Designing Actionable, Memorable Risk Reports
SCCE’s 18th Annual Compliance & Ethics Institute

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The Nonprofit Risk Management Center inspires effective risk management and Risk Champions.
We help nonprofit teams take bold, mission-advancing risks.
Workshop Overview

What is a Risk Report? What is Risk Oversight?

Three Musts for Memorable Risk Reports:
1. Know your audience!
2. Tell a story
3. Spark engagement

Tips and Takeaways

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
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

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The State of Risk Oversight - 2019

Factors leading to increasing focus:

- #1 – Emerging best practice expectations (38%)
- #2 – Unanticipated risk events (32%)
- #3 – Board requests (32%)

State of ERM currently:

- Partial enterprise-wide process (40%)
- Formal enterprise-wide process (31%)
The State of Risk Oversight - 2019

How many risks are included in your board report?
- Less than 5 risks – 33%
- Between 10 and 19 risks – 33%

Barriers to better risk oversight:
1. Competing priorities – 49%
2. Insufficient resources – 46%
3. Lack of perceived value – 35%
4. Perception that ERM adds bureaucracy – 29%
5. Lack of board or staff ERM leadership – 25%
6. Legal or regulatory barriers – 7%

How are risks communicated?

To senior management:

<table>
<thead>
<tr>
<th>HOW ARE RISKS COMMUNICATED FROM BUSINESS UNIT LEADERS TO SENIOR EXECUTIVES?</th>
<th>FULL SAMPLE</th>
<th>LARGEST ORGANIZATIONS (REVENUES &gt;$1B)</th>
<th>PUBLIC COMPANIES</th>
<th>FINANCIAL SERVICES</th>
<th>NOT-FOR-PROFIT ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ad hoc discussions at management meetings</td>
<td>50%</td>
<td>32%</td>
<td>33%</td>
<td>40%</td>
<td>53%</td>
</tr>
<tr>
<td>Scheduled agenda discussion at management meetings</td>
<td>33%</td>
<td>36%</td>
<td>34%</td>
<td>40%</td>
<td>37%</td>
</tr>
<tr>
<td>Written reports prepared either monthly, quarterly, or annually</td>
<td>42%</td>
<td>70%</td>
<td>69%</td>
<td>66%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Note: Respondents could select more than one choice. Thus, the sum of the percentages exceeds 100%.

SOURCE: The State of Risk Oversight - 2019
Risk Reporting to the Board

<table>
<thead>
<tr>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERCENTAGE OF ORGANIZATIONS</td>
</tr>
<tr>
<td>WHERE THE BOARD OF DIRECTORS</td>
</tr>
<tr>
<td>REVIEWS AND DISCUSSES</td>
</tr>
<tr>
<td>IN A SPECIFIC MEETING</td>
</tr>
<tr>
<td>THE TOP RISK EXPOSURES</td>
</tr>
<tr>
<td>FACING THE ORGANIZATION</td>
</tr>
<tr>
<td>FULL SAMPLE</td>
</tr>
<tr>
<td>58%</td>
</tr>
</tbody>
</table>

SOURCE: The State of Risk Oversight - 2019

2 Takeaways: The State of Risk Oversight

- External parties (59%) are putting pressure on senior executives for more extensive information about risks.

- 65% of boards are calling for "somewhat" to "extensively" increased management involvement in risk oversight. Strong risk management practices are becoming an expected best practice.
1. Know your audience!

- WHO: Operational leaders, Executive team, Board Committee, Board
- WHAT: top-of-mind concerns
- HOW much: information appetite?

One Board’s Risk Reporting Wants

1. Top 3 risks, those that could affect the survival of the organization ("existential risks")

2. A quarterly report showing priority risk areas, mitigation strategies, risk owners, plus a narrative describing emerging risks ("stewardship report")

3. Commentary on the gaps between exposures and capabilities (indicators of where we need to focus)
## One Board’s Risk Reporting Wants

4. Risk information in several formats: gaps, top three risks, anecdotal commentary, and a long list of categorized risks ("everything you've got!")

