

7 Techniques to Reimagine Your Relationship with Risk



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In just over a week, clocks around the world will strike midnight, and risk professionals will be opening the door to another year of risks. There will be good and bad surprises we never envisioned, the arrival of future professional friends we haven't met yet, and the inevitable departures of close colleagues we hoped would never leave. But despite the promise and publicity surrounding a 'new normal,' the beginning of a New Year doesn't offer you, or your organization, a clean slate. Instead, we will carry baggage stuffed with mistakes and misgivings from 2020, all while trying to acclimate to a new set of circumstances that only the most imaginative and resilient leaders will welcome.

This week I've been reading *10 Lessons for a Post Pandemic World* by Fareed Zakaria. In addition to soaking up the wisdom and 'ah-ha' moments in the book, I've been reflecting on how Zakaria's timely lessons for a post-pandemic world relate and translate to risk functions in the nonprofit sector. While reading this book, I realized that to embrace optimism about the value a risk team or risk function contributes to mission success, we need to address the ineffective approaches and practices weighing us down.

1. Start small to make a big impact.

In the introductory chapter to *10 Lessons*, Zakaria states that "We are often advised to think big. But maybe we need to start thinking small." He's referring to a tiny microbe that caused the COVID-19 pandemic, a "viral speck" that may "cause the greatest economic, political, and social damage to human kind since World War II."

Applying this focus to the risk function, many newly minted risk champions begin their tenures by vowing to capture—generally in an unwieldy Excel file—a comprehensive list of all of the risks facing their organization. Once collected, the risks must be ranked and sorted! But then what? When risk leaders ask my team, "Can you help us figure out how our risk management efforts stopped soaring and wound up stalled?" we immediately look for evidence of a pledge or BHAG related to unearthing every risk there ever would be. It's not only impossible to do that; it's a complete waste of time. Instead, the first step a new risk leader should take is to identify ONE THING or perhaps a trio of things that the organization can do to build resilience in the face of uncertainty. That's it.

2. Build resilience before risk overwhelms.

Zakaria reflects that although “it may seem that our world is terribly fragile,” in truth, it is not. He explains that “We have gone through extraordinary change at breathtaking pace. . . Human beings and our societies are amazingly innovative and resourceful. This planet is awe-inspiringly resilient. But we have to recognize the ever-greater risks we are taking and act to mitigate them. Modern human development has occurred on a scale and at a speed with no precedent. The global system that we are living in is open and dynamic, which means it has few buffers. That produces great benefits but also vulnerabilities. We have to adjust to the reality of ever-increasing instability—now.”

I’ve adapted Zakaria’s resilience prescription for countries and societies into one that could be a mantra for future-focused nonprofit risk leaders and risk teams. First, resolve to be more conscious of the risks we face. Increasing awareness necessitates thinking about risk in a nuanced way; any significant future event or decision with potentially serious consequences for your agency cannot be ‘managed’ by decree. Second, prepare for inevitable dangers. Disruptive events and poor decisions will happen to well-managed (and poorly managed) organizations. Preparation is fundamental to keeping the mission and the team safe in the long term. Finally, equip and fortify your organization to be resilient. Zakaria writes that we “should be able not only to withstand shocks and backlashes, but learn from them.”

3. Banish complacency.

The NRMC team has over two decades of experience leading risk consulting engagements with complex nonprofit organizations. We have heard countless times that “Nothing bad has ever happened; none of the biggest risks have materialized.” However, I don’t recall hearing that sentiment in 2020! Zakaria writes that ‘complacency’ is among the disastrous effects of dominating a market, a sub-sector, or a world economy.

My hunch is that dominance and mission success has led many nonprofit risk teams to become complacent. With far fewer leaders questioning whether ‘risk’ deserves a ‘seat at the table,’ have we become dangerously self-assured about the value of what we do? The risk function has emerged from the shadows, and gone are the days when it was perceived as an unaffordable luxury in a nonprofit. Unless the risk function is actively helping your organization take bold risks to advance your mission, is it worth the real estate, time, and funds the function consumes?

