

Qualities Your Nonprofit Needs in a Crisis



By Melanie Lockwood Herman

Executive Director

Resource Type: Risk eNews

Topic: Business Continuity Planning, Crisis Management, Crisis Communications

By the time the power went out for the sixth time Monday afternoon I was no longer surprised nor annoyed by the disappearing text on my computer monitor or the start up music for our voice over internet phone system. But when the pole with the transformer for our building (and most of the block!) caught fire during Monday's particularly dramatic summer storm, the word "crisis" came to mind. But instead of turning our worry instinct on, we simply flipped the switch to "Plan B."

Throughout the year nonprofit sector leaders approach the Center for advice on coping in a crisis. Rather than a precise set of steps that might offer false hope of a smooth journey, I've come up with a list of qualities that I believe are key to surviving any crisis with mission and reputation intact.

- **Timeliness** – When embroiled in a crisis, timely action is a must to prevent the crisis from spiraling out of control, or growing in scope. Timely action is far easier in an environment with a lean decision-making structure, something that may be foreign in many nonprofit organizations. One of the decided advantages of the nonprofit structure—the existence of a board with governing authority—can be a disadvantage in times of crisis. Convening a group of leaders who live in different time zones, with varying comfort levels with technology, and who see the organization with a wide range of detail, can be challenging. In addition, the benefit of many differing perspectives on various issues and the commitment to reaching consensus both present challenges when decisive action is required. Furthermore, many nonprofits have not spent enough time in advance of a crisis carefully defining the authority of the Board in contrast with that of the CEO.
- **Transparency** – The leaders of a nonprofit in crisis must act with care when it comes to disclosing matters about the crisis. In the Center's experience support for "transparency" is universal until the time to disclose something unpleasant or messy arises. Yet a disconnect between the public's yearning for greater transparency and evidence of a cover-up or glossing over of the truth can only lead to the erosion of trust by key stakeholders. Nonprofit organizations survive and thrive on a diet of stakeholder trust and confidence. In the long run, erring on the side of transparency serves the nonprofit's interest best, by reaffirming the positive attributes—some deserved and others imagined—that loyal stakeholders associate with the nonprofit. Several years ago a nonprofit leader shared with me a letter he wrote to a funder asking the funder to grant the nonprofit's request to use previously awarded restricted grant funds for general operations. The reason for the request, which was plainly stated in the first paragraph of the letter, was the nonprofit's recent discovery of an act of employee embezzlement, which left the organization without the funds it needed to cover operating expenses. I've described this letter to a number of nonprofit audiences, and I'm no longer surprised to hear audible gasps. Many leaders find it

almost shocking that a nonprofit executive would write to a funder and in plain and unapologetic terms, disclose the uninsured theft of funds by a trusted employee. The initial reaction of an audience turns to looks of wonderment when I reveal that the funder in question *granted* the nonprofit's unusual request.

