

Affiliate Member Webinar – July 2020

# Practical Tips to Inspire Board Risk Leadership

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1



The Nonprofit Risk Management Center inspires effective risk management and Risk Champions.

We help nonprofit teams take bold, mission-advancing risks.

2

## Workshop Overview



### Key Concepts:

- What is Governance?
- 4 Key Board Roles
- What is Risk Oversight?



### Risk Leadership Strategies



### 4 Tips and Takeaways



### Resources!

3

## What is Governance?

Means in which the leading authority, often the board of directors... **guides and monitors the values and goals** of its organization through policy and procedures.

Philanthropic Foundations of Canada



4



## 4 Key Board Roles

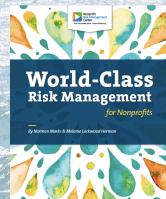
- **Fiduciary** – “stand in”
- **Stewardship** – protecting assets
- **Foresight** – discerning and acting on possible futures
- **Oversight** – overseeing processes that support mission-fulfilment

5

## What is Risk Oversight?

Responsibility for *overseeing* an organization’s approach to identifying & responding to critical risks, against a backdrop of ever-present uncertainty.

*World-Class Risk Management for Nonprofits,*  
Norman Marks and Melanie Lockwood Herman




6



7

## 1. Know your audience!

- WHO: Audit Committee, ERM Committee, full Board
- WHAT: top-of-mind concerns
- HOW much: information appetite?



8

## 2. Define the Board's Risk Leadership Duties

- Contributing to shared understanding of the organization's risk landscape
- Identifying *strategic* and *external* risks
- Leveraging opportunities to take risk
- **Setting risk appetite**

9

### **Risk Appetite is:**

“...the amount and type of risk that [the organization] regards as appropriate for it to accept in order to execute its strategy.”

SOURCE: RIMS

10

Without a shared understanding of risk appetite, each team member must infer it.



11

## Risk Appetite Questions

- Do we really understand how much overall risk we are taking?
- Are we capable of taking on this overall level of risk?
- Have we built in an appropriate margin of safety?
- What mechanisms are in place to signal approaching limits?

SOURCE: page 268, *Surviving and Thriving in Uncertainty* by Weick & Sutcliffe

12

### 3. Deliver Risk Reports



| 93

13

### What is a Risk Report?

It depends! Possibilities include:

- Information about risk trends or your risk landscape
- Data on losses and claims
- Lessons from evolving risk management capabilities
- A status report on progress
- A component of Risk Oversight



14

## Examples of Risk Reporting Wants

- Top 3 risks, those that could affect the survival of the organization
- A quarterly report showing priority risk areas, mitigation strategies, risk owners, plus a narrative describing emerging risks
- Commentary on the gaps between exposures and capabilities

15

## Risk Reporting Wants

- Risk information in several formats: gaps, top three risks, anecdotal commentary, and a long list of categorized risks
- Commentary on how we expect our risks and risk landscape to change over time
- Information that will help us focus on specific risk issues or themes at each board meeting.

16



## Risk Reporting Musts

- Inspire confidence
- Spark engagement
- Sync with governing model
- Support decision-making

