

NASCSP – June 16, 2021

Risk Management 101

What You Need to Know

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Webinar Description: Recap

- This webinar explores the discipline of risk management.
- The webinar begins by comparing traditional risk management to a more holistic approach and explores 'why' and 'how' risk management can support goal setting and planning activities.
- The session also explores practical ways that administrators can apply risk management principles and insights in their day-to-day work.

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Webinar Outline



What is Risk? What is Risk Management?



The Evolution of Risk Management



Risk Management, Goal Setting and Planning



Using Risk Tools



Final Tips and Takeaways

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About Your Speaker

- **Melanie Lockwood Herman** – long-time CEO of the Nonprofit Risk Management Center, headquartered in Leesburg, VA
 - *Advisor* to nonprofit management and governing teams for the past 25 years
 - Author of 20+ books on risk management topics
 - **Graduate** of American University(BA) and George Mason University School of Law (JD)
 - Enthusiastic volunteer: current board member of Camp Fire, American Foundation for the Blind and the National Human Services Assembly

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About NRMCM

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

We help leaders identify and manage risks that threaten their missions and operations, and leverage opportunities to take bold, *mission-advancing* risks.

www.nonprofitrisk.org

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**What is Risk?
What is Risk Management?**

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What is Risk?



CONVENTIONAL WISDOM

Risk = harm, loss, liability, lawyers!

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RISK: a future action, event or decision with the potential to significantly impact (positively or negatively) your strategic priorities

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What is Risk Management?



CONVENTIONAL WISDOM

Risk Management =
avoiding harm, loss, liability
and especially... lawyers!

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What is Risk?

A potential future action, event or decision with the potential to positively or negatively impact an organization's ability to achieve one or more strategic objectives

- future (versus something happening now)
- potential significant impact (e.g., mild aftershock vs. earthquake that destroys your uninsured building)

What is Risk Management?

- A discipline for dealing with uncertainty

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Yin & Yang of Risk Management

- Prepare for an uncertain future
- Respond to events and circumstances that happen

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For what purpose?

“The proper goal of risk management is to **build and maintain the confidence of stakeholders**. That combined confidence and trust is often translated into much-needed support, financial and otherwise, when surprise inevitably hits. It is the essence of resilience.”

H. Felix Kloman

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Possible Risk Categories / Areas of Focus

- Staffing and Human Resources
- Relationships with stakeholder organizations and their representatives
- Business Model/Funding Structure
- Vendors + Business Relationships
- What else?



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The evolution of Risk Management

Traditional RM

- What could go wrong?
- What are the compliance obligations of the organization?
- Are we prepared for an emergency or crisis?

"Risk" is seen as a negative. Risk Management focuses on avoiding risk or transferring financial responsibility for downside risks to others.



Advanced RM

- Risk management is seen as a shared responsibility.
- Risk-taking is viewed as necessary to mission fulfillment.
- Leaders recognize that risk awareness & risk treatment must evolve as the organization evolves.

"Risk" is seen as both positive and negative. Risk management is understood as a shared responsibility.

Enterprise RM

- Objective is to identify and address risks related to strategy and risks at the intersections of organizational life.
- Risk-taking and RM are considered in relation to mission and core strategies.
- Leaders aim for a bird's eye view.

Risk management is about making optimal decisions in the face of continuing uncertainty.

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Enterprise Risk Management

"ERM has emerged as a significant category for rethinking the organization of risk management activities... ERM should be understood as referring to **any broadly based conception of risk management**... It signifies any aspiration for a form of risk management practice which is all encompassing in scope, business-focused, and is suggestive of a bird's eye view of organizational life."



