

Governance & Disclosure Practices

Learning Series for Voluntary Organisations, Vol.-II, Issue - VII, 2013-14

Board's Role in Crisis Management



A joint initiative of Credibility Alliance & Oxfam India



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Improving Governance Building Trust

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Board's Role in Crisis Management

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* The Advisory support members have contributed to the document, however, the entire content is not necessarily the opinion of the advisory group.



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Board's Role in Crisis Management

Introduction

- 1.1.1** All organisation should have the ability to handle unexpected situations and circumstances. Nobody can plan and predict all the future events and activities. Therefore, all organisations should build some inherent capacity to handle unexpected situations. All unexpected events which are likely to create a spot of bother for the organisation can be called as crisis.
- 1.1.2** Contrary to the common perception, a crisis need not necessarily be negative in nature. In this issue we shall try to understand various issues pertaining to the probable crisis and its management in case of an NPO.

Distinguishing Crisis from Change

- 1.2.1** A 'crisis' should be distinguished from 'change'. A 'change' is a much broader concept. An organisation may face various challenges of change, which are not necessarily crisis. A change may happen with or without a crisis. A change may be required even without a crisis. All organisations are also subject to life cycle wherein the needs and the ability to respond may differ from time to time. Just like the needs and preferences of a child may differ from the needs and preferences of an adult.
- 1.2.2** NPOs, like human beings, also undergo various phases and changes in their life, which may produce various kinds of challenges such as :
- ◆ The very existence of an NPO may be threatened based on an external or internal change. For example, the NPO preaching Swadeshi through

Khadi and other indigenous skills and habits may have to adapt to the changes in people preference and other indigenous innovations.

- ◆ The skills of an NPO may become redundant on an external or internal change. For example, the NPO providing vocational training on repair of traditional radios and televisions may find difficult to survive due to change in technology.
- ◆ An NPO may be subjected to the so called 'future shock' where the external environment changes so rapidly, making it difficult to keep the pace.

Distinguishing Crisis from Risk

1.3.1 A 'crisis' should also be distinguished from 'risk'. A 'risk' is a probability attached to the happening of a crisis or an event. A risk pertaining to a crisis may or may not be under the control of an organisation. For instance, a risk pertaining to a sudden legal change or withdrawal of a donor due to the change in policy of the country, are the types of risk which are difficult to anticipate and control.

1.3.2 A risk might be difficult to anticipate by an organisation but may be reasonably controlled. For instance, risk pertaining to a unexpected natural disaster can be controlled and mitigated by following certain constant precautions. It is like continuously wearing seat belts and helmets even when one is not expecting an accident.

1.3.3 A risk might be easy to anticipate by an organisation but can be difficult to handle. For instance, risk pertaining to the phase out of the primary donor can be easily anticipated, but it may be difficult to control and mitigate the impact.

Negative Types of Crisis

1.4.1 As discussed above, an NPO should be prepared for all kinds of crisis situation which may be negative or positive. Some of the probable negative crisis situation in case of an NPO are discussed below :

- ◆ An NPO dependent on grant and external project funding is always under the risk of a funds crisis, particularly the NPOs which are largely dependent on one or few sources of funding.
- ◆ An NPO may face programmatic crisis with changes in external environment. For example, in a vocational training programme the skills

and capacity imparted by the NPO become redundant due to technological advancements.

- ◆ An NPO may face crisis of expertise and communication due to the death or unavailability of a key functionary. Many organisation exist only in the memory of the key persons and they face crisis when such person are not available. The skills and expertise of an NPO are heavily dependent on specific individuals which is a subject matter of a probable crisis.
- ◆ An NPO may face crisis due to attrition and turnover of staff. The organisational capacity and expertise for running various activities may become difficult to sustain.
- ◆ An NPO may face various types of organisational disasters or unexpected events such as :
 - ◆ Legal cases against the organisation by stakeholders including government, donor etc,
 - ◆ Suspension of registration due to inquiries and show causes which may or may not be true,
 - ◆ Major cases of corruption or embezzlement of funds within the management or staff of the NPO,
 - ◆ Death or illness of key staff of the NPO,
- ◆ An NPO may face crisis if its properties are mortgaged with banks and is unable to repay the loan,
- ◆ An NPO may face crisis due to disasters like earthquake, flood, epidemic, fire, accident, civil unrest etc.

