Your Staff Has a Thousand Eyes

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Only the very largest nonprofits in the U.S. — about one in a thousand — have a person on staff with a job title like “risk manager” or “insurance manager.” Instead, the most direct responsibility for preventing or financing recovery from almost every nonprofit’s accidental losses rests on the shoulders of its CFO, director of administration, human resources director, internal or external legal counsel — or even the nonprofit’s CEO. Thus, in 99.9 percent of this country’s nonprofits, risk management is a part-time function of someone who seemingly has a much “bigger job” to do.

In contrast, in a growing percentage of U.S. for-profit firms a single employee, fairly high in the organizational structure, has risk management as a primary or sole, job responsibility, most frequently with “risk manager” as the title.

Because the first step in effective risk management for any organization is to identify exposures to the potential accidental losses facing that particular organization, risk identification is one of the most crucial direct responsibilities of every risk manager. Therefore, most people primarily responsible for risk management in for-profit organizations spend a good deal of their work time with the basic tools for identifying loss exposures: accident reports and loss histories, financial statements, news reports of losses that have befallen other firms in their industry, flowcharts of the firm’s operations, memos about actual and proposed changes within the firm, and — perhaps most importantly — personal inspections of the firm’s facilities and operation’s.

Value of Many Eyes — and Minds

But one person, with just two eyes and only one mind, can’t imagine — let alone actually see — all the potential accidental losses that may befall an organization. This is why many corporate individuals who are directly responsible for overall risk management ask numerous other managers and selected employees throughout their organizations to be additional sets of minds, eyes, and ears in detecting the loss exposures that arise, or may possibly arise in their daily work. Because of their front line positions, these added ears, eyes and minds are also well disposed to advise the risk manager of creative methods to avert an accident. However, it’s the risk manager who ultimately decides how best to deal with these possible loss exposures from the suggestions offered. What is true for effective exposure identification in for-profit firms is even truer for nonprofits. One reason is it is so crucial to have many eyes and minds looking for a nonprofit’s loss exposures is that the one person ultimately responsible for risk management in a nonprofit almost always has many other responsibilities on which to focus. He or she can use all the thoughtful, responsible, yet imaginative help he or she can get for that first, vital step — identifying potential accidental losses. Second, all nonprofits — from small to large — can call on several more groups for fresh insights into its loss exposures than a for-profit can. In addition to their employees and board members, most nonprofits also have volunteers, contributors, and clients who can provide unusual (and therefore possibly especially valuable) insights into a potential loss.

Be selective when inviting those extra eyes and ears to put their minds to loss exposure identification. Ask the most level-headed, business-savvy, members of your varied constituencies to give their thoughts on loss exposures personally to the person on your nonprofit’s staff that is the most directly responsible for its risk management. Be sure to thank them for alerting the risk manager to their observations and suggested solutions, while making it clear that your “risk manager” is not obligated to respond to every suggestion anyone may have about a possible loss exposure. The person making the suggestion may have been mistaken, or the exposure may already be receiving risk management attention.

Although everyone associated with the nonprofit can’t be on a risk management committee, you can involve everyone in managing the safety of themselves and those around them. Encouraging people to pick up and properly dispose of the banana peel, alert the proper person that a light has burned out and needs replacing, or that the exit door has been blocked goes a long way to creating a risk management culture or mindset in your nonprofit.

Risk Patrol Deputies

Many times these extra eyes and minds are formally called a risk management committee or risk patrol deputies, because they manage by walking around. It’s worthwhile to offer these people some fundamental risk management notions about loss exposures to help them see both the individual loss exposures and how they fit into the bigger picture. For example, in thinking about the losses that any accident may impose on any organization, risk managers usually think about the 1) property (tangible and intangible), 2) personnel (employees and others), 3) liability (tort, contractual, and criminal), and 4) net income (reduced revenue and/or increased expense) losses that an accident may impose on an organization.

For any loss exposures or potential accidents they may suggest, ask your “risk patrol deputies” to consider how many of these four types of losses the exposure or accident may generate and how big these losses may be. The purpose is to get the deputies thinking as good risk managers do.

In closing, a note on our title, which was inspired by the 1960’s popular song, “The Night Has a Thousand Eyes.” Singer Bobby Vee senses the uncertainty of a romance at risk and although he has only his two eyes, his lover should not be romantically unfaithful to him overnight because their are a thousand eyes in the night that will discover this infidelity and reveal it to the singer. Like the singer, a risk manager has only his/her two eyes to spot potential loss until he/she employs those extra eyes of the risk management deputies, who potentially have a thousand eyes to find more of the whole truth about loss exposures.