How Has the Literature Contributed to Creating Effective Risk Management Policies in Nonprofit Organizations?

Márcia R. C. Santos*
Department of Accounting
Escola Superior de Ciência Empresariais (ESCE-IPS)
Instituto Politécnico de Setúbal
Campus do IPS - Estefanilha
2914-503 Setúbal, Portugal
Instituto Universitário de Lisboa (ISCTE-IUL), ISTAR-IUL
Av. das Forças Armadas
1649-026 Lisboa, Portugal
Email: marcia.cadete.santos@gmail.com

Raul M. S. Laureano
Department of Quantitative Methods for Business and Economics
ISCTE-Business School
Instituto Universitário de Lisboa (ISCTE-IUL), BRU-IUL and ISTAR-IUL
Av. das Forças Armadas
1649-026 Lisboa, Portugal
Email: raul.laureano@iscte-iul.pt

* Corresponding author

Biographical notes:

Márcia R. C. Santos is an Assistant Professor at the Escola Superior de Ciências Empresariais at Instituto Politécnico de Setúbal (ESCE-IPS) and a researcher at the Information Sciences and Technologies and Architecture Research Center (ISTAR-IUL) at Instituto Universitário de Lisboa (ISCTE-IUL), Portugal. She is author of scientific publications (see https://ciencia.iscte-iul.pt/mrcss/en). ORCID iD: https://orcid.org/0000-0001-8741-0122.

Raul M. S. Laureano is a researcher at the Business Research Unit (BRU-IUL) and at the Information Sciences and Technologies and Architecture Research Center (ISTAR-IUL) at the Instituto Universitário de Lisboa (ISCTE-IUL), Portugal, with interests in the fields of business analytics, nonprofit management and tourism. He is also an Assistant Professor at the Business School of the ISCTE-IUL, where he teaches undergraduate and graduate classes of Statistics and Data Analysis, and the Director of the Master in Business Analytics at ISCTE-IUL. He is the co-author of books about financial mathematics and statistics with IBM SPSS Statistics and of more than 40 scientific publications (see https://ciencia.iscte-iul.pt/rml/en). ORCID iD: https://orcid.org/0000-0002-7402-1299.

Abstract

Although risk management is critical to all sectors of society, the attention given to the business sector's initiatives in this area has obstructed the advancement of knowledge about the remaining sectors. By systematically analyzing 69 academic and nonacademic publications, this study sought to highlight the areas of greatest interest in the literature on nonprofit organizations (NPOs). Three topics stand out more clearly: risk identification, risk management processes, and risk mitigation strategies. The first two are more likely to be discussed in academic articles, while the last topic is prevalent in nonacademic publications. Two main clusters of knowledge were identified in academic articles: risk exposure and risk management strategies. This review revealed that the focus of the literature on risk has shifted from strategies for transferring risk to NPOs as risky organizations that pursue complex goals whose success depends on strategic risk management. In addition, a critical review was conducted of risk's conceptualization and characterization and of the findings of risk studies in the nonprofit sector, thereby deepening the existing understanding of the progress made in this sector's still limited application of risk management. Moreover, the similarities, divergences, and limitations of the academic and nonacademic literature are addressed. Risk management's role in the nonprofit sector's sustainability is an understudied subject, but this field of research can only advance if practitioners make more risk-related information available to allow academics to gather the empirically robust evidence needed to support future studies.

Keywords: nonprofit organization, NPO, literature review, insurance, risk mitigation.

INTRODUCTION

Uncertainty has been observed to have a negative effect on engagement in investment projects (Bonaime, Gulen, and Ion 2018) or team performance (Bordia et al. 2004). Various events can increase uncertainty, such as those arising from legal and regulatory instability (Bonaime, Gulen, and Ion 2018), climate change (Tol 2018), organizational change (Bordia et al. 2004), or economic cycles (Bloom et al. 2018; Zietlow 2010). Because people and organizations are globally connected, the epicenter of uncertainty can be local or national, or it can even be transmitted across borders (Campello et al. 2018).

Aven and Renn (2009) define risk as an event in which the outcome is uncertain. Given that the impacts of uncertainty and unpredictability are perceived as negative, the cited authors call for organizations to manage risk in their business operations. Enterprise risk management, as defined by Segal (2011: 3), is the "process by which companies identify, measure, manage, and disclose all key risks to increase value to the stakeholders." Firms and public or nonprofit organizations (NPOs) face similar challenges, including, among others, liquidity, solvency, and financial flexibility (Giambona et al. 2018; Zietlow 2010).

However, because public organizations and NPOs act in sectors pressured by distinct outcomes, not all principles of enterprise risk management may transfer or others might need to be added since NPOs are motivated by social impact rather than profit. One particular feature of these organizations can produce unique issues. Namely, NPOs are prohibited from distributing any surplus they generate (Salamon and Sokolowski 2016). Many NPO projects are, nonetheless, supported by public and private partnerships and corporate social responsibility practices.

In addition, organizations' strategies vary in response to internal and external difficulties and challenges, and these strategies are conditioned by market conditions, accounting rules, or regulatory changes (Giambona et al. 2018). Given this complex context, decisions about appropriate financial or operational responses also depend on how much risk (e.g., financial, program, capital, and personal risks) organizations can tolerate (Bali and Uslu 2017). Zietlow (2010: 238) points out that "astute liquidity management enables organizations to survive and thrive in an uncertain external environment." Klein et al. (2012) reinforce this idea by suggesting NPOs should seek to build financial reserves representing between 3 months and 1 year of their operating expenses.

The pressure to succeed makes NPOs more aware of the uncertainties and conjectures supporting their projects' mission and goals (Archibald et al. 2016), so these organizations need to look for ways to avoid failure and foster success. Monitoring practices are required to ensure and demonstrate that projects are executed as agreed and their goals met. Monitoring should happen regardless of whether the parties involved assume that self-interest prevails, as suggested by agency theory, or that organizations are focused on achieving collective goals, as advocated by stewardship theory (Lambright 2009).

NPOs are, therefore, under growing pressure to acknowledge that their activities are risky and to develop appropriate strategies, in order to respond to the demands of the new tools investors have created to fund nonprofit sector projects (e.g., social impact bonds). Investors can use these tools to demand data, so funders can assess NPOs' level of risk even before the proposed results are obtained (Cooper, Graham, and Himick 2016). These organizations can utilize risk management to understand potential hazards' causes and effects, the risks' extent, and related uncertainties, as well as creating strategies to reduce risk (Paté-Cornell and Cox 2014). Risk management increases public and private funders' confidence in NPOs' reliability and ability to deal with extreme events (Kunreuther 2002). To apply strategic risk management successfully, NPOs need to recognize that the pursuit of mission-related goals and the public good distinguishes these organizations from those in other sectors (Liket, Rey-Garcia, and Maas 2014).