4. Share, don’t hide, bad news, and reviews.

Too many organizations continue to keep risk assessments under wraps, risk conversations behind password-protected Zoom walls, and risk leaders are too often sworn to secrecy. Zakaria notes that “. . .the Nobel-Prize-winning economist Amartya Sen found that democracies tend to respond to famines better than dictatorships do, because the key to preventing their spread is the free flow of information.”

The NRMC team believes that a similar rule of thumb applies to risk: letting information and insights flow about downside risks you’ve already experienced and shining a light on fears about future events and critical decisions will help ensure a risk-aware frame. Remember that talking about risk doesn’t increase the likelihood that downside risks will materialize. Instead, it creates an environment where actions can be considered and taken to build resilience.

5. Make the Risk Function an innovation hub, not a vetocracy.

Zakaria writes about how America has become a “vetocracy.” He explains that “The system of checks and balances, replicated at every level of government, ensures that someone, somewhere can always block any positive action. The United States has become a nation of naysayers.” Has your risk function become a ‘nation’ of naysayers? If that criticism is valid, ask: ‘What can I do differently in 2021 to help the team take bold risks to advance our mission?’ and ‘Why do I fear the bold risk-taking necessary to make an even more significant impact in 2021?’

6. Take an Art—and Science—lesson.

You've probably heard, and possibly repeated, the expression that 'risk management is art, not science.' I've thought about our discipline that way for many years. But reading *10 Lessons* made me reevaluate that assertion. In "Lesson 4: Listen to the Experts," Zakaria writes, "We tend to think of science as providing a single, definitive answer, but that isn't really how it works. Science is, above all, a method of inquiry, a process of posing questions and rigorously testing new hypotheses. With new and better data, we arrive at new and better conclusions." That describes risk management perfectly! Risk champions must pose questions and test new theories. For example: what are the most effective ways to keep clients and colleagues safe? How can we ensure that decisions are aligned with our changing risk appetite? Can we improve the quality of decisions by applying a risk frame?

7. Build a mosaic, not consensus.

In the chapter on the rise of cities and their resilience, Zakaria cites urban theorist Jane Jacobs' work and commentary, explaining that diversity was the essence of what Jacobs "loved about cities." Jacobs said, "Genuine, rich diversity of the built environment is always the product of many, many different minds, and at its richest is also the product of different periods of time with their different aims and fashions." To Jacobs, diversity—and the opportunity to "see the world through different eyes"—is what draws people to cities. Jacobs characterized cities as mosaics where "each piece of the mosaic helps compose the overall picture, but each piece nevertheless has an identity of its own."

This reflection is wonderfully applicable to risk management and nonprofit management. We must protect and value differences of opinion and varying approaches, versus expecting team members with different world views and life experiences to quiet those differences to fit in. Risk teams that appreciate and celebrate differences have the best chances of seeing the full spectrum of options and strategies to build resilience; teams that rush to reach consensus lose out on valuable creativity and innovation that might be stifled under sameness.

Sound risk practice commands leaders to continually evaluate emerging risks, evolving uncertainties, and the always shifting, complex risk landscape. The ever-changing world we live in is full of surprises and opportunities that no one can predict with certainty. So too should organizations and risk leaders continually strive to refine, refocus, and perhaps redefine the very purpose and nature of the organization's risk function. Are team members inspired to act on bold opportunities? Does the organization seek out diverse perspectives about daunting challenges and opportunities? Do we regularly ask the kinds of questions that lead us to vet opportunities without squashing ambition and entrepreneurial solutions? The NRMC team hopes that you will find inspiration to re-ignite the flames of bold risk-taking and reflective risk practice at your organization!

Melanie Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your questions about re-igniting and reimagining the risk function in your organization at Melanie@nonprofitrisk.org or 703.777.3504.