5. Commentary on how we expect our risks and risk landscape to change over time ("future-looking risk projection")

6. Information that will help us focus on specific risk issues or themes at each board meeting ("food for thought/generative discussion")

## 2. Tell a Story
### Example: evolving ERM function

#### 2016

**Focus:**
- Independent ERM Assessment, including context analysis
- Risk Identification with three lenses: enterprise-level risks (existential & strategic), enterprise-wide risks, and operational risks
- Departmental risk assessment training and exercises
- Formation and launch of risk champion group

#### 2017-2018

**Focus:**
- Periodic risk champion group meetings facilitated by NRMC
- Cross-departmental and -functional collaboration
- Coaching from NRMC to refine risk assessment and risk reporting
- Identification of top 10 risks within each function or department
- Special projects focused on mitigating top risks

#### 2019-2020

**Current and Future Focus:**
- Evolution of risk reporting and risk oversight strategies, including Audit Committee and Board engagement
- Creation of risk dashboard that syncing with strategic priorities
- Risk Assessment Refresh with emphasis on strategic risks
- Continuing evolution of operational risk management ('Risk Champion Group 3.0')

### Hypothetical Risk Dashboard

<table>
<thead>
<tr>
<th>Rank and Risk Category</th>
<th>RISK</th>
<th>Key Risk Indicators</th>
<th>Risk Strategies</th>
</tr>
</thead>
</table>
| #1 Existential (Enterprise Level) Risk | Significant cuts in funding (or lack of growth needed to address the ABC shortage) | - Growing ABC shortage  
- Increase in federal funding  
- Emergence of new institutional funders  
- Success of incentives and programs | - Collaboration with PDQ to advocate policy changes to address the ABC shortage |

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**Note:**
- The Hypothetical Risk Dashboard is illustrative and designed to provide a clear understanding of risk management strategies. It is not an actual risk dashboard but serves as a comprehensive outline for risk identification, assessment, and reporting.
## 3. Spark Engagement

### Hypothetical Risk Dashboard

<table>
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<tr>
<th>Strategic Objective</th>
<th>Risk Event</th>
<th>Risk Indicators</th>
<th>Current Risk Rating</th>
<th>Ongoing Strategies</th>
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</table>
| Expand operations to additional countries | Foreign agent registration denied | • Process requires more than time allotted  
• Similar NGO was denied registration | STABLE – projected time to implement expansion plan is 6 months | • Cultivate additional, country-based advocates  
• Explore back-up plan and alternatives to registration |
| Inability to hire experienced country directors for new offices | | • Less than 10 qualified people apply for country-director roles | HIGH – Initial applicant pool is much smaller than our goal | • Identify interim leaders of new in-country offices who can be deployed for up to 3 months |
| Funder for expansion withdraws due to political or other pressure | | • Funder backs away from 10-year commitment, preferring shorter time-frame  
• Funder imposes impractical "strings" | LOW – Funder indicates preference for 10-year commitment to region | • Develop additional communication strategies to keep funder aware & excited about progress  
• Identify other possible funders |
Hypothetical Risk Dashboard

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<td>Inability to hire experienced country directors for new offices</td>
<td>Less than 10 qualified people, difficulty director roles</td>
<td>HIGH – Initial applicant pool is much smaller than our goal</td>
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<td>Funder for expansion withdraws due to political or other pressures</td>
<td>Funder backs away from 10-year commitment, preferring shorter time-frame. Funder imposes impractical “strings”</td>
<td>LOW – Funder indicates preference for 10-year commitment to region</td>
<td>STABLE – projected time to implement expansion plan is 6 months</td>
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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?
Discussion

- Are any of the changes in our Top 5 Risks list surprising?
- Does the proposed Budget ensure adequate funding for the risks where we have the greatest gaps between EXPOSURE and READINESS?
- Is the evolving focus of ERM over time consistent with the Board's mandate to invest in risk management?

Tips and Takeaways

1. Spend time on goals and expectations before diving in
2. Involve a diverse team in risk reporting
3. Keep in mind that LESS is MORE
4. Don’t save conversations about strategy and risk until the end of a long meeting
5. Strive for baked in vs. bolted on
Tips and Takeaways

- Place the most important item at the top of the dashboard, in the upper left corner
- Structure the dashboard from top to bottom and left to right
- Avoid using multiple color schemes (no more than 2 color palettes); if the meaning behind the choice of color isn’t obvious (green, yellow, red), include a legend!
- Use one legend if possible; if not, place legends as close as possible to corresponding visuals

Key questions:
- What questions am I trying to answer?
- Am I using the right type of chart type for my analysis?

Thank you!

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Resources!  www.nonprofitrisk.org