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Risk Management, Goal Setting and Planning

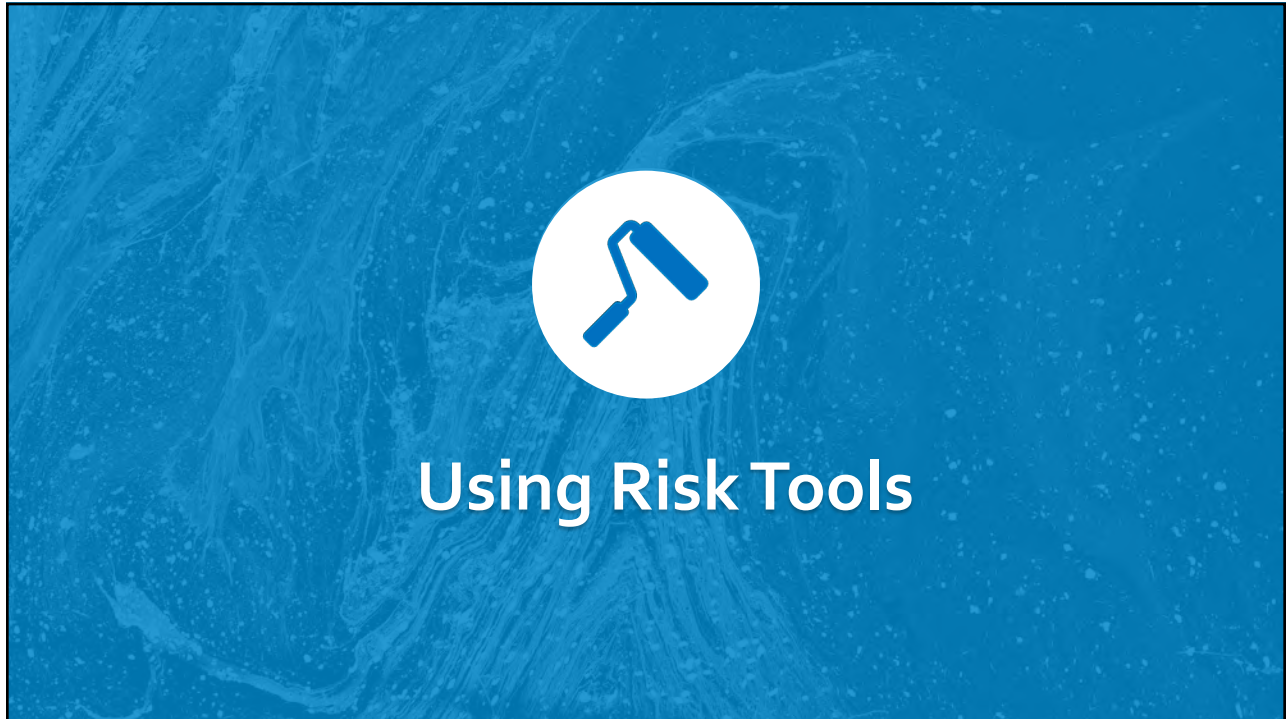
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'Risk Aware' is the goal!

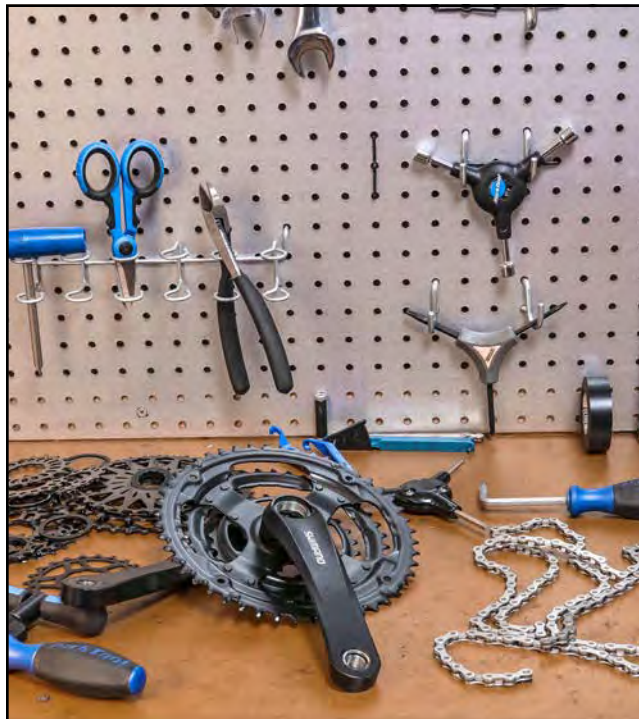
- What kinds of risks does this activity, program or plan require?
- What are the assumptions behind our plans?
- What is our degree of confidence about those assumptions?
- How could we be wrong or off track?
- What is our 'risk appetite'? (the amount of risk we're willing to take to achieve a goal or strategy)
- What will we do when we reach that point?
- To what degree are we ready to face whatever happens? (ready, resilient)

