Institute of Risk Management

How to embed emerging risk identification and management

IRM Charities
Special Interest Group

irm
Developing risk professionals

Contents

About the Institute Of Risk Management (IRM)

The Institute of Risk Management (IRM) is the leading professional body for Enterprise Risk Management (ERM). We drive excellence in managing risk to ensure organisations are ready for the opportunities and threats of the future. We do this by providing internationally recognised qualifications and training, publishing research and guidance, and setting professional standards.

For over 30 years our qualifications have been the global choice of qualification for risk professionals and their employers. We are a not-for-profit body, with members working in all industries, in all risk disciplines and all sectors around the world. In 2019, the IRM welcomed the Institute of Operational Risk (IOR) into the IRM group. www.theirm.org.

About the Charities Special Interest Group

The IRM Charities Special Interest Group (SIG) was established over 15 years ago to provide practical guidance for charities about managing risk and opportunities for sharing knowledge, tips and best practice amongst sector professionals.

Our overall aim is to increase the sector's knowledge of risk management best practice, explore practical solutions for managing sector challenges, and provide a forum where risk professionals can meet (virtually or face-to-face) to learn from one another and share up to date risk management practice.

To join the Charities SIG or for additional information, please look at our web page: www.theirm.org/join-our-community/special-interest-groups/charities/. If you have any questions about IRM Special Interest Groups, please send an email to membership@theirm.org.

About this guide

This guide is a companion to our guide Getting Started with Risk Management, which follows ISO31000 as the international standard for managing risk.

This publication is the third of a series (issued separately over a period of months) exploring how to identify and tackle emerging risks, as well as techniques and approaches to embed the process of emerging risk management within an organisation. As always, our emphasis is on developing practical tools and techniques to support the person responsible for risk management, whether risk practitioners or individuals with risk management responsibilities. However, in this publication, we will also broaden this out to available new approaches that are more theoretical in their nature.

Authors

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Foreword

Welcome to our eighth guide designed to help charities make sense of risk management, and the third of the series (published over several months) on the topic of emerging risk.

People often view risk management as a complex discipline – but we beg to differ and offer practical information to help your organisation manage risk.

Our getting started leaflet, and supplementary guidance demonstrated that risk management is often undertaken intuitively. With a little structure risk management can be embedded into an organisation to help it achieve objectives, support successful strategic planning and reassure people at all levels within and outside the organisation that uncertainty and risk are being considered and managed appropriately. Integrating risk management into strategic planning can also result in the identification of new and different opportunities.

In this series of guides, we tackle the management of emerging risks and how to identify, assess, manage and embed techniques of an ongoing emerging risk management process.

If you are looking for further guidance about risk management, please refer to our other publications:

- Getting started: How to set up risk management
- Getting better: Understanding your risk maturity
- Setting your risk appetite: Understanding your appetite for risk
- Risk governance for charities: How to structure your organisation to make risk management successful
- Tools for providing assurance on regulatory compliance: Assuring your legal and regulatory compliance regime

The world does not stand still for any organisation. Those that have processes ready to respond to change are generally more resilient than those that do not.

The world of risk management is continuously evolving and adapting to change. Our aim with this publication is to support the sector to survive and thrive, enable charities to innovate and react with agility to change rather than to stagnate and rely on the 'same old, same old'.

Some may ask why you need to manage emerging risks differently than 'business as usual' risks. It is true that the risk management process detailed in ISO31000 remains valid for the management of emerging risks.

Nevertheless, there is a general atmosphere of fear and/or mystique around an emerging risk that remains just over the horizon. This makes us feel uncomfortable. There is often little or no data on which to base the risk response. Emerging risks may appear more challenging to identify, assess and manage.

The use of different tools and techniques in addition to traditional risk management methods will help you work through these difficulties. It is clear that for an organisation to perform successfully and be resilient, there needs to be an appropriate approach to managing emerging risks.

This is why we selected this topic for our 2020 and 2021 publication guides. The choice feels appropriate given the uncertain times we are living in, and the challenges presented to many of the assumptions that underpin traditional risk management thinking and techniques (e.g. our ability to predict risks).

