

Detailed Summary: Risk for the Not-for-Profit Director

1. Introduction

Facilitated by Rosina Hislop, this session explores the role of not-for-profit (NFP) directors in understanding and managing risk. Rosina shares her personal journey into board work and emphasizes the importance of good governance and collaborative decision-making.

2. Defining Risk

Risk is defined by ISO 31000 as 'the effect of uncertainty on objectives.' It encompasses both threats and opportunities. Directors are responsible for taking calculated risks aligned with strategic goals.

3. Governance Principles and Risk

Boards must oversee a risk management framework aligned with the organisation's purpose and strategy. Directors should be curious, informed, and regularly review the framework's effectiveness.

4. Risk Management Frameworks

Surveys show that many boards lack awareness of formal risk frameworks. Only 41% of directors report using one, while 49% are unsure.

5. Emerging Risks and Strategic Opportunity

Top risks include AI, cybersecurity, skill shortages, climate change, and geopolitical instability. Boards should use emerging risks to drive strategic innovation.

6. Strategic Risk Planning

Boards should integrate risk into their annual calendar and allocate time to explore key risks. Risk discussions can identify value creation opportunities.

7. Preparing for Uncontrollable Risks

Directors must ensure risk preparedness through crisis management, succession planning, and scenario planning. Example: McDonald's CEO succession plan.

8. Purpose of Risk Management

Risk management should challenge assumptions, identify early warning signs, and encourage learning from both failures and successes.

9. ISO 31000 Risk Management Framework

A flexible framework suitable for all organisation sizes. Key components include principles, leadership, process, and culture.

10. Risk Appetite

Defines acceptable risk levels across categories. Must align with purpose, vision, values, and legal environment.

11. Risk Appetite Statement Examples

Statements can be narrative or visual. They guide management by setting clear boundaries and tolerances.

12. Operational vs Strategic Risks

Boards must focus on strategic risks but remain aware of critical operational risks. Governance systems should be in place to manage both.

13. Risk Visualization

Risk matrices help assess likelihood vs consequence. Controls should reduce risk to acceptable levels.

14. Assessing Control Effectiveness

Directors must evaluate whether controls are effective. Internal audit is a key assurance tool.

15. Summary and Resources

Risk management is a decision-making tool. Risk appetite sets guardrails for strategic choices. Resources include AICD's Not-for-Profit Governance Principles and Director Tools.