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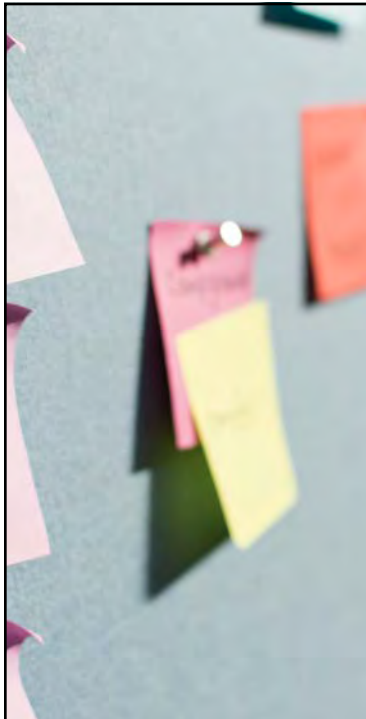
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3 practical risk assessment and analysis tools:

1. Question prompts
2. Fillable PDFs
3. The Bow Tie exercise

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Programs, services and change

- What practices or programs are we hanging on to, despite their irrelevance, diminishing value, or declining participation?
- What bold moves or changes invoke fear in our team?
- What significant changes in *who we are* or *how we operate* have been proposed and discounted?

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Programs, services and change

- With respect to a proposed or new program or activity:
 - What's the best possible outcome?
 - What's the worst that could happen?
 - What do we believe WILL actually happen?
 - To what degree are we prepared for all three outcomes? What more should we do to ensure resilience, regardless of the outcome?

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Workplace culture and values

- In what ways do our actions fall short of our professed values?
- Is the actual experience of team members who work and volunteer here markedly different from how we describe the experience?



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Use our Fillable PDFs

- <https://nonprofitrisk.org/resources/e-news/ready-set-learn-get-ready-now-for-whats-next/>


Type "Ready Set Learn" in the search box!

As your team works to prepare for the next interruption to what's 'normal' in your world, we invite you to make use of this suite of three brand-new resources from NRM:

- **Business Impact Analysis** – Our fillable PDF prompts you to identify key functions and each function's 'maximum acceptable downtime'. Next, you'll identify the recovery timeframe and strategies. Completing a Business Impact Analysis is often the most challenging component of business continuity planning. We've simplified the process so there's no disincentive to get started.
- **Lessons Learned Worksheet** – This fillable PDF helps you identify lessons learned from your agency's handling of the COVID-19 interruption, or any crisis.
- **Learning from Wins, Near Misses, and Failures** – In our consulting work with nonprofit teams we often discuss the fact that failures and near misses present fertile opportunities to learn. Yet many teams move on too quickly and miss out on powerful learning moments. We've created a fillable worksheet to help your team identify potent lessons. The opportunity to learn extends beyond failure and near misses. In *Think Like a Rocket Scientist*, Ozan Varol reminds us to pause, in the wake of a 'win' to ask: "What went wrong with this success? What role did luck, opportunity, and privilege play? What can I learn from it? If we don't ask these questions, luck will eventually run its course, and the near misses will catch up with us."

Download Now!

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Find the answer here | nonprofitrisk.org

COVID-19 Lessons Worksheet


Use this worksheet to identify lessons and takeaways from your agency's handling of COVID-19. For each event where your organization was required to react and pivot, explore the "Silver Linings" and "Dark Cloud" that you were faced with and how your organization can apply these lessons for future interruptions.

