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Risk Management Standards for Nonprofit Organizations: Challenges and Opportunities

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Standards-Setting in the Nonprofit Sector

- The **nonprofit sector** in the U.S. consists of more than 1.3 million organizations.
- **Stakeholder demands:** growing in number and complexity.
- **Regulatory oversight:** expanding rapidly, including government and organizational oversight.

Risk Management

■ Challenges:

- The vast majority of U.S. nonprofits are unaware of existing and new RM standards (e.g., ISO 31000 or Australian/NZ Standard)
- The motivation to adopt a risk management framework or standard often stems from the perception that it is **required** or that exposure to legal claims is too great without sound risk management.
- U.S. nonprofits generally view risk management as a mid-level (versus overarching) discipline. Risk management awareness is too often absent from board deliberations.

Risk Management

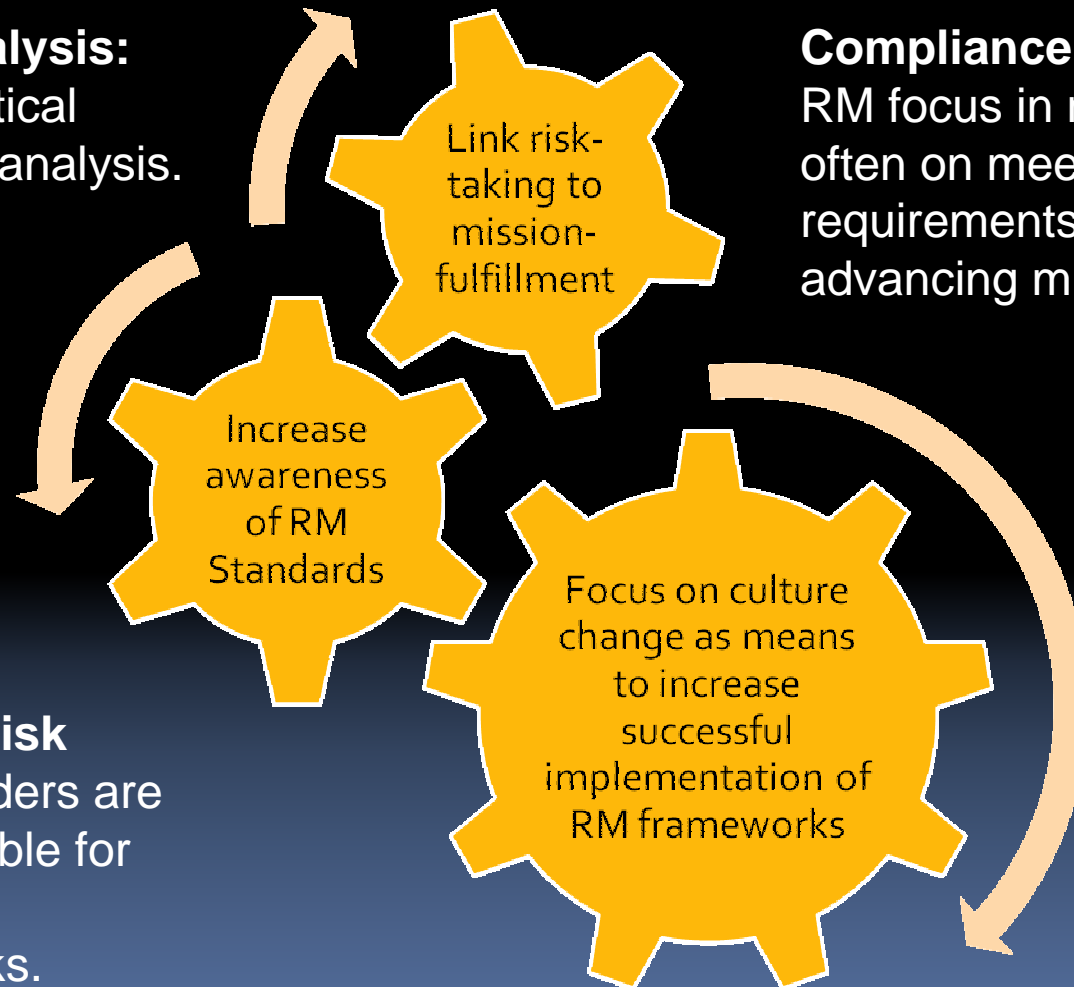
■ Challenges:

- Current momentum favors new governance, accountability and financial management standards and protocols.
- Professional risk management positions are rare in nonprofit organizations. Risk “analysts” in nonprofits are often isolated.
- Organizations may be able to demonstrate compliance with a “process” or standard while overall efforts fail.
- There are few incentives to adhere to a risk management standard.

