STRENGTHENING NONPROFITS:
A Capacity Builder's Resource Library

Managing Crisis:

Risk Management and Crisis Response Planning

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INTRODUCTION

The Compassion Capital Fund (CCF), administered by the U.S. Department of Health and Human Services, provided capacity building grants to expand and strengthen the role of nonprofit organizations in their ability to provide social services to low-income individuals. Between 2002 and 2009, CCF awarded 1,277 grants, and the CCF National Resource Center provided training and technical assistance to all CCF grantees. *Strengthening Nonprofits: A Capacity Builder's Resource Library* is born out of the expansive set of resources created by the National Resource Center during that time period, to be shared and to continue the legacy of CCF's capacity building work.

Strengthening Nonprofits: A Capacity Builder's Resource Library contains guidebooks and e-learnings on the following topics:

1. Conducting a Community Assessment
2. Delivering Training and Technical Assistance
3. Designing and Managing a Subaward Program
4. Going Virtual
5. Identifying and Promoting Effective Practices
6. Leading a Nonprofit Organization: Tips and Tools for Executive Directors and Team Leaders
7. Managing Crisis: Risk Management and Crisis Response Planning
8. Managing Public Grants
9. Measuring Outcomes
10. Partnerships: Frameworks for Working Together
11. Sustainability
12. Working with Consultants

Who is the audience for *Strengthening Nonprofits: A Capacity Builder's Resource Library*?

Anyone who is interested in expanding the capacity of nonprofit services in their community – from front–line service providers to executives in large intermediary organizations – will benefit from the information contained in this resource library. The National Resource Center originally developed many of these resources for intermediary organizations, organizations that were granted funds by CCF to build the capacity of the faith-based and community-based organizations (FBCOs) they served. As such, the majority of the resources in *Strengthening Nonprofits: A Capacity Builder's Resource Library* support intermediary organizations in their capacity building efforts. However, funders of capacity building programs (Federal program offices and foundations) and the nonprofit community (including FBCOs) at large will also find these resources helpful. In addition, individuals working to build capacity within a program or an organization will be able to use these resources to support their efforts to implement change and make improvements.

The ***Managing Crisis*** guidebook will be helpful to anyone in a leadership role in an organization planning for or currently experiencing crisis situations.

Who developed the ***Managing Crisis*** guidebook?

The guidebook was developed for the Department of Health and Human Services by the National Resource Center.

OVERVIEW

Preparing for crisis situations and responding appropriately to them if they occur can mean the difference between closure and survival, or even flourishing. After all, crises can be fertile opportunities for learning and change if an organization is equipped with the right tools to handle them. There are two sides to managing any crisis: planning and response. Organizations that anticipate the possibility of a crisis and prepare properly will be better equipped to manage such situations or avoid them altogether.

This guidebook addresses three key questions to help guide your risk management and crisis response planning[1]:

1. What could go wrong?
2. What will you do to prevent things from going wrong?
3. What will you do if something goes wrong?

The guidebook reviews the importance of risk management for identifying crisis priorities in nonprofit organizations and offers suggestions for developing a crisis response plan and a crisis communication plan. Additionally, the guide highlights four specific areas in which nonprofit organizations are vulnerable to risk and crisis. You will find more resources to help support your risk management and crisis response planning in Appendix B.

Key Terms[2]

Risk – any factor that might hinder an organization achieving its goals. Risks can be related to an organization's programs, finances, management, infrastructure, or susceptibility to natural disasters.

Risk management – a process for identifying an organization's risks, assessing their significance, and preparing for and treating those deemed significant in a measured, professional manner. Risk management enables organizations to cope with uncertainty by taking steps to protect their vital assets and resources.[3]

Crisis – a risk characterized by an "event, revelation, allegation, or set of circumstances that threatens the integrity, reputation, or survival of an individual or an institution."[4]

Crisis response – an approach to dealing with an event in a professional manner that addresses the critical needs of the time. The focus is on surviving the crisis in progress and easing the effects of the crisis as much as possible. Also referred to as crisis management.

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1 Nonprofit Risk Management Center, "No Surprises Volunteer Risk Management Tutorial," http://www.nonprofitrisk.org/tools/volunteer/volunteer.shtml.

2 Adapted from "Risk and Crisis Management for Schools: Austega's Guide for School Leaders," Austega Information Services, http://www.austega.com/education/risk/guidelines.htm.

3 Nonprofit Risk Management Center, "Risk Management Tutorial for Nonprofit Managers," http://nonprofitrisk.org/tools/basic-risk/basic-risk.shtml.

4 Bates Communication, "The CEO Survival Guide Crisis Communications – Media Interviews," http://www.bates-communications.com/styles/pdf/art-CrisisCommunications.pdf.

RISK MANAGEMENT IN NONPROFIT ORGANIZATIONS

What Could Go Wrong?

There are many events that can throw an organization into crisis. When that organization is a nonprofit, which is often less resource-rich than its for-profit counterparts, the results can be devastating.

A key donor goes bankrupt. An office is flooded. An employee is caught embezzling. A program space is condemned. These examples highlight the reality that risk and crisis are often related. For example, lax financial management controls create an environment that can lead to embezzlement. Delayed repairs to save money can lead to unsafe program space. In both instances an organization created a risk that resulted in a crisis.

Another reality is that most nonprofit organizations are engaged in work that is inherently risky; the risks come with the work. Organizations working with children, the elderly, and other vulnerable populations must constantly find ways to ensure that their clients are protected. Organizations that bring large numbers of people together must focus on safety and injury prevention. Some organizations take clients on trips or work locations and must address transportation risks. If organizations do not prepare for their inherent risks, they increase their chances for crises to occur. Even events with positive benefits can turn negative due to poor planning:[5]

- Twice as many walk-in volunteers as expected show up to help and you have no plan to put them to work or capture their enthusiasm for a future project.
- You're overwhelmed with perishable donations in response to a community plea, but you have no procedures in place for handling the overflow in a timely and equitable manner.
- You plan an event to give away items for free but run out of the items midway through the event.

Managing risk—anything that can hinder an organization from achieving its goals—is an essential management activity for nonprofit organizations. Nonprofits tend to focus their risk management on the following activities:[6]

- Screening volunteers to protect clients from harm
- Checking motor vehicle records for all employees and volunteers driving on the nonprofit's behalf
- Developing board orientation and training materials
- Developing and consistently using employment practices
- Negotiating the availability of bank credit and purchasing property and liability insurance to address the organization's principal exposures
- Addressing hazards associated with the organization's fundraising events
- Recommending policies and procedures that insulate the organization from liability when it enters into relationships with partner or affiliate organizations

This list is not exhaustive. There may be other areas in which your organization has risks.

5 Nonprofit Risk Management Center, "Mission Controls Fact Sheets on Crisis Management: Crisis Management Essentials," http://nonprofitrisk.org/library/fact-sheets/essentials.shtml.

6 Alliance for Nonprofit Management, "Risk Management," http://www.allianceonline.org/content/index.php?pid=164.

What Will You Do to Prevent Things from Going Wrong?

