

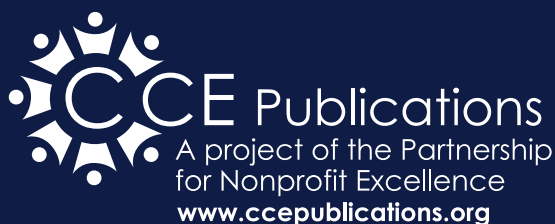
CCE DIALOGUES

Issues and Insights

Managing Bad News: What Nonprofit Organizations Need to Know

Winter 2010-2011

Moderated by Ralph Cox, Esq.
Community Fellow, Center for
Community Engagement



British Petroleum, Toyota, Goldman Sachs. These global companies, among others, dominated the headlines recently with the media documenting their missteps and errors of judgment. Worse yet was the manner in which these companies attempted to manage this bad news. These companies are fortunate in that they have the resources and financial strength to weather the bad publicity they receive.

Dealing with a crisis or bad news is not limited to a Fortune 500 company. Small nonprofit organizations are just as likely as multinational corporations to appear on the front page of the local newspaper that reports allegations of misconduct, conflicts of interest or regulatory inquiries. These nonprofits may be in much greater jeopardy if the bad news is not managed effectively. Not only is the crisis embarrassing to the organization, its board of directors and employees, it may also lose the trust and support of other stakeholders and donors, which places the very survival of the organization at risk. Unlike the larger organization, the small nonprofit may not have the luxury of time to turn things around.

It is imperative that nonprofit organizations deal effectively with crisis situations, not only when they occur, but - because many such events can be anticipated - organizations should have a plan in place they can turn to. Who should respond? What should be said? What should not be said? Is it advisable to say "No comment"? What, when and how do you address the stakeholders?

This segment of CCE Dialogues gathers three experts in crisis management and public relations to lend their perspective in how nonprofit organizations can better manage bad news.

The following Dialogue is a transcription of May 19, 2010, Roundtable Discussion for use by the Center for Community Engagement. The panelists for the Dialogue were:

Carol Love is the former CEO of Planned Parenthood of the Rochester/Syracuse Region, and was previously Executive Director of the YWCA in Rochester, N.Y. She has spent 45 years in public relations and management with various nonprofit organizations. She is currently a consultant to nonprofit board and executive leaders and specializes in strategic planning and board development.

Jim Redmond has been a regional vice president of Communications and Community Investment at Excellus BlueCross BlueShield (BCBS) for more than 12 years. Before joining Excellus BCBS, Jim had spent more than 20 years as a journalist; most recently he had been the investigative reporter for Rochester's local ABC TV affiliate.

Rick Amme is a former Emmy Award winning television anchor/journalist with 20 years experience. For the past 15 years, he has coached and consulted with numerous Fortune 500 companies and other institutions on crisis management. He assists corporations that are the subject of bad news and also assists corporations and their crisis teams that are anticipating bad news. His clients include R.J. Reynolds, GlaxoSmithKline, the U.S. Air Force and the California Community College System.

The discussion was moderated by **Ralph W. Cox, Esq.**, the former General Counsel for Excellus Health Plan, Inc. and a Community Fellow at the Center for Community Engagement.

RALPH: We've all seen the stories recently of the Fortune 500 companies trying to deal with bad news - product defects, environmental disasters and financial mismanagement. Are these types of events unique to the for-profit sector?

CAROL: Certainly not, but bad news can come from more benign sources as well. For example, in 1987 when I was hired as the Executive Director at the YWCA, before I could even put my feet under the desk, the leadership there called me and said "You know, we're going to have a little problem; United Way is coming over to meet with us next week and we know the topic is that our funding is going to be cut and they have some really specific reasons." Unfortunately, part of the problem was that some programs at the YWCA that had been funded for some time were no longer going to be funded because they did not conform to the current priorities for the United Way. The YWCA knew this but they had chosen to not make some changes. We had to deal with these budget issues quickly because they impacted our programs and staffing.

