Is Your Board an Asset, or a Liability?

By Melanie Lockwood Herman

Executive Director

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This week I've been reflecting on the role of a nonprofit board in risk management. A nonprofit board is:

- *A line of defense*, a powerful radar system that can help detect incoming opportunities as well as threats
- *A vision magnifier*, a diverse board helps the management team see far beyond the limits of their imaginations, and
- *An expertise treasure trove*, the best boards are teams of subject matter experts available to provide wisdom and insights when and as needed

These board roles suggest that a board is a rich asset. But is that always the case? Or is it possible for a board to be an asset as well as a liability? These questions came to mind as I was presenting a workshop last week titled *Boards on Board: Managing Governance Risks*, at the annual convention of the Community Action Partnership. During my session participants eagerly shared ideas and insights from their experiences as board leaders. These lessons included powerful leadership tips as well as cautionary tales of boards overboard.

I've also been rereading a terrific chapter in the book *Rethinking Reputation Risk*, by Anthony Fitzsimmons and Derek Atkins, as part of my prep for a workshop I'll be teaching at this year's Risk Summit. The chapter pertaining to the board's role is titled, "The special role—and risks—of leaders." The authors share a handful of powerful lessons about the role and risks of boards. These lessons include:

- *Boards are usually—more or less—cohesive groups of people.* The trouble with truly cohesive teams is the risk of mental maps. Mental maps potentially lead to "social silences"—the tendency to ignore certain subjects the group perceives to be obvious or impolite.
- *Boards of failed organizations leave fundamental assumptions and attitudes unquestioned*. Unquestioned fundamentals include management strategies to achieve the results the sought and embraced by the board.
- *Boards routinely ignore the role of luck in success*. Why knock good luck? The authors explain that "good luck keeps latent, incubating risks hidden from the incurious."

A close-up look at some of the biggest risk worries facing complex organizations invariably leads to a host of contributing concerns, including issues such as culture, incentives, communications, strategy, systems, recruitment, and character. These factors cannot be described or solved with cryptic entries on a risk register spreadsheet.

The above factors and influences in the risk landscape are the dramatic leads in your risk story. Fitzsimmons

and Atkins suggest a simple equation to sum up “the role of people in reputational disasters”: disaster potential = [error or omission] X [influence or power].

Referring to influence and power, the authors remind us, “Boards and executive teams have—or should have—more of both than anyone else within an organization.” As a result, “They have the ability to cause more good or ill to the organization and its reputation than anyone else.” Lots to think about!

My “ah-ha” takeaway from this chapter is that viewing the board narrowly and unquestionably—as an invaluable asset—is naïve. Humble board leaders should recognize that they are part of the diverse risk landscape as well as part of the risk oversight capabilities of the organization.

Board Risk Self-Check

Consider these questions to come to terms with the real risks posed—and risk roles—of the board you sit on or the board you serve:

- What subjects, topics, taboos, or risk concerns go unmentioned by the board? Why aren’t these topics discussed? What can we do to bring these difficult issues to the surface so they can be discussed and possibly acted upon?
- Does our board as a whole welcome criticism?
- Does every member of the board welcome criticism and contrary points of views?
- Does our board as a whole appreciate unwelcome news and views?
- Does our board promptly take action when the actions of a board member (or members) undermine the cohesiveness of the governing process or team?
- Are risks related to governance included in our risk reports?
- Does our board accept responsibility and accountability for risks that arise from governance?
- Does our annual board self-assessment process surface opportunities for improvement (as well as strengths)?
- Do the actions of the board ever conflict with its oversight role? For example, a board of directors that tries to manage day-to-day operations has a conflict of interest with respect to its oversight responsibility; a board can’t manage operations and oversee the management of those operations!

Board service is a fundamental pillar in every nonprofit organization. Under the best circumstances, the board contributes wisdom and perspective and humbly acknowledges how its work sometimes poses risk to the organization. But sometimes, board members are naïve about risk and choose to focus solely on risks related to operations or the activities of the staff team. An enlightened board vows to understand and appreciate the complex risk landscape in which the organization operates. Once “on board” with the idea that their work poses risk as well, the board is in a strong position to provide the thoughtful risk oversight that every nonprofit mission deserves.

Resources on Governance Risk and Risk Oversight from NRMC

“Not So Great Governance? Resolve to Reinvent the Board” RISK eNews – https://nonprofitrisk.org//resources/e-news/not-great-governance-resolve-reinvent-board/

“The Garden of Risk Oversight” from *Risk Management Essentials* – https://nonprofitrisk.org//resources/articles/garden-risk-oversight-positioning-board-cultivate-strategic-risk-taking/

“Risk Oversight: Who Dunnit,” RISK eNews – https://nonprofitrisk.org//wp-admin/post.php?post=12836&action=edit

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your questions about reputation risk, governance risk, and the risk oversight role of the board at 703.777.3504 or Melanie@nonprofitrisk.org.