Positive Types of Crisis

1.5.1 As discussed above, an NPO should be prepared for all kinds of crisis situation which may be negative or positive. Some of the probable positive crisis situation in case of an NPO are discussed below :

- ◆ An NPO may face programatic crisis with changes in external environment. For instance, improvement in government delivery system may make the programmes of NPO less relevant. To explain it further, suppose the defunct government schools/dispensary start functioning in a village, then the relevance and purpose of similar initiatives of an NPO may have to be redefined. In the above example, if the government run schools/dispensary become operational or effective, it is a great news for the society, but at the same time it can create a crisis for the NPO.

- ◆ An NPO dependent on grant and external project funding may suddenly receive funding for large projects which are much higher than the fund/program management capacity of the NPO. For example during the Tsunami disaster in 2006 in India and Sri Lanka, many NPOs were flooded with unprecedented amount of funds which was much beyond their capacity to handle.
- ◆ An NPO may receive unprecedented response from volunteers for its activities. For example, an NPO may call for volunteer in a afforestation drive and a huge number of volunteers turn up and the NPO does not have the capacity or resources to use so many people.
- ◆ An NPO may be selected for higher responsibilities, for instance one of the NPO in a network of NPOs may be invited to lead a large project/initiative by a donor or government.
- ◆ An NPO may receive unprecedented response from beneficiaries for some of its proposed activities. For example, when an NPO proposes to conduct cataract operations for affected people in a particular area, the number of beneficiaries turnout is much more than the anticipation or capacity of the NPO.

Crisis Management Planning & Strategies

1.6.1 It is always difficult to plan for something which is not known. An NPO may never be able to anticipate all the crisis situation it may face in future. However, an NPO can make various broad systemic and fundamental allowances to handle various kinds of crisis situation. Some of the strategies/characteristics which will help in better management of crisis are discussed as under :

- ◆ **Organisational Vigilance** : All NPOs should develop a continuous mechanism of alertness and vigilance. An organisation should not be caught off guard for any crisis or problem which is brewing within. *It is said that even the most devastating fires of the world could have been prevented by a cup of water at the right time.* For instance, if an organisation is facing constant reduction in funds it should start simultaneous reduction in various fixed and variable cost. It may have to reduce activities, it may have to layoff staff etc. Therefore, the Board should develop a checklist of various key areas and analyse the possibility of any impending crisis. The Board may, once in every six month, review the issues such as, adequacy of finances, legal compliances, adequacy of the internal control and audit system etc.
- ◆ **Organisational Ability to scale up or scale down** : All NPOs should have the organisational ability to scale up and scale down the activities and functions,

if required. For instance, the Board of an NPO may make a mock exercise and try to see its ability to respond, if it is required to work under the following circumstances :

- ♦ The project funds are reduced by more than 50%
- ♦ The project funds are increased by more than 300%
- ♦ The geographical area is increased manifold
- ♦ It has to close down most of its project office which have permanent infrastructure and staff
- ♦ It is required to play a role at the national level from the district level activities it was doing
- ♦ It requires high number of staff and technology to manage diversified activities and multiple funding

In the above instances which are just illustrative in nature, an organisation can easily identify its ability to face various situation and it can take remedial measures in its existing systems. For instance, if an NPO is not certain about future funds mobilisation it may consider hiring additional staff only on short term contract. Or an NPO which anticipates the possibility of a considerable increase in its geographical area, may start networking with diverse NPOs spread in a larger geographical area. The moot point is the ability of the organisation to be flexible and receptive in order to adapt to various kinds of circumstances which may unfold in future.

