

Ahead of the Curve Symposium: Defining, Assessing and Managing Risks at Nonprofits

A Day of Brainstorming for Nonprofit Executives,
Board Members and Capacity Builders



A HEAD OF THE CURVE

Steering Committee Members



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EXECUTIVE SUMMARY

OVERVIEW

On September 28, 2016, a consortium of capacity building organizations held a symposium in New York City to “advance [the] collective knowledge of the discipline of risk management” within the nonprofit sector. A cross sector of about 200 people attended, including nonprofit executives, managers and trustees as well as representatives of capacity building organizations, consultants and academics.

SECTION I: THE RESULTS

Learning from the Symposium

Highlight from the panels

The panelists collectively emphasized the importance of embracing risk and proactively managing it, linking this to creating healthy, sustainable organizations. The highlights from their remarks are summarized in an addendum to this report and reflected in the key insights below.

“It is important to remember that there are positive risks as well as negative risks and that nonprofits want to be prepared for both.”

— Allison Sesso, Executive Director,
Human Services Council

Report backs from the small groups

Overall, the small group responses to the discussion questions were very consistent. These responses are summarized in an addendum to this report and reflected in the key insights below.

Key insights from the day

1. Risk is not all about the “negatives.” Positive risks provide opportunities for growth and change and risk management provides a path for achieving a healthy, sustainable organization.
2. Nonprofits have valuable assets to drive the development and implementation of the discipline of risk management. These include innate knowledge of



risk, commitment to sustainability, awareness that their operations are risky, at least in certain areas, and skill in implementing new programs and systems, particularly evident in nuanced understanding of how to use communication and culture to operationalize risk management.

3. Nonprofit leaders want support so that they can operationalize risk management. They don’t need to be convinced about its value. There was a uniform call for best practices, tools, networks, facilitation and consultants. An information and resource sharing website, like the one being created by the Ahead of the Curve Steering Committee, is needed.
4. The discipline of risk management needs to be built around collaboration and communication within the nonprofit and integration of risk management into the nonprofit’s planning and operations.
5. Financial and associated contract risks are a top issue, but not the only issue. Participants also identified other areas of major risk they face, such as governance/leadership, reputation, operational, compliance, quality of services and safety, growth, innovation and external risks.

Next Steps: Moving to Action

The Steering Committee met and agreed to take the following action steps to begin creating a shared framework for the discipline of risk management in New York City:

1. Steering Committee members will use the categories of risk in the Community Resource Exchange Fitness Tool (CREFT) as the framework for risk management, which are: Leadership, Governance

& Strategy; Personnel & Administration; Finance; Compliance & Legal; Programs & Services; and External Environment

2. Community Resource Exchange (CRE) is developing a risk assessment tool known as the Community Resource Exchange Fitness Tool (CREFT). CRE has set the goal to make CREFT available to the nonprofit sector at no-cost and is seeking funding to build it out in an appropriate software platform to accomplish this.
3. The Steering Committee will launch a new website, created under the Ahead of the Curve banner, to make new and existing information, materials and resources about risk management accessible to the nonprofit sector in New York City. The website will be designed to facilitate communication and coordination across the Steering Committee member organizations, including a coordinated calendar highlighting relevant risk management sessions across the network.
4. The Steering Committee will encourage and support member agencies in working collaboratively to raise awareness about risk management in the nonprofit sector and connect nonprofits to resources and tools to integrate risk management into their operations, such as: 1) workshops, roundtables and forums, 2) case studies, sample policies, procedures, templates, checklists and other tools, and 3) one-on-one consulting support, experts and volunteers.

SECTION II: THE SYMPOSIUM PROCESS

The Symposium was designed to foster shared learning about the practices in use for risk management and to collaboratively develop a vision for what nonprofits want and need.

The day was divided into four segments, with panel discussions at the beginning of the first three segments and breakout groups for all four segments. These were: Framing Risk Management; Approaching Risk Management; Risk Assessment; and Next Steps: Where do we go from here?

Over 100 participants responded to a nine (9) question evaluation survey and found the conference helpful or very helpful; they particularly liked the breakout discussion groups. 100% of the respondents said they intended to apply things they learned.

With thanks to the nonprofit executives, managers, capacity building staff, consultants and academics who gave gener-

ously of their time to plan and participate in the Symposium, the Steering Committee met its original goals as laid out in the planning process:

- There was ample sharing of knowledge and experience about how nonprofits approach risk management today;
- There was a high degree of consensus among the participants about what they want and need in order to expand risk management at their nonprofits; and
- This learning serves as a first step toward creating a discipline of risk management similar to that of strategic planning.