Definitions

Words	Meaning
Emerging risk	A risk that is evolving in areas and ways where the body of available knowledge is weak.
External risk	A risk outside of the organisation and outside its control.
Horizon scanning	A systematic examination of information to identify potential threats, risks, emerging issues, and opportunities.
Internal risk	A risk from within the organisation and within its control.
Magnitude	The enormity of a risk in terms of its impact.
Resilience	The ability of an organisation to anticipate, prepare for and respond to change.
Risk	Effect of uncertainty on objectives.
Risk management	Any activity under taken to identify and then control the level of risk.
Risk proximity	How close the risk is to having an impact at any single given moment in time.
Risk velocity	How fast the risk is to having an impact at any single given moment in time.
Stakeholder	A person, group or organisation with an interest in the charity.
Time horizon	The period during which risks are considered. This may be 1-3 years, 3-5 years, and longer.
Volatility	A measure of the fluctuation of a risk over time.

Introduction to embedding risk management

We hope that you have read the first and second guides An Introduction to Identifying Emerging Risks, and How to assess and treat Emerging Risks. These publications help you to identify and tackle potential risks that may impact your organisation's strategic objectives should they occur. In part one of this publication, we offer tools and techniques to take that work and embed it within your organisation, with part two providing ideas on how to tackle the leadership conversation about emerging risk management.

What do we mean by 'embedding' emerging risk management?

'Embedding' emerging risk management is all about making the process of emerging risk management an integral part of an organisation's risk management process. And, as we will see later, emerging risk management is part of setting and reviewing organisational strategy.

Why 'embed' emerging risk management?

The benefit of embedding emerging risk management is that the process becomes a regular and repeatable part of the normal business cycle and processes, rather than a one-time (or very occasional and infrequent) exercise that is done and then (possibly) forgotten about.

The political, economic, sociological, technological, legal and environmental (PESTLE) context in which we live and do business is fast-moving. This creates an ever-changing risk environment for organisations, with a fluid set of emerging risks and opportunities. It is therefore very important to consider emerging risks in a regular and frequent way to keep pace with the evolving risk context.

It is important to work with management to go 'beyond the obvious' in their risk thinking. Given time constraints, management often tends to focus solely on those many risks which are 'right in front of their faces', rather than spending time on those risks which are on, or just over, the horizon - even if those risks present a much bigger and more fundamental threat to the organisation.

Ensuring that emerging risks are a fixed feature of your organisation's risk management process or an integral part of another relevant organisational process, such as strategic planning, helps ensure that management does not just focus only on the risks that they perceive as immediate and/or likely.

Part one: Two approaches to embedding the process

Embedding the emerging risk process in your established enterprise-wide risk management process

You can embed emerging risk management into your established risk management cycle, specifically addressing emerging risk as a theme or type of risk that management needs to consider in their routine risk deliberations.

You can do this as 1) part of your normal engagement with management on risk e.g. your risk-related one-to-one discussions with management, or 2) conduct a separate Emerging Risk Update session.

Given that emerging risks are often different in nature to other ‘routine’ business risks, they may require more discussion and perhaps a wider range of stakeholder input than usual. You may conclude that a separate emerging risk update session could work well for your organisation and produce more understanding and commitment to continuing to review emerging risks.

To begin either option, you could form a Risk Insight Group – a defined group of people who specifically think about the identification and management of emerging risk. The Group could also decide how and when to communicate to the senior management team and relevant Board Committees.

Different organisations operate different risk management cycles (with some having monthly risk check-ins, some quarterly, some twice a year, etc). You will need to decide whether:

- The consideration of emerging risks is best done on the same cycle as your established risk programme; or whether
- You will derive the most value from reviewing emerging risks on a different cycle

Although a review of such risks at least once a year is recommended, there is no right or wrong answer on the frequency of review. Organisations need to find an approach that is right for them culturally and that is sustainable in terms of staff and management time and engagement.

Embedding the emerging risk process in the strategic planning process

An alternative approach to embedding emerging risk management is to address it not through your normal enterprise-wide risk management programme but to embed the consideration of emerging risk into the strategic planning process. You could also use any other internal processes that you consider more appropriate.

This option will likely be easiest to implement in larger charities, which may have employees in designated strategy development functions. However, this option is relevant to all as every charity should have a strategy in some shape and form.

Undertaking emerging risk analysis in the context of strategy development may be best, because:

- Emerging risks are often difficult to define and quantify. Strategy teams are more used to discussing ideas and concepts that are partially defined or unquantifiable
- Emerging risks are more easily identified in the context of frameworks (e.g. PESTLE) which are often used by strategy teams to develop their thinking about the strategic landscape
- Emerging risks analysis is based on input from a wide range of stakeholders, both inside and outside the organisation, and often both inside and outside the charity sector. Strategy teams have these stakeholder contacts to draw upon – whether it is your trustees or others

Furthermore, organisational strategy is shaped by management’s choice of response to emerging risks and opportunities, positioning the organisation for future resilience, sustainability and success. The strategic choices made can also create risks which need to be identified and understood in the strategic planning process.