Stakeholders expect that you will protect program participants, volunteers, staff, and property. They expect you to appropriately manage funds and resources. They expect your actions to uphold the organization's reputation. Risk management planning demonstrates that your organization is proactively taking steps to meet these expectations. There are seven key steps to a risk management planning process.[7]

1. **Establish the purpose or context for risk management planning**. Clearly state why your organization needs to focus on risk management. Perhaps there have been too many "close calls" and crises were averted due to the quick thinking of staff. Maybe a new program requirement will increase the number of miles clients have to travel. Or perhaps your organization wants to reduce its insurance costs.
2. **Assign responsibility for risk management planning by establishing a risk management committee**. An effective committee will include members, employees, and volunteers who are experienced in nonprofit operations and knowledgeable about the organization's programs, procedures, and legal structure. The committee should ensure that risk management practices are integrated across the organization.
3. **Acknowledge and identify your organization's risks**. The Alliance for Nonprofit Management advises that "no matter how improbable a risk may seem, if you can envision it happening in your organization, you should list it during this stage of the risk management process."[8]
4. **Evaluate and prioritize risk**. The goal here is to identify your organization's major risks and their potential costs. Major risks are those that have a high likelihood of occurring and, if they occur, would have a major impact on governance, operations, finances, external factors (such as public opinion or relationship with funders), or compliance with laws and regulations.[9] Major risks can alter the way stakeholders and the public view and deal with your organization.
5. **Determine how your organization will manage its risks**. There are four ways to deal with risks:[10]
   a. *Avoidance* – Do not offer or stop providing a service or conducting an activity considered too risky.
   b. *Modification* – Change the activity so that the chance of harm occurring and impact of potential damage are within acceptable limits.
   c. *Retention* – Accept all or part of the risk and prepare for the consequences.
   d. *Share* – Examples of risk sharing include purchasing insurance and sharing responsibility for a risk with another service provider through a contractual arrangement.
6. **Implement your risk management plan**. The board should formally adopt the plan. Implementation includes updating job descriptions for staff and volunteers and including relevant risk management information in participant handbooks. In addition, the organization should provide the necessary training to ensure that staff, volunteers, and program participants understand their responsibilities and how they will be held accountable. Your organization should also include incidents and trends related to risk management in its regular reporting.
7. **Review and revise the plan as needed**. The introduction of a new program or new regulations may require changes to the risk management plan. The plan should be reviewed at least annually.

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7 Ibid.; Nonprofit Risk Management Center, "Risk Management Tutorial for Nonprofit Managers."

8 Alliance for Nonprofit Management, "Risk Management."

9 Charity Commission, "Charities and Risk Management: A Guide for Trustees," June 2010, http://www.charitycommission.gov.uk/publications/cc26.aspx.

10 Alliance for Nonprofit Management, "Risk Management."

CRISIS RESPONSE PLANNING IN NONPROFIT ORGANIZATIONS

What Will You Do if Something Goes Wrong?

There are many questions to answer if a crisis hits your organization. Who will make decisions during the crisis? In the case of embezzlement or scandal, what will be done to protect the nonprofit's reputation and to reassure donors? If computer systems have been compromised, how will donors be informed and kept protected? If a natural disaster has forced an evacuation, how will clients know if services are still available or where to go to find them? How will regular donors be informed if the organization needs emergency funds? How will staff know where to report to work? If an organization has to figure out the answers to these questions during the crisis, it will be viewed as unprepared, disorganized, and poorly managed.

Crisis response planning helps organizations answer these questions before a crisis occurs. The planning is designed to address the worst-case scenarios. The goal is to establish protocols and procedures to guide management decision-making, employee actions, and client expectations. A comprehensive crisis response plan has ten features:[11]

1. A set of planning scenarios representing a broad range of potential crisis situations that the organization could plausibly face. These scenarios should be based on the major risks identified during your risk management planning.
2. A flexible set of responses that can be combined to deal with unexpected scenarios or combinations of scenarios. The responses should be guided by the organization's mission and ensure the health and safety of staff, volunteers, and program participants.
3. A plan that matches responses to scenarios.
4. A designated chain of command that provides a centralized response and a core response team (see Appendix C). The response plan should include a crisis communication plan.
5. Preset activation protocols, or triggers, to coordinate responses throughout the crisis.
6. A command post that can be rapidly converted for use by the crisis response team and backup. The command post should be located off-site in the event that evacuation is necessary.
7. Clear communication channels for reaching people both on-site and off-site, including backups that are not linked to the telephone system or the web and messages that are composed in advance.
8. Identification of those resources that should be backed up.
9. Regular simulation exercises to practice response protocols and procedures.
10. A disciplined post-crisis debrief conducted by the crisis response team to answer the following questions: What went well and what went poorly? What are the key lessons learned? What changes do we need to make to our organization, its procedures, and support resources?

Disaster recovery and business continuity are distinct aspects of crisis response planning.[12] *Disaster recovery* is the process of rebuilding after a disaster such as an earthquake or major fire, or an emergency like a power outage, has passed. *Business continuity* planning is different from disaster recovery and crisis management in that the focus is on making sure your organization is able to deliver essential services when faced with a major disruption. Additional resources for learning more about disaster recovery and business continuity planning are highlighted in Appendix B.

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11 Michael Watkins, "Your Crisis Response Plan: The Ten Effective Elements," *Harvard Business School Working Knowledge*, 30 September 2002, http://hbswk.hbs.edu/item/3124.html.

12 Nonprofit Risk Management Center, "Business Continuity Planning Course," http://nonprofitrisk.org/tools/business-continuity/business-continuity.shtml.

A comprehensive crisis response plan may take several months to complete. The Nonprofit Risk Management Center recommends beginning with the following activities to jump-start your crisis response planning:[13]

- Formulate a crisis communications team to craft messages; communicate within the organization and with public officials, key funders, program participants, staff, and volunteers; deal with the media; and take care of employees from post-event until the situation is resolved.
- Reach out to key public safety agencies in your community when designing your facility evacuation plan. Determine where the fire or police department is likely to place its staging area and designate that location as the site where staff will congregate after evacuating your building. Many communities also have an office of emergency preparedness that may be able to provide advice on evacuation strategies.
- Establish a network of community institutions that you can call on during a crisis to provide assistance to help through different types of crises.
- Keep a comprehensive directory of personnel up to date, with copies maintained off-site. Be diligent in maintaining emergency contact information for all staff and updating current home addresses and phone, fax, and mobile numbers. With security and privacy issues in mind, consider an online directory that allows each staff member to update personal information without requiring a visit to your personnel department.
- Inventory the physical assets needed to continue mission-critical operations, even at vastly reduced levels. Update these databases or spreadsheets during your annual audit or property insurance renewal process, but record major acquisitions as they occur.
- Maintain a backup of your computer file server and key databases and financial files. Update the backup at least every week and store a copy off-site or in a fireproof safe. Schedule drills every thirty to sixty days to test the procedure and determine if you can restore systems from backup tapes.
- Store copies of all insurance policies, vehicle and property titles, vehicle registrations, and bank account numbers in a safe deposit box or fireproof safe.
- Review emergency and crisis management procedures at least once a year with key personnel. Make it a top priority to create procedures indicating who does what in the event of an emergency, with alternates to replace them.

