Sustainable Economies Consulting

A SIMPLE FRAMEWORK FOR NONPROFITS TO ASSESS RISK

If your organization doesn't have the shared language and systems for talking about risk – then your team probably isn't having the conversations needed to effectively mitigate risks.

1 Develop a shared vocabulary

As an environmental economist, I use terms like tradeoffs, benefits, risks, and mitigate. Your organization can choose the language you want. Just be sure that your entire team has a shared understand of how your organization defines those terms.

2 Determine threshold events

Determine which events are large enough to trigger the use of your org's risk management process. Threshold events could be:

- ☐ Before your finalize the strategies in your strategic plan
- ☐ For projects/programs over a certain dollar value

3 Define the possible risks

After you define the context, ask:

- What are all the possible risks? Consider different categories of risk like financial, social, reputational, political, technical, & ecological.

4 Assess likelihood

Working as a team is important. It helps when the highly risk averse team members balance your risk loving colleagues. Have a group discussion and score the likelihood of risk (very low, low, medium, high, very high).

5 Consider a tradeoff analysis

There are also benefits that can come with your org's major decisions. List out benefits that are most likely across 2-3 scenarios. Make a rough estimate of the magnitude of these benefits. This helps your team more clearly visualize the tradeoffs. Good example can be found here.

6 Mitigate the risks

All decisions come with some risks, whether they are big or small. Whichever option your organization chooses, make a plan for mitigating the possible risks. E.g., could impact your org's reputation, make a plan for proactively public relations.

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