At the end of the twentieth century, Slovic (1993) claimed that academics had failed to understand how to manage the hazards identified by researchers. Currently, students and practitioners are provided with significantly improved management tools to address commercial and business risks (Hopkin 2018). An awareness of risk management theory and practices associated with useful results is thus crucial, enabling nonprofit practitioners and academics to leverage their knowledge about creating effective risk management policies and to develop empirically robust theories.

The quality of research in this field could be strengthened by a comprehensive review of the relevant literature. This should include both the academic literature produced by research units and universities subject to traditional academic peer-review processes and nonacademic literature presented in professional and technical publications—or in universities (e.g. theses)—but not subject to traditional academic peer-review processes used by journal editors. This broader definition of nonacademic literature is also known as grey literature (Adams, Smart, and Huff 2017).

The present review thus sought to identify the existing knowledge about risk management in NPOs and suggest ways that academics and/or practitioners can best contribute to this field in future studies.

By reviewing the literature directly linked with risk, specifically in the nonprofit sector, this research pursued three goals. The first was to identify topics of interest in the nonacademic literature, while the second was to identify significant clusters of topics in the academic literature. The last goal was to identify similarities and divergences between both types of literature in terms of analyzing NPOs' risk management.

The findings could be useful to either academics and practitioners, providing a foundation for further progress in NPO risk management strategies and helping to put these into perspective and into practice. The review's methodology is presented in the next section. The key topics identified in the nonacademic and academic literature are then described, including a comparative analysis of both sets of literature and a discussion of the present body of knowledge about risk in NPOs. Finally, the conclusions are presented, as well as the study's most important contributions.

MATERIALS AND METHODS

This study sought to review the nonacademic and academic literature addressing risk in NPOs to gain the comprehensive and comparative perspective needed to discuss this field as a whole. The decision to consider the nonacademic literature raised concerns about quality and added expense due to the number of publications to be analyzed. However, this approach facilitated a fuller analysis of the literature and thus was considered justifiable (Adams et al. 2017).

Following Denyer and Tranfield's (2009) recommendations, the present research started by identifying the terms used to label nonprofit organizations and related designations applied within the nonprofit sector. These labels can vary from one country to another or follow trends in the field under study. To minimize this problem, the review's approach relied on a dictionary about types of organizations in the nonprofit sector used by Santos, Laureano, and Moro (2019).

The dictionary was the result of quite recent work done by various academics with the goal of building a consensus around how to conceptualize the sector (Salamon and Sokolowski 2016). Some scholars (Defourny et al. 2016) have criticized the system used to include and exclude organizations from the cited conceptualization of NPOs, but the current study concluded that the cited compilation is sufficiently inclusive to serve this research's purpose.

The dictionary's list of terms alluding to NPOs was combined with the term "risk" in order to identify academic and nonacademic material containing the resulting word pairs. The query consisted of a Boolean expression containing multiple "OR" connected expressions, and one "AND" was applied to the title field (see Appendix 1 for a detailed list). The terms used to label NPOs also included additional words suggested by reviewers. In addition, ad-hoc searches were performed, and experts—including the reviewers—on both risks and nonprofit organizations were consulted. These strategies facilitated the selection of significant articles, including a selection of those published after 2016.

An exception to this procedure was made to combine the term "association" with "risk management" and "risk assessment" separately. This step was taken because most of the 40,000 results that appeared when combining "association" with the single term "risk" involved individuals' interrelationships and connections rather than groups of organized people. Thus, a second search query was conducted using the following criteria: ("risk management" OR "risk assessment") AND "association*").

Academics consider publications' title to be a valid search field, and this strategy has been applied in previous studies dealing with multiple documents (Smith et al. 2008). The present search was initially restricted to documents published up until 2016. The b-on Online Knowledge Library (see https://www.b-on.pt/en/) was used to conduct the search as this virtual library provides access to a vast number of academic and nonacademic literature resources. The platform offers results drawing from both academic and nonacademic databases, covering content from leading publishers of academic publications and providers of international databases. These sources included, among others, Sage, EBSCO, SpringerLink, Elsevier, Emerald, ISI Web of Science, Scopus, and Wiley Online Library.

To confirm the articles' relevance, abstracts were reviewed, and only those articles that directly addressed risk in the nonprofit sector were considered in subsequent analyses. These steps resulted in a dataset of 5,140 academic and nonacademic material. To review those items, MAXQDA software was first used to code and categorize them (Liket and Simaens 2013).

More specifically, this software helped keep track of the data on the thousands of academic and nonacademic literature titles, abstracts, and full texts analyzed.

In the next stage, manual analysis was used to filter the publications further by reading their titles, abstract, and, if doubts persisted, parts of the full texts (i.e., the introduction and conclusion), which led to the exclusion of 5,071 academic and nonacademic material. Despite the relevant terms identified in the titles, the excluded publications discussed risks unrelated to NPO management, such as creating foundations, disease dissemination, charity appeals for social causes, and NPO acronyms associated with irrelevant full terms. In addition to co-validation by the research team, this final selection was discussed with a risk management professional who is currently conducting master's-level research on risk management and who could validate the search process.

The final selection included 47 nonacademic publications taken from books, the business press, theses, practitioner publications and reports, and consulting firms, government agencies, and NPOs' publications. A further 22 academic articles came from peer-reviewed academic journals. Figure 1 summarizes the literature selection procedure, which reduced implicit subjective biases regarding the selection of literature sources (Denyer and Tranfield 2009).

[Insert Figure 1 here]

The entire sample was fully examined but synthesized and analyzed separately, as recommended by Adams, Smart, and Huff (2017), to preserve the text quality and facilitate the interpretation of data from both the academic and nonacademic literature. After extracting data using the procedure suggested by Denyer and Tranfield (2009), the content of the present study's publications were closely inspected to identify each document's most significant features. The following items were considered: scope, year of publication, data collected, research methods used, the nature of risks addressed, and a summary of the key findings and main conclusions.

Based on the resulting database, a refined literature review was conducted that had an interdisciplinary component since the research team have skills and knowledge related to three different areas of study: risk, management, and data analysis. The diversified nature of the team's academic and professional background facilitated an examination of different elements of the nonprofit sector through integrated analysis. The "synthesis by integration" method (Rousseau, Manning, and Denyer 2008) is described in the literature as both a pragmatic and compensatory research strategy (Adams, Smart, and Huff 2017), which in the present research was used to analyze patterns in the selected articles and their connections.

RESULTS AND DISCUSSION

The 69 publications selected were sorted by publication date, revealing that the issue of risk in NPOs was first addressed only in 1996 (see Figure 2). The results also confirm the growing importance of this topic as 41% of the publications have been published since 2013. In addition, most articles (68%) have appeared in the nonacademic literature. A large segment (53%) is from the business press, including consulting companies, which may reflect that those interested in the topic are concerned about meeting commercial goals.

