FRAUD IN THE NONPROFIT SECTOR: REBUILDING A CHARITABLE IMAGE

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ABSTRACT

Nonprofit organizations are at an increased risk for the occurrence of fraud due to their inherently trusting nature and the limited availability of resources for fraud prevention measures. Because charitable organizations rely on positive public image and donor perceptions of organizational effectiveness for continued funding, it may be difficult or impossible for a nonprofit to remain financially viable once fraud occurs. We conduct an experimental investigation with potential donors to determine which actions improved the likelihood that they would contribute to a nonprofit organization following a material misappropriation of assets fraud. Modifying and enhancing board of director oversight had the highest and only statistically significant positive effect on potential donations. Moreover, firing an Executive Director,

who was not involved in the fraud, reduced both the likelihood and amount of planned giving.

"Companies have products and services. Even if a company is criticized, selling products and services will continue to generate revenues. Nonprofits, on the other hand, depend on donations that are primarily given on the basis of the organization being an honorable and effective one. Put simply, their reputation is really all they have." (Jaeggi, 2014)

INTRODUCTION

The prevalence of fraud is well documented in the nonprofit sector (Greenlee, Fischer, Gordon and Keating 2007) and when fraud occurs it can have a material, long-term impact on a nonprofit's ability to raise funds (Lofland 2012). Nonprofit organizations are at least as susceptible to fraud—if not more so—than their for-profit counterparts (Tysiac 2013) because of limited resource availability and the trusting relationships inherent in the philanthropic industry. Moreover, unlike their for-profit counterparts, many nonprofits rely almost exclusively on donor contribution revenue for their continued operation and financial viability. To this end, the image projected by a charitable organization to its donors has significant implications for fundraising endeavors and nonprofits must be cognizant of their stakeholders' perceptions (Michaelidou, Micevski, and Cadogan 2015).

Nevertheless, extant research on fraud in nonprofit organizations has remained largely descriptive in nature (Harris, Petrovits, and Yetman 2016). Moreover, although reputation repair has been studied in corporate settings after serious financial restatements (Chakravarthy, deHaan and Rajgopal 2014), and with accounting firms following an audit failure (Rasso 2014), prior investigations have not examined image building or reputation repair in the nonprofit sector.

The extensive size of the nonprofit sector suggests that the effects of fraud in this environment should be of interest to charitable constituents, and—broadly speaking—all taxpaying entities may be considered nonprofit stakeholders because of their de facto subsidization of the charitable industry. In 2013, public charities had combined revenues in excess of 1.7 trillion dollars (NCCS 2015) and the nonprofit sector employs as much as 9% of all working individuals (Greenlee et al. 2007). In addition to individually directed charitable giving, many employers encourage their employees to take part in volunteer initiatives or company endorsed donation campaigns.

Accordingly, a significant portion of the population have dealings with nonprofit agencies either as employees, volunteers, or as donors. Nonprofit donors are increasingly proactive in researching charitable organizations prior to making donations by utilizing resources such as charity-watch.org, BBB.org or charitynavigator.org (Archambeault, Webber and Greenlee 2015), and large donors are likely to be sophisticated users of nonprofit financial information (Hofmann and McSwain 2013; Yetman and Yetman 2013).

Moreover, since 2008 nonprofit organizations in the U.S. have been required to publically disclose instances of material asset misappropriations to remain compliant with Internal Revenue Service (IRS) regulations (Harris et al. 2016). Thus, it has become increasingly important for nonprofit entities to mitigate the damage that may be caused by fraudulent activity as soon as a fraud is uncovered and reported.

Once fraud occurs, nonprofit organizations have a variety of options for publically addressing the issue that range from doing nothing to undertaking substantial overhauls of the organization's culture and control environment. The crisis response literature suggests that the best response to a crisis depends on the nature of the crisis at hand (Coombs, 1995). Coombs lays out potential strategies for crisis management and discusses the likely efficacy of each based on crisis type. An organizational crisis can arise

from either intentional or unintentional actions that are committed by either external or internal parties. *Transgressions* (such as fraud) are the type of crises that arise when an internal agent (i.e. a member of management) commits an intentional, harmful act. In the event of transgressions, Coombs notes that attempts by the organization to distance themselves from the crisis or to downplay or deny the crisis are futile because the organization is responsible for the event and the public is upset because of their misbehavior. Alternatively, attempts to atone for the transgression are likely to be more fruitful in terms of repairing a damaged image (Coombs 1995).

In this study, we experimentally examine six reputation repairing strategies documented in prior literature that a nonprofit may utilize to minimize the adverse effects of fraud on potential donors' planned future giving. Specifically, in a between-subjects experiment we investigated the effects of: a formal apology, commitment to undergoing an external audit, improving the oversight function of the organization's board of directors, pursuing legal action against the perpetrator, improving internal controls over financial reporting, and the termination of the Executive Director in addition to the fraud perpetrator on donor's intentions to donate, planned donation amount, perception of organizational reputation, and perception of organizational trustworthiness.

Multiple regression analysis and pairwise comparisons of treatment conditions indicated that donors generally had a more favorable impression of the nonprofit organization after improvements were made to the board of director's oversight function, and had a less favorable impression of the organization after termination of the Executive Director who was not involved in the fraud.

The next section presents a review of the literature and hypothesis. This is followed by the methodology section, results, a discussion of the findings, and notable contributions as well as limitations of the study.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

We divide the literature review into two sections. First, we examine research on nonprofit fraud followed by a discussion of reputation repair. This study addresses the intersection of these two distinct research streams.

Nonprofit Fraud

In addition to increased trust and lack of organizational resources, the unique structure of nonprofit organizations may make them particularly vulnerable to fraud. For example, donors usually have a nonreciprocal relationship with the organization which may facilitate the diversion of organizational assets by employees; and evidence suggests that misappropriation of assets represents the most common form of fraud perpetrated by nonprofit insiders (Holtfreter 2008). Archambeault et al. (2015) and Greenlee et al. (2007) document the prevalence of fraud in the nonprofit sector.

Greenlee et al. (2007) utilize a survey conducted by the Association of Fraud Examiners (ACFE) which indicates that, on average, all organizations lose 6% of annual revenues to fraud, suggesting that fraud losses for nonprofit organizations are approximately $40 billion per year. In their sample of 58 nonprofit fraud cases reported in the ACFE survey, the average loss due to fraud was $100,000. Archambeault et al. (2015) use a LexisNexis All News Database search to identify nonprofit frauds, and compare these results with self-reported fraud losses required to be disclosed on form 990—noting that several nonprofits were not compliant with IRS reporting requirements.[1] They document a

[1] Form 990 is the publically available filing that all non-profits are required to submit to the Internal Revenue Service (IRS) detailing their operations for the year.

median loss of $125,000 due to nonprofit fraud in their final sample. Eisenberg (2013) suggests that nonprofit fraud is widespread and argue more regulation and better oversight are required to prevent it, noting that Bart Bevers, a former Texas inspector general, estimates nonprofit fraud losses at $50 billion per year. Tysiac (2013) suggests that there tends to be a lack of basic internal control among nonprofit entities, and calls for nonprofits to implement more detective controls such as exception reports, anonymous fraud hotlines, and promoting awareness of fraud warning signs in nonprofit employees.

Holtfreter (2008) examined the characteristics of fraud perpetrators in nonprofit organizations and contrasted these findings to previous research on fraud in other settings. Consistent with other research, she found that perpetrator age was positively associated with amount of fraud loss and perpetrator educational backgrounds were similar to those in a for profit setting. However—in contrast to other settings—she found that nonprofit fraud was more likely to be perpetrated by females and employees working in non-management roles.

