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## Risk Champions



**Audio Dial-In Information:**  
U.S. & Canada: 866.740.1260  
Access Code: 7853891  
**January 9, 2012**

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## Webinar Outline

- **What is a Risk Champion?**
- **The Risk Management Continuum**
- How to know when your nonprofit needs an internal Risk Champion
- **“Who”** and **“What”** - Risk Champion Roles and Responsibilities
- **Barriers and Challenges**
- **Critical Skills**
- What about a **Risk Management Committee?**
- **Risk Reporting** tools and strategies
- Gaining **buy-in** from stakeholders inside and out

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## What is a Risk Champion?

- “The Risk Champion is a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management.”



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## What is a Risk Champion?

Source: Treasury Board of Canada – "Integrated Risk Management Implementation Guide"

- "A senior management risk champion is identified who can exercise strong leadership to **inspire and manage the required change** and who believes in the value of integrated risk management and has a clear vision of how it links to corporate objectives."
- "The chosen risk champion will be an **enthusiastic and knowledgeable supporter** of integrated risk management."

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## A Risk Champion is NOT...

- The person responsible for identifying all of a nonprofit's risks
- The person responsible for addressing of a nonprofit's risks
- The person to blame when "things go wrong"

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### "Here's Your Sign"

- Senior leaders are perpetually engaged in "fighting fires"
- Members of the board ask, "what about our critical risks?!"
- You have been blindsided by a downside risk someone in your nonprofit believes you should have seem coming...

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### "Who" - Risk Champion Roles

- Chair of Board Committee (volunteer)
- CEO, COO, CFO, HR Director wearing two hats
- Risk Manager
- Director of Compliance and Risk Management
- Director of QA and Risk Management

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### Another Way to Think about "Role"

- "While some [RM] functions act purely as facilitators of a process, others have much more formal 'powers' to develop a risk policy and then to enforce compliance with it."
- Which approach will work in your nonprofit?

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## Possible Roles

- Chair of staff RM Committee
- Middle or senior manager reporting to a department head or CEO
- Chair of Board Committee on RM or ERM



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## “What” - Risk Champion Responsibilities

#1 – Engaging others in the identification, understanding and evaluation of risks



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## Risk Champion Responsibilities

#2 – Promoting the need to evolve the RM program, including the tools, strategies and approaches to surfacing, understanding, prioritizing and addressing key risks.

Q. “Are we there yet?” –

- Capacity to identify, gauge, prioritize and manage risks
- Degree to which management decision-making has a **risk component**
- Is risk awareness is 'embedded' or 'systematized' in day to day operations
- Are key stakeholders engaged? Perspectives represented?

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## Risk Champion Responsibilities

**#3** – Keeping the momentum for risk management going. Being resourceful: sharing perspectives on risk, risk-taking and risk management with the “team.”



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## Risk Champion Responsibilities

- “If you’re managing risks, you need a big team. But if you’re overseeing a process by which risks are themselves managed, you probably don’t. My goal is that in five years’ time, my job won’t be needed any more. I want people to be instinctively managing risks without knowing it.”

Enterprise Risk Management: Insights and Operationalization, FERF 2012

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## Barriers and Challenges

Risk Manager for a large national association with active chapters:

- “What I have found effective is working from the top down... start by helping the leadership (e.g. senior management, chapter president, risk management liaison) see the value in implementing a particular policy. Leaders shape the culture for managing risk.”

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## Barriers and Challenges

- Professional Risk Manager:
  - "One challenge is that risk management is sometimes seen as "just insurance" and that as long as the premiums are paid then everything is fine."
  - "To get beyond that mindset you need to help leaders remember to include risk management in the conversation about important decisions facing the organization."

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## Barriers and Challenges

- **TIP:** "Have one on one, face to face meetings with your internal business partners, sometimes on a regularly scheduled basis. Have lunch/coffee with these individuals. It can seem repetitive, but risk managers really have to continually remind others that it is a *partnership*, risk management doesn't operate in a vacuum, and give examples of when risk management added value, insight, etc. But if you hide behind your desk, people will forget to bring you to the table."
- **MBWA**

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## Barriers and Challenges

- "Another problem is when risk management is seen as the office of "No." You need to educate AND demonstrate that the risk management function or department is NOT the place where ideas go to die."
- "Provide solid, educated support when the answer is no, as it sometimes will be, helps to dull the pain. Internal business partners have to be comfortable that they still own their projects, risk management is a RESOURCE for them."
- "Once risk management is not viewed as the enemy partnerships begin to develop. But you have to work continually at maintaining and growing all partnerships. It's never "set it and forget it."