While there is much to be done to develop the body of knowledge and practice needed to comprise the discipline of risk management, with the interest and enthusiasm displayed at the Symposium there is every reason to be optimistic about that it can be achieved, particularly with nonprofit executives and managers, Board leaders, capacity building organizations, the philanthropic community and government working together to achieve this goal.

“Positive risk: Being brave enough to try new things and new methods of doing things; Negative risk: Not planning or budgeting for projects and being surprised by things badly!”

— Small group breakout

INTRODUCTION

On September 28, 2016, a consortium of capacity building organizations held a symposium in New York City to “advance [the] collective knowledge of the discipline of risk management” within the nonprofit sector . (For further background on risk management see the Addendum titled “Risk Management, Some Definitions” attached to this report.) Responding to recent calls for more robust risk management practices in the nonprofit sector, particularly in the area of financial, program and contract management, the consortium sought to foster shared learning about the practices in use and to collaboratively develop a vision for what nonprofits want and need.

“NPCC believes that strong nonprofits change the world. To be strong - to be ahead of the curve - nonprofits must know their current and future position, risks and opportunities, to make smart, nimble and responsive decisions that help forward their mission.”

— Sharon Stapel, President and Executive Director, Nonprofit Coordinating Committee of New York

SECTION I: THE RESULTS

Learning from the Symposium

Highlights from the panels

The panelists collectively emphasized the importance of embracing risk and proactively managing it, linking this to creating healthy, sustainable organizations. They addressed many different aspects of risk management and provided examples of their approaches. The highlights from their remarks are summarized in the Addendum titled “Highlights from the Panels” attached to this report.

Report backs from the small groups

Overall, responses from the small groups to the discussion questions were very consistent, as reflected in the post-it notes, poster board sheets and report backs made by the groups throughout the day. These responses are summarized in the Addendum titled “In the Participants’ Words: Results from the Small Group Discussions” attached to this report. They are also reflected in the section immediately below titled “Key insights from the day.”

Key insights from the day

1. Risk is not all about the “negatives.” Positive risks provide opportunities for growth and change and risk management provides a path for achieving a healthy, sustainable organization.
 - a. Recognizing that risk is often seen in a negative light, which can be a deterrent to action, many called for rethinking and reframing risk and risk management.
 - b. The small groups strongly associated positive risk with growth, change and innovation. As one group framed it, positive risk is the “opportunity to make change – and see a big reward.”
 - c. Risk management - of positive and negative risks - needs to be reframed as creating “organizational health [and] strategic ability” and “elevating organizational representation externally and with staff.”
2. Nonprofits have valuable assets to drive the development and implementation of the discipline of risk management

Many nonprofit leaders have a practical understanding of risk and extensive experience implementing programs and operations; together these provide a solid foundation for developing and implementing the discipline of risk management. They include:

- a. Innate knowledge of risk and experience in addressing it at the micro level.
- b. Deep commitment to sustainability in order to serve their mission.
- c. Awareness that their operations are risky in at





least certain areas, such as fiscal health and leadership/governance.

- d. Skill at implementing new programs and systems – particularly evident in nuanced understanding of how to use communication and culture to operationalize the discipline of risk management.

- 3. Nonprofit leaders want support so that they can operationalize risk management.

Nonprofit leaders don't need to be convinced about the value of risk management to manage positive and negative risks. They want practical support to expand and operationalize it. (See the Addendum "In the Participants' Words"/Segment 4)

- a. Risk management is not well-defined as a practice area, particularly in comparison to other areas such as budgeting or strategic planning, so support is needed to create the body of knowledge required.
- b. There was a uniform call from the small groups for best practices, tools, networks, facilitation, consultants etc – in order to develop systems and norms, including assistance in identifying, discussing and prioritizing the most difficult risks.
- c. The website being created by the Ahead of the Curve Steering Committee is needed to facilitate communication and share resources, such as tools and resources by FMA (contract

"Proactive planning works well in addressing both new risks and entrenched risks."

— Wendy Seligson, Consultant

evaluation; financial), RoundTable Technology (information security and technology), CRE (comprehensive risk assessment) and Lawyers Alliance (legal risks) .

- 4. The discipline of risk management needs to be built around collaboration and communication within the nonprofit and integration of risk management into the nonprofit's planning and operations.
 - a. Risk management needs to be seen as a team sport, involving staff, board, funding partners and consultants.
 - b. Communication is critical; systems of communication need to be clear.
 - c. Risk management needs to be integrated into planning and operations for the organization, including, specifically, strategic planning.
 - d. These steps help to create the culture and "safe space" necessary for risk management to thrive.

