

**ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE
NEW YORK UNIVERSITY**

**RISK MANAGEMENT: NONPROFIT LEADERSHIP IN A HIGH STAKES
ENVIRONMENT**

JANUARY TERM 2017 - SYLLABUS

COURSE INFORMATION

Instructors: Jennifer Geiling and Katie Leonberger
Emails: jb984@nyu.edu, kleonberger@crenyc.org
Pre-requisites: EMPA students
Office hours: By appointment (please email)

Class location: Bobst Library LL139
Class time: 2:30pm - 4:10pm
Class dates: Saturdays: January 28, February 11, February 25, March 11,
March 25, April 8, April 22

COURSE OVERVIEW AND DESCRIPTION

Nonprofit organizations operate in a complex service, funding and regulatory environment that is characterized by risk. These risks include multi-year contracts with flat funding, capped overhead rates, growing community demand and rigorous performance requirements. As recent nonprofit closures and collapses illustrate, failure by executives and boards to identify, assess, manage and mitigate risk undermines the sustainability of the organizations they lead and poses a serious threat to the millions of people who depend on them.

This course will prepare you to identify, assess, manage, and mitigate risks in your organization. It is designed for nonprofit managers with the understanding that all managers have an opportunity to lead from their seats and positions within their organizations.

LEARNING OBJECTIVES

This course prepares students to:

- Identify the range of risks facing nonprofits,
- Understand risk management systems and how to use them to assess organization-wide risks,

- Flexibly use risk management approaches to mitigate potential risks by providing opportunities to role-play and experiment with approaches and tools.

The goals for our students are to begin incorporating risk management into their existing managerial duties and raise their organizations' awareness of risk management.

READINGS

Students are expected to be prepared for class discussions and participate fully. Readings include case studies that will form the foundation for exploring course concepts and experimenting with risk management approaches. Students will also be expected to share their own experiences relevant to the topics and cases being explored.

COURSE REQUIREMENTS

There are four basic requirements for the course:

Attendance: Please arrive to class on time. Since this course consists of only 7 classes, we require that you attend every class. If you know that you have a conflict with one of the classes, please do not register for the course. Your final grade may be impacted if you miss a class.

Class Participation (30%): Your active participation is critical to ensuring that the learning objectives are realized. This class is designed to give you hands-on experience with risk management practices and tools. You can only develop competency in these skills if you actively engage in the classroom activities, classroom discussions, and homework assignments.

Written Assignments (30%): Each student will complete two individual, written memos, described more fully herein.

Final Project (40%): Each student will submit a final project that consists of a written report and PowerPoint presentation. More details are provided herein.

Due Dates: Due dates for the written assignments and final project are:

- Assignment 1: February 18
- Assignment 2: April 1
- Final Project: Written assignment due April 15
PowerPoint presentation due April 22

Extensions will be granted only in case of an emergency and only if requested prior to the due date. Late submission without prior permission will be penalized by ½ a letter grade per day (e.g., B+ to B).

COURSE POLICIES

Students with disabilities. Any students requiring accommodation should contact me to make proper arrangements. Please be prepared to share your documentation from the NYU disabilities office.

NYU/Wagner grading policy: <http://wagner.nyu.edu/current/policies/grading.php>

NYU/Wagner academic integrity policy: <http://wagner.nyu.edu/current/policies/>

COURSE SCHEDULE AND ASSIGNMENTS

Class 1: Introduction to Risk (January 28)

- Learning Objectives
 - Understand the importance of risk management by reading spectacular stories of failure and their impact on communities and employees.
 - Raise awareness of categories of risk across the sector and organizations.
 - Establish definitions and core concepts related to the subject of risk as a foundation for exploring risk through this course and assessing risk within organizations.
 - Understand how to develop, institute, and manage a risk management system.

