



British Columbia
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Best Practices module

RISK MANAGEMENT

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Introduction

Risk management then can be defined as “the management function that seeks to address the causes and effects of uncertainty”. Its purpose is to assist an organization in moving towards its goals effectively and efficiently. Risk management for museums is a process by which individuals and the organization respond to uncertainty and take steps to protect the institution’s assets and resources. The risks being managed include all those events or factors that may adversely affect the museum’s ability to accomplish its mission.

The process is based on a framework that helps to identify risks and select an appropriate response. Risk management should be applied to all aspects of a museum’s operation by identifying those areas of risk where a response may be required and by increasing the museum’s ability to respond to possible future risks.



Elements Of The Risk Management Process

The risk management process describes the policies and procedures that a museum puts in place. These policies and procedures becomes the outputs or deliverables of the risk management process. It is noted that outside resources (technical experts and agencies) will likely be needed to finalize these risk management strategies.

The risk management process will provide the basis for many of the museum's policies and procedures related to:

- Insurance (director's liability, public liability, property and assets insurance)
- Appraisals (collections and for issuance of charitable tax receipts)
- Disaster planning (fire, flood, earthquake, high winds, freezing, power loss, computer viruses or file data corruption)
- Security (break ins and theft)
- Occupational health and safety (safety of staff and patrons)
- Definition and clarification of responsibilities (board, staff and volunteers)
- Continuity Planning (refreshing the board of directors) See: [Succession Planning \(link\)](#)
- Compliance with pertinent legislation (Personal Information and Privacy Act, human rights legislation)

Risk Management Context

To avoid management and staff becoming overwhelmed by the number of issues and topics that need to be addressed, a structure or framework is needed. The risk assessment process needs to be carried out in the context of meeting a series of goals. That will help focus the risk assessment activity and keep it targeted. For most museums, the central goals or objectives will include the following:

- reduce injuries
- avoid claims
- preserve the museum's reputation in the community
- refocus resources for activities central to the museum's mission
- identify and allocate finances to support an adequate risk management process

Acknowledge and Identify Risks

Museums may choose to identify a range of different categories of topics for risk management planning. Regardless, they will usually center around and/or include:



Elements Of The Risk Management Process cont'd...

- People (board, staff, volunteers and patrons)
- Property (actual property, buildings, artifacts, and equipment)
- Income (revenue sources from a variety of sources)
- Community Perception (officials, relevant associations, other cultural organizations, and the general public)

The process should identify actual and potential risks to those assets that are critical to the museum.

Evaluate and Prioritize Risks

As risks are identified, they should be evaluated to help determine the appropriate response. This action would include a list of items in priority order of implementation. Establishing general risk categories using a sorting technique (as in the chart below) will help assess the probability and impact of each risk, and help define the priority responses.

	PROBABILITY			
IMPACT	Frequent	Common	Unlikely	Seldom/Never
Major	Highest Risk		Moderate Risk	Negligible Risk
Significant	Moderate Risk			
Minor	Lowest Risk	Lowest Risk		
Negligible/None		Lowest Risk		

Another valuable technique for quantifying risks is that of filtering by asking a series of questions that will help assess or grade the risk. This is done by developing a series of questions that help analyze the risks, such as:

- Has the risk occurred before?
- What will make it more or less likely to happen?
- Is immediate action required or can it be taken later?
- Are there others who may be responsible for this risk?



Four Risk Management Techniques

Avoidance

Is there an action or plan that the museum can implement that will remove the cause of a risk, or change the impact or probability so that the risk is eliminated? (e.g., a rotting boardwalk is replaced with a crushed rock pathway.)

Modification

If the risk cannot be eliminated, can it be reduced so that the ongoing response is easier for the museum to implement? (e.g., a shallow step between two different floor levels that poses a tripping hazard can be replaced with a short ramp.)

Retention

A decision to accept the risk may be an appropriate management technique in cases where the risk is very low, or where the costs of avoiding/mitigating the risk, would be high. In such a case, it may be decided to take no action, or have a contingency plan that will go into effect if the risk occurs. (e.g., canceling an outdoor event 48 hours in advance based on weather forecasts).