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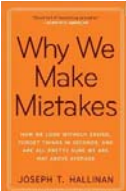
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## The Hindsight Bias



- After an accident, mistake or misstep, the “cause” seems all too obvious.
- Research shows that we often we fail to identify and fix the true underlying cause.
- We prefer affix blame on a human being and move on.
- Joseph Hallinan’s tip for reducing mistakes:
  - “...to be less optimistic, especially when making decisions. That’s because most of us tend to be overconfident and overconfidence is a leading cause of human error.”

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## The Myopia Bias

- We focus on what we think will happen tomorrow, instead of...how our actions today have consequences in the long-term
  - Risk Management 1.0 – make a list of likely risks and determine probability; risks are mostly local and routine.
  - Risk Management 2.0 – focus on resilience necessary due to a “wider variance” in possible losses and gains.
    - think “data loss” in 1982 or 1992 versus “data loss in 2012

Source: Erwann Michel-Kerjan and Paul Slovic

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## Critical Skills

“Risk managers must have a natural curiosity. I also look for people who have really good time-management and prioritization skills and who are good listeners.”

- Pamela Rogers, Weight Watchers International

“Too many RMs are still viewed as brakes; they must transform themselves into value creators. We must also get more comfortable entering the boardroom since our expertise will be increasingly needed there.”

- Erwann Michel-Kerjan, Managing Director, Wharton Risk Management and Decision Processes Center

From the [September 10, 2012](#) issue of National Underwriter P&C

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## Skills and Qualities

- “Risk managers must be renaissance people with a deep knowledge of their industry; have proven leadership experience; be excellent communicators who can demonstrate the value of their position; have strategic and critical thinking skills; and maintain a wide personal and professional network.” –
  - Scott D. Collins, Risk Manager, Bonfils Blood Center

[www.propertycasualty360.com/2012/09/10/experienced-risk-managers-recount-skills-strategie](http://www.propertycasualty360.com/2012/09/10/experienced-risk-managers-recount-skills-strategie)

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“In order to be an effective and efficient Risk Champion, he / she should possess:

- A good understanding of risk management concepts, principles and processes;
- Knowledge to support integrated risk management.
- Good analytical skills to assist with the analysis of root causes to risk problems;
- Expert power;
- Strong leadership and motivational qualities; and
- Good communication skills.

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## Risk Management Committees

- Key decisions:
  - What are the key purposes /responsibilities of the Committee?
  - Where does the Committee fit?
  - What perspectives are necessary (who serves?)
  - How will the work of the Committee support the nonprofit’s mission and objectives?
- Remember: “One-Size-Fits-One”

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## Risk Management Committees

- Let's look at a few examples....



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## The RM Committee

- Ensures ongoing, proactive risk assessment
- Monitors risk management capabilities
  - structures and processes;
  - knowledge, skills and culture
  - information flow
- Periodically reviews and updates organization-wide risk management policies



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## The RM Committee

**ANOTHER EXAMPLE (Risk Management Committee working with small RM Staff Team)**

The Committee will:

- Become Subject Matter Experts (SMEs) for their respective teams.
- Identify, assess, mitigate, and monitor risk cross-functional risks.
- Provide input on a comprehensive, organization-wide risk management strategy as the RM team develops it.
- Help aggregate all risks and provide guidance on establishing a risk protocol (i.e. which risks should be elevated, etc.)

**Composition:** 10-12 representatives representing both functional and regional units.

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## The RM Committee

**ANOTHER EXAMPLE** – In this case, the RM Committee is the Risk Champion (the nonprofit does not have a professional Risk Manager)

- The Safety and Risk Management Committee is responsible for all phases of the organization's safety and risk management programs – from the identification of potential hazards to personnel and the organization, to the development, implementation and monitoring of responsive risk management strategies. The Committee exercises overall responsibility for establishing and implementing a process to identify and analyze the nature, severity and frequency of risks.