Harris et al. (2016) investigated the influence of nonprofit governance characteristics on nonprofit fraud and found a negative association between good governance and the incidence of fraud. Using information reported to the IRS on form 990, they investigated four governance constructs including, board monitoring, independence of the people in authority, capital provider oversight, and tone at the top. For our purposes, their findings suggest that strengthening some of these governance constructs may improve the reputation of a nonprofit that was subject to a fraud, or minimize the likelihood of future fraud. In keeping with Harris et al. (2016) who found 95% of all fraud occurrences in nonprofit organizations are asset diversions, we utilized an asset misappropriation scenario in our experimental setting.

Unfortunately, nonprofit fraud often creates viability problems for victim organizations (Lofland 2012, Archambeault

and Webber 2017), and even large charities can suffer long-term harm after a fraud has been committed. Archambeault and Webber (2017) found that almost 28% of nonprofits that experienced fraud did not survive more than three years after the fraud was committed. The potential financial effects of fraud for those nonprofits who do survive are also troubling because victim organizations may struggle to regain the level of financial support they enjoyed before the fraud was committed. For example, ten years after fraud was reported at the United Way of the National Capital Area, the organization only received slightly more than one-third of its pre-fraud donation revenues (Lofland 2012).

The severe implications of fraud for long-term organizational viability are likely due to the importance of an organization's reputation in the nonprofit industry. Charitable organizations need to consider how their brand image may impact donor contribution decisions (Boenigk and Becker 2016; Michaelidou et al. 2015), and unlike their for-profit counterparts, nonprofits must rely almost exclusively on their image and mission in order to generate donation revenue (Jaeggi 2014).

Compounding the risks associated with nonprofit fraud is the ease with which fraud can be perpetrated against charitable organizations. During fundraising campaigns, nonprofits are frequently in possession of large amounts of cash and checks collected from various sources, making them especially vulnerable to skimming or larceny frauds. Struggling agencies also frequently experience relatively high staff turnover, which can make training and adequate segregation of duties more difficult. Moreover, executives who are passionate about their agencies and their missions tend to be naturally trusting of others who share their altruistic interests—or at least pretend to (Marks and Ugo 2012).

Additionally, public accounting firms like Gelman, Rosenberg & Freedman (2015) have suggested that nonprofits are more vulnerable to fraud because they place more faith in individuals within the organization and note many nonprofits are reluctant to report fraud if it does occur. However, since 2008

publically reporting material fraud has been mandated by the IRS in nonprofits' form 990 filing. Underscoring these weaknesses is the tendency for corporate governance to be a low priority in the nonprofit sector (Lofland 2012), with little incentive for reform because donors are unlikely to become aware of weaknesses until fraud has been reported. Thus, oversight is often weak in the nonprofit sector and internal controls frequently non-existent because resources that can be devoted to such functions are often limited or devoted to use elsewhere in the organization. Accordingly, opportunities to commit fraud exist—and the unique culture of the nonprofit environment can make it an attractive target to would-be fraud perpetrators.

Despite heightened fraud risks in the nonprofit sector, as well as the difficulty associated with maintaining donor relations and continued viability after fraud has occurred, existing research has not examined the aftermath of nonprofit fraud nor have extant studies investigated potential strategies for nonprofit reputation repair following material fraudulent activity. Accordingly, the purpose of this study is to examine the decision making of would-be donors once fraud is discovered. We also attempt to quantify the effects of a nonprofit organization's response to fraud on future donations and perceptions of organizational image.

Reputation Repair

Reputation repair has been examined in for-profit corporations following serious restatements where total market value losses for these firms were estimated at 27% of the company's value (Chakravarthy et al. 2014). Chakravarthy et al. (2014) suggest five ways to reestablish reputation with capital providers: (1) improving governance, (2) firing senior people, (3) improving incentive or internal control systems, (4) reorganizing the firm, and (5) repurchasing stock. They also suggest that a firm's reputation with stakeholders other than capital providers (e.g. customers, employees, communities) may also need to be

addressed and discuss circumstances when each might be more important to the firm.

In the auditing industry, Rasso (2014) examined the effects of issuing a public apology after a deficient audit (that led to an audit failure) on juror decision making. Drawing on prior apology research, he experimentally tested three levels of apology: 1) expression of sympathy, 2) acceptance of responsibility and 3) promise to refrain. Only the expression of sympathy affected participant assessment of punishment but combining all three led to a higher perception of the auditor's reputation. The fourth stage of an apology, restitution (Scher and Darley 1997), was not examined in this study.

We synthesize the findings and strategies identified in our reviews of the fraud, crisis response, and reputation repair literatures, and investigate those mechanisms that could be practically adopted in the nonprofit sector. This synthesis yielded several mechanisms for public image repair suggested by prior studies that we identified as viable alternatives in a nonprofit setting. Our investigation focused on the potential effectiveness of these strategies at repairing a nonprofit's brand image and mitigating the adverse financial effects associated with an asset misappropriation fraud.

Specifically, we experimentally investigate the effects of: 1) formal apology, 2) commitment to undergoing an external audit, 3) improving the oversight function of an organization's board of directors, 4) pursuing legal action against the guilty party, 5) improving internal controls over financial reporting, 6) the termination of the Executive Director in addition to the fraud perpetrator, and 7) a no-response control condition; on donor intentions to give, planned donation amount, perceived reputation of the nonprofit, and perceptions of the nonprofit's

trustworthiness.[2,3] Each of these strategies is discussed in greater detail in the methodologies section, below.

Because we evaluate several reputation repairing strategies from a diverse cross-section of prior literature, our primary research motivation is to provide exploratory information about the effectiveness—or lack thereof—of the various strategies a nonprofit may utilize following a material fraud to improve relations with donors.

Experimental Conditions and Hypotheses

Based on our synthesis of prior research, we expect that each of the six image repairing strategies we investigate (described in detail below) will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to the control condition in which no attempt is made to strengthen organizational image.

Formal Apology Condition

Prior research indicates that offering an apology following an audit failure can reduce the punishment assessment levied against an audit firm and can increase perceptions of audit firm reputation (Rasso 2014). Following the methodology established in prior apology research and utilized in Rasso (2014), we expect that an apology treatment expressing the nonprofit's sympathy for harm

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[2] We include one strategy in our analysis that was not investigated in the prior reputation repair studies we reviewed. Specifically, in addition to investigating reputation repairing tactics investigated in prior empirical research, we also include an experimental manipulation for "commitment to undergoing an external audit." This is a somewhat unique option for nonprofit organizations because unlike for-profit, publically traded companies, external financial statement audits are usually voluntary in the nonprofit sector (Vermeer, Raghunandan, and Forgione 2009).

[3] In all conditions, participants learned that the fraud perpetrator had been terminated.

caused by the fraud, indicating that the nonprofit accepted full responsibility for the misappropriation, and promising to adopt a program to prevent future frauds from occurring will reduce the adverse effects of fraud on organizational image. We present hypothesis one (in alternative form) formally as:

H1: Issuing an apology will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to a control condition.

External Audit Condition

Unlike publically traded companies, most nonprofit organizations are not required to undergo an external financial statement audit and evidence suggests that only as many as 67% of organizations do so (Vermeer et al. 2009; Ostrower 2007). However, audits are associated with higher nonprofit financial reporting quality (Keating, Parsons, and Roberts 2008; Yetman and Yetman 2012), and donations have also been show to correlate positively with receiving an audit (Harris, Petrovits, and Yetman 2015).

