

Take a Hike! (around Your Risk Landscape)



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“Seek to understand your context better. Things that are out of place in a context bear closer inspection.”

– Karl E. Weick & Kathleen M. Sutcliffe, *Managing the Unexpected*

Environmental, climate, and weather-related risks often occupy prominent positions on the risk lists at nonprofit organizations. The NRMC team refers to these as “external” risks, risks that inspire contingency plans because no organization is equipped to avoid them entirely. When external risk events manifest, often the response is activating a portion of an organization’s business continuity plan (BCP). And while focusing on environment-related risks is advisable, don’t forget to tune into factors and circumstances that are arguably more important than your risks—your context or *risk landscape*.

As activists and enthusiasts around the world prepare to observe Earth Day, our team has been reflecting on the importance of exploring and working to understand and appreciate a nonprofit’s risk landscape. In our experience, this part of a risk management program is essential to coping with the inevitable uncertainty an organization faces and embraces. And as Jim Collins and Morten Hansen artfully explain, “Successful organizations aren’t better at predicting the future. Instead, they were the ones who acknowledged they could not predict the unexpected and therefore prepared better.”

Risk leaders should strive to develop and monitor features that exist in their risk landscape continuously. Consider using the exercise below to identify landscape features and note which features have the potential to change rapidly and without warning and which have a much slower evolution. Appreciating this aspect will help your organization allocate resources for monitoring risk landscape changes more effectively.

Ask This!

To identify the relevant, prominent features in your nonprofit’s risk landscape, ask:

1. What circumstances or conditions exist around us and impact us in *general* ways? (e.g., economic conditions, changing demographics in our community, etc.)
2. What circumstances beyond our control impact us (or potentially impact us) in *specific* ways? (e.g., a declining number of people entering the nursing profession—relevant to a health care nonprofit, declining interest by foundations in funding missions like ours, etc.)
3. What subtle changes or trends have emerged recently that will likely impact how we provide services to

our community? (e.g., a social services agency notices that a decline in the availability of third-party services has caused less stability and a greater burden for their program participants.)

And Do This

To metaphorically “tour” your risk landscape:

1. Create a simple grid with four columns and one row for each landscape feature you have identified.
2. Bring a diverse team together to discuss the landscape features in your grid.
3. Work as a team to populate your grid with additional information and insights about the prominent features in your risk landscape.

Feature in our Risk Landscape	What We Know	Change Speed (Rapid, Moderate, Slow)	What We Need to Know, Monitor, or Decide
Declining population in our area = decreasing pool of prospective employees	Economic opportunities in the community have declined since XYZ Company closed.	Rapid (but stabilizing)	We need to decide whether some of our positions can be capably filled by team members based outside our geographic area. We need to monitor agency rulemaking to make sure we have as much warning as possible about new regulations.
New regulations that will increase our compliance obligations and costs	New regulations are coming!	Slow (changes rely on legislative action during a short legislative session)	We need to research the range of compliance changes that are being considered and the different approaches to address them (e.g., hiring a compliance manager, working with a consultant, etc.). We need to define our risk appetite concerning compliance (e.g., for compliance risks with significant financial penalties, we are willing to spend unbudgeted \$\$ to ensure compliance).
Clarion call to elevate DEI issues and take bold action to use an equity lens in all aspects of our structure and services	Equity and equality have different meanings. Members of our staff and clientele have raised concerns about data equity and want greater transparency around who is invited to the decision-making table.	Rapid (inequity has existed for a long time, but the frustration to address it has built to a crescendo)	We need to learn as much as we can about using an equity lens in decision-making that impacts the people who serve and the people we serve. We need to measure and report on staff and client perceptions about our progress in meeting our diversity, equity, and inclusion goals. We must adopt an equity lens and teach team members across the organization how to apply it to everyday—as well as significant—decisions.

Be a Grounded, Humble Leader

In *Think Again*, Adam Grant writes that “As I’ve studied the process of rethinking, I’ve found that it often unfolds in a cycle. It starts with intellectual humility—knowing what we don’t know... If knowledge is power, knowing what we don’t know is wisdom.” Throughout the pandemic, humility has been cited and lifted up as an indispensable trait for leaders. Risk leaders, perhaps especially, must be humble to be effective. No matter how long you have served as a subject matter expert or trusted advisor, your knowledge of what’s possible in this world is limited to your life’s experience, insights from your education and training, and the boundaries of your imagination.

The universe of future, potential events, and circumstances is simply too vast for any of us to master. Adam Grant brings us back to earth by reminding us of the origin of the word humility. “One of the Latin roots of humility means “from the earth,” he explains. “It’s about being grounded—recognizing that we’re flawed and fallible.” Flawed and fallible as we may be, risk leaders must draw on our optimism, deep belief in the missions we are employed to advance, and recognize that our ultimate impact as leaders is how we inspire and support others. That unique combination of qualities is a recipe for ‘confident humility,’ which Grant reminds us is the belief in our goals and purpose, tempered by the humility to recognize that we might not be using the right tools or approaches in the present.

The successful risk leader examines and evaluates the organizational risk landscape with confident humility—seeking diverse perspectives, deferring to subject matter experts, admitting when they are wrong or

simply 'don't know,' and recommending regular course corrections that support the risk-taking fundamental to achieving a nonprofit's purpose and mission.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your feedback on this article and your questions about appreciating risk landscapes at 703.777.3504 or Melanie@nonprofitrisk.org.