Risk Management & Strategic Planning
December 7, 2011

WELCOME!

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What is a “Strategic” Plan?

strategic (str^e^g^ic) also strategical (str^e^g^ic^al)

1. Of or relating to strategy.
2. a. Important or essential in relation to a plan of action: a strategic withdrawal.
   b. Essential to the effective conduct of war; strategic materials.
   c. Highly important to an intended objective. The staff discussed strategic marketing factors.
3. Intended to destroy the military potential of an enemy; strategic bombing.

strategic

adjective

1. tactical, calculated, deliberate, planned, political, diplomatic; a strategic plan for reducing the rate of infant mortality
2. crucial, important, key, critical, decisive, cardinal; an operation to take the strategic island

Source: www.thefreedictionary.com/strategic
What is a Strategic Plan?

A “plan” of action that:

- Reflects a multi-year, longer-term view
- Is mission-centric and mission-advancing
  - Many SP processes begin with taking a second look at the Mission Statement
- Is multi-faceted and ambitious
- Is thoughtful and deliberate
- Reflects varying viewpoints (either consensus achieved through collaboration, or complementary strategies to be implemented concurrently)

Strategic Planning for NPOs

- Vision – a clear explanation of what the organization aspires to accomplish
- Mission – mandated purpose, a description of what the organization does in order to achieve its vision
- Values – the statement of shared values may be in the form of beliefs, guidelines, or a code of conduct
- Stakeholders – must be identified, and relationships and expectations managed

Source: Chartered Accountants of Canada
What is Strategic Planning?

- “Strategic planning is making choices. It is a process designed to support leaders in being intentional about their goals and methods. Simply stated, strategic planning is a management tool, and like any management tool, it is used for one purpose only—to help an organization do a better job. Strategic planning can help an organization focus its vision and priorities in response to a changing environment...” – ALLISON AND KAYE

Key Steps (Allison & Kaye)

- Phase 1: Get Ready (Why Plan?)
- Phase 2: Articulate Mission, Vision and Values
- Phase 3: Assess Your Situation
- Phase 4: Agree on Priorities
- Phase 5: Write the Strategic Plan
- Phase 6: Implement the Strategic Plan
- Phase 7: Evaluate and Monitor the Strategic Plan
SP Processes and Elements

- Mission review
- Self assessments (board and staff)
- SWOT Analysis (external: opportunities and threats; internal: strengths and weaknesses)
  - May consider: resources (staff and volunteers, financial assets, technology, governance), impact (how the nonprofit made a difference), and tactics (programs, services)
- Specific Goals (ends) and supporting Objectives (components necessary to achieve ends)
- Action Plan (e.g., action, beginning and completion dates, resources required and accountability)

What is Risk Management?

- ...a discipline for dealing with uncertainty
Why “manage” risk?

- The heart of risk management is about the desire to better understand a nonprofit’s “risky landscape” in order to:
  - Avoid/dodge avoidable, mission-eroding outcomes, events, circumstances and harm;
  - Maximize mission-advancing opportunities (“it’s well worth taking this risk!”); and
  - Fortify the nonprofit to bounce back when things don’t happen as planned.

Risk Management Process

- establish the context
- acknowledge & identify risk
- evaluate and prioritize risk
- implement risk management techniques
- monitor and update the program
- repeat
What is a (risk-inspired) Strategic Plan?

- “A strategic plan describes how an organization intends to move from where it is now towards its vision in accordance with its mission, values and tolerance for risk. In so doing it plans to use its strengths to take advantage of opportunities, remedy its weaknesses and to avoid or mitigate threats. The plan also establishes how the organization will measure progress in meeting its objectives.”  
  
  SOURCE: HUGH LINDSAY

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Reasons for the Performance-Strategy Gap

Adapted from “Turning Great Strategy into Great Performance,” Mankins and Steele, Harvard Business Review, August 2005
Applying a RM Lens to the Strategic Planning Process

- Phase 1: Get Ready (Why Plan?)
  - In addition to maximizing performance....
    - Avoiding mission-eroding missteps
    - Protecting vital agency assets (people, property, income and goodwill)
    - Building agency resilience

- Phase 2: Articulate Mission, Vision and Values
  - What about “risk appetite”

- Phase 3: Assess Your Situation
  - In addition to a SWOT analysis, what about a closer look at risk taking...
    - What’s our history of risk-taking?
    - How effective are we at learning from success AND failure?
    - Whose perspective is missing?

  - Is it time for a “RISK ASSESSMENT” – a closer look at top risks, adequacy of existing risk management strategies, and development of strategies and RM activities for the near-term
Phase 4: Agree on Priorities
- What big risks should we take in FY 2012 to advance our mission?

Phase 5: Write the Strategic Plan
Phase 6: Implement the Strategic Plan
Phase 7: Evaluate and Monitor the Strategic Plan
- How are the risks we’re facing evolving over time? How have we changed in the face of continuing uncertainty? To what extent are we better prepared for an uncertain future?

Challenges: Getting Risk on the Table

- Optimism Bias – “the exaggerated optimism of the planning fallacy”
- Loss Aversion – “the exaggerated caution induced by loss aversion”

- Internal focus (lack of “outside view”)

Source: Daniel Kahneman
Fear of Failure...

- “Pilot Projects”
- Willingness to conduct an honest, post-loss assessment
Questions that Bring RISK into strategic planning...

- How do events in the organization and the world outside affect our ability to achieve the mission and vision?
- What risks does the organization face?
- How much risk is appropriate?
- How sound are the assumptions behind the strategy?

Resources


- Strategic Planning for Nonprofits (slideshare), *by Sam Frank, Synthesis Partnership*, [www.slideshare.net/NonprofitWebinars/strategic-planning-for-nonprofits](http://www.slideshare.net/NonprofitWebinars/strategic-planning-for-nonprofits)
What I’m reading...

- *Thinking, Fast and Slow*,
by Daniel Kahneman
Coming soon…

- December 15, 2011 – “Background Checking: What You Need to Know”

- January 4 / 2 p.m. - Risk and Decision-Making
  - We'll begin the 2012 series with a fast-paced program exploring the intersection between risk-taking and decision-making. Find out how to overcome the biases and traps that lead to poor decisions, and learn how to tap your growing awareness of risk in your nonprofit's internal and external environments to enhance the decisions you make in 2012. $59.00

Thank you

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