2022 RISK INSIGHTS

PREPARE FOR UNCERTAINTY WITH STRENGTH TRAINING

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INTRODUCTION

Can't bear to consider what unanticipated challenges might lurk around the corner for your nonprofit in 2022? We get it. (Even though, if you're reading this, thinking about that is probably your job.)

As a global pandemic unfolded over the past two years, one catastrophic risk after another became a reality. Nonprofits and their risk leaders rallied to respond to crisis after crisis. You confronted gaping holes that suddenly materialized in your best-laid plans. You met unprecedented needs in your communities. You kept people safe from COVID.

Nonprofits and their risk leaders also fell far short at times. Many of you realized how complicit you and your organizations had been in systemic racism in your workplaces and communities and how you'd failed to meet the needs of all members of your workforces and those you served. Some of you flailed amid rapid change.

All of those experiences can help you and your organization make good decisions this year—if you let them. You might be tempted to forget as much of the past two years as possible, especially your failures. But as the Nonprofit Risk Management Center found in its report on risk champions ("We Are The Champions, My Friends"), your team can better manage unpredictable upside and downside risks if you practice both action and reflection.

Your team's ability to meet risk and uncertainty is a muscle. You can build it. The COVID era gives nonprofits a never-ending crisis response workout. Your muscles may be fatigued. Even so, organizations and risk leaders that made it this far have a lot of the insight needed to deal with the risks ahead—known and unknown. Building on what you've learned in uncertain times will also prepare your organization to spot transformative opportunities and meet them.

Nonprofit risk leaders have put in their crisis workout reps. This year, nonprofit teams must focus on strength training and resilience. Over the past two years, what you've learned can shape a risk approach that helps you meet the unknown.

We present this primer on how your nonprofit can learn from the challenges it's already met to prepare for the future and an overview of significant risk issues to watch for on your horizon this year.

RECKON WITH THE UNFULFILLED PROMISES OF DIVERSITY, EQUITY, AND INCLUSION

In June 2020, hundreds of nonprofits told the public their organizations decried the murder of George Floyd and would make meaningful changes to address systemic racism. In January 2022, hundreds of those nonprofits still have very white and male boards and staff, and their programs don't fully consider the needs of the historically marginalized groups they serve. Those nonprofits' communities have noticed.

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Many boards and leaders balk here. They know their organizations fall short; they fear criticism. "Let's wait until we've accomplished X," they say. "Once we've appointed one more board member of color... We'll announce after solidifying our strategic plan that incorporates more diversity, equity, and inclusion (DEI)... Until we're there."

Given how deeply systemic racism is embedded in our society, most organizations will never get there. All organizations owe it to their teams, the people they serve, and their communities to work harder at it — and to be transparent.

Spell out publicly where your organization has taken measurable steps on DEI and where it lags.

"Communicate, communicate, communicate – and document," says the "Facilitating Organizational Change" report on YWBoston's InclusionBoston project, which engaged 10 organizations for over a year of DEI work. Tell your organization's DEI story on your website, in your social media, in your annual report, in your funder communications. Many in your community already know. If your organization doesn't take the lead on truth-telling about its progress and failures, others will. Community members likely will comment on where you haven't measured up.

Listen, evaluate, and act. The most difficult conversations may come when your organization begins to build new relationships in communities with whom it previously failed to connect. People aren't obligated to connect with you further if they call you out or call you in. If they want to continue tough conversations with you, that's a gift. Accept it and rise to the occasion.

Ensure your internal DEI action plan reflects research on what steps make the most difference.

Your staff notices the gaps where action hasn't followed leadership's proclamations, too. In McKinsey's recent Women in the Workforce report, less than half of the women of color surveyed felt their organizations had substantially followed through on commitments to racial equity. The report found that more than three-quarters of White employees consider themselves allies to women of color at work. Still, less than half took foundational allyship actions like speaking up when they witnessed bias or campaigning for new opportunities for women of color.

Welcome and address staff expressions of concern around DEI.

Kimbap Media founder Emma Carew Grovum writes for Editor & Publisher that newsrooms must better acknowledge and address employee concerns about diversity. Her advice can benefit nonprofit leaders, too. If staff criticizes your organization's progress on diversity or produces a list of demands on equity, pause and ponder.

Resist the inclination to defend yourself and others and resolve to truly understand the genesis and nuances of the concern. When your organization commits to new initiatives, communicate how you will measure progress and update staff. Carew Grovum insightfully adds, "One of the biggest gifts you can give to your staff during these difficult times is a way to access power dynamics differently."

