

HOW TO TALK TO YOUR BOARD ABOUT RISK

A Practical Guide for Trusts
and Foundations



BRIDGING THE GAP BETWEEN VISION AND GOVERNANCE

You see the potential. You understand the complex challenges communities face and the innovative, sometimes unconventional, approaches needed to address them. You know that sticking to “safe bets” might not be enough to achieve your foundation’s ambitious mission at a time where we are experiencing polycrisis after polycrisis, climate change is speeding up, and our rights seems to be rolling backwards, not forwards, as the far right is slowly inching up in popularity.

So how do you bring your board along?

Conversations about risk can be challenging. Board members, rightly focused on fiduciary responsibility and protecting the foundation’s assets and reputation, may perceive risk primarily as a threat to be minimised. Meanwhile, you and your colleagues see calculated risk-taking as essential for learning, innovation, and achieving meaningful, systemic change, often outside of traditional ‘social change’, using new tools, methods of organising, and funding social movements.

This guide is designed to support Foundation staff who are trying to increase their board’s risk appetite. It provides practical insights and actionable steps to help you:



Understand different dimensions of risk in philanthropy



Reframe risk conversations away from purely financial or reputational concerns and towards mission achievement



Prepare effectively for discussions with your board



Navigate these conversations confidently and constructively



Create a more risk-tolerant culture within your foundation over time

WHY RISK CONVERSATIONS MATTER NOW MORE THAN EVER

The philanthropic landscape is shifting. The challenges we aim to address – inequality, climate change, social injustice – are increasingly complex and interconnected. Traditional funding models, often designed for predictability and control, may not be sufficient to tackle these root causes effectively. Consider this,

- **The Limits of Certainty:** Truly innovative solutions rarely come with guarantees. Funding only proven models can inadvertently maintain the status quo.
- **The Pace of Change:** Communities and the contexts they operate in are evolving rapidly. Philanthropy needs to be agile and responsive, which often involves embracing uncertainty.
- **Equity and Trust:** Meaningful change requires shifting power. This involves trusting communities and leaders closest to the issues, even when their approaches are new or untested by traditional philanthropy. This requires a different kind of risk assessment – one centred on potential and partnership, not just prevention of loss.

- **The Risk of Inaction:** Perhaps the greatest risk is not taking bold action. Sticking to overly cautious approaches might protect the foundation in the short term, but risks failing the mission and the communities you serve in the long run.

Opening a dialogue about risk isn't just about changing funding practices; it's about aligning your foundation's resources, strategy, and governance with the urgent demands of its mission in a complex, changing world.



WHAT IS RISK?

When boards hear “risk” they often default to thinking about:

1. **Financial Risk** Losing money on a grant or investment
2. **Reputational Risk** Negative publicity affecting the foundation’s image
3. **Operational Risk** Challenges in managing grants or internal processes
4. **Legal/Compliance Risk** Failing to meet regulatory requirements

These are valid concerns rooted in the board’s essential stewardship role. However, limiting the conversation to these aspects misses crucial dimensions vital for impact.

Introducing **Mission Risk**, the most critical, yet often overlooked. The risk of failing to achieve your foundation’s core purpose and make the desired difference in the world. (explored further in [What is risk? Why does it matter?](#)).

ORGANISATIONAL RISK FOCUS

“How can we protect the foundation’s assets and reputation?”

Leads to



Caution, incrementalism,
funding established entities

MISSION RISK FOCUS

“What is the risk to our mission if we don’t act boldly or fund differently?”

