

Is Your Board Ready for a Crisis?



By Melanie Lockwood Herman

Executive Director

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Last week I had an opportunity to speak about “Leading During Times of Crisis” at an event sponsored by Independent Sector, Georgetown Law and the Internal Revenue Service. As I prepared my remarks I reflected on the countless calls I have received over the years from board leaders seeking advice about how to “fix” a crisis facing their organizations. During my remarks I outlined three essential precursors to effective board leadership during a crisis: (1) a partnership mindset; (2) evolving board risk awareness; and (3) a strategic focus.

Partnership Mindset – The executive ranks of nonprofit service attract dynamic, charismatic and capable leaders. These leaders effectively handle the day to day challenges and obstacles that arise in advancing a nonprofit mission. Although many nonprofit CEOs bring equal doses of ego and confidence to their roles, our sector’s most astute leaders understand the importance of the CEO-Board relationship and view that relationship as an essential partnership.

Association consultant Jeff DeCagna uses the term “constructive partnership” to describe a “mindset of interdependence...culture of shared responsibility.” This point of view—that each needs the other to both advance the nonprofit’s mission and protect it from attack—is essential to the effective handling of a mission-threatening crisis. And when a crisis unfolds, a partnership mindset will help the CEO-Board team avoid an unproductive blame-game and second-guessing each other’s motives. More importantly, when a partnership mindset is ingrained the CEO-Board team will be in the best possible position to:

- Explore a wide range of options for handling the crisis in an environment of mutual respect;
- Encourage individual members of the team to speak openly about the mistakes or missteps the organization has made without feeling compelled to assign blame; and
- Trust one another to live up to commitments made in the past as well as those made during the time warp of a crisis.

Risk Aware Board – A second important predictor of strength during a crisis is the degree to which the Board is “risk aware.” The Nonprofit Risk Management Center began using the term “risk aware” when we observed many nonprofit leaders struggling to “identify all of our risks.” We believe that the goal of perfect risk identification is misplaced—events that impact the ability to advance a nonprofit mission are changing and morphing as the risk identification exercise takes place. It is therefore impossible in our view to ever identify all of a nonprofit’s risks. A better approach is to cultivate a sense of possibility—both at the staff and board levels. A prepared and effective board has an ever increasing sense of “what could” happen—what might occur to

either disrupt or propel a nonprofit's core mission and purpose.

But inspiring awareness of risk at the board level doesn't happen in a day. It occurs over time as the CEO invites the board to help the organization's staff leaders gain the widest and clearest possible perspective on the risks it faces. Crisis events rarely unfold in the manner scripted in a planning exercise. From the population impacted to the reaction of stakeholders, it is arguably impossible to predict with precision the elements or timeline of a crisis.

To help the Board cultivate its awareness of risk, a nonprofit CEO should:

- Invite the board to discuss and consider a wide range of threats—as well as opportunities—facing the organization;
- Engage the talents and commitment of the board in handling a crisis, while resisting the urge to be the nonprofit's hero who single-handedly saves the day; and
- Probe the diverse perspectives around the board table to gain a clearer view of risk, while resisting the desire to be the “expert” in the room.

Strategic Focus – Much has been written about the importance of a strategic focus at the board table. A common lament among nonprofit CEOs is the tendency of boards to become distracted by operational, and sometimes trivial, concerns. Yet many nonprofit executives will acknowledge that they bear much of the blame when the board turns its attention to operational matters. Boards tend to answer the questions they are asked, and many CEOs struggle with identifying and placing *truly strategic issues* before the board. For some leaders it may simply feel less risky to offer up operational matters with the naïve hope that the board will simply endorse the executive's plans, rather than bring weightier strategic decisions to the board table.

Yet the essence of the board's role is to *determine the direction the nonprofit will take*—where it is headed. This responsibility is either explicitly contained in or implicit in every nonprofit board position description. A board that has embraced this responsibility and brings experience focusing on strategic matters will be an undeniable asset during a crisis. In the midst of a crisis the strategic board will:

- Consider the long-term, mission-impacting consequences of decisions made in the middle of a storm;
- Recognize the importance of sustaining the support of the nonprofit's varied stakeholder groups and resist the urge to pacify a single, vocal constituency at the expense of others; and
- Understand that significant changes may be required to sustain the nonprofit's mission in the long-term, and resist the instinct to validate or bury past decisions, deify the nonprofit's fallible leaders, or exempt favorite programs from change.

There are various practical ways to help a board shift its focus to strategic issues. The first step is eliminating the distracting burden of operational matters better handled by professional staff. Also, when detailed informational reports have been provided in advance of a board meeting those reports should be acknowledged, but not repeated at the board meeting. Helping the board become more strategic begins with eliminating the precious agenda slots too often devoted to operational matters better handled by staff and informational matters for which no decisions are required. Once the board adopts the practice of simply acknowledging, but not reviewing in detail, operational and committee reports that require no action, members will be incented to read these reports in advance of the meeting.

Boards that have a strategic focus begin their meetings with the most critical, strategy-related issues that require the board's input and wisdom. When board agendas are crowded with informational reports and operational matters, scant time remains for deliberation about the direction in which the nonprofit is headed and the viability of the strategies chosen to reach the intended destination.

A truly effective and engaged board will help a nonprofit avoid some crisis events and survive others with mission intact. But a board that is unprepared to “lead” in times of crisis runs the risk of consuming far more resources than it is able to save.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your ideas about any risk management topic, feedback on this article and questions about the Center's resources at Melanie@nonprofitrisk.org or 703.777.3504. The Center provides risk management tools and resources at www.nonprofitrisk.org/ and offers consulting assistance to organizations unwilling to leave their

missions to chance.