Accordingly, we investigate the effects of a nonprofit organization committing to an audit following a material fraud. Participants in this condition learned that the organization did not previously undergo an audit but had hired an accounting firm to perform an annual audit of the organization's financial statements in future periods. Participants learned that an audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, and that the auditor is required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We

predict that receiving an external audit will reduce the adverse effects of fraud on organizational image. We present hypothesis two (in alternative form) formally as:

H2: Promising to Undergo an external audit will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to a control condition.

Board of Director Changes Condition

Nonprofit organizations are not required to have specific governance features in place like their for-profit, publically traded, counterparts who are subject to the governance requirements of the Sarbanes-Oxley Act (Vermeer, Raghunandan, and Forgione 2006), and only slightly more than half of nonprofits indicate that they have a board of directors that takes a very active role in the organization's financial oversight (Ostrower 2007). Chakravarthy et al. (2014) suggest that organizations may engage in governance improvements to repair a damaged reputation.

We utilize a compound manipulation based on the findings of prior empirical investigations of governance best practices to manipulate board improvements in the board of director changes condition (see, Defond, Hann, and Hu 2005; Aggarwal, Evans, and Nanda 2012; Yetman and Yetman 2012; and Harris et al. 2016). Specifically, participants learn that the organization's board has implemented a requirement that board members must be completely independent from management, meaning that no employees can serve on the board of directors. Additionally, the board has increased the number of voting board members and mandated that one member of the board of directors must possess financial expertise and have a financial or accounting background. Finally, participants learned that all board members must now review the organization's financial statements on at least a monthly basis.

We predict that improving a nonprofit's board of director oversight will reduce the adverse effects of fraud on organizational image. We present hypothesis three (in alternative form) formally as:

H3: Improving board of director oversight will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to a control condition.

Legal Action Condition

Best practices suggest that victim organizations should pursue legal action against fraud perpetrators because legal action demonstrates a tone from the top that fraudulent activity will not be tolerated. However, this frequently does not occur in practice (Albrecht, Albrecht, Albrecht, and Zimbelman 2012, p. 83). Lack of legal action often arises out of fear of how the case may adversely affect an organization's reputation. Indeed, the Association of Certified Fraud Examiners indicates that the primary reason fraud cases are not referred to law enforcement agencies is fear of bad publicity (ACFE 2014). Accordingly, legal action against a fraud perpetrator is an important avenue for victim entities to consider following fraud, but it is unclear how this action may impact donor decision making. In the legal action treatment condition, participants learn that the nonprofit quantified the amount of loss suffered by the organization, donors, and beneficiaries and was pursuing all legal courses of action available against the former CFO (who had perpetrated the fraud) in an effort to financially recover from the damages caused by the CFO's misappropriation.

Moreover, participants read that the organization believed that immediate legal action against the former CFO would communicate to other employees within the organization that financial fraud would not be tolerated and that the organization

expected all employees to behave ethically at all times. We predict that pursuing legal action against a fraud perpetrator will reduce the adverse effects of fraud on organizational image. We present hypothesis four (in alternative form) formally as:

H4: Pursuing legal action against a fraud perpetrator will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to a control condition.

Terminate Executive Director Condition

Chakravarthy et al. (2014) note that some organizations may terminate senior executives in an effort to build the entity's reputation following a financial restatement. Because a nonprofit CFO is usually under the oversight of an organization's Executive Director, a victim organization's board of directors may choose to terminate the Executive Director (even if the director was not involved in the fraud) for failing to maintain proper control over the organization's financial reporting process. Accordingly, participants in this condition learned that the board of directors terminated the organization's Executive Director in addition to the CFO.

The board believed that this action was necessary because the Executive Director was responsible for overseeing and managing the operations of the organization and its employees. Additionally, participants learned that the board of directors hired a new Executive Director and a new CFO and that the board believed these changes would establish and maintain a culture and control environment that would prevent future fraud and maintain a high standard of ethical business practices. We predict that terminating senior management will reduce the adverse effects of fraud on organizational image. We present hypothesis five (in alternative form) formally as:

H5: Terminating senior managers responsible for the financial oversight of the nonprofit will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to a control condition.

Internal Control Changes Condition

Chakravarthy et al. (2014) suggest that improving internal control systems may improve an organization's damaged reputation which is consistent with Petrovits, Shakespeare, and Shih (2011) who document a negative association between the disclosure of weak nonprofit internal controls and subsequent government grants and donor support. Accordingly, we investigate the effects of internal control improvements on donor decision making. In the internal control changes condition, participants learned that the organization implemented improved internal controls over the financial reporting process and use of the organization's assets.

Specifically, strict policies were implemented which required multiple employees to be involved in financial and accounting functions such that the ability to authorize transactions, the recording of information related to those transactions, and the physical custody of assets (including cash) would all be handled by different organizational employees. Moreover, another employee not involved in any financial function described above would be responsible for reviewing and reconciling the work of other employees. We predict that improving an organization's internal controls will reduce the adverse effects of fraud on organizational image. We present hypothesis six (in alternative form) formally as:

H6: Improving internal controls will have a positive impact on donor intentions to give, planned donation amount, perception of nonprofit reputation, and perception of nonprofit trustworthiness compared to a control condition.

Control Condition

Participants in the control condition were informed of the fraud, that the CFO had been terminated and that the organization continued to rely on donations for financial viability and appreciated the community's continued support. Importantly, participants in the control condition learned that the fraud perpetrator had been terminated, but did not receive any reputation repairing manipulation.

Comparing Strategies

Despite theoretical foundations for potential differences between image enhancing strategies and the control condition, it is not clear how the alternative image repair tactics examined in this study may perform when compared with one another directly. Although it seems reasonable to assume that some approaches to rebuilding a nonprofit's image would be more successful than others in terms of post-fraud donor decision making, we have no ex ante expectation for why one strategy may outperform another. Nevertheless, we anticipate that differences are likely in the relative effectiveness of each strategy we investigate and that insights may be gained by analyzing strategies in head-to-head comparisons. Therefore, we present our final hypothesis in null form formally as:

H7: There will be no differences in donor intentions to give, planned donation amount, perception of nonprofit reputation, or perceptions of nonprofit trustworthiness between experimental treatment conditions.

METHODOLOGY

This study experimentally examines several reputation repairing techniques that a nonprofit may utilize to minimize the adverse effects of fraud on potential donors' planned future giving. Specifically, potential nonprofit donors participated in an experiment where they received information about a hypothetical nonprofit to whom they were asked to assume they had previously donated. The nonprofit had recently uncovered a material misappropriation of assets fraud perpetrated by the Chief Financial Officer (CFO). Participants then reviewed a press releases issued by the nonprofit organization disclosing the fraud and the termination of the CFO, as well as the action the organization had taken in response to the fraud. In a 1 x 7 between-subjects experiment, each participant was randomly assigned to one of seven different reputation repairing strategy treatment conditions which included: issuance of a formal apology, commitment to undergoing an external audit, improving the oversight function of the organization's board of directors, pursuing legal action against the CFO, improving internal controls over financial reporting, termination of the Executive Director in addition to the CFO, and a control condition.

Participants

177 potential nonprofit donors from the United States participated in this study. Participants were recruited through SurveyMonkey, an online provider of research panel participants.[4]

[4] In total, 405 completed responses were received from potential participants. However, all data were carefully vetted to ensure only high quality responses were used in the final data analysis. Participants who failed a detailed manipulation check protocol were removed from the final dataset. Specifically, after responding to dependent variable questions, participants were asked to indicate the action taken by the nonprofit organization following the fraud. All participants indicated the accuracy of statements about: the termination of the CFO, termination of the Executive Director, changes to the board of directors,

For a detailed description of the SurveyMonkey participant recruiting process, see Brandon, Long, Loraas, Mueller-Phillips, and Vansant (2014). Table 1 provides participant demographic information. 97.18% of participants had previously donated money to a nonprofit organization and 70.06% of participants had previously served as nonprofit volunteers. Accordingly, the demographic information indicated that the participants were appropriately matched to the nature of the study and had the requisite experience necessary to evaluate a nonprofit fraud scenario from a potential donor's perspective.

