



Types of Impact Risk and Mitigation Options



There are many types of impact risk, each representing a kind of exposure that can lead to your target impact not occurring as expected. Use this list to identify the risks to impact your enterprise may encounter, then assess the risk level for each by considering the likelihood of the risk occurring and the severity of the consequences for stakeholders if it does. This chart also contains some example mitigation strategies.

TYPES OF IMPACT RISK	DEFINITION	SAMPLE MITIGATION OPTIONS
EVIDENCE	Impact is unknown due to lack of data	Collect more or better impact evidence using 5 dimensions
MATERIALITY	Wrong impact priorities	Change priorities
STAKEHOLDER ENGAGEMENT	Intended impacts do not align with priorities of affected stakeholders	Engaging affected stakeholders or those who know them well to understand what drives value
IMPACT THESIS	Assumptions between “If...then” theory don’t hold	Test assumptions, revise theory
EXECUTION	Actions don’t occur	Make them happen or decide on different actions
ALIGNMENT	Actions inconsistent with business model	Change actions or business model to be more compatible
EFFICIENCY	Actions are too costly to implement	Find cheaper actions, allocate more funds, or stop activity
ENDURANCE	Actions don’t last long enough to know if impact occurred	Make actions last longer
DROP-OFF	Actions led to impact, but it didn’t last long enough	Go back and consider what actions could help impact last
EXTERNAL	Other factors impede impact	Consider how to make actions more significant
UNEXPECTED	Unforeseen factors impede impact	Address unexpected factors

The risks in the *top bracket* relate to verifying the assumptions in your model. These risks can be improved by figuring out how to better verify the assumptions in your model, either through

gathering additional data or better engaging stakeholders in the value chain. Relatively speaking, enterprises have quite a bit of control in mitigating these risks.

- **Evidence Risk:** By not collecting important data, you can't tell if your impact is happening. Missing important data within one of the 5 dimensions could cause evidence risk. This is the most common risk.
- **Materiality Risk:** Failing to prioritize the most material impacts to your stakeholders
- **Stakeholder Risk:** Mischaracterizing the value or impact of certain activities on stakeholders' well-being.
- **Theory of Change:** Assumptions between your IF and THEN statements are invalid and therefore your actions don't lead to the planned impact.

The risks in the *middle bracket* are related to implementation and execution. They are also relatively within the control of the enterprise and are addressed through strong strategic and operations management to pinpoint the actions that truly drive impact in ways that are aligned, cost-effective, and lead to the impact outcomes you seek. These are the types of risks that enterprises tend to spend the most time actively managing.

- **Execution Risk:** The actions you intend to deliver do not happen, or don't happen in a way that leads to impact.
- **Alignment Risk:** Actions are misaligned with your business model and therefore hard to operationalize.
- **Efficiency Risk:** Actions that drive impact are too costly to sustain.
- **Endurance Risk:** Actions required for impact don't last long enough to know if impact occurred.
- **Drop-off Risk:** Impact occurred but didn't last long enough.

The risks in the *bottom bracket* relate to the relevance of your actions compared to other factors. These risks involve disruptive factors that are commonly outside the control of the enterprise. An enterprise generally needs to explore them and react to them once they are identified.

- **External Risk:** External factors impede impact. Maybe they were more significant in scale and reach than your actions. Maybe there is a policy system of incentives that is unchanged by your actions, that is keeping outcomes the way they are. There are many potential external risks.
- **Unexpected Risk:** Something else that you didn't expect significantly disrupted results, such as a pandemic.

Credit: Types of Impact Risk and definitions are adapted from the Impact Management Project
<https://impactmanagementproject.com/impact-management/impact-management-norms/risk/>

BROUGHT TO YOU BY:



WRITTEN & PRODUCED BY:



CASE
CENTER FOR THE ADVANCEMENT
OF SOCIAL ENTREPRENEURSHIP