What’s in a Word? Risk Management Leaders as Mission Champions

By Erin Gloeckner

“What’s in a name?” asks Juliet in William Shakespeare’s famed play Romeo and Juliet, as she argues that her and Romeo’s family names are the only cause for their families to remain enemies. Though the Capulet and Montague names were meaningless to Juliet, researchers and philosophers from ancient to modern times have investigated how language affects human worldviews, beliefs, and emotions.

In risk management practice, there is much anecdotal evidence that language does affect human perception of risk and even willingness to engage in conversations about risk. Myriad negative emotions could be elicited by ‘risk’ as it is defined by Merriam-Webster: “possibility of loss or injury;” “someone or something that creates or suggests a hazard;” “the chance that an investment will lose value.” No wonder many people struggle to view risk-taking as potentially positive and necessary to mission advancement.

At NRMC, we prefer to think about risk in a positive way—specifically about the potential rewards that risk-taking can garner. The NRMC team believes that risk management aims to safeguard against threats in order to open up time and resources for nonprofit leaders to take on more risk that offers potential to advance their missions.
Considering the prevalent confusion about the nature of risk and the negative emotions that risk tends to elicit, the NRMC team works to showcase risk management in a positive, more progressive light. Of course we aim to do the same for risk management leaders, who we call Risk Champions.

The ‘champion’ designation pervades many industries but we have taken it to heart in regards to risk management. Members of the NRMC team have heard risk leaders described as “the risk police,” “the department of NO!” or “the person that everyone avoids… and asks forgiveness from later.” Why are risk leaders—individuals working to protect the work of their peers and also empower them to leverage opportunities—viewed as naysayers and Debbie Downers?

Risk leaders should be viewed as mission champions, and they should self-identify as champions.

What's a Risk Champion?

Aside from defining champions as the victors or winners of contests, Wikipedia explains what it means to champion a cause: “In an ideological sense, encompassing religion, a champion may be an evangelist, a visionary advocate who clears the field for the triumph of the idea. Or the champion may merely make a strong case for a new corporate division to a resistant board of directors. Such a champion may take on responsibility for publicizing the project and garnering funding. But in this case he or she is beyond a simple promoter.”

Staying in that vein, at NRMC we believe that people who champion risk management initiatives likely strive for and achieve goals such as the following:

- Uplifting the notion of ‘risk’ as something more dynamic than a threat—something that is worth consideration and investment
- Cultivating a culture of inquiry and candor amongst nonprofit team members who must be willing to openly discuss and deconstruct risks
- Driving a holistic or systems perspective that takes into account many diverse perspectives on risks and recognizes how risks intersect and play out across many departments and functions of an organization
- Instilling productive—not punitive—risk assessment and risk management practices, including honest reflection on past risk events and organizational failures as a platform for collectively doing better next time

What other broad goals might a Risk Champion work toward? Some goals might be unique based on the individual’s vantage point and job role in the organization. A Risk Champion can be anyone—it’s not necessarily a person with ‘risk’ in his or her job title.

For an NRMC client that has established an interdisciplinary Risk Champion workgroup, the individual risk leaders are sought from every department and every authority level across the organization. This inclusive model enables the workgroup to source relevant risk expertise from wherever it sits—without reverting to using job titles and authority levels to dictate who takes part in the risk conversation.

Inspired by this client’s homegrown model and the positive cultural effects I’ve witnessed amongst the workgroup peers, I mulled over the Risk Champion goals listed above and drilled down a bit further to explore qualities desirable in a risk leader. This isn’t an exhaustive list but it captures some of my personal favorite qualities of risk leaders I’ve been honored to work with:

- Big picture thinker, explorer: capable of understanding the organization, the organization’s environment, and the organization’s risks from a holistic or interdisciplinary perspective; seeks to understand how risks and risk management initiatives influence multiple stakeholder groups and staff teams across the organization
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Problem solver, solution oriented: able to guide conversations about risk concerns—which can easily turn into griping sessions—into productive dialogue that results in multiple possible solutions

Team player, organizer: able to break down workplace barriers in order to engage diverse staff across the organization and cultivate buy-in and investment (staff time, resources) for cross-departmental risk management initiatives; demonstrates a ‘service mindset’ and is willing to help and listen to peers from any department

