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FREEING NONPROFITS FROM THEIR RISK-AVERSE SHACKLES

As the country deals with the aftermath of Hurricanes Harvey and Irma, we look back at some lessons learned by Keith Liederman and the board of New Orleans’s Kingsley House as they dealt with Hurricane Katrina and the events that followed that terrible storm. The lessons learned remain relevant today.

Unprecedented crisis requires equally unprecedented response and risk taking. Undoubtedly, this is not an entirely foreign concept for many of us in the nonprofit sector. Most likely, we’ve heard one variation or another of this statement. And, often times, our willingness to take on risk comes in the form of a pronouncement of our commitment (e.g., “If we’re really serious about tackling the big problems our community is facing...”). But until the aftermath of Hurricane Katrina in 2005, I’m not sure that I really understood or appreciated just how important it is for our organizations to free ourselves of our habitually “risk averse” shackles and implement a much more assertive, strategic, calculated process of risk taking to maximize our impact.

Hurricane Katrina and the horrifically tragic events that followed the storm were indeed unprecedented for the state of Louisiana. In fact, the level of destruction and devastation our state and region experienced dwarfed any previous natural and person-made disasters in our nation’s history. In the Greater New Orleans area, where my agency is based, we were faced with the following seemingly insurmountable challenges:

- Resettlement of more than 1.5 million people
- More than 430,000 homes affected in the metropolitan area, with 200,000-plus either totally destroyed or with major damages
- 180,000 of 200,000 homes uninhabitable in Orleans Parish alone
- 80 percent of New Orleans flooded (180 square miles), an area twice the size of Virginia and seven times larger than the island of Manhattan
- 80 percent of the area's public and private social and human services organizations either temporarily or permanently incapacitated

Obviously, the magnitude of need was such that none of us could act in isolation to meet these extraordinary challenges (I'll touch more on the importance of collaboration later in this article). But, in the immediate aftermath of the storm, one of my top concerns was for our staff and their well-being during our prolonged period of mandatory displacement. Luckily, I was able to almost immediately connect with our board president and executive committee members and received their authorization to keep all 110 of our full-time employees on payroll and benefits for nearly eight weeks, or four payrolls, at a cost of approximately \$130,000 per payroll.

This was extremely risky for our organization because we did this while we had virtually no operations, saw our funding plummet from \$400,000 in monthly revenues to \$35,000/month, exhausted our operating surplus and had to withdraw significantly from our limited reserve funds, and reached a record high deficit for the agency. Despite all of that, I remain convinced that we had to do everything we could to keep our staff whole during the crisis, no matter how much of a "hole" it put us in financially.

The board also supported my decision, a little more than a month after the storm, to hire a local contractor, as well as an out-of-state sub-contractor, so that we could immediately begin repairs to our campus. This was well before we even had an estimate or settlement from our insurance company. Almost half of our four-acre facility was severely damaged, and we incurred more than \$4 million in storm-related damages, but I desperately wanted to get our operations up and running as soon as possible. So many of our fellow human services agencies were down for the count, and we had the capacity to at least partially get back on line and assist in the city's recovery.

The board also went along with my decision to hire an owner's representative to work with me on the building repairs, even while knowing this could mean greater debt to the agency. In fact, within a month, the insurance company agreed to fully cover our costs for the owner's rep.

Finally, within the first month following the storm, the board supported my decision to take yet another unprecedented risk for our agency and partner with a major local private foundation, our area United Way, and several other large multi-service agencies to pool our scarce financial and human resources and collaborate and coordinate our efforts to help displaced and returning residents. Our unprecedented collaborative response to the post-Katrina crisis became known as the Community-Based Services Network (CBSN). CBSN successfully partnered with the Louisiana Recovery Authority in early November 2005 and, over the next two years, was able to meet the full range of recovery needs of tens of thousands of families and households throughout the region. The CBSN also established a model for the local nonprofit community, which was successfully replicated in response to the severe damages to our region caused by Hurricane Gustav in 2008 and the BP oil spill in 2010.

At the time, though, in 2005, this was a huge paradigm buster for our agency and all of our CBSN partner organizations. So it took a real leap of faith on the part of my board to commit to doing something of that magnitude ("all in") that we had never done before in our then 109-year history. But, unprecedented crisis called for equally unprecedented response and risk taking!

These post-Katrina experiences started a process for Kingsley House of much more intentional, assertive, and strategic risk taking — again, a major paradigm shift for our historically “conservative” organization. We began aggressively seeking opportunities to grow our strongest, highest impact programs, as well as do things differently at all levels of infrastructure to support our program operations and maximize our impact on those we serve and on our community. Here are some examples of how we have enacted this new way of doing business to tackle some of our community’s greatest challenges:

- Three years ago, to meet the ever growing need for high-quality early childhood development and education in New Orleans, we did something unprecedented for our organization. For the first time in more than 100 years, we began providing early learning services in another location, away from our main campus, in an also unprecedented public/private partnership.
- In 2013, in another unprecedented move for the agency, we purchased a 4.2-acre swath of property and took on debt to even further expand our capacities to grow early learning opportunities in the city and also meet the needs of even more medically fragile adults and seniors. Our new 24,000 square foot facility is targeted for completion by early summer!
- And, finally, this past year, after being a delegate to our local Head Start grantee since 1966, Kingsley House successfully competed to become our own grantee and doubled our footprint in early learning to just under 800 children and families, with 10 high quality early learning partner organizations in a multi-parish area.

In conclusion, I thought it might be helpful to share significant lessons learned from our post-Katrina experiences:

- Nonprofits have to be willing to take on higher levels of risk in order to meet the needs of those we serve and our communities.
- We must have board leaders who are comfortable and experienced with taking these well-thought-out, calculated risks.
- We must avoid being locked into a single mode organizational approach and be willing and able to make timely shifts and adjustments as needed.
- We must use even limited reserve funds, not only after disaster, but also to prepare the agency for strategic growth (e.g., administrative infrastructure investments).
- We must aggressively pursue all avenues for strategic growth and partner effectively to get to scale with the highest quality, impact-oriented approaches possible.

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