

**Non-Governmental Organizations in Crisis.
How Vulnerable are NGO's for Crises Caused by Competence or Integrity Violations**

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Summary

Are NGOs more vulnerable in crises than, for example, profit organizations, and are integrity violations (compared to competence crises) more damaging for non-governmental organizations (NGO's) than for profit organizations? In this study we address these questions using a 2x2 experimental design within the context of the Situational Crisis Communication Theory. Our results show that integrity crises are more damaging to organizations than competence crises. Moreover, the NGO appears to emerge from the crisis more successfully than the profit organization. Interaction effects were absent. Mediation analyses show that the effects of crisis were not mediated by crisis responsibility. This strongly contradicts the SCCT.

Keywords: crisis type, SCCT, organization type, post crisis reputation

Introduction

At the beginning of 2018, the NGO (non-governmental organization) Oxfam Novib in the Netherlands finds itself in a crisis. The crisis arose when an internal investigative report leaked to The Times in the UK, which subsequently devoted an extensive article to it. The report described how the proceeds of, among other things, a fundraising campaign in the Netherlands had been abused by Oxfam employees in Great Britain. The money was intended to help the victims of the earthquake in Haiti in 2010. Because employees of Oxfam Great Britain were already present in the disaster area, Oxfam Novib allocated the funds to them. The research report revealed that a number of these British employees showed sexual misconduct during the relief efforts in Haiti. They have held sex parties, inciting underage, female disaster victims to prostitution.

Two themes dominated the news in the Netherlands. First of all, people were upset about the fact that it were the employees of a charity organization who had been guilty of misconduct. NGO's such as Oxfam depend on public funds, are supported by donors who support their causes, and Oxfam employees should therefore adhere to high(er) ethical standards. Secondly, people were outraged by the nature of the crisis. This was not a case of someone making a mistake, it was an intentional violation of integrity.

For researchers in crisis communication, this case raises two interesting research questions: 1) are NGO's more vulnerable in crises than, for example, profit organizations, and 2) are integrity violations (compared to, for example, competence crises) more damaging for NGO's than for profit organizations?

The effects of crises due to violations of integrity versus violations of competencies have been studied before [Kim et al. 2004]. Integrity crises are intentional and usually more damaging to organizations than competency crises as a result of mistakes.

Coombs and Holladay (2002) convincingly show that crises that fall within the accident cluster lead to less damage to reputation and less attributed responsibility than crises that are the result of avoidable actions (such as when management deliberately breaks rules). As a result, organizations should, for example, also opt for different crisis responses. In addition to informing and adjusting information, organizations would do well to use diminishing strategies in the event of mistakes, while integrity violations require a full apology and concrete measures to prevent recurrence (cf. Coombs 2007). Kim et al. (2004) also convincingly demonstrate how the effects of a crisis response depend on the nature of the transgression. In their study, stakeholder confidence was restored more when mistrusted parties offered apologies for breaches resulting from lack of competence, but responsibility was denied for transgressions resulting from breaches of integrity.

Situational Crisis Communication Theory (SCCT) can well explain the difference between the two types of transgressions (based on Weiner's (1985) attribution theory): when stakeholders attribute the organization more responsibility for a crisis (as in the case of deliberate incidents), the reputation will suffer more damage, people will experience more anger and more often report negative behavioral intentions (Coombs and Holladay 2002, Coombs 2007). However, SCCT does not specifically distinguish between crises resulting from human error and crises resulting from deliberate unethical actions by an organization or one of its members. In this study, we examine whether the assumed distinction between the two types of crisis is valid. Our H1 is: a crisis caused by violations of integrity leads to more attributed responsibility, a lower reputation, more anger and less positive behavioral intentions than a crisis caused by a violation of competence.

We are also interested in whether different types of organizations may be more sensitive to crises than others. To our knowledge, this question has not yet been studied in an experiment in which organizational types have been systematically compared. There are, however, numerous case studies on, for example, crisis communication by non-profit organizations, such as (Fussell Cisco et al 2010 and 2012), from which it appears that the SCCT is well applicable to non-profit organizations. Theoretically, however, there are reasons to assume that NGOs may be more sensitive to crises than profit-organizations.