Links to sample crisis management and communication plans are available in Appendix B.

RESPONDING TO A CRISIS IN NONPROFIT ORGANIZATIONS

In the event of a crisis, the crisis response team should be assembled and the crisis response plan put into action. There are several critical activities on which to focus.

Situational Assessment - Conducting a situational assessment will ascertain the scope of the crisis and determine the appropriate response scenario. Appendix E lists questions that should be included in a situational assessment.

Communication - Ensuring consistent communication is a priority during a crisis. One member of the crisis response team should be assigned the duty of spokesperson, with another selected as a backup. Depending on the exact nature of the crisis, the team should determine how much detail is appropriate for different stakeholder groups to know, from board members to staff, volunteers, media, clients, or funders.

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13 Nonprofit Risk Management Center, "Mission Controls Fact Sheet on Crisis Management."

Communication messages should have the following characteristics:[14]

- Establish a clear position
- Be honest, and be seen as honest
- Be concise
- Look forward to the solution
- Do not assign blame
- Take advantage of your organization's good reputation

A system should be established to provide staff, clients, volunteers, and other key stakeholders with any information they may need. The team should determine what methods of communication will be used for each group, whether a personal phone call or a notice on the organization's website.[15] If bad news needs to be delivered to any of these parties, it is best done all at once, rather than doled out over time. The team should also anticipate that, in any crisis, there is likely to be a proliferation of rumors and exaggeration. Steps should be taken to dismiss these as quickly and effectively as possible and prevent any future misinformation.[16]

It is important to remind staff that all media inquiries should be routed to the official spokesperson. Emphasize this by informing them that there will be serious consequences for failing to adhere to the policy. When dealing with the media, the spokesperson should always be honest and proactive. It is helpful for the spokesperson to make a summary of the known facts of the situation on a regular basis and continue to update media contacts as things evolve.[17]

Ensuring Well-being - Monitoring the emotional health of staff and leadership during a crisis is also important. The crisis may mean the end of a program and therefore a loss of jobs. An accident may have claimed the lives of staff and program participants. Mental health and crisis counseling should be available to anyone impacted by the crisis. Leadership may find it challenging to work under new circumstances, with individual members of the team feeling overwhelmed or panicked. Decision-makers should honestly consider their personal tendencies and how they may affect their behavior and actions during the crisis. Do they often overreact? Are they over-optimistic or defeatist? Do they make decisions impulsively? Perhaps they should stop to get more information or talk to a trusted colleague.[18]

Leaders must also remember to be aware of the limits of their power. In any situation, there will be factors that are beyond their control. A priority, especially in situations where a crisis is likely to extend over a long period of time, is for leaders to take care of themselves. Since key decision-makers are the ones in the position of greatest responsibility, they are often carrying more than their share of stress.[19] A member of the crisis response team can be responsible for monitoring the response team's emotional health.

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14 Molly Schar, "Planning Crisis Communications: Ready-to-Go Public Relations for Bad News," 28 July 2009, http://nonprofitmarketing.suite101.com/article.cfm/planning_crisis_communications.

15 Peggy M. Jackson and Toni E. Fogarty, *Sarbanes-Oxley and Nonprofit Management: Skills, Techniques, Methods* (Hoboken, NJ: John Wiley & Sons, 2006), 126.

16 Harvard Business School Press, *Managing Crises: Expert Solutions to Everyday Challenges* (Boston, MA: HBSP, 2008) 37-39.

17 Jackson and Fogarty, *Sarbanes-Oxley*, 125.

18 Harvard Business School Press, *Managing Crises,* 30.

19 Ibid., 44-45.

Closure - A post-crisis review signals the transition to normal operations and that the crisis has ended. The review is an opportunity to see what was learned from the crisis and provide updates to risk management and crisis response planning. Taking time to do this will help ensure that your organization is even more prepared for the next crisis, if one should occur. The review can answer the following questions:

- What were the early warning signs of the crisis?
- Could we have recognized it sooner?
- What were the organization's weaknesses and vulnerable points?
- How effective were our communications?
- Did we have the right people on our response team?
- How well did our leaders function?
- What could we have done differently?
- How can we better prepare for a similar situation in the future?[20]

You should make sure to compile a complete record of what happened. All documents relating to the event as well as reports from all those closely involved and the management team's post-crisis assessment should be collected and safely stored. If a similar event occurs in the future, this information will be an invaluable resource.[21]

A final step at the end of any crisis is to make an effort to give all those involved a sense of closure. The organization should recognize any heroes that emerged during the crisis.[22] In smaller organizations, the executive director or manager can go to each employee or department and discuss what occurred. They should provide an honest picture of what happened, thank everyone for their efforts, and outline plans for moving forward. In some cases, a party or event celebrating the accomplishment of having weathered the storm might be appropriate. In other instances, particularly those where staff members or others have lost their lives, a memorial service may be appropriate.

With a well-thought-out crisis response plan and an effective system for communicating with key stakeholders in place, and with leaders allowing themselves time to reflect and care for their physical and emotional health, an organization will be well-placed to respond effectively to even the most unexpected and disruptive situations. The exact nature of those responses will obviously be dictated by the type of crisis the nonprofit is confronting, but two key considerations should always remain at the heart of the decision-making process—the organization's mission and the health and safety of staff, volunteers, and clients.

NONPROFIT RISK AND CRISIS VULNERABILITIES

There are several areas in which nonprofits are especially vulnerable to risk and crisis. Significant deficits can be caused by economic downturns or the unexpected loss of a major funder. And like their for-profit colleagues, nonprofits are also vulnerable to loss or damage of physical assets, loss of human assets, and

20 Ibid., 51; Harvard Business School Press, *Crisis Management: Master the Skills to Prevent Disasters* (Boston, MA: HBSP, 2004), 114-115.

21 Harvard Business School Press, *Crisis Management*, 111-113.

22 Colorado Nonprofit Association, "Crisis Communication Plan: Nonprofit Toolkit," http://www.coloradononprofits.org/crisiscomm.pdf.

employee lawsuits.[23] But unlike for-profits, many nonprofits lack the planning and resources to survive crises in these areas.

Significant Deficits

It is common for nonprofit organizations to fail to meet their revenue projections. During the budget process, there are trade-offs between ambitious revenue development goals and actual expenses. However, an unexpected gap in revenue projections can be the catalyst for a crisis. Common reasons for gaps include poor financial management and budget planning, a large-scale economic downturn, or the loss of a major funder.

