

# **2011 CBIE Annual Conference**

## **Strategic Risk Analysis and Management**

## Introduction

### **A Framework for Understanding Risk in International Education**

**Risk Frameworks**

**Risk Categories**

**Salient Risk Issues in International Education**

### **Case Studies**

**UNSW Asia: A Short-Lived, Comprehensive Failure**

**University of Canterbury: Dealing With a Multiple Natural Disaster Situation**

**Libyan students in North America: Navigating a Civil War and Campus Politics**

### **Strategic Risk Management: Approaches, Parameters, and Implementation**

**Managing Risk: From Ownership to Contingency Planning**

**Participants' Experiences**

### **Concluding Discussion**

## **Presenters**

- **Karen McBride, President, CBIE**
- **Dr. Daniel J. Guhr, Managing Director, ICG**
- **Mauro Mondino, Head of Research, ICG**

## **•Participants**

- **The workshop is aimed at broadly sharing both theoretical concepts as well as practical knowledge, case studies, and approaches to understanding and managing risk.**
- **Given the breadth, depth, and complexity of risk management on the one hand and international education on the other hand, this workshop can only cover some but not all relevant issues.**
- **Given the aforementioned, the workshop does not offer a simple five point list on how to manage risk...**
- **Participants' contributions are a critical component of this workshop. It is fully intended as an interactive, discussion-based workshop which draws on the experience and expertise of attendees.**

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### Risk

- **“Risk is the expression of the likelihood and impact of an uncertain, sudden and extreme event that, if it occurs, has may impact positively (opportunity) or negatively (threat) on the achievement of a project or programme objective”.**

### Risk Management

- **“Risk management is a systematic approach to managing risks throughout the whole organization by identifying, assessing, understanding, acting on and communicating risk issues”.**

### Strategic Risk Management

- **“Strategic Risk Management is a process of identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit an organization’s ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value”.**

### Risk Management Process

- **“The process of implementing, maintaining and embedding Risk Management in an organisation.”**

