

Final Exam

Submitted to Dr. Chere M. Brown

As Part of the Course Requirements of

LS 617 Leading Through Times of Crisis

By

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1. Why do you think officials at LIPA ignored the advice of experts?

Facts show that the Long Island Power Authority (LIPA) was poorly equipped for a crisis. LIPA was shaped after the local utility was unsuccessful to quickly respond to Hurricane Gloria and wasted millions of dollars trying to build the Shoreham nuclear plant, which never released. (Guelpa, 2012) A former LIPA executive recently stated that the utility's infrastructure has remained largely unchanged since Gloria. This includes the maintenance of its database on a 25-year-old mainframe computer, which, a state probe after Hurricane Irene concluded, leaves the company unable to manage large scale outages. One of the reasons the officials at LIPA ignored advice of experts was to believe the system is very dependable but a major storm was so much greater than they were planning for. Another reason was to protect the corporate profits by rejecting the distribution of system to protect from severe weather.

2. What principles/steps from this course's textbooks would you implement to make sure that LIPA was ready for the next anticipated disaster?

Address all business critical processes by making a good plan that identifies all critical business functions, and it outlines ways to diminish losses. George (2009) **Identify risks** for each of these functions, conduct a Risk Analysis to identify the various risks that your business may face. A risk analysis may result in an enormous list of potential threats: if you try to produce a contingency plan for each that may be overwhelmed. **Prioritizing risks**, one of the ultimate challenges of contingency planning is be certain that there is no over plan in place. One should be alert of over-repairing for something that will never occur, and adequate preparation, then one will respond rapidly and effectively to a crisis situation, if it occurs. Risk Impact/Probability

Charts help find balance. With this combination one will analyze the impact of each risk, and estimate a probability of it happening. One of the essential activities is business processes like maintaining cash flow, staff support, and market share. Risk can be managed by using existing assets more effectively, or by investing in new resources or services that help you manage it (such as insurance) which differ from Contingency plan. Similarly, if a risk is particularly unlikely to materialize, you may decide not take any actions, and manage around it if the situation arises. Contingency Planning Challenges, where one should be aware of two common obstacles as begin the contingency planning process. Some people were not trained nor often motivated to develop a strong Plan B, for donating much emotional investment to deliver Plan A. There is often a low probability of a crisis occurring, so people often do not see contingency planning as an urgent activity. Unfortunately, this can mean that it gets stuck at the bottom of their To Do Lists as a task that never gets done. The main goal is to maintain business operations look closely at what you need to do to deliver a minimum level of service and functionality. Key elements to not leave out important details are define time periods of time such as, what must be done during the first hour of the plan being implemented, the first day, the first week, Identify the trigger. Making a decision of which actions to take and when, will cause you to implement the contingency plan. Determine who is in charge at each stage and what type of reporting process they must follow. Keep the plan simple, you don't know who will read and implement the plan when it's needed, so use clear, plain language. Consider related resource restrictions will be able to function the same way if one have to implement Plan B, or will Plan B necessarily reduce capabilities? Identify everyone's needs. Have people throughout the company identify what they must have, at a minimum, to continue operations. Define success, what will you need to do to return to 'business as usual'? Include contingency plans in standard operating procedures,

Make sure you provide initial training on the plan, and keep everyone up-to-date on changes.

Manage your risks, look for opportunities to reduce risk, wherever possible. This may help you reduce, or even eliminate, the need for full contingency plans in certain areas. Identify operational inefficiencies, provide a standard to document your planning process, and find opportunities for performance improvement. Communicate the plan to everyone in the organization. Inform people of their roles and responsibilities related to the plan. Provide necessary training for people to fulfill these roles and responsibilities. Conduct disaster drills where practical. Assess the results of training and drills, and make any necessary changes.

Review the plan on a regular basis, especially if there are relevant technological, operational, and personnel changes. Distribute revised plans throughout the company, and make sure that the old plan is discarded. Keep copies of the plan off-site, and in a place where they can be accessed quickly when needed. Audit the plan periodically, reassess the risks to the business. Recommend and make changes, if necessary. By analyzing efforts of risk control through comparison of actual performance with the performance levels described in the contingency plan.

3. What lessons can you use to help your church or place of business be better prepared for potential crises?

One of the lessons to use to help my organization is my awareness for external expectations. For example, 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. To be aware of expectations and learn the seven steps to a risk management process such as

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."
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. 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: 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. And finally, Review and revise the plan. In order to introduce a new program or new regulations, a leader may require changes to the risk management plan. The plan should be reviewed at least annually.

References

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Compassion Capital Fund National Resource Center, operated by Dare Mighty Things

http://strengtheningnonprofits.org/resources/guidebooks/Managing_Crisis.pdf