There are a number of practices undertaken by many nonprofits that can actually weaken their overall fiscal health, including:

- *Excessive borrowing* – Organizations that borrow at attractively low rates against their endowments or based on high revenue estimates can be left holding the bag when the economy slows.
- *Owning space* – Many organizations try to take advantage of real estate booms by overbuilding, gambling that the market value of property will continue to increase or that excess space can be leased to produce more revenue. When real estate markets collapse, these organizations may have difficulty securing tenants and be faced with high fixed costs.
- *Building an endowment* – This is often considered the "holy grail" of nonprofit finance, but endowments can be very unreliable sources of revenue, particularly when they would most be needed, i.e., in times of wide-scale economic distress.[24]
- *Relying on a limited number or range of funders* – Lack of revenue diversification can jeopardize a nonprofit's sustainability. If those limited revenue sources are no longer able to provide financial support, the nonprofit will suffer.

An economic downtown can be devastating to a nonprofit organization. As salaries and corporate profits decrease, so can donations. Endowments can be greatly reduced, and cash-strapped governments can end programs. At the same time, the economic situation with its accompanying employment losses can mean a great increase in demand for services. Nonprofits are also handicapped by a lack of flexibility when it comes to their workforce. Where for-profit businesses can often downsize during hard times to cut costs, this isn't always an option for nonprofits. A hospital, for example, can rarely afford to cut nurses, nor can an orchestra trim back on violin players.[25]

An economic downturn increases the likelihood that an organization will lose a major funder. No matter how much effort a nonprofit makes to diversify revenue sources, sometimes relying heavily on a single funding source cannot be entirely avoided. This loss can have catastrophic consequences for an organization and its programming if quick and effective actions are not taken.

23 Alliance for Nonprofit Management, "Risk Management."

24 Clara Miller, "The Four Horsemen of the Nonprofit Financial Apocalypse," *The Nonprofit Quarterly* 17, no. 1 (spring 2010).

25 Ibid.

Planning

The best way for a nonprofit to prevent significant deficits is to make sure that the organization is financially healthy from the start. There are a variety of steps a nonprofit can take to increase its financial stability and make it more likely that the organization will be able to successfully weather a tough economy:[26]

- Keep investments diversified and varied.
- Maintain a cash operating reserve that will cover at least six months of expenses.
- Remember that assets such as property or artwork are not the same as cash on hand.
- Make sure that your revenue comes from a variety of sources rather than relying heavily on a single funder.
- Regularly reevaluate revenue projections and adjust expenses accordingly.
- Clearly state the responsibilities held by management and the board. Make sure that financial information is regularly available and that decision-making happens in an efficient manner.
- Do not increase services when a one-time influx of funds is acquired. Instead, use these funds for improvements or to cover temporary deficits.
- Carefully consider and keep as flexible as possible the possibility of investing funds in assets.[27]
- Meet with your major funders to learn about possible changes in their funding status and priorities.

Consulting with a financial advisor who specializes in working with nonprofits may be useful for improving your organization's financial management planning. The Nonprofit Finance Fund, for example, offers consulting services, workshops, and clinics that can help an organization make sure it is managing its finances in a sound, stable way. You can find additional information about the Nonprofit Finance Fund in Appendix B.

Response

An organization should begin reacting to the signs of a significant deficit as soon as possible rather than waiting until it has been directly affected (e.g., through the loss of a major grant or donor). Organizations need to find ways to get through while maintaining as much of their programming as possible. They must then rethink their structures and adjust them, if necessary, to fit the new economic climate.[28] There are three responses to consider in the event of a significant deficit: emergency budgeting, program reviews, and revenue recovery.

Emergency Budgeting

Emergency budgeting requires examining each of the organization's revenue sources and determining if any are likely to be cut off or reduced due to the crisis. This should include government grants or contracts,

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26 Alexander Aronson Finning, "Developing a Reserve Policy May Help You Survive the Next Crisis," *Nonprofit Agendas*, April/May 2005, http://www.aafcpa.com/pdf/NPAapril05.pdf; Nonprofit Finance Fund, "A Guide to Navigating Changing Times: An FAQ for the Nonprofit Sector," 17 June 2010, http://www.nonprofitfinancefund.org/details.php?autoID=177; and Nonprofit Finance Fund, "Tips for Nonprofits: Navigating the Financial Crisis," 2009, http://www.nonprofitfinancefund.org/docs/2008/RecessionTips_Workshops.pdf.

27 Miller, "The Four Horsemen."

28 Ibid.

foundation and corporate giving, individual donations, and attendance at special events.[29] Revenue projections for all these sources should be carefully reevaluated to determine if expenses will need to be cut. The team should take into account that, in times of recession, payments will most likely be later than normal and bills will be demanded more quickly. Plans for expansion or large investments such as the construction of a new facility should also be carefully reconsidered.

The emergency budget should establish the minimum amount of money that would need to be earned each month in order to maintain a basic, or core, level of services. This will need to be regularly updated. Budgets should be written with both best- and worst-case scenarios in mind, and revenue projections should be made regularly. It is important to develop a response plan to a worst-case scenario revenue shortfall ahead of time. For a table that can be used in creating a best- and worst-case scenario budget, see Appendix D.

The director and other managers must also determine how costs can be cut. If the organization is renting its office space, it may be possible to negotiate with the landlord for a free month or discounted rent, which he or she may agree to when faced with the alternative of a vacant property. In times of economic hardship, low tenancy rates and a depressed real estate market may also make it possible for some donors to give free space to nonprofits, which can lead to a significant cut in expenses.[30] Consider partnering with a complementary organization to share space or other resources. It may also be possible to renegotiate debt or leases for better terms. If necessary, staff hours may also be reduced.

Program Reviews

To prepare for the possibility of cuts, the crisis response team should take a careful look at programming:

- Which programs are producing surpluses?
- Which are producing deficits?
- How important are deficit-producing programs to the organization's mission?
- What programs are most critical to the organization's mission?
- What will be the cost of an additional client served by each program?
- What programs are likely to see a greater demand during a recession?
- What programs are the organization's donors most likely to continue to support?
- What services can the organization continue to deliver without increasing its staff and space resources?

Asking these questions, should it become necessary, will help make these tough decisions clearer.[31]

Revenue Recovery

The crisis management plan for the loss of a key revenue stream should begin with designating a recovery team. This team should number five to seven people, comprising board members, staff, and volunteers. The team should be trained in fundraising skills. Members of the team should be prepared to spend seven to ten hours per month strategizing and fundraising in addition to their usual responsibilities.[32] The team should begin by assembling a list of potential revenue sources. The list should be made as diverse as possible, and it should combine larger sources that may take a longer amount of time to pay off with smaller sources that can

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29 Nonprofit Finance Fund, "Tips for Nonprofits."

30 Katherine Calos, "Donated Space Breathes Life into Nonprofit Organizations," Richmond Times-Dispatch, 14 December 2009, http://www2.timesdispatch.com/rtd/news/local/article/SPAC14_20091213-222202/311393.

