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Risk management is
for decision makers

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Risk Management vs. Donations

Public entities and non-profit enterprises are prime targets for well-meaning donors of goods and services. The difficulty with donations, for risk managers, is that the recipient must assume any risks related to the donation once it is accepted. Typical donations include: volunteer labour to construct or maintain infrastructure, donated goods that may not meet the specifications preferred by the recipient or technical equipment that exceeds the needs of employees or clients.

Three types of risk from donated goods and services are:

1. **Operational risk:** These risks arise from day-to-day activities associated with the recipient organization's regular operations. Volunteer services must be melded into those operations to ensure appropriate recruitment, training and supervision prevents injury or damage arising from the volunteers' efforts.
2. **Legacy Risk:** Equipment acquired through donations requires efforts to monitor its efficacy and to provide qualified maintenance in a timely manner. The corporate budget must be increased for those unanticipated costs – expenses which continue for the lifetime of the equipment. Further, even though only a small fraction of clients may use it there is usually an expectation that the equipment will be replaced at the end of its lifespan.
3. **Reputation risk:** Corporate reputations are as important to public and non-profit entities as they are to private sector entities. While proffered donations are usually made with good intentions, donors whose offer is met by reluctance or refusal can become upset. Resultant negative publicity can damage the organization's reputation and cause a reduction in its ability to recruit funds and volunteers necessary to carry out its objectives.

Ultimately organizations walk a fine line when donations are offered. Involving your risk manager will help you focus on minimizing these three risks.

Excerpt from "Risk Management versus Political Correctness" first published in ORIMS Pulse, June 2007. Written by David Beal of Ontario School Boards' Insurance Exchange

Cunnart Associates

60 Moffat Crescent
London, ON N5W 5X3
Phone 519-451-7603
Fax 519-451-3974
www.cunnart.com

Risk Management Specialists

Contact Us at:
joy@cunnart.com

"Politics is the art of preventing people from taking part in affairs which properly concern them."

 Paul Valery (1871 – 1945)

Three Types of Risk

Immediately Observable risks:

Managing risks that we can easily see is fairly simple. For example, a daily risk is that when we leave our home someone could come in and steal our precious things. We manage this risk by installing and using locks on doors and windows when the home is unoccupied. We do not need formal risk analysis or assessment techniques for this. We know, from experience of ourselves or others that theft is a definite possibility.

Professionally identified risks:

Often risks cannot be seen without expert study. Diseases are a good example of this type of risk. Many diseases are caused by bacteria that can only be seen through microscopes by someone with appropriate training. We have learned to trust medical and scientific professionals and believe that there are bacteria that can harm us. We take their advice on methods of risk avoidance daily – washing hands, avoiding food and drink vessels used by others, etc.

Virtual risk:

The third category is the most challenging of all. Virtual risks exist without sufficient data or scientific evidence to confirm the existence and significance of the risk under debate. When science cannot resolve an issue we feel free to argue our individual perceptions based on (usually) anecdotal evidence. This gives us the opportunity to make full use of the 'What if ...?' questions. Giving full range to one's imagination on any risk can lead to creating mountains out of molehills. Another name for virtual risk is

Managing hazards that are obvious and quantifiable is relatively easy compared to ambiguous threats of unclear magnitude. In the absence of reliable evidence we must resort to using experience, knowledge and pure instinct to make decisions for loss prevention, control and financing.

What is the best approach to managing these three types of risk? Continue with both formal and informal risk management education!

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151 ways to Identify Risk

Confused about how to identify risk? Here is a resource to help you reach your goal faster! At only \$9.00 including shipping you can begin identifying risks today. Get this resource right away by sending an email to cunnartassociates@sympatico.ca OR phone 519-451-7603.