- Readings
 - **Case:** “Enterprise Risk Management at Hydro One” - Multimedia, *Harvard Business School*, October 9, 2014.
 - Clark, A., “Questions Loom In Wake of FECS’ Fall,” *The Jewish Week*, February 4, 2014.
<http://jewishweek.timesofisrael.com/questions-loom-in-wake-of-fecs-fall/>
 - Swarns, R.L., “As a Social Service Agency Collapses, a Union Leader Worries for Its Workers,” *The New York Times*, February 22, 2015.
https://www.nytimes.com/2015/02/23/nyregion/as-a-social-service-agency-collapses-a-union-leader-worries-for-its-workers.html?_r=0
 - McCambridge, Ruth, “The FECS Autopsy: Bad Nonprofit Business in a Tough Operating Environment,” *Nonprofit Quarterly*, February 26, 2016.
<https://nonprofitquarterly.org/2016/02/26/the-fecs-autopsy-a-case-of-bad-non-profit-business-in-a-tough-operating-environment/>
 - Affidavit of Kristin Woodlock.
<https://assets.documentcloud.org/documents/1688863/woodlock-affidavit.pdf>
 - “A New Landscape,” *The Chronicle of Philanthropy*, December 2016. Posted on NYU Classes

- o Recommended Reading (required in Class 4): “New York Nonprofits in the Aftermath of FEGS”: A Call to Action, *Human Services Council*, 2016.
<http://www.humanservicescouncil.org/Commission/HSCCommissionReport.pdf>

Class 2: Key Elements of Risk Management: Culture and Approaches (February 11)

- Learning Objectives

- o Understand the role of culture in risk management and identify the key cultural components for effective, holistic risk management.
- o Internalize concept of “leading from your seat.”
- o Introduce and practice key approaches that support a culture of risk management.

- Readings

- o **Case:** “Teach for China and the Chinese Nonprofit Sector,” *Harvard Business School*, October 2, 2015.
- o Basford, Tessa and Bill Schaninger, “The four building blocks of change,” *McKinsey Quarterly*; April 2016.
<http://www.mckinsey.com/business-functions/organization/our-insights/the-four-building-blocks--of-change>
- o Bilich, T., “A Call For Nonprofit Risk Management,” *Stanford Social Innovation Review*, July 13, 2016.
http://ssir.org/articles/entry/a_call_for_nonprofit_risk_management
- o Recommended additional reading (not required):
 - Lawson, E. and Price, C., “The psychology of change management,” *McKinsey Quarterly*, June 2003.
<http://www.mckinsey.com/business-functions/organization/our-insights/the-psychology-of-change-management>
 - Keller, S. and Price, C., “Encouraging Organizations to Change: The Influence Model,” *Management Innovation Exchange*, August 10, 2011.
<http://www.managementexchange.com/blog/encouraging-organizations-change-influence-model>

Assignment 1 is due on February 18

Assignment: Think about your organization’s mission and goals, and the strategies used to achieve them. What risks may affect your organization’s ability to achieve these goals? Identify at least one risk that you believe is critical and explain why, and then propose how to approach and manage that risk within your team, division, or organization. Consider cultural components that support or create a challenge to the proposal. How could you overcome the challenges?

Format: No more than 3 pages, single spaced with one inch borders, Times New Roman, 12 point font.

Note: If you don't have a live organization to use for this assignment, please see us and we will provide a case study for this purpose .

Class 3: Scenario Planning in an Operating Environment of Diverse Risks (February 25)

- Learning Objectives
 - Understand and practice scenario planning as a tool for risk management.
- Readings
 - Shell Scenarios video: <https://www.youtube.com/watch?v=jQ2uIPeiEYQ>
 - Rosenberg, M., *Using Scenarios to Plan for Tomorrow*, IESE Insight Magazine
 - Recommended additional reading (not required) by Pierre Wack, the often quoted “founder” of scenario planning:
 - Wack, P., *Scenarios: Uncharted Waters Ahead*, Harvard Business Review, September 1985
 - Wack, P., *Scenarios: Shooting the Rapids*, Harvard Business Review, November 1985 (companion to aforementioned)