Leads to



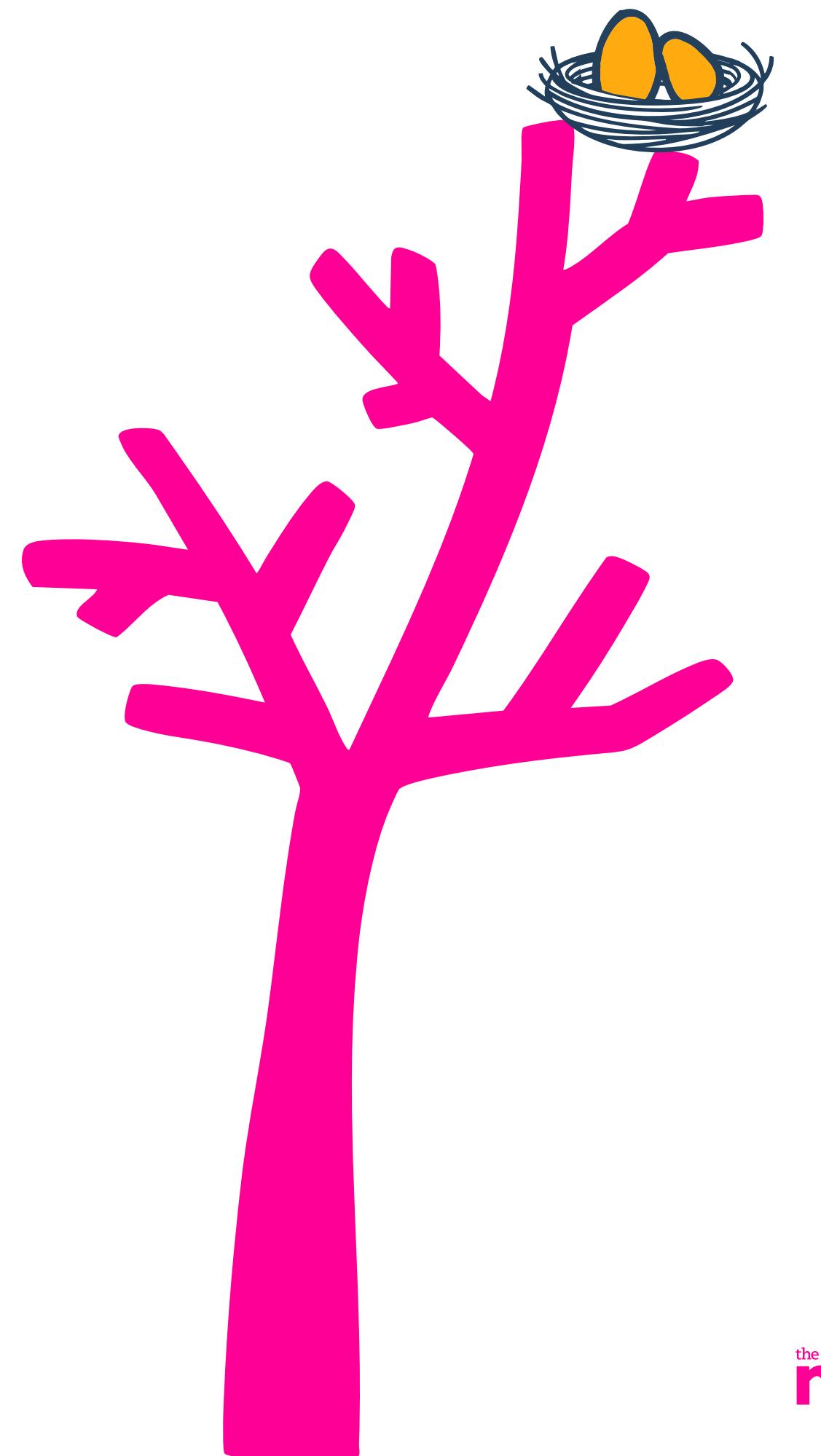
Exploring innovation,
funding systems change,
supporting emerging
leaders / ideas

Coupled with Mission Risk is the **Risk of Inaction**. By avoiding perceived risks associated with new approaches or partners, foundations might:

- Miss opportunities for breakthrough impact
- Fail to address the root causes of the problems they aim to solve
- Perpetuate inequities by only funding established, well-resourced organisations
- Become irrelevant in a rapidly changing world

Acknowledging Board Perspectives

It's crucial to acknowledge the board's perspective rooted in fiduciary duty. The goal isn't to dismiss their concerns but to expand the definition of risk to include the strategic imperative of mission achievement. Frame fiduciary duty not just as protecting assets, but as deploying assets effectively towards the mission, which inherently involves navigating uncertainty.



