Scorched Middle Earth: Banishing The Department of No

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As fans of high fantasy fiction know first-hand, Middle-earth is the fictional setting for *The Hobbit* and *The Lord of the Rings*, the most widely-read books from English writer J. R. R. Tolkien. According to Wikipedia, "Middle-earth has also become a short-hand to refer to the legendarium and Tolkien's fictional take on the world."

This week I've been exploring "old ideas and new concepts" in a book by Rick Nason titled *Rethinking Risk Management: Critically Examining Old Ideas and New Concepts*. As I often do, I chose to begin reading this book somewhere in the middle, with a chapter titled "How Do You Create a Great Risk Culture?"

Familiar Territory

It's a terrific chapter that explores familiar territory, such as "People are afraid of risk. People are skeptical of risk. People believe the risk department has the sole function of keeping their foot on the brake in order to kill any progressive idea or project." The author contrasts that familiar negative view of risk and risk management by turning the tables on naysayers. Nason writes, "...I think risk is cool. I think the risk function has the tools, techniques, and tactics to allow an organization to extend itself and really stretch for new goals and heights."

Nason's chapter focuses on organizational culture, specifically aspects of culture that support sound, risk-aware decisions. The author reminds us how some people believe risk culture starts at the top of the organization, while others believe that risk culture begins on the frontlines. Nason respectfully disagrees with both views, "I think that culture, and in particular risk culture is made or broken in the middle." He points to the ranks of middle management as the place where the status quo is protected and all risks are seen as detrimental because of the career-based issues facing those he defines as the epitome of the "organizational man and women" in the "Department of No." He points to a solution in making the middle a place where the risk culture of an organization can be effectively changed by connecting those at the top with those at the frontlines, in which positive risk management is "inherent in everyone's role." Not just perceived as a drear middle management function.

New Frontier: Power to the People

If you want to make your nonprofit's "middle-earth" a place where bold risks are celebrated and a risk-aware

culture thrives, consider:

- **Making people, not processes, the protagonists of the risk function:** at NRMC we've learned time and time again that the key to success in implementing any risk management strategy is to begin by imagining its reception and impact on actual people in your nonprofit. Many consulting clients insist on perfecting a 'framework' or process diagram before work continues on how new risk activities will be designed, implemented, and of course, eventually dismissed, disregarded or undermined. Nason punctuates the effect of ignoring people in risk management, writing, "…when you realize that you are playing second fiddle to a process, it is a soul-destroying realization."
- **Admitting that downside risks happen to great organizations:** Nason reminds readers to celebrate risk-taking that pays off in tangible benefits for an organization, and urges leaders to learn when the result of risk-taking consists of unwanted effects. "Making that message clear . . . that not only bad risk needs to be managed, but good risk as well, is critical for a firm's success."
- **Bring mistakes to the surface:** Nason notes that when an organization's culture refuses to tolerate mistakes, those mistakes will be hidden, and "almost always grow into bigger mistakes." At NRMC we encourage risk leaders to praise, rather than punish employees who bring mistakes to the forefront, especially when they identify their own errors and do so on a timely basis. One way to integrate conversations about 'what went wrong' into regular team conversations is by adding the topic of mistakes to the agenda of your next team meeting. For example, consider asking:
    - What was the biggest mistake or miscalculation we made this month/quarter/year?
    - Do we truly understand what went wrong?
    - What do we need to do to better understand how, when and why things did not turn out as we expected?
    - What were some of the upsides or surprisingly positive benefits from our biggest miss?

The risk champion of a recent NRMC client told me that at his prior place of employment–a hospital–the organization launched a contest to identify medical mistakes and near misses. Teams that identified the most mistakes (in their own area!) won acclaim and even a few prizes. And the result of mining for mistakes? According to the risk champion, the hospital was able to identify multiple ways to prevent repeat mistakes and finally bake sound, practical risk management roles and action steps into every department's roster of responsibilities.

Teachable Moments

Rick Nason observes that "risk events are teachable moments," but adds, "The risk culture has a choice about what to teach." According to Nason, there is a discernible difference between "knowing" and "understanding," observing that risk training focused on *knowing* leads learners to believe that risk is a complicated system. In contrast, risk training focused on *understanding* conveys the complexity of risk events and the need for creativity in risk mitigation and resilient back-up plans.

As you're planning your next teachable risk moment, reflect on ways to:

- Make risk training focused on *understanding* and appreciating the nuanced nature of risks and their intersection with your always changing risk landscape, and
- Help team members unleash their creativity in sorting and managing the risks that could threaten or bolster your nonprofit's mission.

[Melanie Lockwood Herman](#) is Executive Director of the Nonprofit Risk Management Center. She welcomes your stories about teachable risk moments at your organization, including mistakes that turned out to be priceless lessons for your team. Melanie can be reached at 703.777.3504 or Melanie@nonprofitrisk.org.

Additional Risk Resources

For additional musings on the murky middle of organizational life, as well as the intersection of mistakes and sound risk practice, see:

- [Stuck in the Middle](#)
- [Meet Me in the Middle: Compromise in a Risky World](#)
- [We All Do It: Mistakes in Nonprofit Life](#)