Class 4: Managing Financial Risk using Scenarios, Key Indicators, and Board Engagement (March 11)

- Learning Objectives
 - Develop knowledge about the financial reality of nonprofits and awareness of the risks and potential consequences of this tenuous financial environment.
 - Identify and practice tools that can help mitigate financial risks, including:
 - Scenario budgeting and other contingency planning
 - How to manage - and make decisions - based on KPIs
 - Regular tests of financial internal controls
 - Discussing financial statements with senior staff and board
- Readings
 - **Case**: “Lutherwood-CODA (Community Opportunities Development Association),” *Stanford Graduate School of Business*, 2003.
 - Nonprofit Finance Fund 2015 State of the Nonprofit Sector Survey:
 - Summary: http://www.nonprofitfinancefund.org/sites/default/files/docs/2015/2015survey_natl_summary.pdf
 - Overview and Key Findings:

<http://www.nonprofitfinancefund.org/state-of-the-sector-surveys>

- o *New York Nonprofits in the Aftermath of FECS: A Call to Action*, Human Services Council, 2016:
 - Executive Summary
 - Appendix C.2: Standards of Excellence in Nonprofit Financial Management
 - Appendix C.3: Nonprofit Financial Stability KPI Recommendations

Class 5: Understanding your business model to manage programmatic and organizational risk (March 25)

- Learning Objectives
 - o Develop a common understanding of the concept of business models in the social sector context.
 - o Learn how to assess an organization's business model by looking at the dual prongs of financial viability (profitability) and social impact - and how to make strategic decisions accordingly.
 - o Gain awareness of the risks related to maintaining, expanding, and closing programs.
 - o Learn and practice Matrix Map for business modeling and Go/No Go tool for funding/contract assessment.
- Reading
 - o **Case:** "The Rotary Cove Beach," *Richard Ivey School of Business Foundation*, 2011.
 - o Bell, Jeanne, Jan Masaoka, and Steve Zimmerman. *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*. San Francisco: Jossey-Bass, 2010. Pages 11-16; 19-72; 169-173.
 - o FMA's "Go / No Go Decision Tool" - see:
 - <http://fmaonline.net/nonprofit-financial-management/financialresources/fundingtool/>
 - http://fmaonline.net/wp-content/themes/fma/questions/opportunity_assessment_questionnaire_printable.pdf
- Pre-Class work
 - o Each learning team (or individually - students can choose) selects one of their organizations to analyze in this class.
 - o Students come to class with basic financial information for that organization and some level of financial reporting by program.

Assignment 2 is due April 1

Assignment: Metalex Case Study: Assess risks in the case study, choose one that you think is critical. Explain the potential impact if the risk is ignored. Identify approaches to mitigate the risk and tools to consider for ongoing management of the risk.

Format: 3 pages, single spaced with one inch borders, Times New Roman, 12 point font.

Class 6: The Role of Boards in Risk Management & Team Based Decision Making (April 8)

- Learning Objectives
 - Understand the role of boards versus management in risk management.
 - Understand the information that Boards need from Management to execute their duties and oversight obligations.
 - Understand and practice team based decision making.

- Readings
 - **Case:** "The State Fair of Virginia," *Richard Ivey School of Business 2012*.
 - Oliver Wyman, SeaChange, *Risk Management for Nonprofits*, 2016.
 - Ormazabal, G., "Risk Oversight: What Every Director Should Know" *IESEinsight*, Issue 28 First Quarter 2016.
 - Bellafante, G., *With No Heroes in Sight, the Big Apple Circus Will Fold Its Tent*, The New York Times, July 26, 2016.
 - McKeown, L., "How to Make Good Decisions as a Team," Inc., January 6, 2014.

Class 7: Saturday, April 22: Presentation of Final Projects

- Present a Risk Management plan (using PowerPoint) for your organization building on the many approaches and tools discussed in the class. More detail and format to be provided. Please speak to us if you do not have an organization.