

**CODE**

COUNCIL OF ONTARIO DIRECTORS OF EDUCATION  
CONSEIL ONTARIEN DES DIRECTIONS DE L'ÉDUCATION

# Strategic Risk Management

Optimizing Conditions for Sustained Success

LEADERSHIP CONVERSATION

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# Executive Summary

There is no organization that is immune to the reality of risk and in our rapidly changing world, this is more true than ever. In order for any senior team or system to be successful in the execution of their Strategic Plan, they must also be diligent in understanding and mitigating risk, while at the same time identifying relevant opportunities. The motivation for Strategic Risk Management (SRM) is rooted in the foundational guiding principles of strengthening public confidence, mitigating against liability and litigation, supporting strategic priorities with increased focus, and being as resilient as possible as an organization. A strong approach to SRM enables a school board to ask better questions and to make better decisions.



***There is no organization that is immune to the reality of risk.***



## Introduction

The increased focus and work of Strategic Risk Management (SRM) was initiated in the province in the education sector in 2022, at which time a Provincial Advisory Team of 22 individuals, comprised of a variety of senior leaders, representing a cross section of board size, language and geography, was formed to examine and discuss how to best explore SRM in Ontario Provincial School Districts. This collaboration between the Council of Ontario Directors of Education (CODE), the Ontario Educational Services Corporation (OESC) and the Ontario Association of School Business Officials (OASBO) resulted in an endorsement of SRM as a necessary protocol for all boards to adopt as a means of ensuring aligned, coherent and successful execution of strategic system planning, policy execution and decision making.

# What the Research Says: The Need for Risk Management

## Why SRM

In 2018 seventy countries were involved in the development of an SRM standard, including Canada, which resulted in a global standard of “Risk Management Guidelines”, adopted by 60 countries and entitled ISO 31000 (Hutchins, 2018). The Treasury Board of Ontario has required all provincial Ministries to utilize the SRM framework.

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**ISO 31000:** refers to the framework developed, which stipulates that every organization should have a Risk Management Policy, and should use the risk information acquired to both inform planning in a meaningful way and to embed within operational decisions. The risk management process identified in ISO 31000 is not prescriptive, but rather “describes in general terms risk management principles and elements of the framework” (Hutchins, 2018).

**Treasury Board of Canada Secretariat (TBS):** has several directives related to SRM, intended to ensure the effective and responsible management of risks across various aspects of government activities, and their directive provides guidance for all Ontario Ministries and Public Service (Enterprise Risk Management Directive, Feb. 2020). The Ontario Treasury Board oversees all changes and exemptions to this directive.

**GLOBAL STANDARD OF  
“RISK MANAGEMENT GUIDELINES”  
ADOPTED BY 60 COUNTRIES**

# What the Research Says: The Need for Risk Management

**Risk Appetite:** refers to the risks that the board is willing to accept – both from a loss and an opportunity lens (Francis, 2019; Anderson & Frigo, 2020). The International Organization for Standardization (ISO) defines “risk appetite” as “the risk that an organization is willing to pursue or retain”. It is considered an important process as it informs the development of the SRM framework, and its implementation. It represents the “first layer of risk response/management.” It also determines what risks will not be accepted. “Risk” is identified as uncertainty or threats, but boards are encouraged to also frame it as opportunity or ‘upside risks’ (Dhlamini, 2022).

**Readiness Assessment Approach:** is about understanding and developing the organization’s attitude toward risk taking, ultimately resulting in a risk profile. A risk profile is a summary of risks, which are categorized and which informs an organization’s strategy (Anderson & Frigo, 2020). It assists in prioritizing risk, as well as identifying mitigation controls.

**Risk Register:** an inventory of the board’s identified risks.

**Risk Mitigation:** refers to the processes developed to reduce the likelihood and/or impact of a risk identified in the risk register. This process closely aligns to the exercise of rating risks initially in terms of their probability and correlated impact.

# Risk Management Principles of ISO 31000

## Integration

SRM should be integrated into all of the organization's processes and decision making.

## Structured and Comprehensive

A well-conceived SRM approach will result in the most consistent, desirable risk management outcomes (Hoare, 2022).

## Customized

A solid approach reflects the board's specific context and needs.

## Inclusive

To be the most effective and successful SRM approach, all stakeholders must be involved in a manner that is both timely and appropriate. As always, the desire is to include a variety of voices, knowledge sets and perceptions (Hoare, 2022).