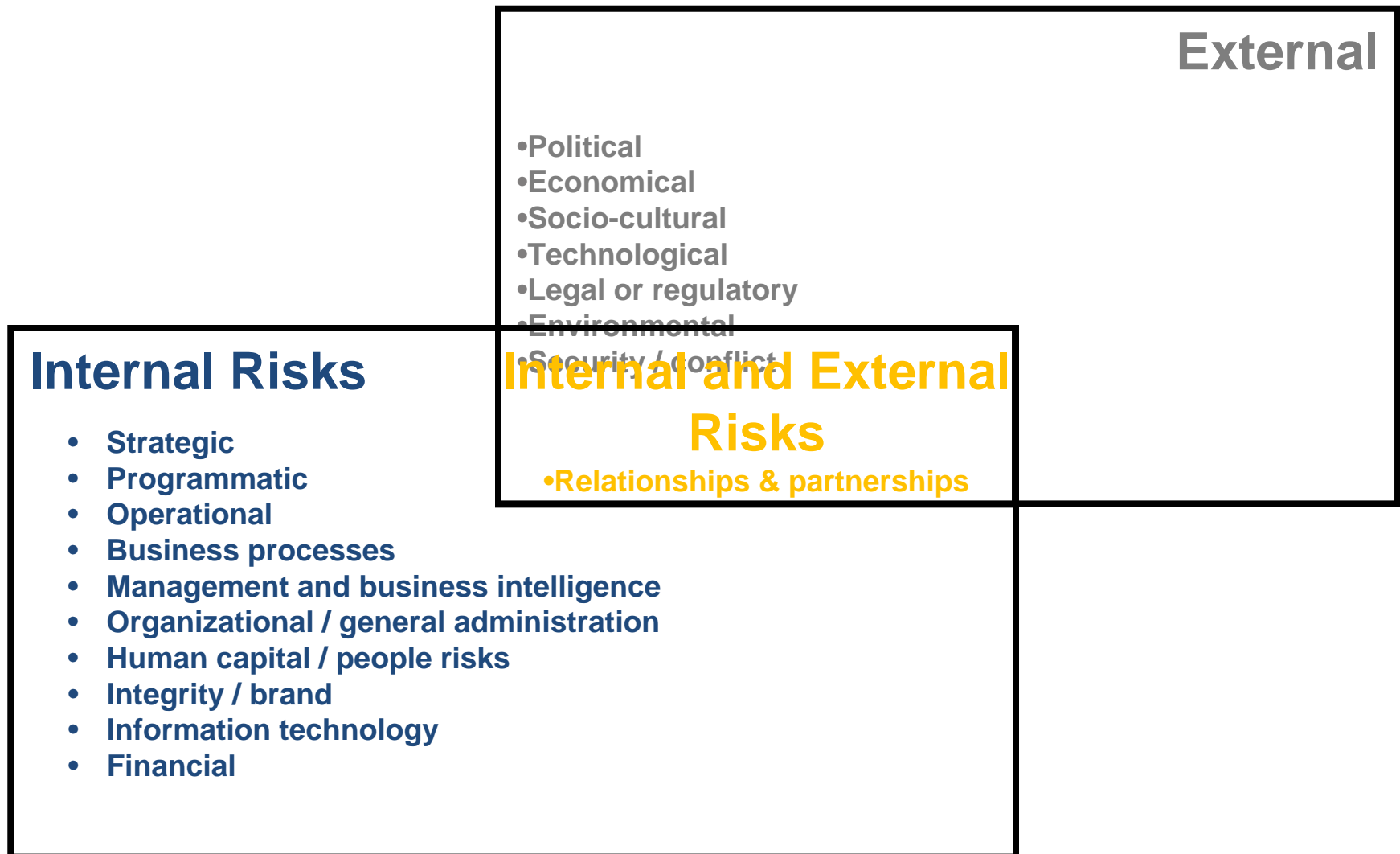
# **DEFINITIONS (II)**

## **Risk Framework: The General Concept**

- **A risk framework can be characterized as follows:**
  - **Risk management assessment framework: A “tool to evaluate the maturity of an organization’s risk management”.**
  - **“Risk management frameworks are a description of an organizational specific set of functional activities and associated definitions that specify the processes that will be used to manage risks. A good risk management framework should enhance and improve risk management by**
    - i) making it more transparent and understandable to stakeholders**
    - ii) making its processes more efficient and**
    - iii) allowing for sharing of best practice in the implementation of risk identification, risk assessment and risk treatment.”**
- **In the context of international education, the following issues are of specific relevance:**
  - **Has there been any effort to draw up a modernized/enlarged/revised risk management framework which addresses the rapidly rising complexities of international education?**
  - **Has a (potential) risk management framework been tested/validated/challenged?**

# RISK FRAMEWORK

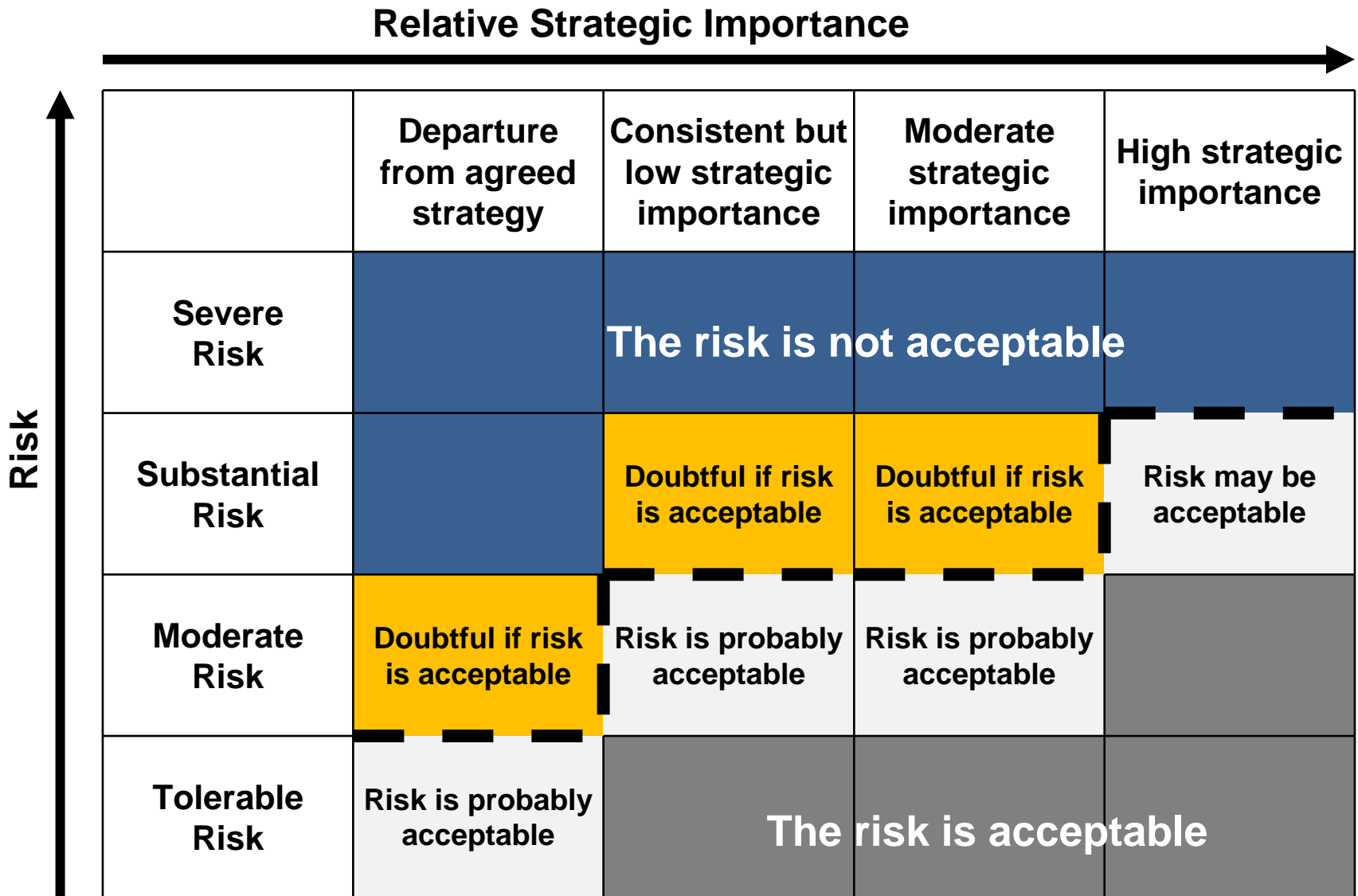
## Risk Categorization System





# RISK FRAMEWORK

## Risk Appetite



# **RISK FRAMEWORK**

## **The Process (Schematic)**



# **RISK CATEGORIES**

## **An (Incomplete) Overview**

### **Select Risks (\*)**

- **Reputation/brand impairment\***
- **Political/armed conflict\***
- **Natural disaster\***
- **Environmental\***
- **Legal Exposure\***
- **Immigration\***
- **Information Technology\***
- **Disaster recovery\***

### **Select Risks (\*\*)**

- **Competition\*\***
- **Market changes\*\***
- **Public health\*\***
- **Systemic risk\*\***
- **Human capital\*\***
- **Credit risk\*\***
- **Liquidity risk\*\***
- **Volatility risk\*\***
- **Profit risk\*\***
- **Litigation\*\***
- **Employment\*\***
- **Storage\*\***
- **Brand dilution\*\***
- **Supply chain\*\***

Notes: \* denotes potentially severe risks for an educational institution. \*\* denotes emerging potentially severe risks for an educational institution. Please note that this classification is generalized and largely reflects on public institutions.