The fundamental difference between NGOs and commercial organizations is reflected in their primary objective. Commercial organizations strive for profit and shareholder value. NGOs, on the other hand, focus primarily on serving societal interests. In order to achieve their goals, NGOs depend on the generosity, involvement and trust of stakeholders. The stakeholders of NGOs include donors, volunteers and the population whose interests are promoted. The survival of an NGO therefore directly depends on the extent to which people wish to support it. These stakeholders trust that their donations will be handled honestly and ethically and therefore these stakeholders might have higher expectations of NGOs than most of commercial organizations (Fussell Cisco, 2012). In addition, NGOs, to a greater extent than commercial organizations, are based on a certain social ideology. The legitimacy of an NGO strongly depends on the extent to which stakeholders recognize this ideology in their daily operations. The neo-institutional theory (Allen and Caillouet, 1994) states that all organizations are expected to act in accordance with norms and expectations because their attributed legitimacy depends on it. However, as NGOs depend on donations, it is plausible that stakeholders place higher demands on an NGO's actions. An organizational crisis caused by an integrity error could therefore hurt an NGO more than a profit organization. To test this assumption, we formulate a second hypothesis. H2: NGOs that become involved in a crisis as a result of an integrity violation suffer more damage to their reputations and are faced with more anger and negative behavioral intentions than profit organizations that become involved in an integrity crisis.

Method

In order to test the hypotheses, we set up an experiment with a 2 (Organization type: NGO versus profit) x 2 (Crisis type: competence versus Integrity) factorial between-subjects design. Participants were presented with an online news item about an impure antibiotic that had been delivered to refugee camps in Syria. As a result, 5 patients died. The supplier of the antibiotic was the Red Cross (NGO) or NL Pharma (a major pharmaceutical wholesaler). In the competence crisis the purchase department had mixed up two names of Indian pharmaceutical companies and ordered from an unreliable supplier ("Divinia"). In the integrity crisis a department intentionally ordered from the suspect supplier to save money.

In the competence crisis, the unintentionality was emphasized with phrases such as: "knew nothing of the risks ...", "accidentally" and "a big mistake". We also presented the cause as "The purchasing department mixed up two names and a new employee turned out not to be aware of the previous incidents with Divinia". In the crisis of integrity, intentionality was emphasized with phrases such as: "knew of the risks ...", "deliberately" and "a shameful act". We also emphasized malicious intent: "The purchase department allowed itself to be seduced by the absurdly low price. It also turned out that an executive took a bribe to elevate Divinia to the status of 'preferred supplier'".

The dependent variables were derived from SCCT. We measured reputation, crisis responsibility, anger and behavioral intentions using 7-point Likert scales. The scales for reputation are based on McCroskey's (2007) indicators and were reliable ($\alpha = .97$). The operationalization of crisis responsibility ($\alpha = .97$) relies on Griffin, Babin and Darden (1992). When measuring anger, we used Jorgensen's scale (1996), which yielded a reliable result ($\alpha = .89$). Our questions about behavioral intentions can be traced back to Coombs and Holladay (2009). Our propositions focused on willingness to donate to the Red Cross and to order from the wholesaler and on intentions to speak positively about the organizations. The scale that measures behavioral intentions were reliable ($\alpha = .91$).

A total of 199 men and women participated in the study. They were between 18 and 77 years old ($M=37.10$, $SD=16.62$). Of these, 134 were women (67.3%), 64 men (32.2%) and 1 other (0.5%). We recruited the participants via an online call. After registration, they were sent a link that gave them access to the stimulus material and the questionnaire. Reading the news item and assessing the crisis took about 5 minutes. Participants were equally divided over the four conditions with respect to gender ($X^2 = 5.27$, $p = .51$) and age ($F_{(3,195)} = 1.69$, $p = .17$).

Results

A MANOVA was carried out to determine the effects of the type of organization and the type of crisis. The averages and standard deviations are shown in table 1.