[Insert Figure 2 here]

Regarding the academic literature, 6 articles come from journals rated in the Association of Business Schools (ABS) rankings (i.e., 3 3-rated and 3 2-rated journals). The remaining 16 articles are from journals not included in the ABS rankings. The publications are dispersed across multiple journals as only 3 journals have published 2 articles each. The journals' subject areas include management, business, finance, social services, and law. In both the academic and nonacademic literature, about one-third of the articles were published in the last two years under analysis, which again reflects the topic's growing importance.

Topics of Interest in the Nonacademic Literature

The nonacademic literature shows a clear tendency to address NPO risk from an insurance perspective. A broad range of situations are discussed in these publications: civil liability, lax governance, financial liability, personal safety (i.e., board, employees, volunteers, or clients), property (i.e., assets), compliance, and technological developments. Although publishers have sometimes included articles from experts mentioning the preventive phase, the dominant focus is on insurance coverage, and articles are usually accompanied by advertisements for insurance companies. Examples of this appear in *Business Insurance*, Haymarket Business Media publications and Crystal & Company's insurance brokerage publications.

A longitudinal analysis confirmed the importance of risk transfer strategies—primarily through insurance products—over the years and highlighted a significant focus on risk identification in these publications. A set of coding procedures was developed to conduct this longitudinal analysis based on the methodology used in Earle's (2010) study. During the initial content analysis procedure, the research team attributed a topic to each publication based on its wording. After this coding, the risk management expert who participated in the final selection of publications checked the initial code options as an independent auditor. When necessary, disagreements were resolved through discussion.

As a result, the following topics were used to code the publications. The first was "risk mitigation strategies," which was applied when the authors essentially addressed insurance or financial management practices as a risk transfer and coverage tool, respectively, with third parties taking responsibility for risk. The second topic was "risk management processes," which was used if the publication focused on proposing or understanding risk management as a strategy to deal with nonprofit sector risks. The last topic was "risk identification," which was applied to publications whose content was confined to noting the sources of risk or characterizing risks in the nonprofit sector.

The coding results were compiled in a radar chart (see Figure 3) to compare tendencies in the relative frequencies of the topics across 4 5-year periods. Each colored line represents the topics' frequency for the respective period identified in the legend. The more the line resembles an equilateral triangle, the more the publications on each topic are equitably distributed.

[Insert Figure 3 here]

In more recent years (i.e., 2006 to 2010 and 2011 to 2016), the distribution has been more even compared with, for example, publications from 1996 to 2000 (i.e., the blue line). In the latter period, about 70% of articles focused on risk mitigation strategies and 30% on risk management processes, while no publications were found on risk identification. In the following period of from 2001 to 2005, represented by the orange line, all three topic clusters were present in the literature, but the risk management processes cluster stands out as the main topic addressed by publications.

A significant proportion of the nonacademic literature on the nonprofit sector, over the entire period in question, examined recurrent financial and fraud concerns (e.g., *Accounting Today* publications) but merely summarized risks. More recent publications have also covered emerging issues affecting all economic sectors: cyber security (e.g., *Nonprofit Business Advisor* publications) and terrorism. Notably, the latter threat has been addressed by daily newspapers (e.g., *The Guardian* and *The Australian*) but not by business or insurance company publications. The potentially huge losses could make most insurance companies decide to apply terrorism exclusions to their insurance products.

Figure 3 above also shows that the topic of risk mitigation strategies was especially dominant in publications before 2001, after which the move toward risk management strategies began to gather strength. In the set of documents published before 2001, authors advise NPOs to obtain insurance coverage but warn managers about the increasing difficulty of finding insurance that adequately covers all risk events at an acceptable price due to the specificities of NPO projects. This problem is addressed by authors in journals with not-for-profit publishers, such as *The Nonprofit World*, in which inadequate insurance is described as more common in the nonprofit sector because NPOs are considered particularly vulnerable to fraud. For instance, Davis (1999) explores the circumstances in which insurance companies refuse to insure overly risky projects and presents the creation of mutual insurance in California as a successful partnership between NPOs designed to overcome this obstacle.

Given the inherent volatility of insurance processes and the higher prices that insurance companies charge NPOs, the business press and technical publications have started to discuss the advantages of risk management policies and procedures. This topic became more dominant in the nonacademic literature between 2001 and 2005, appearing in books (e.g., Herman 2002) and specialized publications on not-for-profit (e.g., *The Nonprofit World*), business (e.g., *Orange County Business Journal*), and risk (e.g., *Risk Management*) issues. After this period, publications warning about risks gained greater weight as a result of the cyber security and terrorism concerns mentioned previously.

The number of publications addressing risk management processes decreased, but the topic of risk mitigation strategies maintained its relevance (i.e., about 25% of publications from 2001 up to 2010). Authors elected to ignore risk prevention practices. The report on Ontario's voluntary sector (Meinhard 2009) published in this period shows that NPOs are often unaware of the risks they face. This tendency can be explained by NPOs' belief that they are low-risk organizations (Meinhard 2006), thereby underlining the urgent need to inform NPO boards and stakeholders of risk management's potentially important role in their organizations. During this period, premium rates were studied, and empirical evidence was found for correlations between insurance prices and historical events and organizations' size and policies (Meinhard 2009).

Finally, the three risk topics became more divergent in the last five-year period of 2011 to 2016. This finding could suggest that, although the academic and nonacademic literature started to explore appropriate risk management strategies for NPOs at the turn of the century, this focus was interrupted abruptly by the 2008 financial crisis. However, risk management has more recently returned to the fore in the NPO nonacademic literature arena. These results support the conclusion that experts in this field are currently acknowledging the importance of risk management practices.

Lorijin's (2012) master's thesis on financial and investment risks presents longitudinal research on NPOs in the Netherlands. The cited author found that hedging, namely, risk management applied to rate fluctuations (e.g., interest or commodity price rates), can positively influence NPOs' financeability. The financial dimension's importance to NPOs is a core concern of their managers, who have started identifying cash reserves and financial flexibility as primary goals according to Klein et al.'s (2012) findings, which were reported in a Grant Thornton publication. The cited authors define risk reserves as being the "amount of net assets that an NPO should have on hand in order to adequately protect itself against risks that may adversely impact the organization's bottom line" (Klein et al. 2012: 1). This strategy may work as an insurance policy for these organizations.

Although business and nonprofit publications do not address risk management extensively, some (e.g., *Nonprofit Business Advisor* or *Best's Review*) urge NPOs to invest in managing risks. In parallel, Crystal & Company (2013) published the results of their survey of nonprofit risk management programs, highlighting the significant number of NPOs that continue to operate without a risk manager despite their increased awareness of risk management. Efforts to manage risk can require a case-by-case scenario, which Klein et al. (2012) refer to as an option while discussing risk reserves. Although generalizable risk management tools can be created for NPOs, managers must recognize that their unique organizational business model, risk exposure, and financial circumstances may affect decisions about the level of assets that should be set aside to mitigate against risks.

