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Developing a Risk Management Plan

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SOURCE

Land Trust Alliance

ABOUT THIS GUIDANCE

This document walks you through developing a risk management plan for your land trust.

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A risk management plan is a resource for leaders and managers in an organization that explains the organization's philosophy about risks, outlines its key risk management goals and describes the organization's primary strategies for managing risk. Developing a plan is often a key task for a new risk management committee, and keeping the plan up-to-date is a typical responsibility for the risk management team. The risk management plan can be short and simple. It certainly should be tailored to the land trust's capacity, culture and mission.

This document will help you craft a risk management plan for your land trust. There are seven short exercises that guide you step-by-step in developing a risk management plan. They are interspersed with risk management concepts and land trust risks. Use the worksheets to jot ideas (words or lists) and eventually a full sentence or two that guides your risk management efforts. Think of the exercises as a trail map. You will work your way from each guide post to the next. Then at the end of the journey, look back to see the route to follow to assemble your plan, elaborate on important details and begin implementation. All seven of the individual exercises are collected into a basic risk management plan template for your convenience. For the best results, share the questions with all members of your risk management committee and compare answers to develop a plan that reflects the entire committee's perspective.

Philosophy

Many risk management plans begin with a *statement of philosophy*, which can also be called *aspirations, principles, direction or values*. A land trust's philosophy concerning risk and risk management sets the tone for the plan and may influence the plan components. You can also think of this as a statement of principles, shared values or beliefs, or an organizational vision for risk management. Your land trust mission should frame your statement. The following box contains examples of statements of philosophy that might appear in a risk management plan.

SAMPLE RISK MANAGEMENT PHILOSOPHY STATEMENTS

- [Land Trust] has embraced a collaborative, strategic approach to risk management, which includes identifying and addressing the threats and opportunities the organization faces. The views and participation of personnel at all levels of the organization, including volunteers, will be sought as [Land Trust] identifies risk management priorities and implements strategies for modifying, retaining or financing risk. This collaborative effort will culminate in the creation of a risk management plan. The plan will be presented to the board of directors for its review and approval.
- [Land Trust] aspires to operate in a way that protects the health, safety and security of visitors, staff members and volunteers, while lifting up the organization's mission and safeguarding assets needed for mission-critical programs and activities.
- Underlying the mission of [Land Trust] is a concern for the well-being of the volunteers and employees in the organization. Protecting the health, safety and security of people is an integral part of every program. In keeping with this philosophy, activities must be chosen with the abilities of participants in mind, and personnel must be selected with care and trained to carry out their activities with a high degree of safety.
- [Land Trust] embraces reasonable risk taking to achieve its ambitious mission. The organization endeavors to manage its risk in order to free up resources for mission-critical activities without taking risks that lead to mission-impairing losses or damages public confidence.

Risk Management Plan Exercises

EXERCISE 1

State your land trust mission.

EXERCISE 2

1. List the philosophy or underlying values of the land trust's risk management program. Start with words that describe your fundamental feelings or thoughts. Brainstorm freely; don't worry about wordsmithing. You might try using a large sheet of paper, letting your team free-associate.
2. Draft an initial statement that reflects your brainstorming from question 1.

Goals

The next step in drafting a risk management plan is to identify the specific goals your land trust hopes to achieve by embracing risk management and integrating sound risk management practices into your operations. There is no limit to the number of goals you may identify.

SAMPLE RISK MANAGEMENT GOAL STATEMENTS

- [Land Trust] seeks to harness state-of-the-art risk management principles and strategies in order to expand land conservation in the community.
- The safety of personnel receiving or engaged in delivering services sponsored by [Land Trust] shall at all times be regarded as a top priority, and this emphasis shall be communicated throughout the organization in order to ensure its understanding.
- Any and all risk management activities should be designed to enable, rather than impede, the mission of [Land Trust].
- [Land Trust] seeks to involve appropriate personnel at all levels of the organization in the identification of risks and creation of practical strategies in order to make certain that the organization's approach to risk management considers diverse perspectives and personnel understand their roles and responsibilities in protecting the mission and assets of the organization.
- [Land Trust] seeks to ensure that potentially disruptive and costly claims and other losses are avoided wherever possible and feasible.

EXERCISE

Risk Management Plan Exercises

EXERCISE 3

1. Brainstorm a list of words about the ultimate goals of the land trust's risk management program.
2. Draft a statement that reflects the ultimate goals/aims/aspirations of the risk management program based on the above list of words.