# **RISK CATEGORIES**

## **Risk Categories Organized into Strategic Clusters**

<b>Strategic/ Reputational</b>	<b>Operational</b>	<b>Financial</b>	<b>Compliance</b>	<b>Technological</b>
<ul style="list-style-type: none"><li>•Reputation/ brand impairment</li><li>•Brand dilution</li><li>•Competition</li><li>•Market changes</li></ul>	<ul style="list-style-type: none"><li>• Political/armed conflict</li><li>• Natural disaster</li><li>• Public health</li><li>• Systemic risk</li><li>•Supply chain</li><li>•Environmental</li><li>•Human capital</li></ul>	<ul style="list-style-type: none"><li>• Settlement risk</li><li>• Credit risk</li><li>• Market risk</li><li>• Liquidity risk</li><li>• Volatility risk</li><li>• Profit risk</li></ul>	<ul style="list-style-type: none"><li>• Legal exposure</li><li>• Litigation</li><li>• Immigration</li><li>• Employment</li></ul>	<ul style="list-style-type: none"><li>• Information Technology</li><li>• Storage</li><li>• Disaster recovery</li><li>• Interfaces</li><li>• Deployment cycle</li></ul>

**Many more...**

- **An Organization's Strategic Objectives**
- **Institutional and Meta Context (Social and Organizational Scope, Stakeholder Identities and Objectives)**
- **Risk Identification (Basis of Risk Evaluation, Agenda Setting, Severity, Constraints, Framework Development)**
- **Risk Description / Categorization**
- **Risk Estimation (Level)**
- **Risk Assessment (Evaluation)**
- **Risk Reporting (SWOT)**
- **Decision-Making (Priority Setting)**
- **Risk Treatment / Mitigation (Legal Context, Ethics, Communication Approach, Contingency Planning)**

- In 2011, the earthquake in Japan, with a magnitude of 9.0, triggered tsunami waves of 40.5 meters. Non-Japanese higher education institutions closed branch campuses or suspended study-abroad programs.
- In 2009, the H1N1 influenza virus became a pandemic. Academic institutions responded to this crisis by withdrawing students and staff members from Mexico, the epicenter of the outbreak and cancelling study-abroad programs.
- In 2008, the speculative bubble in the USA real estate market and a commodity boom, among others, caused a global economic recession. This impacted the budget of both public and private universities globally, as well as some students' ability to continue their education.
- In 2005, a group of Islamist extremists attacked the London Underground, causing 56 deaths. After the bombings, Western Carolina University, for example, cancelled a summer program in London.

- **What are foreseeable and manageable risks?**
- **How can new and critical risk situations be rapidly understood and responded to?**
- **What are the key differences between risk at home and risk abroad?**
- **How much risk is too much risk to begin with?**
- **How can integrity of the risk management system be achieved?**
- **Is an ad-hoc response better than a pre-structured response plan?**
- **What is the value of risk management?**
- **Does the international legal framework accommodate sufficiently risk management?**

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# CASE STUDY: UNSW ASIA

## The Vision: The World's First Custom-Build Tropical University



# CASE STUDY: UNSW ASIA

## The Interim Campus





# CASE STUDY: UNSW ASIA

## The Reality



# **CASE STUDY: UNSW ASIA**

## **Context**

- **The Singaporean Government is uniquely focused on fostering education and on turning Singapore into a learning hub.**
- **Singapore is home to three quality universities: NUS, NTU, and SMU. Two new institutions are starting up: The Yale-NUS College, and the Singapore University of Technology and Design.**
- **Singapore is also home to a rich landscape of schools, technical colleges, and a good number of satellite campus/programs, ranging from NYU to the University of Chicago.**
- **UNSW's Asia was supposed to serve as a corner stone of Singapore's Global Schoolhouse strategy which aims to attract 150,000 international students by 2015.**
- **Australian universities in general had/have a deep footprint in Singapore (including Curtin, James Cook, and UNSW) and have historically recruited many Singaporean students.**

# **CASE STUDY: UNSW ASIA**

## **Timeline**

- **2004: UNSW wins a competition to build a major new campus in Singapore.**
- **February 2005: UNSW signed an agreement to establish a campus in Singapore with a student enrollment target of 10,000 (2015) and 15,000 (2020)**
- **May 2006: UNSW's University's Foundation Year Asia program launched**
- **June 2006: UNSW's new Vice-Chancellor Fred Hilmer began to renegotiate the agreement with the Economic Development Board (EDB).**
- **December 2006: UNSW signed a revised agreement to meet the enrollment of 10,000. EDB agreed on a bigger package of grants and loans to the university.**
- **March 2007: Due to low enrollment, UNSW proposed a scaled-down campus of 2,000 students by 2016 but gives no assurance on building a permanent campus.**
- **May 2007: EDB informed UNSW that the proposed agreement was unacceptable. Four days later, UNSW announced that it would close UNSW Asia.**
- **December 2007: UNSW and EDB reached a final agreement on the closure of the UNSW Asia campus.**

# **CASE STUDY: UNSW ASIA**

## **Key Issue: Governance**

- **The negotiations and contract with the Singaporean Government was kept very quiet at UNSW. Key stakeholders were not involved (academic senate, University Council).**
- **The University Council was eventually presented with an effectively signed contract which was accepted without any meaningful debate.**
- **Some UNSW executives were trying to position themselves for UNSW Asia leadership roles – which resulted in continued secrecy and strained relationships.**
- **UNSW Asia's local management was largely powerless; decisions continued to be made in Sydney (which evidenced a lack of understanding of “on the ground” realities).**
- **The closure of the campus was decided in a near fiat with, again, little to no stakeholder consultation, by UNSW's Vice-Chancellor.**