RALPH: There can be other types of bad news as well, can't there, that has a hint - or more than a hint - of scandal?

RICK: My general sense of it is – regardless of the examples – that basically whatever can happen to corporate America in some form or fashion can happen to nonprofit America, it's just a question of scale and a question of how the individual operations works. I think I would just stipulate that if you're a nonprofit it could happen to you like it can happen to anybody else. And I think from my perspective, the issue with regard to what can happen to you that is really critical is whether you could have seen it coming and whether you did anything about it if you saw that it was coming. There has been some research that's done every year by a group in Kentucky named the Institute for Crisis Management and one of the things that they point out is crisis in the public eye to see what the common denominators are. What they find, although the percentages vary slightly from year to year, it's basically two-thirds to

three-fourths of crisis, regardless where they happen, were smoldering before they blew up. And 58 percent by far involved management. So what that says to me, and I think it says to most reasonable people, is that two-thirds to three-fourths of crisis are self-inflicted wounds, meaning that the institutions had some reason to believe or someone within the institution had some reason to believe that the train was coming down the track and was going to hit them and they didn't do anything to stop it. That to me is really significant because it says that, contrary to the kinds of things that we often think about - crisis such as fires, and shootings and that sort of thing - self-inflicted wounds that really are what we need to worry about.

RALPH: So, assume you're advising a small nonprofit and they come to you and they say, "We have a problem and it may become public - what should we do?" What do you tell them?

RICK: Well, there are a number of things. First off, you have to anticipate it. Carol cited the example of a problem that was known and nothing was done about it prior to her arriving. What you want to do - work on your anticipation skills so that you're going to have in place a policy that outlines what we do if something bad happens.

RALPH: Who puts the policy together?

RICK: There are a number of folks. I mean, the CEO should be involved, whoever handles their public relations, and the department heads should be involved. You would want to do that not just for a media crisis, but what do you do if you have an ice storm, what is your

business continuity plan if you're out of power for two weeks? There are a number of things that people should be working to anticipate.

RALPH: Well, let's take an example where there's been an audit done and the auditors find there's a significant amount of missing funds. The audit is going to become public in a week. The organization comes to you because they anticipate a crisis and there's an audit and \$100,000 is missing. What's the first thing you tell the organization?

RICK: Well, in fact, I had exactly this happen with the School of the Arts and they had a terrible audit that came down. It didn't have to do with embezzlement so much as it did with misappropriation of funds - it was a bit of a difference because one's criminal and one is just simply extremely bad management and so forth. What I do is I follow this basic model. I get a team together. The team is usually senior management. It's usually three, four, five, six people and we just start running through what is likely to happen, when it is going to happen, what is likely to be said, what are the worst case questions, what are our messages. In a sense it's just basic Public Relations 101 (but when it becomes real, it's never

really basic) in terms of how we're going to respond to it. Who we're going to communicate with, what are we going to communicate with them. The important thing being that internal audiences are often your most important audiences because you want to get to them with what you're going to do to fix the problem before you communicate it to outsiders, if you can. You form a team, you develop a plan for how you're going to deal with the situation, who is going to do what, when are you going to do

Two-thirds to three-quarters of all crisis were smoldering - and known of by management - before they erupted.

it, in what order you're going to do it, what are your messages and it's basically that. It varies of course from crisis to crisis.

JIM: One of the key goals has to be to protect the integrity and reputation of your organization. That said, you never try to lie, deny or hide your involvement. And if you ignore the situation it will get worse.

RALPH: Carol, have you ever been caught by surprise? Perhaps you get a telephone call from someone from the media, either the newspaper or a television reporter who's learned of some bad or embarrassing information. You may not even be aware of the issue. They want you to make a comment right away and say they have a tight deadline.

