Nonprofit Risk Management Center

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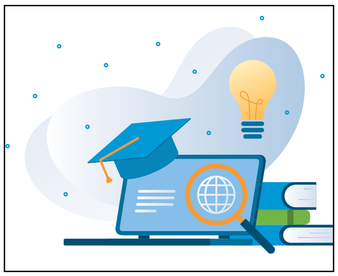
Risk Management ESSENTIALS

Tips, Knowledge and Tools for Nonprofit Organizations



A New Resource Simplifies Risk Management

NRMC Executive Director Melanie Herman has written *Possibilities: A Risk Management Guide for Nonprofit Teams.*

Herman, NRMC's longtime leader and the author of two dozen books and resource guides on risk topics, covers everything from risk management fundamentals to how to evaluate your environment for risk.

The book is available to order on NRMC's website. The cost is $40 for the public and $36 for NRMC members.

For bulk orders of 10 copies or more, the price is $32 each.

Visit nonprofitrisk.org/products/ to order today.

Call 703.777.3504 or email info@nonprofitrisk.org for more information.

How to Forge a Great Risk Management Partnership with Your Board

By Rachel Sams

"The board is getting involved in decisions our staff should make...again." "Board members worry about the strangest things! We're working to keep the lights on and they're asking questions about risks that seem so unlikely."

Do these statements sound familiar? The NRMC team often hears comments like these from nonprofit leaders we work with. Sometimes, frustration between nonprofit executives and their boards stems from differing ideas, perspectives and priorities in the risk realm.

Healthy dialogue about the top risks among boards and staff can strengthen both halves of the equation and fortify trust and respect. Differences of opinion on risk tolerance should be expected and can help nonprofit teams use a risk lens when considering new opportunities and developments in dynamic and stressful environments. But if they aren't addressed

CONTINUED ON PAGE 2

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How to Forge a Great Risk Management Partnership with Your Board
CONTINUED FROM PAGE 1

with care and skill, those disagreements or disconnects can snowball. In this article, we'll share strategies for how to distribute risk responsibilities among staff and the board and foster discussion that brings you into closer alignment, not further apart.

Understanding a Board's Risk Role

To craft a vision for a shared understanding of risk, it helps to revisit board roles and responsibilities and understand how they differ from those of staff.

Nonprofit staff teams have primary responsibility for risk identification, action planning, and keeping the board apprised of the team's approach and progress addressing top risks.

The board's ideal role in risk management is to ensure the organization has enough resources to manage risk well; consider whether the organization is taking enough risk to achieve its mission; and bring board members' diverse perspectives to the discussion about concerning developments and risks (possibilities) on the horizon.

Defining Roles and Responsibilities

So how do you ensure both staff and the board know their lane and stay in it?

Board and committee charters can be very helpful in spelling out the responsibilities of those groups. Many boards vest risk management responsibility in a board audit committee. The audit committee is sometimes seen as ideal for risk governance because it often has a lighter work load than other board committees. In our experience audit committee members are often grateful when their role is expanded to include risk governance (oversight), giving them a window into issues beyond financial health and fiscal policy. NRMC recommends keeping audit committees separate from finance committees when possible. A finance committee works closely with the nonprofit's CFO or Director of Finance, reviews periodic financial statements, and reviews the draft budget before it is presented to and approved by the full board, while an audit committee leads the process to select an independent audit firm and reviews audit reports before they are shared with the full board.

Some larger nonprofits form a risk committee separate from a finance or audit committee to focus solely on risk management issues. Whether this is a fit for your organization depends on your board composition and risk profile. If your board has several members with risk management interest and relevant expertise, or risk, compliance and ethics issues are especially complex in your nonprofit, a board risk committee could be a wise move.

It can also be helpful to spell out the risk responsibilities of staff. We have seen dozens of staff risk management configurations, many of which might work for your nonprofit. All staff do some level of risk management every day, and we encourage you to recognize that. Often, a point person (who may or may not have a designated risk title) will handle risk questions that arise—such as, "Would one of the policies in our current portfolio of insurance coverages potentially respond to claims arising from this new program?" And a leadership team might quarterly determine a handful of priority risks to focus on and guide the formation of action plans, in partnership with the risk point person.

A staff risk committee can also help ensure an organization's risk management work includes perspectives from all levels and departments. You can reach out to people across your organization you think would be a great fit, but in our experience, asking for volunteers to round out the committee is a good practice. We recommend a staff risk committee include at least one member of leadership, so

CONTINUED ON NEXT PAGE

How to Forge a Great Risk Management Partnership with Your Board
CONTINUED FROM PAGE 2

"If your board hasn't already discussed risk appetite, doing so will help board members build their risk muscles and practice staying in their lane."

the people identifying the risks have a connection to the decision-makers who can approve needed expenditures and actions.

But what do you do when those responsibilities get confused or a board member strays into the management domain?

At NRMC, we believe one of the best ways to keep boards focused on the areas where they can add the most value—and out of day-to-day operations—is to provide strategic issues for the board to ponder and involve them in decisions related to the organization's direction, top priorities, and values.

Help Your Board Stay Involved and On Point

Resolve to provide a clear purpose and focus for your board. Most people long for a job to do and a reason to do it. That includes board members. If their purpose and value isn't clear, some trustees will forage for something to focus on. And because humans are used to managing things, from family schedules to grocery lists, they will likely find an activity that looks and sounds like a management task. NRMC has reviewed board committee charters with excessive detail about how often the committee meets, quorum requirements, membership criteria and other minutiae, and too little information on roles and responsibilities. The lack of a clearly stated purpose increases the risk that the committee will stray outside its lane.

A board's risk responsibilities ideally include considering the nonprofit's risk appetite. Risk appetite describes the amount and type of risk an organization considers appropriate and necessary to deliver its mission and execute its strategic priorities. Defining risk appetite provides helpful guardrails and clarity for key decisions.

If your board hasn't already discussed risk appetite, doing so will help board members build their risk muscles and practice staying in their lane. A risk appetite exercise gives board members the opportunity to focus on high-level strategic issues while giving the staff the guardrails needed to do the day-to-day management where they excel.

To calibrate risk appetite, choose a few hypothetical scenarios (possibilities) that would present a big risk to your nonprofit. Draft several hypothetical courses of action for each scenario. Make sure the possible paths differ from each other and reflect very different levels of risk. Then, hold a board discussion where board members vote on which course of action they would take. How different were the scores from each other? If board members have different risk tolerances, that's great! A variety of perspectives will help ensure your nonprofit considers the nuanced upsides and potential downsides associated with

CONTINUED ON PAGE 4

How to Forge a Great Risk Management Partnership with Your Board
CONTINUED FROM PAGE 3

> "To keep the lines of communication open, we encourage staff to brief the board or board committee that handles risk regularly."

key moves and decisions. But it's important to understand where those differences of opinion exist and how you can learn from varying perspectives to support wise, risk-aware decision making for your nonprofit.