REFRAMING THE RISK NARRATIVE

Changing how your foundation approaches risk starts with changing how you talk about it. Here are strategies to shift the conversation with your board:

1. Centre the Mission

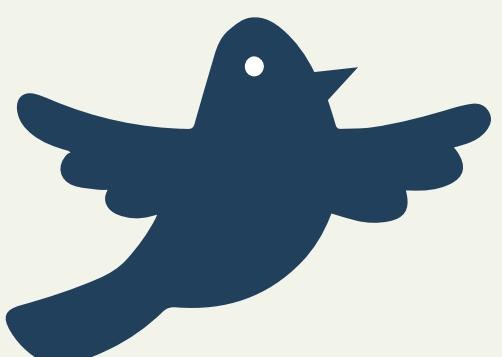
How: Constantly link discussions about risk back to the foundation's ultimate goals. Instead of "This grant is risky," try "This grant represents a significant opportunity to advance our mission in [specific area], although it involves exploring a new approach."

Why: It anchors the conversation in shared purpose, reminding everyone why the foundation exists.

2. Frame Risk as Opportunity and Learning

How: Emphasise the potential upsides: learning, innovation, reaching underserved groups, tackling root causes. Position potential setbacks not as failures, but as valuable learning experiences that inform future strategy.

Why: Shifts the mindset from loss aversion to possibility, exploration and abundance. Promotes a culture where trying new things is valued.



3. Explicitly Name the Risk of Inaction

How: Articulate the potential negative consequences of not funding a particular area or type of work. "If we only fund established players, we risk missing grassroots innovations crucial for [mission goal]." Or, "we risk achieving only incremental change when systemic shifts are needed."

Why: It balances the discussion, showing that caution also carries risks – specifically, mission-related risks.

4. Introduce Proportionality

How: Suggest that the level of risk assessment and due diligence should be proportionate to the grant size, type, and goals. A small grant for an emerging group shouldn't face the same scrutiny as a multi-million-pound project.

Why: It offers a practical way to manage risk without stifling flexibility and responsiveness, particularly for smaller or exploratory grants.

5. Talk About Trust (Explicitly)

How: Frame funding decisions, especially for less traditional grantees or approaches, as acts of trust built on relationships, shared values, and potential. "Our due diligence suggests strong leadership and community connection; we recommend proceeding based on trust in their potential."

Why: It highlights the relational aspect of philanthropy and connects to trust-based philanthropy principles, reframing risk assessment beyond purely transactional checks.

PRACTICAL WAYS TO STRUCTURE SUPPORT AND MANAGE RISK

Beyond reframing the conversation, foundations employ various practical mechanisms to structure grants effectively, especially when navigating perceived risks or working with diverse partners:

Phased Funding

Releasing grant funds in tranches based on agreed milestones or learning points allows for flexibility and adjustment.

Pilot Programmes

Testing innovative approaches on a smaller scale before committing to larger-scale funding can build confidence and generate learning.

Capacity Building Grants

Providing dedicated support for organisational development alongside project funding can strengthen new grantees and smaller groups.

Clear Learning Frameworks

Defining clear learning goals alongside impact objectives helps frame 'failures' as valuable insights.

Using Intermediaries

For supporting groups that are unincorporated, operating in other countries, or require rapid setup, working through a *fiscal host* can provide the essential administrative infrastructure and compliance to reduce the operational risks for the foundation.



PREPARING FOR BOARD DISCUSSIONS

A productive conversation about risk doesn't happen by accident. Thoughtful preparation is key:

1. Do Your Homework

- Gather Data & Evidence:** Gather information on the potential impact. Include why a different approach is needed.
- Find Examples:** Look for similar risks taken by peer foundations (and what happened). Show internal examples where smart risks worked out.
- Understand the Context:** Be prepared to explain why this risk is necessary now in relation to your mission and the external environment.

2. Know Your Board

- Understand Individual Perspectives:** Who tends to be more cautious? Who might be more open? What are their main worries (financial, reputational, legal)? Frame your points with them in mind.
- Identify Potential Champions:** Is there a board member who might understand and support a more risk-tolerant approach? Talk to them beforehand.
- Review Past Discussions:** How has the board reacted to risk-related topics previously? What lessons can be learned?

3. Get Internal Alignment

- Talk to Colleagues:** Make sure key staff members (leadership, finance, programmes) are aligned on the proposal and the rationale for the risk involved.
- Develop a Unified Message:** Present a united front. Staff disagreements can weaken the board's confidence.