CAROL: Certainly I have. One example would be at Planned Parenthood when there was a national story saying something negative about birth control pills and I knew nothing about it. My reaction in those situations would be to say that I would get back to them because I needed to find out the information relative to the situation.

RALPH: In an example where you can anticipate a reporter trying to catch an executive of an organization by surprise, what advice do you give them: 1) should they take the call, 2) what should they do on a question that they just don't know is being asked, and 3) who should take the call?

JIM: Well, the problem is not going away and the organization is going to have to deal with it. This goes back to the importance of having a policy and plan in place in advance.

RICK: I agree. First of all, with regard to blindsides, there are a couple of ways to look at that. One is a true blindside – an ambush so to speak – is relatively rare. When reporters ambush you, unless they're just plain unethical, it is because you've been inaccessible and or non responsive. But what is more often the situation is what Carol described, which is you pick up the phone, there's a reporter on the other end talking to

you about something you hadn't heard about, thought about and/or if you have, you haven't collected your thoughts about it, and then I would do exactly what she suggested. In fact, I have something close to a script that I give clients which is to say something along the line of "I'm busy right at the moment, but I'm glad you called, I'll be happy to try to help you, please tell me what it is you're interested in knowing about and what is your deadline." What I'm basically doing is interrogating the reporter to try to find out what it is they want to know. I'm begging off on answering for a period of time but I'm being sensitive to their deadline. Thus, they know that I have an intent to try to respond to them and then I get off the phone and then I pull my team together and figure out, OK who should really be talking to the reporter. Do we really want to be talking to them? If so, what is it we're going to say and how are we going to say, and then when we get back to them we're on top of our game.

RALPH: And what if you simply don't know the answers?

JIM: It never hurts to stay with honesty. There is nothing wrong with saying "I actually don't know the answer to that and let me get back to you as soon as I come up with some information for you." And you'll find that that's a very disarming thing to say rather than either trying to stonewall or bluff them. But I advise against saying "No comment." That may be the worst thing you can do, as it makes it appear as if you are stonewalling.

CAROL: The other point about taking the call, in larger organizations where I've worked and in the two where I've been CEO, our policy and procedure was that a media call coming in would go to the person who handles Public Relations. They could do exactly what you just described in terms of saying that we would get back to them and asking them what their deadline is. It's very useful to know exactly what they're looking for, so when the PR person comes to me we can pull together and decide who's the best spokesperson and what to say.

RICK: Following up on Carol's point is that, especially with smaller nonprofits, they may very well not have a designated communications person or if they do it is somebody who's also got 14 other things to do in addition to communications. And in some organizations, the senior executives pride themselves on answering their own phones. So, in any of those situations this same basic approach is to buy time from them until you can get your act together.

I'll tell you a lot of times clients know exactly what they want to tell the press; we've worked that out in advance and we're ready to go, when the call actually comes, your mind's a million miles away and you're working on something else and you didn't know the call was coming in at the precise moment and you forget the plan. The CEO may think they are smart enough to shoot from the hip. Without fail, they end up shooting themselves in the foot. My suggestion then is if you're not on top of your game – because even if you kind of have a loose idea what you're going to say, beg off on the call then call them back once you've cleared your mind and you're back on your game.

Bad news can be self inflicted. An inquiry may be general in nature, but a poor response can create bad news.

JIM: And the key right there too is to prepare – when you get off the call prepare what you're going to say and prepare the spokesperson for the hardball questions that he or she may not anticipate. When we had a change of CEO here, he wanted to get his perspectives into the media. We had several recommendations:

- **First, it is important to have some time in the job so that there is something to talk about.**
- **Then, before sitting down with the reporter, we went over about 17 different sensitive areas that he was likely to get asked. We did our homework and research to be able to answer these questions honestly, accurately, but in a way to also put both him and the company in a more favorable light. The next day the reporter got to 11 of the 17 questions.**

RALPH: So what do you do when the CEO or the person on the phone thinks he's the smartest person in the room and can talk his way out of anything, and normally steps in something that he shouldn't by trying to just bluff his way through? What do you advise the organization who may have that tendency?

