

Focus on Residual Resilience, Not Residual Risks



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What value does your organization derive from risk management? Controlling specific financial losses and harm? Or cultivating a capacity for resilience no matter what losses or liability might arise?

Risk management often looks at singular risks inside a vacuum, determining why each risk is bad, how bad, and what to do to make it less bad.

We no longer focus on that at NRMC. That would be inputting a lot of effort to create an equivalent one-time output, which, according to *Effortless* author Greg McKeown, is a linear result. By seeking linear results, we lose opportunities to cultivate residual results. This approach requires more up-front effort but also delivers greater value by producing desired results repeatedly.

As we know it, the discipline of risk management perpetuates a vicious cycle of pursuing linear results:

1. Identify a risk.
2. Employ a rating system to determine how harmful the risk might be to your mission.
3. Enact a risk mitigation initiative to reduce the potential for harm.
4. Rate the risk again to determine potential residual effects on your team.
5. Follow these same steps again and again and again for all the risks you identify.
6. Never stop!

In this case, the linear result is the residual risk rating achieved in step #4. This rating—an arbitrary snapshot-in-time—aims to capture the impact of *uncertainty* itself. This rating aspires to capture that which is inherently unknowable. And it fails to capture any indication of the additional benefits we gained from doing risk management – if anything.

In conventional risk management, we contribute the same inputs repeatedly to gain the same linear results. We do not deviate. We obsess with snapshot-in-time ratings of risks, which fail to describe whether we're gaining any more value from risk management than the same linear results that we've always produced. Some risk professionals jokingly refer to this as “enterprise *list* management.”

We believe nonprofit leaders can derive far greater value from the discipline of list risk management if we approach things a little differently.

In *Effortless*, Greg McKeown urges readers to reap residual benefits by using leverage to “effortlessly achieve a result again and again” rather than “achieving a result once through intense effort.” McKeown shares examples

of notable people throughout history who themselves reaped residual benefits from their actions or who learned to leverage what was once a linear process into a self-perpetuating system of residual benefits.

You can look at human health in the same way. If you're in pain, you can take linear, repeated action each day to address pain by taking pain medication. The medication makes the pain go away, but only for a time. You must continue taking medicine to sustain relief. However, in some cases, you can address the underlying cause of the pain, perhaps requiring far greater effort but hopefully producing the far more valuable result of healing chronic pain and never again needing pain medication. Risk ratings, risk registers, and most conventional risk management tools and processes treat risk as a symptom while failing to heal or empower the organization itself.

What would it look like if risk management produced residual results instead of linear results? How can we heal an organization instead of endlessly medicating its risks?

McKeown emphasizes leveraging specific ways of learning and types of knowledge necessary to achieve residual results. Here are a few examples that offer lessons for nonprofit risk professionals:

1. Physicist Isaac Newton = Focus on Fundamentals

Newton's *Principia* codified the foundational principles of physics, which later paved the way for people to invent cars, planes, and spaceships. McKeown argues that knowledge of fundamental principles is more valuable than methodical knowledge because no method works well without being grounded in principle. That's why NRMC teaches ERM principles and philosophies that can be adapted by any organization in any context, rather than selling the same step-by-step model of "how to do ERM" to every client.

2. Investor Charlie Munger = Mastery of Connection

Munger's success as vice chairman of Berkshire Hathaway might be attributed to his search for "worldly wisdom" and absorbing expert insights from many disciplines. While other investors become experts in investing, Munger applies expert knowledge from any discipline to make better investment decisions. Similarly, viewing risks as part of a system—rather than as individual issues—opens space for cultivating organizational resilience instead of managing a list of potential problems. Employing a systems perspective also requires a team to invite various internal subject-matter experts to share their insights, providing a richer understanding of an organization's resilience and risk landscape. Connecting the dots between risks enables teams to arrive at better-informed decisions.

3. Olympic high jumper Dick Fosbury = Uniqueness is Useful

A once-maligned civil engineering student, now celebrated athlete, Dick Fosbury used his knowledge of engineering to craft a new high jump technique that won him the gold medal—against everyone's expectations—during the 1968 Summer Olympics in Mexico. Building upon convention and what other athletes already excelled at, Fosbury challenged and disrupted high jumping so successfully that every Olympic jumper after him has used his method. Lack of experimentation equates with stagnancy. Cultivating your team's unique knowledge and strengths can unlock your spirit of invention. Experimentation might sometimes fail, yes, but it has equal potential to produce the next great innovation in risk management.

4. BONUS: Melanie's father, Tony Lockwood = Lever-up for Learning

While not highlighted in *Effortless*, Melanie's father, Tony Lockwood, was a superstar in his own right. Using levers instead of brute strength in his basement workshop (fondly known as "The Bat Cave" to the British motorcycle enthusiasts who regularly gathered there for wrenching and to hear first-hand accounts of the [IOMTT](#)), Tony overcame the physical setbacks of age by streamlining his work. Don't make the risk management process more cumbersome than it needs to be. Conserve energy for actual crisis events that require your undivided attention. Don't complicate your risk management framework to the detriment of your team's resilience.

We should not gauge risk management success by determining residual risk scores for individual risks. Instead, we should measure success by determining our team's resilience against uncertainty (the entire realm of all

possible risks!). Perhaps better-termed *risk resilience* than risk management, the residual result we're aiming for is an enhanced capacity to adapt, bounce back stronger, and continue delivering on a mission despite the unpredictability of life.

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Additional Reading to Develop Residual Results

- "[Book Smart, Part 2: "Ah-Ha" Moments from a Year of Reading Well](#)," RISK eNews
- "[The Resilience Mindset: 7 Musts if Your Mission Matters](#)," RISK eNews
- "[Designing a Durable, Doable Risk Management Function & Capability](#)," *Risk Management Essentials*, vol. 26, no. 1 – Spring 2017