

Discipline makes daring possible



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‘Discipline makes daring possible’. This quote from Dr Atul Gawande in the 2014 Reith Lectures refers to the medical profession, but it has real resonance when thinking about risk management and specifically the benefits of smart risk management for charities.

If a charity has the internal disciplines to properly understand the risks it faces and how those risks can be effectively managed, then it can have the confidence to be daring in exploring new opportunities and ensuring it is doing the very best it can for its beneficiaries. In other words, it will be better placed to meet its objectives.

And this is how risk management should be judged. Does it create a culture where we can confidently take well managed risks in support of meeting a charity’s objectives as opposed to one where risks are something to be scared of and avoided wherever possible?

This moves risk management beyond the ‘risk inventory’ approach of traditional risk registers (hence we gave the strap-line of ‘Beyond the tick box’ to CFG and Sayer Vincent’s *Re-thinking Risk* publication). They are one route (but not necessarily the best route) to understanding the risks – and they do nothing to create the necessary culture throughout an organisation.

Norman Marks (a leading advocate of smart risk management) claims rather counter-intuitively that the key is to stop talking about risk. As soon as the word risk is mentioned many Trustees, senior managers and staff automatically think ‘compliance activity’ and about avoiding harm. As Marks says; “There’s a huge difference between avoiding harm and achieving objectives. If you want to eliminate cyber risk – destroy all computers”.

In this context therefore the ‘discipline’ that can be brought is to pose the right questions. Have we thought about the uncertainties in this activity? What are the

contingency plans? What other scenarios or options do we have? Will this approach maximise the likelihood of us meeting our objective? Have we based our assessment on a fair set of assumptions? How can we have confidence in our performance indicators?



Does risk management create a culture where we can confidently take well managed risks in support of meeting a charity’s objectives?

All of these are valid ‘risk management’ focused questions – but none of them use the word ‘risk’.

With apologies to Marks for not banning the use of R-word entirely, here are some practical steps towards creating the necessary culture:

- **A clear understanding of what is important to your charity** – where you will and will not take risks. This can be achieved by a simple risk policy setting out where you may want to take risks; for example, in a charity’s advocacy and where the charity will have zero tolerance

to risk, for example the safeguarding of vulnerable beneficiaries. This gives a clear direction on risk appetite from the Board to the management team and helps ensure that delegated decisions are made with risk appetite in mind.

- **Risk management is for everyone** so demonstrate to all staff how their role and the day-to-day activities they undertake contribute to the overall risk management effort (or the achieving of the charity’s objects).
- **Scenario planning and open discussions** of pros and cons in key decision-making and project planning.
- **Keeping the Board focused on the big picture risks** and delegating operational risk management to the management team. A tool for doing this is our ‘Big-5’ model. This gets you to the risks that matter without going through a subjective scoring system. The basic premise of the model is that the Board should focus on just five headline risks. These five risks might be:

1. **Impact** – Are you making the desired impact in support of your beneficiaries and can you evidence it?
2. **Financial sustainability** – Are you managing the finances to ensure you continue to make an impact in the medium to long term?
3. **Compliance** – Are you meeting your regulatory, legal and donor compliance requirements and expectations?
4. **Reputation** – Are you able to respond effectively to any incident that could result in damage to your reputation?
5. **Specific to the charity** – Specific to the nature of the charity may be a risk that is at the heart of what the charity stands for. For example, for a children’s charity it might be child protection.

Risk management needs to be brought to life by always considering the risks involved in key decision-making. What are the alternative scenarios? Do we need a contingency plan? Keep asking the ‘what if’ question.

An interesting way of thinking this through is by carrying out project ‘pre-mortems’. These are thought processes at the outset of a new project which pretend that the project is complete. If the project has been a success why would that have been? If the project was a failure what would the root causes of that failure have been and how can we design them out of the project plan?

Re-thinking Risk – a free joint CFG/Sayer Vincent publication is available to download at cfg.org.uk/riskguide.