Independent Variables

All participants read background information about a hypothetical nonprofit organization who provided free career counseling services to local, low-income families. The organization received minimal funding from local governmental agencies and relied on donations from the public and local businesses for over 90% of their revenues. Participants were asked to assume that they had donated $250 to the organization in previous years, and were considering making a donation to the organization again in the current year out of a charitable contributions budget of $500. Thus, we created a scenario where participants were to assume that they were existing stakeholders of the nonprofit organization who were considering providing additional charitable support to the entity.

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changes to internal controls, if an apology was issued, if legal action was pursued against the CFO, and if an external auditor had been engaged following the fraud. Participants indicated their agreement with each statement by responding to a seven point scale (1= disagree, 7 = agree). Of the completed responses received, all participants who did not rate CFO termination "7 = agree" were removed from analysis, as were all participants who did not identify their treatment condition as "7 = agree." Moreover, participants who rated all of the statements "7 = agree" were also removed from the analysis (i.e. we removed participants who indicated all statements were correct, even those associated with conditions to which they were not assigned).

Participants next received a press release from the nonprofit indicating that the organization had been the victim of a material misappropriation of assets fraud committed by the organization's CFO. All participants learned that the CFO acted alone in committing the fraud and had been terminated by the organization. The participants next received the experimental manipulation indicating which of the additional six actions the nonprofit had taken in response to the fraud—or the control condition with no additional action taken. The press release concluded with a statement that the organization continued to rely almost exclusively on donations from members of the community and that the organization sincerely appreciated the continued support of the community and their donors.

Dependent Variables

After reading background information and the press release from the nonprofit organization, participants responded to dependent variable questions. Specifically participants indicated the likelihood that they would donate money to the nonprofit again in the current year using a seven point scale (1 = Definitely Will Not Donate Money; 7 = Definitely Will Donate Money). Participants were also asked to indicate the amount of the $500 donation budget they would donate and reported their perception of

TABLE 1
Overall Participant Demographic Characteristics
(n = 177)

Demographics

	Frequency	**Percent**
Nonprofit Donor		
Yes	172	97.18%
No	5	2.82%
Total	177	100.00%

Nonprofit Volunteer		
Yes	124	70.06%
No	53	29.94%
Total	177	100.00%
Gender		
Male	76	42.94%
Female	101	57.06%
Total	177	100.00%
Victim of Prior Fraud		
Yes	74	41.81%
No	103	58.19%
Total	177	100.00%

the organization's reputation using an eleven point scale (Extremely Poor to Extremely Good). Finally, we capture perceptions of the nonprofit organization's trustworthiness using a measure adapted from Mercer (2005). Specifically, using seven point scales (1 = Strongly Disagree; 7 = Strongly Agree), participants rated their agreement with statements that: the organization is very trustworthy, the organization is very honest, and the organization is very truthful in their financial disclosures. Following the methodology of Mercer (2005), participant's responses to these items were summed to form a composite measure of trustworthiness used in subsequent analyses. Finally, participants completed the case by responding to manipulation check questions before providing demographic information.

RESULTS

Table 2 reports the results of one-way Analyses of Variance (ANOVAs) for each dependent variable across the seven treatment conditions. The ANOVAs indicate significant differences across

the experimental treatment conditions. Specifically, two-tailed p-values show significance below the 5% level for Likely to Donate, Donation Amount, and Trustworthiness. Significance at the 12.1% level for Reputation was also observed.

Figures 1 through 4 present means plots for each dependent variable across the six treatment conditions compared to the control condition. The pattern of means generally show higher values associated with the BOD changes condition and lower values associated with the termination of executive director condition. Formal apology and internal control changes also enjoyed higher average scores for several dependent variables as well.

We next regressed each dependent variable on dummy coded indicator variables for each of the six treatment conditions, as well as control variables for nonprofit donor, nonprofit volunteer, former victim of fraud, and gender. Table 3 presents the results of the regression analysis. All t-statistics are reported using two-tailed levels of significance.

TABLE 2
Descriptive Statistics of Treatment Conditions and Analysis of Variance

	Mean (Standard Deviation)							
	Apology (n = 23)	**Audit (n = 36)**	**BOD Change (n = 18)**	**CFO Legal Action (n = 25)**	**Terminate Executive Director (n = 20)**	**IC Changes (n = 16)**	**Control Condition (n = 39)**	**ANOVA F-statistic (p-value)**
Likely to Donate [a]	4.17 (2.12)	3.69 (1.92)	4.94 (1.98)	3.88 (2.13)	2.60 (1.43)	4.00 (2.19)	3.64 (1.72)	2.605 (0.019)
Donation Amount [b]	$196.09 ($165.93)	$192.36 ($178.77)	$281.94 ($179.42)	$175.83† ($149.22)	$105.00 ($128.66)	$162.50 ($105.67)	$151.28 ($125.21)	2.537 (0.022)
Reputation [c]	5.65 (3.14)	4.47 (3.10)	6.11 (2.99)	5.12 (2.99)	3.65 (2.91)	5.63 (2.70)	4.72 (2.62)	1.713 (0.121)
Trust-worthiness [d]	13.57 (5.07)	12.11 (5.61)	15.00 (4.95)	12.56 (4.97)	9.35 (4.87)	14.06 (4.54)	12.03 (4.50)	2.633 (0.018)

Notes: † n = 24. All p-values are two tailed.

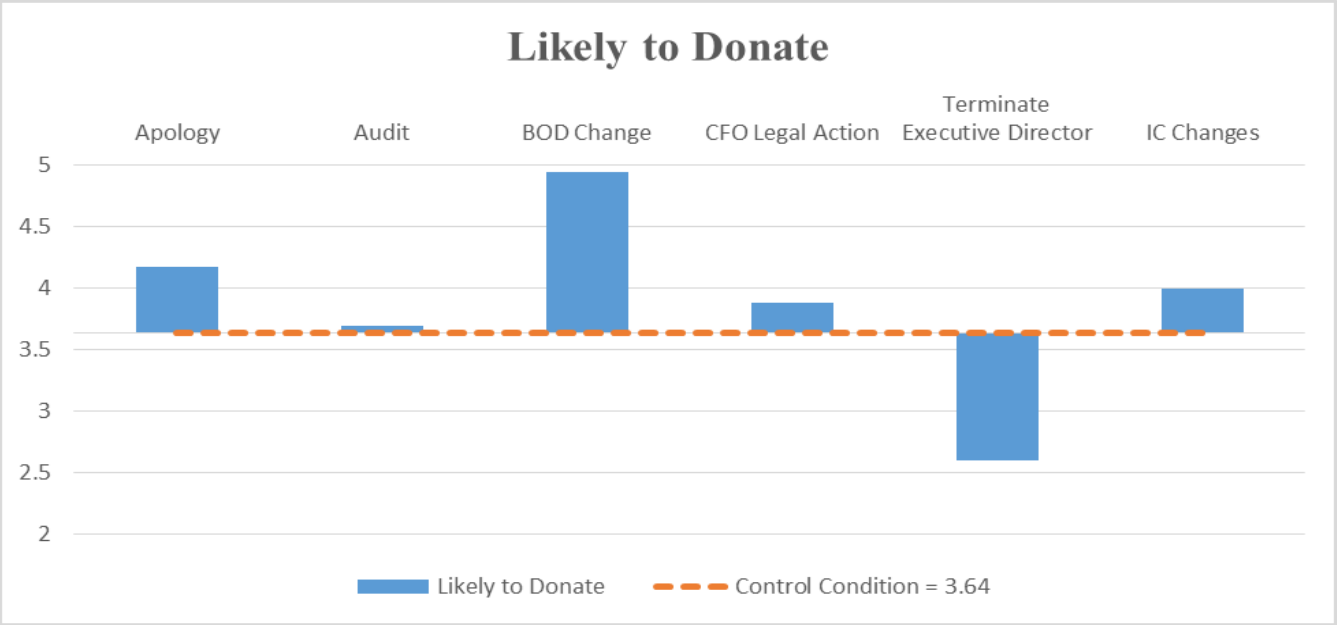
[a] Participants were asked to indicate how likely they were to donate money to the nonprofit in the current year by responding to a 7-point scale where 1 = Definitely Will Not Donate Money and 7 = Definitely Will Donate Money.