Key Areas of Risk

The most detailed section of the plan will be an overview of key areas of risk accompanied by a description of how the

organization is addressing those risks. The categories of risk may differ from one organization to the next, and there is no single listing or set of categories that will make sense for all land trusts. For example, one land trust may own a substantial number of historic buildings, so its risk management plan may be focused on preserving and maintaining those properties. A land trust without these holdings would focus its risk management efforts on other priorities, such as protecting conservation easements on private land. There are, however, several common areas of activity within all land trusts. These areas, listed below, are likely to be included in a typical risk management plan:

Governance

Human resources

Programs and services

Acquisition of land and conservation easements

Financial management

Fundraising and donor relations

Facility/site safety and security

Technology and information management

Crisis management

Volunteer management

Insurance program

Community relationships

Program management, including land and easement stewardship

Top 10 Nonprofit Organizational Risks

1. Uncertainty regarding financial sustainability. The less cash on hand, the greater the danger when revenue is late or unreliable.
2. Ineffective fiscal and risk oversight.
3. Incomplete appreciation of fraud risk. There are three general kinds: against the nonprofit, by the nonprofit and through the nonprofit.
4. Allowing a leader/staff member/volunteer to be "above suspicion." A casual glance through the news should be enough to put this one to rest.
5. Lack of succession planning. On average, boards spend two hours each year on CEO succession planning.
6. Ineffective departure planning and execution. Nothing lasts forever.
7. Naïve crisis planning. People don't get to choose the source or cause of their next crisis.
8. Dissatisfied donors (poorly understood/managed donor relationships).
9. Unmanaged conflict on the board.
10. Lack of practical (well-understood) governance practices, which can include every conceivable item, from conflict of interest through gift acceptance policies and anything in between.

EXERCISE**Risk Management Plan Exercises**

EXERCISE 4

1. List the key areas of risk for your land trust.
2. List the secondary areas of risk for your land trust.
3. Rank your identified risks by your assessment of their likelihood and impact. You may find that a chart or matrix will help you.
4. Brainstorm strategies to address the risks, focusing first on the most likely with the largest impact. Be sure to consider insurance as part of your strategy.

Roles and Responsibilities

The assignment of responsibility for risk management will differ based on a number of factors, including:



The scope of the organization's mission. For example, is the land trust actively engaged in purchasing land for conservation purposes or is it focused only on securing new conservation easements on private property? Or, has it completed its acquisitions and now will focus exclusively on stewardship and community programs? Or, does it engage heavily in education and advocacy with land conservation as a secondary activity?



The role of the land trust's board. For example, is the board a true governing board that focuses primarily on policy making and setting the direction of the organization? Or, do board members volunteer in many capacities? Has the board accepted its responsibility for risk oversight? What training does the board require to discharge its risk oversight responsibility? Some of the questions that a board might ask about risk matters include:

- What does risk mean to the land trust?
- What are the major risks facing the land trust?
- What additional information does the board need to better understand the risks the organization faces?
- What is the organization's risk tolerance?
- What structure is most appropriate for ensuring risk oversight and accountability for managing critical risks?
- What are the best approaches for ensuring the identification of key areas of risk?



The existence of other teams within the land trust that manage specific areas of risk. For example, a land trust may have a properties committee that manages day-to-day activity to protect and preserve the historic buildings on land owned by the land trust. Figure 1 presents one possible division of labor for risk management responsibility. It is up to the land trust's leaders to decide what assignment of responsibility best serves the organization given its mission, board composition and role and the availability of existing groups and teams in the organization willing and able to take on risk management roles.



Figure 1. Sample Roles in Risk Management

The Role of the Board

A land trust's board exercises overall responsibility and authority for risk oversight. As the body that is legally responsible

for the health and welfare of the organization, the board is responsible for considering the mission-impacting risks facing the organization and ensuring that appropriate steps have been taken to protect the mission. The board is also responsible for guiding risk taking in the organization.

The Role of the Risk Management Committee

The risk management committee in an organization takes the lead in drafting a statement of philosophy and specific goals for the risk management program, although these statements are typically prepared for board review and approval. The committee focuses its attention on the risk assessment function—identifying and prioritizing risks that require action. After identifying and sorting risks, the committee brainstorms possible treatment strategies. In some cases, the committee implements the strategies it fashions, while in other cases, these strategies are refined and implemented by program managers, functional teams in the organization or other committees.