# **CASE STUDY: UNSW ASIA**

## **Key Issue: Analysis and Planning**

- **Analysis (1). UNSW's analysis of the competitive landscape in Singapore relative to its brand position was insufficient.**
- **Analysis (2). The inherent conflict of offering an Australian degree at Australian cost levels in Singapore was not properly understood.**
- **Planning (1). The planning for the campus was driven by grandiose visions of the "first" real tropical university.**
- **Planning (2). UNSW retained a consultant to design the UNSW Asia logo and designed an advertising campaign in Singapore. No other significant external advice was tapped.**
- **Planning (3). UNSW failed to address key success drivers such as a proper recruiting and enrollment management strategy, tuition-based competition analysis, achievable objectives, etc.**
- **Planning (4). UNSW did not prepare remotely adequately for risk scenarios such as under-enrollment or outright failure.**

# CASE STUDY: UNSW ASIA

## Key Issue: Cost (Tuition-based Competition)

Institution	Undergraduate Tuition (SGD 1,000s)	
UNSW Asia	27.2	29.2*
NUS domestic	6.1	17.5**
NUS international	6.7	19.3**
NTU domestic	6.1	
NTU international	6.7	

**A prime example of amateurish tuition competition behavior:**

**“UNSW Asia's fee system is based on Units of Credit. This makes it difficult to determine a fixed annual fee for each program, as this will vary from student to student, depending on their actual enrolment. You can, however, [use the below information to] form a rough estimation.”**

Notes: Tuition for the 2006/07 (NUS/NTU) and the aborted 2007 (UNSW ASIA) school year. NUS and NTU tuition take the MOE grant into consideration. UNSW Asia tuition fees were not fixed, but based on individual study tracks and pegged to cost per “unit of credit”. The latter differed between tuition fee bands (i.e. subject areas of study) and was slated for automatic annual increases. In addition, tuition fees were subject to 5% GST. As a result, it was close to impossible to determine the eventual tuition cost of a full degree for a potential student. The amount of SGD 27,200 was the minimum tuition level while SGD 29,200 was the maximum tuition level.

Sources: Universities, ICG.



### **Recruiting**

- In its first semester, UNSW Asia enrolled 148 students, less than half of the expected 300 student-cohort (100 Singaporeans).
- UNSW Asia never created a credible recruiting pipeline (the just started foundation program in Singapore was insufficient – and offered a pathway to Australia at any rate).
- Upon closure, 120 students accepted a transfer to UNSW in Sydney.

### **Finances**

- UNSW borrowed AUD 140 million for the construction of the Changi-located Singapore campus – without having an adequate cushion or cash flow to support this loan.
- After the closure of the UNSW Asia campus, UNSW incurred a loss of AUD 47.6 million (New South Wales Auditor General's office), including:
  - AUD 11.9 million loan from the EBD
  - AUD 16.9 million loan from ANZ Bank
  - AUD 3.5 million in staff termination payments
  - AUD 13.8 million in grants from the EBD