Clusters of Significant Topics in the Academic Literature

One-third of the published academic articles addressing risk in NPOs describe case studies in which unstructured or semi-structured interviews were conducted to gather information (e.g., Benjamin 2008; Cafferty, McCarthy, and Power 2016; Vick, Birke, and Mckenzie 2002). One-quarter of the articles were based on surveys distributed mainly via the Internet as the data collection method (e.g., Domanski 2016; West and Sargeant 2004). The most common method used to process data was content analysis. Almost half the publications analyzed texts from legislation, transcribed interviews, and annual reports (e.g., Arshad, Bakar, and Othman 2016; Gibb and McNulty 2014; Tarr 2011).

While six articles explore NPO activities from a multisector perspective (e.g., Domanski 2016), no cross-national studies were found. Longitudinal research is only represented by Vick, Birke, and Mckenzie's (2002) work. In addition, three reviews of the literature, standards, and regulations were detected in journals devoted to legal issues (e.g., Tarr 2011).

The present study's content analysis followed the coding process developed for Earle's (2010) research, which revealed two major clusters of knowledge about risk in NPOs (see Figure 4). In the risk exposure cluster, academics examined risks' sources and characterization and, more specifically, risks' consequences for organizational goals (e.g., Martínez 2003). Once risks are identified, strategies can be developed to deal with those risks, thus forming another topic cluster. Some of this cluster's publications explore risk management practices (e.g., Arshad, Bakar, and Othman 2016), while other articles conduct insurance-driven research (e.g., Tarr 2011).

[Insert Figure 4 here]

Risk Exposure Cluster: Concept and Sources of Risk

Authors have associated the concept of risk with vulnerability resulting from natural hazards (Benson, Twigg, and Myers 2001); civil liabilities; claims; employee compensation; vehicle incidents (Tarr 2011); technology information systems (Luo and Hu 2015); advertising (West and Sargeant 2004); loan default (Gibb and McNulty 2014); legal, compliance, and reputational issues (Gibelman and Gelman 1999; Parandeh 2009); or tough economic times (Zietlow 2010). These risks are concerns that affect all economic sectors, including public and for-profit organizations.

However, the nonprofit sector's specificities may represent an additional challenge, notably, riskier and more controversial advertising campaigns and extreme financial dependency on public and private willingness to pay (Cavalcanti and Santiago 2006). On this risk spectrum, consequences for NPOs can be summed up as financial difficulties resulting from indemnities to be paid (Tarr 2011), shortfalls in revenues due to obsolete technology systems (Luo and Hu 2015), and the freezing of NPOs' assets. In addition, these organizations run the risk of terminations of ongoing social projects when authorities suspect any involvement in funding terrorist organizations (Parandeh 2009) or when the ruling government party changes and, consequently, the central state's priorities (Cavalcanti and Santiago 2006).

Other authors have started focusing on specific aspects of NPOs' activities: alliances with for-profit partners to raise funds, citizen volunteers' involvement, workers' wellbeing, and achievement of goals set in contracts with grantees and the government. Regarding alliances to raise funds, NPOs strive to avoid losing their independence when business partners seek to impose conditions and losing credibility or damaging their reputation should partnerships fail (Martínez 2003). These risks contribute to NPOs' social entrepreneurship challenges while embracing new business opportunities that involve risky ventures. Alliances' benefits may not adequately compensate for NPOs' investment of money and time, including related risk-bearing premiums (Zietlow 2001). According to Ekhtiari, Yadegari, and Sadidi (2016), the success of non-profit finance funds related to these entrepreneurship efforts can be affected by personnel and managers' incompetence, which is the main aspect to consider when evaluating the funds' risks.

In terms of human resources, NPOs are concerned about workers and volunteers' health and safety and their responsible involvement (Groble and Brudney 2016; Kosny and Eakin 2008). Worker-related issues have been found to have an important effect on organizational culture, namely, on managers' willingness to take risks (Chen and Bozeman 2012). Chen and Bozeman (2012) also concluded that middle managers' expectations related to merit systems can influence their level of risk aversion, which was found to be greater in the public versus the non-profit sector.

Regarding the goal of fulfilling NPOs' social mission, Benjamin (2008) collected data on grantees' contracts and concluded that these organizations must determine the risk of their projects not achieving the intended results, as well as who bears that risk. Cafferty, McCarthy, and Power (2016) also focused on these results but with reference to social enterprise projects, whose success is imperative given the need to avoid bank liabilities and public funding's discontinuation.

Risk Management Strategies Cluster: Conceptualization and Implementation

Risk management is a multistage process that goes from contextualization to monitoring. The academic literature sees risk management as a way to minimize risk exposure (Sharp and Brock 2012; Tarr 2011). Authors present arguments in favor of risk management's predictive power (Vick, Birke, and Mckenzie 2002) as it allows boards to take informed risks in specific circumstances (Tarr 2011). Customized research on NPO risk management (Sharp and Brock 2012) has confirmed that differences exist between the public, for-profit, and not-for-profit sectors, reminding academics of the need to adapt tools to each context. As mentioned previously, the level of risk aversion among middle managers can be greater in public organizations as compared to NPOs (Chen and Bozeman 2012).

Nonetheless, similar concepts are applicable to the for- and nonprofit sectors. As in business, risk management in NPOs implies a self-reflection process to answer the following questions (Benjamin 2008; Tarr 2011):

- What are the risks (i.e., identify risks)?
- How significant are the risks (i.e., assess risks)?
- What can be done given the risks faced (i.e., decide on strategies to manage risks)?

In a more recent article evaluating how consistent risk management policies are with traditional theories of risk management, Giambona et al. (2018) found similarities between various sectors. The cited authors conducted a survey of more than 1,000 risk managers from different types of organizations, including nonprofit ones. The results show the reasons why organizations do or do not emphasize risk management policies, revealing relationships between managerial characteristics—including risk aversion—and hedging practices.

When investigating the nonprofit sector, academics have found that NPOs engage in control actions (Martínez 2003), disaster mitigation, and preparedness activities (Benson, Twigg, and Myers 2001), but these organizations often fail to define their context adequately. That is, NPOs neglect strategic risk management principles (Domanski 2016), including carrying out detailed hazard risk assessments, which could affect projects' completion and success (Benson, Twigg, and Myers 2001; Sugaretty 2012).

Various measures have been developed to manage exposure to risks. When NPOs form alliances with companies to raise funds, Martínez (2003) suggests the potential partners need to agree first on a code of conduct, establish requirements before entering into the alliance, and screen for ethical practices. After examining NPOs' legal and compliance obligations, Gibelman and Gelman (1999) found that boards carry out early reviews and approve deviations from the budget, as well as writing out operational procedures for the control actions needed to prevent or detect fraud or systematic abuses. Regarding natural disasters, Benson, Twigg, and Myers (2001) argue that government-NPO partnerships are a strategy that reduces risk when both partners work together on mapping risk, providing training, and participating in government disaster committees.