31 Ibid.; Nonprofit Finance Fund, "A Guide to Navigating Changing Times."

32 Kim Klein and Stephanie Roth, eds., *Raise More Money: The Best of the Grassroots Fundraising Journal* (Oakland, CA: GFJ Publications, 2001), 38-39.

be realized more immediately. Activities for potential revenue recovery include:

- Hold a membership drive.
- Charge for subscriptions to a newsletter.
- Run a gifts campaign.
- Charge fees for services, using a sliding scale.
- Sell products such as T-shirts and stationery.
- Speak in front of professional organizations and service clubs.
- Apply for grants from local corporations, service clubs, churches, or unions.
- Apply for a line of credit from the bank.
- Hold special events such as concerts or parties.
- Sell booklets or manuals with useful information.[33]
- Approach corporations for sponsorship.[34]
- If your nonprofit offers services that are particularly applicable to times of economic depression, be more aggressive in approaching government sources for funds.[35]

Once the recovery team has assembled a list of potential revenue sources, it should determine which are the most likely to pay off and what could potentially be received from them. For each source, the team must also take into account:

- Research required
- Time it will take for money to be received
- Manpower needed
- Front money that will have to be invested
- Rules or policy requirements that would go along with accepting the revenue[36]

These criteria can be used to determine which sources the organization should invest its resources in pursuing. Be careful not to invest all of your efforts in a small number of sources that seem like "safe bets," as this strategy will leave the nonprofit in a tough spot if they don't end up paying out. It is also very important for the organization's leaders to work to keep up the morale of staff and volunteers. Individuals can easily become disheartened if the recovery team's efforts do not immediately pay off. Gently discourage negative statements and attitudes, and remind those concerned that it often takes time to develop sound new revenue streams.[37]

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33 Klein and Roth, *Raise More Money*, 41.

34 MoreBusiness.com, "What to Do When You Lose Funding," 2 March 2010, http://www.morebusiness.com/alternative-funding.

35 Nonprofit Finance Fund, "A Guide to Navigating Changing Times."

36 Klein and Roth, *Raise More Money,* 42.

37 Ibid., 40.

Loss or Damage of Physical Assets

An organization is vulnerable to more than just loss of revenue. Damage, destruction, or theft of a nonprofit's property can also have a profound effect on its ability to function. Office space can be damaged due to a storm or fire. Equipment can be stolen. Key program spaces can become foreclosed or prohibitively expensive. Even if these assets are amply insured, making claims can lead to increased premiums and may take considerable time to settle.[38] Protecting physical assets and determining how services can be continued or quickly resumed if they are lost or damaged is therefore a vital part of any crisis management strategy.

Planning

There are several steps in the disaster recovery planning process that an organization can take to protect its physical assets and lay the groundwork for what to do if those assets are lost or damaged. The disaster recovery team should make a list of information and materials that the organization would have a difficult time operating without. This could include office space, office equipment, computers, contact directories, account numbers, and important documents.

Any of those things that can be digitized and duplicated, such as documents, titles, licenses, and directories, should be uploaded to a secure website. Physical copies should also be made and stored in an off-site location in case a natural disaster makes Internet access unavailable.[39] This should include an up-to-date directory of contact information for all staff members, board members, and key volunteers, as well as for accountants, insurance agents, banks, and creditors.[40] Additionally, the organization should maintain an up-to-date inventory of all equipment, including serial numbers and cost. This should also be duplicated and backed up, as it will prove very useful if it becomes necessary to make an insurance claim.[41]

Technology and electronic data play an increasingly vital role in the operation of nearly all nonprofit organizations.[42] As with other documents and information, important computer files such as databases and financial records should be backed up and stored in a secure location online, as well as off-site in DVD format. To prepare for the possibility of computer failure and data loss, leaders should have the organization's technology team conduct drills to test their ability to restore systems from backups.[43]

While data and documents can be copied and backed up, it is harder to replace office space. The disaster recovery plan should include a list of potential recovery locations should office or program space become unavailable. These could include a staff member's home or locations that can be temporarily rented, such as hotels or conference space. Consider forming mutual support agreements with other nonprofits in the area. These agreements can allow for space sharing, which will enable both groups to continue at least limited operations until a permanent solution can be found.[44]

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38 Dale Swoboda and Georgalu Swoboda, *Managing Nonprofit Financial and Fiscal Operations* (Vienna, VA: Management Concepts, 2009), 260-261.

39 Jackson and Fogarty, *Sarbanes-Oxley*, 126.

40 Institute for Business and Home Safety, *Open for Business: A Disaster Protection and Recovery Planning Toolkit for the Small to Mid-Sized Business* (Tampa, FL: IBHS, 2007), 14, http://www.disastersafety.org/resource/resmgr/pdfs/OpenForBusiness_new.pdf.

41 Nonprofit Risk Management Center, "Mission Controls Fact Sheets on Crisis Management."

42 Harvard Business School Press, *Managing Crises,* 7.

43 Nonprofit Risk Management Center, "Mission Controls Fact Sheets on Crisis Management."

44 Thomas A. McLaughlin, *Nonprofit Strategic Positioning: Decide Where to Be, Plan What to Do* (Hoboken, NJ: John Wiley & Sons, 2006), 107.

It is impossible to prevent a natural disaster such as a hurricane or flood, but steps can be taken to discourage an even more common source of damage to an organization's property—fraud and theft. One step that can be taken to prevent theft is to limit access to valuable resources. Only necessary staff members should have access to supplies and merchandise. Not everyone needs to be able to sign the organization's checks or access bank accounts. Perhaps the most important assets for a modern nonprofit to control access to are the computer records of confidential donor information, such as credit card numbers, and the personal information of program participants. The theft of this information can have devastating consequences, as donor and program participant confidence will be greatly undermined and the organization's reputation may be irreparably damaged. Sensitive information like this should always be stored on a secure server and be password-protected.[45]

For links to forms that can be used in helping your organization create a thorough disaster recovery plan, refer to the additional resources in Appendix B.

Response

No matter how well you may have prepared for the possibility, coping with the loss or damage of a major physical asset such as office space or computer systems will require quick, focused action to minimize impact.

If the loss is due to theft, the police should be informed as soon as possible, as should your insurance agent. It will be necessary to implement a strict communications policy, informing staff that all media inquiries should be routed to the designated spokesperson. Consult your insurance agent about how the stolen equipment can be replaced. If the theft was of data rather than equipment, any clients, donors, or staff whose information may have been compromised must be informed immediately.

In a situation where an organization's office or program space becomes unavailable, the organization should consult its list of potential recovery sites and establish which one is the most appropriate. In the case of a large-scale disaster, not all sites will be available. The crisis team should examine factors such as accessibility to clients, available space, cost, and time involved in making arrangements to use the location. Consider whether you will be able to return to your previous office or program space and how long it might take to do so. Which of your recovery locations would be available for that much time?