[b] Participants were asked to indicate how much of a $500 donation budget they planned to allocate to the nonprofit.

[c] Participants were asked to indicate how they perceived the reputation of the nonprofit by responding to an 11-point scale where -5 = Extremely Poor and 5 = Extremely Good (converted to values from 0 to 10 for all data analysis).

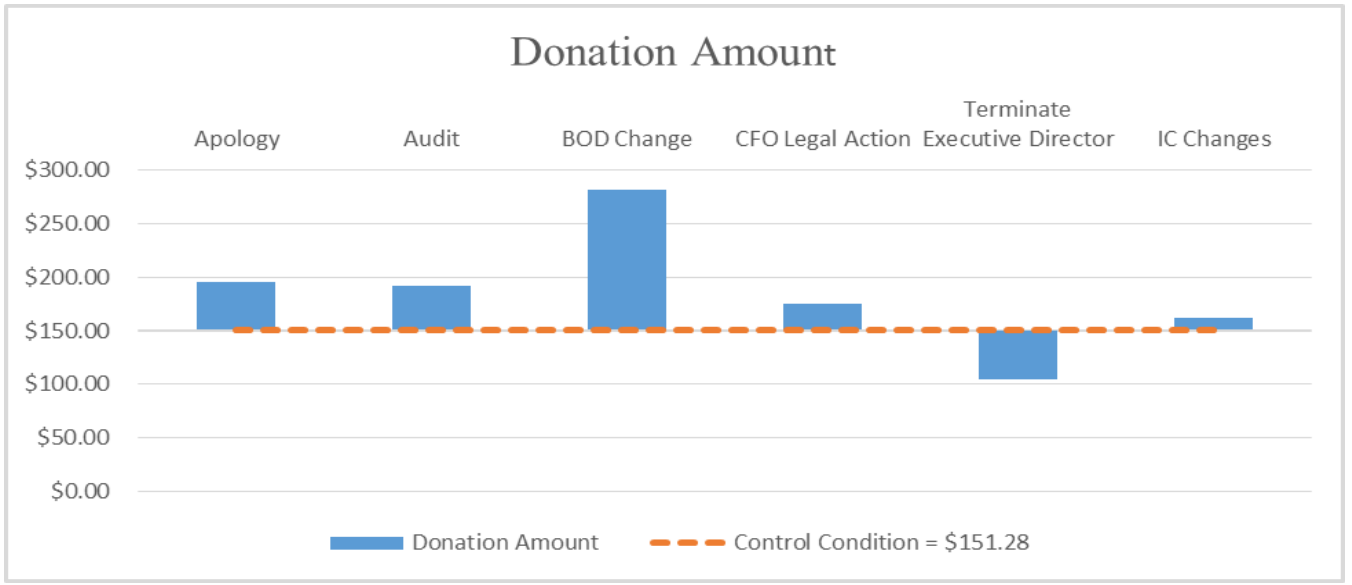
[d] Participants were asked to indicate if the nonprofit was trustworthy (1 = Strongly Disagree and 7 = Strongly Agree), if the nonprofit was very honest (1 = Strongly Disagree and 7 = Strongly Agree), and if the nonprofit was very truthful in their financial disclosures (1 = Strongly Disagree and 7 = Strongly Agree). A composite trustworthiness score was obtained by summing participants' ratings of these items.

Figure 1: Means plot of participant's likelihood of donating to the nonprofit organization. 1 = Definitely Will Not Donate Money and 7 = Definitely Will Donate Money.



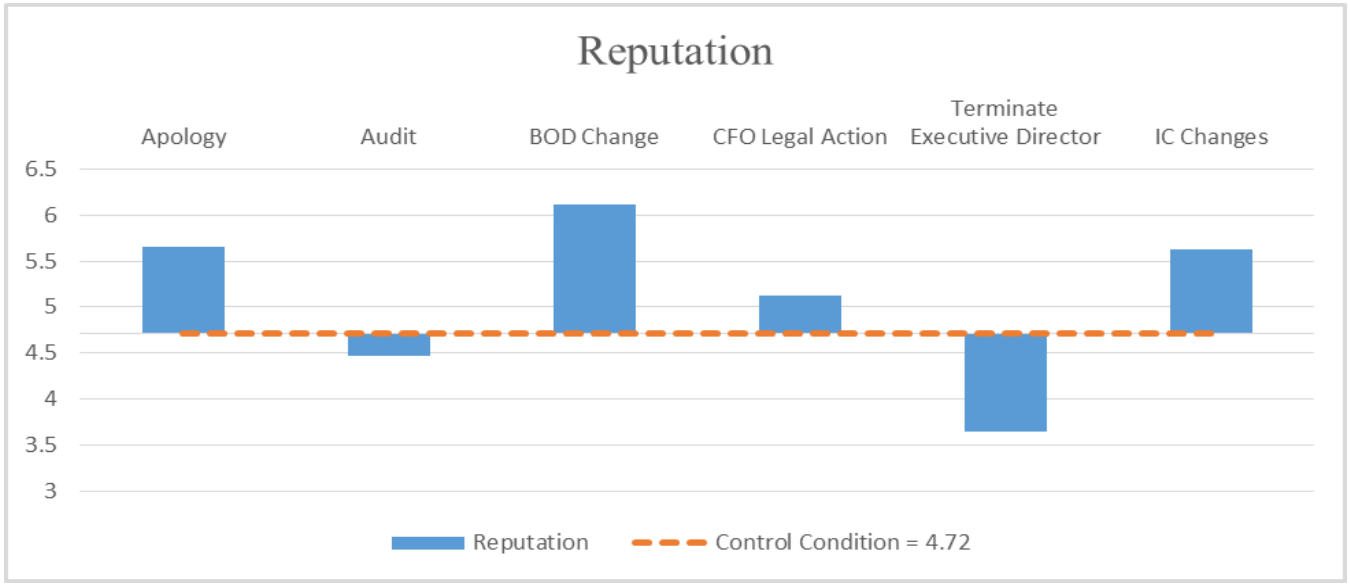
Apology is the nonprofit apology condition, Audit is the external financial statement audit condition, BOD Change is the BOD changes condition, CFO Legal Action is the legal action taken against CFO condition, Terminate Executive Director is the termination of executive director condition, and IC Changes is the internal control improvements condition. The Control Condition is presented as a baseline against which the other conditions are presented.