Researchers have reported that risk minimization and opportunity maximization are the general benefits of risk management (Steen and Smith 2007). NPOs should thus seek to improve their effectiveness by applying metrics to assess the likelihood of achieving project goals and promised results (Benjamin 2008). Risk management is consistent with a commitment to continual improvement, thereby contributing to the quality of NPOs' services and outcomes (Gibelman and Gelman 1999).

Once NPOs have recognized risk management's potential benefits and decided to implement it, these organizations must overcome various barriers. Financing is a significant obstacle as NPOs are less likely to have the resources to implement risk management strategies than for-profit organizations are (Tarr 2011). These resources are needed when NPOs face organizational resistance to strategic plans or when interpretations differ amongst various organizational groups and power structures (Sharp and Brock 2012).

In addition, the successful implementation of risk management is threatened when NPOs' documentation of programmatic policies is poor and strategic plans are insufficiently comprehensive (Steen and Smith 2007). These failures restrict these organizations' ability to self-assess and set goals (Domanski 2016). Involvement in multinational charity projects in developing countries is another challenge for NPOs as these countries are often associated with inadequate infrastructure and legislative and administrative structures (Parandeh 2009).

Even when these obstacles have been overcome, Benson, Twigg, and Myers (2001) report that NPO staff receive insufficient practical guidance, resulting in limited recognition of risks in the planning phase. Planning processes may neglect risk analysis for three reasons (Gibelman and Gelman 1999; Parandeh 2009; Vick, Birke, and Mckenzie 2002). The first is a lack of information about risks, including who should manage them and how this should be done by staff and board members. The second reason is an inadequate understanding of the direct impacts of ongoing costs (e.g., time and money) and intangible gains (i.e., fewer losses). The last reason is a misconception of NPOs' sheltered status, which no longer includes protection from liabilities.

These findings suggest that NPOs' internal actors (i.e., board members and employees) are poorly prepared to assume their collective responsibility for these organizations' success. Given that board competencies have been found to have a positive influence on risk management disclosure practices (Arshad, Bakar, and Othman 2016), clear guidelines and relevant training have become required features of NPO board members.

Education institutes are the most qualified to design and conduct education and training courses, so these organizations can play an essential role in meeting this challenge, helping NPOs to deepen their understanding of risks and engagement in risk management strategies. Groble and Brudney (2016) searched for empirical evidence of education systems' contributions in this context, examining recommended bibliographies for both introductory nonprofit and human resources courses. Contrary to the cited authors' expectations, textbooks pay little attention to how to ensure citizen volunteers' safe and responsible involvement.

Risk Management Strategies Cluster: Risk Mitigation

Regarding risk transfer strategies, the academic literature presents insurance as a tool to help NPO boards cover inherent risks when these organizations have employees and assets and provide goods and/or services similar to those of for-profit companies. In the academic publications sample analyzed in the present study, only one researcher focused on insurance products, namely, Tarr (2011). The cited author explored NPOs' approaches to procuring or negotiating insurance, presenting various non-traditional risk financing models as insurance options. Some examples of these are charitable risk pools owned by NPOs, mutual funds involving a self-managed component combined with traditional insurance, and captive or mutual insurance.

However, NPOs experience difficulties due to premium increases, restrictions on coverage, or insurer insolvency. The nonprofit sector is overall described as more risky than other sectors. More specifically, NPOs operating on a non-profit basis but in competitive markets, such as farmers' cooperatives, are found to take more risks in terms of agricultural technology innovation than commercial firms do (Luo and Hu 2015). Thus, Tarr (2011) stresses that national NPO mutual insurance is the best solution.

In addition, financial management practices, including those associated with cash-flows challenges (e.g., liquidity, solvency, reserves, and financial flexibility), are an important risk coverage tool used by nonprofits as part of their risk management programs (Giambona et al. 2018). Also in for-profit sector, cash management policies are found to be an important contribute to moderating the risk of firms (Michalski, Rutkowska-Podolowska and Sulich 2018). In this context, Michalski and Mercik (2012) examined financial liquid assets management as a strategy to minimize NPOs' exposure and this strategy's financial results in terms of risks associated with the realization of NPOs' mission. The cited authors propose a model to determine how the strategy's implementation regarding net liquid assets and inventories needs to change according to the level of risk.

Zietlow (2010) reinforces this case-by-case approach by addressing the way organizations deal with financial management tasks and defines four organizational profiles based on four financial paradigms, in four dimensions. These profiles are a financial paradigm that guides behavior, a finance and/or lens strategy used to implement the selected paradigm, the chosen paradigm's financial target and outcome, and the selected strategy and target (i.e., muddle, survive, progress, or thrive). Zietlow (2010) also suggests that the financial literacy and professionalisation of NPOs' officers and staff influence the way these organizations' respond to uncertain external environments.

Evidence of a lack of this type of literacy is presented by Giambona et al. (2018), who also confirmed that usage of derivatives is shaped by NPOs' ownership structure. Another reason for not using derivatives is a lack of expertise in these types of financial products. Giambona et al.'s (2018) survey results show that NPOs report the lowest percentage of usage of derivatives (43%) versus a 78% use reported by publicly traded firms.

Similarities and Differences between Both Types of Literature

Figure 5 summarizes the clusters in both the nonacademic and academic literature. This figure reflects the representativeness of each topic addressing risk in NPOs. This identification of the main research topics in both types of literature serves as a starting point for a discussion of future priorities in research regarding improvements in strategic risk management.

[Insert Figure 5 here]

Academic-Practitioner Perspectives: Complementary Dichotomy Contributing to Progress

The existing knowledge is still limited regarding risk management's potential role in the nonprofit sector. Furthermore, a significant proportion of the literature is currently selected by for-profit publishers focused on insurance broker relationships. The review's results thus indicate that insurance companies' interests control publications given that a clear trend exists in the nonacademic literature toward addressing NPO risks from an insurance perspective. Experts frequently urge these organizations to procure insurance to cover potential risks (e.g., Crystal & Company's publications).

The academic literature suggests that NPOs are becoming more aware of the potential harm caused by event risk (e.g., Steen and Smith 2007; West and Sargeant 2004), and researchers are developing frameworks to support NPOs' risk management (e.g., Luo and Hu 2015; Sharp and Brock 2012). However, the surveys conducted show that NPOs do not have formal risk management policies or procedures in place (Domanski 2016). Although these organizations reported engaging in some form of risk management, the literature shows that NPOs have failed to devote the necessary time, attention, and resources to hedging their risks adequately (Benson, Twigg, and Myers 2001; Domanski 2016; Steen and Smith 2007).

Locating the necessary experienced risk managers is a major challenge faced by NPOs. Evidence has been found that these professionals' number is considerably lower than that of finance directors, directors of volunteers, or administrators (Herman 2002). Therefore, training staff and board members in risk management is essential to NPOs' success, and, according to Groble and Brudney (2016), nonprofit education institutes should take responsibility for these courses.

