

Taming the Tiger

Risk Management in a Non-profit Organisation


Presentation by Margaret Coates
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ExCEL₃ Symposium on Risk Management
23 September 2014

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- Why every NGO should have a formal, structured Risk Management (RM) Programme
- What is “Risk”
- Key Steps in Developing a formal RM Programme
- Case Studies – How RM works



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- “Risk”
 - Financial
 - But also reputational, operational, strategic, legal
 - “enterprise” risk
 - Look at “what could affect the achievement of our objectives?”
 - Very broad: internal and external factors, changes in circumstances, events
 - Threat (negative) & Opportunity (positive)



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- Why should NGOs have a formal, structured RM programme?
 - Raises the likelihood of successfully achieving the NGO’s mission *and*
 - Reduces the likelihood of a crisis that distracts it from that mission or even destroys the NGO
 - Peace of mind & a high level of comfort throughout the NGO & its stakeholders



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- Why should NGOs have a formal, structured RM programme? (Continued)
 - Risk awareness
 - Transparency
 - Accountability
 - Knowledge sharing
 - Meaningful oversight
 - Useful management tool



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- Key Steps in Developing a Formal RM Programme:
 - Risk Statement**
 - What is the NGO's "risk tolerance"?
 - How much risk can it bear?
 - Financial capacity
 - Track record
 - Culture of the organisation
 - Risk adverse v risk takers
 - Board's duty to agree on the NGO's "risk tolerance" & write it down so it's transparent & can be shared with stakeholders

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- Key Steps in Developing a Formal RM Programme:
Risk Register

Risk Category	Description of Risk	Ranking Before Mitigation	Mitigation	Ranking After Mitigation	Response	Risk Owner
Fund Raising	Loss of major donor	H	Broaden donor base	M	Initiate FR drive	FR Mgr
Governance	Succession planning	H	Regular review by Board	M	Engage head hunter	ED
Financial	Fraud	M	Internal controls training	L	Report to authorities	Finance Mgr
Operations	Hacking into website	M	Firewalls; backup	L	Implement business continuity plan	IT Mgr

- Be Transparent about Risk & Risk Management

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- Key Steps in Developing a Formal RM Programme:
Risk Register

- Identify the risk
- Rate it, to focus on important risks
- Identify actions to be taken to manage risk
- Risk Register as management tool
 - Record of the process
 - Checklist
 - Agenda for discussion
 - Outline for reporting
 - Training template

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- **Key Steps in Developing a Formal RM Programme:**
 - **Risk Owner**
 - Person who is formally responsible for following up, taking action, monitoring & reporting on the risk
 - Essential to ensure that the RM programme is actually implemented & doesn't become a paper exercise
 - Be Accountable for Managing Risks

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Case Study #1: Scandal Involving a Celebrity Spokesperson

- **Key Point:** The risk of scandal cannot be eliminated unless the NGO decides not to use celebrities as spokespersons, so the risk must be managed to an acceptable level.



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Case Study #2: Social Media

- *Key Point:* RM is essential to effective Crisis Management.
- *Key Point:* NGO needs to do a cost-benefit analysis of possible mitigation actions based on its risk tolerance.



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Case Study #3: Fraud by Insider

- *Key Point:* RM can contribute to prevention and to preserve reputation



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Case Study #4: Succession Planning

- *Key Point:* Risk can be both a positive opportunity & a negative threat



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Case Study #5: Loss of a Major Donor

- *Key Point:* A risk that is unlikely to occur may still be a High or even Extreme risk for an NGO if its impact would be serious.



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Case study #6: Hacking into Computers



- *Key Point:* RM is a useful management tool. The Risk Register can be used by the Board to give direction to management and by management to report to the Board.

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Going Forward:

- Get credit for what you're already doing and manage risk more effectively by introducing a formal RM programme
- Achieve greater transparency & accountability
- Risk can't be eliminated but it can be understood & tamed
- There's no "right" answer or "complete" list of risks for your NGO
- Get started, focus on high risks & write down your ideas so they're not lost or misunderstood

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*Make it more likely that your NGO will achieve
its mission successfully*



Thank you!

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