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Case Study

Under Pressure

Where the Charitable Response to 9/11 Went Wrong

By David Hoyt

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UNDER pressure

Where the charitable response to 9/11 went wrong

What are the long-term lessons of 9/11 for charities dealing with the media?

How can disaster relief charities proactively manage media coverage?

What kinds of misperceptions exist about charities, why do these represent potential flashpoints, and how can charities minimize any fallout?

Lorie Slutsky and Ralph Dickerson were in their offices at Two Park Avenue when American Airlines Flight 11 flew into the North Tower of the World Trade Center, four miles to the south. “My first thought was for the safety of the staff,” said Slutsky, president of the New York Community Trust. “And then I thought about our collective response. I knew that Americans would come through as they always do in a disaster.” Within a few hours, Slutsky was meeting with Dickerson, president of the United Way of New York City (UWNYC), as well as senior staff members of both organizations, to start charting that response. No one appointed them. But in the crisis atmosphere that immediately followed the terrorist attacks of Sept. 11, 2001, they knew there was no time

to sit back and wait to be asked. And by 5 p.m., they had created the vehicle that would become the focal point for the charitable response to 9/11 – the September 11th Fund.

The Fund’s goal was “to mobilize financial resources to respond to the pressing needs of the victims and their families and all those affected by the tragedy.” As that first meeting broke up, Larry Mandell, then UWNYC’s chief operating officer and now its president and CEO, expressed the hope that the Fund could raise \$2 million for victims and their families. “And I was being optimistic,” he recalls.

Little did he know.

Within one week, corporations and individuals had contributed \$89 million to the Fund, starting with a \$1 million donation from Williams Companies,

a Tulsa, Okla.-based natural gas company, that was channeled to the Fund through the United Way of America.

On September 21, a telethon organized by the entertainment industry – and broadcast on all the major networks – raised an additional \$128 million for the Fund, with pledges from more than one million people.

Eleven days after the terrorist attack, the Fund made its first grant: \$7.5 million to Safe Horizon, a nonprofit that works with crime victims. Safe Horizon was a natural choice: It was the only organization, nonprofit or governmental, that had the capacity to provide immediate cash assistance to needy individuals. Indeed, Safe Horizon began writing on-the-spot checks to victims and families the day it received the grant.

by DAVID HOYT

By mid-January 2002, the Fund had collected \$502 million and disbursed more than \$160 million. The Fund’s management calculated that they had enough money to meet their objectives going forward and, consequently, urged potential donors to divert their contributions to other charities.

To date, the Fund has helped 100,000 people in 47 states and 27 countries, including 3,800 families of those killed and severely injured, 35,000 individuals who lost jobs, and 6,000 who were displaced from their homes.¹ The Fund anchored what the General Accounting Office (GAO) praised as a successful charitable response to the crisis. “Overall, charitable aid made a major contribution in the nation’s response to the September 11 attacks, despite very difficult circumstances,” the GAO wrote in a September 2002 report. “Through the work of these charities, millions of people have been able to contribute to the recovery effort and help meet the needs of the thousands of people directly and indirectly

answer, we interviewed six people directly connected with the Fund. We analyzed progress reports issued by the Fund at its six-month, one-year, and two-year mark,³ as well as internal Fund documents. We also analyzed the GAO report, findings from the John S. Watson Institute for Public Policy,⁴ and numerous press and journal articles. Our study revealed that at least part of the breakdown was caused by a disconnect between nonprofits and the media. This case study, with emphasis on the first three months of the Fund’s existence, examines how the Trust and the United Way came together and how the charitable response developed. It concludes by showing how the relationship with the media broke down, and it offers some lessons on how nonprofits can communicate proactively in a post-9/11 world.

A Logical Collaboration

In deciding to partner with one another, the leaders of the Trust and

of them, the Trust, founded in 1924, and the UWNYP, established in 1938, are New York City’s largest charitable funders. Moreover, they have a history of collaborating with one another on funding partnerships with many of the same agencies.

The Trust typically receives about 5,000 gifts and bequests a year, mostly from wealthy donors, and manages assets of nearly \$2 billion. As a community foundation, the trust does not administer service programs directly; it works with nonprofits to develop programs that meet community needs, and it provides grants to fund those programs. In 2001, for example, the Trust made about 15,000 grants totaling \$128 million to fund a broad range of needs, including educating children, revitalizing neighborhoods, housing the homeless, and providing employment assistance, healthcare, legal aid, and cultural programs. The UWNYP, for its part, receives about 200,000 donations a year, mainly from employee payroll deductions and corporate gifts, and distributes the money through an annual process of membership review and grantmaking to between 800 and 1,000 nonprofits in the health and human services sector.