Figure 2: Means plot of participant's planned donation amount (max: $500)



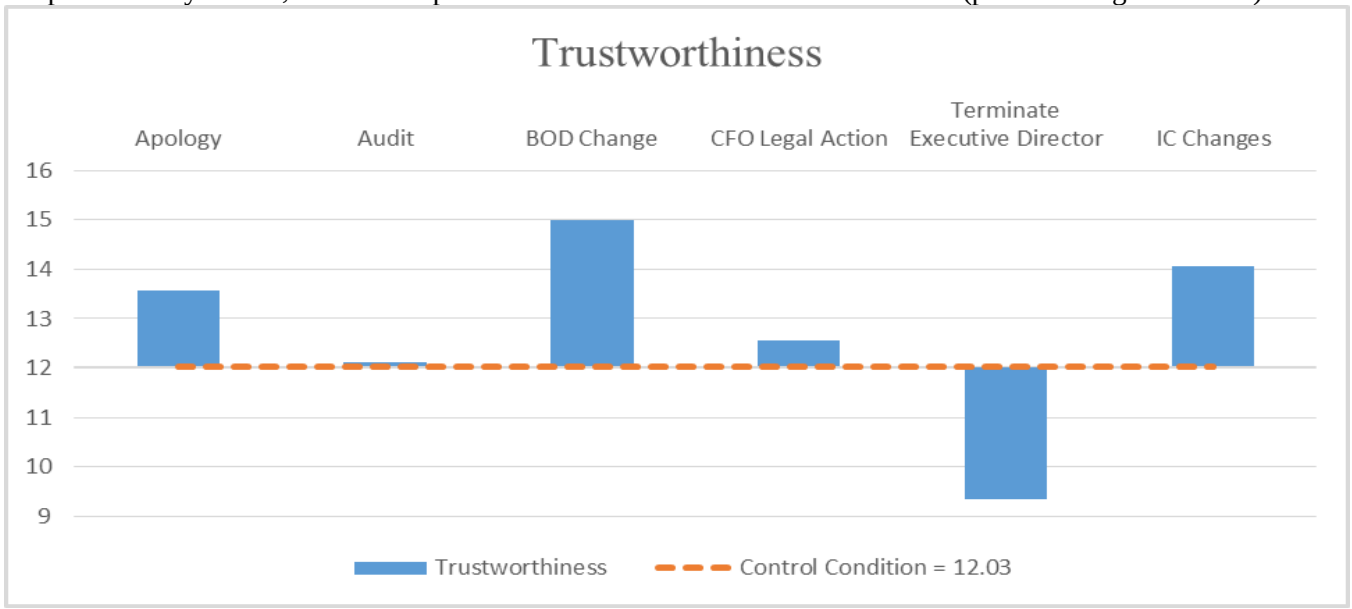
Apology is the nonprofit apology condition, Audit is the external financial statement audit condition, BOD Change is the BOD changes condition, CFO Legal Action is the legal action taken against CFO condition, Terminate Executive Director is the termination of executive director condition, and IC Changes is the internal control improvements condition. The Control Condition is presented as a baseline against which the other conditions are presented.

Figure 3: Means plot of participant's perception of the reputation of the nonprofit. 0 = Extremely Poor and 10 = Extremely Good.



Apology is the nonprofit apology condition, Audit is the external financial statement audit condition, BOD Change is the BOD changes condition, CFO Legal Action is the legal action taken against CFO condition, Terminate Executive Director is the termination of executive director condition, and IC Changes is the internal control improvements condition. The Control Condition is presented as a baseline against which the other conditions are presented.

Figure 4: Means plot of the composite trustworthiness score obtained by summing participants' agreement (1 = Strongly Disagree and 7 = Strongly Agree) with the statements that: the nonprofit is very trustworthy, the nonprofit is very honest, and the nonprofit is truthful in their financial disclosures (possible range = 3 to 21).



Apology is the nonprofit apology condition, Audit is the external financial statement audit condition, BOD Change is the BOD changes condition, CFO Legal Action is the legal action taken against CFO condition, Terminate Executive Director is the termination of executive director condition, and IC Changes is the internal control improvements condition. The Control Condition is presented as a baseline against which the other conditions are presented.

TABLE 3
Regression of Post-Fraud Donor Assessments on Treatment Condition Indicators

Dependent Variable:	*DONATE*	*AMOUNT*	*REPUTATION*	*TRUST*
Independent Variable	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)	Coeff. (t-value)
Intercept	2.616**	84.424	4.716**	13.290***
	(2.15)	(0.88)	(2.57)	(4.23)
APOLOGY	0.465	48.007	0.887	1.465
	(0.91)	(1.19)	(1.14)	(1.11)
AUDIT	0.054	43.589	-0.220	0.097
	(0.12)	(1.24)	(-0.33)	(0.08)
BOD	1.254**	133.009***	1.140	2.552*
	(2.23)	(3.01)	(1.34)	(1.76)
CFO_LEGAL	0.325	26.377	0.493	0.631
	(0.65)	(0.66)	(0.65)	(0.49)
TERM_EXEC	-1.015*	-55.962	-1.270	-2.879**
	(-1.81)	(-1.27)	(-1.50)	(-1.99)
IC	0.313	11.965	0.689	1.682
	(0.54)	(0.26)	(0.78)	(1.12)
DONOR	0.620	76.820	1.222	0.751
	(0.66)	(1.04)	(0.87)	(0.31)
VOLUNTEER	0.223	-21.384	-0.333	-0.431
	(0.67)	(-0.81)	(-0.66)	(-0.50)
FRAUD_VICTIM	0.267	3.649	0.172	0.171
	(0.87)	(0.15)	(0.37)	(0.21)
GENDER	-0.225	6.639	-0.726	-1.158
	(-0.74)	(0.27)	(-1.57)	(-1.46)
N	177	176	177	177
Model F-value	1.77*	1.65*	1.43	1.85*
Adjusted R-Squared	.042	.036	.024	.046

Table 3 Notes:

Table 3 presents the results of regressing of potential donor's post-fraud assessments of the nonprofit on treatment condition indicator variables. *DONATE* is the participant's reported likelihood of donating to the nonprofit (1 = Definitely Will Not Donate; 7 = Definitely Will Donate), *AMOUNT* is the amount (up to $500) the participant indicated they would be willing to donate to the nonprofit, *REPUTATION* is the participant's perception of the nonprofit's reputation (0 = Extremely Poor; 10 = Extremely Good), *TRUST* is the composite trustworthiness score obtained by summing participant's agreement with the statements that: the nonprofit is very trustworthy (1 = Strongly Disagree; 7 = Strongly Agree), the nonprofit is very honest (1 = Strongly Disagree; 7 = Strongly Agree), and the nonprofit is truthful in their financial disclosures (1 = Strongly Disagree; 7 = Strongly Agree).

For the independent variables, *APOLOGY* = 1 in the apology condition, *AUDIT* = 1 in the external financial statement audit condition, *BOD* = 1 in the BOD changes condition, *CFO_LEGAL* = 1 in the legal action taken against CFO condition, *TERM_EXEC* = 1 in the termination of executive director condition, and *IC* = 1 in the internal control improvements condition. Control variables included in the models are: *DONOR* = 1 if the participant is a nonprofit donor, *VOLUNTEER* = 1 if the participant is a nonprofit volunteer, *FRAUD_VICTIM* = 1 if the participant is a former victim of fraud, and *GENDER* = 1 if the participant is female.

T-statistics are included below the coefficients. Significance at the 10 percent, 5 percent, and 1 percent levels are indicated by *, **, and ***, respectively (two-tailed).

The results indicate that board of director changes were positively and significantly associated with intentions to donate, the planned amount of donation, and the perceived trustworthiness of the organization. The board improvements were also positively associated with perception of nonprofit reputation, however, this association did not rise to traditional levels of statistical significance.