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## Every Risk Management Committee needs...

- Purpose and structure – consider using a committee charter
- Changing membership – ask: what perspectives do we need to consider?
- Clarity about reporting expectations

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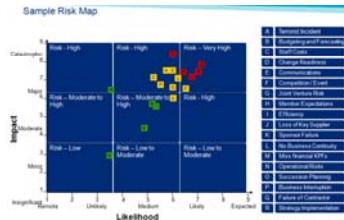
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## Risk Reporting Tools and Strategies

- The "Heat Map"



Source: MARSH

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## Risk Management Effectiveness Scale

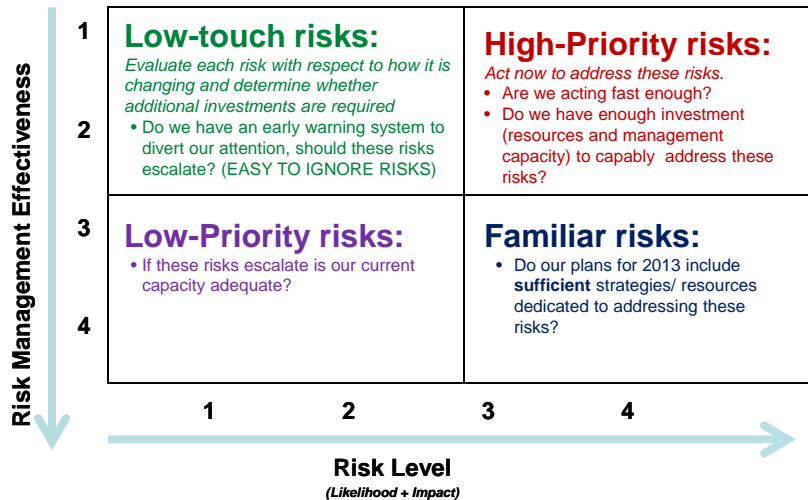
| Rank   | Description   |
|--------|---|
| High   | Meet all three criteria for effectiveness                     |
| Medium | Significant gap in one effectiveness criteria                 |
| Low    | Significant gaps in <u>two or more</u> effectiveness criteria |

**Effectiveness criteria:**

- A. Risk management plans are relevant, well defined and implemented
- B. Leaders and employees have a clear understanding of their roles and responsibilities regarding the risk management plans
- C. Information flows supports the risk management plans (the right information gets to the right people at the right time)

Source: Risk Wise, Inc.

## Plotting Risk Level and Management Effectiveness



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## Instincts vs. Reason

- Risk management in the modern world relies upon two forms of thinking. **Risk as feelings** refers to our instinctive and intuitive reactions to danger. **Risk as analysis** brings logic, reason, quantification, and deliberation to bear on hazard management.
- Compared to analysis, reliance on feelings tends to be a quicker, easier, and more efficient way to navigate in a complex, uncertain, and dangerous world. Hence, it is essential to rational behavior. Yet it sometimes misleads us. In such circumstances **we need to ensure that reason and analysis also are employed.**

Source: Erwann Michel-Kerjan and Paul Slovic

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## “Buy-in” - Essential ingredients to sustainable Risk Management include...

**Your plan**

→ STRATEGY: approach, framework, tools

**Buy-in**

→ IMPLEMENTATION: leadership, communication (educating, listening, coaching)



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## Ensuring “Buy-in”

- Encourage participation
- Ask for input **BEFORE** you decide...not after
- Consider creating your OWN reporting tools and framework... rather than trying to make another organization's fit your culture, structure, needs, etc.

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## Next Webinar

February 6 / 2 p.m.  
**Reference Checking**

At one point or another, most of us have mistakenly hired an ill-suited candidate or someone who was a poor fit for the job or our nonprofit. Tune into this webinar to find out how and why reference checking is the most important asset in your screening toolkit. If you want to avoid hiring another dud, you won't want to miss this content-packed program offering practical advice on reference checking. The program will cover the 3 worst and 5 best questions to ask a reference, as well as practical tips for getting around the brick wall that many employers erect to avoid giving substantive references.

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## Thank you!

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