Nonprofit Risk Management Center

Traction, Not Distraction: Sorting the Elements of Your Risk Function

By Melanie Lockwood Herman

Executive Director

Resource Type: Risk eNews

Topic: Organizational Culture

I've recently been reading *Indistractable*, by Nir Eyal. One concept that resonated was the distinction between traction and distraction. Borrowing from Eyal's insight that "distractions impede us from making progress towards the life we envisage," I've identified a handful of familiar steps and strategies that inspire traction… and others that spawn distraction in nonprofit risk functions.

Seeking Traction? Do This.

1. *Avoid 'jargon monoxide,'* a clever term coined by Kathy Klotz-Guest to describe buzzwords and language that tries to sound smart, but shrouds clarity and inspires skepticism. Over NRMC's history, we have used perhaps a dozen phrases and sentences to define risk. Last Fall we decided a single word—possibilities—is our favorite definition to date. The simpler we make it to talk about risk, the more willing people will be to participate.
2. *Create a one-slide visual for your Risk Framework.* Choose two or three goals for your framework. Perhaps your framework:

- Explains a few criteria for sorting risks into two lanes: governance (board gets involved) and management (staff teams address risks).
- Outlines a handful of responsibilities for each group, including the responsibility to escalate or delegate risks.
- Shows the connection between risk management and your mission.

3. *Pause something you are doing in risk management long enough to think hard about it.* Eyal cites a 2014 study published in Science whose authors concluded that "People prefer doing to thinking, even if what they are doing is so unpleasant that they would normally pay to avoid it." Let's face it, when we design and adopt risk rules, training, and requirements, we expect they will be in place for a long time, saving us the need to go back to the drawing board. Yet that assumption gets us into trouble. A static rule, expectation or instruction may not make sense in a dynamic organization that must respond, adjust and adapt to its equally dynamic risk landscape. A rule that made perfect sense at one time may make no sense today.
4. *Revisit the goals and meeting formats of your staff risk committee.* Identify the accomplishment or impact you're most proud of. Reflect on how to leverage that impact this year. Identify tasks that wound up being unproductive or led the team down rabbit holes. Imagine how it would feel if participants left

every meeting feeling grateful they were present and didn't miss the conversation.

To Dispense with Distraction, Stop Doing This.

1. *Wrestling with a risk framework or rulebook that is impossible to explain*. Our team appreciates when a client, prospective client, or Affiliate Member shares the materials they use to support their risk management goals. But we're often dismayed to see needless complexity and hastily borrowed solutions. Stray references to organizations other than the client are a sure sign information was copied and pasted from elsewhere.
2. *Conflating compliance and risk management.* I was delighted when a client asked me to describe the difference between compliance and risk management during an engagement kick-off meeting. The compliance obligations of a nonprofit can be onerous, disconcerting, and vague. Regardless, two steps are key: understanding and action. Compliance refers to the things we are expected, obligated, and bound to do. Risk management is decidedly different. In the words of the wise, former NRMC board member Felix Kloman, "Risk management is a discipline for dealing with uncertainty." Strategies to cope with uncertainty are chosen, not pre-ordained. It's what makes the discipline so interesting to our team.
3. *Trying to bury the "elephant risk" in a colossal risk register.* As we discussed in *Manage Risk With Intention This Year,* nonprofit leaders sometimes avoid talking about the most worrisome risk—the elephant in the room. How can you hide an outsized risk? When a team's focus is distracted because it is trying to identify every risk, they won't have the time, energy and clarity to unpack and address the most concerning risk.
4. *Focusing on proximate, instead of root causes*. On his website, principles.com, Ray Dalio explains that "Proximate causes are typically the actions (or lack of actions) that lead to problems, so they are described with verbs *(I missed the train because I didn't check the train schedule).*Root causes run much deeper and they are typically described with adjectives *(I didn't check the train schedule because I am forgetful).* You can only truly solve your problems by removing their root causes, and to do that, you must distinguish the symptoms from the disease." Proximate causes are the familiar scapegoats in conversations about concerning risks. For example, we imagine that a risk is possible because 'staff did not follow our rule/process/training'. Yet in too many cases, the root cause of risk is not the usual suspect.

If you focus on small changes that open new pathways, and act boldly to phase out risk approaches that no longer serve you, you will build a strong risk function and readiness to weather passing distractions.

Melanie Lockwood Herman is executive director of the Nonprofit Risk Management Center. Her new book, ***Possibilities: A Risk Management Guide for Nonprofit Teams*** *is available in ePub and paperback formats. Her new white paper,* **Manage Risk With Intention This Year** *is available here. She welcomes your questions and the opportunity to connect—about any possibility—facing your organization at Melanie@nonprofitrisk.org or 703-777-3504.*