Positive, future-focused: demonstrates that risk management is not a backwards-looking ‘blame game,’ but is a way for all team members to collectively move forward and protect the organization; believes that effective risk management creates opportunity for taking more risk—informedit risks that can advance the organization’s mission

Candid, caring: comfortable with candid dialogue and transparent risk reporting, both in sharing his or her own individual perspective and in listening and thoroughly considering myriad perspectives from the diverse team members in the organization

Life-long learner: does not necessarily have previous risk management experience, but prioritizes risk management and continuous learning; derives energy and satisfaction from risk management work, is always looking for ways to integrate risk-aware thinking into team discussions and other business practices/processes

If you made it through my shortlist of Risk Champion qualities, please reflect for a moment on these questions, and email me at Erin@nonprofitrisk.org to share your thoughts.

■ What qualities resonate with risk leadership priorities at your organization? And what essential risk leadership qualities are missing from my list?
■ Are risk management leaders empowered to live out these qualities (or other effective leadership qualities) at your organization?
■ What elements of your organization (e.g., cultural, structural, strategic priorities, etc.), have helped make the Risk Champion role a reality OR have hindered Risk Champions and the adoption of risk management practices?

A Language for Risk Champions

Being a Risk Champion is a two-way, or more appropriately, multi-way street. Remember the perception that risk leaders are risk police? I do believe that team members often instinctively perceive a risk leader as a hindrance—again, even the topic of risk or the word ‘risk’ canprime people to retreat to a defensive or negative mindset. I also believe that risk leaders sometimes bring the police title upon ourselves.

Our language affects our peers, too. As recapped above, risk leaders sometimes face immediate pushback from peers simply because of their risk-related job roles or even because of the implications of the word ‘risk.’ During risk assessments, NRMC consultants typically interview many members of a nonprofit team in order to understand their perspectives on risk. Some individuals are comfortable with the conversation, but it’s clear when others worry about retaliation for having identified risks they are concerned about. We notify interviewees of confidentiality, but during many interviews we hear, “I’m double checking that this is confidential, right?” This experience makes it clear to me that some people feel ‘risk’ is linked with words like ‘fear,’ ‘blame,’ ‘retaliation,’ ‘secret,’ ‘danger,’ etc.

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might be inadvertently exacerbating these cultural barriers. The next time you enter into a risk assessment conversation or you provide a colleague with insights about the risks involved in a specific project or program, be mindful of the language you use. Are you the department of no? How many times do you put the kibosh on an idea? You’re responding with good reason, I’m sure, but a colleague might simply hear ‘no’ without hearing or understanding your reasoning.

Much like advice I’ve heard about managing arguments between family members or friends, I think we can change the dialogue, approach and the language to support a better outcome for both parties—the risk leader and his or her peers.

- Unless absolutely necessary, don’t start with “no.” Try explaining the WHY—your reasoning—before getting to the bad news (e.g., We both care about ABC Nonprofit’s reputation, and I’m worried this action could damage that reputation because...).
- Always try to present a solution or another idea, especially if you have to say “no” to what your peer has presented. Whenever I call a customer service line for help, the worst outcome is when the representative says, “I can’t help you.” It always feels better when the rep presents another solution to my problem or suggests another way to resolve my complaint.
- Lean on Aristotle’s three rhetorical appeals—when combined, these three elements make for very persuasive messaging.

1. **Credibility**: demonstrate that you’re the right person to be having this conversation with your coworker. You’re the Risk Champion, you’ve been trained and empowered to fulfill this role. Aristotle suggests that to appear credible, you should be competent, and show goodwill and empathy. So acknowledge your colleague’s concerns and explain that you can work together to make the idea a reality—while managing risks as well.

2. **Logic**: Present a clear and sensible rationale for why your peer should consider the risks, or why she should take a different approach in order to manage risks associated with the initial idea. Even if you get a negative reaction at first, most people will see the logic, even if it takes time for them to come around.

3. **Emotion**: appeal to your colleague’s heartstrings by connecting risk management to your nonprofit’s mission. You could even try connecting risk management to your colleague’s own job (e.g., “John, I know as program director, this new program is so important to you, and managing the risks will help you achieve the best possible outcomes in your work...}).

Emotional appeals will achieve for the heart what logical reasoning achieves for the brain.

