

Learning from Experience



By Melanie Lockwood Herman

Executive Director

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As our country prepares for the annual holiday where Americans predictably over-indulge, I've been reflecting on an important concept in risk management: the role of *experience*. As I've told many audiences, experience is an invaluable risk management tool available to every nonprofit leader. Yet as Paul J. H. Schoemaker reminds us, "Experience is inevitable. Learning is not." Each day nonprofit leaders experience risk and the opportunity to strengthen their organizations in the process. Yet in so many cases we forego the benefits of experience and hurry off to the next crisis. This week I've been reading Douglas Hubbard's thought-provoking book titled, "*The Failure of Risk Management: Why It's Broken and How to Fix It.*" Hubbard offers several explanations for our failure to learn from experience, including:

- **Our experience is memory based.** As most of us have remarked to friends and colleagues at one time or other, "my memory isn't what it used to be..."
- **Conclusions drawn from experience are too often full of logical errors.** One reason for this, according to Hubbard, is the *peak-end rule*: our tendency to remember and focus on extremes. To test this theory, ask a frequent flyer about their experience with "on-time departures."
- **Lack of reliable feedback on past decisions.** Let's face it we view time as a luxury in the nonprofit world. As a result, we take too little time to reflect on the decisions we make and solicit helpful feedback from stakeholders.
- **We suffer from poor recall of prior predictions.** According to one researcher in the field, we "exaggerate in hindsight what we knew in foresight." Of course if nonprofit leaders were able to "see it coming" we would live in a world with few if any surprises!
- **We treat "near misses" as successes, rather than failures.** Hubbard writes about the research of Robin Dillon-Merrill, a Georgetown professor who has researched and chronicled the failure to learn from "near misses."

To overcome these barriers, leaders must commit to cultivating a *culture reflection* in their nonprofit organizations. Instead of "let's move on, the quicker the better" after mission-impairing experiences with risk (including near-misses), we should spend the time to document our experiences and ask: What happened? Why? How did we perform/respond under the circumstances? How likely is a reoccurrence? What practical steps can be taken to change the outcome? What perspectives should be considered to better predict deviations from our plans? Did we really "see it coming?" If not, why not? And so forth.

As you finalize preparations for your Thanksgiving meal, I invite you to reflect on your past experience with risk as well as your past experience with this wonderful holiday. Keep in mind the human tendency to underestimate

how long it will take to finish a task (in my case, cooking the turkey, baking the desserts, etc.) and set your alarm clock accordingly. And most importantly, remember to pace yourself and take time to relish the company of friends and family.

Melanie Lockwood Herman is the Executive Director at the Nonprofit Risk Management Center. She welcomes your questions and comments at Melanie@nonprofitrisk.org or 703.777.3504.