Example:

What happened?	A stay-at-home order was instituted on April 3, meaning that our staff could no longer work from our headquarters.
The Silver Lining: ways we improved resilience	In 2018 we transitioned from in-house servers requiring VPN connections installed on all PCs, to cloud servers accessible from any device anywhere.
The Dark Cloud: how and why we were unprepared	Half of our staff were not fully trained on how to work remotely.
Our Lessons and Takeaways	When a big change in process or systems is made, training must be a top priority. Training should be completed before we pull the 'switch.'

What happened?	
The Silver Lining: ways we improved resilience	
The Dark Cloud: how and why we were unprepared	
Our Lessons and Takeaways	

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Find the answer here | nonprofitrisk.org

Learning from Wins, Near Misses, and Failures Worksheet

Wins, near misses, and failures are fertile ground for extracting useful information to strengthen the resilience of your organization and build on existing risk management capabilities. As Paul J. H. Schoemaker writes, "A perspective is essential: learning is not a 'one-time student' but a 'continuous student' who can be used to forwardly adjust your team can take to learn from understanding."

Learning from 'Wins'

In *Think Like a Scientist*, Dean Vardi writes, "The next time you're knooped to start basking in the glory of your success, while celebrating the scoreboard, stop and pause for a moment. Ask yourself, What went wrong with this success? What role did luck, opportunity, and privilege play? What can I learn from it? If we don't ask these questions, luck will eventually run its course, and the near misses will catch up with us."

As tempting as it is to simply celebrate success, it is important to extract why something succeeded and where the process could have been improved. Their important takeaways will ensure that future endeavors have a


Learning from 'Near Misses'

In his book *Think Like a Scientist*, Scientist, Dean Vardi reminds us that near misses offer fertile ground for learning! The NMMAC team agrees. Vardi writes that "Near misses are a rich source of data for a single reason: They happen far more frequently than accidents. They're also significantly less costly. By examining near misses, you can gather crucial data without incurring the costs of failure." In her book *Resilience*, HB Professor Amy C. Edmondson writes that "... organizations that pay more attention to small problems are more likely to avert larger or catastrophic failures."

Learning from 'Failures'

"Unlike the high of success, which quickly dissipates, the sting of failure lingers—sometimes for a lifetime." —Dean Vardi

but there's a way to take the sting out of any workplace failure and extract valuable, mission-advancing lessons. In his book, *Create the Future - The Innovation Handbook: Tactics for Disruptive Thinking*, Jeremy Gutsche urges us to "interpret failure as a training tool." When we reframe our thinking and believe that the lessons learned from a failure can lead to mission-advancing innovation and change, spending time understanding what went wrong is well worth the time.



Find the answer here | nonprofitrisk.org

As you complete this worksheet, keep in mind the tendency to attribute failure and near misses to factors beyond our control. While there may be such factors at play, don't stop there. Also, remember that choosing an overly simplistic reason for an outcome—such as an employee's error or the luck of the draw—may not be truly honest. Stay away from the blame game. Playing 'who can we pin this on' won't inspire learning on your team.

Success, Near Miss, or Failure?	Objective What are we trying to learn, achieve or demonstrate?	Possible Causes?	What can we learn from this?
Select the outcome		<input type="checkbox"/>	
Select the outcome		<input type="checkbox"/>	
Select the outcome		<input type="checkbox"/>	
Select the outcome		<input type="checkbox"/>	