Just as our family members and friends react to our words, our peers, supervisors, and direct reports might beam or flinch based on the language we use to discuss risks and risk management initiatives. Practice mindfulness to remain aware of the semantic signals you’re sending to your team members. Do right by Juliet and strike negative sentiment from the name **Risk Champion**.

**Erin Gloeckner** is the Director of Consulting Services at the Nonprofit Risk Management Center. Erin invites your questions about risk consulting services and your thoughts on the role of Risk Champions at Erin@nonprofitrisk.org or 703.777.3504.
The Garden of Risk Oversight: Positioning the Board to Cultivate Strategic Risk-Taking

By Melanie Lockwood Herman

When considering the myriad risks facing a nonprofit organization, one could identify many risks that should be safeguarded against, mitigated, or prevented if possible. Strategic risks are another animal altogether, or more appropriately, a garden of risks that—if properly tended to—will grow to fruition and advance the nonprofit’s mission and vision. Strategic risks are risks worth taking because they have the potential to offer a nonprofit team a significant return.

Who better to scope out and sketch strategy than a nonprofit’s board of directors—the mission stewards who possess a broad and top-down perspective of the organization? Board members shouldn’t be planting seeds and pulling weeds in the mission garden; they should be anticipating garden predators, changing weather conditions, and market conditions that affect demand for the programs and impact sown by your mission.

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Nonprofit boards are increasingly keen to talk about the possibility of risk threatening—or bolstering—a charitable mission. At NRMC we are witnessing the evolution of board interest in the world of risk in breadth and depth. With respect to the breadth of risks a nonprofit faces, boards are stepping up to ask questions about strategic and enterprise-level risks—topics that extend far beyond the familiar garden walls of operational or preventable risks. On the subject of depth, a growing number of boards are requesting—if not insisting—that management teams engage with the board to understand their organization’s
risk landscape and also provide periodic assurance that risks in the purview of staff have been assessed and addressed.

Garden variety risks facing nonprofits include accidents involving agency vehicles and drivers, injuries suffered by participants and volunteers, and employee theft. But truly forward-focused boards now understand that strategic risks pose the greatest threats and opportunities to their missions they support. Boardroom conversations about risks are less about the costs of safety measures, and more about the costs and rewards of making—or not making—bold moves.

**What is Risk Oversight?**

Risk oversight refers to the responsibility for overseeing an organization’s approach to identifying and responding to critical risks, against a backdrop of ever-present uncertainty. While ‘management’ refers to the process of controlling things, processes or people, ‘oversight’ is a better fit for an evolved, governing board committed to keeping its ‘nose in’ and ‘fingers out.’

Risk oversight activities by the board may include:

- Considering the organization’s appetite for risk taking in various areas, from expanding the geographic reach of the nonprofit’s services, to reducing reliance on a single funding stream
- Reflecting on the assumptions that inspire the key objectives of the nonprofit
- Contributing to a shared understanding of the nonprofit’s risk landscape—aspects of the external environment that could cause a key strategy to fail or exceed expectations
- Anticipating, vetting, and leveraging opportunities—or turning strategic challenges and even strategic blunders into opportunities

Boards are mission custodians who must be outwardly—as well as inwardly—focused. As an outwardly focused stakeholder group, a nonprofit board is in an ideal position to see and report back on a changing risk landscape that may be obscured to internally focused staff. As an inwardly facing stakeholder group, Boards bring a deep connection to the mission of a nonprofit and a sense of responsibility for its success. This connection extends the problem-identification and problem-solving capabilities of the staff team in various ways. For example, diverse boards can offer rich strategic discourse that integrates lessons learned across many industries, which staff members may not be privy to during their day-to-day work.

The board’s participation in the discussion of strategic risks is especially important given the tendency of managers to hesitate before poking holes in the strategies for which they are responsible. In their thoughtful article, “Managing Risks: A New Framework” featured in the *Harvard Business Review*, Robert Kaplan and Anette Mikes explain that “Managers may find it antithetical to their culture to champion processes that identify the risks to the strategies they helped to formulate.”

Boards that embrace their risk oversight responsibilities demonstrate the courage to reveal and discuss difficult challenges, and the resolve to consider multiple strategies—and even poke holes in existing strategies—in order to address issues that potentially threaten or bolster the nonprofit’s mission.