Some of our favorite risk-inspired tasks that keep the board on track include:

- Reflecting on and discussing whether the organization is taking enough risk to advance its mission.
- Contributing unique perspectives and lenses to a discussion of the nonprofit's dynamic risk landscape: what risks does each board member see and experience from their perch in the world?
- Discussing whether staff reports inspire a sense that management has taken a thoughtful, risk-aware approach to building resilience for what's next.

Crafting Great Board Risk Briefings

To keep the lines of communication open, we encourage staff to brief the board or board committee that handles risk regularly. The frequency of briefings is up to you, but we find that two briefings per year can keep risk top of mind without overtaxing the board or staff.

It's natural to be a little nervous when briefing your board or a board committee about risk. But an open dialogue about risk can build trust, shape strategy, and help your nonprofit better deliver its mission. Here are some steps to help you have a great discussion about risk with your board.

Know what they want to know. Before the meeting, ask the board what they most want to learn about your nonprofit's risk management efforts. There might be a lot of variety in the answers! Tailor your presentation to focus on the major areas where the board seeks information.

Keep it high-level. Your presentation should highlight major risks your nonprofit faces with an overview of how you are building resilience. Don't spend valuable presentation time on operational details.

Get to the good stuff first. Slot your risk discussion early in the meeting agenda when brainpower runs highest.

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How to Forge a Great Risk Management Partnership with Your Board
CONTINUED FROM PAGE 4

Don't talk at board members; talk with them. You might want to create a huge slide deck, rush through it in the hopes that your board will say, "Nothing to see here," and move on. But dialogue helps staff and board members better understand the organization's challenges and opportunities. Consider adding questions you want board input on to the agenda.

Help them visualize it. Augment your presentation with graphics that illustrate key metrics. Don't overcrowd your presentation. A visual risk dashboard should contain no more than three key pieces of information, with the most important metric or data displayed in the top left corner. (For inspiration, see our article about risk dashboards in this issue.)

Don't blue-sky it. Of course you want the board to think you have everything under control. But life, and advancing a nonprofit mission, always includes plenty of things you don't control. Be honest about how you've worked to build resilience, what you still don't know, and how you are working to learn more.

Go boldly. Share your perspective on the consequences of risk aversion and invite discussion about how and why your nonprofit should act boldly to make a difference in the lives of peoples and communities you serve.

Consider a deep dive on one risk topic per board meeting. A deep dive serves two purposes. First, it shines a light on the care and attention you are giving to a critical risk without putting too many operational details in front of the board. Second, it builds confidence by satisfying the natural curiosity of the board to understand the "how" behind your approach to managing critical risks.

Identify a point person. Let board members know which staff person or people coordinate risk assessment and risk management at your nonprofit. While nonprofit CEOs have ultimate responsibility for operations, by noting who constitutes the staff risk team, you will reduce the board's worry that the CEO has too much on their plate.

Find out what you don't know. Include time in risk discussions for staff and board members to talk about the emerging risks you have just begun to consider. Ask leaders to share what they are seeing or hearing in their industries on those risk topics.

Identify next steps. Summarize the board's requests for additional data points or angles on risk management at your next briefing. For example: "We heard today that you'd like the risk dashboard to include three risks instead of five, and that you'd like the next deep dive to cover workplace violence prevention."

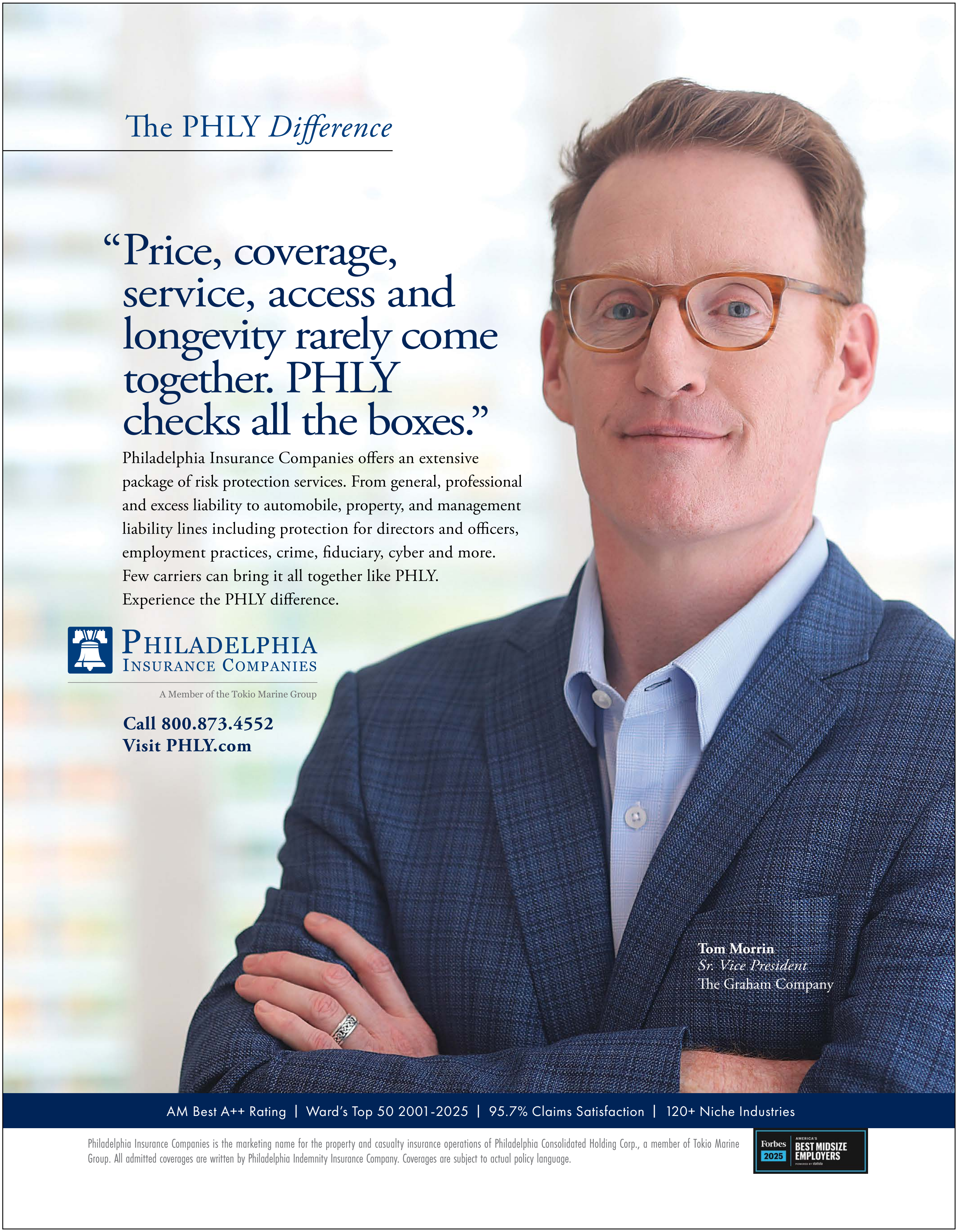
Build a Dynamic Board-Staff Relationship

If everyone involved understands their role and how they can help and support each other, risk discussions between a nonprofit board and the staff can be fruitful, illuminating, and enjoyable. Even in a carefully thought-out partnership, disagreements can arise and things can go sideways—but with thoughtful conversation and a refocus on the roles, you should be able to find equilibrium again.