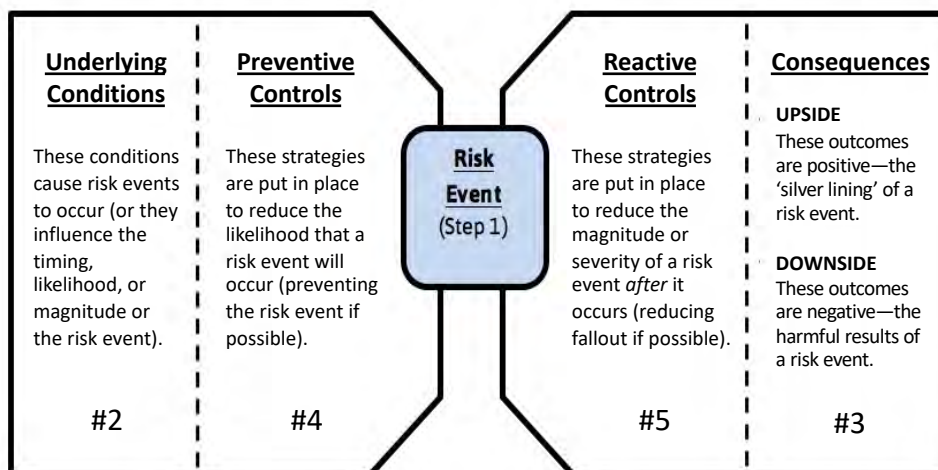
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The Risk Bow Tie