JIM: You have a conversation with the CEO, and if that does not work, with the Board Chair.

RALPH: Let's go back to managing the message. And Rick, you talked about making sure you deal internally. What about communication with the board, how do you manage – how do you advise the board of what's going on and what you're going to be doing?

RICK: Well, under the heading of keep all stakeholders in the loop, they're probably right up there on the top of the list and you just make sure that they are aware of what you're doing. Many times, a member from the board may also be on the team that's figuring out the strategy tactics. Not always is that the case, but I wouldn't be surprised if smaller nonprofits and some educational institutions that board members may often be your very best resource for smart thinking with regard to strategy and tactics and decisions.

RALPH: Carol, what about major donors... what would the CEO want to do to placate or keep the major donors from walking away with their checkbook?

CAROL: Well, if you're talking about a specific instance, where something has occurred and you want to make sure that they're in the loop and not reacting to something they see in the media, the plan itself ought to have a provision for someone - the CEO for some donors, maybe a board member for some others – to manage the message and get ahead of the curve with what they know.

I think there's something even more fundamental than what you do when the crisis happens and that is, how do you establish and

maintain the credibility of the organization itself, the CEO, and those who would be communicating with a major donor or any other stakeholder. And, a really important part of that is staying in regular communication with them. You want to let them know what the issues are that the organization is facing. The same thing is true of staff. Fundamentally, you want to ensure that people perceive you as telling the truth, as being straightforward. It's important to use talking points all the time because it's not just about what happens and what they think, but what they are saying to people that they know and what staff members say to clients when they come in. So the idea of having consistency through talking points - not only for the people who are going to speak to the media, but for those who may speak with others in a more casual setting - is essential. Often staff feel that when you establish talking points you're trying to muzzle them and manage them in a negative way. But establishing use of those talking points is to me a really important thing, whether it's for the development director talking to the donor or the clinician talking to the patient in the examining room. Here's how we frame it when talking with others.

JIM: A consistency across the audiences because your audiences can be blended. With the health insurance plan we look at employees as one audience, we look at providers, we look at employers, we look at the general media, we get state regulators and community leaders that are target audiences as well, and if you're a physician you could get one message as a provider and you could get another version of the message as an employer and you could get it a third time as a community leader depending on what voluntary position you might hold. So you want to make sure that your four overarching messages and themes are consistent across the board - you're not telling one group one thing and another group another thing. The consistency that Carol mentioned is critical to establishing, protecting and enhancing the image of your organization.

RALPH: Many of these organizations do have limited resources. Who do they call

when they decide, in advance, they need a policy? Who's going to help them put this policy together?

CAROL: A couple of suggestions:

- **The Web.** There are some wonderful templates for crisis management plans on the Web and lot of emphasis on preventive planning. So while I think that's a great help, it may be insufficient if you have people totally unfamiliar with putting something like that together. But I think someone mentioned pulling together a small group of people, perhaps including board members and some key staff, to utilize a template like that. There's a lot of common sense that goes into it so I think that's a great start.
- **Think about this on an ongoing basis.** Communication is not just about media, obviously, and recruiting someone for your board who's a professional in communications is a great idea because there are many benefits beyond the kind of thing we're talking about here. There are a number of agencies that like to have people with various skills on boards.
- **Network with other agency PR people or leaders, especially when there is no PR person or at least not a full time one, and go to others in the community and your professional associations - people that you know have done a good job of this, and ask them to use the template, ask them to critique it, ask them to sit on a little task force to help you out.**

JIM: I would go back to what I was saying before that if you're anticipating and kind of coordinating what your response would be ahead of time, it gets to Carol's point about communicating on an ongoing basis. The anticipation of looking for where things could go wrong in your decision-making I think would help you be a better manager because if you're making your decisions ethically and in a straightforward manner on a day to day basis, the odds of getting caught up in something that would turn into a crisis are going to be diminished if you're paying attention along the way.