**Risk Oversight in Action**

Once the board accepts and embraces its responsibility for risk oversight, how do you turn the commitment into action? What information is needed? What steps must be taken to help board members perform their duties and perform risk oversight responsibilities with skill and confidence? What support will guide the board into the less familiar territory of strategic risks?

Some nonprofit boards naïvely believe that receipt of an annual report or brief presentation describing the status of various insurance coverages is risk oversight. Although a component of oversight is receipt and review of information attesting that certain processes are in place, developing effective risk oversight capabilities at a nonprofit requires
far more. At NRMC, we believe that boards effectively meet their responsibility for risk oversight by ruminating about a range of issues related to risk-taking and risk management in the organization.

Cultivate risk oversight at your nonprofit by identifying where the board should focus its risk attention span. Some of our favorite themes and questions for the board include 1. risk-taking, 2. risk culture and responsibilities, 3. risk breadth and depth, and 4. risk landscape.

1. Risk-Taking

■ What is our risk appetite? Do recent decisions suggest that we are honoring that risk appetite? In what ways have we dishonored our risk appetite by being too tentative, or by acting without first completing the due diligence warranted by the potential consequences of the decision?

■ Are we taking enough risk, and in the right areas to advance the mission and achieve the core objectives of the organization?

■ Do recent decisions reflect the commitment to balance short-term performance with long-term sustainability? Have we taken any risks recently that sacrifice one for the other?

■ In what areas will bold risks be necessary in the next 1-5 years? 5-10 years?

■ During the past 5 years, what bold risks has the board inspired? To what result?

■ Historically, what opportunities and risks—those that we took and those that we didn’t take—got us to where we are now as an organization? How can those lessons help inform our decisions about the uncertain future?

2. Risk Culture and Responsibilities

■ Do we have a culture that acknowledges mistakes and missteps and supports time to reflect, learn and grow?

■ Are all teams willing to take ownership of risks and risk management or risk oversight initiatives? After organizational failures, do we promote thoughtful and honest reflection or do we have a culture of blame, retaliation, or concealment?

■ Do we openly and candidly discuss upside and downside risks when considering important board decisions related to organizational structure and future direction?

■ Is the board-staff relationship one of respectful interdependence, or do we sometimes engage in unproductive power struggles?

■ Is there clarity about where responsibility for risk monitoring and action lies, based on the type, complexity or source of risks? For example, the board may be responsible for managing risks related to the governance function, while staff teams bear responsibility for risk management around operational risks.

3. Risk Breadth and Depth

■ Do discussions about risk at the board level focus on strategic risks—threats and opportunities related to our direction and key objectives?

■ What are the key assumptions in each major strategy, and what if they are wrong?

■ What are the potential risks arising from or impact by the core strategies of the organization? What factors could cause each core strategy to fail? (e.g., people, process, systems, external events)

■ What could cause major disruptions or discontinuities to how our organization exists today, such as changes in technology, business models and demographics?

4. Risk Landscape

■ Is there a process by which the board supports risk management by sharing its unique perspectives on the changing risk landscape?

■ Does the diversity of the board ensure that we’re seeing the world around us from multiple vantage points?

■ What perspective(s) is/are missing when we discuss the impact of the world around us on the key objectives and strategies of the organization?

■ In what ways are we effective or ineffective at sensing weak signals, trends, or indicators in our landscape?

■ What significant changes in the world have caught us off guard during the past 5 years?

Finally, do we spend time thinking about the unthinkable and preparing our organization to adapt to unimaginable surprises? Take a moment to reflect on the great questions your board asks about strategic risk—and the questions your board has never asked but should.
Tend the Garden of Risk Information with Care

More than ever before, board members desire information about risks facing the organization and staff’s risk management capabilities. For a board to answer the challenging risk oversight questions listed above, the appropriate risk information must flow openly between board and staff. In a recent Enterprise Risk Management engagement for an international nonprofit, our team asked individual board members, “what information would you want to see in a periodic board report on risk?” The answers we received were as varied as the professional backgrounds and lives of members of the board! The individual board members’ risk reporting ‘wants’ included:

- The risks that the board should be most concerned about—those that could affect the survival of the organization
- A prioritized list of our risks
- An assessment of our financial viability, plus an assessment of staff satisfaction
- A quarterly report showing priority risk areas, mitigation strategies, risk owners, plus a narrative describing emerging risks
- A one-page visual showing gaps between exposures and capabilities.
- Risk information in several formats: gaps, perceptions, top three risks, anecdotal commentary, and immediate vs. existential risks
- Risk buckets: internal, external, donor-related
- Risks highlighted with corresponding mitigation strategies
- Information about risks in three key areas: financial, legal and people risk
- Our risk landscape over time—a risk trajectory

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Information that will help us focus on specific risk issues or themes at each board meeting.

