



Number 9

*Join Us in Our Continuing
Series of Discussions*

Has your organization faced
a crisis and survived?

What were some of the key
elements of the crisis and what
were the contributing factors to
your success in overcoming it?

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Working Paper

Dealing with Crisis *Achieving Stability in Difficult Times*

Jane Culbert

Consultant, Wolf, Keens & Company

During the weeks following September 11th, 2001,
there were many reports of organizations in crisis.
The crises in many cases were only tangentially
related to the September 11th events, if at all. Some were an
outgrowth of poor management, others of inattentive board
leadership. Sometimes, a qualified leadership team was caught
totally by surprise. Other times, the crisis was inevitable.

At Wolf, Keens & Company, we have noticed that people
react to organizational crisis in a predictable way. First responses
tend to be emotional – disbelief, denial, and anger. There is
also a desire to find someone or something to blame. Perhaps
this is why the tragic events of September 11th have been so
often invoked.

But if rebuilding is possible, coping with grief must give
way to a plan for addressing short- and long-term challenges.

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- WHO: Organizations must determine who is critical to the process of problem solving and committed to seeing a successful resolution. It is desirable to involve those who can put up money or whose deep pockets and financial acumen inspires confidence.

- WHAT: The leadership group must quickly figure out what they need to know and how to get the information. This may involve a careful reanalysis of the organization's finances, its recent history, its future commitments, and its governance and staffing. The worst thing to do is to take action without having the facts.

- HOW: The third step is to identify a game plan. First is the short-term plan to deal with the immediate crisis. Certain actions must be taken to remedy the most urgent symptoms and inspire confidence. Once the most immediate emergencies are dealt with, there is often a sense of relief, exhaustion, or some combination of the two. But this is precisely the moment when a deeper analysis is required to avoid a reprise of the problems that occurred. This next step of work must include a detailed organizational assessment, a scan of industry trends, and an analysis of

the operational environment to determine what has brought the organization to its recent point of crisis.

- WHEN: The final major task is to develop a multi-year sustainability plan – a blueprint for the future that identifies changes that will lead to institutional capacity building. This plan must include goals for programs, operations, finances, and fund raising. It must include detailed budgets, timetables, targets to be achieved, and mechanisms for evaluation. It is likely that solutions to major crises will involve significant shifts in organization programs, staffing, and/or operations, which may meet with resistance. Solving crises may mean changing people, both board and staff – asking people to leave and/or asking people to work differently.

- GARNERING INVESTORS: The pay-off for the work is to find the investors who believe in the vision and the plan. Often these are the very people who have been involved in solving the problems in the first place.

We invited three individuals who have observed organizations in crisis to share their experience and insights.

Henry Moran

Executive Director

President's Committee on the Arts and Humanities

Standing wet out-of-the-shower and watching the horrific live FOX broadcast collapse of the World Trade Center towers and the burning cleft in the Pentagon was not only numbing, but remains almost non-expressible. Months later, we look to the entities that define values associated with American life – nonprofit organizations and educational institutions (and specifically, front-line arts and humanities organizations). They are central in a system beleaguered by complexities, contradictions, and convoluted economics.

We look to these organizations to meld thought and feeling together and to celebrate the human spirit. But these performing, exhibition, and literary resources are under pressure. Demand, as measured by attendance, is up over here, if “here” is community-grounded and accessible, and down over there, if “there” is heavily travel-

dependent. Mix this up with a quadrilateral economic witching head – disinflation, diverted contributions, down drafting marginal income, and direct cost increases – and the recipe for organizational crises is ripe.

Under these circumstances, Jane Culbert's level-headed formulation of how organizations should deal with crisis is constructive. I would add that the emphasis on people and on leadership must be paramount in these times. In certain situations, it is leadership with restraint, in others, it is leadership innovation, and in some cases, it is wholesale leadership change. It is important at the same time to build on internal human resources. “Don't eat your seed corn” is a Midwest expression not only heard from the tractor, but from Harvard-trained senior planning and strategy executives as well in their advice to large multi-national corporations.

M. Melanie Beene
Program Director
The James Irvine Foundation

In my experience, people in crisis prefer a familiar problem to an unfamiliar solution. This cuts against implementing bold or innovative solutions. When times are tough, our instinct is to work harder and faster, doing exactly what we were doing before, only more intensely. But in times of acute crisis, the first thing we need to do is STOP and totally reassess.

Anyone with even a tad of historical perspective could have predicted that the boom economy of the 1990s was not sustainable. So now, many organizations are dealing with a cyclical economic crisis. They would be in this situation (although arguably to a lesser degree) even without the events of September 11th. Many of these organizations are fragile. They are under-staffed and under-capitalized, fueled by passion, sweat equity, and volunteer

energy. During times of plenty, the inclination is to operate in a more humane way with a bit more breathing room, rather than saving for a “rainy day fund.” When the inevitable downturn arrives, the organizations have no reserves to sustain them through the tough period.

The steps outlined in this *Working Paper* – analysis, planning, selling your plan to investors – are the same ones organizations should follow continually. But in an acute crisis on top of an economic downturn, it is crucial to be rigorous in one’s identification of the problem(s). In so doing, one cannot make the assumption that by going through an in-depth assessment an organization will turn out to be sustainable. Facing this fact and its implications may well be the most critical part of the assessment process.

C.C. Conner, Jr.
Managing Director
Houston Ballet

In the course of my time as leader of the Houston and Joffrey Ballets, I have lived through major crises.

In 1992, creditors sued The Joffrey and froze box office receipts while on tour in San Francisco. This created an immediate financial crisis. We gathered board leaders, identified lawyers to assist us pro bono, had the box office receipts released, and developed a payment plan to satisfy the claimants. That solved our immediate problem but not the larger issues which created the problem. We had to resolve The Joffrey’s continuing struggles with touring and its need to find a permanent, reliable home. The planning process we went through resulted in the happy decision to make Chicago the home base for the Company’s work and activity.

In 1995, just before I joined Houston Ballet, the Company faced a financial crisis that threatened its survival. A gathering of key players identified a short-term solution involving painful cutbacks. A subsequent longer-term planning process, which I helped lead, resulted in

substantial changes to Company operations. One of the changes was an important shift in budgeting philosophy. Instead of beginning with expense requirements and trying to meet these with unidentified revenue sources, we now project reasonable revenues first and hold costs to within these projections. Sounds logical and easy (it’s not) and the discipline of it has resulted in surplus budgets every year since.

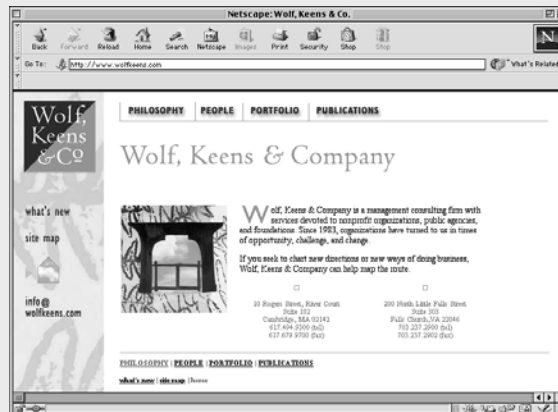
What I have learned is a simple formula. Overcome the initial panic and fear. Assemble the right team of key players. Look for the short-term solutions that will keep the company in business long enough to do the kind of long-term planning that will ultimately solve the larger, more fundamental problems.

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