## Iterative and Dynamic/ Practices Continual Improvement

ISO 31000 ensures that an organization continually monitors and adapts their risk management strategy to external and internal changes. SRM is not an add-on but an integrated monitoring process that is part of a regular rhythm of reviewing and

monitoring and then addressing risks or opportunities as they are identified, by adopting appropriate mitigating actions (Anderson & Frigo, 2020).

## Uses Best Available Information

The process should be based on the most reliable and relevant information regarding the external and internal factors which impact board operations.

## Considers Human and Culture Factors

All boards have a unique culture and entering into the work of developing the district's SRM approach is a relational human enterprise, so the approach needs to be mindful of the human and cultural factors that will impact the risk management effort (Hoare, 2022). This includes both business and academic operations within a board.

# Understanding Uncertainty: The Rationale for SRM

Risk is evident in the unpredictability and uncertainty that factors into everyday operations. This was strongly evident with the global pandemic, but it is also easily identified in economic pressures, the advances within AI, the ubiquitous natures of social media, diversity, equity and inclusion (D.E.I.) expectations, and the omni-present threat of cyber-attacks, as well as staffing challenges to name only a few.

The research would suggest that strategic risk commonly falls into the following categories: (i) legal and compliance risks, (ii) reputational risk, (iii) financial/budgetary risks, (iv) political risks, and (v) technology risks, (Bromiley et al., 2016), as well as (vi) educational risks and (vii) operational risks. Further, there is an added onus on Catholic and French Boards to weigh risks and opportunities as they pertain to their unique mission and purpose.

VUCA is a term which refers to Volatility, Uncertainty, Complexity and Ambiguity, which is most relevant to Strategic Risk Management as the concept of “uncertainty” is embedded throughout the ISO 31000 standards (Hutchins, 2018). Thus, the very times within which we live, work and learn, provide the rationale and justification for a well embedded SRM approach.

There is a need to stay current with a board’s risk assessment, as risks and opportunities continuously evolve. It is probably fair to say that

the concerns and opportunities that loom large today may not have been those of a few years ago. Similarly, not all boards will share the same risks and opportunities. For example, for some boards, French Immersion implementation may loom large as a key risk/opportunity, while for others D.E.I. or cyber-security may factor more prominently. Thus, we see how the 8 principles of the ISO 31000 Standard are key considerations.

# Roles and Responsibilities

## **Board of Trustees**

Establishes the direction for Risk Management through policy, while participating in and fostering a culture of risk-informed decision making throughout the school board. The board should also understand the significant risks and staff's assessment of their impact. According to McConnell (2015), the role of the Board of Trustees is to direct, guide, approve, review and monitor strategy.

## **Chief Executive Officers (CEO)**

Are key to establishing the SRM Framework and to leading staff with implementation. CEOs recommend risk tolerance levels to the board (OESC). CEOs ensure compliance with policy and alignment to the strategic plan, by implementing the risk management strategies to address the organizational risks, while monitoring their effectiveness. Further, CEOs report to the Audit Committee and the Board of Trustees on significant risks. Ensuring appropriate accountability for managing risk is the direct responsibility of the CEO (Grove & Clouse, 2016).

## **Audit Committee**

Carries out oversight of the SRM function, as delegated by the Board of Trustees and reports to the board. The Audit Committee ensures an effective control environment and monitors significant risks (O. Reg. 361/10).

## **Senior Management (Executive Council)**

Assists the Chief Executive Officer in establishing risk tolerances and allocating the resources required to execute decisions. Assists the CEO with monitoring, mitigating and reporting of the school board's significant risks.

## **Regional Internal Audit Teams (RIAT)**

Develop an audit work plan with consideration of the board's SRM framework and risk profile, as well as assessing the effectiveness of the school board's risk mitigation strategies and controls. RIAT also provides advice on risk assessments and risk mitigation strategies (O. Reg. 361/10).

# Potential Entry Points When Starting the Work of SRM

## GOVERNANCE AND LEADERSHIP OF RISK MANAGEMENT

If a board is lacking a SRM Policy and policy/governance is where the board typically begins their work, then this is the lens they should adopt. It is also recommended that a board should begin here if they do not currently have a way to prioritize risks and opportunities.

