

Near, Clear and Substantial



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Human beings are more generous with their time and money—and more willing to help victims who are in close proximity, with whom they feel a sense of kinship, and when they feel that their generosity will be more than a “drop in the bucket.” In contrast, we tend to be less generous when the cause involves distant, unfamiliar victims or a large group in need. These observations are among those in Dan Ariely’s new book, [The Upside of Irrationality](#). Ariely explains the factors—closeness, vividness and the “drop in the bucket effect”— as three separate issues, while explaining that they “often work in combination and it is not always clear which one is the main driving force.”

As I read [The Upside of Irrationality](#), it occurred to me that the same influences on human empathy also influence perceptions of risk in the nonprofit sector. During conversations with nonprofit leaders across the country I’ve observed that leaders seem to me more comfortable with: (1) risks that seem imminent, (2) exposures and losses they have experienced in the past, and (3) risk management strategies that promise a “substantial” payoff. Despite the fact that every nonprofit is exposed to mission-impacting events with which the organization has *no prior experience*, many leaders choose to focus their risk view and risk response framework on a dangerously narrow field of study. By looking at the close-up and familiar leaders may miss potentially devastating but unfamiliar risks that may be gaining speed and headed on a collision course with the nonprofit’s mission and survival.

Another downside of this too-narrow focus is the dogged commitment to the same-old, worn but un-working strategies and approaches. Examples include:

- The use of an antiquated application for paid or volunteer positions requesting information for which the nonprofit has no practical use;
- The use of a standard, one size fits all volunteer training program, despite evidence that the expectations, backgrounds, and skills of the volunteer workforce have changed over the years, or evidence that the training or orientation fails to adequately equip volunteers for their roles in the nonprofit;
- An undisciplined board agenda with discussion that continues until “there’s nothing left to talk about,” versus a pre-determined schedule that makes it clear the length of time allotted for key topics and the estimated time at which the meeting will adjourn;
- Reluctance to ask long-time donors to step up their support by providing greater support that will enable the nonprofit to break new ground in its service delivery.

In a highly personal chapter of [The Upside of Irrationality](#) Ariely examines biases in his personal life. The author explains “the status quo bias,” noting that “Generally speaking, we tend to want to keep things as they are; change is difficult and painful, and we’d rather not change anything if we can help it.”

Pointing out the price of this approach, he comments: “If we keep following our gut and common wisdom or doing what is easiest or most habitual just because, well, things have always been done that way, we will continue to make mistakes—resulting in a lot of time, effort, heartbreak, and money going down the same old (often wrong) rabbit holes. But if we learn to question ourselves and test our beliefs, we might actually discover when and how we are wrong and improve the ways we love, live, work, innovate, manage, and govern.”

Ariely’s observation about the lure of the habitual is provocative, timely and wonderful food for thought for risk managers and nonprofit leaders.

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