Addressing the Challenges

Probability analysis:
using mathematical
tools to aid risk analysis.

Compliance emphasis:
RM focus in nonprofits is
often on meeting minimum
requirements, versus
advancing mission.



Isolation of Risk Analysis: leaders are often responsible for one facet of a nonprofit's risks.

Risk Management

Opportunities

Perception

- *Economist* survey results suggest that risk management is “a key contributor to market advantage.” We need to realize perception that risk management is key contributor to “mission fulfillment.”

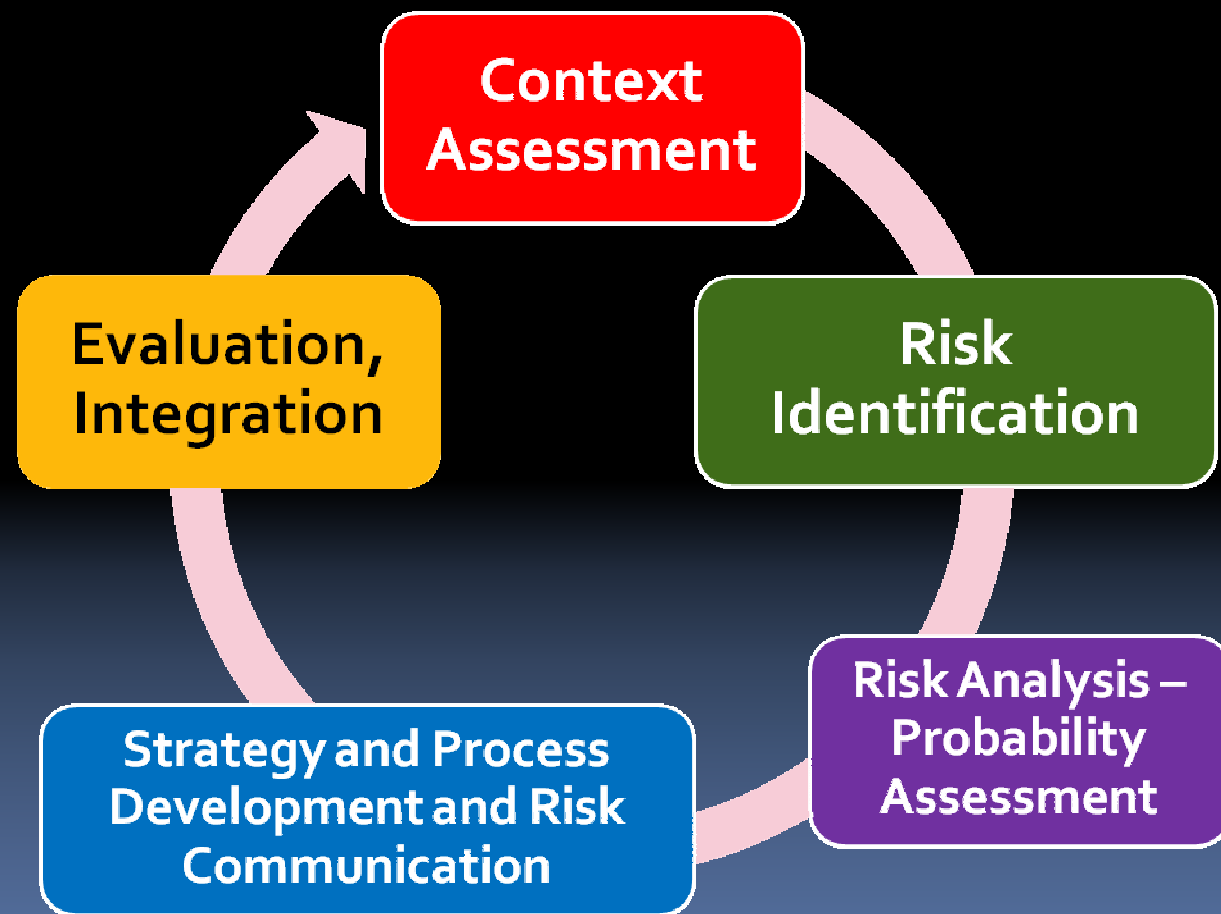
Alternatives

- Commitment to preparing for alternative scenarios in order to protect the vital missions of nonprofit organizations.

Advancing Mission

- Increasing recognition of risk management as a discipline that enables mission-fulfillment.

Risk Management Standard for Nonprofit Organizations





Thank you!

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