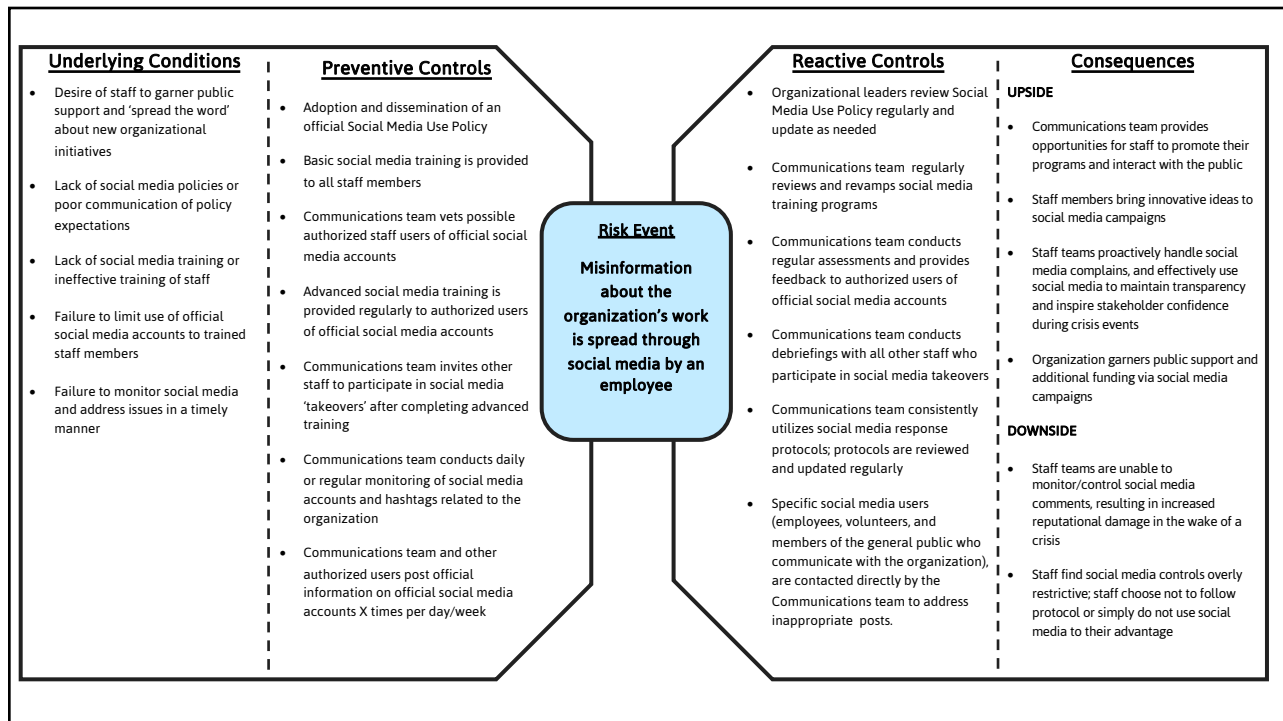


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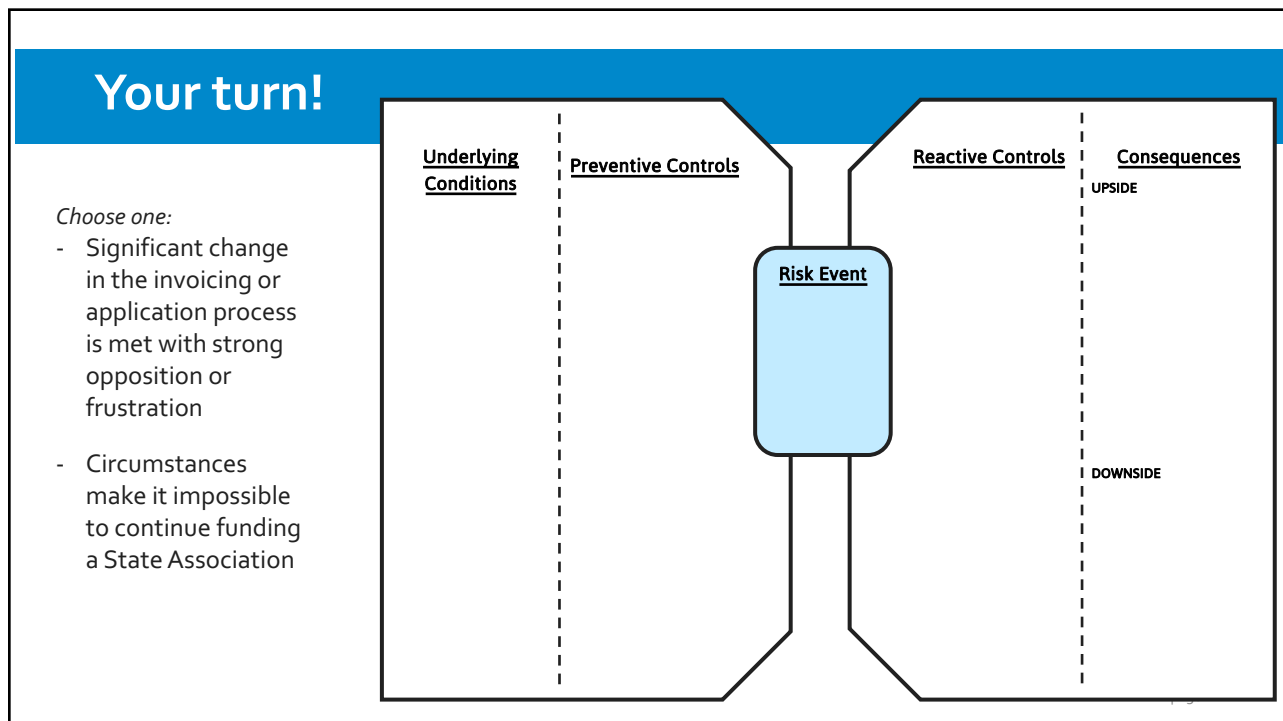
Action-Oriented Bow Tie (with preventive and reactive controls)



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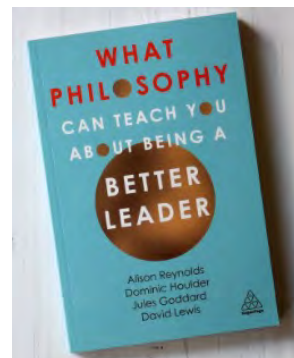


Final Tips and Takeaways

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Acknowledge what you don't know

"The Buddha would tell us that we cannot predict and control events; the attempt to be the master or mistress of the universe will at best make us anxious. But **we can choose how we respond to events.**"



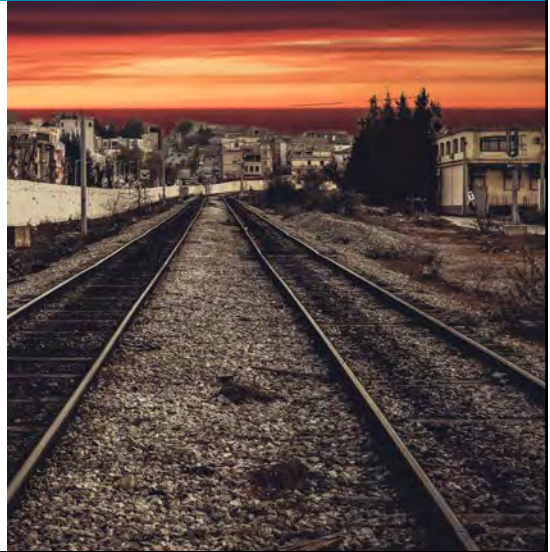
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Break it down: focus on the 2 safety tracks

