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Facing Reputational Crises:

When bad things happen to charitable organizations

Klingenstein Fields Advisors (KF Advisors) Non-profit Insights provides thought leadership, events, and perspectives dedicated to issues and opportunities facing non-profit organizations. Contributors include outsourced chief investment officer (OCIO) specialists from KF Advisors as well as experts from the philanthropic community and leading professional organizations that serve them.

Introduction

“It takes many good deeds to build a reputation, and only one bad one to lose it.”

— Benjamin Franklin

Increasingly, corporations are adopting an ESG (Environmental, Social and Governance) agenda and aligning their brands with a social imperative. While ambitious “for a cause” marketing programs may successfully impart a welcome halo effect, reputation building is just one of many tactics used to serve a company’s overarching goals. Corporations often eschew efforts to be good corporate citizens, particularly if the quality and/or the pricing of their products and services are attractive enough. They needn’t pull the lever of social activism or of “doing good” given the myriad other ways of uniquely positioning the company.

By contrast, non-profit institutions are predominantly mission-driven. Their success requires them to serve their stated purpose faithfully and effectively and to be favorably perceived by their constituencies in this regard. Having a positive public image is critical to charitable organizations. A good reputation fosters valuable goodwill, which can be considered another albeit intangible endowment. For operating non-profits, a strong reputation enables the institution to optimize its donor development efforts, maximize its grant-seeking activities, and attract and retain much sought-after human talent.

Of course, crises can lay bare the fragility of hard-earned goodwill. For this discussion, a crisis is an incident (or a series of related incidences) with the following three conditions present:

- 1.** There is an element of surprise, which interrupts the normal operations and conduct of business.
- 2.** The incident threatens the non-profit’s public image.
- 3.** The incident calls for coordinated decision-making at the highest management levels and requires an immediate, coordinated response.

When a crisis occurs and the institution's public image turns negative, it can threaten viability. Even a hint of impropriety, whether justified or not, can discourage donors and grantees, alienate volunteers and partners, and severely compromise an organization's ability to realize its mission.

Unfortunately, crises affecting non-profits have significantly increased in recent years due to the rise of social media in the communication ecosystem and its tendency to amplify and prolong news, especially when the story is negative.

Given its import for non-profits and the rising likelihood that an eleemosynary organization will fall prey to a crisis, this paper argues for the urgent adoption of an effective and comprehensive crisis management program.

In the pages that follow, we outline key steps to manage reputational risk, including:

Planning and Prevention

Identifying organizational vulnerabilities and preparing for potential crises

Monitoring and Identification

Building awareness of the organization's public reputation and vigilantly monitoring actual or potential threats

Mitigation

A crisis management plan for when an organization's reputation has been compromised

Planning and Prevention

Ask any expert in crisis management when do things go wrong and they will likely respond that it is during the pre-crisis phase. Senior management — be it corporate or non-profit — too often fails to prepare for the unthinkable. Instead of recognizing the need to prioritize the development and ongoing adoption of a crisis management plan, senior management does not act and can only be reactive when bad news befalls them. While no two crises are the same, there are commonalities, suggesting that pre-crisis planning is valuable. Planning develops the muscle memory to perform effectively if the maelstrom of an actual crisis hits.

The first step in planning is to create a risk inventory. Mapping for reputational risk is a formal process for identifying vulnerabilities. The partial list below offers some examples of potential problem areas that should be considered:

- **Human Resources** — Disgruntled employees going public, excessive compensation, sexual harassment, theft
- **IT/Cybersecurity Failure** — Systems breach, data insecurity

- **Fundraising** — Deceptive practices, lavish spending
- **Donors/Partners** — Questionable backgrounds, past criminal activity, a record of actions inconsistent with the mission
- **Operations and Financial Management** — Overly aggressive accounting practices, poor or misleading reporting, inefficient operations, exorbitant operating costs
- **Communications** — Lack of transparency, misleading or erroneous claims or statements
- **Regulatory and Legal Compliance** — Fraud, incomplete or false reporting, poor internal controls, regulatory infractions, legal concerns

For the list to be complete, risk managers need to engage in some big picture thinking regarding the financial and emotional components and perceptions of the institution's brand that make it so successful. Once the various risks have been identified, their potential impact should be assessed. To understand the likely consequences of each, answer questions such as:

- How will this compromise "business as usual"?
- What functions will be most affected?
- What does the organization stand to lose – donations, partnerships, contracts, high-quality resources?

Clarity regarding potential risks can help risk managers take preventative measures to address risks before they are realized. But it can also help guide the preparation for response mitigation in the event the worst happens.

Key proactive steps include:

- Formation of a crisis management group
- Annual role-playing sessions facilitated by a specialist — hone practice response protocols
- Selection and training of appropriate spokespersons
- Co-ordination with public relations firms and consultation with internal legal/compliance

Monitoring and Identification

To a large extent mitigating reputational risk is a communications problem. But crisis communications are not “normal” public relations. The non-profit’s credibility is on the line. There is an urgent need to hit the ground running (hence the importance of being well prepared). In many respects, managing reputational risk is like putting out forest fires. Determining the fire’s size and location is the predicate for understanding the best way to combat it. The earlier one ascertains the coordinates of the fire, the more likely one can limit the flames spreading.

The crisis management group needs to keep close tabs on what is being said about the organization across the public sphere. This has become challenging in the age of digital media outlets, social media, and the 24/7 dissemination of information. Today, threats seem to come out of nowhere and from everywhere. As a result, those tasked with monitoring an organization’s reputation need to be both vigilant and efficient.

The following are basic first steps in monitoring an organization’s reputation.