The present review's findings thus reveal that the professional and academic communities are at present advocating divergent but complementary strategies for dealing with risk in NPOs through transferring or covering risks. While the nonacademic community has struggled to design insurance strategies to transfer the risks inherent to NPOs' activities, academics are focused on developing preventive strategies to manage these risks. While practitioners already play an important role in furthering management practices, nonacademic publications need to support the nonprofit sector further by urging NPOs to invest in measures developed to manage any risks detected in activities for which insurance is currently unavailable. Insurance companies, in turn, should encourage publications addressing this issue as these companies benefit from NPOs' risk management. Furthermore, preventive measures could make these organizations more insurable and extend insurance activities' size and scope.

Trade-Off between Deductive Theory Testing and Inductive Theory Building

The debate in the literature on risk tools and policies developed for the nonprofit sector is a positive sign for knowledge development. Academic articles in this field, however, have been largely conceptual, advancing new models, perspectives, and frameworks rather than testing existing theories (e.g., Luo and Hu 2015; Sharp and Brock 2012; Sugaretty 2012). Particular case studies have been used to support the theories built, and academics have selected different levels of analysis (i.e., projects, organizations, or sectors) and studied diverse sources of risks (e.g., Benjamin 2008; Vick, Birke, and Mckenzie 2002). Nonetheless, these risks have not yet been systematically analyzed, which has prevented researchers from conducting the in-depth discussion required to ground the theoretical perspectives advocated in practice.

The decision to study specific cases can be explained by how academics are given limited access to data on NPOs' risk practices since risk reports contain sensitive information that raise legal and confidentiality issues and that NPOs do not want to make public. The only contributions on this topic are Domanski's (2016) academic article and governmental offices' nonacademic articles. Given the current risk alerts mentioned by publications, NPO boards can no longer ignore potential risks, and these organizations need to cooperate more fully with academics by giving them access to risk data.

This cooperation would allow the theory-building process to be supported with empirical evidence. If this relationship is a success, it will lead to further research on NPO risk management that gathers empirically robust supporting evidence. Nonetheless, exploratory research should not be disregarded. Both quantitative and qualitative research needs to be conducted on NPOs to obtain empirical confirmation of the findings previously described and to confirm the suitability of government and international agencies' policies.

In terms of methodology and protocol analyses, the literature review revealed that longitudinal studies are being neglected and multiple data sources have not been considered a research option. However, a deeper understanding of risks' dynamic nature implies long-term analysis (Arshad, Bakar, and Othman 2016), and stakeholders' interests and NPOs' environments can vary. To be representative, research results need to include different realities from the perspectives of varied actors (Arshad, Bakar, and Othman 2016; Benjamin 2008; Domanski 2016; Gibb and McNulty 2014).

CONCLUSION

The present study critically evaluated the state and direction of nonacademic and academic publications on risk in NPOs, providing a comprehensive map of the existing knowledge about risk in the nonprofit sector. The findings thus make a significant contribution to the literature on risk theory and this sector's strategic management.

The literature review conducted identified three main topics in publications addressing NPOs' risk: risk identification, risk management processes, and risk mitigation strategies. The nonacademic literature has tended to focus on the role insurance can play in risk management.

In contrast, the academic literature has focused on showing how insurance can help NPOs transfer risk to third parties when these organizations have similar structures and activities as for-profit companies and how financial instruments can assist NPOs in hedging financial risks.

Authors have emphasized training courses, financial management proficiency, and professionalization as further helping NPOs to understand risks and engage in risk management strategies. In addition, experts have promoted preventive strategies for dealing with risks, as activities that contribute to making NPOs more insurable and to extending insurance activities' size and scope. Qualified staff also ensure that NPOs can respond to turbulent environments in which greater demand for services is frequently paired with fewer resources.

NPOs are described as especially subject to risk. NPO boards need to be aware of this vulnerability so that the predictive power of risk management, including a better understanding of consequences' magnitude and the likelihood of risks materializing, can allow NPOs to take informed risks as needed. Academics have found that applying risk management in the nonprofit sector not only makes NPOs more effective but also improves their service quality and outcomes. Despite the growing number of publications on NPOs' risks, few articles have been published in academic peer-reviewed journals, which means that the findings reported may not have been adequately or empirically tested.

Finally, the present results facilitate the identification of gaps in the literature, especially those limiting the development of NPOs' risk management. First, whereas academics' contributions have supported the management of known hazards in the for-profit sector since the end of the twentieth century, the literature on strategic management still reveals no fully accepted or developed set of findings on risk events in NPO projects. Filling this gap would be the first, most essential step toward compiling knowledge about risk in the nonprofit sector, whether grounded in strategic management, social change theory, accountability and transparency, or stakeholder and other organizational theories, among other options.

Second, the knowledge produced so far has not yet satisfied NPOs' current specific needs regarding management tools. NPOs build multiple alliances with funders and beneficiaries to fulfill these organizations' mission and pursue the public good, but these partnerships need to be examined as they involve a range of specific challenges and uncertainties. This line of research could shed light on a new spectrum of specific risks in the nonprofit sector for which strategic approaches need to be conceptualized, designed, and empirically tested.

Last, the nonprofit sector is a research topic that could benefit from interdisciplinary collaborations. The academic articles analyzed for the present study reveal that risk analysis can influence NPOs' practices. For instance, these organizations' effectiveness and accountability need to reflect the knowledge available in the risk management field. Although multidimensional approaches to this topic have already been proposed by academics, research still needs to be conducted in order to enhance NPO risk management's effectiveness. Contributions addressing this gap could shed more light on the potential role of risk management in NPOs' evaluation processes.

Although the current study's methodology was designed to ensure the entire literature on NPO risks was reviewed, some publications may have been omitted because they were either not in English or not covered by the search engine used (i.e., b-on Online Knowledge Library). Nonetheless, the publications analyzed reveal clear trends in the topics attracting the most interest in the literature, so most likely no important topic was omitted from the cluster map generated.

In addition, the findings are relevant to both the academic and professional communities, organizing the existing knowledge into three pillars—each addressing important concepts and benefits—and identifying important challenges for both scholars and practitioners. By addressing the key challenges in risk management, this study succeeded in systematically analyzing the internal and external factors affecting NPOs' risk management strategies. The review's results also serve to refocus the relevant discussions on how the financial and nonfinancial resources available are essential to success and how they must be managed so that they contribute to achieving NPOs' mission.