Interestingly, we also observed that the decision by the nonprofit to terminate the executive director was negatively and significantly associated with intentions to donate and the perceived trustworthiness of the organization. Termination of the executive director was also negatively associated with the planned amount of donation and perceived reputation of the nonprofit organization. However, these coefficients did not rise to traditional levels of significance. We note that none of the control variables were significant in any of the regression models.

In order to test our specific hypotheses and to investigate how each of the six experimental treatment conditions compared to one another, we conducted pairwise comparisons of all of the treatment and control conditions for all four of the dependent variables. Results of the pairwise comparisons for the participant's likelihood of donating to the nonprofit organization, planned donation amount, perceived reputation of the nonprofit, and perceived nonprofit organizational trustworthiness are presented in Tables 4 through 7, respectively.[5]

Likelihood of donating was highest in the board of directors changes condition (mean = 4.94) and lowest in the termination of the Executive Director condition (mean = 2.60). The comparisons indicated that potential donors were significantly ($p < 0.05$, two tailed) less likely to donate to the organization if the nonprofit terminated the Executive Director in response to the fraud committed by a member of the Executive Director's top management team. Termination of the Executive director resulted in significantly lower intentions to donate compared to all other treatment conditions as well as the control condition. The difference between the termination of Executive Director condition and the control condition was unexpected and in direct contradiction to hypothesis five. Conversely, board of director changes were associated with significantly higher intentions to donate compared to the control condition (supporting hypothesis three), the termination of the Executive Director condition, and the external audit condition. No other treatment conditions were significantly different from the control condition.

[5] Two-tailed p-values are presented in Tables 4 through 7. We present two-tailed p-values because, in addition to testing our directional hypotheses which compare each treatment to the control condition, we also aim to provide information about the comparative effectiveness of the treatment conditions in head-to-head comparisons through our non-directional investigation of hypothesis 7. We note that our results are qualitatively similar regardless of whether we present one-tailed or two-tailed results when testing directional predictions.

TABLE 4
Pairwise Comparisons of Treatment Groups – Likely to Donate [a]

	t-statistic (p-value)						
Treatment Group (Mean)	**Apology (4.17)**	**Audit (3.69)**	**BOD Change (4.94)**	**CFO Legal Action (3.88)**	**Terminate Exec. Dir. (2.60)**	**IC Changes (4.00)**	**Control Condition (3.64)**
Apology (4.17)	-						
Audit (3.69)	0.90 (0.37)	-					
BOD Change (4.94)	1.19 (0.24)	**2.23 (0.03)**	-				
CFO Legal Action (3.88)	0.48 (0.64)	0.36 (0.72)	1.66 (0.10)	-			
Terminate Exec. Dir. (2.60)	**2.88 (0.01)**	**2.22 (0.03)**	**4.21 (0.00)**	**2.41 (0.02)**	-		
IC Changes (4.00)	0.25 (0.81)	0.51 (0.62)	1.32 (0.20)	0.17 (0.86)	**2.31 (0.03)**	-	
Control Condition (3.64)	1.08 (0.29)	0.13 (0.90)	**2.53 (0.01)**	0.49 (0.62)	**2.32 (0.02)**	0.65 (0.52)	-

Notes: [a] Participants were asked to indicate how likely they were to donate money to the nonprofit in the current year by responding to a 7-point scale where 1 = Definitely Will Not Donate Money and 7 = Definitely Will Donate Money. All p-values are two tailed.

Table 5 reports the same pairwise comparisons for the amount participants indicated they would donate to the nonprofit. Notably, the average donation amount for participants in the termination of the Executive Director condition was the lowest (mean = $105.00) while the average planned contribution in the board of director changes condition was the highest (mean = $281.94).[6] The average planned donation in the termination of the Executive Director condition was significantly ($p < 0.05$, two tailed) lower than the average donation amount in the formal apology condition, the external audit condition, and the board of director changes condition.

Conversely, the average planned donation in the board of director changes condition was significantly higher than the average in the control condition (supporting hypothesis three), the CFO legal action condition, the termination of the Executive Director condition, and the internal control changes condition. No other treatment conditions were significantly different from the control condition.

Table 6 reports pairwise comparisons for participant's perception of the nonprofit organization's reputation following the fraud. The average reputation rating was lowest in the termination of the Executive Director condition (mean = 3.65) and highest in the board of director changes condition (mean = 6.11). Reputation ratings were significantly ($p < 0.05$, two tailed) lower in the termination of Executive Director condition than in the formal apology condition, the board of director changes condition, and the internal control changes condition.

Table 7 reports pairwise comparisons for participant's perception of the nonprofit organization's trustworthiness following the fraud.

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[6] This was the only condition where the average planned donation amount exceeded the amount participants were asked to assume they had given in the previous year.

TABLE 5
Pairwise Comparisons of Treatment Groups – Amount to Donate [a]

t-statistic (p-value)

Treatment Group (Mean)	**Apology ($196.09)**	**Audit ($192.36)**	**BOD Change ($281.94)**	**CFO Legal Action ($175.83)**	**Terminate Exec. Dir. ($105.00)**	**IC Changes ($162.50)**	**Control Condition ($151.28)**
Apology ($196.09)	-						
Audit ($192.36)	0.08 (0.94)	-					
BOD Change ($281.94)	1.59 (0.12)	1.73 (0.09)	-				
CFO Legal Action ($175.83)	0.44 (0.66)	0.37 (0.71)	**2.09 (0.04)**	-			
Terminate Exec. Dir. ($105.00)	**1.99 (0.05)**	**2.11 (0.04)**	**3.52 (0.00)**	1.67 (0.10)	-		
IC Changes ($162.50)	0.71 (0.48)	0.62 (0.54)	**2.40 (0.02)**	0.31 (0.76)	1.44 (0.16)	-	
Control Condition ($151.28)	1.20 (0.23)	1.16 (0.25)	**3.18 (0.00)**	0.70 (0.49)	1.33 (0.19)	0.32 (0.75)	-

Notes: [a] Participants were asked to indicate how much of a $500 donation budget they planned to allocate to the nonprofit. All p-values are two tailed.

TABLE 6
Pairwise Comparisons of Treatment Groups – Reputation [a]

t-statistic (p-value)

Treatment Group (Mean)	**Apology (5.65)**	**Audit (4.47)**	**BOD Change (6.11)**	**CFO Legal Action (5.12)**	**Terminate Exec. Dir. (3.65)**	**IC Changes (5.63)**	**Control Condition (4.72)**
Apology (5.65)	-						
Audit (4.47)	1.42 (0.16)	-					
BOD Change (6.11)	0.47 (0.64)	1.85 (0.07)	-				
CFO Legal Action (5.12)	0.60 (0.55)	0.81 (0.42)	1.07 (0.29)	-			
Terminate Exec. Dir. (3.65)	**2.16 (0.04)**	0.97 (0.34)	**2.57 (0.01)**	1.66 (0.10)	-		
IC Changes (5.63)	0.03 (0.98)	1.28 (0.21)	0.50 (0.62)	0.55 (0.59)	**2.09 (0.04)**	-	
Control Condition (4.72)	1.26 (0.21)	0.37 (0.71)	1.79 (0.08)	0.57 (0.57)	1.43 (0.16)	1.16 (0.25)	-

Notes: [a] Participants were asked to indicate how they perceived the reputation of the nonprofit by responding to an 11-point scale where -5 = Extremely Poor and 5 = Extremely Good (converted to values from 0 to 10 for all data analysis). All p-values are two tailed.

