

## We're All Human: Human Behavior and Risk Management

**Nonprofit  
Risk Management  
Center**



...find the answer here

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## Human Beings and Risk

- People are in the middle of risk in organizational life.
- People *influence*—in a positive or negative way—the likelihood and magnitude of downside risks facing nonprofits.

## Human traits are the starting point for risk awareness

- Fear
- Worry
- Curiosity
- The lure of “certainty”



## On a positive note...

- Diverse, human perspectives create a more accurate risk *mosaic*.

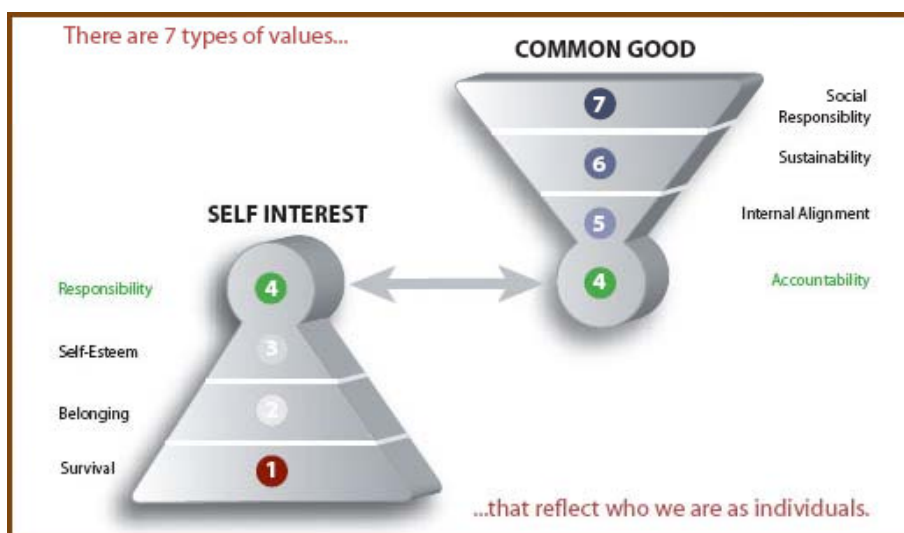


## “Practical” risk management means activity that “works” in a human environment

- Clear and consistent
- Mission-advancing
- Timely
- Relevant

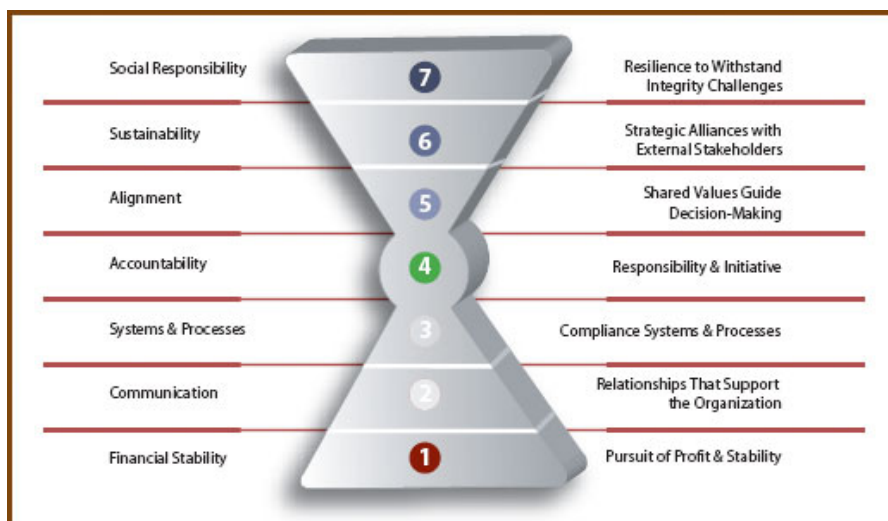


## Values Needed at Work



Culture Risk Assessment image from WorkingValues

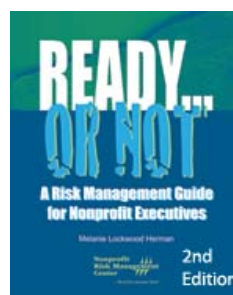
## How Values Translate



Culture Risk Assessment image from WorkingValues

## Human Factors that Interfere

- Fear at the Top
- Silo-ism
- Fear of the Truth
- The Compulsion to Hide
- The Challenge of Getting Along

