

Finding Danger in What Lies Beneath



By Melanie Lockwood Herman

Executive Director

Resource Type: Risk eNews

Topic: Risk Assessment

While I agree with the saying, “you can’t judge a book by its cover,” I’ve discovered that books with clever titles* are often great reads. I’ve been reading a fascinating new book this week titled “[Slow Death by Rubber Duck: The Secret Danger of Everyday Things](#),” by Rick Smith and Bruce Lourie. The authors, who describe themselves as “long-standing environmental activists from Canada,” explore how toxic substances found in commonplace items at home and at work make their way into the human body.

[Slow Death by Rubber Duck](#) is a recent addition to a growing body of literature that may one day warrant its own section at your local chain book store. Adjacent to the aisle on “self-help books” there may be an entire section devoted to “what you don’t know *can* hurt you.” Reading about hazardous chemicals in a typical household reminded me of the commonplace and equally insidious risks that nonprofits face everyday but struggle to understand and quantify.

In [Slow Death by Rubber Duck](#), Smith and Lourie describe experiments they conduct on themselves. They meticulously measure chemical levels in their bodies before and after they are exposed to readily available household products. During a risk assessment for a nonprofit—the process of uncovering, analyzing and addressing critical risks—the project leader will document evidence and circumstances that put the organization outside “normal” readings. Many leaders begin a risk assessment believing that a single area of exposure (such as harm to a young participant) dwarfs other dangers. Yet in my experience, it’s rare that a single risk emerges as the most significant exposure. Instead, what is more likely is that the convergence of many exposures—which continue to evolve and morph during the assessment—place the very mission and goals of the organization in harm’s way.

Risks in a typical nonprofit are more like a latent infection with hard to detect symptoms than a house on fire. The leaders of a nonprofit on the precipice of disaster might be surprised to learn that a lawsuit alleging negligence in the delivery of services isn’t likely to send the organization into a freefall from which it won’t be able to recover. There are both preventive steps to minimize the risk of litigation and proven strategies for coping with legal claims. But the convergence of latent risks could be deadly. Examples of lurking but easy to miss risks include:

- **The failure of the finance committee to engage the entire board in candid dialogue about financial sustainability.** Every nonprofit board member plays a vital role in fiscal oversight. Fear of finance is neither a personal defense nor a helpful defense shield for the nonprofit should things go

terribly wrong.

- **The growing impression by funders that the quality of the nonprofit's programs has declined.** Unfortunately, many funders prefer to walk away rather than provide candid feedback to their grantees. A client recently told me that she was unaware that a major funder was unhappy with the nonprofit's management of past support until they declined an application for new funding. In response to the nonprofit's inquiry, the funder admitted that it was dissatisfied with the organization's prior use of grant dollars.
- **Mounting discontent by key staff due to the board's insistence that productivity be improved while staffing costs be reduced.** Nonprofit boards send direct and indirect messages to the staff who execute the board's vision. Managing the indirect messages is tricky, and some boards (or board members) may not appreciate the damage done until their best staff have found jobs elsewhere.
- **Gaping holes in the nonprofit's risk financing strategy due to its decision to purchase the lowest priced property and casualty coverage.** Focusing primarily on price when choosing where to buy your preferred brand and model of a flat-panel HDTV may be a good idea. But focusing solely or principally on price when purchasing liability coverage for a nonprofit is rarely wise unless you've first done your homework to make certain that you're comparing similar products. Many liability policies (including professional liability and directors' and officers' liability policies among others) are non-standard or "manuscripted" forms, meaning that each carrier (insurer) selects the language that will appear in its version of the policy. The coverage can vary widely.

Thankfully, few nonprofits are at risk of self-combusting from a single, unsafe act. However, too many organizations risk an early and unnecessary demise by overlooking unhealthy governance and operational practices. Just as you are committed to preventing the proverbial wildfire in your organization, give some thought to the practices that while hard to see from the outside and even harder to measure up close, put your mission at risk. Consider the following questions as you work to first *unearth* and then *address* your nonprofit's latent risks:

1. What if anything are we doing that if revealed to the public or our stakeholders would cause embarrassment, outrage or a rush for the exit?
2. Is every member of the board engaged in providing fiscal oversight? If not, why not? What steps are required to empower each and every board member to fulfill their duty of care, which encompasses fiscal oversight?
3. How would we rate the relationship between our board and staff? Is the relationship healthy and mutually supportive? If not, what steps are required to bring the relationship back to good health?
4. Have we made any potentially risky assumptions about key partners in our work? What must we do to verify that these assumptions are well placed? What contingency plans are in order if it turns out our trust has been misplaced or a key partner is unable to deliver?
5. Do we know how our major funders truly feel about our goals, focus and results? If not, why not and what steps can we take to find out?

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your feedback on this article and questions about the NRMC's resources at Melanie@nonprofitrisk.org or 703.777.3504.