Reputation versus Reality: "Mind the Gap!"

By Melanie Lockwood Herman

Executive Director

Resource Type: Risk eNews

Topic: General

If you have ever had the good fortune to travel to London you may have heard the expression, "Mind the gap!" This admonition is broadcast to subway riders so that when they step out of the subway car, they won't inadvertently step into the gap between car and platform.

Nonprofit leaders are well advised to take heed of the same warning when it comes to the reputations of the nonprofits we serve. 'Minding the gap' is not something we do very well. We are very focused on the fact that a strong reputation can be a huge asset, but seldom do we take the time to identify a danger that could be right under our toes: the gap between our nonprofit's reputation and reality.

Many nonprofits invest heavily in enhancing their reputation or their image. This is certainly an ingredient to long term success. But allowing that reputation to exceed reality imposes perhaps an even greater risk than having a lackluster reputation. Exceeding expectations is almost always a winner; disappointing or disillusioning those who have a positive impression is a loss that may be irrecoverable. Therefore, our advice is not simply to feel good about your good reputation but to take focused steps to ensure that your reality supports that reputation.

As we deliver workshops and meet with clients the NRMC team is sometimes asked, "How can we protect our reputation?" Our answer, usually expressed more gently, is: "Do everything you can to make sure you deserve it." What follows may be a fearful acknowledgment that a nonprofit's reputation in the community is only as safe as the last client served. If a nonprofit's reputation is over-inflated, the resulting loss of public confidence may translate into a loss of funding and a mission in jeopardy. And although some directors' and officers' liability policies offer a sublimit for public relations help in the wake of a crisis, you can't buy a new reputation with money from an insurance policy.

If you are like most nonprofit leaders, you are aware of how serious a damaged reputation can be, and you are putting effort into activities intended to positively influence the public perception of your organization. You make sure your development staff adds personal notes to donors on the annual appeal letter. Your nonprofit may even include "public relations" duties in a staff position, or seek outside help from consultants with PR or "branding" expertise. You may also implement governance practices that breathe life into your commitment to transparency and endorse a crisis management plan that promises a quick response in an emergency. But do these strategies actually translate into a burnished image? Simply put, do you know what your nonprofit's reputation really is? And, just as important, in your serious efforts to improve that reputation, have you caused it to exceed reality?

A recent article published in the *Harvard Business Review* offers a new way to think about what its authors call the "reputation-reality gap." (The article, "Reputation and its Risks," is authored by Robert Eccles, Scott Newquist, and Roland Schatz, three businessmen who advise companies on how to manage reputational risk.) The authors remind us that *"When the reputation of the company is more positive than its underlying reality,* *this gap poses a substantial risk."*

Many nonprofits enjoy sterling reputations in the communities they serve. The annual report published by the organization may present compelling evidence that the reputation is well-deserved, with little or no evidence that anything is amiss. But from time to time an organization's compelling mission and self-congratulatory description of results obscure outcomes that would be less warmly received by stakeholders. Items that would never appear in the nonprofit's own publication include the exorbitant costs and relatively low net earnings from the gala event, the resignation of a prominent board member due to concern that her dissenting views were unwelcome, or the fact that the recent activities of the nonprofit's celebrity spokesperson are likely to attract negative attention.

In the paragraphs that follow we suggest five steps to better understand and manage reputational risk.

Step 1. Find Out What Stakeholders Think. Similar to a 'listening tour' undertaken by politicians during campaign season, it's vital that the leaders of your nonprofit listen to its stakeholders. Find out what they think about the nonprofit's programs and services, integrity, responsiveness, effectiveness, and leadership. What do they consider to be the nonprofit's strengths and weaknesses? When designing your questions be sure to ask about the full range of services and activities your nonprofit offers. And when evaluating the responses, don't assume that silence about a particular program or service means that everything is great. Having no reputation is not the same as having a good one!

Step 2. Conduct a Reality Check. The next step is to evaluate honestly whether the nonprofit's reputation is at risk because of a gap between reality and reputation. This is much harder than it may initially seem. In areas where the expectations are high, the fall from grace will be harder. What do stakeholders think your organization does exceptionally well? Don't just bask in the positive glow of their adulation but ask, "What could happen that would turn our positive reputation to a negative one?" This is the stage where looking behind the curtain can be scary—but informative.

Step 3. Close the Gaps. So now you know that your organization is regarded as a 'cutting edge' service provider, but perhaps you also know that the senior staff are deficient in certain knowledge areas. This is where protecting your reputation gets serious. Take specific action to close that gap so that your organization's reputation won't exceed its character. If the gap is large—and the time needed to close it is long—then it may also be time to manage expectations. In some cases, you may want these steps to be visible to stakeholders; in other cases, you might want simply to get about the business of bringing the reality as you know it closer to the impression of others.

Step 4. Monitor Reputational Shifts. Being constantly aware of how your nonprofit is viewed is key to managing any gap between reality and reputation. As your leadership and programs change, so may the community's perception of your organization. Relatively minor complaints may build over time until there is a perception that a big problem exists. If your organization makes a commitment to conducting regular "temperature checks" of its reputation, you'll be aware when there are issues that require your attention. Don't succumb to the temptation to "explain away" those hints; get busy again to make sure reality and reputation are in synch. And, when they are, you'll also have more testimonials to share with the public about your terrific programs and services.

Step 5. Focus Your Efforts. The information gathering, reality checking and working to close gaps won't happen on its own. It should be a separate effort and considered just as important as polishing the nonprofit's image. You should periodically report to the board about the organization's reputation "from the outside" so that the board (often the most insulated group within a nonprofit) is making decisions from a grounded understanding of any gap that exists between the nonprofit's reputation and actual performance indicators.

Intrigued by this topic? There's more information available on preventing, managing and surviving a crisis in our publication, *Vital Signs*.

For more information on the risk assessment services available from the NRMC, contact Melanie Lockwood Herman via e-mail or 703.777.3504.