Satisfying the individual risk information ‘wants’ of a diverse board is a daunting, if not impossible task. Some board members prefer a filtered, short list—the weeds emerging from or just below the rich soil—while others want to see risk in every layer of soil and every corner of the garden. Ultimately, a responsive board risk report offers insights on top-of-mind risk concerns, but also inspires confidence in the day-to-day risk management work being championed by the staff. The report invites questions focused on direction and strategy, without asking board members to wield a gardening tool or get their hands too dirty. Here are a few tips for creating a memorable, action-inspiring risk report that will enable your board to fulfill its risk oversight duty:

- Ask, don’t assume, what the board wants to see and discuss when it comes to the risks facing your organization.
- Define what risk oversight means by including a reference in your position description for the board, or in the duties and responsibilities section of a board committee charter.
- Never present data on risks without corresponding questions for board discussion (for example, “do you agree with this assessment? If not, what issues or considerations are missing?”).
- Resist the lure of oversimplification and vow to provide appropriately rich information to the board. A bountiful garden results from careful planting and tending, as well as hospitable soil; one element without the other invites a world of weeds.
- Remind your board members that healthy dialogue around risks might become heated at times; provide training for your board members to engage in productive discourse around risks that might evoke strong emotions across the board.

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A Gardening Toolbox for Board Risk Reports

The NRMC team and our first cohort in the Risk Leadership Certificate Program (RLCP) were inspired to create our own checklist for board risk reports after reading ‘Risk Communication: Aligning the Board and C-Suite,’ a NACD/Oliver Wyman report that offers a checklist for board risk reports. Reflect on these reminders as you design a risk report for your governing board:

- Design and develop risk report content by focusing on what you’re trying to elicit from the board (e.g., conversation, a decision, etc.)
- Clearly tie risks and risk management efforts to the organization’s mission
- Include an indication of your staff team’s risk management capabilities or progress managing specific risks that are outlined in the report (many risk reports simply assess risks and fail to convey what the staff is already doing to manage the identified risks, such as by developing contingency plans)
- Balance the desire to customize and revamp each report with the desire to see year-over-year comparisons (which require the risk report to include the same data updated each year)
- Include an indication of the board’s role or accountability in managing each identified risk (or in staying informed but not involved in the risks that staff are managing!)
- To avoid saturating the board with overly rich risk information, provide a richer report annually and a high-level dashboard more frequently, offering board members a chance to reflect on emerging or urgent risks as they materialize

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Growing a Lush Garden of Risk Oversight

Practice the following tips to empower your board members to grow a lush garden of conversation and effective decisions around strategic risks.

- **Practice Topic (Crop) Rotation** – Just as crop rotation improves soil quality and yield by interrupting pest life cycles, guard against subject matter burn out by rotating the risk topics put before the board. Instead of shying away from risk—due to fear that the board may dip into operational territory—invite the board to consider and discuss strategic risks.

- **Allow Risk Topics to Germinate** – Germination in the garden refers to the growth of a plant after a period of dormancy. Remember to give the board time to reflect on the risk topics scheduled for discussion, by including topics and provocative discussion questions in the materials sent out in advance of a board meeting.

- **Go Organic** – The term organic refers to material ‘derived from living organisms.’ Gardening without chemical or synthetic fertilizers or pesticides is often referred to as ‘organic gardening.’ To keep the board on track with any discussion about risk, choose real instead of hypothetical scenarios. Reflect on what’s already happened as well as what could or might occur in the future.

- **Xeriscape, Don’t Complicate Risk Oversight** – Xeriscaping refers to the practice of creating a low maintenance landscape through the cultivation of native plants and minimal use of turf grass. One of the primary benefits of xeriscaping is that it reduces the need for water. Risk oversight functions are best sustained when they complement the structure and governance processes of the board. For example, instead of establishing a new risk management committee, consider adding risk oversight responsibility to an existing committee.

