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PROMISING PRACTICES



“Stoplight” strategy transforms how a Virginia Goodwill manages risk

Most organizations are generally aware of the risks they take each day to move forward with creative change and innovation. However, it can be easy to lose sight of the importance of proactively applying a risk management strategy to those decisions, and instead divert risk management to an annual review activity.

At [Goodwill Industries® of the Valleys, Inc.](#), leadership and staff endeavor to help people and families in the community achieve a better life through work and independence. Risk management has become one of the key operating principles of their strategic plan to help manage organizational resources and make informed decisions. They have realized that risks can change daily and, in order to stay in front of them, they need to assess risk on a continual basis.

The transition to that approach was sparked in 2013 during the organization’s annual meeting to review organizational risk. The new chief compliance officer, Deb Saunders, guided senior leaders through a tedious four-hour meeting to review the organization’s fifteen-page organizational risks document. The document at the time was broad in scope and provided only a high-level summary of organizational risks. Saunders and senior leaders collectively went through each risk item line by line, page by page, with the same level of attention regardless of whether that item had been previously identified as high, moderate, or low risk. In order to keep the meeting within time constraints, no one item was discussed longer than a few minutes. “The result that year was mental

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An organization receiving exemplary recognition in its CARF survey report stands out because of its professional and strategic response to a service or business need. CARF presents these ECS Promising Practices articles to encourage dialogue among service providers and to offer examples of creative solutions for improving service quality.

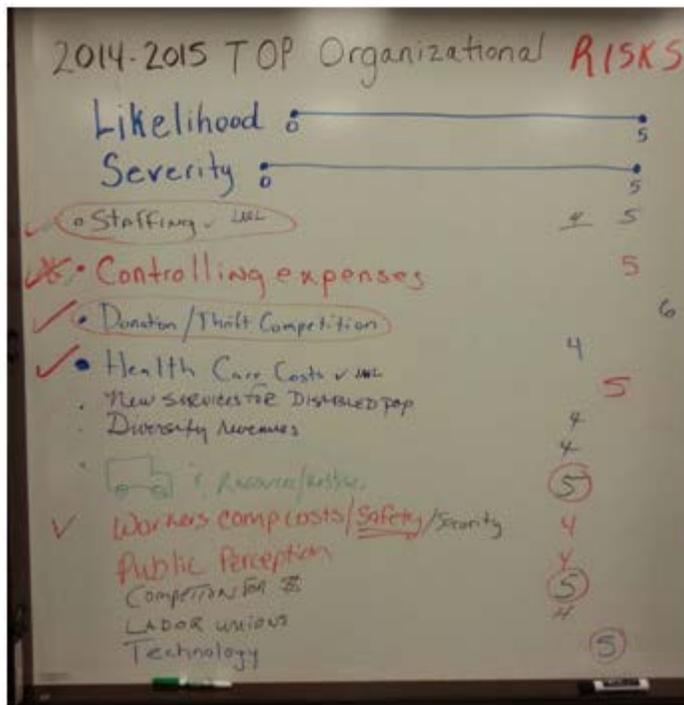
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exhaustion, very few new ideas, and the lack of design thinking for creative change,” said Saunders.

After the 2013 meeting, Saunders noticed that no new risks had been identified. Realizing that something was wrong with the review process itself, she set out on a mission to make risk assessment simpler, more engaging, and more proactive. “It appeared we were lost in the details of the document, which didn’t spark many new ideas,” said Saunders about her assessment of the outcomes from that meeting. “Our senior leadership team didn’t appear to be fully engaged in the process. Not all assessed risks applied to each senior leader, which created some periodic disconnect in engagement. Or it may have been due to information overload.”



Pulling from a system she had developed during a decade of experience in financial audit management, Saunders set out to solve what she felt was a problem. For the 2014 risk meeting, the old fifteen-page document was set aside and she asked the senior leaders to bring a list of what they felt, from their perspective, were the highest risks in the organization. At the meeting, each of them was asked to get out of their chair, grab a marker, and write on a whiteboard one of their identified risks. Senior leaders were then asked to rank that risk, on a scale of 0-5, of its likelihood to occur and severity if it did. “After the first person finally rose from their seat, it was like cattle filing their way across the field toward a fresh bale of hay,” exclaimed Saunders.

After everyone had an opportunity to write something down, each item was discussed and described in more detail. Based



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on its assigned likelihood and severity, a risk level was calculated for each item. Then, based on the calculated risk level, a stoplight color was assigned to each risk item indicating whether to avoid it (red), reduce it (yellow), or control or accept it (green). Using the color code, appropriate and cost-effective controls for each risk could be identified and planned. From this new system, action plans and person responsible for each control were defined and documented. The new process was completed in half the time it took during the previous year and with a better focus on the “bigger picture.” “We departed the meeting with a much greater sense of accomplishment,” said Saunders.

“The most important thing is identifying new risks, and reducing the ones we deem to be high/moderate as quickly as we can. In the first year of the new system, we defined four new high-risk items that were not on the previous risk assessment. I apply the current risk assessment to my annual compliance calendar to ensure higher risk items have the audit and compliance coverage needed. We can quickly apply action plans to items that do not consume many resources, which returns immediate value to the organization by reducing risk. This stoplight approach allows us to manage our organizational resources more effectively which, in turn, allows for more informed decisions.”

Saunders spent the next six weeks after the meeting discussing with the senior leaders, one on one, the risks specific to their areas. This allowed senior leaders to discuss their concerns in more depth, and ensured that current controls were in place and working effectively for those risks previously identified. The new fifteen-page document is still the same length, but each assessed risk is now far more descriptive, as are the defined controls and primary persons responsible for mitigating each one. “With the color-coded stoplight approach, high priority risks now jump off the page as a reminder,” said Saunders.

Most importantly, the risk assessment is now a living document. Risk level is automatically calculated based on a formula to reduce errors. Steps being taken to reduce risk and even future ideas are continually updated and documented. Users can filter, sort, modify, or pivot on any column or row. This allows managers to focus priority on their assigned risks and stay on top of what is being done to mitigate them.

“I have received lots of great feedback since implementing the change,” said Saunders. “Users have learned a lot more about how to identify risks, manage those risks, and how

those risks affect the organization as a whole. It was a dreaded annual task before, but has transformed into a tool that can be used proactively instead of retroactively.”

In late 2014, Goodwill Industries of the Valleys, Inc., received exemplary recognition from [CARF International](#) for the implementation of this risk management plan. For more information about effective risk assessment, please contact Deb Saunders at dsaunders@goodwillvalleys.com

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