RALPH: We haven't mentioned the role of counsel. Do you want an attorney involved?

JIM: Yes, but you can't let the lawyers make the decision.

RALPH: Explain what you mean.

JIM: You can win in a court of law and lose in the court of public opinion by taking a hard line. The lawyer may be coming at it from a different perspective than the PR practitioner. The lawyer should be consulted; you don't want to do something that will be patently illegal in protecting the image and enhancing the image of your organization and you certainly don't want the "perp shot" of your CEO being led off in handcuffs. The lawyer should be consulted; they should give their best advice, just as the PR people should be consulted. There may come a time when you have to decide are we going to win in the court of public opinion or are we going to fight the legal battle. And they may be two different strategies.

RICK: I absolutely agree with Jim on this and I would say maybe 90 percent of what I do is in conjunction with the lawyer just because of the nature of what we're involved with. And they're just invaluable for keeping you from making mistakes that you don't realize you're making in terms of communications or actions and so forth with regard to law but there are several lawyers around the country who work in the world of crisis management. I recall one of them speaking at a conference that the attorneys have to remember that not only are they protecting you in the court of law but they have to protect your brand. Sometimes if all you're focused on is the court, then your brand may be left exposed.

RALPH: What do you tell your client once the crisis has erupted?

RICK: Take care of any victims or perceived victims that may be affected by what is going on in the organization. Almost all serious situations have somebody directly or indirectly adversely affected by it. If you solve their problems through your organization then you indirectly are of course solving your own problem.

Finally make sure that you maintain internal communications with your stakeholders. You can do a whiz bang job talking to the press but if your internal audiences don't know what you're up to, then you can lose an enormous amount of leadership and organizational credibility in the marketplace.

RALPH: So in summary, if there were three things that you think that an organization must do to manage bad news – what would be on your top three list?

CAROL: Almost everything that I think about relative to a not-for-profit organization or any organization, relates back to the strategic plan of the organization. One of the most important aspects of that plan when it comes to managing risk and handling crisis, is to know and incorporate your organizational values and to stick

with them. The top three things to remember:

1. Be prepared with a plan,
2. Tell the truth; and
3. Build your credibility on a continuing basis.

JIM: I would say that the first thing you want to do when you get the team together is:

1. Coordinate the message,
2. Identify your audiences, and

Proper planning and preparation is critical. There must be a plan and procedure in place that management can turn to.

3. Determine what is your objective and what is the strategy for getting that objective and then what are the tactics that you will employ - do you do a news release, do you do a press conference, do you do one-on-one interviews?

What is the end game for you? Be honest, prepare - whether it's preparing for the return phone call to the one reporter or be prepared for the onslaught of national media – prepare. Whatever the logistics you're going to employ, you have to be honest in the messaging. People will forgive if it's a human error or if it's something that's legitimately explained. As President Nixon learned, you get into trouble not so much by what you did but what you did to cover it up.

Rick: The nature of my job is that I usually will not be called until the place is about to either catch on fire or it's already on fire. In general, everybody is scared to death and when they're scared they tend not to look at their plans and they tend to run around in circles. What helps them out is to get a team together, get good counsel to that team – and that can be PR counsel as well as legal counsel – and calm everybody down and work with your team and figure out what you're going to do. There was some research I saw about seven or eight years ago that said that 85 percent of CEOs when they find themselves in a crisis rely on their team rather than their plans. And that doesn't mean they didn't have plans, that doesn't mean they didn't use plans, but it means that the team is what helps them run their companies or their organizations and the teams are what they turn to when they get scared.

1. I would organize and have a policy and a plan in place,
2. I would have a designated crisis team or critical issues team of three, four, five people and have them designated, ready to go, and
3. I would have them coached if possible.

RALPH: Thank you all very much.

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