- **Reap What You Sow** – If your board’s risk oversight capabilities and discussions around strategic risks are not as productive as you hope, sow new seeds to inspire the discussion you want to cultivate. Similarly, when the board makes effective or ineffective strategic decisions, be sure to celebrate or reflect on those milestones as a means for enhancing the board’s risk oversight capabilities over time.

Melanie Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your questions about boards and risk oversight at Melanie@nonprofitrisk.org or 703.777.3504.
Integrating risk-aware thinking and decision-making into day-to-day operations and strategic planning processes has become a priority for nonprofit organizations. Although many organizations demonstrate expertise managing risks related to programs, facilities, and clientele, the always-changing risk landscape in which nonprofit missions exist invites a broader and deeper approach to risk management.

How is the risk landscape changing? According to a recent State of Risk Oversight report from the Enterprise Risk Management Initiative at NC State, nearly 60% of the respondents indicated that the “volume and complexity of risks have increased ‘mostly’ or ‘extensively’ in the last five years.” This increase is one of the factors driving leadership teams to strengthen or formalize risk practice. The desire to evolve risk management is simple on its face, but a bit more complicated in its execution. Although many leaders ask NRMC team members what they ‘should’ do to strengthen risk management, we often respond by turning the question back to the questioner: what might make sense for your nonprofit, at this point in its history?

One of the goals we’ve heard client teams reiterate time and time again, is to evolve risk management in a way that makes risk management skills—or the function itself—‘baked-in,’ rather than ‘bolted-on.’ One possible motivator for a ‘baked-in’ risk function is the recognition that creating a new department of risk professionals is impractical and costly. Few leaders of ambitious nonprofit organizations have extra dollars or people available to support and fully-staff a new risk management function.

So how does an organization go about developing or evolving its risk management capabilities? Unfortunately, there is no simple step-by-step linear process that can be followed by every organization. In fact, it may be useful to think of structure design like juggling many objects of different sizes, types and weights. In the section below we offer guiding questions and principles to consider in creating a fit-to-suit or ‘one-size-fits-one’ risk management function and corresponding capabilities for your nonprofit.

Function with a Purpose
Before getting carried away with drafting new risk policies, cancelling too-risky activities, or adding risk responsibilities to existing job descriptions, ponder the purpose of your more intentional focus on risk management.

■ Consider the Catalyst – Consider whether there are external or internal catalysts for the effort. Common
“Although many leaders ask NRMC team members what they ‘should’ do to strengthen risk management, we often respond by turning the question back to the questioner: what might make sense for your nonprofit, at this point in its history?”

**external catalysts** include costly claims and lawsuits, fear of a breach of privacy event, changing requirements of accrediting agencies, or even regulatory changes. Familiar **internal catalysts** include a board member’s experience with risk management in another organization, recognition that the nonprofit lacks the nimbleness necessary to seize opportunities, or recognition of ineffective safety protocols in the wake of an accident, incident or near-miss. Fully assessing the catalyst(s) will position you to develop risk management capabilities that achieve your desired outcomes.

**Evaluate the Skills Gap** – What new skills or capabilities are needed to effectively anticipate risk events, develop contingency plans, and encourage risk-aware thinking across the organization? In which areas do we deserve high marks, such as risk assessment, accident investigation, or inclusive problem-solving? How will new skills be shared and leveraged across the organization, such as by contributing to other goals such as improved teamwork, transparent information sharing, and more efficient decision-making? Are we capable and confident or ill-prepared with respect to handling unexpected outcomes and events? Some leadership teams resolve to strengthen risk management capabilities to better anticipate events and actions that could take the organization off course. Others strive to build resilience across the organization, helping fortify programs, staffing, fundraising, operations and even strategy setting against the inevitable bumps in the road and surprises.

**Connect Risk to Mission** – Understanding the catalysts for improved risk management and the strengths and skill deficits are key to framing your efforts with a purpose. But whatever you discover in those areas, don’t forget to connect what you’re trying to do in risk management to the mission of your nonprofit. For example, “By reducing the number of accidents our volunteers suffer, we will be able to increase the breadth and volume of support we provide to our clients,” versus “We need to reduce accidents to keep our insurers happy.”