The Role of Other Committees, Program Managers and Functions

Depending on a land trust's structure and functions within the organization, certain program managers, departments and committees may have ongoing responsibility for risks that arise in their areas of responsibility. In some organizations, these functions or leaders may be assigned responsibility by the risk management committee or board, and in other instances, functional experts will serve on the risk management committee and take their assignments back to their respective teams. There is no single preferred approach to engaging functional teams and experts within an organizational structure; it is wholly up to the organization's senior leadership to decide how best to allocate responsibility and participants accountable for various areas of risk and the related risk management tasks and strategies.

EXERCISE

Risk Management Plan Exercises

EXERCISE 5

List the various roles land trust personnel will play in your risk management program.

Timetable

A land trust board may choose to examine risks on an annual basis during the normal budget review and approval cycle or elect another time of year to take a close-up look at mission-impacting risks and the adequacy of the organization's risk management goals and strategies.

The land trust's risk management committee may choose to convene monthly, quarterly or twice yearly. The frequency of meetings is likely to depend on where the organization is with respect to the risk management process. A committee that has yet to begin the process of establishing the context and appraising risks is likely to meet more frequently. A committee that is monitoring an existing summary of risks and strategies may meet less frequently.

With respect to functional leaders and other committees with risk responsibility, the best-case scenario is for the topics of risk and risk management to be integrated into regular operations and meetings, rather than schedule separate sessions to focus on risk. When risk management becomes intuitive for functional teams, the risk management effort has reached true maturity. To get there, everyone has to make a conscious effort to engage in risk management. For example, a simple way to start on the risk management path is to have a risk analysis for every board agenda item to ensure that the board engages on the issues and that frontline personnel brief the board on any issues.

EXERCISE

Risk Management Plan Exercises

EXERCISE 6

Identify a realistic timeline to implement your land trust's risk management program.

Monitoring the Plan's Implementation and Making Adjustments

One indicator of a mature risk management program in a nonprofit is the existence of a robust process for ensuring the careful, timely review of incidents, accidents and near misses, as well as successes. Organizations that are committed to thoughtful reflection and review in the wake of such events are in the best possible position to adjust their risk management programs and activities to reflect the lessons learned from downside risks the organization was unable to avoid.

Monitoring your risk management plan includes evaluating incidents. Consider the following tips for building a thoughtful incident review process into both the culture of your land trust and the structure of your risk management program. Remember, after the incident review, the land trust integrates what it gleaned from the review into the risk management plan by making adjustments to the plan, its implementation, its objectives, its mitigation strategies and possibly also its risk tolerance.

Actively encourage the reporting of incidents, accidents and near misses by staff, volunteers and visitors

Praise personnel and volunteers who bring potential hazards to light

Encourage the reporting of near misses in the same fashion as actual accidents and incidents

Carefully review any reported hazards, incidents, accidents or near misses

Close the loop with personnel who report hazards or accidents

Have a meeting after every land transaction closing

Do not assign blame

Every year, ask owners of conserved land to comment

EXERCISE

Risk Management Plan Exercises

EXERCISE 7

Describe how your land trust could monitor implementation of its risk management program. In your plan, be sure to include a method for reporting the monitoring results to your board and other stakeholders, as well as your strategy for updating your plan annually.



Assembling Your Risk Management Plan

After you have assembled your preliminary thoughts on the various segments of an initial risk management plan for your

land trust, the next step is to assemble the segments into a plan and then refine it. Take all of your notes and see how they fit into the plan. Complete any missing items. This template will help you craft the next iteration of a risk management plan for your land trust. If you are completing the template in a training, exchange draft plans with a partner from another land trust to discuss. If you are working alone or with other members of your land trust, share your plan with the members of your risk management committee before submitting them to the board for review.

1. List the philosophy or underlying values of the land trust's risk management program. These should be informed by your mission and strategic plan. Draft a statement that reflects your philosophy or underlying values of your risk management plan.
2. List the ultimate goals of your land trust's risk management program. Then draft a statement that reflects the ultimate goals/ aims/aspirations of the risk management program.
3. Review the areas of risk and then list the primary and secondary areas of risk for your land trust.
4. Rank the risks in order of likelihood and impact.
5. Brainstorm strategies for reducing the likelihood of downside risks occurring or reducing the cost or impact of the risks that materialize.
6. List the various roles land trust personnel will play in your risk management program.
7. Describe how the committee will report to the board and any other stakeholders about the monitoring results. Consider using a matrix, graph or calendar or combination thereof as a tracking tool. Then describe the routine for making annual refinements and updates to the plan, including an annual review of all insurance policies.