Make equity and community part of your risk assessment approach.

Some of NRMC's clients have abandoned dated quantitative risk assessments that produce contrived scores about the 'likelihood' and 'severity' of future risk events. Instead, they assess risks from the perspective of key stakeholders, asking questions like, "If we fail to manage this risk properly, how might our clients and community members be affected?"

Incorporate the community members your nonprofit serves into this process and support existing grassroots efforts in your communities. Anti-Racism Daily noted last year that nonprofits often struggle to support genuinely transformative change in communities because many depend on wealthy donors and government funding that ties them to the status quo. News outlet Prism reports that scholar Megan Ming Francis calls this "movement capture"—

a phenomenon in which a foundation's funds influence a nonprofit's work, explicitly or implicitly. Anti-Racism Daily urged nonprofits to support collective movements to build lasting transformation, emphasizing that people with direct experience of oppression should determine how resources will be used to dismantle those oppressions.

The Johnson Center for Philanthropy notes that an increase in economic inequality feeds inequality in philanthropy, with a higher percentage of charitable dollars coming from fewer and fewer large donors. How can your organization reduce the risk that it will rely too closely on a few powerful people and institutions—and perpetuate the inequities your mission aims to eradicate? In a recent client report, we described the growing 'dominance and prominence' of billionaire philanthropists. Many nonprofit leaders lie awake wondering, "What must I do to attract a transformative gift?" If you have been wishing and working

to secure a transformative gift, spend equal time considering the downsides and the upsides. And make sure your list of potential downsides includes consideration of how your nonprofit will be perceived when your mission and reputation are inextricably linked to a prominent philanthropist.

Bring data equity principles to your organization's data collection work.

Evaluate the impact of your data collection on communities you serve, especially those historically marginalized and make needed changes. Joyce Lee-Ibarra writes that the concept of data equity "captures a complex and multifaceted set of ideas. It refers to the consideration, through an equity lens, of how data is collected, analyzed, interpreted, and distributed. It underscores marginalized communities' unequal opportunities to access data and, at times, their harm from data's misuse."

Nonprofits should preempt bias by priming their teams with positive, diverse representations of the populations they study. They should also create checkboxes with multiple options or offer open-ended questions in their data projects so participants can accurately express their identities. Nonprofits must communicate clearly how any data they collect will be used and update their policies over the life of the data project.

RANSOMWARE ATTACKS INCREASING
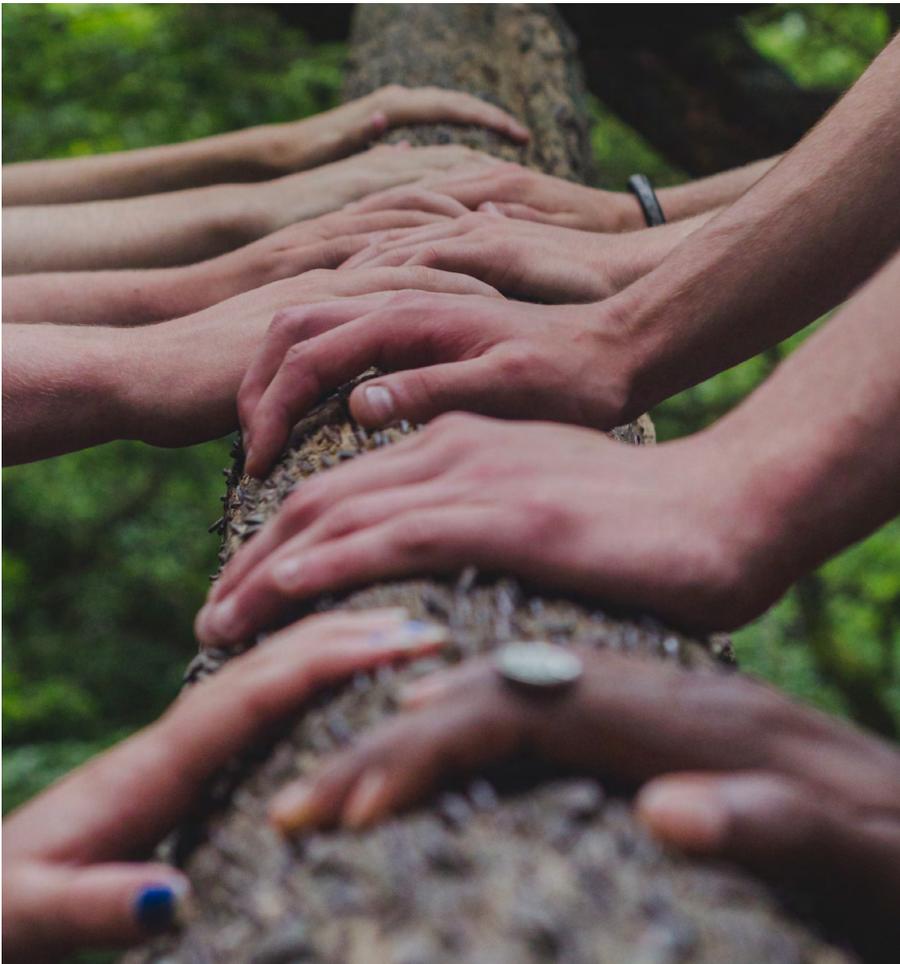
HARDEN YOUR ORGANIZATION AND PROTECT EMPLOYEES AGAINST CYBER RISKS