After a recovery location has been selected, you should take the following steps:

- Relocate any undamaged equipment.
- Replace any damaged equipment that is necessary to resuming operations. Consider leasing or borrowing equipment if possible.
- Develop and implement a communications plan to inform staff, volunteers, clients, and vendors about the new location.
- If services will not be immediately resumed, make sure that this information is disseminated through the media, a phone tree, and/or a website.
- Arrange for call forwarding to the new site.
- Be sure to maintain payroll.
- If the relocation is required because of damage to office space or equipment, be sure to contact your insurer and inform them of the situation.
- Recover critical documents, digital files, and contact information and make sure to bring them with you to the recovery location.[46]

45 Alliance for Nonprofit Management, "Risk Management."

46 Nonprofit Finance Fund, "Tips for Nonprofits."

When the loss of office space is due to a large-scale natural disaster, a few additional steps will need to be taken:

- Ask your clients if they will still need your services. Perhaps their need will be increased because of the disaster. If so, take this into account when planning the resumption of services.
- Determine if any key suppliers are still operational. If not, find alternate suppliers for necessary materials.
- Determine if staff requires transportation to your location.
- Determine if staff needs emergency housing.[47]

In cases of disaster, your organization may be eligible for an assistance fund from the U.S. Small Business Administration. These funds can be applied to both physical and economic damage of up to $2 million.[48]

Loss of Human Assets

For every organization, the most valuable asset is its people. The loss of a key employee, particularly one in a position of leadership such as a manager or executive director, can be just as devastating as a flooded office or a canceled grant. Even under the best circumstances, losing an important leader throws an organization into a period of instability that may make it difficult to function normally.[49]

Planning

Minimizing the impact of losing key human resources starts with taking steps to ensure that they are *not* lost. Some of the traditionally high turnover in nonprofit organizations can be countered with the following sound hiring practices:

- Make the organization's mission the core of any employment pitch. Loyalty to that mission can translate into loyalty to the organization.
- Provide ample training. Don't send new employees up a creek without teaching them how to properly paddle.
- In addition to looking at a potential employee's qualifications, consider their ability to grow and learn.
- Provide fair compensation.
- Check with employees regularly to monitor their job satisfaction.
- Allow opportunities for promotion.
- Keep workloads manageable and encourage a healthy work-life balance.[50]

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47 Institute for Business and Home Safety, *Open for Business,* 8.

48 U.S. Small Business Administration, "Disaster Assistance for Businesses of All Sizes," http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_da_dprep_factsheethome.pdf.

49 Margaret Gibelman and Sheldon R. Gelman, "On the Departure of a Chief Executive Officer," *Administration in Social Work* 26, no. 2 (2002), 66.

50 Lee Mizell, "Taming Turnover: Strategies for Recruiting and Retaining Nonprofit Employees," *Philanthropy News Digest,* 16 March 2005, http://foundationcenter.org/pnd/tsn/tsn.jhtml?id=102200012.

Though taking these steps can help, there is no way to completely prevent the loss of a key player, especially in high-level leadership roles such as that of the executive director. As with the business world, the average tenure of nonprofit executive directors is surprisingly short.[51] Just to make things more complicated, these transitions often come with shorter notice. Key directors and managers who might be planning to move to a different organization often do not share this information ahead of time in order to avoid becoming "lame duck" leaders. And though terminations can be well planned, that is not the case in situations where they are made necessary by a scandal.

However it may happen, the sudden loss of someone who plays such a key role can make it very difficult for an organization to maintain even basic operations, never mind muster the resources and clear thinking needed to plan for an orderly succession. But a disorganized transition can have dire effects on everything from staff morale and the delivery of services to fundraising and reputation in the community.[52]

To minimize these negative effects, a nonprofit should make sure to always have a succession plan on hand, even when it seems impossible to imagine a key leader leaving. The succession plan is not a list of who will replace who. Rather, it is a set of policies and instructions for making the search for replacement leaders as smooth as possible. The plan should include:

- Forging good relationships with consultants, volunteers, and temporary agencies to help you "fill the gap" while the search for a permanent replacement is underway
- Policies for handling the contacts, projects, and files of departing staff members so that nothing gets lost in the shuffle
- A method and timetable for conducting the replacement search
- A list of possible people who could serve as interim leaders while the search is underway, whether another manager, a retired director, a board member, or an outside consultant
- Estimates for the cost of finding a replacement, including fees for search agencies and listings, travel expenses, severance pay, and the additional salary required for an interim leader[53]

For links to several web-based emergency succession plan templates, refer to the additional resources in Appendix B.

Response

When a key leader leaves an organization, the first reaction on the part of the board, other leaders, and staff is often one of fear and panic. It can be easy to worry about how the significant responsibilities that person has shouldered will be handled until a good replacement can be found. It is important, however, that the replacement search be orderly and not rushed. Indeed, times of major transition like the departure of an executive director can often provide opportunities for growth or a useful change of direction. In such a situation, the board of trustees may want to pause to consider where the organization is and where it should be going. What sort of new leader will most effectively be able to further the organization's mission?[54]

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51 Gibelman and Gelman, "On the Departure," 79.

52 Ibid., 70-71.

53 Carolyn Sullivan, "Next Steps After Your Executive Resigns," New Chapter Coaching, http://www.newchaptercoach.com/index.php/nonprofit-management/next-steps-after-your-executive-resigns.

54 Sullivan, "Next Steps;" Gibelman and Gelman, "On the Departure," 79.

Once important questions like these have been asked, if appropriate, the board or executive director and key managers should create a transition committee. This group will be responsible for making sure that the organization continues to function while the leader is being replaced. It will also manage the replacement search.

In deciding whether or not to designate an interim leader, the committee should consider the following factors:

- Is there key work to get done during the transition period that would normally be the departing leader's responsibility?
- What responsibilities can board members and other leaders take on temporarily?
- What additional staffing can the organization afford?
- If a staff member is promoted in the interim, will they be able to transition back to their old position smoothly?[55]

If the departure of a key player was financially motivated, be sure to inform board members and key donors so that they will realize the need for more funding to increase salaries to competitive levels. This should be done as soon as possible so that a higher salary can be used in the search process to attract better candidates.[56]

The committee may also want to consider hiring a consultant to assist in the transition process. Consultants can give advice on how best to conduct the replacement search, how duties should be shared in the meantime, how to pick the best interim leader, and more. Consultant fees can be high, but a consultant may choose to donate his or her time or offer a discounted rate to a nonprofit.[57]

Employee Lawsuits

The largest share of claims filed against nonprofit organizations is related to employment matters—up to 60–75 percent, according to Coregis and the Nonprofits' Insurance Alliance of California.[58]

While a lawsuit from a current or former employee may not seem as destructive as an earthquake or flood, its effects on a nonprofit can be just as terrible. Not only can lawsuits be extremely costly in terms of legal fees and settlements, they can also have an extremely negative effect on staff morale and an organization's reputation. This damage to reputation can have long-term effects on a nonprofit's ability to fundraise and provide services to its community.[59]

Planning

The most important step in preparing a defense against or preventing a lawsuit is for an organization to do everything it can to see that its employees are not discriminated or harassed in the first place. As in any business, there are relatively straightforward steps a nonprofit can take to prevent this in hiring, in firing, and in the workplace.

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55 Sullivan, "Next Steps."