Explore related resources





RISK MANAGEMENT • LAND TRUST BOARDS • STANDARD 06: FINANCIAL OVERSIGHT

Laying the Groundwork for a Strong Risk Management Program

2020 • LAND TRUST ALLIANCE

Creating a risk management plan

[VIEW GUIDANCE \(/resources/learn/explore/laying-the-groundwork-for-a-strong-risk-management-program\)](/resources/learn/explore/laying-the-groundwork-for-a-strong-risk-management-program)




PRACTICE 12B: LAND MANAGEMENT AND STEWARDSHIP • LAND MANAGEMENT • PRACTICE 12C: INSPECTING LAND TRUST PROPERTIES

Sample for Practice 12C: Land Management Plan

2018 ✓ REVIEWED AUGUST 22, 2022 • TETON REGIONAL LAND TRUST

This land management plan is from the accredited Teton Regional Land Trust.

 West

[VIEW SAMPLE \(/resources/learn/explore/sample-for-practice-12c-land-management-plan\)](/resources/learn/explore/sample-for-practice-12c-land-management-plan)





RISK MANAGEMENT • PRACTICE 6E: RISK MANAGEMENT AND INSURANCE

A Guide to Risk Management for Land Trusts

2014 • LAND TRUST ALLIANCE

This book provides an introduction to risk management in order to equip your land trust with information, resources and suggested strategies for...

[VIEW PUBLICATION \(/resources/learn/explore/a-guide-to-risk-management-for-land-trusts\)](/resources/learn/explore/a-guide-to-risk-management-for-land-trusts)




RISK MANAGEMENT •
PRACTICE 6E: RISK MANAGEMENT AND INSURANCE



A Common Sense Guide to Risk Management for Land Trusts

2014 • LAND TRUST ALLIANCE

This step-by-step assessment tool will help you write a customized risk management plan.

 **OPEN WEB LINK**
(https://terrafirma.org/risk_management/01_introduction)

On terrafirma.org





RISK MANAGEMENT •
STANDARD 06: FINANCIAL OVERSIGHT

Selecting a Practical Process for Managing Risk in a Land Trust

2020 • LAND TRUST ALLIANCE

Selecting one of the following three approaches is the starting point for developing a risk management plan. These approaches are not mutually exclusive....

VIEW GUIDANCE (/resources/learn/explore/selecting-a-practical-process-for-managing-risk-in-a-land-trust)





RISK MANAGEMENT •
PRACTICE 6E: RISK MANAGEMENT AND INSURANCE

If You Hate Risk Management, Then You're Doing It Wrong

2019 • NONPROFIT RISK MANAGEMENT CENTER

If you hate risk management, it's probably because you're practicing risk avoidance. Read how you can transform your risk management efforts into risk-aware...

VIEW DOCUMENT (/resources/learn/explore/if-you-hate-risk-management-then-you-re-doing-it-wrong)





RISK MANAGEMENT •
PRACTICE 6E: RISK MANAGEMENT AND INSURANCE •
ADDRESSING NATURAL DISASTERS

Risk Management Plan Worksheet

NOVEMBER 1, 2023 • LAND TRUST ALLIANCE

Download an editable version of the risk management plan template from the upcoming publication Working in a Changing Climate – Preparing for and Respondin...





RISK MANAGEMENT • LAND TRUST BOARDS

Forming a Risk Management Committee for Your Land Trust

2020 • LAND TRUST ALLIANCE

[VIEW GUIDANCE \(/resources/learn/explore/forming-a-risk-management-committee-for-your-land-trust\)](/resources/learn/explore/forming-a-risk-management-committee-for-your-land-trust)




LAND MANAGEMENT • EQUITY AND ACCESS TO NATURE • PRACTICE 12B: LAND MANAGEMENT AND STEWARDSHIP



Sample for Practice 12B: Land Management Plan

2018 ✓ REVIEWED AUGUST 22, 2022 • MIANUS RIVER GORGE PRESERVE

This is a sample land management plan from the accredited Mianus River Gorge Preserve.

 New York

[VIEW SAMPLE \(/resources/learn/explore/sample-for-practice-12b-land-management-plan\)](/resources/learn/explore/sample-for-practice-12b-land-management-plan)




PRACTICE 12B: LAND MANAGEMENT AND STEWARDSHIP • LAND MANAGEMENT

Sample for Practice 12B: Land Management Plan

NOVEMBER 21, 2023 • LANDMARK CONSERVANCY

This land management plan from the accredited Landmark Conservancy provides an overview of the Meridean Barrens property and its land management...

 Midwest

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