## IMPLEMENTATION AND INTEGRATION

A board may choose to begin their work here if they already have a policy or district-wide risk assessment or they have a pressing decision to make and they want to employ the SRM decision support tool.

## REVIEW AND IMPROVE RISK MANAGEMENT

This would be a sound entry point if a board wants to address recommendations coming out of their Audit Committee and they wish to better understand their current strengths and gaps in managing risk.

# Common Challenges in Strategic Planning

Undertaking the work of SRM does not guarantee perfect progress, and therefore there are some cautions of which to be aware:

## **Not a Compliance Framework:**

SRM is not a way to assess compliance, but rather can be used to build trust as you reflect on recent decisions and how they match to the board's risk attitude and profile.

## **Not an "Add-On":**

SRM cannot be seen as an independent work process that is not related to the day to work of the organization. It must be integrated into the strategic planning and operational frameworks of the district.

## **Crisis Management:**

SRM cannot be effectively implemented when a system is in crisis; it is implemented when the landscape is relatively stable and a responsible and fair assessment of risks can be completed.

## **Descriptive not Prescriptive:**

The ISO standard is descriptive, which by some is seen as a strength, but without the guidance of a facilitator/professional, it may become discretionary or arbitrary. The guidelines have been written to apply to a variety of sectors and contexts and thus risk terms can lose specificity (Hutchins, 2018).

## **Self-Assessment:**

The SRM process requires an honest and comprehensive review of current strengths and weaknesses in managing risk. It is necessary to identify potential weaknesses, such as determining if risk is managed in silos or pockets, whether it exists in some policies (e.g., health and safety) but not comprehensively, if risk is managed implicitly, intuitively or informally, whether different perspectives are welcomed, or the level of agility and responsiveness (OESC-CSEO).

## **Getting Lost in Analysis:**

As a senior team works through the self-assessment and risk profile process, it is possible to get bogged down in the analysis of risk information, so it is necessary to not just list risks but to overlay the staff priorities and board budget.

## **Not Fool-Proof:**

Having a strong SRM Policy and Process does not eliminate all risk or identify all opportunities, and it would be erroneous to assume this is the case.

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# Benchmarks for Success

# Benchmarks for Success: Indicators of Strong SRM Process and Integration

## Policy

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Within the policy register, there is a policy clearly articulating the board's approach and plan of action in relation to SRM.

## Consistency

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SRM Framework is applied with frequency and consistency to decision making. There is engagement and awareness of SRM by all stakeholders.

## Scalability

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The process for managing risk is simplified and transparent, so that it is a practice that all board leaders are using in their decision making.

## Multi-Disciplinary Integration

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SRM Framework is applied across both academic and business/corporate decisions, as well as to strategic multi-year planning.

## Continuous Improvement

Knowledge, skills and risk register are all reviewed and updated with regularity.

# Benchmarks for Success:

## Indicators of Strong SRM Process and Integration

### Ownership

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Risk owners are identified and steward initiatives cognizant of the board's risk profile. Early warning systems assist all owners to flag risks outside of established thresholds to the board and management.

### Opportunities and Innovation

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Opportunities are regularly identified, and relevant gaps are identified and actioned by those accountable.

### Resource Allocation

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Informed by a solid SRM process of the board's risks and opportunities, resource allocation aligns to the most important ones.