Your board-staff dynamic may need to evolve as the organization and the environment around you change. That's OK, too. The biggest mistake you can make in board-staff risk dynamics is not talking about them. Once the lines of conversation open, you might be surprised how many avenues to move forward appear.

Rachel Sams is Lead Consultant and Editor at the Nonprofit Risk Management Center. She has served on nonprofit boards and presented to NRMC's board and finds unique perspectives on both sides of the equation. Reach her with thoughts or questions about this article at (505) 456-4045.

"If everyone involved understands their role and how they can help and support each other, risk discussions between a nonprofit board and the staff can be fruitful, illuminating, and enjoyable."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Forbes 2025 AMERICA'S BEST MIDSIZE EMPLOYERS

Recruit, Train, and Equip an Effective Board

By Elyzabeth Joy Holford

At the core of a thriving nonprofit, you will find an effective board of directors. When functioning well, your board can add value, identify long-term opportunities and challenges, and provide deep advisory insights to an organization. Dynamic, engaged, and well-equipped board members can provide strategic leadership, help ensure financial stability, and hold the organization accountable to its mission and constituents. The risk for many nonprofit executives is that busy schedules can keep them from realizing the wealth of opportunities that arise from structuring strong, healthy board relations. Most of the extensive research on nonprofit boards agrees that building an effective board requires a thoughtful and sustained effort encompassing three key pillars: recruiting, training, and equipping. Focus on these pillars to position your board to provide the leadership your mission deserves, including perspective on the strategic risks the organization faces.

Recruiting for a Strategic Board

How you recruit your board members shapes how your board will execute their responsibilities. A reactive approach of filling board seats by looking for volunteers on the basis of their friendship with the executive director or current board members can lead to a disengaged and underprepared board. By contrast, a deliberate, proactive process is much more likely to result in a board composed of passionate, skilled, and knowledgeable people ready to serve as true partners in advancing the mission. Recruitment starts long before you discuss any possible candidates. The following steps can help.

> "How you recruit your board members shapes how your board will execute their responsibilities."

Create a Recruitment Packet

An important piece of board recruitment is having the materials you need at your fingertips. Essential board recruitment materials include:

- Board position description
- Board pledge
- Copies of organizational policies
- Document or matrix identifying skills or perspective gaps in current board composition
- Goals for incoming board leadership

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Recruit, Train, and Equip an Effective Board

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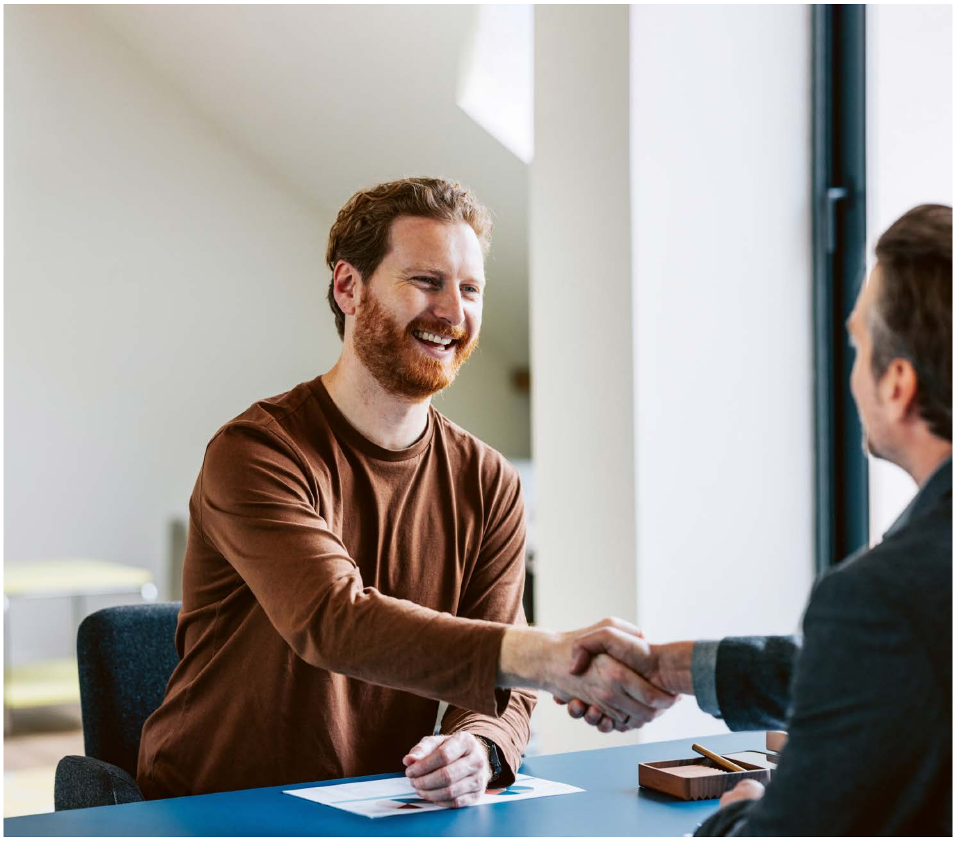

> "Frontload your recruitment process by doing the work to identify the type of members you need to bring onto your board."

Before recruiting anyone, review and revise your board recruitment packet documents. An up-to-date board position description signals prospective board members what their roles and responsibilities will be. A board pledge helps both new and current board members understand important do's and don'ts. If your board requires participation in fundraising, the position description should reference the expected financial give/get requirements. Provide access to board governance policies and procedures, especially your up-to-date bylaws and conflict of interest policy.

Do Your Homework. Frontload your recruitment process by doing the work to identify the type of members you need to bring onto your board. The goal is to curate a board in which your members' individual knowledge base and expertise can complement each other. Use a series of prompts to guide your process, such as:

- Do the skills, experience and backgrounds of the people gathered at your board table make sense within the context of your organization's vision, mission, and goals? What about your business model and strategy?
- Are there gaps in the board's make-up, skills, and backgrounds that would make a real difference to include in your board discussions?

You can create a simple matrix for tracking this, listing any types or number of professional areas of experience that would be useful for your board.

Expand Your Candidate Pipeline. When a board position opens up, it is a common practice to share the opportunity across multiple platforms. But in reality, board recruitment is an evergreen activity. You can be recruiting anytime and all the time. This means you don't need to wait until there is a board opening to think about potential board members. You can expand your pool of potential board members by leveraging existing relationships with current donors, committed volunteers and, sometimes, former staff members. This can provide you with potential board members who are already passionate about your mission. You can also encourage current board members and staff to reach out to people in their professional networks. If you have interested but slightly hesitant potential members, invite them to serve on a committee, attend an event, or observe board meetings. These low-risk activities represent opportunities for mutual evaluation of "fit" with your organization.