Table 1: Averages (and standard deviations) for main effects of crisis type and organization type on reputation, crisis responsibility, emotions and behavioral intentions

	Crisis type		Organization	
	Competence	Integrity	Ngo	Profit
Reputation	4.58 (1.37)**	3.64 (1.54)**	4.98 (1.37)**	3.21 (1.11)**
Crisis responsibility	2.79 (1.19)	2.51 (1.34)	2.77 (1.29)	2.52 (1.26)
Emotion (less anger)	3.75 (1.57)*	3.21 (1.49)*	3.79 (1.54)*	3.17 (1.50)*
Positive intentions	4.57 (1.67)*	3.88 (1.65)*	5.04 (1.54)**	3.38 (1.42)**

* = $p < .05$; ** = $p < .001$

MANOVA shows both an overall effect of crisis type (Wilks $\lambda = .875$, $F_{(4,192)} = 6.84$, $p < .001$), ($\eta^2 = .125$, Observed Power = .993) and type of organization (Wilks $\lambda = .604$, $F_{(4,192)} = 31.45$, $p < .001$), ($\eta^2 = .40$, Observed Power = 1.00). Separate univariate analyses show an effect of crisis type on all dependent variables except crisis responsibility: reputation ($F_{(1,195)} = 25.60$, $p < .001$), emotion ($F_{(1,195)} = 5.61$, $p = 0.019$) and behavioral intention ($F_{(1,195)} = 8.56$, $p = .004$). Stakeholders are generally more positive about a competence crisis compared to an integrity crisis. H1 is thus accepted.

For organization type, we see more positive scores for the NGO on the exact same measures: reputation ($F_{(1,195)} = 106.06$, $p < .001$), emotion ($F_{(1,195)} = 7.55$, $p = .007$) and behavioral intention ($F_{(1,195)} = 61.12$, $p < .001$). Stakeholders rated an NGO significantly more positive than a commercial organization. The absence of effects on crisis responsibility is striking. We will come back to this later.

The expected interaction effect did not occur (Wilks $\lambda = .970$, $F_{(4,192)} = 1.51$, $p = .202$), (partial $\eta^2 = .030$, Observed Power = .461). NGO's therefore do not suffer more from an integrity crisis than profit organizations. The effects of crisis type are the same for both organizations: integrity crises are significantly more damaging than competence crises. H2 must thus be rejected.

As mentioned, it came as a surprise that the independent variables had no effect on crisis responsibility, as one would expect when looking at the SCCT. After all, the theory assumes - based on attribution theory - that the effects on reputation and behavioral intent are a function of the stakeholders' attribution of responsibility to the organization. To test whether the relationships in our data reflect the SCCT, we conducted a mediation analysis using PROCESS model 6 (Hayes, 2013) with crisis type as the primary predictor and behavioral intentions as the outcome variable. Crisis responsibility, anger and reputation were added as potential mediators. The results are shown in figure 1. With this model we can explain 47.2% of the variance ($F_{(4,194)} = 43.4$, $p < .001$).