### Reduction in Major Surprises

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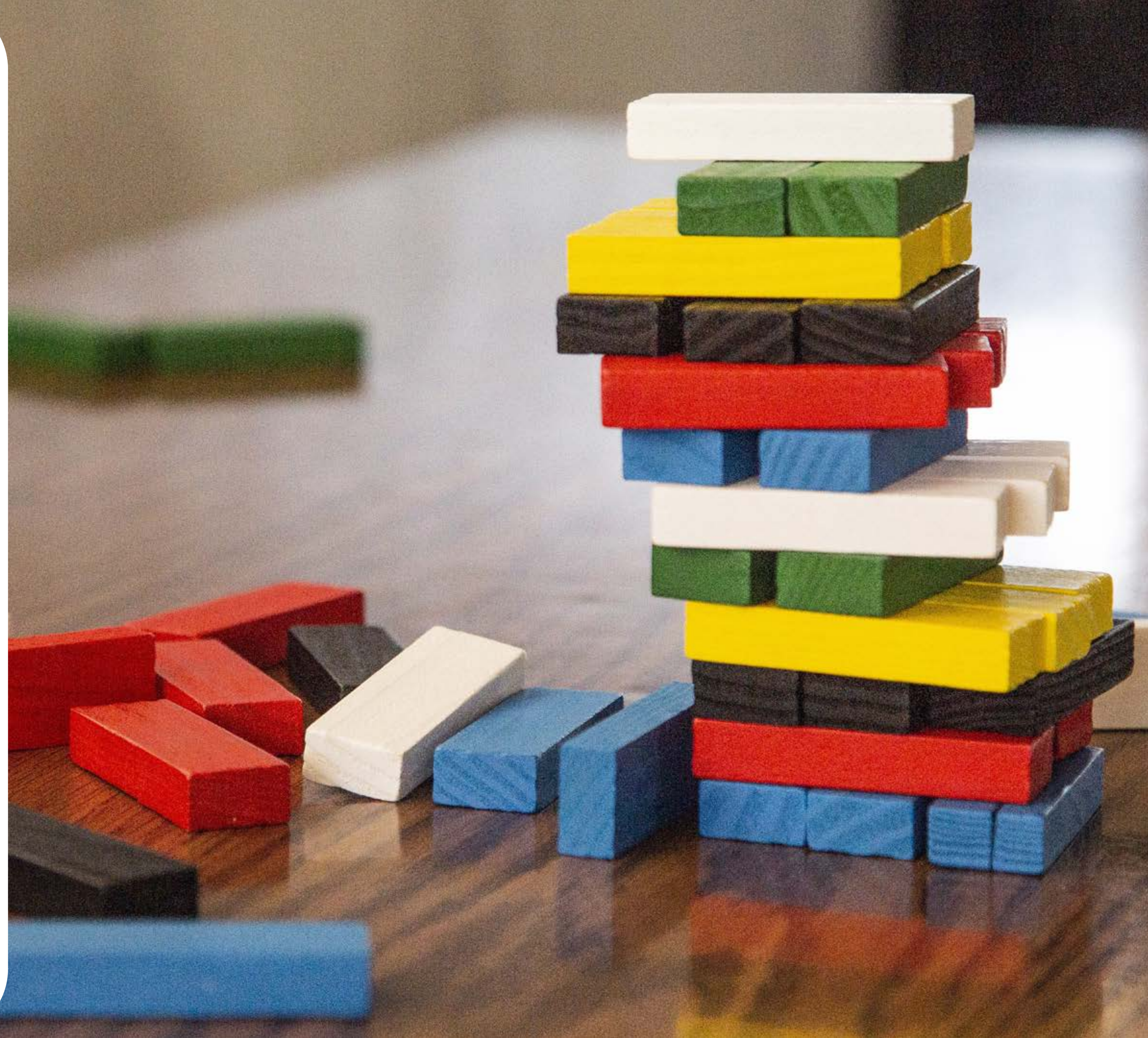
Leadership interruptions are reduced; in your monitoring of SRM it is evident that awareness of risk and opportunity is reducing the number of significant unexpected occurrences.

### Evaluation

The contribution of SRM to the board's performance is demonstrable.

# Conclusion: A Successful Senior Team

The exercise of engaging in the development of a board-specific Strategic Risk Management framework is an important one. It can be deeply impactful and can position the board for greater success in achieving its priorities and in managing its challenges. Each board must assess its own starting point, and from that self-assessment will follow a unique plan that will result in a well understood risk attitude and risk profile. Boards may benefit from outside guidance and/or facilitation in the initial stages, but ultimately, when successful, decision making throughout the organization will be more transparent and aligned, while uncertainty, opportunity and potential harm to the board will be considered.



# For Further Reflection

1. Do you have confidence that your board has engaged in the exercise of establishing a proper SRM approach?

**If yes:** what is the evidence and how has it impacted the entire organization?

**If no:** what first steps could you undertake?

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2. Evaluate your current policy in relation to Strategic Risk Management - do you have one? If not, how will you begin the process and if so, what aspects of the policy require enhancement or revision and how will you begin that process?

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3. Consider and reflect upon the evidence that you engage in a regular process of monitoring your SRM framework.

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4. How does your SRM approach go beyond the process of the Audit Committee?

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5. What are the greatest risks to your board according to your framework, at the current time?

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6. What are the greatest opportunities for your board according to your framework, at the current time?

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7. How authentically and regularly do you employ an SRM approach to your work on your MYSP?

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