Provide a Thoughtful Interview and Selection Process. A transparent and engaging interview process for a nonprofit board is a mutual exchange, giving both the candidate and the organization a chance to determine if their goals and values align. The process should go beyond a single interview; be structured as a discovery

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Recruit, Train, and Equip an Effective Board
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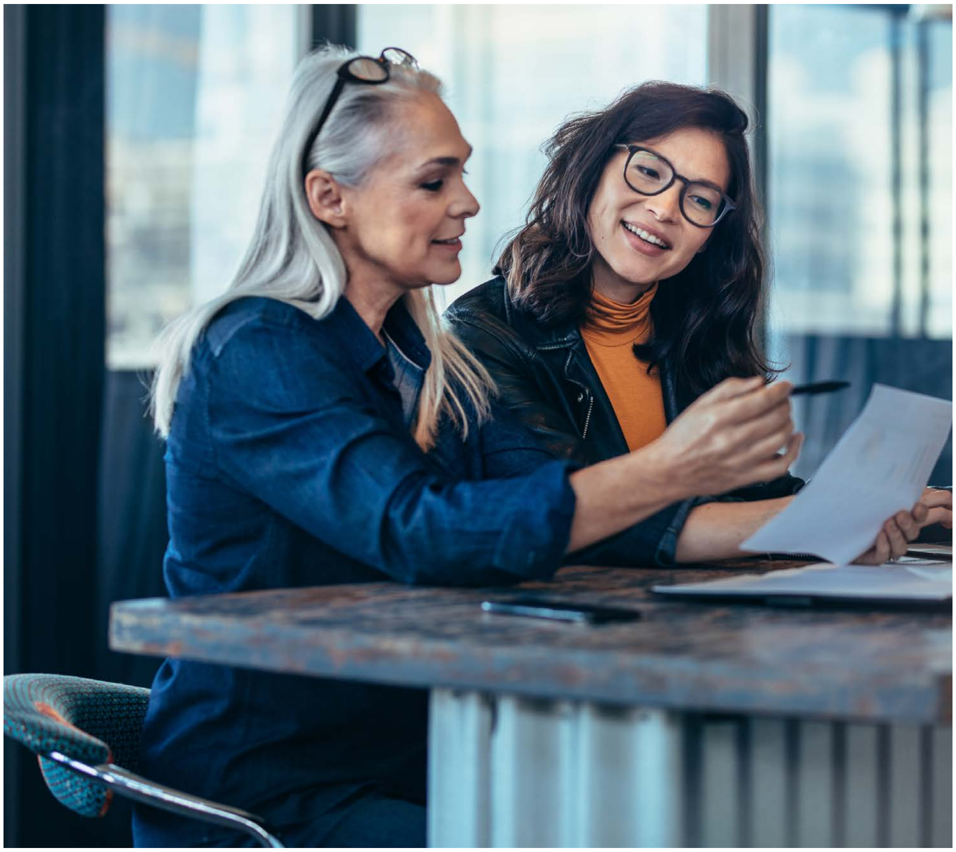


> "Engaging a new board member from their first day of service until they term off requires seamless information flow and support."

conversation; and be informative, respectful, and comprehensive.

The first interview is typically a one-on-one or small group meeting between the candidate and a member of the nominating or governance committee. The goal is to build rapport and gather initial information. Here are some materials to help shape the interviewing process:

- Questions for the candidates:
  - What aspects of our mission are most meaningful to you?
  - Describe a time you served on a board or worked with a nonprofit. What was most challenging and most rewarding?
  - What are your expectations as a new board member?
  - Are you comfortable making a financial contribution that aligns with your circumstances and our give and get policy?
- Information for the organization to share:
  - Details about the organization's history, successes, and current strategic goals.
  - An honest and realistic overview of the board's work, including challenges and time commitment.
  - A discussion of the candidate's own questions and priorities.

If the first interview goes well and both the prospect and interviewer recommend proceeding, a follow-up conversation with the Executive Director (CEO) is an excellent next step.

Training for a Strategic Board

Engaging a new board member from their first day of service until they term off requires seamless information flow and support. That process starts with onboarding and providing the information a board member will need to be an effective leader on your board.

Comprehensive Onboarding. A well-planned orientation is critical for setting new board members up for success. An effective onboarding process should be led by a team that includes the board chair and executive director and should cover:

- **Mission, Vision, and Values:** A deep dive into the organization's purpose, history, programs, and strategic plan to ensure mission alignment.
- **Governance Documents:** A review of bylaws, key policies (e.g., conflict of interest, whistleblower), and board meeting protocols. Aim to provide a well-organized packet of information containing all essential documents.
- **Roles and Responsibilities:** The board position description should set forth duties and responsibilities and expectations. Some nonprofits have a separate document explaining give and

CONTINUED ON PAGE 10

Recruit, Train, and Equip an Effective Board
CONTINUED FROM PAGE 9

get expectations and a board pledge related to expected do's and don'ts.

- **Financial Overview:** An explanation of the organization's finances, including the budget, recent financial statements, and the most recently filed IRS Form 990. The goal is not to turn every board member into an accountant but to ensure everyone has access to materials that help them understand the nonprofit's key sources of revenue, major expense categories, and financial health. Every board member has equal responsibility for financial oversight, so providing a window into a nonprofit's finances is essential to help board members discharge that responsibility. An orientation can be a comfortable, informal opportunity to ask the kinds of financial questions that might seem "in the weeds" at a board meeting.
- **Meet-and-Greets:** Opportunities for new members to meet staff, tour facilities, and engage with program recipients or volunteers to connect with the mission on a human level.
- **Mentorship:** Pairing a new board member with an experienced peer mentor can help them acclimate to the board's culture and provide a trusted resource for questions.

Continuous Education and Development. Board training should not end after orientation. A culture of continuous learning keeps the board engaged, informed, and adaptable to a changing landscape. You can provide:

- **Learning Opportunities:** Incorporate short, educational segments into regular board meetings, inviting guest speakers or assigning relevant articles and books for discussion.
- **Annual Retreats:** Schedule dedicated retreats to focus on long-term strategy, complex issues, and board development.
- **Professional Development:** Encourage and support board members to attend external workshops, conferences, or webinars on topics like governance.
- **Self-Assessment:** Implement a regular (e.g., annual) board self-assessment process to evaluate the board's collective performance and identify areas for improvement.

> "Use the annual board self-assessment not as a punitive exercise but as a tool for continuous improvement."

