



UNIVERSITY OF NORTH CAROLINA
CHARLOTTE

**RISKONOMICS:
HOW RISK SHAPES OUR LIVES**

Begin with the End in Mind

"Begin with the end in mind" is the second of seven habits that Stephen Covey addresses in his book *7 Habits of Highly Effective People*.

“It means to start with a clear understanding of your destination, so that you better understand where you are now and so that the steps you take are always in the right direction.” Stephen Covey

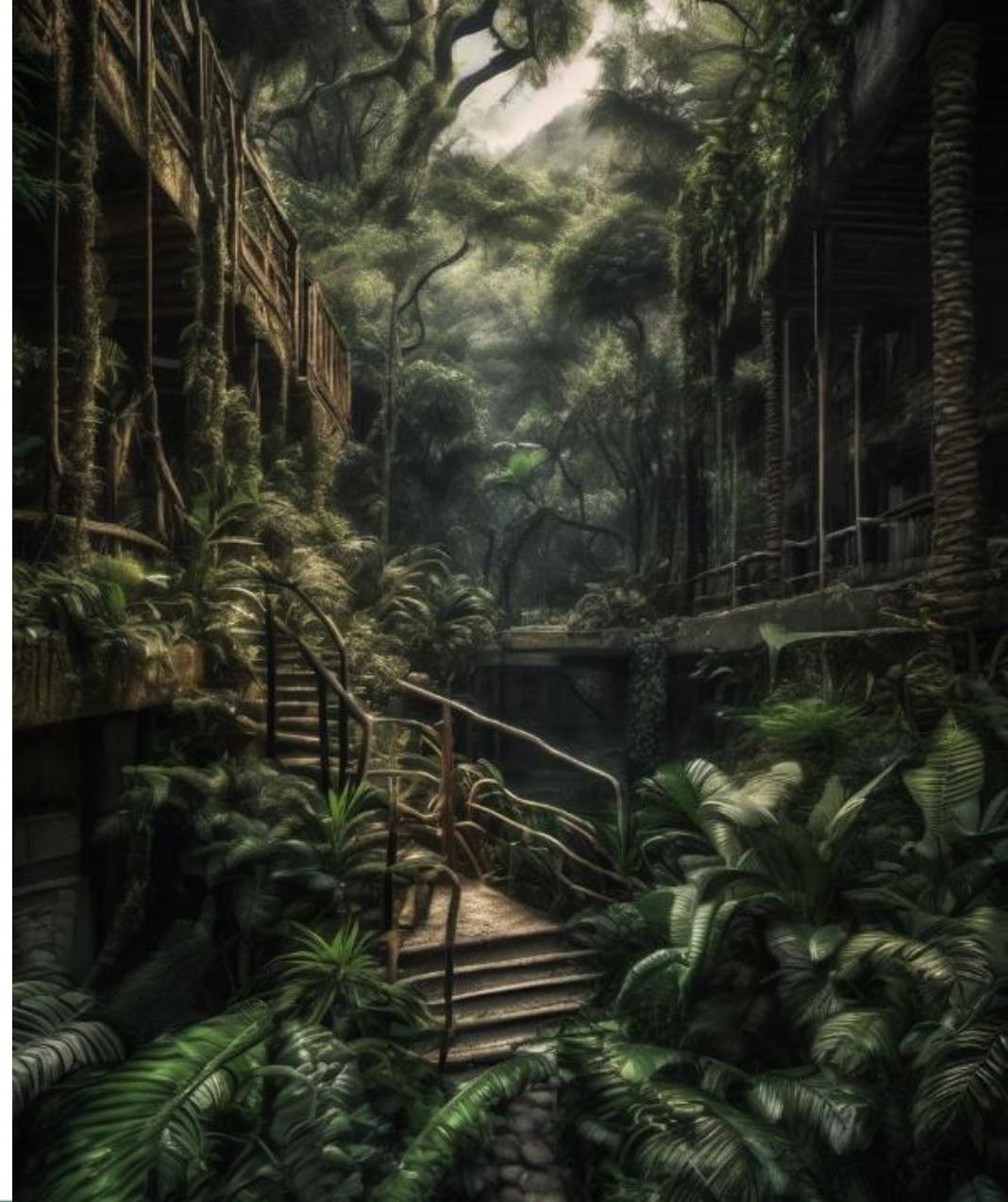


Image is AI generated based on request to represent the saying “it is a jungle out there.”

What Should the “End” Look Like

- What does success look like for your organization?
- We get a vision for what our individual success looks like in performance reviews.
- Do we really know what success looks like for our team, department, division, or the university as a whole?
- To optimize our individual and collective opportunities for success, we need to have intentional, structured, open, and regular communication about our “ends”.
- At this point, I should be clear, you are not in the wrong place, yes I am here to talk about “risk”.

What is “Risk”?