# **CASE STUDY: UNSW ASIA**

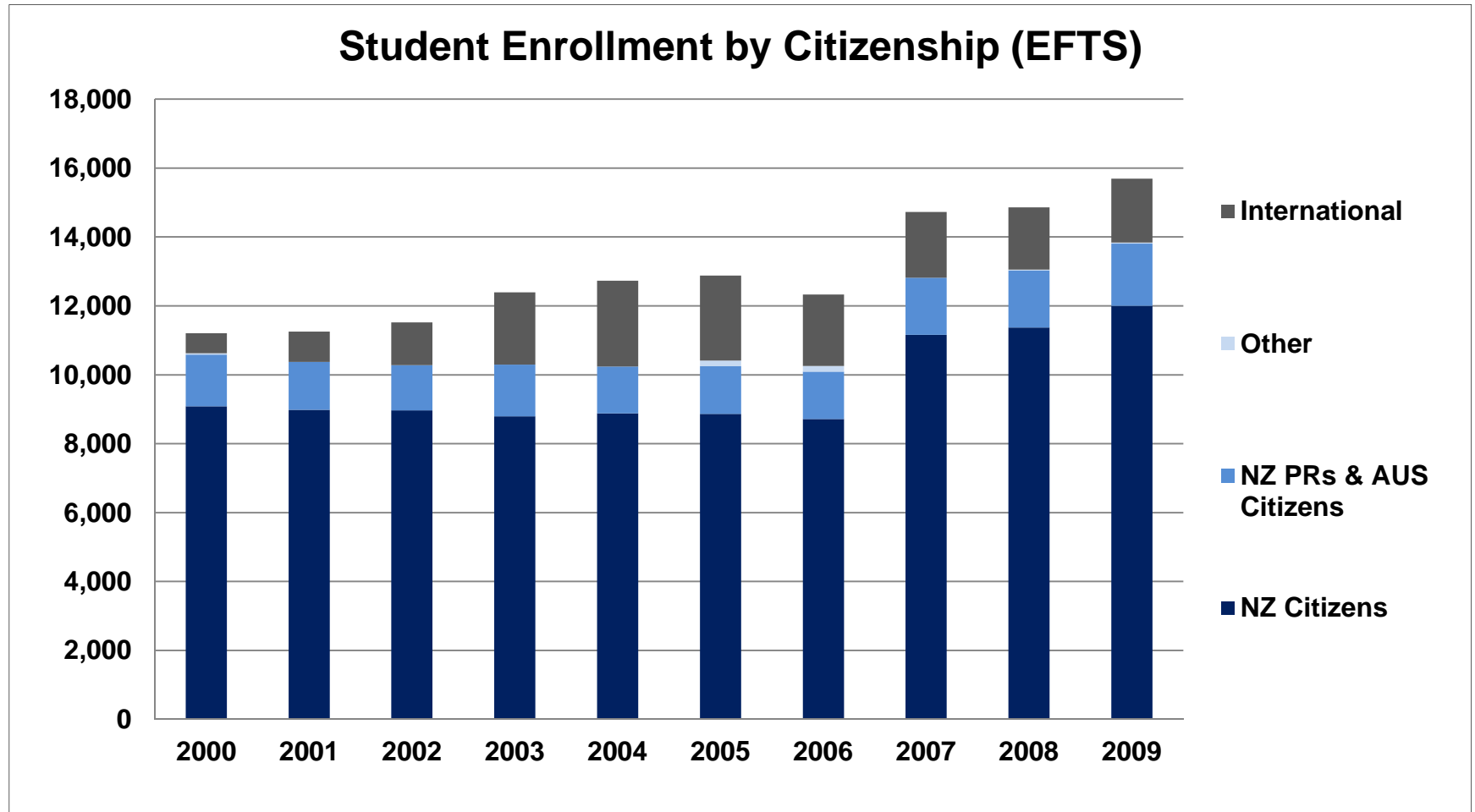
## **Risk Management Perspectives**

- **The decision to close down UNSW Asia was largely driven by one factor: Cash flow (and the associated financial risks). However, it can be argued that the closure might have damaged UNSW more financially than a continued operation.**
- **UNSW's brand was damaged notably in Singapore and beyond. Since 2007, UNSW has been heard of little internationally. Moreover, UNSW never articulated a credible story line or conducted a meaningful post mortem.**
- **Dealing with a major development project and a subsequent crisis had a negative managerial impact on UNSW. For example, its performance in the Melbourne Institute's ranking dropped from 85 index points (2004) to 81 index points (2007).**

- **Enrollment & Staff (2009)**
  - 15,691 total EFTS (load) students
  - 1,856 international EFTS students
  - 769 academic staff (FTE), of 1,938 total staff (FTE)
- **Organized in five colleges (Arts, Business & Economics, Education, Engineering, Science) and the School of Law**
- **Research Strengths**
  - Host of 25 research centers across all fields
  - Consistently scoring in the top 500 ARWU (Shanghai Ranking) since 2003
- **UC engineering faculty as NZ leading expert in civil engineering**
  - UC faculty devised building standards for New Zealand