Therefore, following an approach where strategy teams own and shape the emerging risk management process will ensure the embedding of the emerging risk process in your organisation's strategy setting, review and approval process.

In this model, risk managers will ideally work alongside colleagues in strategy teams to produce the emerging risk analysis.

At a minimum, risk managers should understand the work the strategy team has undertaken, the nature of the emerging risks identified and how they impact strategic decisions.

The primary way that emerging risk is reported in this approach is through the strategy document and supporting commentary documents, not through the standard organisational risk report.

Once identified, these emerging risks can be monitored and managed through the strategy setting, review and approval cycle. The risks can be fed into the main risk programme to ensure Board and Committee (e.g. Audit and Risk Committee) oversight and involvement in the ongoing monitoring, assessment and reporting of emerging risk.

Reporting and monitoring

One part of embedding emerging risk management is reporting and monitoring, not least as part of the overall governance process and to enable trustees to properly discharge their duties. As noted above, how this is done will be driven by whether you manage the emerging risk process through your normal risk management cycle or through another process like strategic planning.

Management and trustees are obvious key stakeholders for your analysis of emerging risks. There may be other interested stakeholders. It is worth the time to assess who needs information and their preferences for the format and timing of reporting. For tips on stakeholder analysis see our publication tools for stakeholder mapping.

When, how often and how you report is again a matter of choice, dependent on what you think will be most impactful and effective. Preferences of your management, trustees and other stakeholders need to be taken into account.

Note that sometimes, emerging risks move quickly and hit the organisation as part of a crisis event. During crisis events reporting will need to be more 'real time' (hourly, daily, weekly) and will focus on the crisis response and progress against mitigating actions.

In the event of an emerging risk crisis don't forget about the Business Continuity Plan. This may be an excellent point of reference to help you to move forward. Organisations will generally have reporting to management and Trustees as part of the Business Continuity Plan.

Options for reporting where you manage emerging risk through your normal risk management cycle include:

- Integrating emerging risks into your normal risk report, with or without special indicators or commentary to identify and draw attention to certain risks as 'emerging'
- Carving out a separate section in your normal risk report (e.g. a standalone appendix) to identify and draw attention to emerging risks. This could be in the form of a summary 'watch list' to ensure risks are on the radar without providing too much detail
- Creating a separate standalone risk report focused on emerging risk, with a fuller analysis and commentary than the summary 'watch list' approach
- As with any risk reporting, tools are used to engage stakeholders and convey information about emerging risks quickly and visually. Available tools include heat maps, risk radars, etc. Examples can be found in other IRM Charity SIG publications. https://www.theirm.org/join-our-community/special-interest-groups/charities/

Frequency of reporting and monitoring

Thoughts on linking to your operating calendar

Risk identification and assessment, including emerging risk management, should be an ongoing process in a resilient and learning organisation. Often the corporate calendar and the organisation's governance arrangements provide a number of logical points outside of the normal risk cycle to review. These include:

- The organisation's planning cycle to identify the risk associated with the achievement of planned objectives
- Performance reporting (e.g. monthly or quarterly) to consider the status of significant risks being managed – including new and emerging risks
- Key strategy development as emerging risks often directly impact the viability of achieving strategic outcomes
- The schedule of Board, Committee and other Senior Management Team meetings and groups which provide an opportunity to engage with the organisation's leaders on the management of risk

Each of these presents an opportunity to focus on risk, and to do so in a logical and holistic way with other key corporate business activities and processes - strategy, planning, governance, financial and performance management.

Linking risk reviews into the wider corporate context in this way also serves to focus on managing risk as an integral part of how the organisation is run, and ensures it is a collaborative effort, rather than limited to the risk management function.

Part two: The leadership conversation

How to start the conversation

Once you have identified the emerging risks and selected one to consider, you may find that you can facilitate but not easily be the lead for a particular emerging risk. For example, an internal or external expert might be the best person to lead exploring a particular emerging risk.

Another aspect of emerging risks is that we can't anticipate how they might impact us or our stakeholders. The diagram below provides a summary of how you can start to consider who your stakeholders are as per the IRM Charities SIG Stakeholder Mapping Toolkit publication.