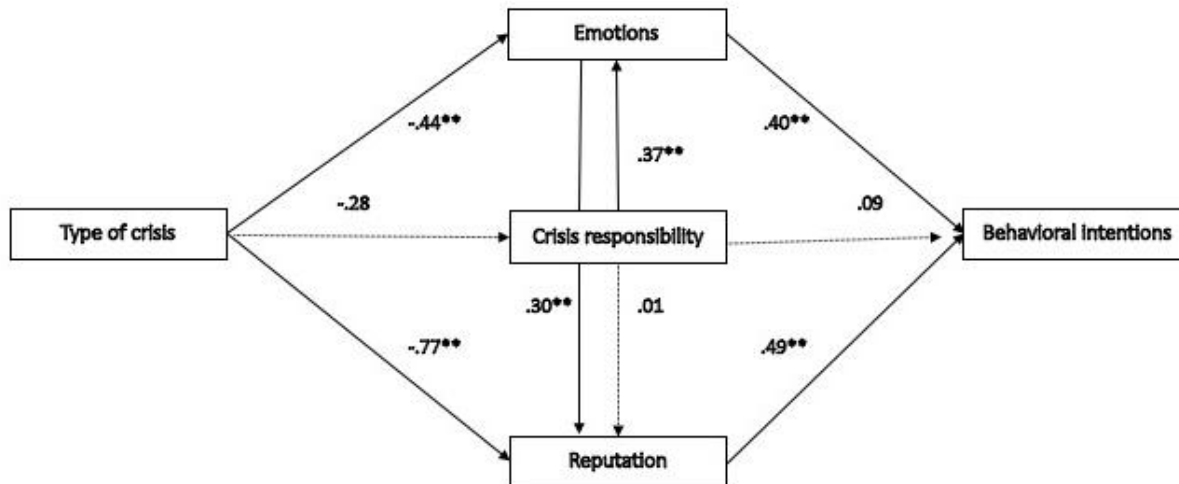


Figure 1: Mediation model (** = $p < .001$). Type of crisis was scored using dummy variables: integrity violations was scored 1 and competence violation 0.

As expected, crisis responsibility does not play any significant role in the model. The crisis type (integrity versus competence) has a direct negative effect on both emotions and reputation. Emotion (less anger) has a direct positive effect on intentions (the less angry, the more likely stakeholder are to donate, buy pharmaceuticals from the wholesaler and speak positively about the organizations. For reputation, that relationship is positive as well: the more positive the attitude towards the company, the higher the positive intentions. The relationship between crisis type and behavioral intentions is fully mediated by emotion (BootES = .09, bootstrap interval [-.37; -.01]) and reputation (BootES = .13, bootstrap interval [.65; .16]).

Conclusion

Stakeholders evaluate an NGO in crisis more positively than a profit organization, regardless of the type of crisis: competence or integrity. In line with previous research (Coombs, 1998, 2007; Coombs and Holladay, 1996, 2002, 2004; Janssen and Gerards, 2016), it appeared that stakeholders have a more positive attitude towards an organization in a competency crisis compared to an integrity crisis. An integrity crisis results in a more negative reputation, emotions and behavioral intentions. The different effects of crisis types cannot be properly explained from the SCCT, because the effects on crisis responsibility were absent and crisis responsibility did not mediate any effects on our dependent variables. Contrary to what SCCT suggests, crisis type had a *direct* effect on both reputation and anger. The SCCT assumes that stakeholders assess an organization in crisis on rational grounds by first considering the question: to what extent is an organization 'to blame' for the incident. In terms of Kahneman (2012), SCCT expects stakeholders to turn to Type II processing primarily: slow, logical and conscious. Much more often, however, people rely on Type I processes: they judge quickly and intuitively, without much deep processing (compare Petty and Cacioppo's 1986 'Elaboration Likelihood Model'). Our results indicate that this may also be the case in crisis communication.

Stakeholders do not always make the effort to think long and hard about the crisis information that comes to them, in the same way that readers do not always put in the effort to scrutinize arguments in processes of persuasion (Petty and Cacioppo, 1984, Petty and Wegener, 1999). They also often do not have all the information they need to come to deliberate judgements. They thus fall back on general rules of thumb in forming their judgments, such as 'where there is smoke, there is fire' and 'pharmaceutical companies cannot be trusted' and 'making a mistake is human'. In the research into persuasion, many of these rules of thumb have been mapped out (Petty and Cacioppo 1984). It could be valuable to make the same kind of inventory for crisis communication.

Of course, this research has its limitations. First of all, the limitations of each experiment apply. Although we explicitly tried to present realistic material to our respondents, the fact remains that we exposed them to self-constructed material about a self-constructed case. In addition, it is not unlikely that our subjects were familiar with the Red Cross and less so with the pharmaceutical wholesaler. The effect we attribute to the difference between an NGO and a profit organization could therefore possibly be an effect of familiarity with the organization. Further research should shed light on this. Finally, we had to limit ourselves in our experiment to one NGO and one profit organization in a specific crisis. More experiments are needed before we can make more valid generalizations.

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