# UNIVERSITY OF CANTERBURY

## Student Enrollment by Citizenship (EFTS)

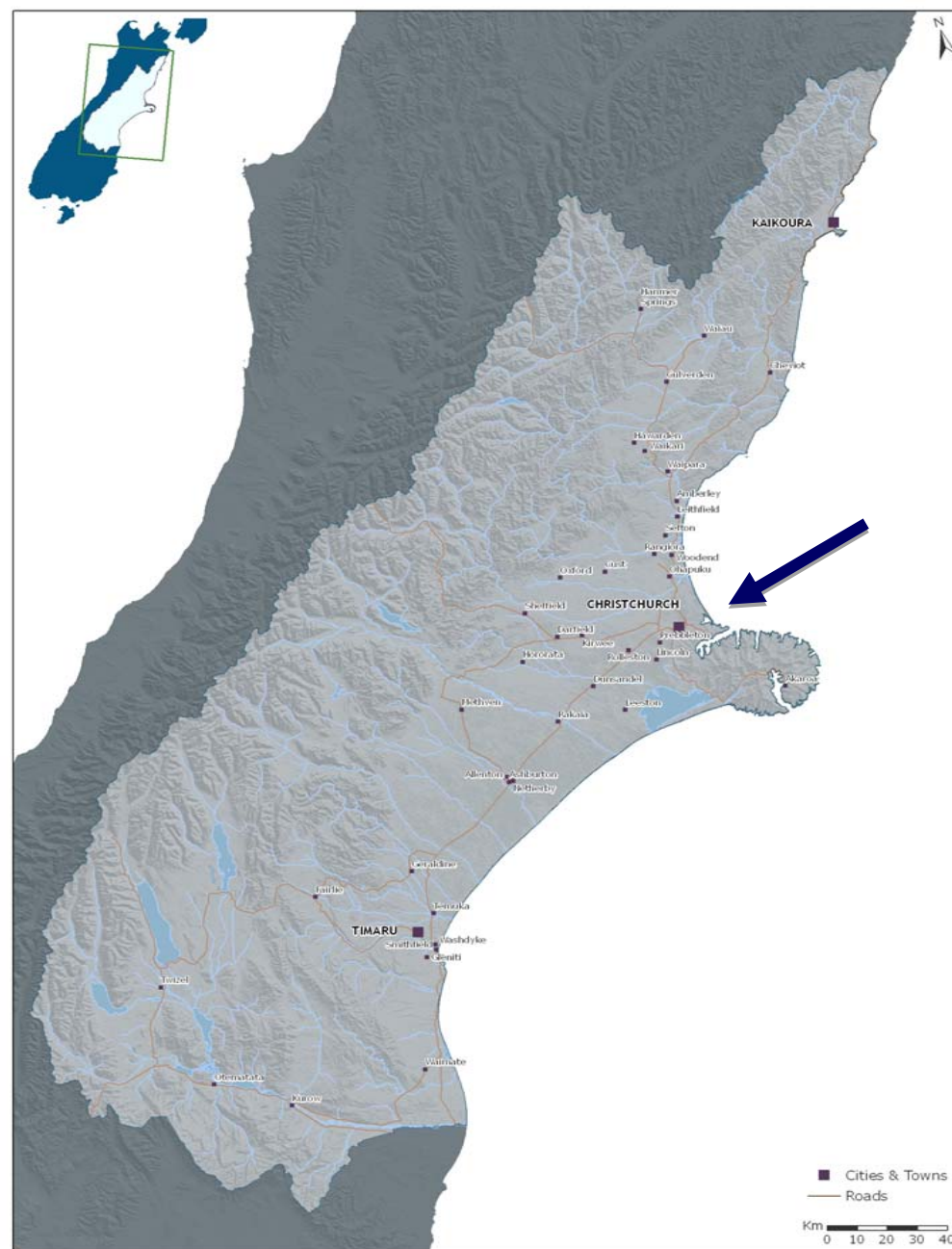


**International cohort already declined by 25% from 2004 (2,490) to 2009 (1,856)**

Source: University of Canterbury Data Handbooks, 2004 and 2009 editions.

# UNIVERSITY OF CANTERBURY

## The Region of Canterbury and Christchurch

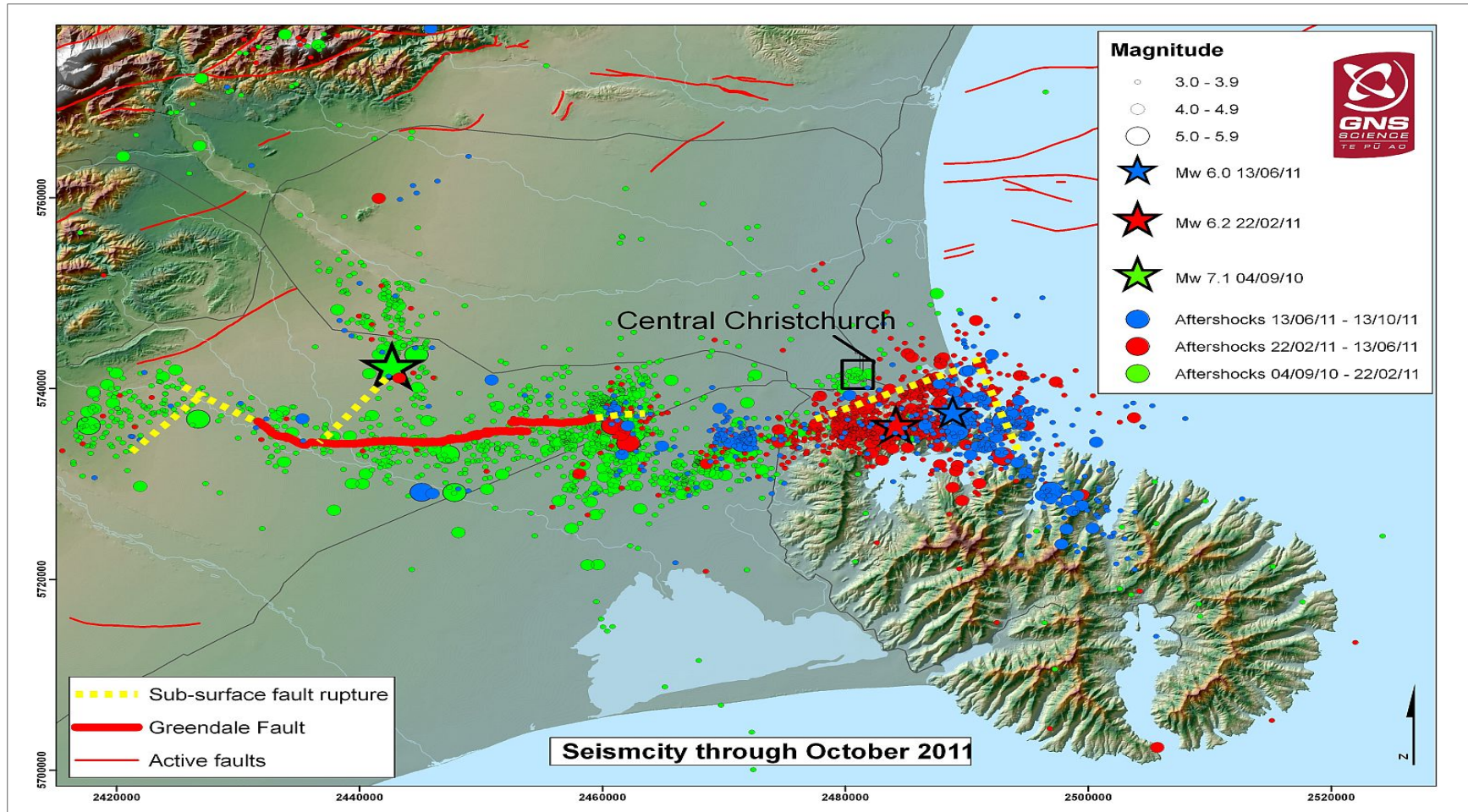


- **4 Sep. 2010 – First 7.1 magnitude quake with limited material damage and no fatalities**
- **21 Feb. 2011 – The University of Canterbury's (UC) Semester 1 starts**
- **22 Feb. 2011 – Second 6.3 magnitude quake causes 181 fatalities (including international students) and widespread damage to Christchurch's downtown**
- **Mar. 2011 – All NZ universities, Oxford University (UK) and the University of Adelaide agree to temporarily host UC students**
- **Mar. 2011 – UC launches the campaign “Progressive Re-Start”**
- **Sep. 2011 – UC to lay off 350 employees over the next three years due to budget shortfalls**



# UNIVERSITY OF CANTERBURY

## Earthquakes and Aftershocks





**Hundreds of (after)shocks since September 2010**

Source: GeoNet, 2011.