"Risk management is a "team sport" that involves staff, board, funding partners and consultants on an ongoing basis."

— Small group breakout

- 5. Financial and associated contract risks are a top issue, but not the only issue.

Nonprofits want to develop the discipline of risk management in ways that are flexible enough to encompass the big risks that they face. (See the Addendum "In the Participants' Words"/Segment 1)

- a. Across the board, participants prioritized the financial and the associated contract risks identified in the original Human Services Council Commission and SeaChange Oliver Wyman reports.
- b. Participants also identified other areas of major risk they face, such as governance/leadership, reputation, operational, compliance, quality of services and safety, growth, innovation and external risks.

Next Steps: Moving to Action

Following the Symposium, the Steering Committee met and agreed to take the following action steps to begin creating a shared framework for the discipline of risk management in

New York City.

1. Steering Committee members will use the categories of risk in the Community Resource Exchange Fitness Tool (CREFT) as the framework for risk management.
 - a. Leadership, Governance & Strategy
 - b. Personnel & Administration
 - c. Finance
 - d. Compliance & Legal
 - e. Programs & Services
 - f. External Environment
2. Community Resource Exchange (CRE) is developing a risk assessment tool known as the Community Resource Exchange Fitness Tool (CREFT). CRE has set the goal to make CREFT available to the nonprofit sector at no-cost and is seeking funding to build it out in an appropriate software platform to accomplish this.

“I would encourage nonprofits to own their risks and be proactive and purposeful in managing those risks.”

— Katie Leonberger, President & CEO,
Community Resource Exchange

3. The Steering Committee will launch a new website, created under the Ahead of the Curve banner, to make new and existing information, materials and resources about risk management accessible to the nonprofit sector in New York City. The website will be designed to facilitate communication and coordination across the Steering Committee member organizations, including a coordinated calendar highlighting relevant risk management sessions across the network.
4. The Steering Committee will encourage and support member agencies in working collaboratively to raise awareness about risk management in the nonprofit sector and connect nonprofits to resources and tools to integrate risk management into their operations, such as: 1) workshops, roundtables and forums, 2) case studies, sample policies, procedures, templates, checklists and other tools, and 3) one-on-one consulting support, experts and volunteers.



SECTION II: THE SYMPOSIUM PROCESS

Introduction

Nonprofits deliver programs and services in New York City valued in the billions each year in health and human services, arts and culture, education, youth development and other sectors (without including hospitals, organizations working abroad, higher education, private schools and churches) through a constellation of: local, grassroots organizations; small, medium and large neighborhood and service driven organizations; and very large city-wide multi-service agencies.

Given the size and importance of the nonprofit sector, when FEGS, a venerable \$250 million nonprofit, went bankrupt and closed in 2015, along with the closure or merger of several other organizations, there was substantial interest from leaders throughout the nonprofit sector in learning what happened and preventing similarly catastrophic events at their nonprofits and in the sector, as a whole. In the year following, two reports were issued calling for the expansion of risk management. (For further background on the reports, see the Addendum titled “Human Services Council Commission, SeaChange Oliver Wyman and Association of Nonprofit Specialists Reports: Recommendations Regarding Risk Management” attached to this report.)

As the spotlight shone on risk management, leading nonprofit capacity building organizations in New York City (providing information, training, consulting and resource sharing) were actively looking for ways to collaborate to increase the efficiency and effectiveness of their work. They wanted to experiment in creating shared goals, resources and tools that capitalized on their respective expertise and simplified their services to nonprofits. They also hoped to optimize the use of philanthropic resources and amplify their impact on the nonprofit sector. Before too long, this group formed a Steering Committee comprised of 19 organizations under the banner, Ahead of the Curve, decided to focus on risk management and host a symposium.



Goals

The Ahead of the Curve Steering Committee began planning for the Symposium with two goals in mind:

- 1) understanding the current practices that nonprofits used, from the smallest to the largest organization; and
- 2) identifying what knowledge, norms, common language, resources and tools they needed, especially those to address the financial risks laid out in the SeaChange Oliver Wyman report.

A third goal emerged when John MacIntosh, who leads SeaChange Capital, proposed that the Steering Committee create a discipline of risk management similar to that of strategic planning. He expressed the hope that:

“The nonprofit sector would develop a body of knowledge and practice for risk management similar to the depth of knowledge and practice which exists for strategic planning, such that, in two years, when asked, any nonprofit could say ‘this is our approach to risk management’ after making an informed choice from among well understood and established approaches.”