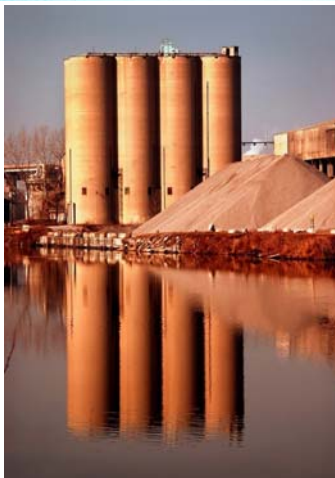




## Fear at the Top



## Silo-ism



## Fear of the Truth



## The Compulsion to Hide



## The Challenge of Getting Along



## Risk Culture

- Risk management is most effective when it becomes part of the organization's culture
  - Intuitive
  - Habitual
  - Genuine

## Embedding Risk Culture

- Committed leaders
- Defined risk culture: what's your risk appetite?
- Strong communication to staff
- Risk manager or risk committee
- Ethics over profit!

## Ethics Come From the Top

July 16, 2012

### **Damage Done by a Culture of Deference: Leadership Lessons From the Penn State Tragedy**

*By James E. Canales*



*Gene Puskar/AP Images*

[Enlarge Image](#)

averted.

The child-abuse scandal that unfolded at Penn State University over the past decade and half is a tragedy of epic proportions. Nobody can disagree with that after the report last week by the former FBI director Louis Freeh provided clear evidence that the crimes committed by Jerry Sandusky could have and should have been

Article from *The Chronicle of Philanthropy* online



## Shared Responsibility

- Employees
- Volunteers
- Management
- Board of Directors
- Professional Advisors

Management should lead by example!

## The Risk Management Team

- Come from existing committee?
- Essential vs. fluid positions
- Determine risk appetite
- Create a charter
  - Purpose, authority
  - Responsibilities, meetings
- DIVERSITY!
  - Different perspectives bring new risk awareness

## Value Diversity

- Myriad of valuable skills and attitudes
- Embrace:
  - Generational gap, gender, etc
  - Employees' personal culture, lifestyle experience
  - Leadership & communication styles
  - New perspectives, creativity

## Diversity Example: Age Diversity

- PROS
  - Many skill sets
  - Technology savvy – younger employees
  - Traditional business savvy – older employees
  - Mentoring
  - Continuity for organization

## Age Diversity

| WORKPLACE CHARACTERISTICS    |   |   |  |   |
|------------------------------|---|---|--|---|
|                              | Veterans<br>(1922–1945)   | Baby Boomers<br>(1946–1964)   | Generation X<br>(1965–1980)  | Generation Y<br>(1981–2000)   |
| <b>Work Ethic and Values</b> | Hard work<br>Respect authority<br>Sacrifice<br>Duty before fun<br>Adhere to rules | Workaholics<br>Work efficiently<br>Crusading causes<br>Personal fulfillment<br>Desire quality<br>Question authority | Eliminate the task<br>Self-reliance<br>Want structure and direction<br>Skeptical | What's next<br>Multitasking<br>Tenacity<br>Entrepreneurial<br>Tolerant<br>Goal oriented |
| <b>Work Is ...</b>           | An obligation   | An exciting adventure   | A difficult challenge<br>A contract  | A means to an end<br>Fulfillment  |
| <b>Leadership Style</b>      | Directive<br>Command-and-control  | Consensual<br>Collegial   | Everyone is the same<br>Challenge others<br>Ask why                              | *TBD  |
| <b>Interactive Style</b>     | Individual  | Team player<br>Loves to have meetings   | Entrepreneur   | Participative   |
| <b>Communications</b>        | Formal<br>Memo  | In person   | Direct<br>Immediate  | E-mail<br>Voice mail  |
| <b>Feedback and Rewards</b>  | No news is good news<br>Satisfaction in a job well done                           | Don't appreciate it<br>Money<br>Title recognition   | Sorry to interrupt, but how am I doing?<br>Freedom is the best reward            | Whenever I want it, at the push of a button<br>Meaningful work                          |