#1 - Advance planning

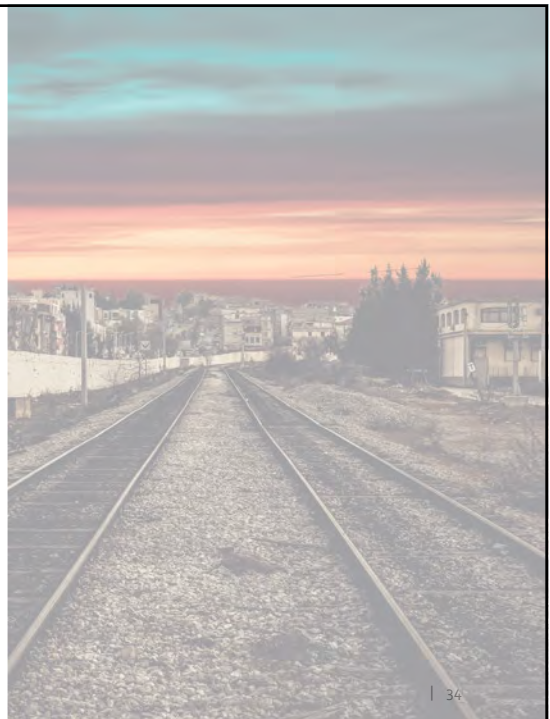
- What can we do now to better understand and prepare for what might happen?
- What direction can we provide to increase safety?
- What will team members want and need to know?



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#2 - Response

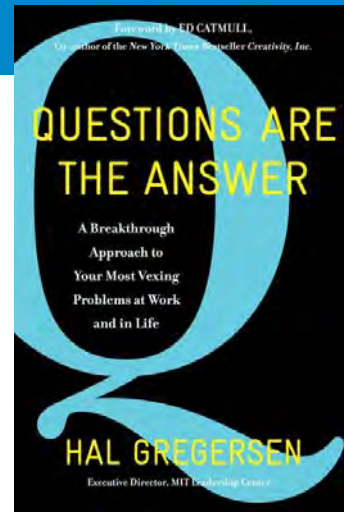
- What will we do if "X" happens?
- What resources will we need to do that?
- What can we do *today* to make sure we're able to respond quickly and effectively?
- What will we need to know to respond effectively?



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Ask more questions!

- “In the face of positive opportunities, then, and also negative threats, my claim is that, by revisiting the questions they are asking, and asking better ones, people arrive at dramatically better answers.”



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Engage: conversations about stress + worry

- Identify the things that are causing stress for members of your team and work together to identify solutions
- Encourage team members to take breaks from work and try mindfulness practices (see www.mindful.org)
- Reach out (one on one) to team members who seem to be especially stressed or worried



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Implement your backup plan!

- Trained team members who can 'step in' as needed when a colleague is ill or unavailable
- Reminder that cross-training should be a top priority