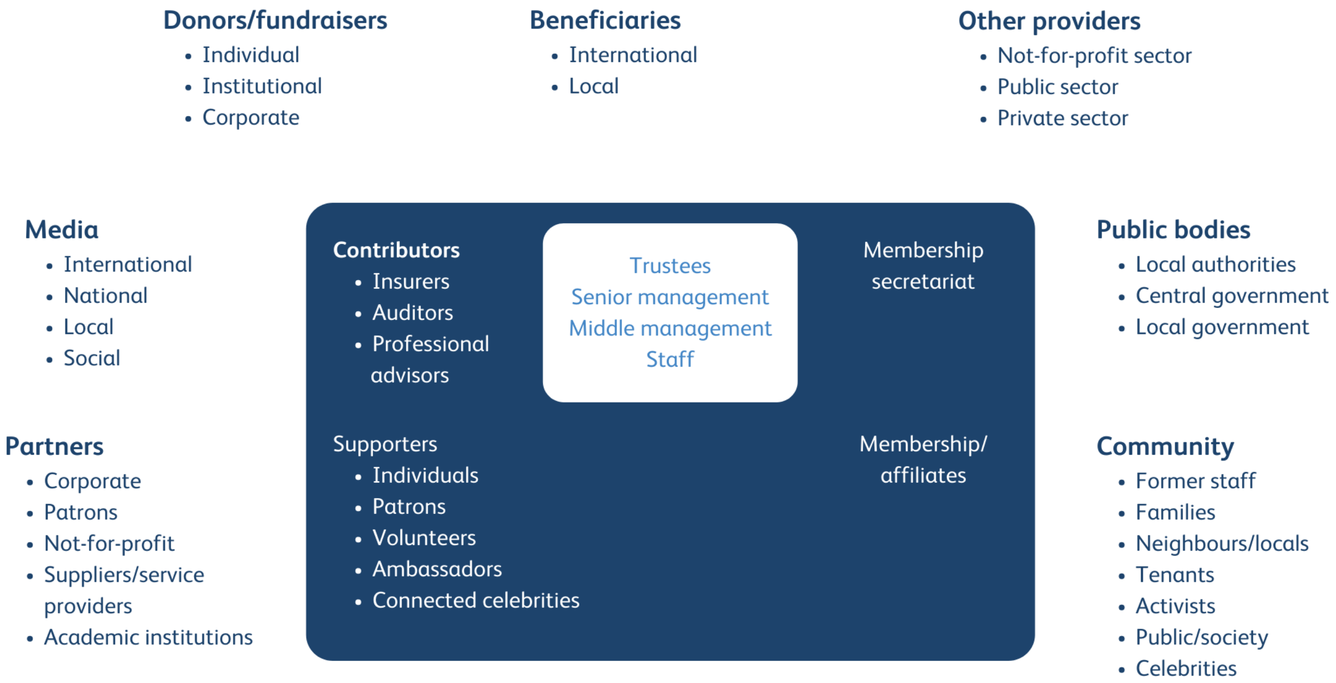

Figure 1 - Stakeholder map example

You can transfer your stakeholder map to a simple table using headings based on the impacts an emerging risk could have on areas of your organisation. The tables below provide an example of how the stakeholder approach can support a deep dive review of emerging risk. In this case, the risk of an internet meltdown and its impact on stakeholders of a cancer charity is examined.

Stakeholder: Clients / beneficiaries / patients and families

Impact area: Services	
Threats	Opportunities
> Service gaps due to loss of central services > Safeguarding concerns > Loss of control of data	> Personalised contact required > Demonstrate care beyond what is available online > Identify and use alternative media methods
Impact area: Funding	
Threats	Opportunities
> Unable to receive funds > Unable to deploy funding > Hardship endured by beneficiaries and families	> Contact bank to identify solutions > Contact funders to check how they can send funds differently > Identify and use alternative deployment methods > Consider contingency plans for the medium to long term
Impact area: Operations	
Threats	Opportunities
> Existing model does not work without internet > Costs associated with recruitment of staff to replace internet services > Outsourcing of any work temporarily may increase risk if not carefully managed	> Develop operating model not reliant on the internet > Recruit additional/different diverse workforce that resonates with clients > Align staff to new model (temporarily or permanently)
Impact area: Safeguarding	
Threats	Opportunities
> Data control unknown > Existing files inaccessible	> Demonstrate care beyond what is available online > Personalised contact required

