

Truth Be Told



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Truthfulness is an important value in the nonprofit sector. We see ourselves as people with integrity and we encourage and expect that our staff, volunteers, clients and other stakeholders will be truth-tellers. We recognize the critical need for truthfulness when issuing financial statements, reporting on the use of grant funds, filing the IRS Form 990, and providing information about a former employee to a prospective employer.

Yet on occasion, the truth makes us uncomfortable. We are likely to be uneasy upon learning that our Board is not operating in compliance with the Bylaws of the organization. We are uncomfortable hearing that our failure to apply the Golden Rule in our employment practices puts our assets (including our mission) at undue risk. And we may even be a bit queasy when it's time to tell our Finance Committee and Board that we have fallen woefully shy of the revenue projections contained in last year's approved budget.

When we skirt, mask or delay acknowledging the truth we impair our ability to fully understand our risks and we handicap our ability to effectively manage known and emerging risks. Last week I had the opportunity to share a podium with my colleague Mark Chopko, who told our audience that the discipline of risk management is grounded in "getting at the truth." I agree with Mark's wise observation as well as the wisdom of entertainer Pearl Bailey, who once said, "You never find yourself until you face the truth." Exploring the topic of risk in your nonprofit can be an important step in facing the truth and enabling a more laser-like focus on mission fulfillment.

What areas are we most prone to avoiding the truth? Four topics come to mind: (1) board performance, (2) staff accountability, (3) budgeting, and (4) partnerships. The statements and questions below are offered to help stimulate your thinking about the "truth" in your nonprofit.

- An effective nonprofit board supports the mission of the organization and works collaboratively on mission fulfillment. **ASK:** *Does every member of our board understand and consistently support the mission of the organization and one another?* Do we ignore instances of board misconduct, poor performance and violations of our operating protocols (including communications and reporting rules) or address them without delay? Do we permit or prohibit actions of board members that undermine other board members or staff?
- A healthy nonprofit recruits, nurtures and supports high-performing personnel who oversee and manage the day to day activities of the organization. **ASK:** *Do we hold paid and volunteer staff accountable?* Do we act without delay to counsel or remove staff who are unable (or who refuse) to meet expectations or follow key policies? Do we provide constructive feedback to staff with the goal of helping them succeed

on the job?

- In risk-aware nonprofit organizations managing risk is a shared responsibility. Personnel from the board room to the break room should embrace their roles in spotting and addressing risks. **ASK:** *Do we empower staff to look for and address risks that may impair or interrupt our mission, or do we hope that someone else is taking care of our exposures and that our insurance program will cover our losses? Do we encourage staff to acknowledge when “mistakes were made, possibly by me” so that errors can be remedied before they mushroom into irreparable harm?*
- Partnerships enable nonprofit organizations to reach beyond their structural limitations, resource constraints and sometimes limited reach. Yet poorly planned and haphazardly managed partnerships may result in a net loss to a nonprofit. **ASK:** *Do we view partnership opportunities through a lens of realism or the rose-colored glass of unrealistic optimism? Do we plan for success as well as the possibility of trouble? Do we evaluate the success of our partnerships and take prompt action to repair or dissolve partnerships when they are ineffective?*

“The truth is rarely pure and never simple.” — Oscar Wilde

Uncovering the truth in your nonprofit organization may at times be a painful undertaking. The discipline of risk management should help you look for truth in the context of mission fulfillment—by focusing on your risks you can discover and dismantle the barriers to achieving the mission that brought you here. The process may not be simple, but it is an essential part of working each and every day to build a healthier, more sustainable organization for the years to come.

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