Risky Business: Understanding Risk and Reward in International Student Recruitment"
Strategic Risk

“…every obstacle, every issue that has the potential to materially affect the achievement of our strategic objectives.”

Dr. Georg Klein, Siemens AG

“Risk is uncertainty, but we have to take risks to get to our goals, especially during changing times”.

Sandra G. Carson, VP, Enterprise Risk Management and Compliance, Sysco Corporation

Source: Deloitte survey (2013)
Strategic Risk

Market Risks
- Competition
- Student Mobility Trends
- Soc-Ec Impacts

Portfolio Risks
- Programs
- Pricing Channels

Strategic Risks
- Strategy Delivery

Environmental uncertainty
- Can’t control
  Understand and navigate through market research and market intelligence systems

Business Model
- Control
  Portfolio of programs and services, choice of mediators

Industry uncertainty
- Influence
  Benchmarking, best practice, collaboration, professional assocs
Strategic Risk

- External Context
  - Market trends
  - Forecasting demand
  - Competition
  - Business Intelligence
  - Market research program
- Risk Management
Categorize and map your risk types

- Strategic
- Market
- Structural
- Reputation
- Program Management
- Financial
Risk Management: Risk profile

- Put together a **risk register**:
  - Simple spreadsheet
  - Describe the issue
  - Describe the potential impact of the risk
  - What will warn you that this risk is out there?
  - **Quantify** the impact
  - **Quantify** the probability/likelihood
  - Assign a value (product of impact x likelihood values)
  - How often will you monitor?
  - What actions will you take to mitigate the risk?
  - Who owns it?
## Risk Management: Risk Register

<table>
<thead>
<tr>
<th>What type of risk?</th>
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</thead>
<tbody>
<tr>
<td>Risk/Issue?</td>
</tr>
<tr>
<td>Potential impacts?</td>
</tr>
<tr>
<td>Triggers/warnings?</td>
</tr>
<tr>
<td>Impact VH/H/M/L (# or %)</td>
</tr>
<tr>
<td>Probability VH/H/M/L (# or %)</td>
</tr>
<tr>
<td>Risk Value</td>
</tr>
<tr>
<td>Monitoring Actions</td>
</tr>
<tr>
<td>Mitigating Actions</td>
</tr>
</tbody>
</table>

Impact x probability = risk value
Risk Management: Risk Mapping

Impact

Probability/Likelihood

<table>
<thead>
<tr>
<th>Impact</th>
<th>Probability/Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>L/L</td>
<td>L/M</td>
</tr>
<tr>
<td>M/L</td>
<td>M/M</td>
</tr>
<tr>
<td>H/L</td>
<td>H/M</td>
</tr>
<tr>
<td>VH/L</td>
<td>VH/M</td>
</tr>
</tbody>
</table>

Key

<table>
<thead>
<tr>
<th>#</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>VH</td>
<td>Very High 5 100</td>
</tr>
<tr>
<td>H</td>
<td>High 4 80</td>
</tr>
<tr>
<td>M</td>
<td>Medium 3 60</td>
</tr>
<tr>
<td>L</td>
<td>Low 2 40</td>
</tr>
<tr>
<td>VL</td>
<td>Very Low 1 20</td>
</tr>
</tbody>
</table>

Adapted from KPMG sources © Barton Carlyle 2014
Evidence for your strategy

- Global trends
- Competition
- Market potential
- Calculating market share
- Supporting segmentation decisions
- Choosing communication paths
- Reputation/branding perceptions
- Costs of recruitment
- Understanding student choice
- Mapping retention
- Monitoring impact
South Korea
A declining market
- 9% enrollment decline 2011-2012
- US decline 3.7% 2014
- 5% decline US grad school apps 2014
- Issues: affordability, govt policy, China as destination
- Major risk: Maximize ROI in a declining market
China

- **Major Risk:** Market dependence
- **Opportunities to diversify**
- **Overtaken S Korea as #1 source to US high schools**
- **Main market for USA but…**
- **Emerging HE destination**
Indonesia

- Population factors (Largest non-BRIC emerging market, pop of 260 million+)
- Growing middle class prioritizing education
- 6% GDP growth 2000-2010, growth predicted to continue
- 11 million tertiary enrollments by 2024
- Australian universities increasingly active
- Opportunities for growth in u/g
- Major risk: Market entry
Vietnam

- Australia top destination, 26,015 students, up 15.3% from 2012 to 2013
- Higher % of international secondary in the US (3%) than postsecondary
- 68% community college with goal to transfer
- Major risk: recruitment plan for these cohorts?
Scenario Planning

"Scenario planning is about understanding the environment and the nature of the risks that environment can give rise to....."

"Insights gained should equip organisations to recognize and respond to significant emerging threats and opportunities, building enhanced competitiveness, resilience and agility"

KPMG Australia 2011

Risk Management Scenario Planning

Strategy delineates risk appetite

Positioning research and risk mapping generate risk profile

Scenario planning supports future orientation

Reporting supports active risk management

Mitigation actions diminish or eliminate possible impact of risks

Mitigation actions adjust strategy and support realignment of risk profile
Risk Management: Scenario Planning

1. Map basic trends and driving forces
2. Find key uncertainties
3. Describe critical and unpredictable driving forces
4. Distill to two forces/factors
5. Identify factor extremes and check for plausibility
6. Map these onto an x/y axis
7. Define scenarios

Be careful about how you develop scenarios:
http://www.mckinsey.com/insights/strategy/the_use_and_abuse_of_scenarios
Risk Management: Scenario Planning

Possible Topics
Disruption to potential student flows
Impacts of technology
Rise of market entrants and/or competitor disruption
Pathway provision impacts on ESL market?
Summary: Managing Risk

- Include risk management in your strategy:
  - Understand your institution’s risk appetite
  - Map your risk profile
  - Develop your risk register and risk map
  - Mitigate risk – using market research to understand change drivers

There are opportunity risks – estimate the risk of doing nothing as much as you manage the risk of doing something!
THANKS
For your participation!

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