



Crisis management for sexual exploitation and abuse (SEA) allegations in the commercial sector

Background

1. SEA incidents come in many guises. An employee may abuse another employee; an employee may be abused by someone unconnected to the organisation; an employee may be accused of abuse by a client or sub-contractor. Some incidents may be resolved relatively satisfactorily and quickly. However, SEA is ultimately about the abuse of power and position, and a SEA incident can precipitate a crisis of governance and reputation for any organisation. In some circumstances, particularly when a board or executive leadership team (ELT) is involved or implicated, such a crisis can rapidly turn existential.

The challenges of a governance crisis

2. Many businesses have relatively evolved crisis management capacities. Some, particularly those working in insecure areas or emerging markets, deal almost daily with disruption and crisis and, perhaps through bitter experience, are adept at managing kidnaps or other security incidents. Some businesses in more domestic settings have strong experience in contingency planning and incident response. Experience shows, however, that managing a governance crisis can be an entirely different matter. There are a number of reasons for this:
 - Kidnaps or other security crises tend not to happen to board or ELT members – they usually happen to other people in a geographically distant location. However engaged and empathetic the board or ELT members are, and despite the fact they might know those directly affected, they are not personally impacted and can remain, to varying degrees, objective. But a governance crisis, by its nature, involves or in some cases even implicates the leadership. It can affect the reputation, self-esteem, career or even livelihoods of board and ELT members. Moreover, a governance crisis, centred as it is on the leadership, tends to reflect upon and affect an entire organisation and has, by its nature, a strategic or existential impact.
 - Some businesses have young staff who may be attracted by the professed values of their company, and a governance crisis can catalyse a sudden and profound loss of confidence among staff (as well as, of course, in external stakeholders and the wider public) who suddenly doubt the real commitment of the leadership to those values. A loss of confidence in leadership can be accompanied by a previously unnoticed but sudden seemingly fundamental gap between the expectations and values of the younger staff and those of the relatively older leadership. Young staff can perceive the leadership to be protecting itself and ‘defending the indefensible’. The leadership can perceive younger staff to be making unfair demands without regard to due process, fairness or legality.
 - People understand that SEA is ultimately about power imbalance rather than sex, and staff (and other stakeholders such as clients, suppliers, regulators or the public) become frustrated and appalled if they feel that the organisation’s management, even if not directly involved, is

somehow not responding appropriately and quickly enough – and even more so if they sense any tendency to cover up and dissemble rather than expose and tackle with honesty and transparency.

- It is well known in the crisis management world that stress exacerbates an individual's existing personal psychological traits – for instance, a person who is mildly obsessive in normal times is likely to become even more obsessive in a crisis. In a governance crisis, when board and/or ELT members are personally involved or even implicated, the levels of stress tend to be higher than in, say, a kidnap (where the ELT or crisis management team's involvement is usually indirect or remote) and this can have a marked negative impact on the capacity of the crisis managers to make timely and balanced decisions. Decision makers tend to mis-judge issues (over- or underestimating the scale of the crisis, for instance) and can become paralysed by detail or imagined or real issues of principle.
 - The taboo nature of SEA allegations sometimes leads people to take exaggerated positions unwarranted by an objective assessment of the facts. Board directors sometimes resign at the first whiff of scandal, fearful that their name might be associated with such a sordid subject as SEA. It seems there may be a difference between the boards of for-profit and not-for-profit agencies. Boards of for-profit organisations tend to be disciplined to some extent by directors' need to defend their own share options and the organisation's bottom line, while not-for-profit board members aren't anchored by such considerations and sometimes take quick and extreme decisions to defend their reputations or 'signal their virtue'. Anger and shame (and sometimes a self-centred desire to protect position and reputation) can cause brutal ruptures between previously close colleagues and friends.
 - Where SEA or other governance allegations raise questions about what the board or ELT or individual members of these groups knew or how they acted before the bad news broke, this can cause a split in the unity of either board or ELT, or a misalignment between them – the board saying one thing and the executive another. Unity and alignment are, in these circumstances, not natural and often require significant effort to maintain – but they are fundamental to a successful response. Any slowness or inability of a board or ELT to respond coherently and unanimously to a governance issue is rapidly noticed by staff and stakeholders (internal and external), further exacerbating the crisis.
3. In all, the circumstances of a SEA-type governance crisis are very different to many other crises and do not lend themselves easily to dispassionate and objective crisis management.

Guidelines for response to a governance crisis

4. It is not the aim of this document to be a handbook on how to respond to an SEA governance crisis, but it is perhaps useful to give some principles based on the author's prior experience:
- *Planning and preparation.* Organisations would be wise to invest some time and effort planning how they would respond to such a crisis. How would the board best function during such an incident; how would the ELT work; and how would they best work together? What would be the relationship between SEA victims or survivors and the CEO, and who would provide the safeguarding support and expertise? Does the organisation have sufficiently qualified and experienced legal and communications expertise and capacity in-house? What external support would be needed? Are board directors really committed to and familiar with the organisation and its charter and activities?