TABLE 7
Pairwise Comparisons of Treatment Groups – Trustworthiness [a]

t-statistic (p-value)

Treatment Group (Mean)	**Apology (13.57)**	**Audit (12.11)**	**BOD Change (15.00)**	**CFO Legal Action (12.56)**	**Terminate Exec. Dir. (9.35)**	**IC Changes (14.06)**	**Control Condition (12.03)**
Apology (13.57)	-						
Audit (12.11)	1.01 (0.32)	-					
BOD Change (15.00)	0.91 (0.37)	**1.85 (0.07)**	-				
CFO Legal Action (12.56)	0.69 (0.49)	0.32 (0.75)	1.59 (0.12)	-			
Terminate Exec. Dir. (9.35)	**2.77 (0.01)**	1.85 (0.07)	**3.55 (0.00)**	2.17 (0.04)	-		
IC Changes (14.06)	0.31 (0.76)	1.22 (0.23)	0.57 (0.57)	0.98 (0.34)	**2.97 (0.01)**	-	
Control Condition (12.03)	1.24 (0.22)	0.07 (0.94)	**2.25 (0.03)**	0.45 (0.69)	**2.10 (0.04)**	1.52 (0.13)	-

Notes: [a] Participants were asked to indicate their agreement (1 = Strongly Disagree; 7 = Strongly Agree) with the statements that: the nonprofit is very trustworthy, the nonprofit is very honest, and the nonprofit is truthful in their financial disclosures. A composite trustworthiness score was obtained by summing participant's ratings of these items (possible composite score range = 3 to 21). All p-values are two tailed.

Again, we note that the average trustworthiness rating was lowest in the termination of the Executive Director condition (mean = 9.35) and highest in the board of director changes condition (mean = 15.00). Trustworthiness ratings were significantly ($p < 0.05$, two tailed) lower in the termination of Executive Director condition than in the control condition, the formal apology condition, the board of director changes condition, and the internal control changes condition. Whereas trustworthiness ratings were significantly higher in the board of director changes condition than in the external audit condition, the termination of Executive Director condition, and the control condition (supporting hypothesis three).

DISCUSSION

Results of comparing the individual image repair strategies from each of the six treatment conditions to the control condition suggests that apology, external audits, legal action against the fraud perpetrator, and internal control improvements are not statistically different from the control condition in which no additional action was taken by the nonprofit. Accordingly, we reject H1, H2, H4, and H6. However, improving nonprofit board of director oversight produced results that were significantly more favorable than the control condition in terms of donor intentions to donate, planned donation amount, and perceived organization trustworthiness, supporting H3. Moreover, governance improvement represents an ideal image repair strategy for nonprofits who have experienced fraud because it represents a relatively low cost course of action for the organization to pursue. This is particularly true if the organization can recruit volunteers with prior governance experience or expertise to serve on their board of directors.

Interestingly—and contrary to expectation—termination of the executive director who was responsible for the financial operations of the organization produced outcomes that were

significantly less favorable than the control condition in terms of intentions to donate and perceptions of organizational trustworthiness. Moreover, termination of the executive director produced the lowest mean response of any treatment condition across all four dependent variables and pairwise comparisons indicated this strategy was inferior to most of the other strategies in many instances.

The results of the executive director termination treatment indicate that H5 should be rejected. However, our results also suggest that instead of improving post-fraud viability, terminating members of management who were not involved in the wrongdoing may in fact undermine the organization's continued success. In this regard, the crisis management literature provides some insight into these findings. Coombs (1995) defines the act of scapegoating as a means of distancing an organization from a negative event by shifting responsibility for the event to a third party. However, Coombs (1995) notes that when an organization is responsible for the negative act, attempts to distance themselves from the event by scapegoating are not effective. Future research can investigate how scapegoating (as well as other dubious image repairing strategies) may actually harm nonprofit organizations that utilize such approaches to manage public perceptions.

Collectively, the results also indicate the presence of significant differences between image repair tactics on donor intentions to give, planned donation amount, reputation, and perceptions of organizational trustworthiness following fraud. The head-to-head comparisons of individual strategies indicate that H7 should be rejected in favor of the alternative hypothesis that differences in image repair strategies are present between treatment conditions. Our results suggest that improving—and publicizing—board of director oversight practices may substantially improve donor relations following fraud, while the dismissal of an Executive Director—who was not involved in the fraudulent activity—may harm donor relations and the financial viability of the victim organization.

CONCLUSIONS, CONTRIBUTIONS, AND LIMITATIONS

We view the results of this study as evidence that the strategies adopted by nonprofit organizations following a material fraud do not affect donor decision making equally and some strategies may lead to significantly lower intentions to donate, donation revenues, perceptions of organizational reputation, and donor trust. Pairwise comparisons of the treatment conditions indicated that potential donors budgeted lower contributions to nonprofits' who terminated their Executive Director following a fraud than organizations who issued a formal apology, committed to an external audit, or made changes to the oversight function of the board of directors.

Organizations that made improvements to their board of director oversight function were allocated significantly more hypothetical donation dollars by would-be donors than organizations who took legal action against a fraud perpetrator, terminated their executive director, made internal control changes, or chose to utilize no reputation repairing strategy (the control condition). We also observe similar patterns of results for donor assessments of nonprofit reputation and trustworthiness.

Collectively, we find that improving the oversight mechanism of a nonprofit organization's board of directors is positively associated with potential donor's intentions to contribute as well as the budgeted amount of their donations. This finding is consistent with archival evidence that suggests nonprofit governance quality is positively associated with nonprofit contributions and government grants (Harris et al. 2015). Moreover evidence also suggests that strong nonprofit governance characteristics are also associated with decreased instances of misappropriation of asset frauds (Harris et al. 2016). This suggests that the BOD changes we investigate in this study may actually limit future fraud from occurring in additional to improving donor relations following employee wrongdoing. Conversely, we find

consistent evidence that the decision to terminate a nonprofit's Executive Director following a fraud that took place on the Director's watch resulted in significantly lower intentions to donate to the organization when compared to any of the other strategies we examined as well as a control condition. This may be the case because donors perceived the termination of an innocent Executive Director as an unfair response to the fraud perpetrator's actions, or it could indicate that donors perceived the termination of the Executive Director as a signal that the problems at the organization that allowed the fraud to take place are systemic in nature and indicative of a larger, more pervasive problem.

Our findings contribute broadly to understanding how responses to fraud affect subsequent stakeholder decision making, particularly to the extent that different courses of action following a fraud may produce different outcomes for an organization. More specifically, we contribute to fraud research in the nonprofit sector by illustrating which actions might mitigate financial harm caused by reputational damage after the unthinkable happens at a charitable organization.

The findings of this study generally suggest that nonprofit donors appear to punish organizations who terminate members of management who were not directly involved in a fraud. However, donors appear to value enhanced governance features and board oversight following a material misappropriation of assets, likely because they believe that improvements in this area will decrease the likelihood of future deviant behavior at the organization.

This study is also subject to limitations that provide opportunities for future research. Specifically, we did not investigate the additive effects of reputation repairing strategies, but chose to investigate their influence on donor decision making in isolation. It remains an unanswered empirical question whether the adoption of multiple strategies may more strongly influence donor decision making. For example, participants in five of the six treatment conditions indicated they were more likely to donate to the organization and indicated they would donate more money to

the organization than participants in the control condition. It therefore stands to reason that additively combining the reputation repairing tactics we investigate (aside from termination of the Executive Director) may produce monotonically increasing intentions to donate and planned contribution amounts. However, it is unclear what the magnitude of such a strategy might be or where ceiling effects of this strategy may begin to occur.

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