- Scan the major search engines, type in your non-profit, and read the top “hits” paying particular attention to negative comments or positions at odds with your “brand” or mission.
- Check for your organization’s negative ratings or characterizations on third-party websites covering the non-profit sector such as the Charity Navigator, GuideStar, or the BBB’s Wise Giving Alliance.
- Track your organization’s social media presence highlighting any negative comments or reactions. Set up Google Alerts to capture any references or mentions about your non-profit on web pages, newspaper articles, blogs, etc.

Fortunately, there are several tools that can help an organization monitor its online presence. A few of these are listed below.

Tool	Description
Mention	Digital/Social media monitoring, tracking, and management tool with multi-platform dashboard
Hootsuite	Digital/Social media monitoring, tracking, and management tool with multi-platform dashboard
Reputology	Online review monitoring and management platform for organizations to monitor, respond to, and analyze their online reviews
Meltwater	Social media monitoring, research, and analysis across the social web

These tools provide sophisticated monitoring that can help risk and organizational brand managers keep abreast of both positive and negative sentiments about their organizations. When selecting a tool, the following features are important to consider:

- **Sources Monitored:** It's critical to be aware of potential threats from the widest range of sources. Monitoring tools should cover digital media's full breadth including press articles, review sites, forums, blogs, and social media posts across leading platforms.
- **Timeliness:** When bad news strikes, it's crucial to respond to it before it spreads beyond control. Monitoring tools should detect and report threats immediately as they happen. Tools should be equipped with alert systems that can prioritize information as prescribed by the user.
- **Targeting Capabilities:** For a monitoring tool to be effective, it must be able to filter the relevant information from the noise. Accordingly, tools should employ advanced search techniques that allow for a high degree of specificity regarding content selection.

These monitoring tools can be especially beneficial to smaller non-profits with limited staff. By setting up effective alert systems, one person could efficiently identify and track threat scenarios typical of most organizations. Monitoring tools also offer functionality that facilitates responses to potential threats. They enable the institution to combine its social media accounts into one dashboard. Upon detection of negative comments, organizations can immediately respond to defuse the situation before it metastasizes.

Mitigation

Despite an organization's best efforts, crises do occur, and in today's media-saturated world they often quickly become public. Managing the risk to an organization's reputation in such challenging circumstances calls for a timely, strategic and effective response appropriate to the threat level.

Outlined below are key steps to consider when a crisis hits your organization:

Assemble the crisis team.

Immediately assess the threat's magnitude and the potentially deleterious consequences and align the response level with your findings.

Investigate the incident fully by gathering all the facts, speaking directly to the involved "parties" as well as to people who can provide context. If necessary, engage security personnel to get the full story.

Fix what is broken.

Don't just tell your constituents and the general public the remedial steps you have taken, show them. Actions over words.

Dust off your organization's communications action plan, or quickly create one.

Stay on message.

If possible, emphasize the solution, not the problem.

Consider pausing scheduled communications that may conflict in tone or substance with the crisis response. Now may not be the time for a new fundraising or donor outreach campaign.

If you haven't already, identify the people who are best suited to communicate with media outlets. Train senior managers or board members to deal with the media and equip them to deflect difficult questions. At the same time, make it clear to members of your organization who should **not** be communicating with any external parties.

Prepare appropriate messaging and disseminate it as quickly as possible. A vacuum of information can engender hostility among the media and a loss of confidence by the public. In crafting messaging, remember these important general guidelines:

- Take the high road. The goal is to garner confidence, which often calls for a measured response.
 - All messaging should express genuine concern regarding the crisis.
 - It is all right to admit that the organization does not yet have full information and that it is working to get the facts out as quickly as possible.
 - Strive to make the information provided accurate, relevant, and useful.
 - Formulate messaging to address what each audience needs to know.
 - Give the impression that the organization is in charge, understands the problem to the degree possible, and is working to rectify it.
 - Concurrently, position the institution as sensitive to the problem but able to maintain business as usual.
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Update your communications frequently, even if you don't have much to report. If the crisis takes time to resolve, reassure your audience that you will remain in touch and on top of the situation.

Social media is personal and interactive and can offer some distinctive challenges to crisis communicators. Make decisions regarding the level and extent of customized responses to specific mentions. In general, it is advisable to prioritize those with the most emotional content to curb negative fallout. The tools mentioned elsewhere allow organizations to monitor their presence across multiple social media platforms with relative efficiency. These can help select incidences where customized responses may be advisable to deliver messaging and monitor reactions.

One feature of social media is that it acts as a perpetual feedback loop from which organizations can measure their various constituencies' sentiment. Tracking social media posts in real time during a crisis can offer crisis communicators important insights into how their message is being received. Use this information to further tailor messaging to more precisely address audience concerns and better protect fragile reputations.

As the crisis subsides, fully inform all constituencies regarding the event and its resolution, including descriptions of any remediation taken. Also, reaffirm the organization's commitment to its mission and regain public trust if compromised.

Living through a reputational crisis can be an important learning exercise for an organization, and the actions taken can offer a helpful blueprint for future crises. After the dust has settled, organizations should review their crisis management processes and personnel to identify their strengths and weaknesses and should incorporate this knowledge into their plans going forward.

Summary

Reputation is of crucial importance to non-profits. A good reputation can drive donations, motivate employees, volunteers and partners, and accelerate growth in the organization. But a damaged reputation can undermine stakeholders' commitment and compromise the organization's ability to realize its mission. Managing reputational risk is crucially important for non-profits, particularly in this age of abundant and often questionable information.

In this paper, we have given an outline of the key steps necessary to manage reputational risk effectively from crisis planning to monitoring potential threats, to operating in environments when threats occur. We believe that understanding these steps and applying this knowledge to your specific organization, will help you weather the reputational storms that may be on the horizon.

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