- Why talk about objectives and success, I thought this was a risk presentation!
- What is risk? ISO 31000 states:
 - ***Risk is the effect of uncertainty on objectives***
- By definition, the discipline, the art, of Enterprise Risk Management is a strategic exercise designed to optimize our ability to be successful.



Charlotte's ERM Program

Based on the following basic principles:

- Clearly defining the organizations objectives
- Only then do we identify the challenges, obstacles, and uncertainties (e.g. risks)
- Developing formal quantitative and qualitative performance and leading indicators
- Setting clear targets
- Monitoring indicator performance
- Communication, both horizontally and vertically, throughout the organization

Effective risk management IS effective organizational performance management

Key Enterprise Risk Dashboard

	Top Risks	Current Performance	Risk Trend
1	Inflation	<	↑
2	Employee Retention & Recruitment	<	↑
3	Revenue Optimization	=	↓
4	Safety & Security	=	↔
5	Research Administration	=	↔
6	Student Wellness	>	↔
7	Research Growth	>	↔
8	Enrollment	>	↓
9	IT Security	>	↔
10	Student Success	>	↔

< = Underperforming
 = = On target
 > = Overperforming

↑ = Risk trending higher
 ↓ = Risk trending lower
 ↔ = Minimal change

Examples of ERM in Action

Employee Retention & Recruitment

Performance Indicators

- Turnover Rate: FY23 = 8.9% ≤ 9% Target
- Vacancy Rate: FY23 = 12.9% > 11% Target

Leading Indicators

- Charlotte regional job growth is leveling off in Q1'23, curtailing competition
- Wage increases of 8.9%* are < CPI (12.3%) over 24 months (= in Feb'23 @ 8.7%)

Points of Interest

- Units disproportionately impacted by turnover:
 - DR made significant gains in turnover rate, down from 38% to 18%
 - Safety & Security and Enrollment Management battle strong market forces

**Calculation does NOT include recently approved 4% FY24 legislative salary increases*

Examples of ERM in Action

Revenue Optimization

Performance Indicators

- Performance Funding %: 2.1% (70% of 3% available) > LY (\$0) & Yr1 expectations
- Net Operating Ratio: FY22 = 16% > 2% Target

Leading Indicators

- HRL Occupancy Rate: 98% > 95% Target
- UG Degree Efficiency: '21 Act = 28.35 > 27.84 '23 Stretch Goal (for FY24 Perf Fund)

Points of Interest

- In-state tuition flat (7 yrs) and HS grads declining in AY25 (US) and AY26 (NC)
- SO stated “stretch goals” set so an institution only has ~20% chance to achieve all
- Very different from enrollment, all student outcome focused (grad rate, debt, etc.)

The Beginning

- Our overall experience with risk is an culmination of individual / small group decisions
- Based primarily on personal professional judgments and experiences
- Therefore, especially for risks with large exposures (or opportunities), it is important to:
 - Ensure the risk owner has an intentional understanding of the risk, but also
 - Those judgments are vetted with key stakeholders throughout the organization
- Some people are better at sharing than others:
 - Some fear their judgment will be revealed as flawed resulting in consequences
 - Others may never have exercised judgment “this is simply how we have always done it”
 - Others are fine sharing opinions, experiences, and analytics, but is anyone listening?

The Beginning AND the End

- Valuable to share your philosophy proactively with as many stakeholders as reasonable
- Help ensure we are aligned as an organization
- Two benefits to you:
 - Can empower a request for additional resources
 - Reduces individual culpability
- My experience is most folks appreciate a look behind the curtain, and can provide valuable downstream and upstream insights into your operations and decisions
- You are the beginning and the end, it should be a continual loop of inputs and output



IRM (Individual Risk Management)

- So if our enterprise risk experience is really just a culmination of thousands of individual risk management decisions, then ERM is really an effort to optimize IRM
- **Question:** Do you think there is anything you could benefit from, personally or professionally, by using these simple risk management techniques on key functions of your role?
- Of course you would benefit!
- So, by the powers vested in me as Chief Risk Officer, I now deputize all of you to be Individual Risk Officers



AI image of “a worker being given a badge in an corporate office”

IRM Techniques

- What does success look like for my role (for myself)?
- How do I measure that success?
- What is my target, and how far off do I have to be before significant intervention is needed?
- How can I integrate monitoring of these measures to ensure I am getting timely data to help me take proactive action to increase the odds of success?
- Who can I, or should I, communicate these professional judgments or estimates to in order to ensure synergy, alignment, and transparency?



An image of “an employee enthusiastically achieving success on a college campus”

Riskonomics: How Risk Shapes Our Lives

- Start with the end in mind
- Be intentional about defining and measuring success
- Communicate your philosophies
- Remember, these techniques are not limited to the professional landscape, they are equally transferrable to our personal lives.
- Uncertainty will affect your world, be ready for it!