**Small Team or Cast of Thousands?**

When pondering who should be involved in risk management in a nonprofit, the obvious, but not pragmatic, answer to this question is ‘everyone.’ Analyzing the changing risk landscape and developing seamless contingency plans may be easier with a core group, versus a cast of dozens, hundreds or thousands. But ultimately, the commitment to safety and risk-aware decision making requires the participation of staff at all levels of the organization. Staff who feel they are exempt from noticing, reporting and acting on hazards of any kind, are a costly claim or lawsuit in the making.

**Measure by Measure**

Although it is important to evolve a risk management function without losing sight of its purpose, it is equally important to conceptualize an end point and interim milestones. Ask: how will we know we have made progress, or achieved goals for the function? What does success look like?

Another important consideration is scope, especially with respect to the breadth of risks you hope to understand and address. In some cases, formalized risk management means addressing a wider, more comprehensive range of operational risks. In other cases, evolving risk management capabilities might focus on improving the analysis of incidents, accidents and near-misses through the use of disciplines such as root cause analysis.

Yet another important aspect of scope is timing. Is your goal to start slowly and ramp up? Kick-off the project with a big bang? Experiment with ways to source risk information, or conduct a comprehensive survey seeking input from many stakeholders?

When considering these elements of your evolving risk function, also anticipate the myriad reactions your internal stakeholders might have to the proposed scope, timing and milestones. For a risk function to remain effective and sustainable, those directly involved must buy into it and carry it forward, and those indirectly involved or outside the risk function must respect it. Always design a risk function with the needs and desires of your team members in mind; ask your board, staff and volunteers directly to be sure you understand the scope and timeframe they are comfortable with.
executive team is an important first step in fortifying risk management capabilities. Even if executives assure you that they are bought into the risk effort, staff members want to observe this commitment through the actions and participation of the executive team—not simply through words, which can seem like empty support.

**Front-line staff** – An important consideration in sourcing risk information and also implementing new risk strategies is engaging the perspective and support of front-line staff. The view of a risk landscape from the C-Suite is likely to differ from the view at your mission’s sea-level. Front-line staff experience your clientele and programs in real-time, and they also feel the burden and weight of complex policies, including those that may be in conflict with their own or the nonprofit’s professed values. Similarly, front-line staff members witness the effects of organizational risks on the stakeholders that you serve. Woods Bowman, professor emeritus of public service management at DePaul University in Chicago, Illinois, said that “…the risks of a nonprofit are borne by the people it serves (its clients), who have neither a voice in selecting the organization’s leadership nor ability to manage the risks” ([Finance Fundamentals for Nonprofits: Building Capacity and Sustainability, by Woods Bowman](#)). Front-line staff are positioned to sense and understand the effects of risk on your stakeholders because they interact with those clients every day.

**Middle men and women** – The ‘middle’ part of your organizational chart mustn’t be forgotten when it comes to risk function design and risk strategy implementation. Supervisors of front-line staff are likely to hear and see risk differently from others in the nonprofit. Staff in the middle of the organization are also in prime position to share and reinforce messages about the ‘why,’ ‘how’ and ‘what’ of your risk management function. This group can help to mediate or clarify interactions between front-line staff and executives whose perspectives might be so polar that risk communication is stifled or stagnant.

**Governing teams** – As described in the article “The Garden of Risk Oversight,” the board of a nonprofit has an important role to play in risk oversight. Parallel to its responsibility for fiscal oversight, risk oversight is a way for the board to ensure that upside and downside risks are considered as the board makes decisions related to the nonprofit’s mission, future direction, structure, and key objectives.

**External advisors** – Many nonprofit missions benefit from independent advice provided by paid or pro bono advisors. These advisors, from insurance professionals to legal advisors or finance/investment advisors, bring valuable perspectives to the risk management function.

“No matter who you involve in risk management at your organization, remember that any individual can serve your mission as a Risk Champion—an individual who supports and progresses effective risk management practices in order to safeguard and advance your mission.”
Risk Function Design Samples

SAMPLE #1

- Executive Champion
- Co-Chair of Risk Champion Group
- Risk Champion Group (interdisciplinary group of staff from all levels of organization; Group members liaise with all departments to source risk info and educate staff)
- Department A
- Department B
- Department C

SAMPLE #2

- Risk Management Committee (Mix of Board & Executive Staff)
- Executive Champion
- Director of Risk Management
- Director of Compliance & Ethics
- Risk & Ethics Ambassador Team (interdisciplinary group from all levels in the organization; Ambassadors liaise with all departments to source risk information and educate staff)

SAMPLE #3

- Board of Directors
- Audit & Risk Oversight Committee
- Finance Committee
- Executive Risk Champion
- Staff Risk Champion
risk leaders have ultimate oversight and decision-making authority regarding risk management initiatives, versus which risk leaders will be asked to source and analyze information about risks that arise across the organization, or serve as liaisons to departments or peer groups that desire risk education or risk management assistance.