Some of your organization's most significant opportunities exist online, and some of its biggest risks do, too. Cybercriminals have scaled up their tactics and targets. Microsoft's 2021 Digital Defense Report found that non-government organizations and think tanks were the second-most-targeted sectors by cybercriminals. According to Microsoft, those breaches accounted for 31% of notifications of nation-state attacks across organizational domains.

According to provider tca SynerTech, up to 70% of charity networks don't have a comprehensive vulnerability assessment to determine their cyber risks. More than half of nonprofits don't use multifactor authentication when signing into accounts. Did you know that many organizations use homegrown or customized software programs, which can be more vulnerable to cyberattacks?

The Harvard Business Review found that ransomware attacks against organizations have skyrocketed, rising 150 percent in 2020 from the year before. A ransomware attack deploys malware to disable an organization's systems and, often, steal data. Attackers demand money to release the system. Ransomware attacks often also disable access to backups, making it impossible for internal or external IT professionals to clone or restore the affected systems.

It takes effort and investment to harden your nonprofit's systems against a breach—but it costs more

not to. IBM reports that the average cost of an organizational data breach rose to $4.24 million in 2021, a 10 percent increase from a year earlier. Data breaches cost $1.07 million more in cases where remote work played a role.

For many organizations, IT changes like cloud migration and remote systems increased organizations' costs. Additionally, organizations that didn't make digital changes during COVID had 16.6 percent higher costs in breaches than the global average.

More companies and charities now offer nonprofits free or low-cost cybersecurity assistance, including the new National Consortium of Cybersecurity Clinics, the Chronicle of Philanthropy reports. According to the Chronicle, nonprofits should take advantage of those resources because some donors may not come back to the organization after a breach.

Create the best ransomware defenses you can.

Make sure your organization has enough cyber liability insurance coverage. Know who will be assigned to specific roles if you're attacked. Establish a communication channel on a secure texting app so leaders can communicate if systems go offline. Test backup systems regularly and keep them separate from other systems.

If your organization gets attacked, don't rely on a blanket approach—contact your insurance advisor immediately and follow the expert

guidance they offer for the next steps. Reach out to NRMC if you need advice on developing an Incident Response Plan before you actually need it.

Set and document cybersecurity protocols.

Train staff to recognize phishing emails, create redundancies and backups, and harden systems with VPNs, antivirus tools, and a firewall.

Protect and support employees who face online harassment.

Nonprofit staff in public-facing positions or roles with extensive social media presence may encounter online harassment. Establish and communicate a system for reporting online harassment, and if employees are harassed, consider their wishes when determining how to handle the incident.

A number of media companies pay for employee memberships to services like DeleteMe, which scrubs home addresses and other personally identifying information from online sites. Some employers also cover an employee's family DeleteMe membership, as doxxing attacks sometimes publish the personal information of a target's family members.

If employees' roles put them at risk of public or social media attacks, nonprofits must establish measures to help stem online harassment they face around their work and support those who experience it.

BEYOND THE GREAT RESIGNATION: NONPROFITS MUST ADDRESS ORGANIZATIONAL TRAUMA

The balance of power in American workplaces tilted toward the employer for decades. That pendulum has begun to swing, and the motion continues. Millions of workers nationwide quit their jobs in 2021 in what's been dubbed "The Great Resignation," and millions more employees demanded higher pay for essential and hazardous work. Nonprofit employees will no longer accept abysmal pay as the price of working for a mission-focused organization.