Stakeholder: Donors

Impact area: Services	
Threats	Opportunities
› Service gaps leads to donors withdrawing funding › Uncertainty around client data of great concern	› Demonstrate agility and that you respond by altering the service model and continuing to deliver › Demonstrate doing all you can to protect client data – and highlight that everyone is likely to be in the same position anyway. This is not a risk unique to the charity
Impact area: Funding	
Threats	Opportunities
› Concerns around viability of charity lead to withdrawal of funding › Donors need funds to sort out own internet meltdown risks	› Demonstrate agility and that you respond by altering the service model and continuing to deliver › Check donor current and immediate position on funding › Seek out new (perhaps emergency) funding available from new donors with whom you can build new relationships
Impact area: Operations	
Threats	Opportunities
› Concerns whether new model will be in line with funding strategy	› Demonstrate the new service model will align to funding strategy
Impact area: Safeguarding	
Threats	Opportunities
› Concerns around lack of data control and potential safeguarding risks lead to withdrawal of funding	› Demonstrate risk protections in place in the past and future, as well as how the charity is trying to check the safeguarding position for when the internet returns

Stakeholder: Employees

Impact area: Services	
Threats	Opportunities
> Employees worry how the service will suffer > Employees are inundated by calls from clients but do not know how to reassure them	> Reassure employees that they will be kept-up-to date so will be able to communicate effectively with clients > Brief employees early and constantly so they know what the charity is doing or planning to do
Impact area: Funding	
Threats	Opportunities
> Employees worry whether funders will exit and the charity be forced to close > Involve relevant employees in accessing new funding	> Brief employees early and constantly so they know the funding position > Advertise new/emergency funding secured
Impact area: Operations	
Threats	Opportunities
> Employees worry whether the jobs they enjoy will change and look for work elsewhere > Employee morale falls due to rumours of furloughing > Some employees may need to be furloughed and will hold this against the charity when things normalise	> Take all employees with you throughout the period whether they are working or furloughed > Brief employees early and constantly so they know if the model is changing and how > Seek out ideas from employees about how they believe the operational model can be improved within the current context
Impact area: Safeguarding	
Threats	Opportunities
> Employees worry how to act appropriately within the new model of work > Provide training for any safeguarding process changes	> Be clear with employees if there are any changes to the safeguarding policy / working practices

You may need to include other stakeholders relevant to the risk under consideration.

This example is just the tip of the iceberg; other possible stakeholder groups to examine in a similar fashion include:

- Members
- Supporters
- Volunteers
- Visitors
- Partners
- Regulators
- Communities
- Government/Policy Makers
- Advocacy/Interest Groups
- Professional Associations
- Similar charities
- The media
- General public

What is important is to consider both the negative and positive impacts resulting from the emerging risk event occurring. We believe this approach may provide a way forward when a crisis or disaster strikes.

The matrix is only a starting point, and an attempt to think across the wider stakeholder view. The response should always be proportional to the impact and size of charity; a charity may not need to consider all stakeholder views.

Other considerations

There are two other lenses through which leadership should view a risk:

Interconnectivity of risks

One of the significant developments over the last century has been the emergence of a global economy in addition to national economies, the globalisation of supply chains and the use of 'just in time' management systems. As a consequence, disruption in the supply chain, through a natural disaster (e.g. hurricane, wildfire, winter storm) or man-made disruption (e.g. political unrest, port closure, cyber-attack) can have considerable consequences further down the chain.

In addition to physical supply chains, risks from disruption of virtual supply chains should be considered. As we take advantage of cloud storage technology, software as a service (SAAS) and digitised financial services, the risks of virtual supply chain disruption can have similar consequences to physical supply chain disruption. A cloud outage or cyber-attack within a large organisation could have material implications on multiple users both in terms of economic loss as well as reputational damage.

There is an excellent diagram in the World Economic Forum Risk Report setting out the top risks and how they are interconnected (on a network map). (http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf).

So how do we include this interconnected view in our conversation? When risks or emerging risks are presented to leadership, it is usually through the use of risk lists. This two-dimensional approach can detract from the interconnectedness approach suggested above. The 'spider web-design'/network map (see example in WEF Report) allows risk interconnections to be drawn which can be easier for the audience to process. And as with the roll of a dice, just because one event happens, it does not follow that no other events occur at the same time, whether or not there is a causal link.

