

Emotionally-invested stakeholders are more likely to forgive scandals, research reveals

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Stakeholders that are emotionally-invested in an organization are more likely to forgive public scandals than those less attached to the company, research from Vienna University of Economics and Business (WU Vienna).

The study, undertaken by a team of researchers led by Professor Jurgen Willems, head of WU Vienna's Institute for Public Management and Governance, tested how potential stakeholders of public-serving companies react to crises. The researchers also wanted to find out more about how stakeholders react during the recovery phase when organizations carry out measures to restore trust.

According to Willems and his team, for public-serving organizations, securing the trust of stakeholders is crucial. But if the reputation of such an organization is tarnished by allegations of wrongdoings such as abuse, misuse of donations, or corruption, for example, it has a strong negative impact on stakeholders, especially those who care deeply about the organization's mission.

However, such stakeholders are more emotionally invested in the organization and therefore also appear to be more forgiving during the recovery phase.

Breaches of trust do heal, but the recovery is slow

Looking at examples of scandals that attracted intense public scrutiny, for instance the misuse of donations for the victims of the 2010 Haiti earthquake, for Willems, it's clear that reputation management is extremely important for nonprofit organizations.

"For charities, securing the trust of their stakeholders is essential. If the stakeholders' trust is damaged by a public scandal, organizations can restore this trust over time, but it is a long process. Of course, avoiding a crisis in the first place would be better than launching a time-consuming recovery process," says Professor Willems.

Especially those stakeholders who have very positive attitudes towards the mission of the organization in question tend to be more forgiving towards the organization as it recovers from the crisis.

Links for further information:

The paper: Willems, J., Faulk, L., & Boenigk, S. 2021. Reputation shocks and recovery in public-serving organizations: The moderating effect of mission valence. *Journal of Public Administration Research and Theory*. 31 (2). 311–327.

(<https://academic.oup.com/jpart/article-abstract/31/2/311/5910761?redirectedFrom=fulltext>)

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