Equipping a Strategic Board

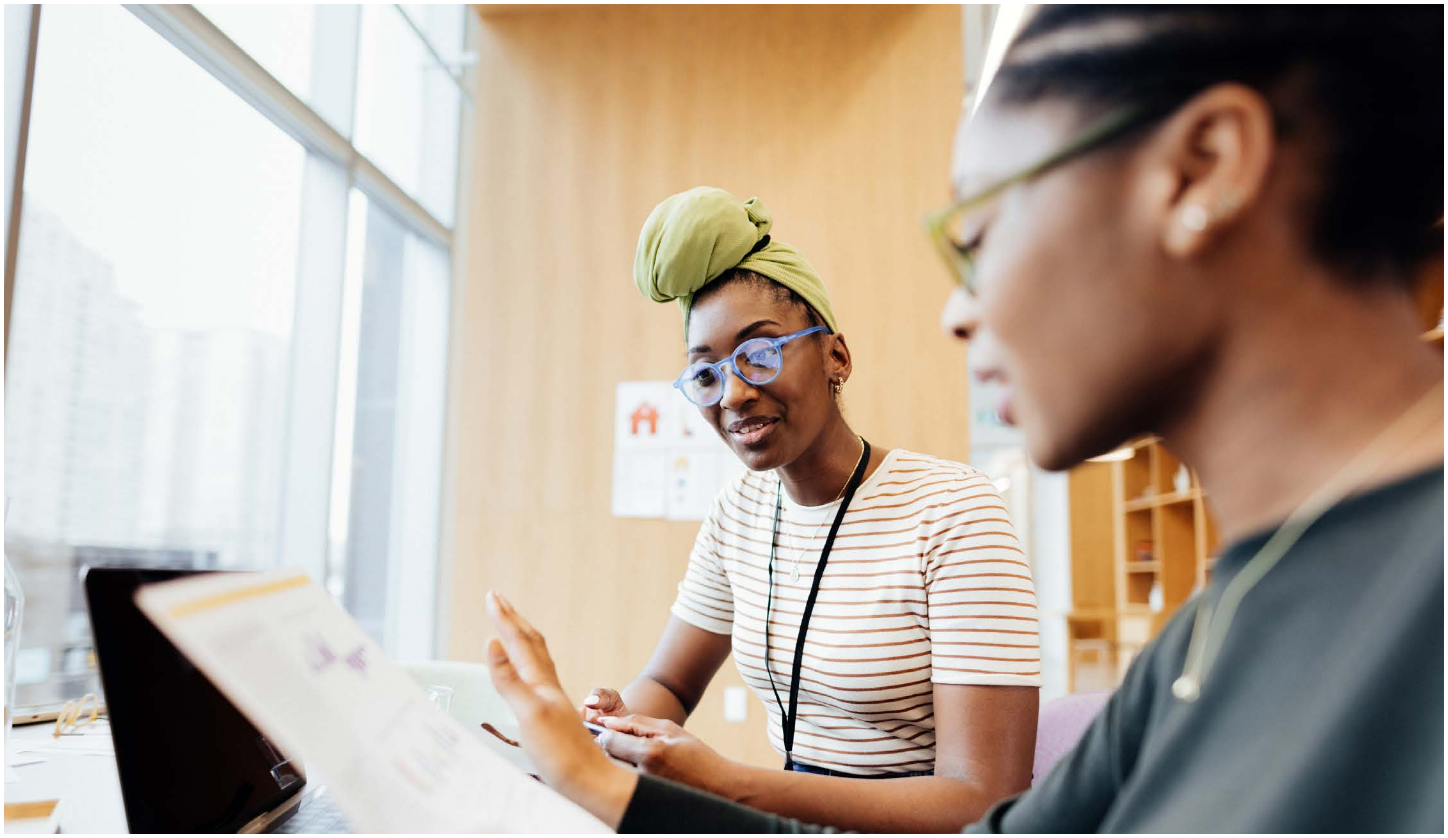
Beyond providing tools, equipping a board involves building and fostering a culture of engagement and accountability for and with your board. Here are some steps to do so.

- **Define Roles and Expectations.** Revisit and reinforce board member expectations and committee assignments to ensure clarity of purpose. This prevents burnout and clarifies individual contributions.
- **Celebrate Contributions.** Acknowledge and celebrate board members' efforts and contributions, whether through formal recognition or informal thank-you notes. Acknowledging that board members are volunteers who give their time and resources is key to retention.
- **Evaluate Regularly.** Use the annual board self-assessment not as a punitive exercise but as a tool for continuous improvement. Discuss the results to address challenges and create an action plan for the coming year.
- **Cultivate a Board-Staff Partnership.** A healthy relationship between the board and the executive director is paramount to a nonprofit's success. The board equips the executive by establishing clear expectations, regular check-ins, and working to build and foster a supportive, trusting relationship. Conversely, the executive equips the board by providing them with timely, transparent, and comprehensive information. A strong partnership requires clear boundaries, with the board focused on governance and strategy and the executive managing day-to-day operations.

Don't Skimp on Board Prep

Recruiting, training, and equipping a nonprofit board is a dynamic and intentional process that can improve the overall health of your organization. This is a strategic investment in the organization's future that can ensure sustainable growth and mission impact. If you approach it with the same care you bring to other aspects of your organization's risk journey, your nonprofit will be richly rewarded.

Elyzabeth Joy Holford is Assistant Executive Director at the Nonprofit Risk Management Center. Reach her with thoughts or questions about this article at elyzabeth@nonprofitrisk.org or 703-777-3504.



Designing Great Board Risk Presentations

By Rachel Sams

Have you ever sat through a boring board presentation about risk management—complete with endless slides, spreadsheets, and metrics—and thought, "There has to be a better way?"

The good news: You're right!

But we can't tell you exactly how to do it.

We think that's even better news!

The beauty of risk management is that your nonprofit can and should customize anything and everything, including your board and committee risk presentations. While we can't say exactly what will work for you, we can share some principles that will help you keep board risk presentations meaningful and manageable. That will give you more time to spend on the details of exactly what to include—or what we like to call "the fun stuff."

Know Your Audience and What They Need

When it's time to draft your briefing, ground yourself in an understanding of what the board's risk management role is—and is not.

Nonprofit staff teams have primary responsibility for risk identification, action planning, and keeping the board apprised of the team's approach and progress addressing top risks.

The board's ideal role in risk management is to:

- ensure the organization has enough resources to manage risk well
- consider whether the organization is taking enough risk to achieve its mission, and
- bring board members' diverse perspectives to the discussion about concerning developments and risks (possibilities) on the horizon.

> "The beauty of risk management is that your nonprofit can and should customize anything and everything, including your board and committee risk presentations."

NOTE: If you need an additional refresher on how to forge a great risk management partnership with your board, see our article on that in this issue.