The example of 2020 where the coronavirus (predictable) hampered the world's economies coincided with a resurgence of the Black Lives Matter movement (possible causal link) does not preclude natural disasters from happening.

Scenario planning can provide a helpful forum to discuss situations that cannot be grasped that in normal conversation. See barriers and challenges.

An emerging risk can be an opportunity

As the tables on pages 13-15 demonstrate, emerging risks represent opportunities as well as threats. Whether there is an opportunity to increase revenue, change an outdated business model, or connect with more clients will depend on the risk in focus.

By definition, emerging risks are those we know little about and hence a natural response might be a defensive one, especially if knowledge about the risk is not held within the organisation. But to take advantage of opportunities, reviewing emerging risks and collecting information in advance allows for both light-footed and sure-footed decision-making.

Smaller or medium-sized charities may be better equipped to respond quickly and with clarity. Communication lines will be shorter, and the need to change may be more obvious than in a larger organisation. Horizon scanning can support resilience by opening up thinking and ensuring a much broader context is considered.

On the other hand, having a flexible business approach with a more open, adaptive attitude to change that might come, transforms the organisation to one that views change positively. A work culture that enables empowered decision-making, and learning from mistakes helps create a more flexible, agile and resilient strategy and organisation.

Overcoming common challenges and barriers – why we don't talk about emerging risks

This publication has already touched upon the need to conduct guided conversations in order to formalise the discussion around emerging risks, to make dealing with emerging risks more systemic and less reactionary. One of the reasons underpinning this periodic exercise is to create a 'discussion' so that a charity's leaders can crack on with identified preparations or tackle difficult policy choices and trade-offs that may need to be made in the future.[1]

A more prosaic reason is the pressure on leadership time and therefore the tendency for all organisations to discuss the current issues – especially as there is more information available – rather than expend an organisation's combined cognitive efforts on scenarios that by their very definition, might never occur. Whilst the pandemic may have changed attitudes to emerging risks this effect may be short term. Below are some useful examples to keep the conversation going.[2]

Case study 1: Hurricane Katrina (USA, 2005)

Several authoritative sources had already warned about the potentially massive consequences of New Orleans being hit by a hurricane from flooding, loss of homes and numbers drowned. The Federal Emergency Agency (FEMA) had stated in 2001 that a hurricane hitting New Orleans was one of the three likeliest catastrophes facing the USA.

In 2004, National Geographic published a vivid description of what could happen if levees were breached. And then in 2004, Hurricane Ivan headed straight for the city.

One million people were told to evacuate the city. This lead to jammed roads. More than 10% of the population (and visitors) had no means of leaving the city. There were no emergency shelters. But Ivan turned aside. It was a near miss but had highlighted the potential risk and the steps that were needed to mitigate the risk. Less than 12 months later Hurricane Katrina hit New Orleans. Hurricane Katrina was a predictable catastrophe (forewarned and with near misses) and yet New Orleans failed to act with the urgency that was required.

Case study 2: General Data Protection Regulations (GDPR) (May 2018)

General Data Protection Regulations (GDPR) came into effect in 2016, although the compliance deadline was May 2018 – the date most people remember. Yet with almost two years to prepare, and with known financial penalties, many organisations worked to the May 2018 deadline – a just-in-time response with the risk of non-compliance.

Larger organisations (and charities) that handled large volumes of personal data had sophisticated Customer Relationship Management tools and designated Data Protection Officers (DPOs). In some cases many other organisations failed to take action. In the absence of designated experts such as DPOs, it was left to Management to interpret and implement the guidelines in addition to their day jobs.

In some cases, organisations failed to take action. This failure to take action is referred to by psychologists as normalcy bias (or negative panic). When we look at our peers and choose to short-cut our own thinking and follow their actions, or in this case lack of action – the reaction can also be referred to as herd instinct. For some organisations, the magnitude of the task of counting data records, multiplied by the number of different systems and outsourced suppliers that hold the same records, led to an exponential growth of numbers that simply became overwhelming. This is referred to as exponential myopia and is also noted in epidemics which see logarithmic growth.