Nonprofits that tap empathy and imagination to address the needs of employees, especially those on the front lines, will prosper. Those that don't will pay a steep price. They'll lose valued volunteers and staff—and donors and supporters, too.

Two years into the COVID pandemic, families and workplaces have been stretched to the limit. And while humans can often tap into their instincts for compassion to help community members and employees who experience trauma, workplaces often don't excel at it. A new report on organizational trauma by dscout and HmntyCntrd finds that workplaces often push the responsibility for managing work-related stress onto the employee; gather feedback on problems but don't act; promote toxic positivity and always-on "hustle culture;" and make performative statements about their commitment to equity and ethics. The document's an intense read, with built-in breaks to breathe, meditate, and reflect.

Many nonprofit employees face constant burnout and "compassion fatigue" due to the nature of the work. Those things may always surface in emotionally demanding fields. Still, as the dscout and HmntyCntrd report demonstrates, organizations must work to heal the ways their culture shifts the burden from the workplace to the individual.

It's time to evaluate how your organization can go beyond employee assistance line referrals (important as they are) and treat your human resources as humans. NRMC wrote in its 2019 "Risking It All To Save The World" report that "deficits in human connection are often the cultural contaminants of risk management." Every step you take to address those deficits, at the organizational level and individually as leaders, will make your nonprofit more ready to manage and even embrace risk.

Examine your organization's scheduling.

Do scheduling policies allow for frequent breaks for frontline employees and volunteers during the workday? The Substance Abuse and Mental Health Services Administration recommends managers in health care schedule employees to allow for rest and recovery between shifts. That insight could apply in work as diverse as food bank volunteer shifts and drug counseling. If possible, SAMSHA says it also helps to schedule employees for less high-stress work after they finish a stressful shift or assignment. For office staff, resolve to wrap up online meetings 10-15 minutes before the hour to allow people to decompress before the next meeting begins.

Name and respond to organizational trauma in your nonprofit.

The authors at dscout and HmntyCntrd call for workplaces to identify the sources of organizational trauma, invest in self-awareness development for leaders, hold leaders accountable for behaviors that harm, and invest in guidance from outside professionals experienced in trauma and equity.

Support staff who grieve.

More than 850,000 Americans have died of COVID-19. The Grief Recovery Institute estimates that workplace grief costs $75 million annually. Companies and organizations must normalize bereavement leave, writes Amber Gipson-Fine, a project manager for COVID-19 clinical trials at Rush University Medical Center, public health activist, and fellow with the Op-Ed Project. "Institutional benefits must match what they ask of employees and communicate how to use them," Gipson-Fine explains. Organizations also must train leaders on how to manage grief in the workplace, like checking in on employees who've lost a loved one and offering space for them to talk about it.

$75M

Annual cost of workplace grief

4.5M+

Employees have left their jobs as part of "The Great Resignation"

850K+

Americans who have died of COVID-19

100

seconds until midnight on the Doomsday Clock

Compensate frontline employees fairly.

Many direct-service roles in nonprofit organizations involve exposure to hazards. Daily work can bring frontline employees into contact with people coping with untreated mental illness, drug dependency, and extraordinary stress—their interactions with the public increase the risk of COVID-19 exposure. And as tensions flare in a stressed society two years into the pandemic, frontline employees may also face clients, members of the public, or protestors who erupt in anger and violence. A frontline worker who performs mission-essential duties and faces hazards daily must be paid accordingly. Ten dollars an hour won't cut it, nor will $15. This work will absolutely require negotiation with funders and partners.

Don't let your work to address pay inequities now lead to pay inequities later.

According to the international search firm Korn Ferry, many organizations have given huge pay bumps to new employees or key players who threatened to quit. If an employee or group of employees is grossly underpaid, address it as quickly as possible. Don't wait to consider the future impact on colleagues who didn't get that bump. Build out more robust principles around compensation issues like hiring and retention bonuses and counteroffers and consider executing salary reviews more than the typical once a year.

Ensure your frontline employees have access to paid leave.

If they don't, your organization not only puts staff and clients at risk for COVID, it perpetuates inequities and undermines your mission, Ashley Fontaine wrote for Idealist. Some states and cities have required nonprofits to provide paid sick leave by mandating it for all employers, regardless of their tax status. Workers need nonprofits to step up on this issue. Organizations that don't do it on their own will likely be required to by the government in the future.

Help employees support each other in emotionally demanding tasks.