Published in Farleigh Dickinson University *FDU Magazine Online*

## Ownership Behavior

- “Team-esteem,” mutual respect
- Satisfaction from work
- Integrity
- Contribution to the organization’s overall success
- Accountability, responsibility
  - Encourage “owning up” to mistakes

## Owning Up

### Why I Hire People Who Fail

by Jeff Stibel | 1:32 PM December 9, 2011

Comments (414)



A few weeks ago, I wrote about [avoiding social media failures](#). I briefly mentioned our company's "Failure Wall" and was surprised by the number of comments and questions I received about it. *What's the purpose? How does it work? And what other kinds of things do you do in that crazy office of yours?*

The failure wall was part of our efforts to create a company culture where employees can take risks without fear of reprisal. As NPR's *Here and Now* [reported](#) earlier this year, we started by collecting inspirational quotes about failure. Among my favorites:

- "Success is going from failure to failure without loss of enthusiasm." – Winston Churchill
- "I have not failed, I've just found ten thousand ways that won't work." – Thomas Edison
- "Mistakes are part of the dues one pays for a full life." – Sophia Loren

Harvard Business Review blog [blogs.hbr.org](#)

## Inspire Truth-Telling

- Truth comes from TRUST
- Truth vs. interpretation
- Different truths for different people
- Importance of open communication



## Implementing Risk Culture Change

- Keep it simple
- Strive for feedback ... not perfection
- Be mindful of the gap

1. Communicate
2. Educate
3. Reward

## Communicate

- Why are we doing this?
  - A better working environment for all
- Two-way communication
  - Feedback for management and staff
  - Foster dissent and inquiry
- No project, deliverable or objective is risk-free
- Communicate risk culture values:
  - Ownership
  - Integrity
  - Truth-telling

## Educate

- Keep it simple
- Managing risk is more cost effective than fixing problems
- Planning for risk allows you to respond earlier and more effectively
- Constant, consistent messages
  - Part of daily responsibilities

## Reward & Recognize

- Align reward and disciplinary system with the culture you want to create
- “Doing the right thing” over “doing whatever it takes”
- Communicate successes
- Recognize good risk reduction ideas

## Resources on Human Behavior

***On Being Certain: Believing You Are Right Even When You're Not***, by Robert A. Burton, MD

➤ “the feeling of knowing happens to us; we cannot make it happen”

***Everything is Obvious: Once You Know the Answer***, by Duncan J. Watts

➤ “The Strategy Paradox,” Michael Raynor (“great strategy that just happens to be wrong”)

## Resources on Human Behavior

***Blind Spots***, by Madeleine L. Van Hecke, PhD

**Blind Spot #6 – Trapped by Categories** – “sorting things out is a natural human tendency”

“classification systems are naturally reductionistic” – we focus on similarities and miss the variations

➤ “The big trick, I think, is to remember that we’re intentionally ignoring different perspectives when we view anything through the lens of a classification system...”

## Resources on Human Behavior

***Surviving and Thriving in Uncertainty:  
Creating the Risk Intelligent Enterprise,***  
by Frederick Funston and Stephen Wagner

- Anticipate Causes of Failure
  - Root Cause Analysis – “why did it fail?”
  - Failure Modes and Effects Analysis – “how could it fail?”

## Thank You!

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