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APPENDIX 1: **Search Query**

(risk) AND ("nongovernmental org" OR "ngo*" OR "charities" OR "nonprofit*" OR "*non-profit*" OR "npo*" OR "foundations" OR "civic org*" OR "social org*" OR "religious congregation*" OR "faith based org*" OR "volunteer promotion org*" OR "advocacy org*" OR "labor union*" OR "cooperatives" OR "mutuals" OR "*religious org**" OR "social enterprise*" OR "voluntary sector" OR "independent sector" OR "third sector" OR "civil society sector" OR "tax-exempt sector" OR "not-for-profit" OR "philanthropic sector" OR "social sector" OR "voluntary org*" OR "public interest group*" OR "public benefit entit*" OR "donee org*" OR "membership org*" OR "professional org*" OR "social org*" OR "civic org*" OR "social economy")*

FIGURES

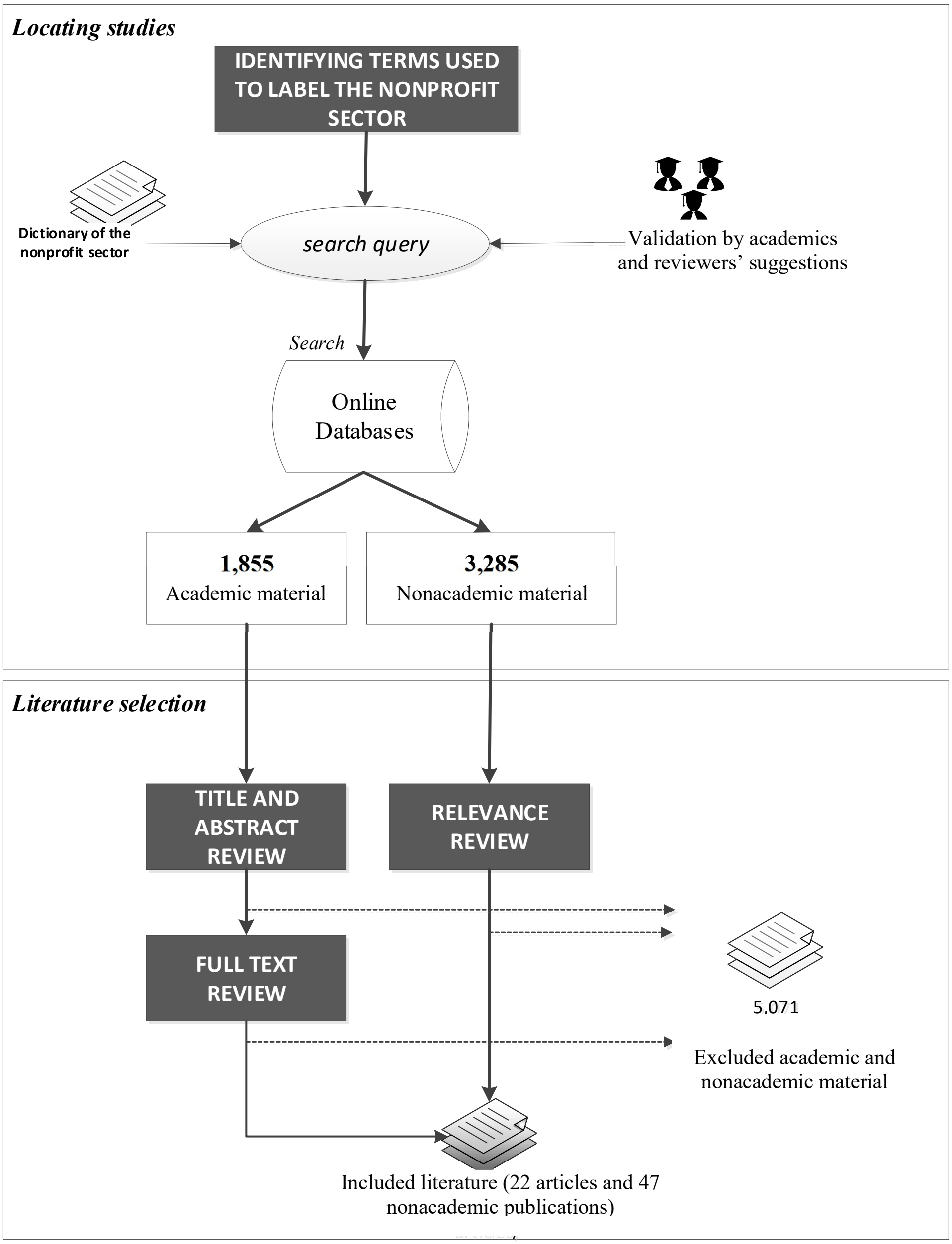
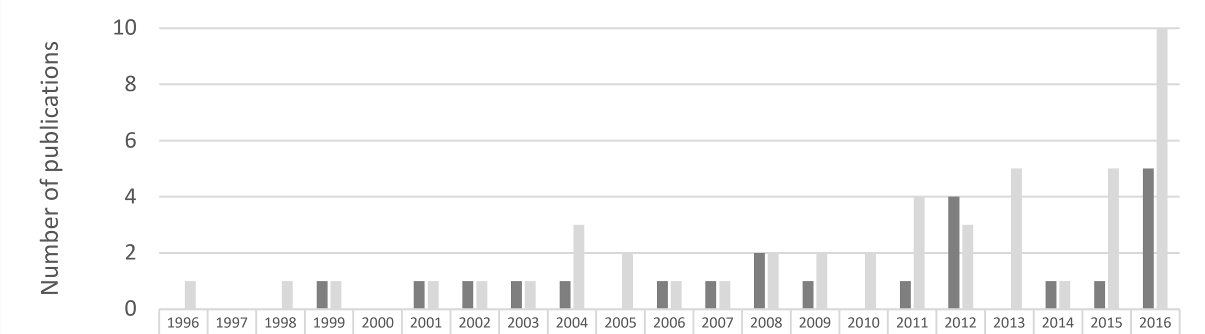


Figure 1. Literature selection procedures



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Academic	0	0	0	1	0	1	1	1	1	0	1	1	2	1	0	1	4	0	1	1	5
Nonacademic	1	0	1	1	0	1	1	1	3	2	1	1	2	2	2	4	3	5	1	5	10

Figure 2. Evolution of publications on risk in nonprofit sector by type of literature (1996 to 2016)

