

Role of the Board in conscious risk management

Steven Bowman **

Most Boards (and staff) of Not for Profit organizations misidentify and misapply risk as something that needs to be protected against, something to be feared. This mindset towards risk effectively neutralizes and denies the possibility that risk can be a great strategic advantage, enabling the unlocking of creative and innovative opportunities that other organisations would not even consider possible. Risk is not inherently right or wrong, good or bad; it is more about the things that happen outside our expectations that might have an impact on our ability to achieve the strategic initiatives of the organisation. Understanding risk will unlock invisible opportunities



One of the great gifts that Boards can give their organisation and constituents is that of embedding the analysis of risk in all decision making and discussions around strategy. The analysis of risk is simply the question “What are the risks inherent in this activity, and how can we turn these risks into strategic advantage?” To be able to ask this question with conscious awareness, however, Board members and staff need to recognize some fundamentals of risk management as it relates to their responsibilities.

FUNDAMENTAL 1: THERE ARE THREE DISTINCT TYPES OF RISK

1. Hazard risk which can be the threat of negative things happening. This is the most commonly understood aspect of risk, and often the only type discussed around the Board table. This is the risk of someone getting injured, physical risks such as things falling down, denial of access, earthquakes etc, and is most often the type of risk that is insured against.

2. Opportunity risk which can be the possibility of positive things not happening.

Opportunity risk is where the decision is too long in the making, and the opportunity is lost or forestalled (often characterised by "lets give it to a committee to look at"!!!). or the opportunity is not recognized in the first instance because it does not fit the fixed point of view of that organisation ("that's not the way we do it"). Opportunity risk is characterised by conservative and slow decision making.



3. Uncertainty risk which can be the potential that actual results do not equal anticipated results. Uncertainty risk can include the lack of take up of a new product, or changes to a regulatory environment that impacts on your business, or the reliance on one source of income that fails to deliver (eg reliance on a funding contract, or the annual conference).

Any discussion and identification of risk needs to take into account all these aspects.

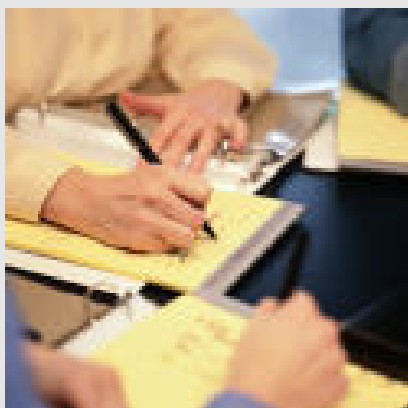
FUNDAMENTAL 2: THE BOARD'S ROLE IS TO AGREE ON AND MONITOR THE 3 OR 4 CRITICAL RISKS FACING THE ORGANISATION

One of the five key functions of any Board is to agree on the 3 or 4 critical risks facing the organization, ensure that management is monitoring those risks, and that there are robust treatment strategies in place to manage those risks (for further discussion on these five roles, see www.lifemastery.com.au/Resources_index_Governance_Articles.htm).

The Board does not need to monitor all risks, only those that are critical to the organisation. The staff need to identify and manage all risks.

Regular Board reports that analyse these critical risks, their monitoring and treatment provide the Board with strategic information regarding the key drivers of the business. The Board's role in monitoring these risks is not to ensure they don't occur, but to turn these risks into strategic advantage.

“The lack of embedded risk management practices within the governance structure of an organisation is regarded as one of the highest risks facing an organisation”



FUNDAMENTAL 3: THE BOARD IS RESPONSIBLE FOR APPROVING AND MONITORING THE RISK MANAGEMENT POLICY

This responsibility is among one of the Board's most important, as it commits the Board and the organisation to best practice risk management (for sample policies, email bowman@lifemastery.com.au)

FUNDAMENTAL 4: ESTABLISH KEY PERFORMANCE INDICATORS (KPIs) FOR THE CHIEF EXECUTIVE OFFICER

One of the most effective ways to ensure that staff, especially the CEO, treat risk as the strategic advantage it can be, is to establish one or two KPI's for the CEO that reflect the risk monitoring and management responsibility of that position. This tends to focus attention.