# UNIVERSITY OF CANTERBURY


## The February 2011 Earthquake's Effects









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### Aerial footage of Christchurch earthquake damage

ThePressVideos  Subscribe 124 videos




 Like   Add to  Share 

307,856 


101 likes, 8 dislikes

Uploaded by [ThePressVideos](#) on Sep 4, 2010


Aerial footage of the damage and flooding around Christchurch and Canterbury. Video: Daniel Tobin




**Live footage of New Zealand earthquake**  
by 3AVRadio  
121,385 views




**7.2 QUAKE VIOLENTLY SHAKES WATER OUT OF**  
by winstonsnow  
274,624 views




**First BIG Aftershock caught on camera Feb**  
by SpooceDan  
74,282 views



**Earthquake Destruction**  
by NationalGeographic  
7,936,290 views



**Caught on Tape: Dramatic Earthquake**  
by AssociatedPress  
1,721,426 views



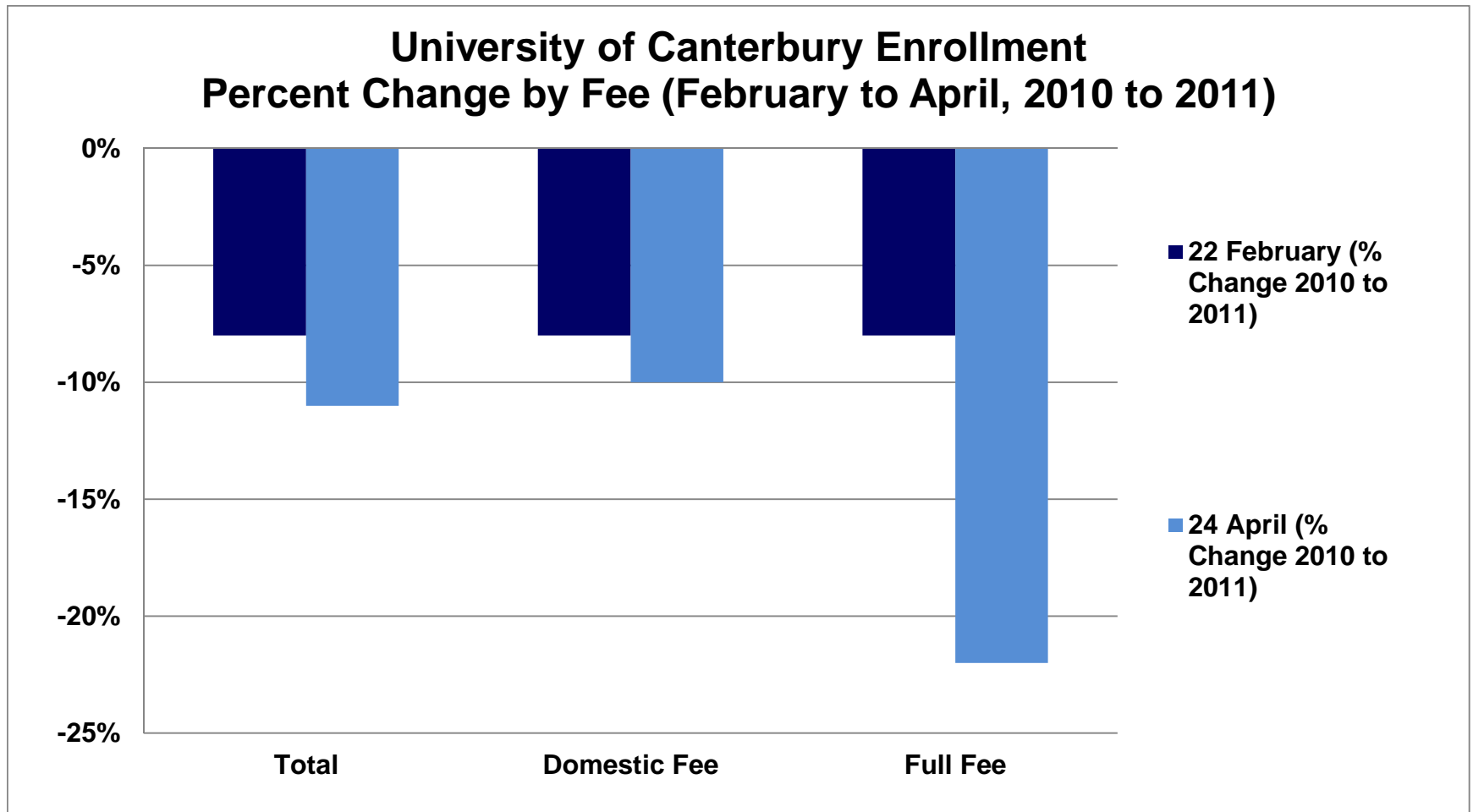
**Christchurch earthquake - People run for lives ...**  
by MissWooHoo1  
74,742 views



- Enrollment trended negatively even before the first earthquake hit in September 2010
- Student response varied across enrollment categories
  - Domestic Vs. international
  - Undergraduate Vs. graduate
  - First Year Students Vs. returning Vs. graduating class
- Overall enrollment decline, though the relative impact of the two earthquakes (low Vs. high casualties) cannot be established
- As of September 2011, UC expected a year-over-year enrollment decline of 13%

# UNIVERSITY OF CANTERBURY

## Enrollment Percent Change by Fee Status (2010 to 2011)



**Domestic fee paying students have less incentive to seek other options**

Source: University of Canterbury, July 2011.

