

Applying a Risk-Aware Frame to Your Nonprofit's Most Impactful Decisions

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Many nonprofit leaders might not think about risk until a board member or committee asks them to or an unanticipated development or event disrupts operations. A risk-aware approach can help your nonprofit make better decisions in all aspects of its work. Bringing a risk lens to your work doesn't have to be taxing or complex. Here are some simple approaches to consider risk in your nonprofit's big decisions.

Establish your organization's risk appetite. How much risk is your leadership team willing to take for the mission? What kinds of risks will leaders accept and reject as they pursue the organization's strategic priorities? What risks are good bets for the organization? What decisions or actions are bad bets? Lead your team in a discussion of these issues. Your organization's risk appetite will likely evolve over time, and likely vary based on the type of decision (e.g., client safety versus financial growth). Making it comfortable to discuss, debate and reconcile differences in risk appetite is time well spent. Over time, as risk appetite becomes a familiar topic, decisions will be easier to weigh.

Define and understand the problem you need to solve with a decision.

- What do you hope to achieve with this decision?
- Do you have all the information you need?
- What are the potential (and actual) effects of the situation you want to address? How likely are they to occur?
- What are the potential unintended consequences of the decision?
- Who and what may be affected by your decision?

Identify and evaluate your decision options. Test your assumptions about the potential solutions. Ask a diverse group of people: What would it look like if this solution worked beyond our wildest dreams? What would it look like if this solution failed completely? How prepared are we to meet the consequences of either of these outcomes? What must we do to be better prepared?

Watch out for biases. Some common biases in decision-making include:

- Confirmation bias: people are more likely to believe things that fit with their existing perceptions, which are shaped by their lens on the world (gender, race, class status, etc.)
- Recency bias: people gravitate toward the idea most recently offered
- Primacy or anchoring bias: people tend to remember the first idea they hear on a topic
- False consensus bias: you believe the majority of people share your values and ideas
- Optimism bias: underestimating the likelihood of a disruptive event or its consequences

Solicit a variety of perspectives. Groupthink presents one of the biggest risks most organizations face. When a decision will impact the community you serve, invite perspectives and ideas from that community. Before increasing sponsorship tiers, reach out to your top sponsors for feedback and insights. If a decision will impact your frontline team, invite frontline employees to the table to share their thoughts on the decision and options. When you invite affected people to weigh in before a decision is made and sincerely consider what you

hear, you will cultivate priceless buy-in for the eventual outcome.

Solicit dissenting opinions and explore them thoroughly. Make sure you consider all credible alternatives. Seek information that might disprove the favored solution. This will help combat the biases noted above.

Know your data. Double-check sources for the projections and figures that support your preferred solution. Make sure you know which numbers are facts, and which are estimates. Separate what you know from assumptions and aspirations. Acknowledge what you don't know.

Get prepared. Ask your team what you can do today to be more prepared if the potential opportunities and challenges you identified arise. Then ask what those preparation efforts might cost in time and money, and which ones are worth the effort.

Accept the possibility of failure. Any new endeavor could go awry. Prepare yourself and your team for that. If you've received meaningful input from a variety of people, including community members and frontline employees, and chosen your best course of action, commit to see it through as best you can.

Be willing to change your mind. New information may arise after you make your decision. If your team vets the information and believes you should change course, don't hesitate. Adapting to your environment is part of being risk-aware, and knowing when to do it will come more naturally with time.