[1] IRM (2018) Horizon Scanning: A Practitioner's Guide. Available at: https://www.theirm.org/media/7423/horizon-scanning_final2-1.pdf
[2] Harford, T. (2020) Why we fail to prepare for disasters. Available at: https://www.ft.com/content/74e5f04a-7df1-11ea-82f6-150830b3b99a

Case Study 3: Respiratory pathogens

In December 2019, *Prospect Magazine* published an article by Peter Frankopan "We live in the age of the pandemic. This is what we need to do about it".[3] This may have seemed prescient in light of the coronavirus epidemic that consequently swept through the world in 2020. But it was by no means the first warning. In 2015 Bill Gates gave a TED talk called "The next outbreak? We're not ready".[4]

More alarmingly, the Global Preparedness Monitoring Board (GPMB) jointly co-convened by the World Health Organisation and the World Bank issued a report in September 2019 that warned of the fall-out from high-impact respiratory pathogens. This report spelt out the progress that was needed by nations within the next 12 months (to September 2020) to help manage and reduce the impact of a global virus. The document drew on the alarming effects and spread of SARS (2003), Ebola (2013) and MERS (2015).[5]

Even if risk managers or CEOs had read the GPMB report – a mere 48 pages – is it likely that we would have put it on a Board agenda? The failure to do so could be because we assumed that governments would have it under control and take necessary steps to protect us.

These case studies illustrate large-scale risks which became realities. They are also real-world examples useful to ask ourselves what we would have done differently, or more importantly, what are we doing now about similar risks that are on our horizons? A final cognitive shortcut that we take, both in our personal lives and collectively, is the idea that it won't happen to us – optimism bias. This bias can be compounded by a near miss, which might lead us to believe that we had 'dodged a bullet' without recognising that the bullet was a warning shot of what is to come. At times the step between recognising an emerging risk and taking action is simply too great.

Translating this learning to the sector

There are three particular factors we believe the sector and individual charities should consider when discussing emerging risks.

The Fight for Resource: or balancing investment in preparing for disaster that might never happen versus the current demands on budgets. A charity needs available unrestricted funds to tackle what might never happen, or funders that understand that planning is essential to ensure that services continue and that this planning will lead to a more resilient organisation. The resilient organisation will have structures in place to ensure they have a plan, can respond calmly, confidently, and quickly, and can survive and thrive, whilst other organisations may not. Surely this represents an attractive proposition to all types of funders?

The Efficiency Margin: Most organisations do not operate with a buffer. Spare staff and equipment rarely exist, and it will be very difficult to add this buffer to a business model. Perhaps what can be done involves contingency planning. For example, identifying where additional equipment is, and approaching suppliers to secure the equipment should certain triggers happen. This familiar approach within Disaster Recovery can be expanded to avoid a panic response to a crisis.

[3] Frankopan, P. (2019) We live in the age of the pandemic. This is what we need to do about it. Available at: https://www.prospectmagazine.co.uk/magazine/pandemic-likelihood-preparedness-uk-who-global

[4] Gates, B. (2015) The next outbreak? We're not ready. Available at: https://www.ted.com/talks/bill_gates_the_next_outbreak_we_re_not_ready?language=dz

[5] Global Preparedness Monitoring Board (2019) A WORLD AT RISK: Annual report on global preparedness for health emergencies. Available at: https://apps.who.int/gpmb/assets/annual_report/GPMB_annualreport_2019.pdf

The financial sector response to the financial crisis: In this context we are thinking about the increased vigilance and financial cushions that banks put in place post 2008. Charities should establish an Emergencey Response Plan that includes vigilance in the form of governance. Should the worst happen, more leadership conversations need to take place from day one of the crisis, and with greater frequency – taking informed decisions quickly within the context of your charity's culture and strategy will be positively received by all stakeholders.

A charity exists to achieve specific objectives and adequate time should be given to consider opportunities or threats to those objectives. As mentioned above, we should not overlook the fact that time spent on considering emerging risks provides opportunities to spot ways to improve organisational resilience and protect stakeholder interests. Trustees have overall responsibility for risk management. Although the charity may have a risk management function or team, the Trustees should regularly review risks that are significant to the charity. Early conversations about emerging risks can help:

- Provide insight and impetus for strategic discussions. What are the opportunities for or threats to the growth or development of the organisation?
- Ensure efficient use of resources in the face of the unknown. Does action need to be taken and what resources are required?
- Build consensus over difficult policies or issues. It can take time to understand and socialise information and decisions
- Identify associated and interconnected risks and possible knock-on effects, and enable scenario planning

Where charities are required by law to have their accounts audited, a risk management statement must be made confirming that thought has been given to major risks and that appropriate systems are in place to manage them. All risk management activities strengthen the chance to make a positive statement - especially when emerging risks could severely impact your organisation.