Thus, each organization possessed well-developed fundraising capabilities, a depth of experience in grantmaking, and relationships with a large and diverse set of nonprofits. The Trust brought significant financial stewardship capabilities, while UWNYP brought the capacity to process a relatively large number of donations. The UWNYP, in particular, also had close relationships with numerous corporate leaders, while Trust officials had a myriad of relationships with wealthy individuals and foundations. For example, Slutsky had known Stanley Litow, the president of the IBM Foundation, since 1977, when she was an employee at the Trust and Litow, who had

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affected by the attacks.”²

Yet through it all, public perception of charities suffered. Surveys conducted by the Brookings Institution showed that a year after the attacks, 6 percent fewer Americans expressed “a lot” of confidence in charities and the percentage of Americans who expressed “no confidence” had doubled.

What happened? To get at that

the United Way of New York City believed that a centralized place to give would be easier for donors than choosing among numerous charitable options, and that a combined effort would have greater impact than several smaller funds.

In self-appointing their organizations to spearhead the charitable response to 9/11, they were tapping an important resource: Between the two



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founded a nonprofit think tank, was her first grantee. Another executive from IBM also serves on the board of UWNYP. Within 24 hours of the attacks, Litow had contacted Slutsky and Dickerson and was arranging for IBM to play a major role in the Fund’s efforts. “The Trust is New York City’s leading local philanthropy and the United Way is a leading provider across all areas,” says Litow. “They were the logical places to call to find out the philanthropic response to the attacks and offer support.”

Lessons from Oklahoma City

The Fund held its first official meeting on September 12 with Slutsky, Dickerson, their staffs, Litow, and Andrew Parsons, a UWNYP board member from the management consulting firm McKinsey & Company. Several strategic decisions were made at the meeting and in subsequent meetings over the following two weeks, as the Fund leaders and staff met with the New

York City Office of Emergency Management, the Federal Emergency Management Agency, and 350 different relief agencies, nonprofits, and other organizations.

Among the most important questions that were initially answered was how to organize the Fund to ensure

existing tax-exempt organizations to support one common operating entity, the “September 11th Fund.” Donations could be made to either organization, specifying “the Fund.” Since the September 11th Fund was not a separate legal entity, it did not require an independent audit – but the founders decided that it *would* be audited, to keep faith with the donors.

One of the toughest questions the founders faced was defining whom the Fund would serve. For several reasons, they decided the Fund needed a broad mandate. In the immediate aftermath of the attacks, specific needs were unknown. But it was clear that “victims” included not only the injured and the families of the dead, but also those who lost their businesses, homes, or jobs, as well as people who would suffer from the widespread disruption, psychological trauma, economic impact, and environmental damage of the attacks. The people killed in the attacks were from many different cities, states, and countries, thus requiring the Fund to reach well beyond its usual territory of New York City. Finally, drawing on the advice that September 11th Fund solicited from nonprofit responders to the 1995 bombing of

Drawing on the advice from nonprofit responders to the Oklahoma City bombing, the founders knew that some needs, such as family counseling and healthcare, would not surface for months or even years.

accountability. Because the Fund had to be immediately operational, it was not set up as an independent legal entity. Instead, the Trust and the UWNYP each set up funds within their

the Alfred P. Murrah Federal Building in Oklahoma City, the founders also knew that some needs, say, for family counseling and healthcare, would not surface for months or even years.

Taking all of this into account, the Fund soon refined its mission to read “The September 11th Fund was established ... to meet the immediate and long-term needs of victims, families, and communities.” The key difference was that the charitable response would serve both short-term and long-term ends.

Early on, the founders also agreed to raise money from large foundations and companies to cover the Fund’s administrative costs separately. Corporate and foundation donors and members of the UWNYP board gave generously and quickly, allowing the Fund to tell the public on September 14 that 100 percent of public donations would go to the relief effort.

Chinks in the Armor

At the outset, the founders realized that the Fund would need its own management and board. Combined management by both the Trust and UWNYP would be unwieldy, because it would require that each grant be approved by both organizations.