56 Mizell, "Taming Turnover."

57 Sullivan, "Next Steps."

58 Alliance for Nonprofit Management, "Risk Management."

59 Richard Lord, *The Nonprofit Problem Solver: A Management Guide* (Westport, CT: Praeger, 1989), 122.

In hiring

- Focus the hiring process on the skills required for the post.
- Develop a standardized list of questions that will be asked of all interviewees. Make sure the questions relate directly to the skills and abilities required for the job. For example, if a job requires flexibility in terms of scheduling, do not ask a female applicant if she has small children. Instead, ask if she is available to work overtime or irregular hours.
- Check references thoroughly. Ask the references a list of questions and encourage a conversation rather than simply inquire if someone was "good to work with."[60]

In firing

- Document everything relating to the problems with the employee and the dismissal. Concerns about the employee should be put into writing and shared with them at the first meeting. Make records of inappropriate behavior, detailing incidents along with their time, date, and location.
- Be slow and cautious in moving to terminate a problem employee. If you are not sure of how to proceed, consult an attorney for advice.
- Consider using "at will" provisions.[61]
- When you realize it may be necessary to dismiss an employee, meet with them and inform them of your concerns in a specific and detailed way. Give them a chance to explain themselves, and discuss possible modifications that could help solve the problem. Inform the employee that if changes are not made, there may be serious consequences.
- After the meeting, monitor the employee's performance in relation to the issues discussed. If you see improvement, let the employee know you appreciate it.
- If you do not see improvement after a couple of weeks, schedule another meeting and inform the employee that they are being dismissed. Review the discussion from the initial meeting and inform them that the dismissal is due to a failure to improve in the areas mentioned.
- If appropriate, offer severance pay. This may soften the blow of dismissal and make a lawsuit less likely if the severance agreement notes that the employee relinquishes the right to sue.
- Make sure that a witness is present at the meeting during which the employee is dismissed.[62]

Though the majority of employment-related lawsuits involve terminations, perhaps even more troubling are those from a current or former employee that relate to harassment in the workplace. In legal terms, an organization involved in such a lawsuit will need to show that they took "substantial steps to prevent or mitigate such harassment" and that "the employee unreasonably failed to avail him or herself of these measures."[63]

The beginning of any effort to prevent harassment should begin with establishing policies which make it clear that harassment will not be tolerated. Employees should be informed of what constitutes harassment and told that disciplinary actions may be taken if harassment is found to have occurred. The policies should be written down and included in a staff handbook and/or posted in a highly visible location such as a break room.

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60 Lord, *Nonprofit Problem Solver*, 122-131.

61 Nolo, "Employment at Will: What Does It Mean? If You Are Employed at Will, Your Employer Does Not Need Good Cause to Fire You," http://www.nolo.com/legal-encyclopedia/article-30022.html.

62 Lord, *Nonprofit Problem Solver*, 135-138.

63 Herrington J. Bryce, *Financial & Strategic Management for Nonprofit Organizations: A Comprehensive Reference to Legal, Financial, Management, and Operations Rules and Guidelines for Nonprofits*, 3rd ed. (San Francisco: Jossey-Bass, 2000), 484.

In addition, the policies should be discussed at training sessions and staff meetings on a regular basis. The policies should also include a confidential, private, and accessible complaint procedure of which all employees are regularly made aware. Additionally, the policies should include language ensuring that any accusation of harassment be reported to the executive director or another top manager who will be held responsible by the board for thoroughly investigating the report.[64]

In a case where it is determined that harassment has taken place, the organization can take the following steps.[65]

For the harasser:

- Demotion
- Wage cut
- Suspension
- Oral or written warnings
- Transfer or reassignment
- Training or counseling
- Monitoring
- Dismissal

For the harassed:

- Removal of any negative evaluations (e.g., on performance) that may have resulted from the harassment
- Apology by the harasser
- Restoring any leave time that was taken as a result of the harassment
- Monitoring to make sure no retaliatory actions are taken by the harasser or other employees
- Compensation for any financial losses

Taking these steps will minimize the likelihood that a claim will be filed and may serve as the basis for a defense. But most importantly, these steps will help create a safe and comfortable workplace.

Response

Getting sued is an upsetting experience. A very human and understandable reaction is to talk to staff or volunteers in the office about the situation. However, leaders should avoid doing this. It is not uncommon for employees or volunteers to inadvertently or otherwise end up giving information that can later hurt the organization in court. Discussion and gossip about the situation should be strongly discouraged.[66]

When an organization receives notice that a claim has been filed against them, it should immediately inform its attorney and begin preparing a defense. The basic crisis communications plan should also be brought into effect. A lawsuit can often attract media attention. The staff and volunteers should be told clearly to direct any media inquiries to the official spokesperson.

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64 Nonprofit Risk Management Center, "Sexual Harassment," http://www.nonprofitrisk.org/library/articles/employment05001995.shtml.

65 Bryce, *Financial & Strategic Management*, 490.

66 Nonprofit Risk Management Center, "Tell Me About It: Communicating with Key Constituencies During a Lawsuit," http://www.nonprofitrisk.org/library/articles/legal09001998.shtml.

The organization will also want to inform key stakeholders about what is happening. Before deciding who to tell, and how much to tell them, talk to your attorney and get his or her advice. People who may need to be informed could include the board, staff, key volunteers, and donors. Volunteers and donors will most likely need to be informed if any publicity could potentially arise from the lawsuit. It is better for these individuals to hear of the situation from an official source in your organization than through a news report. A statement to these stakeholders should express concern and compassion for anyone who has been injured, without admitting liability, and it should reaffirm a commitment to the organization's mission.[67]

If the person who has filed the lawsuit is someone with whom your nonprofit hopes to continue to have a relationship, do not take punitive actions against them. For example, if you are being sued by a client who regularly uses your services, continue to provide those services. If the plaintiff is a current employee, make every effort not to treat them adversely. Burning bridges will not help your case and will only create more negative feelings.[68]

SUMMARY

Crises can happen at any time, and there is no end to the potential disasters facing nonprofits. Though there are tips and methods that can be applied to help improve your organization's chances of survival if things go wrong, the most effective steps are the ones taken before times get tough. Taking the time to develop plans for risk management, crisis response, and crisis communication can mean the difference between going under and getting back on track. While many of the steps required in the development of such plans are useful for coping with crisis, others are good practices even under normal circumstances for promoting the overall health of your organization. Being fiscally responsible, establishing strong communication policies, protecting employees and volunteers, and creating an efficient managerial structure are all excellent practices, even when sailing smooth waters.

67 Ibid.

68 Ibid.

APPENDICES

APPENDIX A

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APPENDIX B

Additional Resources

Crisis Response Planning

"Crisis Communication Plan: Nonprofit Toolkit"
www.coloradononprofits.org/crisiscomm.pdf
The Colorado Nonprofit Association developed this toolkit as a template for nonprofits to adapt and implement.

Crisis Response, Pandemic, and Continuity of Operations Plans
http://crisisresponseplan.org/
The website of Eau Claire, Wisconsin-based Holly Hart Consulting provides links to free crisis response plans developed with input from emergency government, police, and fire personnel.