No risk function looks exactly the same. The NRMC team recently had the honor to work with nonprofit teams who developed the structures depicted on the prior page to assign risk management accountability to various staff members throughout their organizations. Consider these distinct models and poll your team to learn what model could be suitable and sustainable at your organization.

Step-By-Step
Strengthening, expanding or formalizing risk management may seem like a daunting task. It is complicated by the fact that nonprofits are structured in very different ways and provide many different types of services. Here is a suggested linear process to make the design and implementation stages more manageable—this process can guide you to create a completely customized risk function.

1. Assess where your organization is now – When people start thinking about expanding risk management to touch all functions and activities in an organization, they often believe that the effort is starting from scratch. In reality, every nonprofit—from a start-up to a century-old agency—has risk management in evidence. Many examples of practical risk management are contained, however, to specific business units or silos. For example, the risk of asking prohibited questions during the hiring process may be managed through a system of internal controls and segregating financial duties among multiple personnel. The risk of chaotic transitions may be managed through cross-training and the use of ‘desk manuals’ explaining key tasks. Acknowledging the existence of helpful and wise risk management strengths will help everyone see that your nonprofit is working to evolve risk management, rather than begin anew. Doing so can help boost morale and support for a process that often feels imposing and overwhelming at the start.

2. Expand your knowledge base – Take the opportunity to learn more about risk management and to gauge the maturity of your efforts. Read past editions of Risk Management Essentials and the Risk eNews for inspiration on simple steps to take your risk management program from ‘here’ to ‘there.’ Resolve to customize what you discover to best suit your mission, culture and structure.

3. Look for opportunities to gain some momentum quickly – Once you have identified and acknowledged existing efforts, connect those efforts across the organization. These connections will highlight that risk management is not just a series of individual efforts in operational silos but also a combined effort that encompasses the interactions of risks across the organization. This horizontal integration of risk management will need to be accompanied by vertical integration as well. Internal stakeholders need to see that their efforts at various levels of the organization are visible and recognized by individuals at other levels. However, this involvement at all levels needs to happen without over-involvement in any one level. For example, it would be easy for the board to start focusing on operational level efforts when the main priority for the board should be strategic level concerns. Finding the appropriate level of engagement at each level early on will help maintain momentum as the integration of risk management efforts occurs.

4. Make the mission connection – Strive to align your risk management efforts with the values of the nonprofit to bring and keep people on board. When risk management’s tone is focused on compliance, penalties and punishment, few stakeholders will join the bandwagon to strengthen the function. When the function is viewed as key to mission success, team members will embrace the opportunity to make a contribution.

As the risk management function design process continues, be sure to revisit the issues of purpose and outcome to ensure progress is being made in the right direction at the appropriate pace.

What comes next?
Taking all of these things into consideration at the outset of the risk management function design process will go a long way towards creating a sustainable effort to integrate risk management in your organization. Ultimately, designing and implementing your risk management function can’t happen in isolation. A connection to overall strategy, inclusion of and support from a wide variety of stakeholders, and integration into operational efforts will see the greatest success and return on organizational investment.

Melanie Herman is Executive Director and Eric Henkel is Project Manager at the Nonprofit Risk Management Center. Melanie and Eric welcome your questions about risk capabilities and risk function design at Melanie@nonprofitrisk.org, Eric@nonprofitrisk.org or 703.777.3504
On the first day at a new job, most of us probably arrive wondering things like, “What will it be like to work here?” “What will my role entail?” and “How will I learn everything I need to know in order to do my job?” Whether you are a new hire or a longtime employee at your nonprofit, it always helps to have a roadmap to guide your day-to-day professional journey. Any organization with paid staff should have a narrative document or handbook that describes key employment policies. This personnel manual or employee handbook will offer support to your employees while helping to ‘show them the ropes’ at your organization. Employee handbooks are an effective risk management tool used to mitigate myriad risks related to managing paid.
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