

# Risk Management in Not-for -Profits

Where are my sleeping pills?

# Risk

- Definition of risk (as a noun)
- 1: possibility of loss or injury
- 2: someone or something that creates or suggests a hazard
- 3: a) the chance of loss or the perils to the subject matter of an insurance contract, also the degree of probability of such loss
- b) a person or thing that is a specified hazard to an insurer
- c) an insurance hazard from a specified cause or source eg war risk
- 4: the chance that an investment (such as a stock or commodity) will lose value

# Risk

- Definition of risk ( as a transitive verb)
- 1: to expose to hazard or danger eg risked her life
- 2: to incur the risk or danger of eg risked breaking his neck

<https://www.merriam-webster.com/dictionary/risk>

# Risk

The organization owns the risks it has.

This can include impacts on others

Two types: financial and reputational

(related but not the same)

Two levels of responsibility: Business as a whole and

Operational

You can never eliminate risk, only manage it

# Risks

Not every risk is an immediate problem.

Often the 80/20 rule applies but in reverse. 80% of the work applies to 20% of the risks.

Need to prioritize time for money (value)

# Risk Categories

Strategic

Financial

Regulatory

Operational

Disaster

Legal

Reputational

# Strategic Risk

Relevance of the organization

Competing organizations

Disruptive Technology

Loss of key players (people, suppliers, funders etc.)

Takeovers

Scale

Pricing (if applicable)

# Financial Risk

Major fluctuation in something that is an expense  
(benefit plans)

Litigation and other liabilities (eg environmental)

Large increase in the need for your services

Large decrease in revenue (grant or donations or sales)

Large theft or Embezzlement (cash, investments or fixed  
assets)

Interest or exchange rates



# Regulatory Risk

- Failure to comply with a regulator (taxes, privacy, hazmat)
- Loss of charitable status
- Fines or impairments due to non-compliance

# Operational Risk

- Loss of key people
- Fluctuations in available (and cost of) labour
- Infrastructure (phones, building, vehicles etc.)
- Loss of network and/or computer functionality
- Data Security Breach

# Disaster Risk

- Pandemics, wars terrorism
- Fire
- Hazmat problem (not necessarily your own)
- Weather

# Legal Risk

- Litigation
- Loss of life of employee or client while working
- Employee (or client) doing something that would cause a significant legal liability

# Risk Reputational

- Employee actions
- Data/privacy breaches
- Things associates do (other related organizations)

# Risk – What can we do?

- Identify all the risks we can think of
- Do some prioritization and grouping
- Once categorized and prioritized you can work on mitigation.

# Risk - Identification

- Need to know what the risks are
- May want to have this facilitated at least the first time if you can. Board member or significant volunteer if no budget available
- Start by listing anything you can think of and grouping like items. (Storyboard)
- Complete as possible so there are no gotchas

# Risk - Prioritization

Next step is to assess priority

1. Risk(as a number) = likelihood \* impact
2. Make 5 point scales for both
3. Use as a common scale for all risks
4. Capture financial and reputational risk



# Risk - Prioritization

Likelihood		
Rating	Frequency	Probability
5	<1 year	$\geq 100\%$
4	5 years	20%
3	10 years	10%
2	25 years	4%
1	>25 years	<1%

# Risk - Prioritization

Impact		
Rating	Financial Impact	
	5	10 million
	4	5 million
	3	1 million
	2	250 K
	1	25 K

# Risk - Prioritization

Matrix	Impact				
Likelihood	5	4	3	2	1
5	High risk zone				
4		Medium High			
3			Medium		
2			Medium low		
1					Low

# Risk - Prioritization

<b>Priority</b>		
High		1
Medium-high		2
Medium		3
Medium-low		4
Low		5

# Risk - Mitigation

- Now that the risks are listed, grouped and prioritized you can work on mitigation.
- List the risk factors. That is a list of what makes up the risk
- Brainstorm processes to manage
- Identify who is responsible to manage
- Add in targets for completion of mitigation strategy (if applicable)
- Monitor progress on mitigation

# The Risk Register

- A document that summarizes risks and priorities
- Will include:
  - Short description of the risk
  - Priority number (could include all the elements of the matrix)
  - Risk Factors – what things make up the overall risk
  - Process to manage the risk
  - Who is responsible in the organization
  - Targets and progress columns for risk mitigation in process

# The Risk Register

- Should be developed with boards and other significant stakeholders
- Not a static process. Needs to be revisited at least annually
- Needs to be incorporated into organization strategic and operational planning processes

# The risk Register

Risk Category	Business Risks	Likelihood Impact Priority			#	Risk Factors	Process to Manage	Responsible
		Inherent Risk Score					(Strategies to manage or minimize risk)	
Strategic	Erosion of relevance due to dropping usage of core services.	H	H	H	1	<p>New technology replacing core service.</p> <p>Cure for Cancer</p> <p>Government funds/takes over what you are doing.</p>	<p>Deepen the client service experience, so that when a client does have to have us help them, it is memorable.</p> <p>Build client dependance on other services and benefits.</p> <p>Increase number of client touchpoints.</p>	CEO/All
Strategic	Entrance of new competitors that could disrupt basis of service delivery	M	H	H	2	<p>The nature of the organization has been changed by the entrance of online competitors.</p> <p>Innovative competitors could disrupt delivery model.</p>	<p>Organizatoin must be continually innovating to ensure relevance, and where possible, to serve as the market disruptor rather than the victim.</p> <p>Continual strategic analysis and development, as well as effective execution must be kept as a top priority.</p>	CEO



# Risk – Final Note

- Identify
- Prioritize
- Strategy for mitigation
- Monitoring

# Questions