- **Humility** – Leaders embroiled in a crisis often appear to be hardwired to defend what they have done or not done. Some researchers attribute this response to the “fight or flight” instinct that has been observed in humans for millennia, and is arguably central to the survival of our species. When attacked we often run or mount a vigorous defense. For those who stay to defend the nonprofit's mission and honor, humility may be pushed aside in favor of bravado. When a nonprofit organization faces a crisis human beings will be called on to “manage” the organization's way out of the mess and stress. Hiding anything ugly that has been learned as a result of the crisis is an altogether human response. An executive may prefer to hide or gloss over a string of spending decisions that put the organization in financial jeopardy. The Board may prefer not to recall a decision it made to forgo the advice about implementing a more rigorous screening process for volunteers. Management-level staff may feel incentivized to prove that the origin of the problem was in another department. The proper handling of a crisis requires the willingness and courage to admit that perhaps mistakes—even serious ones—have been made, warning signs may have been overlooked, and the organization is neither infallible nor bullet-proof. Arrogance or perceived arrogance feed the flames of a crisis.
- **Learning** – In her article titled “Strategies For Learning From Failure” featured in the April 2011 issue of the *Harvard Business Review*, HBS Professor Amy C. Edmondson surmises that leaders often take an overly simplistic approach to learning from failure. Professor Edmondson reports that it isn't uncommon for leaders to believe that learning from failure involves asking direct reports to (1) “reflect on what they did wrong,” and (2) “avoid similar mistakes in the future.” Research suggests that there is often more to failure than meets the eye. There is rarely a single culprit for mistakes or missteps that send organizations into crisis mode. At the Nonprofit Risk Management Center we recognize that surfacing mistakes and understanding the associated root causes or systemic issues are cornerstones of sound risk management. Yet the human beings likely to be held accountable for errors may disagree that admitting one's errors is indeed a good thing. When an executive's instinct is to “blame and shame” the human beings who hold key positions in the organization will find ways to make certain that mistakes remain in the shadows. An organization whose culture permits the hiding of mistakes and screw-ups is incapable of learning from mistakes and missteps. Risk management efforts must therefore include helping leaders recognize that a forthright and accepting culture is required to understand *why* and *how* things went wrong. Hiding errors under the nearest rug is not only unproductive, it arguably increases the chance that the same mistakes will be repeated and similar crises will recur. Learning from mistakes, losses and prior crisis events may be fundamental, but in many organizations it is far from intuitive. Wharton Professor Paul Shoemaker perhaps said it best when he wrote: “Experience is inevitable. Learning is not.”
- **Accountability** – The subject of “learning” is a terrific lead in to another crisis management must: accountability. Accountability is a form of justice when things go terribly wrong. Yet it is a common mistake to use a superficial lens through which to look for someone to blame. Over the years I have received countless calls from nonprofit board members eager to blame an organizational crisis on an “incompetent,” “dishonest,” or “ineffective” CEO. I approach every conversation with the knowledge that things often look very different depending on one's role in the organization. During many such calls taking place over more than a decade, the continuing conversation has revealed the possibility of several root causes to the crisis the caller's organization now faces. For example, a financial catastrophe brought on by the nonprofit's ability to pay its bills is often attributed to a CEO's ineffective financial management skills, or suspected dishonesty. Yet the board member will often reluctantly admit that he and his fellow board members never insisted on receiving periodic financial statements, nor did they inquire about financial matters despite knowledge of their legal “duty of care.” Not discounting the alleged sins of the CEO, I have concluded several similar conversations with a sense that the board—as well as staff—should be held to account.
- **Compassion** – When circumstances appear to be spinning out of control and inquiries from previously unheard of bloggers, freelance journalists and enraged clients or donors are filling one's email inbox, it's hard to remember the call to compassion that feeds the soul of the nonprofit sector. From time to time a workshop attendee tells me, in various ways, that they have been admonished by legal counsel or an insurance provider “not to say we're sorry,” when the organization learns of an injury or other suffering by a client, consumer or volunteer. The inference is that expressing sorrow about an unfortunate event is tantamount to admitting liability, and agreeing to pay any and all costs. Nonprofit leaders who stifle compassion during a crisis do so at great peril to the reputations of the organizations they serve. During my twenty-five year career in the nonprofit sector I have heard hundreds of leaders describe how they were drawn to the community-serving, open heart of the sector, and how they willingly forgave more lucrative positions in the private sector in order to work in and among organizations that care. Yet in the

midst of a crisis, it is not uncommon for the call to compassion—putting others’ needs above our own—to be forgotten or put aside as leaders close ranks to prove that the crisis arose due to circumstances beyond the nonprofit’s control and outside the organization’s scope of responsibility.

A simple planning exercise is to reflect on your nonprofit’s most recent “crisis” and rate the degree to which these qualities or attributes were in evidence. Did the organization’s leaders respond in a timely fashion to the crisis? Did leaders act on—or ignore—warning signs? (Note: few crisis events lack some warning signs or signals. Is the nonprofit’s signal detection capability under developed?) Was the organization as transparent with internal and external stakeholders as it could or *should* have been? Did leaders act with humility or hubris? How did the nonprofit demonstrate the high value it places on accountability? On a scale of one to ten, how did or would affected stakeholders rate the organization’s compassion? Hindsight is “20:20,” but only if you take time to look through the lens of past experience.

There’s no secret formula to surviving a crisis. By cultivating (and even practicing!) the qualities described above, the leaders of your nonprofit will be in the best possible position to outmaneuver and learn from whatever mission-threatening event comes your way.◇

Melanie Lockwood Herman is executive director of the Nonprofit Risk Management Center and the author of more than 15 books on risk management topics. She welcomes questions and comments at Melanie@nonprofitrisk.org.