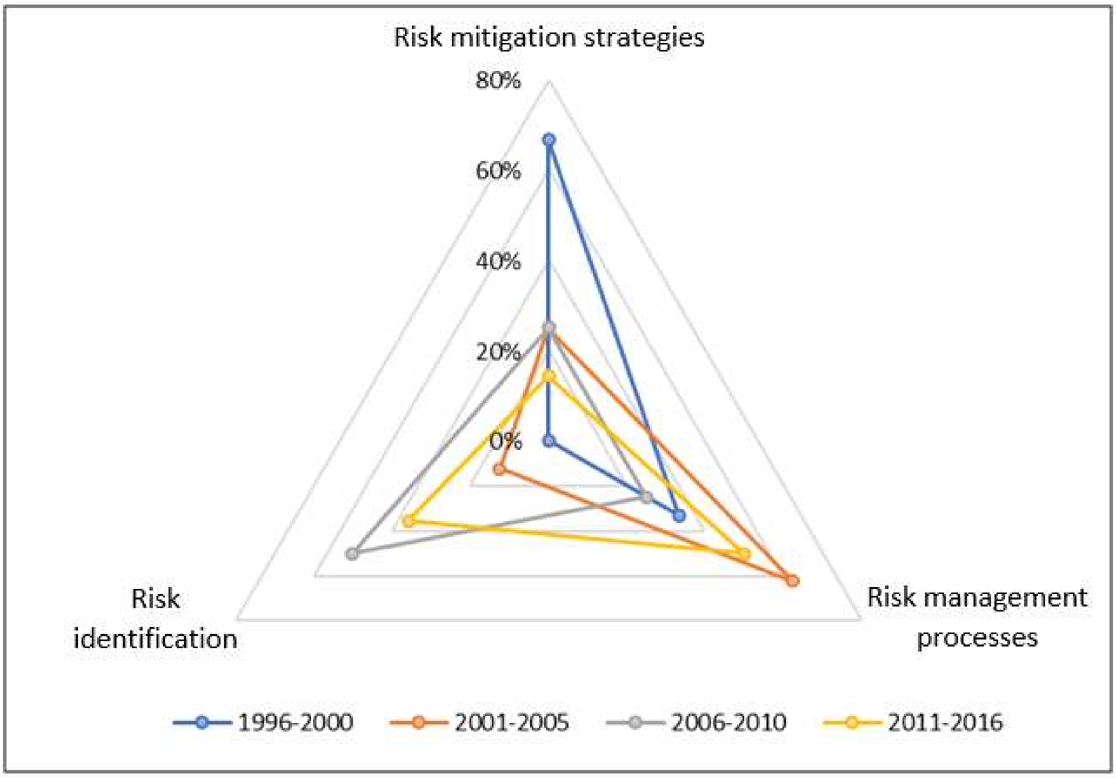


Figure 3. Nonacademic literature published by topic in each period (relative frequency)

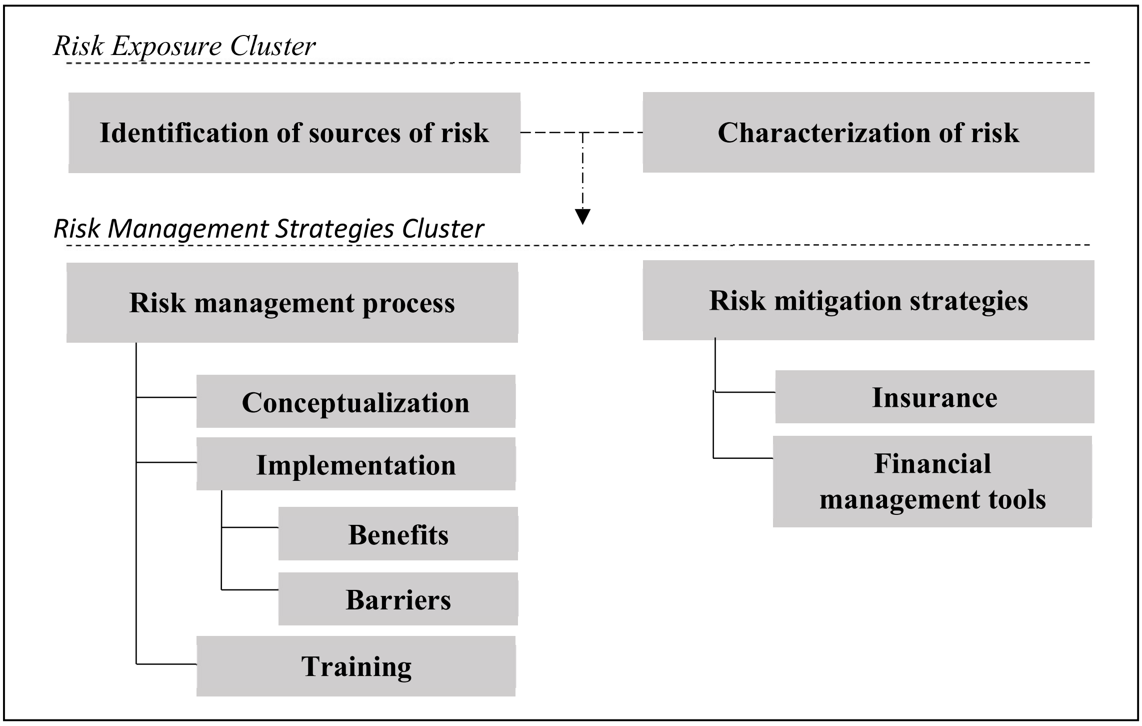


Figure 4. Cluster map of knowledge in academic peer-reviewed articles in risk in NPO

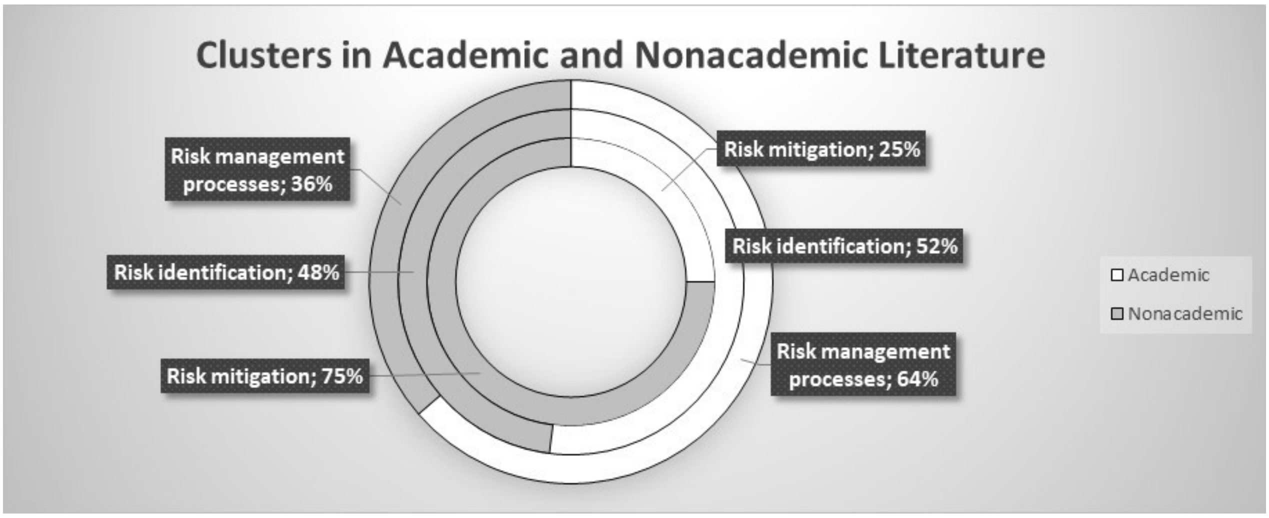


Figure 5. Weight of academic and nonacademic literature by topic of interest