According to the American Psychological Association, peer support, like Zoom groups, can help psychologists who deal with compassion fatigue. Could you facilitate a group like this at your organization or provide staff time to join one on their own? What tasks could you eliminate from their plate to allow for it? A colleague of NRMC's recently told us that while the orientation plan at her new job was thorough, she was most grateful to learn about and be invited to join an internal mental health and wellness pod.

Extend grace to employees and volunteers under pressure.

At this point in the pandemic, you've probably run out of empathy for your colleagues and community members numerous times, and they have run out of empathy for you, too. It will happen more; everyone is stretched thin. The famous Doomsday Clock from the Bulletin of the Atomic Scientists stands at 100 seconds to midnight. Your nonprofit does vital work—and everyone who works there has lots of other pressing things to think about, too.

Endeavor to meet the moment when you or someone else runs out of empathy with a little more generosity and understanding. Learn to name what's happening. When you feel your patience dangerously frayed, ask if you can take a break and return to a conversation. Let your teams know you expect them to do so too and welcome it.

WORK SMARTER AND BETTER ACROSS GENERATIONS

Generational tensions continue to bubble up at nonprofits. Some baby boomer staff want to go back to the office yesterday. Some Gen Xers and millennials may not. According to a Morning Consult study, a reported 40 percent of all employees feel unsure about going back to the office. Has your organization evaluated who truly needs to be in the office because a job function cannot take place remotely? If someone else doesn't want to return to the office, why make them? Create fair but flexible policies and craft a communications approach that can cross generation gaps.

Establish clear deadlines, then provide as much flexibility as possible for doing the work.

Millennials report feeling even more disconnected than baby boomers from what's going on at their companies during the pandemic—and Gen Z feels more disconnected than either, Brooke Hanshaw writes for TechSoup, a technology provider for nonprofits. Nonprofits must address staff experiences of disconnection to keep teams engaged in the mission. Hanshaw also explains that millennials report that it's tough to focus on work because of the time they spend in online meetings. She advises transparency tactics like shared calendars and shared expectation lists to communicate what's expected of all employees.

Streamline, improve, and eliminate extraneous processes to allow your employees time to work on higher-level issues that impact the mission and future of the organization.

Generation Citizen co-founder Scott Warren suggests in Stanford Social Innovation Review that nonprofits could team up on shared distribution models or even share contract employees that have specific expertise most organizations' budgets can't support year-round.

Make process review part of your regular daily, weekly, and monthly meetings. No one at your organization has time to do a two-month series of meetings on process improvement. But setting aside time regularly during existing meetings to discuss process improvements can improve staff morale and grow your organization's ability to provide needed services under extreme stress.

Consider what traits your organization will need in its next leader, and work to build those traits across your management team.

Nonprofit CEO turnover has picked up during the pandemic, and many observers expect it will continue to increase this year. Leo Pedraza of LinkedIn for Nonprofits says organizations seeking their next leader should look for someone with individual giving experience, a knack for storytelling, experience and commitment in diversity and inclusion, emotional intelligence, innovation, and resilience.

Position your nonprofit to attract top talent, even if it's not in staff roles.

Nonprofits could tap into the trend toward "polygamous careers," in which professionals consistently work on multiple projects for different employers instead of settling into one role for years at a time. There's even a social network for that—PolyWork. Scott Belsky, chief product officer at Adobe, writes in Business Insider that "the desire to generate income and feel fulfilled from multiple projects will increase retention (you don't leave a job if your "other interests" are being fulfilled elsewhere), increase workplace productivity (no more face time...people will be busier and more efficient), and help many projects and companies engage top talent that would otherwise be out of reach." The trend could help many nonprofits connect with talented professionals they couldn't click with full time.

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PREPARE YOUR ORGANIZATION TO DEAL WITH CLIMATE RISK

Many nonprofits have experienced first-hand the devastating and disruptive consequences of climate change this year, as extreme weather portends more wildfires and floods. Many other nonprofits might not consider climate change as an operational risk. But all of them should.

A 2021 report by Chatham House, the Royal Institute of International Affairs, reminds us that "[h]ow international organizations manage climate risk will be critical to their ability to meet their objectives, deliver their mandates, improve the delivery of their services, achieve value for money and anticipate external shocks." The report focuses on massive multinational organizations like the World Bank and World Health Organization, but many of its lessons apply to U.S.-based organizations, large and small.

Climate change will speed the spread of infectious disease, destroy property and infrastructure, and decrease access to food and water—issues that strike at the heart of many nonprofit missions. A McKinsey report finds that racial and ethnic minorities and lower-income communities frequently have more exposure to climate hazards.

