

Risk Management in a Non-profit Organisation

Of course everyone practices risk management: every time we think about “what if” and “plan B”, that’s risk management. However, most people and organisations do it informally, with little discussion and less written down, often after a crisis has hit them. A formal risk management process has many benefits:

- It raises the likelihood of the organisation achieving its objectives successfully;
- It creates accountability throughout the organisation;
- It brings transparency to risks faced by the organisation and what it’s doing about them;
- It can identify new and emerging risks in time to take action;
- It fulfils the duty of the Board of Directors to manage risk; and
- It is recognised best practice.

Risk management is not just quantitative analysis of financial risk. Especially for a growing organisation in a changing environment, risk management covers reputational, operational, strategic and legal risk. Risk assessments can be done at an organisational level, or for individual departments, programmes or projects.

What is the difference between risk management and crisis management? Risk management is about avoiding the crisis or at least mitigating its effects. Risk management is problem-solving, strategizing, business-planning and, sometimes, team-building.

A formal risk management process is not more work, more bureaucracy or just another compliance requirement. It does not kill initiative or risk-taking. A systematic methodology to assess and manage risk goes beyond “it’ll be alright on the night” to bring a high level of confidence throughout the organisation and its stakeholders.