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Designing Great Board Risk Presentations
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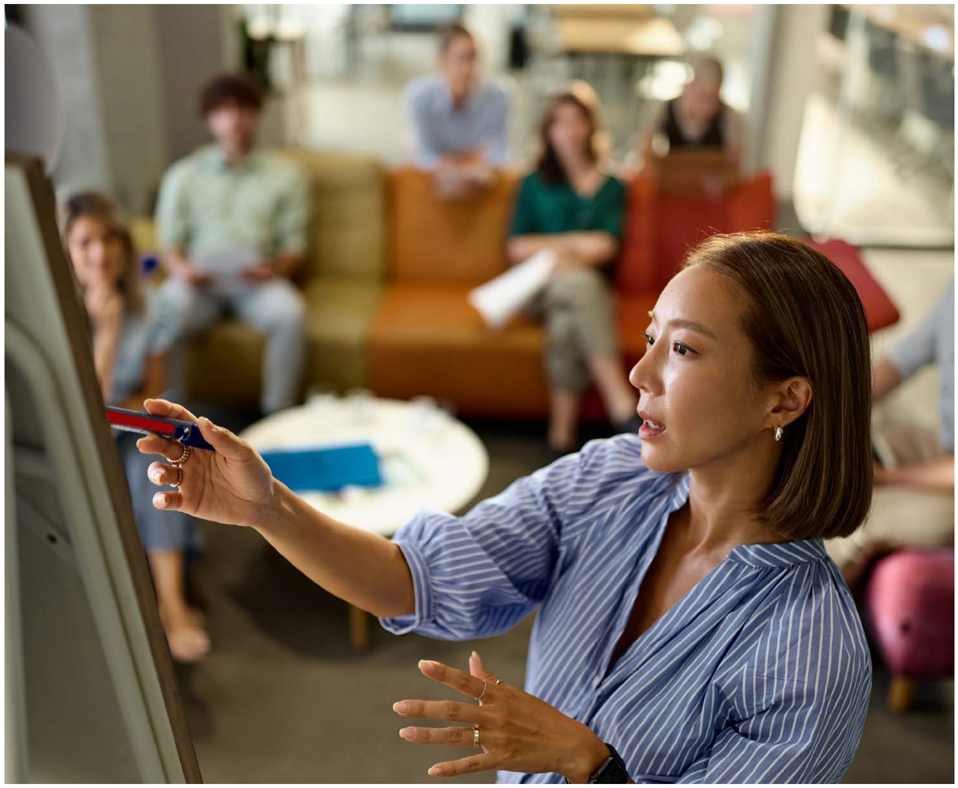

> "Give your board a high-level sense of major risks and how you're building resilience."

Remember that board meetings tend to run on tight schedules. Also consider that while you may have some risk management experts on your board, most board members likely don't have that expertise.

Do yourself and your board a favor and give yourself plenty of time to draft your board briefing. Start well before it's due. This will allow you time to experiment with what to include and change course if you need to.

The Nitty-Gritty: Crafting Your Presentation

You've grounded yourself in who your audience is and reminded yourself of the board's (or committee's) risk role. Great job! But now...you still have to draft a PowerPoint, or some other presentation format. What the heck do you put in it? Here are some guidelines to help you make that decision.

Understand what your board seeks in a risk briefing. Have you ever asked board members what they most want to know about your risk management efforts? If not, now's the time! Use their answers to shape your presentation.

Stick to the 30,000-foot view. Remember that your team members are the operational experts, while your board focuses on strategy. Give your board a high-level sense of major risks and how you're building resilience. Don't load your presentation with details and minutia.

Have your risk discussion with fresh minds. Schedule your risk conversation early in the meeting, before boredom and other commitments can sneak in.

Make it a conversation. Your instinct might be to create a lengthy presentation and speed through it to prompt a board conclusion that you have everything under control. But an honest discussion of your nonprofit's challenges and opportunities will help your board better understand them.

Emphasize the visual aspects. Use graphics to illustrate key metrics of your presentation, but don't overcrowd it. Focusing on three key pieces of information

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Designing Great Board Risk Presentations
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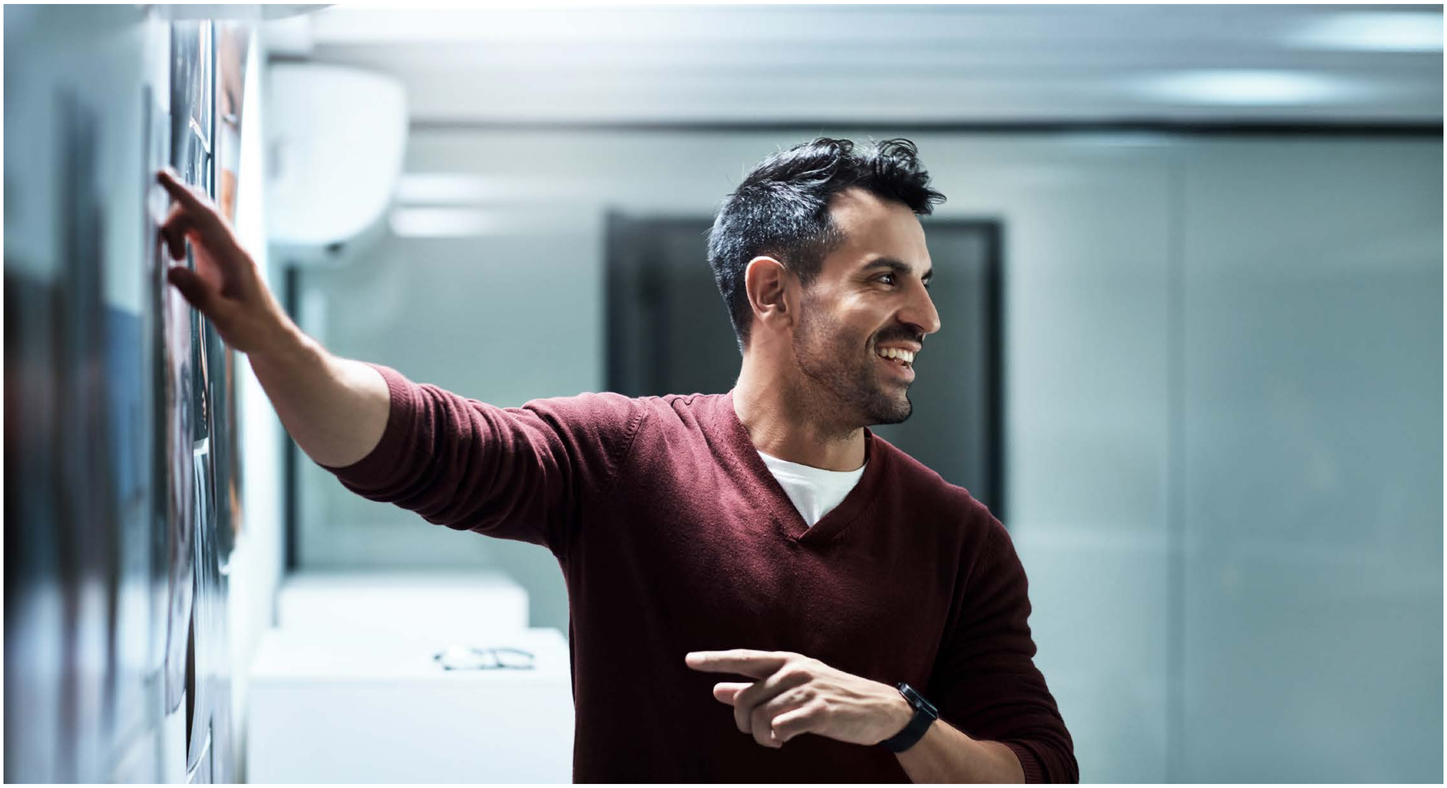


works well for a risk dashboard. Place the most important metric or data in the top left corner. Use no more than a handful of colors to tell your story, and if it's not obvious why you chose each color, use a legend.

