Nonprofit Risk Management Center

Dangerous Risk Management Myths and Untruths

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Each year as the July 4th holiday approaches, fireworks stands start popping up in shopping center parking lots here in Leesburg, VA. These seasonal sales operations come and go. In our work with nonprofit sector and insurance industry leaders, we frequently encounter myths and misconceptions. While some myths come and go with the times, others seem to stick! Like fireworks in the hands of a child or inattentive adult, some myths offer no entertainment value and do a lot more harm than good.

Risk Management Myths

1. **The goal of risk management is to minimize risk.** We've heard it and read it countless times: that risk management is ultimately about minimizing risk. We disagree! Mission-driven nonprofits must take risks to bring their missions to life. Our biggest beef with the clients we advise? Many organizations don't take enough risks.
2. **Buying insurance = managing risk**. Purchasing commercial insurance coverage for your nonprofit may be an appropriate strategy for financing your insurable exposures. But doing so simply isn't the same as managing risk, or managing your nonprofit in a world of continuing uncertainty. If your risk management program is limited to purchasing insurance, reflect on the policies, training and support that could prevent insurable–and uninsurable–risks from materializing in the first place.
3. **Only large nonprofits can afford to manage risk.** Although the clients of our consulting practice tend to be large nonprofits, many small and mid-sized agencies evolve their risk management capacities, too. Organizations of all sizes and missions use our web applications and participate in our Affiliate Membership to enjoy free access to more than 125 recorded educational webinars. The key is to figure out where you are today, and what your long-term vision and goals are for your risk management function. If you want to grow and evolve, we can help.

Untruths about Risk Managers

Over the years we have heard a lot of unfair and untrue statements about the role of risk manager. Three of the most common untruths are described below.

1. **Risk managers are professional wet blankets**. A workshop attendee once told me that the nickname for his nonprofit's risk manager was "Director of No." Many people fear that risk managers are "dream crushers" who predictably repeat phrases such as "No, we can't do that!" or "That's out of the question!" A savvy, effective risk manager should be a go-to resource who helps peers figure out how to protect vital

assets while bringing new programs online.

2. **A good risk manager predicts the future**. Expecting your risk manager or risk champion to be a fortune teller will lead to unhappy results. We've yet to meet a risk manager skilled at predicting the future. The job of the risk manager isn't to predict the future; he or she should help the leadership team anticipate a variety of outcomes and plan accordingly.
3. **A competent risk manager can tackle big and small exposures single-handed**. Many nonprofit sector leaders wrongly believe that hiring a dedicated or full-time risk manager lets others off the hook. That just isn't true. Even the most effective risk manager needs support from peers, superiors and subordinates to develop and sustain a comprehensive risk management program.

If your organization is an Affiliate Member, learn more information on the qualities and characteristics of a proficient risk manager, check out our webinar on Risk Champions in the webinar vault.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your comments about risk management myths and your questions about NRMC services at Melanie@nonprofitrisk.org or 703.777.3504.