foster said. Faculty and staff understand that “it’s not enough to walk by what might be a risk in the hallway, whether it be a nail in a floorboard or a loose lock on a door.” Improved procedures and paper work have “resulted in a calmness. It [ERM] hasn’t made people paranoid; as a matter of fact, it’s reduced anxiety, because people know what to do.”

Weckesser might concur: “A huge part of risk management is not about preventing bad things from happening, but creating strategies and a structure in which really good things can happen,” he said. **N**



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#### RELATED CONTENT FROM NBOA

**ERM: Everybody Is a Risk Manager (Net Assets July/August 2015)**

**A Delicate Balance (Net Assets July/August 2016)**

**Enterprise Risk Management Assessment Tool (NBOA Library)**

**ERM and Faculty Engagement: Building a Sustainable Process (mp3, slides, 2018 Annual Meeting)**

**Getting a Grip on Risk (mp3, slides, 2018 Annual Meeting)**

**ERM: If Colleges and Universities Are Doing It, Shouldn’t We? (slides, 2015 Annual Meeting)**

**The ABC’s of Enterprise Risk Management: What Risks Lurk in Your School’s Outreach Programs? (2011 webinar)**

#### ADDITIONAL RESOURCES

**Rise Above Uncertainty: Advancing Risk Management at Independent Schools (report by NAIS and United Educators 2017)**

**2016 NAIS-UE Survey on Risk Management at Independent Schools (NAIS and United Educators)**

**In Anticipation (NACUBO’s Business Officer magazine January 2018)**

**Confronting Catastrophe (NACUBO’s Business Officer magazine January 2018)**



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