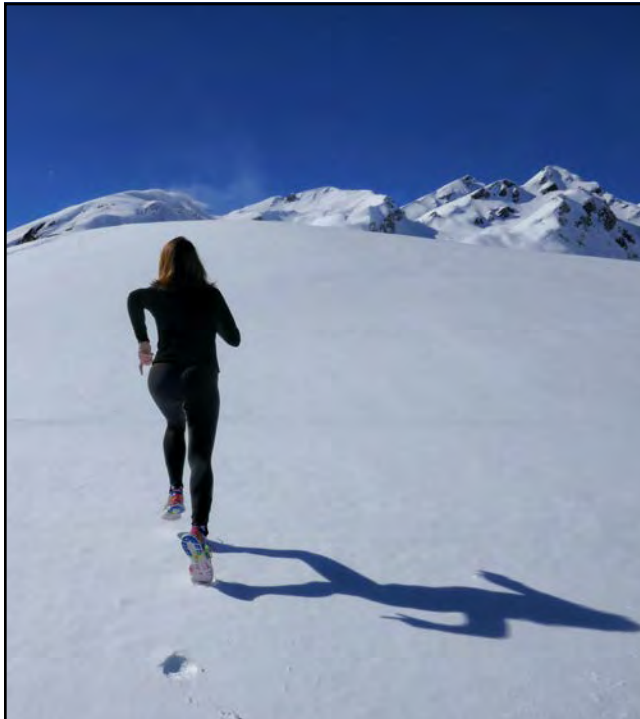
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A photograph of a dirt road winding through a lush green forest. The road is dark and appears to be made of gravel or dirt. The surrounding vegetation is dense and vibrant green. The lighting is bright, suggesting a sunny day. The overall scene is peaceful and natural.

*Enabling Knowledge
Creation: How to Unlock the
Mystery of Tacit Knowledge
and Release the Power of
Innovation*

1. Mutual trust
2. Active Empathy
3. Access to help
4. Lenience in judgment
5. Courage

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Take Small Steps

“Research has shown that of all forms of human motivation the most effective one is progress. Why? Because a small, concrete win creates momentum and affirms our faith in our further success.”

– Greg McKeown, *Essentialism*

Resources!

- Customizable Hazard-Specific Scenarios – www.fema.gov/PrepareAthon
- Fillable PDF Worksheets from NRMC – <https://nonprofitrisk.org/resources/e-news/ready-set-learn-get-ready-now-for-whats-next/>



Risk Management ESSENTIALS
Tips, Knowledge and Tools for Nonprofit Organizations

THE BUSINESS CONTINUITY PLANNING ISSUE

Business Continuity Planning: Taking it from the Backburner to Front and Center

By Whitney Clark Hoeny

Certain aspects of the risk management discipline are more compelling than others. It's easy to see how Enterprise Risk Management harnesses the power of your organization's strategic initiatives and bolsters the opportunity for your mission to grow and succeed. Having candid conversations about daily risks can become a simple standard practice that helps keep preventable risks in check. And annual reviews of insurance policies are necessary and routine to protect the mission from liabilities.

However, business continuity planning (BCP) often feels like a burden and is an uncomfortable, time-consuming topic to discuss thoroughly. Therefore, it rarely receives the attention that it deserves. Instead of focusing on the negative implications that disruptions cause to your organization and your mission—which often leaves BCP stuck on the backburner—realize how having a clear plan to deal with business interruptions empowers and protects the vital work that your organization does to serve your community and constituents.

Why important?
The first step in moving your organization's business continuity plan to the front and center.

Order **World-Class Risk Management for Nonprofits** today, if:

- you value the maturity of risk management as a priority
- your goals include linking risk management to the goals and objectives of your nonprofit
- you are a risk leader striving to help others in your nonprofit make risk-aware decisions

Join the authors of **World-Class Risk Management for Nonprofits** to understand the practice and principles that separate good-enough risk practice from mission-fortifying risk management.

Call 703.777.3504 or visit nonprofitrisk.org/products/ to order.

Sign up for the RISK eNews! nonprofitrisk.org

The screenshot shows the website's navigation bar with links for 'About', 'Contact', 'Q', 'W', and 'In'. Below the navigation is the 'RISK eNews' header. The main content area features a section titled 'The Best of NRMCC's Resilience Resources'. This section includes a paragraph about resilience, a sub-section for 'Business Continuity Planning' with a list of articles, and a sub-section for 'Learning from Failure'. To the right of the text are several image thumbnails for articles, including 'Articles', 'World-Class Risk Management', 'TRAVEL SAFETY', 'Infographics', and 'RISK eNEWS'. A small page number '41' is visible in the bottom right corner of the screenshot.

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Thank you!

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