Sharing

Among the most common ways of responding to high-risk situations, involves that of transferring all or part of the risk to another party. Two obvious examples of this are insurance and fixed-price contracts. In either case, another party assumes all or a significant portion of the risk.



Major Areas Of Risk

Museum's People Resources and Visiting Public

Ensuring that museum workers (board, staff and volunteers) and the visiting public have a safe environment is a key risk management objective. Meeting this objective requires that there are plans in place to deal with any changes or emergencies that may affect this environment, including the closing of sections of the museum or evacuating the facility.

This area of risk will also include the museum's directors and public liability. In most situations, a clear understanding of roles and responsibilities, and an appropriate level of insurance will reduce these risks. It is noted that insurance will not protect an organization from individuals who are acting inappropriately or failing to implement sound risk management practices.

Property, Buildings and Collections

This area of risk will include the museum's emergency and disaster response plans as they relate to the physical plant and the museum collections. Intellectual property can be an important part of the museums assets. Often overlooked is the topic of "Intellectual Property" which refers to trademarks, designs, copyrights and other confidential information. The collection will also include property which the museum has accepted on loan, whether as a temporary addition to the museum collections, or simply materials borrowed for a special event or program.

Income and Funding Sources

Because most museums depend heavily on fundraising, grants and project funding, it is especially important for the museum's financial policies to incorporate risk management plans. These will include strategies to invest funds that have been set aside for future projects, as well as plans to modify, postpone or even cancel a program or project when funding is not available.

Community Perception, Support, Ownership and Reputation

People are the museum's biggest asset. This includes individuals who support the work of the institution at all levels in the community, members of the museum's non-profit society, plus board member, staff and volunteers. A risk management plan will attempt to define the way the museum is currently perceived by the community and establish plans to improve and enhance this reputation.

Ensuring that the community is aware of upcoming projects (See: Marketing Module) and is well informed on the expenditure of public funds will be a part of most museums' plans to increase the community's sense of ownership and trust in the organization. Sound policies for Collections Management - in particular accessioning and deaccessioning procedures - and how these are made known to the community, will be an important part of maintaining and enhancing the museums reputation.



Priority Risk Identification and Strategy Development

While the process of risk identification and prioritization may begin with one person, it is unlikely that all the risks, or appropriate responses to them, will be identified without input from the museum's board, staff, and volunteers.

Establishing a Museum Risk Management Committee

Establishing a Risk Management Committee, or Task Force, is the most common way to involve the whole organization in risk management. Establishing this committee may also provide museum management with a way to involve outside experts in the process. For example, a professional conservator and/or an insurance broker may be excellent additions to your risk management committee.

Identifying Priorities in Each Risk Area

The process can be initiated by selecting one or two risks in each category that have been established. This allows management to begin the process with a relatively small number of high priority risks. This will help keep the committee focused and ensure that decisions are being made that can be implemented.

Identifying a Management Strategy for Each Risk

The identification of alternative management strategies for each risk is probably the most critical part of the process. A creative committee that understands the process may be able to identify strategies that do not involve added costs to the organization. A proven procedure is to separate the risk into manageable pieces that can more easily be addressed.

Background planning is a very important element of all risk management strategies. This includes identifying the experts that can help in each area (including technical experts such as conservation specialists, public agencies such as fire and police departments, and insurance agents). These individuals and agency representatives can help with specific parts of the risk assessment strategy.



Priority Risk Identification and Strategy Development cont'd...

Examples of Priority Risks and Strategies

Priority Risk	Strategies
Possible loss of income at the annual museum fundraiser due to bad weather.	What is the possibility of borrowing or renting tents, or having a back-up indoor location that the event could be moved to, and how would the added costs affect the total funds raised? Can the museum afford event cancellation insurance?
The central records associated with the museum's mission, purpose and operations, including collections and cataloguing data, inventories, financial and legal records (payroll, taxation and non-profit incorporation and charitable status reports), donor files, personnel files and contracts stored on a single computer.	Prepare a schedule of all records for which a regular program of back-ups and duplicate copies of critical records should be carried out and ensure that they are stored off site. Establish procedures to maximize the recovery of data in the case of equipment failure (computers, security and communications technology).
Fire	Break down the risk of fire into manageable sections so that it can be dealt with appropriately, and make sure that the risk of fire is also dealt within the larger context of you museum's Emergency and Disaster Plan. A traditional breakdown for preparing a management plan for fire will include: prevention, preparedness, response and recovery.