17

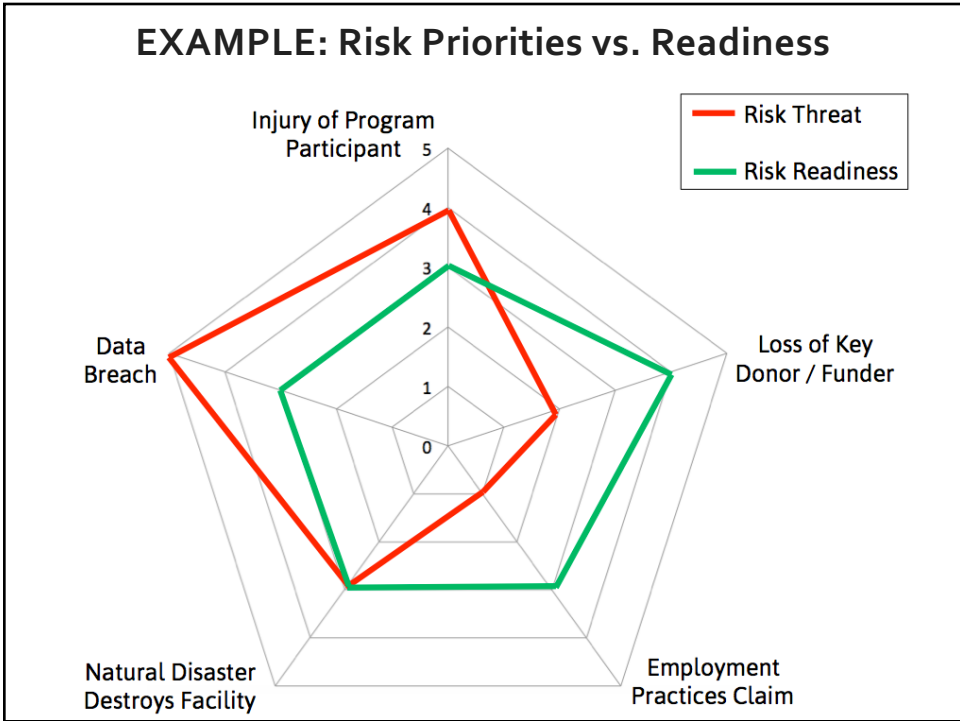
## Hypothetical Risk Dashboard

Rank and Risk Category	RISK	Key Risk Indicators (what we're monitoring to understand this risk)	Risk Strategies (specific steps and strategies to mitigate the risk)
#1 Existential (Enterprise Level) Risk	Significant cuts in funding (or lack of growth needed to address the ABC shortage)	<ul style="list-style-type: none"> <li>• Growing ABC shortage</li> <li>• Increase in federal funding</li> <li>• Emergence of new institutional funders</li> <li>• Success of incentives and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration with PDQ to advocate policy changes to address the ABC shortage</li> </ul>



| 18

18



19

### Hypothetical Risk Dashboard

Strategic Objective	Risk Event	Risk Indicators	Current Risk Rating	Ongoing Strategies
Expand operations to additional countries	Foreign agent registration denied	<ul style="list-style-type: none"> <li>Process requires more than time allotted</li> <li>Similar NGO was denied registration</li> </ul>	<b>STABLE</b> – projected time to implement expansion plan is 6 months	<ul style="list-style-type: none"> <li>Cultivate additional, country-based advocates</li> <li>Explore back-up plan and alternatives to registration</li> </ul>
	Inability to hire experienced country directors for new offices	<ul style="list-style-type: none"> <li>Less than 10 qualified people apply for country-director roles</li> </ul>	<b>HIGH</b> – Initial applicant pool is much smaller than our goal	<ul style="list-style-type: none"> <li>Identify interim leaders of new in-country offices who can be deployed for up to 3 months</li> </ul>
	Funder for expansion withdraws due to political or other pressure	<ul style="list-style-type: none"> <li>Funder backs away from 10-year commitment, preferring shorter time-frame</li> <li>Funder imposes impractical "strings"</li> </ul>	<b>LOW</b> – Funder indicates preference for 10-year commitment to region	<ul style="list-style-type: none"> <li>Develop additional communication strategies to keep funder aware &amp; excited about progress</li> <li>Identify other possible funders</li> </ul>

20



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- What other risks—related to this strategic objective—are concerning?
- What other trends or developments should we be monitoring? (indicators)
- Do the current strategies inspire confidence?

21

## Great Risk Oversight Questions

- What is surprising about the content of the dashboard?
- From your perspective, is our "top risks" profile accurate this year?
- What emerging/changing risks should we monitor more closely in the future?
- How might our risk profile and ongoing risk management activities inform strategy-level decisions?
- What more would you want to see in the Risk Dashboard to inform those decisions?

| 22

22

## Homework

- How does your leadership team share risk information with the board?
- Is the board eager or reluctant to discuss top risks?
- Is the board's risk leadership/oversight role clearly defined? If not, what steps would bring definition to that role?

23

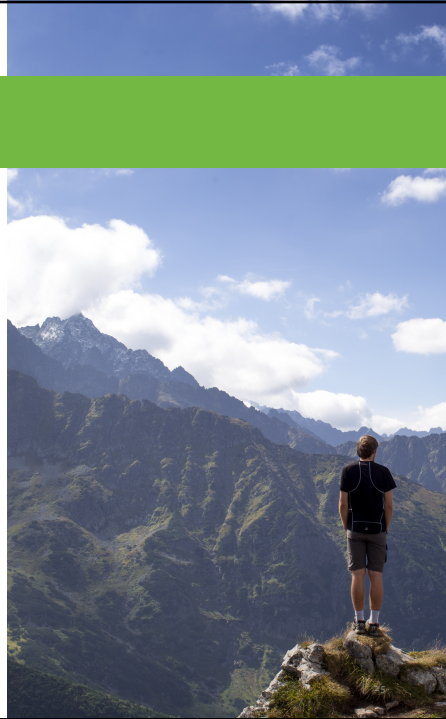


## 4 Tips and Takeaways

24

## 1. Be future focused

“The Courage to Lead is a willingness to take risks for the good of an unknown future. And the risks are real. For it is much easier to tinker with the month, the quarter or the year, but **to make decisions with an eye to the distant future is much more difficult.**” *The Infinite Game*

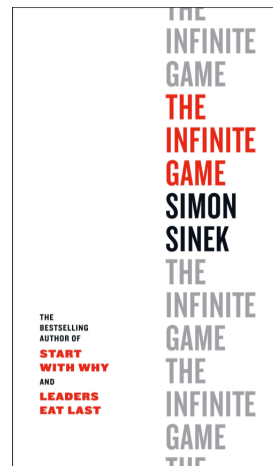


25

## 2. Choose resilience over 'stability'

“The infinite-minded player. . . expects surprises, even revels in them, and is prepared to be transformed by them.”

