

The Tension Crushing the Soul of Risk Management



By Melanie Lockwood Herman

Executive Director

Resource Type: Risk eNews

Topic: General

The risk professionals with whom I have the pleasure of working are bright stars in the nonprofit universe. Without exception, the dedicated risk champions we meet—in consulting engagements, at the [Risk Summit](#), and in our Affiliate Member orbit—seek to contribute to the success of the missions and strategic priorities of their nonprofit employers.

Yet these dedicated, eternally optimistic and future-focused leaders often tell us they feel trapped in a tension that I believe is crushing the soul of risk management. When NRMC proposed, many years ago, that nonprofits set aside the historical negative spin on risk, we saw nods of agreement and words signalling a tentative commitment to understand risk more expansively. More recently, as we have tried to describe risks simply, as *possibilities*, we sense gratitude for a one-word, universally understood definition.

But over time, many risk leaders have told us that while *they* embrace and tout an expansive view of risk they too often feel relegated to the narrow world of policies, procedures, accountability, and compliance. And while they work to champion the idea that risks are possibilities, they are reminded, time and time again, to focus on ‘what could go wrong’ and asked to compile and display their findings in never-ending risk registers and useless heat maps.

Risk leaders are engaged in a noble battle for the soul of the risk management discipline. The battle pits the desire to support big bets that could propel a mission forward against the familiar expectation of operational risk management: reducing the likelihood of events and circumstances that could negatively impact a nonprofit’s mission. Many battle-worn risk managers feel corralled into a narrow focus, such as “reducing the cost of insurance” or “reducing lost work time in the wake of workers comp claims.”

In Chapter 10 of *Certain Uncertainty*, Wendy K. Smith and Marianne W. Lewis refer to the common “tugs-of-war between irresolvable competing demands” reported in a study of CEOs. They cite familiar tensions, such as:

- adapting to change versus staying focused on the organization’s core mission
- focusing on short-term targets versus planning for the long term
- ensuring a stronger bottom line versus addressing social concerns
- doing what’s best for the organization overall versus what’s best for the organization’s workforce

Nonprofit risk professionals experience near constant tugs-of-war and challenging tensions. These include:

- The belief that risk awareness and effective risk management creates a runway for mission success, versus the common view that risk management is narrowly focused on reducing loss (including its likelihood and negative impacts)
- The desire to think about risks as possibilities—future events with a variety of outcomes—versus the prevailing view that risks = losses, or worse, risks = insurable losses
- The commitment to be a resource to executive management and board teams while being excluded or shielded from conversations about existential threats and risks arising from strategic decisions
- The desire to define future possibilities specifically versus the tendency to cite vague words and concepts such as “reputation” and “cybersecurity” as examples of “top risks”
- Recognition that some of the nonprofit’s current policies, practices and training are unnecessarily convoluted and cumbersome versus the expectation that a risk leader should add additional content to these already excessive practices

Finding a Light in Your Tunnel

There is no simple formula, algorithm, or exercise we can use to wrestle with the tensions in the risk management discipline. Each of us must continue to seek the glimmers of light and opportunity that will help us reach the other side. If you’re grappling with these tensions, I encourage you to:

- **Lean on trusted colleagues, inside and outside your organization, for their ideas and insights.** The perspective of a colleague might help you see the issue from a different angle, or understand the push-back from another perspective. If no one comes to mind, remember the NRMCM team is available and excited to support you.
- **Focus on asking better questions rather than resolving to have all the answers.** Many risk professionals wrongly believe that they should know the answers to every question posed about risk, liability, insurance and more. Nothing could be further from the truth. Our real role is to help the person asking the question to uncover the answer. Remember that humans prefer the solutions they landed on versus those handed to them by someone else. Some of my favorite questions include: How would that work, exactly? What are some possible contingency options? What are the best and possible worst outcomes? Whose perspective on this would differ from the plan? Who would strongly oppose this approach?
- **Seize opportunities to be at the table.** Do you dread attending yet another meeting where your purpose and potential contributions are unclear? Remember that you might be able to inspire and spark new risk connections during a meeting where risk isn’t an agenda item. When you listen in earnest to others discussing their exciting plans, you may have a question or two. Those questions could lead to ideas about how to inject resiliency and contingency planning into a project and increase its chances of success.

Reflecting on these tensions may bring the sense that you and your nonprofit’s leadership, or you and your board, want very different things. That’s a discouraging feeling. When that happens, remind yourself that deep down, all of you want the same outcome: a wildly successful mission. Tough conversations about risk are simply part of the process of getting there.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She recently returned from vacation where she grappled daily with whether to continue trekking on foot to another modern art museum or patiently wait for a “hop-on-hop-off” bus. She welcomes your comments and questions about the tensions in the risk management discipline at Melanie@nonprofitrisk.org or 703-777-3504.

