

Brainstorming - a process for identifying risk

Brainstorming a risk management plan

Risk needs to be managed. From a board's perspective, it's about the process of identifying where in the business the risk is likely to occur, defining that risk, the evaluation of that risk, managing the risk and monitoring and periodically reviewing and if necessary, revising the risk management processes. Ideally, to manage risk, the board needs to develop a risk management plan. One way of doing this is to have a brain storming session with the board and the CEO.

Step 1 of a brain storming is to identify the risks for the not-for-profit organisation. One way I used to get management to think about risk, as part of the business planning process, was to ask them to imagine various scenarios:

- 1) What would happen if income or revenue fell very rapidly by 20% or more, what could they do to manage or mitigate the impact?
- 2) If a senior manager was run over how would that impact on the business and what steps could be taken to mitigate adverse effects?
- 3) How would the NFP cope if there was a surge in demand for its services?

Then there are risks that affect the organisation's ability to operate:

1. Changes in legislation
2. Cyber-attacks
3. A pandemic
4. Natural disasters – earthquakes, fires or flooding
5. The perennial and ever “popular” fraud.

Here are the essential questions to consider:

- 1) Is the risk internal or external?
- 2) Where in the organisation is the risk occurring?
- 3) What is the nature of the risk?
- 4) What is the nature of the risk? For example:
 - i. Stakeholders
 - ii. Legal and compliance
 - iii. Financial (including funding security)
 - iv. Reputation (including online reputation)
 - v. Cyber security
 - vi. Health and safety
 - vii. Member experience
 - viii. Bullying or sexual harassment
 - ix. On-site contractors
 - x. Environmental considerations.

The resulting list is often referred to as the risk registry.

Step 2, having brain-stormed risks, is to bring them into some sort of order, ready to assess them:

- 1) What would be the impact (or consequence) if the risk occurred?
- 2) What is the likelihood (or probability) of occurrence?

It can be useful to do this in the form of a matrix or diagram¹:

Likelihood of occurrence	High		
	Low		
		Low	High
		Impact of occurrence	

Step 3 is to prioritise the risk by assigning a rating value for both likelihood and impact, so as to derive an overall risk score and, using this score to sort risks into very high/extreme, high, medium/moderate and low.

Step 4 is the mitigation strategy as in the action required to reduce that risk happening or reduce the impact if it does happen.

You may want to have an initial discussion of this as a board then delegate to a (sub-) committee or management to come up with a draft strategy.

Step 5 is about taking action as a result of the risk management plan. Some items may require immediate action. Focus on the high/high risks first.

A good plan will have targets or action areas. As a board member, you are needing reports on action taken, to ensure that risk management is real - that it is the way we do business around here. I recommend at every board meeting, or alternative meeting you would want a risk management report on the actions/targets underway.

Please note

The above brainstorming process is based on that contained in the Appendices of the book [Getting to Grips with Not-For-Profit Governance](#).

¹ A more sophisticated example of the above risk assessment table can be found as a [Microsoft Excel spreadsheet](#).