Keep in mind that risk management processes;

- Should be proportionate to both the size and complexity of the charity and nature of the risk
- Form part of overall good governance in charities; see Principle 4 of the Charity Governance Code for specific guidance

But let's leave you on a high with a case study where a good risk framework helped one organisation to respond quickly and successfully when an emerging risk landed on the charity's doorstep. A small charity gains £400k funding in just four weeks!

The background

Imagine a small charity set up to provide dance sessions to people with physical disabilities. The charity has an income of £140,000 and seven part-time people, funded by grants, trusts and local authorities. The small charity was struggling financially before the pandemic struck and considering whether to close. The charity was well respected and well-loved by beneficiaries, but providing face-to-face service was crippling the budget. Sufficient funding streams were not in place for long-term financial sustainability to continue with this operating model.

Then Covid-19 struck

It quickly became clear that everyone was thrown into 'emergency mode' and reviewing how to mitigate the financial impact of the pandemic. As a result, some funders concluded they wanted funds returned as face-to-face activity couldn't be delivered within the constraints of the national lockdown. This increased the already uncertain financial position as the charity had to return funds and stop core activities.

This was a massive strategic shock and changed everything.

What happened next?

The management team and trustees knew that they had to act quickly, and pulled together an Emergency Action Plan.

First of all the charity needed clarity – which funders were and were not going to pull funding? Rapidly the charity contacted all funders and learned that in excess of 40% of funding would be continued, other funders paused funding, and other organisations were requesting back unused funds.

This was a shocking position – a sink or swim moment.

The trustees recognised that if they accepted the situation, gave back the funding / the funding stopped, and the charity furloughed their staff, the charity would be unlikely to open again.

Instead, they undertook a rapid horizon scan of the environment to assess whether there were any opportunities to access funding in different ways. It became apparent after the initial first month of the pandemic that many funders had regrouped and were changing their strategies to support the charity sector.

The team anticipated that emergency funding would become available if they could hang on. It was important to understand how much funding was out there. Were there any strings attached? How quickly would it arrive?

Investigations told them that emergency funding would be less restricted and that there would be more flexibility offered. This meant that they could cover core costs and focus on diversifying services for remote delivery. In addition, the pressure to deliver quickly, and demonstrate results/impact did not apply.

Acting on this information the CEO and the entire staff issued an enormous number of applications to anyone and everyone offering emergency funding. The whole team started researching who the emergency funders were, how to apply and then wrote the applications.

With agreed clear aims about how to diversify, and what could be offered in the short and longer-term, a real team effort ensued to generate ideas and compelling reasons why the small charity should receive the funding.

The applications demonstrated the potential impact on the mental health of beneficiaries – especially important for the most vulnerable in society in times of social isolation.

The sheer number of applications to funders was staggering.

The applications hit the mark and the charity received funding of £400k within four weeks – having previously been surviving (just!) on £140k per annum.

The charity seized the opportunity.

Longer-term impacts

Having a clear framework and strong governance structure, the charity was able to act safely and quickly. The pandemic and social distancing forced the charity to redesign its service model to provide dance sessions online remotely.

The changes went surprisingly well... so well that the future service model is likely to be a blend of face-to-face (high spend) and remote (lower cost) delivery.

The charity could not continue to help everyone in the same way as before the pandemic but at least the charity survived and thrives now with the potential to reach many more people.

The charity used the original emergency funding and applied for the second tranche of emergency funding – another invaluable lifeline to build a sustainable model post-pandemic.

Lessons learned

- Be creative in how you deploy your staff, and mobilise people around a small number of primary issues
- Get people together quickly and be prepared for hard work and long hours
- Review all options but don't get stuck on the thinking – acting is vital
- Make informed decisions quickly
- Mobilise the workforce and other stakeholders to implement the decisions
- Refer back to frameworks and plans to ground your thinking in logic, not panic
- Think about and refer to crisis planning simulations you practised in the past
- Try out ways of working you would not have considered previously – in a safe and risk-managed way, of course!

Further reading

IRM (2018) Horizon Scanning: A Practitioner's Guide. Available at: https://www.theirm.org/media/7423/horizon-scanning_final2-1.pdf

IRM (2018) Tools for stakeholder mapping. Available at: https://theirm.org/media/4516/stakeholder-mapping-2018.pdf

WEF (2021) The Global Risks Report 2021. Available at: http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf

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