

Uncertainty: A New Formula for Crisis



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There is a widely held and often repeated chestnut of Far Eastern wisdom that the Chinese word for “crisis” is composed of two seemingly opposite but complimentary characters. Maybe you’ve heard this one?

It’s a gnomic gem that is particularly popular among executives and motivational speakers. The adage came into wide circulation after a speech in 1959 by John F. Kennedy, where he formulated it this way, “When written in Chinese, the word ‘crisis’ is composed of two characters—one represents danger and one represents opportunity.” He went on to speak of a technological threat from the launch of Sputnik by the Soviets, making their tiny satellite into a potent symbol for moving the U.S. toward opportunities in space. By July of 1969, an American was walking on the moon.

The Sinologist Victor H. Mair, Professor of Chinese Language and Literature at the University of Pennsylvania, has set the record straight. In a forthright piece on how misunderstanding the Chinese characters has led so many to enshrine this trope in their arsenal of ancient Chinese sagacity, he wrote: “A whole industry of pundits and therapists has grown up around this one grossly inaccurate statement . . . It appears, often complete with Chinese characters, on the covers of books, on advertisements for seminars, on expensive courses for “thinking outside of the box,” and practically everywhere one turns in the world of quick-buck business, pop psychology, and orientalist hocus-pocus. This catchy expression (Crisis = Danger + Opportunity) has rapidly become nearly as ubiquitous as *The Tao of Pooh* and Sun Zi’s *Art of War*.”

Professor Mair goes on to dissect the morphology of the Chinese characters, and misconception in the formulation, one which almost seems to welcome crises and instability from which to benefit, rather than avoid chaos in the first place, “Adopting a feel-good attitude toward adversity may not be the most rational, realistic approach to its solution.”

Sharpening The Old Saw

So, was JFK mistaken? For those who have used the (Crisis = Danger + Opportunity) meme, fear not. The maxim is, nevertheless, sound and useful as a risk-reward illustration, if we tweak it a bit.

First, let’s replace the word “crisis” with “uncertainty.” After all, uncertainty is what defines the discipline of risk management, and what keeps it relevant. Our formula fine-tunes and reverses the equation, where crisis is not the result (managing uncertainty = taking the right risks for the organization at desired levels + balancing the opportunities on the upside and the potential for harm on the downside).

It's essential that nonprofit leaders take on enough risk. Given that you're currently reading an article by NRMCC, we're certain you have heard this from us before. Narrowly focusing on avoiding or minimizing risk may cause the organization to fail or miss opportunities to make a difference.

Next, let's acknowledge what the maxim is attempting to communicate. Nonprofit risk leaders know that the risk landscape surrounding their organizations is dynamic and in a state of constant change. Integrating risk-aware thinking and decision making into day-to-day operations and strategic planning should be a priority. When uncertainty is considered in a systematic and disciplined way, the quality of our decisions and results will improve.

Appetite For Change

In our book, [World-Class Risk Management for Nonprofits](#) we've laid out several ways in which to manage and even embrace uncertainty, so that it doesn't devolve into chaos. Among these are a few acknowledgments:

- We need to acknowledge the possibility that our understanding of our environment is flawed if it does not incorporate change and allow us to evolve.
- We need to manage the possibility that, even if we understand our environment, we may not select the best objectives and strategies—we can't know the outcomes in advance.
- We need to manage risks to the achievement of the organization's objectives and strategies; we strengthen our risk management by ensuring that risk awareness and responsibility are dispersed across the organization.

Uncertainty, like risk, is neither inherently good nor inherently bad, but a neutral reality, a fact of life in which we seek opportunity for good. Defining your nonprofit's risk appetite enables decision makers across the organization to take risks that align with the level of risk deemed acceptable by the board and senior management.

Translating Threats Into Rewards

Finally, let's redefine the complimentary connection between danger and opportunity. Both simply point to multiple consequences, affecting multiple objectives within an organization. Those consequences will be a complicated mixture of positive and negative, depending on the effect on your nonprofit's objectives. Danger is the risk we associate with *change*, and opportunity is the enhanced *upside of change*.

We need to gut-check our decisions against our organization's risk appetite. When aligned with the accepted risk appetite of our organization, a team member's decisions should: feel right; be aligned with the nonprofit's mission and culture; represent good stewardship of resources; and support progress toward achieving strategic goals.

There isn't any agreement on what the word risk means for everyone, or what threat level will trigger uncertainty. That will depend upon your particular organization. The goal is to be the harbinger and facilitator for change, while making risk-aware decisions.

So, JFK was correct, even if his Chinese wasn't. Risk managers never miss an opportunity to manage uncertainty, and redefine crisis as change, in any language.