

Stepping Around or Stepping Up?



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Resource Type: Articles

Topic: General

Coping with difficult risk management issues

Recently, my newspaper in San Antonio — and many others across the nation — carried an article¹ with a startling headline: “Body lay in kitchen for 2 years.” The headline compelled me to read the short news item. The story reported that an elderly woman in California had fallen in her kitchen in mid-2003, died a couple of weeks later of her injuries, and was not found until March 2005. That sounded plausible, especially if the person lived alone and had no close neighbors. But that wasn’t the case here. As it turns out the woman’s son and husband had just stepped around her body and continued to use the kitchen for all that time. The situation was investigated only after a neighbor reported not seeing the woman in about a year. I shook my head at those images and then went on with my work.

That article did not go away so easily, however. The more I thought about that particular situation, the more I believed it could be a metaphor for many situations. Then I began to think about risk management in nonprofit organizations. Nonprofits have become increasingly skilled at identifying and managing obvious risks. And slowly but surely we’re getting more astute at recognizing subtle risks. But are there times when we step around delicate or difficult risk management issues? Some of the situations that immediately came to mind were:

“Every time we fail to take responsible action about people issues, property challenges, financial issues, or maintaining goodwill, we are just stepping over that body in our own kitchen. If something doesn’t change, someone from outside is going to realize that something has been missing for several years and will make a report that requires follow up and action.”

- **People issues**

Every nonprofit has a stack of rules (often collected in the form of an Employee Handbook or Volunteer Handbook) that describe key policies. But many organization leaders avoid confronting the issue of an employee (or volunteer) who isn’t performing as expected and needed. Consider the situation where everyone knows that an employee’s work is substandard, but management fails to take action.

- Sally is always the last to arrive and the first to leave each work day. She is personable and can find hundreds of things to do to help her colleagues, but when it comes to doing her own work, some things never seem to get done on time. The accounting reports take extra time since she

doesn't know how to use the software properly. Her process for getting materials ready for a board meeting is frustrating for management and the outcome isn't always accurate.

- Jim is a willing volunteer and always wants to be part of anything the organization's doing. He seems to be related to some major donors in some way. The problem is that whenever Jim's involved in an activity, the volunteer director can count on spending a lot of time soothing hurt feelings of other volunteers — and trying to keep Jim focused on what he's supposed to be doing.

- **Property issues**

Nonprofit leaders understand that facilities and equipment make it possible to deliver mission-critical services. Yet some organizations fail to implement policies and procedures to safeguard the physical resources necessary for service delivery. "We don't need any more rules!" or words to that effect, are heard throughout agencies. It would be refreshing to operate in an environment where everyone knows intuitively what to do and how to do it. That, unfortunately, is not the case.

- The agency has several vehicles to be used for business purposes — going to health fairs, taking supplies to shelters, and handling all the routine day-to-day transportation activities. Keys are in a box on the receptionist's desk and easily accessed. There is no process for verifying that drivers are licensed or have good driving records and there is no checkout process for the vehicles. One day, the executive director is involved in a serious accident in a car that was scheduled for maintenance. After an investigation, it is learned that he has been cited for reckless driving several times in the past few months.
- The agency has a nice facility except for one thing — the roof leaks almost every time it rains. The solution has been to put buckets under the leaks and make sure the floor is wiped up. There has been no examination of the roof itself since the board has not been told of the recurring incidents.

- **Financial issues**

The risk of not receiving an expected grant or a precipitous drop in donations may be left out of an otherwise comprehensive risk management plan. Yet these risks are shared by virtually all nonprofits and in some cases are among the risks most likely to materialize. Sometimes nonprofit leaders are so focused on one aspect of an organization's operations or the big-picture mission they fail to see the daily details.

- Agencies with sizeable bequests often feel that their money worries are over. Making payroll is no longer a cause for heartburn and gone are the days of scraping every dollar together in the eleventh hour. But the nonprofit will rapidly return to the original, money-challenged state if actions aren't taken to sustain fundraising. What's the board's commitment to take action?
- The organization has had its signature special event for the last ten years. The event earned its peak profit of \$75,000 in year 5 of the event. The event has been on the decline (from a financial standpoint) since then, raising a net of \$47,000 most recently. The event's long-time proponent has been having health problems and no one else knows the intricacies of the operation.

- **Goodwill issues**

What organization can afford to lose the support of the community it serves or the community at large? That's what's at risk every day in every organization if we don't operate with honesty and integrity.

- Is your agency seen as "the" place in town to volunteer? Are you regarded as open and inclusive, or just an organization run by a small clique? Are there opportunities for everyone — or just "some" people? Are perceptions about your nonprofit accurate?
- When your organization asks for funding — or reports its activities to the community — is this accomplished by presenting clear, honest information, or is the information manipulated to present a not-so-accurate picture of your activities? Does your annual report, for example, stand up to questioning?

Every time we fail to take responsible action about people issues, property challenges, financial issues, or maintaining goodwill, we are just stepping over that body in our own kitchen. If something doesn't change, someone from outside is going to realize that something has been missing for several years and will make a report that requires follow up and action. The question is, are you willing to identify your situations, then resolve your issues before outsiders arrive? The choice of stepping over — or stepping up — must be answered by management and leadership. The choice made affects all stakeholder groups in a nonprofit.

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