4. Define Your “Ask”

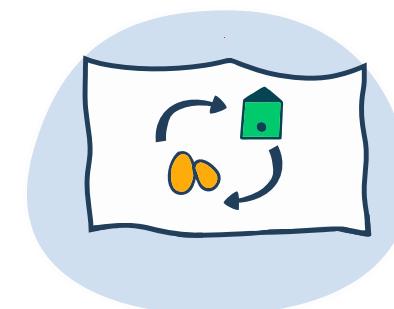
- Be Specific:** Are you proposing a specific grant, a pilot fund for innovation, a change in due diligence policy, or simply opening a broader strategic discussion about risk appetite? Clarity helps focus the conversation.
- Outline the Boundaries:** Define the scope of the risk being proposed. What are the potential downsides, and how might they be mitigated (without stifling the opportunity)?

5. Prepare Scenarios and Stories

- Make it Real:** Use real examples or compelling stories about potential grantees or impact to show why taking this risk matters. Abstract talk is less convincing.
- Anticipate Questions:** Think through answers to concerns your board is likely to raise (e.g., “What if this fails?”, “How does this fit our fiduciary duty?”).

EMBEDDING A NEW APPROACH TO RISK

A single conversation is rarely enough. Fostering a genuinely risk-tolerant culture requires ongoing effort and systemic adjustments:



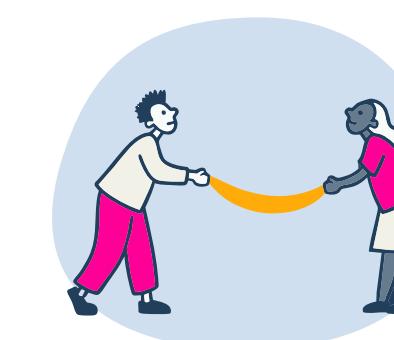
Develop a Shared Risk Framework

Work with the board and staff to articulate the foundation’s “risk appetite” – explicitly stating the types of risks the foundation is willing to take to achieve its mission, and why.



Adapt Processes

Review and potentially revise due diligence, reporting, and evaluation requirements to be proportionate to the grant and the type of risk involved. Make space for trust-based approaches.



Create Psychological Safety

Create an internal culture where staff feel safe proposing potentially risky ideas and, crucially, where “failures” (or unexpected outcomes) are treated as learning opportunities, not punishable offences.



Integrate Risk into Strategy

Make discussions about risk a regular part of strategic planning and review, not just something that comes up with specific grants.



Champion the Approach

Leadership (both staff and board) needs to consistently champion the value of strategic risk-taking and learning.



Share Learnings Openly

Regularly share insights – both successes and challenges – from riskier initiatives with the board and staff to build understanding and confidence.

EMBRACING UNCERTAINTY FOR GREATER IMPACT

Talking about risk with your board doesn't have to be daunting. By understanding different perspectives, reframing the conversation around mission and opportunity, preparing thoroughly, and engaging constructively, you can guide your foundation towards a more strategic and impactful approach to risk.

Remember, the goal isn't recklessness; it's about making informed, intentional choices to embrace the uncertainty inherent in tackling complex, changing social problems. **It's about recognising that the biggest risk of all might be clinging too tightly to the safety of the status quo and failing to achieve the transformative change your mission demands.**

This guide provides a starting point. The journey requires ongoing dialogue, learning, and adaptation. But by taking these steps, you can help unlock your foundation's potential to contribute more boldly and effectively to a better world.



ABOUT THE SOCIAL CHANGE NEST

We have a vision of a vibrant, thriving civil society where social change happens from the ground up – and the power to create it is open to all.

We exist to tear down the barriers that prevent people from creating change. We do this by providing impact-led fiscal hosting, grant distribution, grant management, capacity building and infrastructure support to changemakers around the world. Our support enables them to take collective leadership on the things that matter most to them and in doing so, increase civil society space. Our aims are to:

- Channel funding to grassroots groups
- Support grassroots groups with their admin, skills and capacity
- Inspire change and engagement among funders

Since launching in 2021, we've helped distribute over £23 million to grassroots groups and movements and supported funders to get their money into the hands of the people and communities that need it most.

Interested in working together to fund grassroots social change? [Get in touch for a chat!](#)