- **Exchange with NZ universities for temporary relocation of domestic and international students**
- **42 UC travel scholarships and fee waivers to study Semester 1 at Oxford University (UK) through historical partnership**
- **500 travel bursaries and fee waivers for NZ students to attend Semester 1 at the University of Adelaide thanks close institutional friendship**
- **Set up of on-campus temporary facilities and prolonged schedule throughout Semester 1**
- **Fast-track procedures to permanently transfer to other NZ universities (no retention at all costs)**

**UC's response helped reducing the inevitable disruptions**

- **Launch of the “UC Progressive Re-Start” campaign**
  - **Locally focused but appealing to a country-wide (if not global) audience**
  - **Blended traditional media and live events with social media platforms**
- **“If you have lemons, make lemonade..”**
- **Institution of 6 “earthquake” PhD fellowships**
- **Christchurch as live laboratory for urban reconstruction research**
- **Introduction of measures aimed at student retention**
  - **Establishment of the Earthquake Scholarship Appeal aimed to raise NZD 200,000 in cooperation with the University Students’ Association**
  - **Additional NZD 500 distributed to all students that decided to continue studying at the University**
  - **Engagement of the student community in the reconstruction effort**

**Make the most out of a crisis situation**

- **Planning & Preparedness**

- Risk-management planning is (always) backward-looking
- The impact of rare (and extreme) events may go beyond the established risk management framework's capabilities
- Contingency plans provide a necessary but not sufficient framework for action

- **Relationships**

- Friends in times on need (institutional, personal)
- Relate, listen, and learn from students
- Town and gown

- **Long-term Effects**

- Appeal of Christchurch as a study and living destination
- Reputational loss
- Incorporate new risks in view of changed environment (e.g. psychological effects)

- **Libya case study goes here**

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- **Approaches**
- **Parameters**
- **Implementation**



- **Jurisdictional issues (which laws govern a given issue?).**
- **Approach (prescriptive versus flexible, process versus expert, etc.).**
- **Organizational design of risk management (follows institutional design or has its own, relies on inside or outside staff, etc.).**
- **What are new risk categories?**
- **Others**

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# Definition of risk

**Definition of risk – “Any internal or external situation or event that has the potential to impact an organization, preventing it from successfully achieving its objectives, delivering its services, or carrying out its projects or events”**

## **Categories of risk**

- Strategic
- Operational
- Reputational
- Financial
- Technological
- Compliance

# Definition of risk management

## Definition of risk management

## Characteristics of risk management

- Process and re-iterative in nature (feedback loops)
- Multi-stakeholder engagement

**Risk management Vs. Risk *elimination*** – large and complex organizations, such as institutions of higher learning, are exposed to multiple and concurrent risk factors. Thus, though ideal, risk *elimination* is rarely possible and the *management* of risk is adopted instead.

# Responses to Risk

**Avoidance**  
**Prevention**  
**Reduction**  
**Transfer**  
**Acceptance**  
**Contingency planning**

# **Strategic risk management – Key Features**

**Centered around key activities/assets of an organization**

**Focused on long-term objectives functional to the organization's mission  
(rather than operational factors)**

**Managed (mostly) by the organization's leadership, though the identification  
of key activities/assets can/is a bottom-up process**



# **Strategic risk management – A definition**

**“practice of systematically identifying and understanding risks and the controls that are in place to manage them”**

# **Dimensions/Layers of risk management**

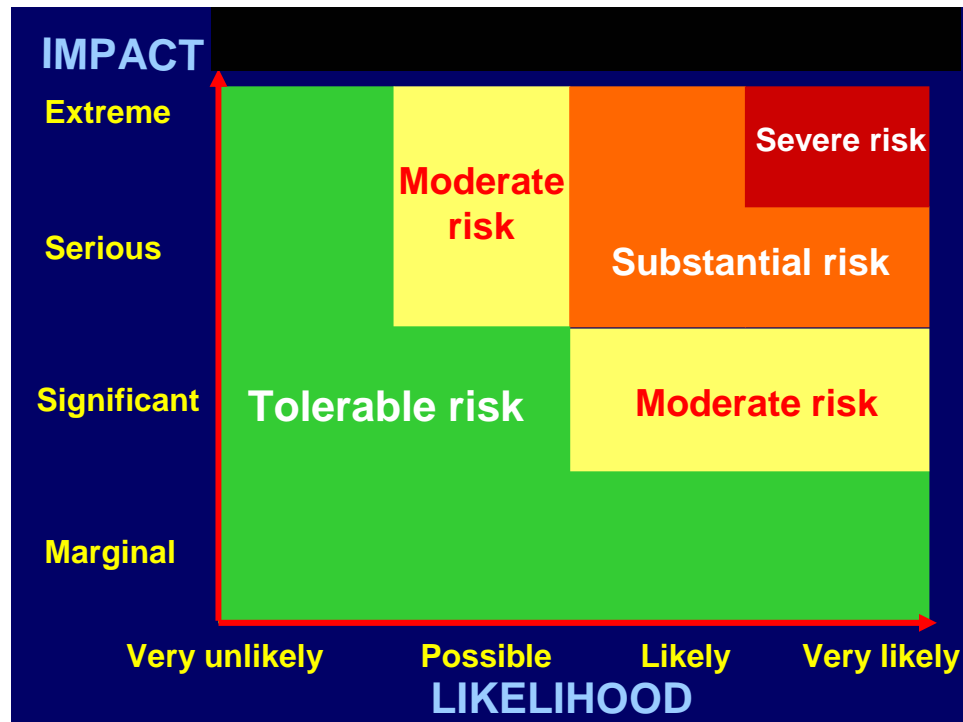
**Operational**

**Tactical**

**Strategic – definition of strategic risk management**

# RISK FRAMEWORK

## Risk level Identification Matrix



The list goes on...