



Governance in a Time of Crisis

Katherine Karl, The Humane Society of the United States, Washington, DC

Justin Zaremby, Patterson Belknap Webb & Tyler LLP

University of Texas School of Law
Philanthropy Southwest
39th Annual Nonprofit Organizations Institute
January 13, 2022



**Patterson
Belknap**

CRISIS TAKES MANY FORMS

- Pandemic
- Terrorist attack
- Data hack
- Embezzlement
- Internal Staff Concerns/Claims
- Financial Collapse
- Supply Chain
- Unexpected Death or Resignation of CEO
- Active Shooter
- Reputational harm relating to a donor

CRISIS RESPONSE: MISSION, OPERATIONS, GOVERNANCE

- A crisis can have a variety of effects:
 - Long-term vs. short-term operational impact
 - Governance impact, including changes of leadership
 - Impact on the ability of an organization to engage in its mission entirely

CRISIS MANAGEMENT AS STAKEHOLDER MANAGEMENT

- Who are an organization's stakeholders?
 - Directors
 - Staff
 - Charitable class served
 - Community
 - Donors
 - Volunteers
 - Alumni
 - Political leaders
 - Broader public

TOOLS FOR MANAGING CRISIS

- Crisis management requires the ability to balance strategic decision-making with responsiveness across a variety of spaces:
 - Legal
 - Operational
 - Financial
 - Public Relations

FIDUCIARY DUTIES

- Directors and officers owe fiduciary duties to the nonprofit organization: the duties of care, obedience, and loyalty.
- Directors and officers must act in good faith and in the best interests of the organization (e.g., work to fulfill the organization's tax-exempt purposes and maintain its tax-exempt status).
 - The Board is ultimately in charge and is responsible for the overall financial health and mission of the organization, but should avoid micro-managing staff.
 - Management is responsible for directing day-to-day operations under a Board-approved budget, making the Board aware of significant risks (financial, programmatic, operational, reputational), and working with the Board to address such risks.

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: Governance in a Time of Crisis

Also available as part of the eCourse

[2022 Nonprofit Organizations eConference](#)

First appeared as part of the conference materials for the
39th Annual Nonprofit Organizations Institute session
"Governance in a Time of Crisis"