

Is Your Board an Asset Or a Liability?

Is your board decreasing – or increasing – your organization’s risk? Take this quick quiz to find out.

By Melanie Lockwood Herman

What’s the board’s role in risk management? A nonprofit board is:

- **a line of defense** – a powerful radar instrument that can help detect incoming opportunities as well as threats
- **a vision magnifier** – helping the management team see beyond the limits of their imaginations
- **an expertise treasure trove** – teams of subject-matter experts available to provide wisdom and insights 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 a liability rather than an asset?

A chapter in *Rethinking Reputation Risk* by Anthony Fitzsimmons and Derek Atkins, titled “The Special Role – and Risks – of Leaders,” shares 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

“social silences” – the tendency to ignore certain subjects the group perceives to be obvious or impolite.

Organizations fail when boards leave fundamental assumptions and attitudes unquestioned. In such organizations, boards neglect to question any management strategy that leads to results that board members desire and embrace.

Boards often ignore the role of luck in success. Why knock good luck? The authors explain that good luck can keep latent risks hidden.

A close-up look at some of the biggest risks facing complex organizations 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 that boards and executive teams have more of both than anyone else. Thus, they have the ability to cause more good or ill to the organization and its reputation than anyone else.

“Good luck can keep latent risks hidden.”



“They can cause more good or ill than anyone else.”



Viewing the board narrowly and unquestionably as an invaluable asset is naïve. Humble board leaders should recognize that they’re 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 risk roles as well as the real risks posed by your board:

Does our board as a whole welcome criticism and appreciate different views?

Does every member of the board welcome criticism and contrary points of view?


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 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 bring opportunities for improvement (as well as strengths) to the surface?

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 staff activities. 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. 

Melanie Lockwood Herman (melanie@nonprofitrisk.org) is executive director of the Nonprofit Risk Management Center (NRMC). She welcomes your questions about reputation risk, governance risk, and the risk oversight role of the board.

Resources from NRMCC (NonprofitRisk.org)

Not So Great Governance? Resolve to Reinvent the Board (RISK eNews)

The Garden of Risk Oversight (Risk Management Essentials)

Risk Oversight: Who Dunit (RISK eNews)

Resources at NonprofitWorld.org:

What Is the Board’s Role in Managing Risk? (Vol. 15, No. 5)

Planning for the Unforeseeable: How Smart Risk Management Provides Peace of Mind (Vol. 24, No. 2)

Seven Risk Questions for the Board (Vol. 33, No. 4)

Do Your Board Members Know Their Fiduciary Responsibilities? (Vol. 33, No. 1)

Risk Management: Slippery Slope Or Moral Imperative? (Vol. 16, No. 3)

How to Assess and Improve Your Board’s Performance (Vol. 24, No. 1)

Fear & Memory (Vol. 38, No. 4)

Risks Get Riskier for Nonprofits: ERM Can Help (Vol. 38, No. 1)

Six Ways to Reduce Risk & Comply with the Law (Vol. 25, No. 6)

Conflict of Interest in the Board Room (Vol. 17, No. 2)

Nonprofits without Audit Committees Risk Disaster (Vol. 22, No. 2)