



RISK MANAGEMENT AS STRATEGY

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I always believed that the practice of risk management is strategic planning not a tactic. Georgia Patrick of [The Communicators, Inc.](#) confirmed my belief in a presentation to the [Association Network Exchange](#) on strategic planning. Her view of strategic planning matches the practice of risk management as a strategic planning technique or analysis. According to Georgia, strategy bridges the gap between policy and tactics.

The practice of risk management is strategic — once you know your end game or vision of what kind of organization you want to or must become. Most people consider risk management as a tactic but without the research and analysis of your options before selecting your tactics you are following the path of ready — fire — aim. Risk management provides a framework for identifying and evaluating your options.

Risk management is a process for dealing with uncertainty — the possibility that some future event will cause unexpected results. The results may be good or bad — more members or less, better services or worse, less revenue or more. None of us have a crystal ball and know the outcomes or results of our decisions. But we also know that if we do nothing we won't know what will happen either. To be innovative, we need to take risks. The risk management process enables you to assess your various risk options and make informed, fact-based decisions. It is one way to enhance your decision-making process.

Risk management rarely jumps to the forefront of anyone's mind as a strategic planning technique but it is a viable option. Risk management has expanded from an outgrowth of insurance to a system for managing all of the risks including business exposures facing organizations. For example the price of cheese is a significant financial factor for a national chain of pizza shops that needs to be managed. Fuel costs for the airlines are a financial risk that needs to be managed. The issues for your organization may not be of the order of magnitude of a pizza chain or airline but to your service recipients or members your survival and success may be significant.

sticking with it.” Implementation is “all about decisions, risk levels and your ability to perform.” Many planners ignore the risk analysis portion of the decision making process but it is fear of making a bad decision that paralyzes people and organizations. A good risk analysis frames the issue so you can make an informed, fact-based decision.

Your decisions need to be grounded in the level of risk you are willing to tolerate and your organization’s ability to perform. Once you have made your decisions, you need the key stakeholders of board, employees, members and/or donors to buy into what you are seeking to accomplish. Another benefit of the risk management process is selection and development of the tactics to be used by designing programs, policies and procedures and training people. Risk management is also a good method for measuring your results to determine if your choices are achieving the desired changes.

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