Don't be overly optimistic. We understand that nonprofit leaders may not want their boards to know they have struggles. But every organization faces challenges. Speak openly with your board about your work to build resilience and learn more about what you don't know.

Get on the same page. Does your board fear that your nonprofit is taking on too much risk in its activities? Let them know why your team feels it's important to act boldly to serve your communities. Have a discussion about risk appetite – how much risk your nonprofit will take to achieve its mission.

Choose one topic to explore in depth. If you focus your risk briefing on one topic, you can demonstrate that your team is addressing a critical risk without getting too deep into operational details. This approach can help your board understand the "why"behind your approach.

"Schedule time in board risk discussions for staff and board to engage in dialogue about new risks on the horizon."

Tell them who's in charge. Make sure board members know what team or person takes the lead on assessing and managing risk at your nonprofit. This can address a frequent worry for nonprofit boards: the fear that the CEO has too much on their plate.

Leave space to learn more. Schedule time in board risk discussions for staff and board to engage in dialogue about new risks on the horizon. Board members can share unique perspective on what they are seeing or hearing in their industries about those risk topics.

Follow up. Wrap up by reflecting back any requests from the board on additional pieces of data or approaches to risk. For example: "We heard today that you'd like us to narrow the risk dashboard to three risks from five, and that you'd like to hear how we're addressing fundraising risk."

In the Moment: Navigating the Discussion

You have a draft of a presentation and a plan for how you'll deliver it. Congratulations! You are a rock star! But you're a nervous rock star...maybe the star of a Kiss cover band with your leather-clad knees knocking together. What happens when you're on that stage (or in that Zoom room)? You (probably) won't have to belt "Detroit Rock City," but tough questions from board members—or worse, silence—might feel just as intimidating. Here are some

CONTINUED ON PAGE 14

Designing Great Board Risk Presentations
CONTINUED FROM PAGE 13

prompts you can use to catalyze a great board risk discussion.

About the dashboard

- What is surprising about the dashboard?
- Is the content of the dashboard helpful?
- What more or less would you want to see in the Risk Dashboard to inform upcoming board decisions or discussions about strategy and direction?
- From your perspective, does our “top risks” profile feel accurate or on point?

About your organization’s risk taking

- Are we taking enough risk, and in the right areas, to advance the mission and achieve the core objectives of the organization?
- During the past 5 years, what bold risks has the board inspired? To what result?
- In what areas will bold risks be necessary in the next 1-5 years? 5-10 years?
- What emerging/changing risks should we monitor more closely in the future?
- How might our risk profile and ongoing risk management activities inform our strategy-level decisions?

Remember that listening, just like performing at a rock show, is really about “reading the room.” Listen to the words but also to the feel of the room. Where is the energy to move forward? Where are the areas of hesitation? Keep your priorities for the discussion in mind but be open to the possibilities and unexpected twists in the conversation.

Never Stop Learning

This process isn’t one and done. But as a risk manager, you knew that, right?

“Keep your priorities for the discussion in mind but be open to the possibilities and unexpected twists in the conversation.”

We are always learning in all aspects of risk management, and that includes board briefings. When you’ve walked out of the boardroom or logged out of the Zoom room, take a deep breath. Was your board briefing lively and engaged? Reflect on what worked and what you’d like to replicate. If you struggled, or some elements didn’t go as planned, consider what you can improve for the future. Tomorrow. While you may not have autographs to sign, you are a risk management rock star, and it’s time to celebrate. Just try not to trash any hotel rooms in the process.

Risky, unproductive board behaviors waste time and jeopardize the enthusiasm and commitment of the governing team. Ignoring these behaviors is never wise. Identify and promptly address inappropriate behaviors to free up the time and energy you need to focus on your vital, community-serving mission.

Rachel Sams is Lead Consultant and Editor at the Nonprofit Risk Management Center. She has attended board risk briefings that fell flat and ones with lively, engaged discussion, and wishes you many of the latter. Reach her with thoughts and questions about this article at rachel@nonprofitrisk.org or (505) 456-4045.

How to Resolve Risky Governance Dilemmas

By Melanie Lockwood Herman

While most nonprofit CEOs enjoy celebrating the incredible contributions of their boards, memories of difficult or challenging board members linger long after the board member's term has expired. And in many cases, CEOs lament their decision to ignore board challenges well after the time to act has expired. Below we share four common, risky behaviors of nonprofit board leaders and practical tips on what to do if these dilemmas impede the success of your board.

1. Ghost Board Member

Unfortunately, some nonprofit board members only 'show up' on the board list appearing on a publicly-facing website. These are the volunteers who seemed eager and ready to serve when elected, but consistently fail to attend board meetings or respond to calls, emails, and outreach from staff or fellow volunteers. Sound familiar? You've been ghosted. A board whose membership includes ghosts poses concerning risks, such as the possibility that the perspective or skills of the ghost board member are missing during critical board conversations, and the missed opportunity to fill the ghost member's seat with a new leader who could support the mission in myriad ways.

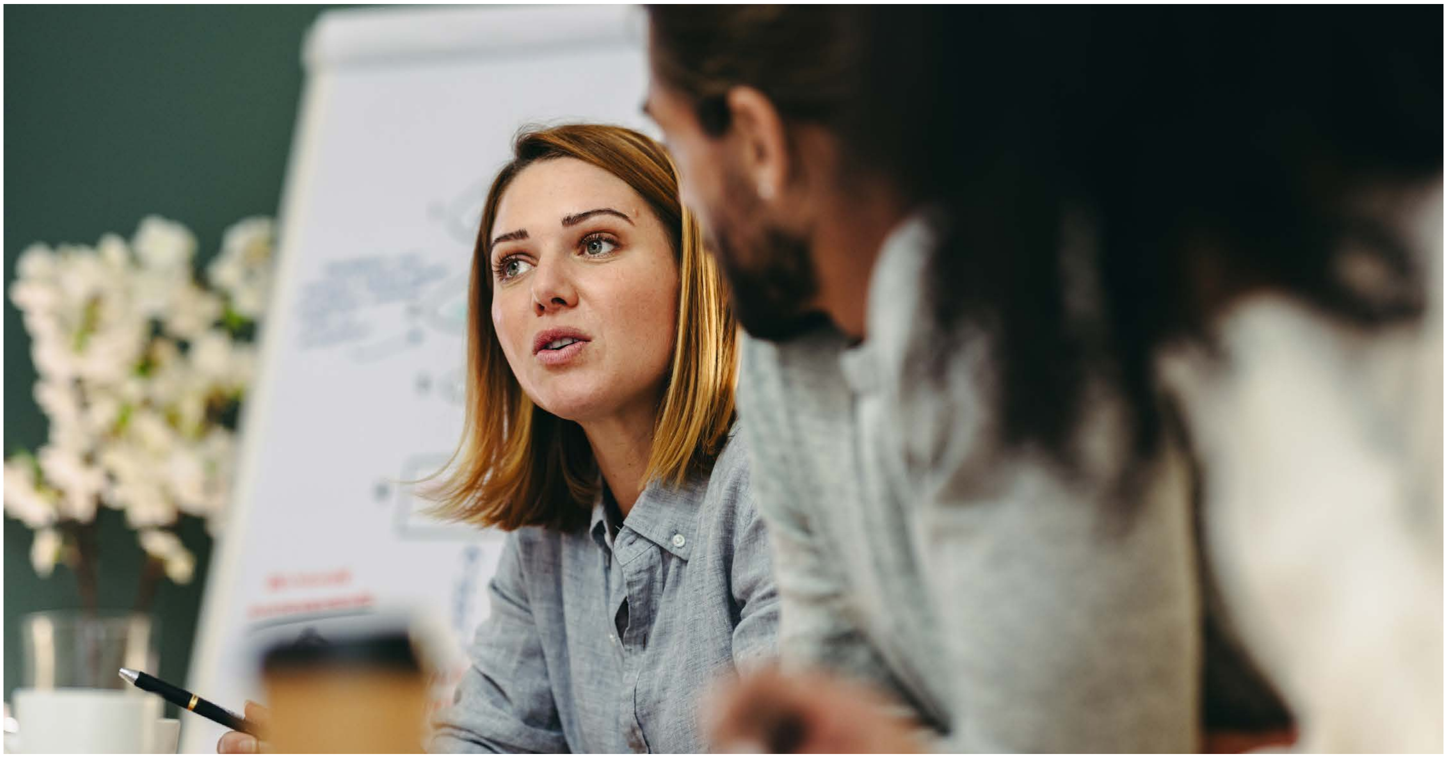
> "Unfortunately, some nonprofit board members only 'show up' on the board list appearing on a publicly-facing website."

