Abstract

Risk Management in Non-Profit-Organisations
with Particular Attention to Social Service Organisations

The thesis discusses several aspects of risk management in non-profit-organisations, where particular attention is paid to social service organisations. Since the effective handling of risks is getting more and more important also for not-for-profit businesses, the paper shows possibilities to implement a risk management system in NPOs. In this process, the major difficulty is to consider the numerous specifics of NPO in comparison to profit-enterprises, as far as the practice of risk management is concerned.

For this thesis, the so called contingency approach and the system theory serve as theoretical reference framework. On the one hand, the emphasis on the principal differences between non-profit-organisations and for-profit-businesses (explained with reference to the contingency approach) will show the specific challenges for risk management in NPOs. On the other hand, the framework of the theory of social systems regards the social organisation in interdependency with its environment, because especially the non-profit-sector has to face many external risks, for example a reduction of governmental subsidies.

Apart from the typical external and internal NPO-risks (like financial straits or lacking motivation of the employees) the thesis points out the importance of risk management for non-profits. For this purpose, recent empirical study results about risk management in the Third Sector are presented, which all certify a backlog demand for social organisations as far as risk management is concerned. In addition, the change in the sociocultural, economic and political environment, as well as some legal requirements (especially Basel II), reinforce the demand for risk management in NPO.

Another part of the thesis describes the requirements as well as the aims and functions of risk management in social service organisations. In this context, the organisational integration of risk management will also be examined. Following this, a design proposal for social non-profit-organisations will be derived.

Finally, the provided support by the management accounting during the risk management process of a social NPO will be analysed, with focus on the specifics of non-profit-organisations. In the first step of the risk management process, this is the development of the risk strategy, the management accounting supplies methods for strategy formation like the Balanced Scorecard. Furthermore, it helps the NPO-management to communicate the risk strategy within the organisation. The second step involves the identification of risks in the NPO. Therefore, some tools of the strategic management accounting will be presented and analysed with regard to their application in non-profit-organisations, namely the environmental analysis, the strengths/weaknesses-analysis, benchmarking and the SWOT-analysis. Afterwards, the risks have to be assessed as to their potential severity of loss and to the probability of occurrence. In this step of the risk management process, the management accounting fulfils an important information function for the NPO-leaders. In the last step, the handling with the risks has to be determined. Furthermore, the management accounting has to review and evaluate the risk management system in this stage, so it has to control the process and inform the management in the course of risk reporting.