FUNDAMENTAL 5: EMBED RISK INTO THE STRATEGIC DISCUSSIONS AND ANALYSIS OF THE BOARD

Risk awareness can best be embedded in the organisation if some simple guidelines are followed:

- a. When conducting strategic planning, conduct a SWOR (not a SWOT) analysis ie Strengths, Weaknesses, Opportunities and Risks. These risks can then be added to your risk library, and provide further opportunities for identifying strategic advantage.
- b. Only accept project plans or action plans if a risk element has been added to the project plan. For example, an action plan might have the headings of:

Scope

Start date

Finish date

Project Manager

Resources

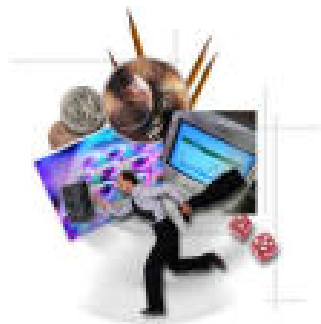
Success Measures

Ethical implications

Risk

(Once the risk has been identified, the management of that risk is quite easy)

- c. When deliberating on decisions at the Board meeting, ask the risk question: “What are the risks inherent in this proposal, and how can we turn these risks into strategic advantage?”



Summary

How risk is defined and acted upon is all a matter of choice of the Board and the CEO. These leaders can choose to view risk as bad, complex and to be avoided, or as a strategic advantage that is easy to manage once identified, and that can enable the organisation to undertake activities that others might not even consider.

(To provide a snapshot analysis of your risk management processes, go to

www.lifemastery.com.au/Tool_Risk_Checklist.htm)

Contact Steve Bowman on (03) 9509 9529 or email bowman@lifemastery.com.au



What is LifeMastery?

LifeMastery is an international practice dedicated to facilitating individual and organisational transformation through expansion of consciousness in the workplace so that consciousness can spread throughout society and transform the world.

We empower CEO's, Boards and Organisations to cultivate and expand consciousness capabilities that in turn increase accountability, strategic position, and the power to choose and implement the future they want.

We facilitate magnification of consciousness in governance and empowering directorship of the boards of commercial, public and Not for Profit organisations. We support Chief Executives and their teams to develop conscious and mindful partnerships with their boards.

We work globally with

- Individual Chief Executives
- Individual Chairs
- Individual Directors
- Boards of Directors

We work initially with the CEO and/or the Board to develop the skills and tools necessary to further develop a culture of consciousness within the organisation. These skills and tools include conscious governance, creative executive leadership and embedded strategic thinking processes.

In addition to consulting engagements, we also provide keynote presentations and workshops at conferences and in-house business meetings, conduct public seminars and publish articles and e-books. Our objective is to support organisations who want to grow individual and group consciousness.

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- Operational and Business Plan Facilitation
- Risk Management Planning Facilitation
- CEO mentoring
- New Revenue Generation Facilitation



Steven Bowman,
Steve is one of Australia's leading Governance and Senior Executive Team specialists, having previously held positions as National Executive Director of the

Australasian Institute of Banking and Finance, Australian Society of Corporate Treasurers, General Manager of ExpoHire (Australia) Pty Ltd, Assistant Director of the Australian Society of CPAs, Director of the American College of Health Care Administrators, and Managing Director of Enterprise Care Not for Profit Services. He is a past President of the Australian Society of Association Executives, and has held numerous other Board positions. He has consulted to a wide range of commercial, professional, trade, welfare, philanthropic and charitable organisations, and has authored or co-authored over 14 books on Governance and Executive Leadership. He was the founder and Associate Program Director of the Certificate and Advanced Certificate in Association Management at Monash Mt Eliza Business School for 11 years. He currently works with over 1,000 Not for Profit and corporate organisations each year in Australia and New Zealand in Governance, Executive Leadership and Consciousness at work.



Chutisa Bowman.

Chutisa is a Transpersonal change facilitator, registered Ergonomist and licensed HeartMath® Counselor. She has more than 15 years experience in ergonomics & human factors, transformational leadership, behavioural self management, and psycho-somatic coherent facilitation. Chutisa specialises in assisting people who are unable to change behaviours that they are no longer at ease with, and problems associated with anxiety, stress and difficulty relaxing or sleeping. Emotional self reliance, mind-body medicine and heart-based healing processes are all explored.