The founders also realized that they could not delay grantmaking while they recruited new personnel. The

agency needs.”⁵ By September 19, a table was generated for each goal listing funding priorities, projects that were ready for funding to achieve the goal, and appropriate agencies to contact to further the goal. For the first goal, for example, staff listed five funding priorities, the first of which was to provide “gap” funding or no-interest loans for nonprofits involved in giving emergency cash, food, shelter, and childcare to victims and support for rescue workers. Two existing projects – Safe Horizon and the Salvation Army – were identified as ready to provide direct cash assistance to families. Seven organizations – ranging from God’s Love We Deliver, a meal delivery service, to Disaster Psychiatry Outreach – were identified as ready for immediate funding to support rescue workers.

The Fund also developed a Resource Referral Guide, which it posted on its Web site (www.september11fund.org), telling victims how to access available services and informing nonprofits of the services available from other charities.

But for all the herculean cooperation between the Trust and UWNYP,

impact that any publicity, positive or negative, would have on United Ways in other cities.

The Media: A Blessing or a Curse?

In the first few weeks after the attacks, says Slutsky, the media was part of the disaster relief effort, explaining to the public where to give, and to victims how to get help. “The media made New York’s crisis the world’s crisis,” she says. “We could have never tapped into so much generosity without the press.”

But within a month, the Fund would see much of the coverage turn cold. On October 9, Fox News commentator Bill O’Reilly laced into Dickerson during an interview. “Less than 10 percent of the money that you’ve raised from the September 11th Fund ... has been distributed. ... Do you have to take this long?” O’Reilly replayed the segment a few weeks later, saying that of \$250 million collected: “Just \$35 million ... has been given out, but not directly to families. That money was given to other charities. Many of the grieving families, most of the ones that we’ve spoken with, have heard nothing from the September 11th Fund. And confusion is everywhere.”⁶

On October 14, the *New York Post* ran an article headlined “Victims’ Kin Still Wait for Charity Cash.” The article began, “Ninety percent of the near \$1 billion raised for the victims of the Sept. 11 terrorist attacks is still sitting idle as charities struggle to overcome major problems in distributing the cash to those affected by the tragedy.” The article went on to note that while the Fund had raised \$316 million, “just \$9.8 million had been moved.”⁷

As a Ford Foundation study noted: “Media coverage emphasized the comparison between amounts of money contributed and amounts distributed.

“The media made New York’s crisis the world’s crisis. We could have never tapped into so much generosity without the press.”

Fund began its work before a new team was fully in place. On September 16, after meetings with dozens of public, private, and nonprofit organizations, the staffs of the Trust and UWNYP, most all of whom were deployed to work on the Fund, articulated seven main goals. The number one goal was to “increase the ability of disaster-related agencies to respond to emer-

strains started to show almost from the outset. The Trust and the UWNYP were very different organizations. Slutsky describes the Trust as a “quiet enabler.” The UWNYP, in contrast, valued branding, public relations, and public recognition as the necessary means to continued fundraising. As part of a nationwide network, UWNYP was also sensitive to the

This often gave the impression that philanthropy should operate only as a frictionless conveyor belt, speedily moving money from donors to recipients.”⁸

Indeed, by the time the Fund’s new board began meeting in November, intense media scrutiny was generating a considerable amount of negative publicity for the Fund – and for charities in general. The “story” morphed, says Slutsky, from lamenting that there was so much need and not enough money, to criticizing that there was so much money and not enough help being provided quickly enough, to charges that the money was being spent in ways that donors had not intended. “Within the first month it was clear to me that the accountability level was far in excess of anything I thought it would be, and it was accountability in an odd kind of way,” says Slutsky. “It was a kind of ‘gotcha’ accountability.”

A number of factors contributed. For one thing, dual management meant that media relations would initially be decentralized, with reporters calling whomever they could find at one of the two organizations. Staffers fielded 60 to 100 calls a day, in addition to their other duties. When reporters got different answers from the different organizations to the same questions, they would conclude there was a problem – and indeed, there was, though the problem was more in consistency of message than in the Fund’s operation. To try to correct misperceptions, the two staffs held daily meetings to develop a unified message and issue daily press releases. From the beginning, they also listed grants on the Fund’s Web site as soon as they were made, so that anyone could see exactly who had received grants and for how much – a practice that neither the founders nor any other major charity had ever adopted before. Still, frustra-

tion ran high over media coverage that, to the Fund staff, appeared to be relentlessly off point.