Keeping It Simple

Risk management should be primarily concerned with the application of common sense and sound planning. When drafting the plan, managers should avoid letting the risk management planning becoming mired in technical terms, actuarial tables, and probability statistics.

The simpler the risk management strategy, the more likely that it will be carried out. Initial focus should be on ensuring that the plans make sense to those who have responsibility for implementation. While the first plan may fall short of covering all the institution's risks, it is more important that responses are generated that are appropriate to the risks that have been identified.

The plan will become more inclusive and complete as staff learns to address more risks in order of their priority. Risk management itself is a process not a task. Consequently, it is important that the plans are evaluated and reviewed as circumstances change.

Assigning Appropriate Responsibility for Implementation

A final step in the risk management process is that of making sure that responsibilities have been assigned for all elements of the risk management plan. This should include an assessment of actual or potential conflicts of interest, particularly with regard to advisors who also have a role in your organization. For example, it is not appropriate for a board member who is an insurance agent or broker to be the main source of advice on insurance issues.

An individual within the organization needs to be accountable for implementing all aspects of the risk management plan. Managers should take the time to review and make sure that appropriate responsibility has been assigned.

Review and Evaluate

No risk management plan will cover all the elements of risk that a museum may face. However, once a process is in place and the first risk management elements are itemized, the institution is on its way to ensuring that a comprehensive risk management strategy is developed.

Evaluate and Modify Strategies for Effectiveness

As preparations are to review the risk management plan and develop new management strategies, start by examining what has been learned from the risks that the museum has faced. Are there some strategies that stand out as having been particularly effective? Were there some experiences that suggest changes should be made in the institution's approach to particular risks?



Keeping It Simple cont'd...

Particular attention should be paid to strategies that are modified as a result of changes in the museum's situation or environment. The Risk Management Committee, or Task Force, should continue to have regular meetings to assess how well the strategies are working, and to capture new ideas and information as they are identified.

Recognize those risks that were not included because they were deemed minor, or more expensive to mitigate and include them in the process as resources permit.

Celebrate and Reward Success

The results should be shared with sponsors, granting agencies and community stakeholders. Documenting that the museum is being responsible by implementing risk management strategies will help ensure that the institution is recognized as a responsible and responsive institution.

Identifying strategies that have been particularly effective in reducing or eliminating risks, and giving credit to the board members, staff and volunteer responsible is advisable.



Resources

- Nonprofit Risk Management Center www.nonprofitrisk.org
Offers a wide range of information, articles, tutorials and links to other risk management and insurance sources, as well as a free newsletter. (US site)
- Nonprofitscan.ca <http://www.nonprofitscan.ca/home.asp>
Provides a wide range of on line publication and articles on diverse topics including risk management.
- The Alliance for Nonprofit Management www.allianceonline.org
A US site with a wide range of resources. Enter "Risk" into their site search for specific articles. (US site)
- Nonprofit Good Practice Guide <http://www.npgoodpractice.org/>
Contains many resources dealing with risk management, including excellent glossaries (US site)
- Free Management Library www.mapnp.org/library/risk_mng/risk_mng.htm
The Management Assistance Program (MAP for non-profits) provides free, full-text articles on several dozen management topics. The section on risk management is extensive. (US site)
- Service Leader <http://www.serviceleader.org/>
Intended for volunteer managers, this site includes links to online articles on nonprofit risk management and legal issues. (US site)
- Public Risk Management Association (PRIMA) <http://www.primacentral.org/>
Professional society for public sector risk management specialists. Site provides numerous relevant links to other risk management sites.

