

The Impact of a Scandal on a Nonprofit Organization

Many questions were laid to rest when Lance Armstrong finally publicly admitted to doping during his seven Tour de France title wins. What remained in question was whether the Lance Armstrong Foundation, a nonprofit organization centered on inspiring and empowering cancer survivors and their families would remain a leader in the nonprofit sector despite the devastating scandal. As sponsors to the Lance Armstrong Foundation began to distance themselves from the former athlete, destruction of the nonprofit organization seemed possible, if not likely. So how exactly can a nonprofit organization survive a devastating blow that destroys public perception? Does a nonprofit have more to lose than a for-profit corporation with regard to public perception?

In the case of the Lance Armstrong Foundation, the organization almost appeared to the public eye to close its operations as a result of the doping scandal, but upon closer inspection the organization is alive and doing relatively well with all things considered. The organization did what any organization would do to survive. For starters, the organization changed its name. . Now known as the Livestrong Foundation, the organization continues to strive to serve its purpose, though it has drastically distanced itself from its former icon and leader. In fact, Lance Armstrong “resigned” from the board last fall to help with this process.

Oftentimes it is said that the Livestrong Foundation acts like a for-profit organization and there are questions surrounding its legitimacy as a nonprofit organization. The reality is the Livestrong Foundation is not actually dipping into both the nonprofit and for-profit sectors, but operates legally as separate business ventures. Livestrong.com and livestrong.org operate as separate entities, but with only slightly different missions. The brilliant marketing between the two helps the Livestrong name grow and at various times each will have its moment in the

spotlight, or hot seat depending on the view. To say that Lance is not involved in any aspect of the for-profit business side would be incorrect. In the for-profit Livestrong company, Lance is still considered a “strategic advisor,” but this is often kept quiet to help aid with repairing the Livestrong brand’s public perception.

The Livestrong Foundation spent approximately \$4 million, up from \$3.2 million the year before, on advertising and promotion. Despite this increase in marketing, sales from Livestrong bracelets and donations to the Livestrong Foundation have dropped, 30 percent and 7 percent respectively. This could be a result of the Livestrong bracelet having “run its course,” or it could be because public perception of the Livestrong bracelet is strongly tied to the founding concept of Lance beating cancer. Either way, the Livestrong Foundation needs to make a change as they move forward in generating money for the organization. They are weathering the tides for now, but if the overall public perception of the organization is not resurrected, the Livestrong Foundation runs the risk of sinking into the abyss.

Despite the doping scandal, the Livestrong Foundation has been able to keep government relations strong. Some of this may come from the fact that the Livestrong Foundation is throwing larger-than-normal amounts toward various government initiatives, such as the California Cancer Research Act, which would have imposed a cigarette tax to fund cancer preventative measures. Some say the expenses of \$1.6 million last year (up from \$219,000) is the organization’s way of buying better public perception, while others staunchly defend the expenses as wholly within the aims of the organization.

Whether the public likes it or not, the Livestrong Foundation is most likely here to stay and has done what it needed to do in order to avoid its seemingly inevitable demise, though the fight is far from over. Nonprofit organizations, like for-profit organizations, are not impervious

to market influences and social perception, and if anything, are more publicly scrutinized because of the requirement to generally be more publicly geared. That being said, in order to remain a leading icon in the cancer nonprofit sector, the Livestrong Foundation must continue to work its way out of the hole created by just one bad scandal. In the end the debate on how much the nonprofit sector should spend on marketing aspects will continue to rage so long as nonprofit organizations continue to operate so closely with for-profit organizations. It is interesting to note, however, that few are quick to give alternatives to the corporate model and even fewer are willing to jump **off** an already strong sailing ship.

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