One of the Fund’s first hires was communications director Jeannine Moss, who had extensive experience in

ception of the role of philanthropy by creating the expectation that its purpose is to provide financial compensation for lost life.”⁹

All too often, the stories of human suffering overwhelmed the story of

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the private and public sectors. Because she had no previous experience in the nonprofit world, however, Moss was in the same position as reporters who were covering the Fund with no in-depth knowledge of nonprofits. The experience made her acutely aware of what was lacking and what was needed. Education of the public and media was critical, Moss realized. She believed, for example, that fundamental confusion over the roles of “granters” like the Fund and “providers” like Safe Horizon resulted in the Fund being unfairly criticized for not putting cash directly into the hands of victims.

Media reports also reflected confusion between “victim compensation,” which Congress provided to the estates of deceased victims in exchange for agreeing not to sue the airlines, and “charitable assistance,” which nonprofits provided to a much broader swath of victims, and which included not only cash, but also a variety of services to help affected individuals and communities rebuild their lives. The Ford Foundation report concluded that compensation payments to victims may have “distorted the public per-

relief of human suffering. Some television and press reports, such as the O’Reilly interview, mentioned or featured individual victims who claimed not to have been helped, eliciting sympathy for the victim and anger at charities. The Fund had to explain repeatedly that there was no list of victims, and that to qualify for support, a victim had to step forward and ask.

The Fund and other charities were also accused of mispending the money they had raised. “There’s a disconnect between what the American people thought they were doing when they gave to September 11 charities and what the charities are doing with the donations,” began a Nov. 8, 2001, *Washington Times* article on congressional hearings into 9/11 charitable relief efforts.

The Fund had tried to prepare for this charge. Shortly after 9/11, and before the criticism began, the Fund had conducted an online survey to determine the intention of donors, and so felt confident the donors understood how their money would be used. The Fund also commissioned a second survey, conducted by phone and paid for by McKinsey. In both surveys,

80 percent of respondents agreed with the Fund's broad definition of "victim." The data enabled the Fund to speak with authority in explaining their planned use of donations. "When people said, 'Your donors didn't contribute

as well. Gotbaum and Moss were concerned with a potential negative reaction to setting aside a substantial amount of money for long-term needs, particularly in light of the media's criticism that the Fund had not spent dona-

pret the dilemmas ... choices and nuances of philanthropic decision making to the media." In general, however, the report concluded: "Philanthropists are not accustomed to doing their work in the public glare, and many bristle at not being appreciated for their good works. The combination of media oversimplification and philanthropic thin skins produced an unhappy combination."¹⁰

Paul Light, director of the Brookings Center for Public Service, went even further, saying that the 9/11 tragedy "was a wasted opportunity for the independent sector. Americans were allowed to think the worst about charitable organizations, in part because the organizations couldn't or wouldn't tell their success stories."¹¹

In normal, noncrisis situations, the extent to which charities should publicize their work via public relations and advertising has been a difficult question, since any money spent to get a message out might otherwise be spent for programs. A lesson of 9/11, however, is that the lack of media and public understanding of how charities operate is a problem for charities, and one that could be averted by proactive communication. Viewed in this light, raising money for media relations must come to be viewed like raising money for administrative expenses. It's not sexy or easy to explain, but it's a *sine qua non* of effective operation.

Ongoing and skillful media relations are especially important for large charities, because the attention they attract reflects on other nonprofits. In the aftermath of 9/11, for example, the Red Cross became embroiled in controversy when it was learned that some of its \$1 billion in 9/11 donations would be reserved for use in future disasters. This was the Red Cross' standard operating procedure and was, in fact, a crucial factor in the Red Cross' disaster preparedness. But

"There's a disconnect between what the American people thought they were doing when they gave to September 11 charities and what the charities are doing with the donations."

money to help the unemployed,' I could say, 'Yes, they did, and ... unlike you, I've actually surveyed them,'" says Joshua Gotbaum, the Fund's former director and CEO.

The Fund also relied on its big donors to correct the media's misrepresentation. For example, 9/11 had forced the Brooklyn Philharmonic to cancel a fundraising event, placing the organization in a difficult financial position – and thus making it a "victim" of the attacks under the broad definition of the term. The Fund therefore arranged a loan to the Philharmonic to sustain it until the event could be rescheduled. "When people said, 'Surely nobody contributed to the ... Fund to help the Brooklyn Philharmonic,'" Gotbaum explains, "what we were able to do was roll out the head of operations for the Ford Foundation to say, 'Yes, I did.'"