Tips:

- Brainstorm with the officers of the board or the executive committee ways to engage and involve your ghost board member without requiring attendance at meetings. Trustee Emeriti (honorary) role? Shift to a committee role that meets virtually? Guest or host of a special fundraising event held in the board member's home or place of work?
- Find a respectful way to let the board member know participation in meetings and responsiveness to emails from the staff and board are required. Ideally, a member of your

CONTINUED ON PAGE 16

How to Resolve Risky Governance Dilemmas
CONTINUED FROM PAGE 15



"When you ignore a badly behaving board member you are disrespecting everyone else on the governing team."

nonprofit's Governance Committee will take the lead in reaching out to ghost board members. If calls and emails still go unreturned, consider sending an email saying, "We deeply appreciate your leadership and contributions to our mission! Do let us know if you want to resume participation in board activities, or if you prefer to roll off the board at the end of this year/ fiscal year and support our mission in other ways."

2. Bad News Board Member

While rare, from time to time nonprofit board rosters include one or more members who see the boardroom as an opportunity to engage in verbal combat, show the staff 'who's boss', or believe being a great board member requires playing the role of disagreeable skeptic. The risks of a bad news board member are significant. Effective board members who have much to contribute may choose to roll off the board to avoid future unpleasant interactions with a bad news board bully. No one joins a nonprofit board to add tension and discomfort to their lives. When you ignore a badly behaving board member you are disrespecting everyone else on the governing team.

Tips:

- First, remember that ignoring a bad news board member is never a winning strategy. Why? The behaviors you and others abhor and dread probably don't seem off-kilter to the badly behaving leader. Badly behaving board members are rarely, if ever, self-aware.
- Next, resolve to address the issue or issues head-on in a polite, respectful, one-on-one

CONTINUED ON NEXT PAGE

How to Resolve Risky Governance Dilemmas
CONTINUED FROM PAGE 16

conversation. Years ago a friend told me that the chair of a board she served on called her to let her know she often rolled her eyes during board meetings, which was interpreted as a sign of disrespect. My friend was unaware that her frustrations were clearly visible to everyone in the room. With insight provided by the board chair she was able to control the eye rolls and find more productive ways to express her views on topics being discussed during board meetings. The person addressing bad behavior one-on-one should always be another board member, such as the board chair, vice chair, or governance committee chair.

3. Role-Confused Board Member

No one emerges from the womb with the insights and understanding required to be an outstanding nonprofit board member. Capable, effective board members learn to excel at governance through participation in governance. A common risky governance dilemma is confusion about the role of the board. While there's no question that boards have ultimate legal, moral, and ethical responsibility for the health and well-being of a nonprofit, when a nonprofit hires its first staff member the board is no longer responsible for day to day operations. The shift from 'doing everything' to providing oversight to the CEO is challenging for many board members.

Tips:

- Develop a one-pager with bulleted lists of Staff (left side) and Board (right side) responsibilities. If any responsibilities are truly shared, add a middle column and note those.
- Designate a board member whose role includes offering gentle reminders of the distinction between governance and management. Your designee might say: "While I love learning more about day-to-day operations, let's get back to questions that fall squarely in the board's domain: issues related to the organization's direction, values, and strategic priorities. We're fortunate to have a staff team, led by our CEO, who can handle the day-to-day without hands on help from the board."

4. Board Member Who Eschews Accountability

The simplest definition of "accountable" is "doing what you agreed to do." On a high-performing board no members need to be cajoled or nudged into accepting responsibility for key leadership tasks; members of a stellar board step up and embrace their responsibilities. From time to time nonprofits inadvertently invite and elect members who never live up to the commitments they make. The risks associated with unaccountable board members are significant. One risk is that this form of unacceptable behavior demoralizes the members working hard to meet their commitments. Who wants to be on a board where everyone shares responsibility but certain members never come through? Another risk is that key roles or tasks will be left undone, leaving the nonprofit in a precarious position.

> "Remember transparency is an effective, inexpensive risk management tool."

Tips:

- Since accountability is doing what you agreed to do, versus doing something assigned to you, consider using a simple, one-page board pledge document that each member completes at the beginning of the year to track commitments. The pledge may include making a personal financial contribution, as well as other non-fundraising tasks, such as sharing a list of audit firms that provide services to nonprofits, connecting the CEO to a lawyer whose firm has deep experience advising nonprofits, or identifying qualified speakers for a session at the annual conference.
- Remember transparency is an effective, inexpensive risk management tool. After collecting board pledge statements, include them in the appendix to your board packet so everyone on the board is aware of the items in each board member's commitment.
- Schedule check-ins with each member of the board at least twice annually and ask questions such as:
  - Do you have any concerns about completing the roles, tasks or assignments you noted on your annual board service pledge?
  - What assistance do you require, if any, to complete those tasks on time?

Risky, unproductive board behaviors waste time and jeopardize the enthusiasm and commitment of the governing team. Ignoring these behaviors is never wise. Identify and promptly address inappropriate behaviors to free up the time and energy you need to focus on your vital, community-serving mission.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. Reach her with questions about risky board behaviors and to discuss practical steps to build the board your mission deserves at Melanie@nonprofitrisk.org or 703-777-3504.

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