Back to Basics: Effective Risk Management May Require Culture Change

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When nonprofit leaders reach out to the NRMC for advice on weaving risk management into the fabric of their organizations they often assume that what's missing is a long list of policies. While adding new or updating existing policies may be in order, a bigger-picture issue almost always requires more immediate focus. That issue is the *culture* of the nonprofit, which may be either receptive or hostile to risk management. And, while culture change is a long term effort, starting as soon as possible will lend credence to everything else that follows.

In the NRMC's forthcoming book, *Ready…or Not: A Risk Management Guide for Nonprofit Executives*, we explore the idea of "culture change" as essential to effective risk management. Unfortunately, the culture in a nonprofit may create disincentives to risk taking and sound risk management. Examples of these subtle but potentially damaging disincentives are found in the following questions:

- Does your nonprofit reward staff who "go out on limb" or celebrate those who act as expected and required by working to meet, but not necessarily to exceed, the minimum duties contained in their job descriptions?
- Does your nonprofit encourage staff and volunteers to "own up" to their mistakes, or does the "tone at the top" lead personnel to cover up, hide out or point the blame at colleagues?
- Do the Board and CEO model the values of admitting mistakes, acknowledging incorrect assumptions and accepting personal responsibility for errors?

What type of culture is required to foster thoughtful risk-taking, enlightened risk awareness and inspired risk management?

One example of an environment where risk management can flourish is what I call the *culture of reflection*. A nonprofit that has embraced a culture of reflection is committed, organization-wide, to examining with care events that go contrary to the nonprofit's plans. When someone is hurt instead of helped while participating in a social services program, the team members of that program insist on a careful review to determine "what went wrong." The mid-level manager who witnesses a near miss, such as a minor accident involving a client that could have been more serious, steps forward to seek help determining how the accident could have been prevented altogether. The bookkeeper who tries to cover her tracks after discovering an error she made in entering payables is quickly caught and told that reporting mistakes is valued and covering them up is not. Nonprofits that demonstrate a *culture of reflection* are in the strongest possible position to avoid future mishaps and focus full attention on mission-critical activities.

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