

EFFECTS OF SCANDAL AND POST SCANDAL NEWS ON ORGANIZATIONAL REPUTATION

BY ANTHONY ESEKE @ The 2015 International Crisis and
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Introduction

- ❖ Life happens. Organizational leaders are human, sometimes they may have to deal with personal issues.
- ❖ To what extent do personal scandals of an organization's leaders affect the organizational reputation?
- ❖ Previous studies examined organizational reputation as macro topics, such as unethical corporate culture, and organizational misdeeds (Kulesa & Zuckerman, 2004; Coombs, 2012). No studies have considered the micro elements of organizational reputation.

Literature Review

- ❖ Negativity effect states that when positive and negative information is balanced side by side, the negative information tends to dominantly influence audience perceptions (Van der Pligt & Eiser, 1980).
- ❖ Attitudes and perceptions that derive from exposure to scandal news come about through the synergy of framing, elaboration and appraisal theories (Kepplinger, H.M., Geiss, S., & Siebert, S., 2012).

Lit Review Contd.

- ❖ Framing: The media selects what aspect of the scandal story is salient. The audience is therefore exposed to fragmentary frames.
- ❖ Five frames of scandal news: Human interest, conflict, morality, economic, attribution of responsibility (An and Gower , 2009).
- ❖ Elaboration Likelihood: If the scandal hits a nerve with the audience they tend to process it centrally which in turn strongly influences their attitudes (Petty and Cacioppo, 1986) .

Lit Review Contd.

- ❖ Appraisal: Audiences appraise scandal news through any of five frames (Nerb and Spada, 2001) :
- ❖ (a) small or large transgression
- ❖ (b) scandal caused or not caused by human behavior
- ❖ (c) scandal caused by people seeking selfish or altruistic goals
- ❖ (d) scandal caused by people who were aware or unaware of the consequences of their actions
- ❖ (e) scandal caused by people who could have acted differently or acted under constraints

Hypotheses

- ❖ **H₁**: The collective image of organizations as an industry will influence pre-crisis reputation.
- ❖ **H₂**: Exposure to scandal news will trigger significant difference between pre-crisis and post-crisis reputation.
- ❖ **H₃**: The identity of an organization as profit or nonprofit will influence perceptions of organizational reputation.

Hypotheses Contd.

- ❖ H4: In scandal crisis stakeholders will react differently to religious nonprofit organizations.
- ❖ H5: Post-crisis outcome (acquittal or conviction) will significantly affect organizational reputation.

Method

- ❖ Design: 3 (organizational type: Banking, political and religious organizations) x 2 (post-scandal news: acquittal vs. conviction).
- ❖ Stimuli: scandal news stories adapted from actual newspapers.
- ❖ Manipulation: “Scott Phillips” the experimental organizational leader was randomly generated, and used for all organizations. Scandal outcome was manipulated as acquittal and conviction.

Method Contd,

- ❖ Instruments:
- ❖ (1) Collective image of selected professions were measured.
- ❖ (2) Post scandal organizational reputation measured with Organizational Reputation Quotient (Fombrun, Gardberg, and Server, 2002).
- ❖ Participants: College students at South Eastern U.S. college and university. 241 participants.

Results

- ❖ **H₁**: The collective image of organizations as an industry will influence pre-crisis reputation.
- ❖ **Result**: A one-way ANOVA was calculated. No significant difference was found ($F(3, 233) = .604, p > .05$) between the pre-crisis image of professions. Therefore participants did not have preconceived attitudes towards certain organizations that influenced their post scandal behaviors.

Results Contd.

- ❖ H₂: Exposure to scandal news will trigger significant difference between pre-crisis and post-crisis reputation.
- ❖ Result: A one-way repeated measures ANOVA was conducted to compare the three measures of organizational reputation. There was a significant effect for organizational reputation, Wilks' Lambda = .294, $F(2,189) = 227.023$, $p < .0005$, multivariate partial eta squared = .706 (very large effect size)

Results Contd.

- ❖ **H₃**: The identity of an organization as profit or nonprofit will influence post scandal organizational reputation.
- ❖ **Result**: A one-way ANOVA was calculated for the profit and nonprofit organizations. A significant difference was found ($F(2, 238) = 87.365, p < .05$). Tukey's HSD was used to determine the nature of the differences. The analysis indicated that the profit organization measured lower ($m = 1.00, sd = .000$) than nonprofit organizations ($m = 2.23, sd = .777$).

Results Contd.

- ❖ H4: In scandal crisis stakeholders will react differently to religious nonprofit organizations.
- ❖ Result: A one-way ANOVA was computed for religious and political organizations. A significant difference was found between the organizations ($F(3, 237) = 893.19, p < .05$). The analysis indicated that the political organization scored lower ($m = 2.00, sd = .000$) than the religious organization ($m = 2.95, sd = .312$).

Results Contd.

- ❖ **H5:** Post-crisis outcome (acquittal or conviction) will significantly affect organizational reputation.
- ❖ **Result:** A factorial ANOVA was calculated comparing the scores of participants who read the acquittal or conviction news. The main effect between acquittal & conviction outcome and organizational reputation was not significant ($F(4,185) = 1.098, p > .05$).

Discussion

1. Publics do not seem to have significant preferential pre-crisis attitudes towards any industry. All organizations therefore have equal need for crisis management plan with image repair strategies.
2. Personal scandals of organizational leaders significantly affect the organization's reputation. It's therefore important that pre-crisis management plan include intentional and ongoing self awareness retreats aimed at maintaining healthy inner spiritual core.

Discussion Contd.

- 3a. As expected, profit/nonprofit; and religious/political identity of an organization greatly matters in the effects of scandals. But contrary to expectation, profit, more than nonprofit organizations, political more than religious organizations, were more affected by personal scandals of their leaders.
- 3b. Generic crisis management plans will not be sufficient. It's important to develop crisis management plans that are centrally cognizant of the organization's identity.

Discussion Contd.

4. Surprisingly, acquittal or conviction does not matter in the damage personal scandals deal on organizations. It seems as far as scandals and organizational reputation are concerned, “Better safe than sorry. ”

Conclusion

1. Limitation of study: Student participants.
2. Need for further research on particular influences of profit and political organizations.
3. While previous studies have focused on collective misdeeds of organizations, this study has demonstrated that planning for micro crisis in the organization is as important as planning for the macro.

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