"Introduction to Strategic Planning"
http://www.sba.gov/idc/groups/public/documents/sba_homepage/pub_mp21.pdf
This U.S. Small Business Administration document includes information to help organizations develop a strategic plan and "take defensive steps to reduce threats facing your business."

"Sample Crisis Management Plan"
http://www.marketing-small-business.net/support-files/samplecrisismanagementplan.pdf
Mustard Seed Marketing recommends steps to take in case of an organizational crisis or emergency.

Vulnerabilities

Significant Deficits
"Focus on the Economic Crisis"
http://foundationcenter.org/focus/economy/
This section of the Foundation Center's website includes useful links to maps, news, reports, commentary, and webinars related to economic crisis.

Grassroots Institute for Fundraising Training (GIFT)
http://www.grassrootsfundraising.org
GIFT provides guidance related to fundraising through community building and the integration of fundraising, program planning, and organizing within an organization.

"In Bad Economic Times, Focus on Impact"
http://www.bridgespan.org/LearningCenter/ResourceDetail.aspx?id=2448
This article by the Bridgespan Group's Bob Searle and Alex Neuhoff, which originally appeared in the October 30, 2008, issue of *The Chronicle of Philanthropy*, focuses on the experiences of two nonprofit organizations – Jumpstart and Year Up.

Nonprofit Finance Fund (NFF)
http://www.nonprofitfinancefund.org
NFF provides advice and consulting on financial management for nonprofit organizations.

Loss or Damage of Physical Assets

"Business Continuity Planning Course"
http://www.nonprofitrisk.org/tools/business-continuity/business-continuity.shtml
An online course from the Nonprofit Risk Management Center designed to help organizations develop, implement, and test a plan for continuing operations in the face of a crisis.

"Communications, Protection, Readiness (CPR)"
http://www.npower.org/files/page/CPR.pdf
NPower developed this guide to business continuity and disaster recovery to help small to medium-sized nonprofits learn how to effectively manage and work through crisis.

"Disaster Planning and Recovery Toolkit"
www.techsoup.org/toolkits/disasterplan/index.cfm
This section of TechSoup's website highlights resources that can help nonprofits "keep disasters from becoming disastrous."

"Open for Business: A Disaster Protection and Recovery Planning Toolkit for the Small to Mid-sized Business"
http://www.disastersafety.org/resource/resmgr/pdfs/OpenForBusiness_new.pdf
The Institute for Business and Home Safety's toolkit includes multiple forms and other useful information to assist in the creation of a thorough disaster protection recovery plan.

Loss of Human Assets

Emergency Succession Plan Sample
http://www.compasspoint.org/assets/520_emergencysuccessionplanmo.pdf
Developed by CompassPoint Nonprofit Services for its "Executive Transitions" program, this sample emergency succession plan is modeled on one adopted by an agency in San Francisco.

Emergency Succession Plan Template
http://www.ncdhhs.gov/oeo/csbg/csbg_Emergency_Succession_Plan_Template.doc
The North Carolina Office of Economic Opportunity adapted this document from an emergency succession plan template developed by Silver Spring, Maryland-based consulting firm TransitionGuides.

Executive Director Emergency Succession Plan Template
http://www.nfcb.org/conference/Conference%20Resource%20Page%20materials/1_emergency_succession_plan.doc
This resource from the National Federation of Community Broadcasters focuses on assigning a backup for core responsibilities of the executive director and capturing vital information.

Employee Lawsuits

Nonprofit Risk Management Center
http://www.nonprofitrisk.org/
The Center's website features an archive of helpful articles addressing such topics as "Five Things That Should Never Appear in an Employee Handbook," "Grievance Procedures and Internal Dispute Resolution," and "Sexual Harassment."

APPENDIX C

Assembling a Crisis Management Team

In assembling a crisis management team, consider who the primary decision-makers are within the organization. Because the crisis is likely not defined when the team is identified, include people with varying responsibilities within the organization.

One way to determine the members of a crisis management team is to consider the best person and backup for each of the responsibilities listed below.

RESPONSIBILITY	PRIMARY	CONTACT INFORMATION	BACKUP	CONTACT INFORMATION
Decision-making authority				
Spokesperson to both media and general public				
Communication with personnel and volunteers				
Communication with key donors				
Communication with board members				
Communication with clients (including signs at all program sites)				
Compile records of all events within crisis				

APPENDIX D

Best- and Worst-Case Scenario Budgeting

You should create three different budgets when planning for or faced with a significant deficit. Your core budget is based on your current financial situation. Your best-case and worst-case budget scenarios should be based on assumptions related to revenue recovery. Continually monitor the impact of your revenue recovery and review program decisions to determine which budget scenario is most likely to prevail.

The top row has been filled out as a sample. These numbers will help you determine if you can maintain your current programmatic activities during an economic downturn.

REVENUE SOURCE	CORE	BEST CASE	ASSUMPTIONS FOR BEST CASE	WORST CASE	ASSUMPTIONS FOR WORST CASE
Foundations	$200,000	$300,000	We receive all of the grants we received last year, plus a modest increase.	$100,000	Five current supporters shift their priorities and no longer fund our programs.
Corporations					
Federal Government					
State and Local Government					
Individual Donors					
In-Kind Support					
Fundraising Events					
United Way					
Combined Federal Campaign					
Program Fees					
Merchandise Sales					
Interest					
Other Revenue					
Rental Income					
Totals					

APPENDIX E

Situational Assessment

Your crisis communications team should assess the situation, determine facts, and begin delegation. Questions to help devise appropriate crisis communications response include, but are not limited to:

- Who is the crisis communications lead person responsible for ensuring that all steps are taken? (Most likely the director of communications.)
- What is the situation? What will happen next?
- Who on staff needs to be involved?
- What immediate steps need to be taken?
- Who will begin the staff and board phone trees?
- What is known and who already knows it?
- Is there potential public interest? Does the issue have traction? (Will it become anything more than a blip on the evening news?)
- Who will be affected?
- What are people feeling? (What emotions need to be considered?)
- What information is needed and who beyond organizational staff need to get it? When will it be available?
- What should the organization do about it? Proactive vs. reactive? Contact or refer to another organization?
- What can and can't be said? What are the organization's privacy policies?
- Is legal or public relations counsel needed? If PR counsel is needed, is a firm necessary? Who will communicate the response as spokesperson? (Most likely the president and CEO.)
- How will the response be communicated? (Could include: newsletter article – low urgency, also good as a follow up to any major situation; one-on-one meetings – higher urgency, specific audience targeted such as legislators; media release – higher urgency, broad public appeal; media conference – high urgency and big issue; etc.)
- Should a resource list be compiled of additional nonprofit spokespeople?
- What media will be contacted? What legislators? What donors? Others to consider include: organization members, National Council of Nonprofit Association members, etc.

Adapted from the Colorado Nonprofit Association's "Crisis Communication Plan: Nonprofit Toolkit," www.coloradononprofits.org/crisiscomm.pdf.

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