Communities that have been often marginalized don't have as much access as more privileged communities to programs and resources that might help them deal with climate change hazards. "Race—even more than class—is the number one indicator for the placement of toxic facilities in this country hit by climate change," writes the NAACP.

Foundations can play a part.

McKinsey finds that foundations have a unique position to help fund solutions in the fight against climate change. They're often more nimble, moving quicker than government agencies, and they can support efforts governments put in place. Many foundations might be able to provide more value and support to the communities and populations they serve if they extend their grantmaking into climate change or expand their giving in the field.

Organizations should evaluate the full potential range of impact of climate scenarios

and determine which of their services are so critical that they would accept a significantly higher level of operational risk to deliver them, Chatham House writes. Those

decisions will shape nonprofits' budgets and strategies for years to come.

Consider how climate change has impacted service wants and needs.

The needs of communities may change as the climate does; to avoid the risk of irrelevance, an organization's services must evolve.

Make your own organization a better climate actor in its operations.

If your donors aren't already asking about this, they will. Last year, philanthropy adviser Bruce DeBoskey published a list of 14 questions for potential donors to ask nonprofits about their climate change policies, from the fuel efficiency of an organization's fleets to whether it buys carbon offsets for air travel. Similarly, even if a grantmaker doesn't focus on climate, it can evaluate potential grantees on their environmental sustainability, according to the Dorothy A. Johnson Center for Philanthropy.

BUILD STRONGER LOCAL FUNDING ECOSYSTEMS

FROM SUPPLY CHAIN TO VALUE CHAIN

By now, your organization has surely run low on essential supplies or seen a drop in donations of key items due to the global supply chain disruption prompted by COVID. You've sourced and sourced again for those goods. Have you fully prepared to offset the increased costs your nonprofit will likely continue to face due to supply chain issues?

If you put safeguards in place to shore up funds and connect with local suppliers and partners now, you may reap benefits far beyond logistics. Numerous nonprofit experts advocate expanding the concept of the supply chain to build stronger local funding ecosystems and philanthropic networks.

Consider adding small, targeted fundraising campaigns throughout the year.

Tonie Howard of RKD Consulting, who works with food banks, has advised some to add campaigns like a match appeal or a 'giving day' outside the standard end-of-year parameters. Costs for everything from paper to staffing have gone up, which means a tailored ask outside your standard campaigns could help your organization meet the budget.

Innovate in your own community.

Consultant Vicki Pozzebon writes in Nonprofit Quarterly that supply chain disruption can serve as an impetus for nonprofits to consider the "values-based value chain" adopted by the local food sector. This distribution approach considers input from all stakeholders to ensure fair prices, pay, and support for the community. Organizations could start by creating a questionnaire for potential vendors or partners asking about their values and culture. Pozzebon posits that starting small to strengthen local systems could benefit both nonprofits and the communities they serve.

Strengthen the funding supply chain for nonprofits.

Big funders and donors can struggle to get money to grassroots organizations quickly and thoughtfully during disruptions like COVID, Ben Jones, director of strategic partnerships at nonprofit accelerator Multiplier, writes in Stanford Social Innovation Review. Jones says "activators," well-networked organizations with the capacity to, say, manage 100 $10,000 grants, can help bridge the gap and get dollars where they are most needed.

CONCLUSION

WHAT RESILIENCE IS, AND WHAT IT ISN'T

Just as COVID gives our crisis muscles a workout, it gives the word "resilience" a workout. How do organizations and people become resilient? One way is by navigating terrible things.

Some tough times are unavoidable—in life and nonprofit work. But much of what we've all faced in the past two years should never have happened. Government leaders failed to manage risks and keep people safe during the pandemic. They put unfair burdens on individuals, particularly the most vulnerable among us, and on organizations. If you and your teams are still angry about that, you should be. That anger, acknowledged, can serve as a powerful source for your organization to make bold changes, consider the risks, recommit to (or re-evaluate) its mission, be the best actor it can be in deeply flawed systems, and support grassroots community efforts to transform those systems.

If your organization doesn't have difficult conversations that result in action by leaders, it can't claim to be resilient. If you and your colleagues feel uncomfortable—but not unsafe—as you discuss plans for 2022 and beyond, you're probably doing something right.

"Certainty is just a superficial examination of the future," John Hunt, worldwide creative director of ad agency TBWA, writes in *The Art of The Idea*. Go deeper, and your organization can become a force for systemic transformation.