The Fund learned to be proactive

tions immediately. Gotbaum called New York State Attorney General Eliot Spitzer, whose agency oversees charities in New York, and explained the Fund's plan. Spitzer assured Gotbaum he would be supportive. At a press conference six months after the attacks, the Fund presented a progress report that was designed by the creative director of *People* magazine and paid for by AOL Time Warner, which made special mention of "some \$250 million [reserved] to meet long-term needs," and dedicated a full page to discussion of those needs. The press conference also featured Nancy Anthony, executive director of the Oklahoma City Community Foundation, who spoke about long-term needs based on lessons from the Oklahoma City bombing. From then on, the issue was not controversial.

'An Unhappy Combination'

What are the long-term lessons of 9/11 when it comes to dealing with the media?

In the Ford Foundation report on the philanthropic response to 9/11, the Fund is cited as "one of the few organizations that invested significant time and resources in trying to inter-



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the policy had never been widely publicized. When Red Cross executive director Bernadine Healy was confronted with questions about why the Red Cross was “keeping” some of the money raised for 9/11 victims, she responded defensively, according to press accounts, complaining that the Red Cross “never said” Sept. 11 funds would go only to victims’ families.¹² (Healy was eventually forced to resign.) As a result, the reputation of the Red Cross was damaged and, by extension, public support for other charities.

Nonprofits that wish to play a leadership role must also be willing to enter the media fray. That’s not to say that they have to like dealing with the media. Few powerhouse organizations do, be they in government or the private sector. But many of them nevertheless do it well. In the end, the media is too important to nonprofits to risk a bad relationship, and that includes a lopsided one in which nonprofits, in effect, acquiesce to being wronged. Gotbaum recalls instances in which charities were aware of inaccurate reporting, but seethed silently, thus allowing a public misperception to linger that charities had done a bad job. “The charities, six, nine months later, would say, ‘What can we do to correct the record?’” he said. “My answer was: ‘You should have opened your mouths when this was happening. Or start funding paid advertisements.’”

Ultimately, Gotbaum explained, it’s crucially important to understand that the fundamental nature of the press as a “watchdog” does not change simply because there has been a disaster. “The press ... went around trying to figure out whether charities were doing a good job or a bad job,” Gotbaum said. “They asked, ‘Were the victims unhappy?’ And the answer was ‘Yes.’ The victims were unhappy. They were traumatized.”

For disaster relief organizations,

“Philanthropists are not accustomed to doing their work in the public glare, and many bristle at not being appreciated for their good works. The combination of media oversimplification and philanthropic thin skins produced an unhappy combination.”

anticipating and preparing for a critical press corps ahead of time is one of the keys to developing a successful communications strategy. □

This paper was derived from a teaching case used in a Stanford MBA course on strategic issues in philanthropy taught by Laura K. Arrillaga, a lecturer in business strategy, whom the author thanks for her advice and counsel.

1 Today, just \$35,000 remains in the Fund, earmarked mainly for physical and mental health care.

2 “September 11: Interim Report on the Response of Charities,” Document GAO-02-1037, General Accounting Office (September 2002).

3 These reports can be downloaded from <http://www.september11fund.org/reports.html>.

4 Seessel, T. “The Philanthropic Response to 9/11, A Report Prepared for the Ford Foundation,” The John S. Watson Institute for Public Policy, Thomas Edison State College, Trenton, N.J. (August 2002). This report, along with the GAO report, can be downloaded at http://www.september11fund.org/ind_reports.html.

5 The other goals were: (1) sustain the psychological well-being of individuals and families in New York and other affected communities; (2) support

the socioeconomic recovery of individuals, families, and communities; (3) support the economic rebuilding of lower Manhattan and New York City; (4) ensure the capacity of nonprofits to continue to provide services; (5) monitor and mitigate the environmental impacts of the disaster; and (6) combat anti-immigrant violence and hate and promote respect, tolerance, and intercultural understanding within New York and other affected communities. See <http://www.september11fund.org/resource.html>.

6 “Interview with Ralph Dickerson and Tom McInerney,” Fox News: The O’Reilly Factor (Nov. 6, 2001).

7 Edelman, S. “Victims’ Kin Still Wait for Charity Cash,” *The New York Post* (Oct. 14, 2001).

8 Seessel.

9 Seessel.

10 Seessel.

11 “Confidence in Charitable Organizations Reaches Lowest Level since 9/11,” Brookings Institution Center for Public Service press release (Sept. 9, 2002). Available online at <http://www.brookings.edu/comm/news/20020909charitable.htm>.

12 Wetzstein, C. “Charity Contributors Confused; Lawmakers Review Uses of Donations for September 11,” *The Washington Times* (Nov. 8, 2001).

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