- There are so many different ways in which an SEA incident might strike an organisation that it's impossible to have a 'playbook' for them all. It's best to agree on principles and then to test them with simulated scenarios. Some suggested guidelines for CEOs:
 - *Adopt a survivor-centric approach*, resource and support it properly and sustain it. (Finding the right safeguarding support is crucial and requires thought and attention well before a crisis.) Adopting a survivor-centric approach is not as easy as it might sound – it often involves difficult and 'least-worst' decisions.
 - *Do 'the right thing'* – in other words, act with honesty, integrity and transparency. Show with every action that you are committed to uncovering the truth, admitting any fault, sanctioning where needed and ensuring that the organisation will change as necessary. But 'doing the right thing' also means that you will act fairly, proportionately and legally: you will not 'hang people out to dry' in order to satisfy others. It's hard to argue that the organisation will emerge from the crisis with reinvigorated transparency and integrity if this is achieved on the basis of treating current employees or directors unfairly.
 - *Don't let lawyers dictate your strategy*. Listen to your lawyers but do not let them dictate your strategy: audiences' perceptions of the organisation's duty will usually far exceed any legal obligation. Legal factors will likely lend complication to your response and limit your room for manoeuvre (essentially, what you can say and what you can't) but you should keep legal issues in perspective and take a rounded, rather than narrowly legalistic, view.
 - *Develop a clear and objective understanding of the risks facing you*. Develop an accurate risk register to quantify the risks, and then allocate workstreams to manage them. Monitor and update the register frequently, allocating resources to the changing risk picture. Over time, if you are successful, you will see risks turn from red to amber to green.
 - *Show positive leadership*. This is not leadership that is aggressive and overconfident. On the contrary, it listens to all points of view, admits to uncertainty and doubt but is based on a humble but unwavering commitment to principles. While being completely committed to answering for the problems of the past, it also signals confidence in the future.
 - *Communication*. Staff confidence is vital, so ensuring that staff can communicate their concerns to you and you can communicate your vision to them are key. External communication, e.g., with clients, suppliers, law enforcement, regulators and the public in general, is similarly important. Ensuring clarity of message across all these audiences is not easy and, like safeguarding, requires prior capacity and training.
 - *The media and reputation*. The media can become a vital factor in a governance crisis. Reputation and brand, built up over decades, can be lost in minutes¹. A media communications plan (backed by the requisite capacity) is very important but it should not exist on its own and should be subordinated to the overall strategy set by the CMT. In the era of social media, staff confidence can be affected by the media but staff confidence can also shape it, for good or bad. Any perception of a cover-up by

¹ Tony Hayward proved this when he uttered the words "I want my life back" after BP's Deepwater Horizon oil spill.

the leadership, or a lack of commitment to discover and reveal the truth, will likely be disastrous for an aid agency's reputation.

- *People matter.* Crisis management is fundamentally about people, their strengths and weaknesses. It may be necessary on occasions for CEOs and other executive leaders to 'manage a board' if the board is split. Similarly, board directors may need to support or advise the CEO, or occasionally even to step in and re-establish a sense of direction. Additionally, the leadership capacity of members of the ELT is likely to be tested, particularly in situations where the staff have lost confidence in their leaders and are openly challenging them. The CEO may find that he or she needs actively and urgently to build a sense of unity and team, and mentor senior managers in leadership. Overall, the better that a board or an ELT functions 'in normal times' and the stronger the capacity of individual members, the better they are likely to function during a governance crisis.

Crisis management team (CMT)

5. Many organisations have CMTs that are well practised in 'external' crises such as kidnaps and political or natural emergencies. Some CMTs have been re-forged in the last two years to manage the pandemic. Governance crises are 'internal' and – for the reasons discussed above – are different. In an external crisis, the CEO of an aid agency often delegates the majority of decision-making to his or her CMT, while the CEO 'flies the plane' – in other words, keeps the agency focussed on its strategic mission while others manage the incident. In a governance crisis, the CEO will often need to lead the CMT himself or herself – partly because only he or she will have the authority to make the necessary decisions and advocate for them at board level, but also because he or she must be seen personally to have addressed the issues of governance and leadership that lie behind a governance crisis. This means that the CEO will need additional support and a determined effort must be made not only to tackle the crisis but also to ensure that vital business continuity is maintained.
6. Any persons with a potential conflict of interest will need to be recused from the CMT. All decision making must be – and be seen to be – free of self-interest. In some cases, this might mean that deputies and alternates become the CMT's decision makers. If the CEO has a potential or actual conflict of interest, he or she should be recused and another individual placed in charge of the CMT in the CEO's place. The CMT will manage the crisis, reporting progress and challenges to the ELT and board but allowing no inappropriate involvement from persons with a potential conflict of interest.
7. The CMT should support a rigorous and independent investigation process but avoid any perception that it may be interfering with or attempting to shape it in any way. In line with the survivor-centric approach, the CMT should offer appropriate support to victims or survivors but allow them to make their own decisions and to speak for themselves.

Summary

8. SEA-type governance crises are very different to most other crises, and businesses should prepare for them. Board and/or management may find it valuable to bring in an external eye to support them in their crisis response – an experienced, objective lens that does not share organisational assumptions, is free of insider biases, and can bring added calm and rationality to the decision-making process.
9. Terra Firma can help organisations prepare for and manage such crises. If interested, please contact us by email on info@terrafirma-rm.com or by telephone on +44 (0) 207 127 0001.