Methodology

At the suggestion of Keith Timko, Executive Director of the Support Center | Partnership in Philanthropy, the Steering Committee decided to engage the entire sector from the start. They sent out an invitation for “A Day of Brainstorming for Nonprofit Executive, Board Members, and Capacity Builders” on September 28, 2016 as a “first step in the development of a collective approach to risk management in New York City’s nonprofit sector”.

The Symposium, Defining, Assessing and Managing Risk at Nonprofits, brought together a cross-sector of about two

hundred (200) people, including nonprofit executives, managers and trustees from over one hundred (100) nonprofits, as well as representatives of capacity building organizations, consultants and academics. It is worth noting that these leaders self-selected to attend this program and may be more aware of risk management issues and approaches than nonprofit leaders as a whole.

The day was divided into four segments, with panel discussions at the beginning of the first three segments and breakout groups for all four segments. (See the Addendum titled “Symposium Agenda: September 28, 2016” attached to this report for details.) The segments were:

- Framing Risk Management
- Approaching Risk Management
- Risk Assessment
- Next steps: Where do we go from here?

“My hope is that nonprofit leaders develop a knowledge and practice for risk management similar to the depth of knowledge and practice which exists for strategic planning.”

— John MacIntosh, Partner, SeaChange Capital

After considering different alternatives, the Steering Committee adopted the following methodology for the breakout groups: 1) structured questions (with post-it notes and poster board-sized answer sheets to record responses) to guide conversation; 2) small group settings to maximize input from the participants; 3) the use of table facilitators, who volunteered their time for this purpose, to keep the discussions on track; and 4) report backs at each stage to learn from the participants throughout the day. At three of the four breakout sessions, the small groups answered 1-3 questions using post-it notes to capture their ideas, then distilled and prioritized their responses for the report backs. Altogether there were 17 small groups, with approximately 10-12 people in each. The participants chose their tables randomly and generally stayed at them throughout the day.

Prior to the Symposium, on July 13, 2016, the Association of Nonprofit Specialists (a network of organizations, independent consultants, and other specialists providing management assistance to nonprofits) hosted a public forum to

“The Ahead of the Curve Symposium is a first step in the development of a collective approach to risk management in New York City’s nonprofit sector.”

— Keith Timko, Executive Director/CEO,
Support Center

help inform the themes and approaches to be explored at the Symposium. This event, The Role of the Consultant in Risk Management: Supporting a Vibrant Nonprofit Landscape, was co-sponsored by the Support Center | Partnership in Philanthropy, Foundation Center and Alliance for Nonprofit Management, and attended by 44 participants. (For further background, see the Addendum titled “Human Services Council Commission, SeaChange Oliver Wyman and Association of Nonprofit Specialists Reports: Recommendations Regarding Risk Management” attached to this report.)

Evaluation

Just over 100 participants responded to a nine (9) question evaluation survey immediately following the symposium and provided detailed comments in response to several of them.

- The participants overwhelmingly found the conference to be helpful or very helpful.
- They particularly liked the breakout discussion groups, reflected in both the rating question and the comments.
- 100% of respondents said that they intended to apply things that they learned and provided specific examples, such as: “risk awareness”; “risk assessment”; “more careful monitoring as a board member”; “risks in all part of board meetings/staff evaluations, etc”; “CRE fitness test”
- They echoed many of the comments above in terms of what they wanted and needed more of.
- When asked how the conference could be improved for the future, in addition to a few comments on the length of the day and other logistical matters, the participants felt that more examples would be useful. One participated said “specific examples of real life stories and how they overcame or failed.”

- Another participant requested “all get on the same page and collaborate – don’t create competing tools – make sure in sync.”

Conclusion

With thanks to the nonprofit executives, managers, capacity building staff, consultants and academics who gave generously of their time to plan and participate in the Symposium, the Steering Committee met its original goals as laid out in the planning process:

- There was ample sharing of knowledge and experience about how nonprofits approach risk management today;
- There was a high degree of consensus among the participants about what they want and need in order to expand risk management at their nonprofits; and
- This learning serves as a first step toward creating a discipline of risk management similar to that of strategic planning.



While there is much to be done to develop the body of knowledge and practice needed to comprise the discipline of risk management, with the interest and enthusiasm displayed at the Symposium there is every reason to be optimistic about that it can be achieved, particularly with nonprofit executives and managers, Board leaders, capacity building organizations, the philanthropic community and government working together to achieve this goal.