- ♦ **Precautions and Insurance** : All NPOs should analyse the possible precautions and insurance they can make against future contingencies. An NPO should insure against any major calamity or contingencies through various insurance policies which the Board may decide from time to time. Further, one cannot get insurance policies against everything therefore, the Board should also identify and put in place various precautionary measures against various risk such as litigations, corruptions, death of key people etc.
- ♦ **Corpus and Endowments** : All NPOs should try to create reasonable resources of permanent nature which can sustain them in adverse circumstances. Generally corpus is not a very good idea as it barter the present with future. However, it is always desirable to create certain basic resources, assets and funds which can support the organisation in its basic activities.
- ♦ **Sustainable Options** : All NPOs should also try to create options of sustainable activities. Sustainability is a multifaceted issue and can be aspired in many ways, some popular method of sustainability are as under :
 - ♦ Smaller NPOs and sustain various activities through multi tasking, because they may not have resources to hire the required number

of staff with specific skills. Or a full time staff for specific type of skill might not be necessary,

- ◆ Sustainable programmes can be created, for example, many NPOs run Non Formal Education (NFE) centres, dispensaries, primary schools on cost to cost basis with local resource persons,
 - ◆ The core cost can be kept at reasonable level for greater sustainability,
 - ◆ Constant capacity building of staff and Board members can help in a sustainable work force with adequate experience, even if there is attrition or turnover of staff,
 - ◆ The sources of income and funds are kept diverse so that if some sources are not available even then the work of the NPO can continue.
- ◆ **Second Line of Leadership** : All NPOs should try to create a second line of leadership both at legislative and executive level. Most NPOs depend on one or two charismatic persons and therefore, face problem when such persons are not available in future. A healthy rotation policy in the Board with strong democratic practices can help in handling leadership crisis. Similarly, a group of empowered senior staff can also be useful if some senior staff are not available in future.
- ◆ **Data & Knowledge back up** : All NPOs should create a proper back up for all kinds of data and knowledge resources available. The back up could be of the electronic data or the legal documents or even the organisational ethos and history. Many organisations exist only in the memory of the key people and they face crisis when such persons are not available. Effort should be made to make the organisation independent of individuals and contingencies in terms of the data and knowledge available. NPOs should use modern technology to preserve its data and knowledge available in all possible form such as visuals, photos, data, voice data etc. Further modern methods of storing such as cloud storing or external disk etc. should be used.

About Credibility Alliance

Credibility Alliance (CA) is a consortium of Voluntary Organizations committed towards enhancing Accountability and Transparency in the Voluntary Sector through good Governance. Registered in May 2004 as an independent, not-for-profit Organization, CA emerged as an initiative from within the Sector after an extensive consultative process over a period of two years involving thousands of VOs all over India. As an Organization, CA aspires to build trust among all stakeholders through improving Governance within the Voluntary Sector. As an initiative whose hallmark has been the participatory approach, CA has developed suitable Norms through wide-ranging consultation with and participation of diverse Organizations within the Sector by developing a large membership base.

With the mission 'to build credibility of the Voluntary Sector through creation and promotion of Norms of Good Governance and Public Disclosure', CA's core programme areas comprise of: Accreditation, Capacity Building, Networking and Information Dissemination.

- I. **Accreditation:** Accreditation of Voluntary Organizations refers to the certification of upholding of the quality of an organization, which adheres to the minimum norms or desirable norms set by Credibility Alliance. The main purpose of the Accreditation exercise is to develop a cost effective mechanism of periodic evaluation of VOs in the country.

'Minimum Norms' are the Norms that all VOs should follow. It is mandatory for all the Accredited Members of CA to comply with the Minimum Norms or give an undertaking that they will do so within an year, whereas 'Desirable Norms' are the next level of Norms for good Governance and public disclosure. These are the practices that are at present not mandatory and some Organizations may require time to adopt such practices.

- II. **Capacity Building:** Credibility Alliance focuses on the Capacity Building process to maximize its potential and sustain its work by adopting the existing best practices. CA plans the Capacity Building initiatives for the Voluntary Organizations by identifying and outlining the gaps in the Sector, assessing the needs and finally instituting the programs to address those needs.
- III. **Networking:** Credibility Alliance facilitates interaction between experts in different areas and promotes the sharing of ideas and information between the Voluntary Organizations and the experts. CA helps VOs to seek issue-based information in the Sector that they are working in, which helps in building the professional capacities of VOs through training, thereby enabling them to increase institutional capacities.
- IV. **Information Dissemination:** Credibility Alliance sensitizes, spreads awareness, assists, educates and appraises on the recent developments, responsibilities and other critical issues pertaining to Voluntary Sector by disseminating vital information periodically to all VOs.



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