“A company built for resilience is a company that is structured to last forever. This is different from a company built to stability. Stability, by its very definition, is about remaining the same.”



| 26

26




3. Focus on presenting a clear, uncluttered report  
LESS is MORE; sharing a long list of risks won't inspire confidence!

27

### A short list is ok!

*"The art of being wise  
is the art of knowing  
what to overlook."*

- Williams James



28

#### 4. Don't save conversations about strategy and risk until the end of a long meeting!



29

## Resources

- "The Garden of Risk Oversight,"  
<https://nonprofitrisk.org/resources/articles/garden-risk-oversight-positioning-board-cultivate-strategic-risk-taking/>
- "2019 – The State of Risk Oversight,"  
<https://erm.ncsu.edu/library/research-report/2019-the-state-of-risk-oversight-an-overview-of-erm-practices>

30



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**Take 10: Resume and Thrive Strategies**  
 By Melissa Lockwood-Herms and Anthony Clark-Thompson

The effects of a global pandemic have caused many nonprofits to quickly scale back and shelter programs, send staff home, and reallocate resources to stop the spread of COVID-19. No operation was immune from the need to make fast, and to some extent, unavoidable decisions about what services were essential and how to pivot to maintain safe social distancing and isolation measures used by government officials. We are now entering a new phase of the pandemic that has nonprofits asking questions about resumption and recovery. Resuming and revitalizing your organization and program come thoughtful, deliberate decisions, instead of suddenly flipping a switch to restart. "Business as usual," nonprofits leaders must ponder the preparation necessary to foster a safe workplace grounded in future-forward, mission-advancing practices.

Below are eight to the initial phase of response on Phase One and the next step in reopening on Phase One. Phases may be described differently in your area.

Faith in trusted advisors | Team on a pedestal | Provide resources | Reimagines workspaces

### Managing Resumption Risks

Many states have been progressing through reopening phases, and countless nonprofits are preparing to welcome employees back to the office. Resumption plans are complicated by federal, state, and local laws, mandates, and guidelines. Understanding compliance obligations is key to a successful reopening.

To manage compliance and legal risks related to reopening, consider these 3 core values and 4 action items.

**REPORTS REQUIRED**  
 Confirmed COVID-19 positives must be reported to OSHA and possibly local & state authorities.

**PROTECT EMPLOYEES**  
 Support an internal network for high-risk employees and consider flexible schedules for returning team members.

**ENSURE COMPLIANCE**  
 Follow federal, state, and local regulations and best practices.

**SCALE UP CAUTIOUSLY**  
 Resume only after considering site safety and a resumption plan.

**MANAGING RESUMPTION RISKS**

**UNRESED**  
 Decisions about who to admit after health and safety concerns are critical. Consider the health of staff, the community, and potential reputational consequences.

**INFORMED**  
 Ask for guidance from external technical health experts. Risk factors do not come on a resumption chart to complete resumption plans and maintain the compliance.

**PREPARED**  
 Create an action plan that is an employee-led and community-driven, sharing protocols for ongoing training, monitoring, and handling issues.

31

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32


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Contact us if you need help!



Kay Nakamura, Director of Client Solutions  
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33

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Email \*  Phone Number \*

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34

# The Webinar Vault

**All Aboard**  
Building Internal Support for Risk Management

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May 20, 2020  
**All Aboard: Building Internal Support for Risk Management >**  
Affiliates | Risk Communication | Risk Management Essentials

Anything Could Happen: The Wild, Wild West of External Risks

March 18, 2020  
**Anything Could Happen: The Wild, Wild West of External Risks >**  
Crisis Management  
Crisis Management and Business Continuity Planning  
Decision Making | Emergency Planning  
Risk Management Basics

Risk-Informed Decision Making

January 15, 2020  
**Risk-Informed Decision Making >**  
Decision Making | General Risk Management

Risk Management: It's FUN-damental

December 20, 2019  
**Risk Management: It's FUN-damental >**  
General Risk Management

| 35

35



# Thank you!

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36