

The Eye of the Beholder: Managing Reputation Risk



By Melanie Lockwood Herman

Executive Director

Resource Type: Articles

Topic: General

William Shakespeare unknowingly offered timeless wisdom to risk management professionals immersed in crisis planning when he wrote: “The purest treasure mortal times afford is a spotless reputation.” Yet no amount of wishful thinking will ensure that a spotless reputation will be available when we most need it.

Reputation is what gives credibility, depth, sanctuary, and confidence in what we do. According to Ronald J. Alsop, author of *The 18 Immutable Laws of Corporate Reputation*, a reputation is a gauge of our past results and stakeholder confidence in our ability to deliver in the future. It is the opinion that others have of our organizations and a testament to our trustworthiness.

A nonprofit’s reputation is different from its brand—the symbols and words that create recognition on the part of stakeholders. Although “reputation” or stakeholder confidence in our ability to deliver differs from our “brand,” an organization with a damaged or less than stellar reputation is likely to find that its brand is also “damaged.”

Reputations are without dispute an intangible and essential asset. A good reputation is an ally in mission fulfillment and a bad reputation is a nonprofit’s Achilles’ heel.

A Good Reputation is a Good Thing

How can a good reputation support mission fulfillment in your nonprofit?

A good reputation can help:

- encourage people to seek services from the nonprofit;
- attract donors and contributors;
- inspire members of your community to volunteer their time and talents;
- attract qualified employees;
- contribute to a positive risk profile and insurability;
- attract potential partners and collaborators; and
- inspire confidence of stakeholders, including the board.

When difficulties arise, a good reputation can also serve as a retaining wall that affords your nonprofit the “benefit of the doubt.” According to Alsop, during a time of crisis, stakeholders of an organization with a good

reputation will assume that the organization's leaders will "do the right thing." Stakeholders of an organization with a poor reputation will expect the worst.

Passive Reputation Management is Risky

For many leaders the notion of building or protecting a reputation is largely a passive and intuitive endeavor: provide high quality services and adhere to established policies and the nonprofit will be viewed in a positive light.

Yet managing reputation risk by keeping your head down is a risky approach. An active approach requires time and attention, but the potential payoff is significant. Actively managing reputation risk begins with *listening to what people say* about your services, your culture, your priorities, the quality of what you do, and your policies. Listen to what a range of stakeholders have to say, including staff, volunteers, board members, service recipients, donors and other members of the public.

Keep in mind that those closest to the mission of the nonprofit will bring a nuanced view when compared to those on the outside. Resist discounting feedback from either camp: both have the potential to offer valuable insights on the degree to which the nonprofit lives up to, exceeds, or falls short of the reputation its leaders seek.

Reputation Risk: A Closer Look

What is reputation risk? In the nonprofit sector reputation risk is the potential loss of confidence in the nonprofit, either localized or widespread whether warranted or not. Reputation risk may result in:

- a decline in demand for the nonprofit's services,
- loss of donor support,
- reluctance by volunteers to serve,
- lack of interest in collaboration by current or prospective partners, or
- any combination of the above.

One of the challenges in managing reputation risk is the fact that your reputation may be influenced by people or situations unknown to you. Another challenge is the fact that opinions about your nonprofit's abilities and its trustworthiness—good or bad—have the potential to travel faster and further than ever imagined.

Tips and Strategies

What steps can you take to actively manage and maximize your reputation? The following three strategies offer a framework for beginning the process.

- Encourage feedback, including complaints. Every nonprofit should take steps to invite complaints and suggestions for improving operations, service quality, and sensitivity to staff and client concerns. Rather than viewing people who complain with disdain, leaders should regard complaints as potential seeds for meaningful change. Consider informal feedback tools such as suggestion boxes, complaint options on your website, and formal processes, such as exit interviews with departing board members, staff and service volunteers. Key exit interview questions include: would you recommend this organization to a colleague? What additional training or support would have made your service/experience more enjoyable? Did we use your talents effectively?
- Don't wait until things go wrong to measure or evaluate your reputation. Rather than assuming that your reputation is solid, consider asking stakeholders how they view your nonprofit. Examples of survey questions that measure reputation include:
 - Based on your experience with this organization, would you consider using our services/ volunteering/donating in the future? YES NO
 - Compared to other nonprofits with which you are familiar, is this organization: a) more effective than most; b) as effective as most; or c) less effective than most.
- Remember that relationships with stakeholders are complex and interconnected. Many stakeholders have their own agendas which may at times be inconsistent with your nonprofit's mission and goals. Steps you take to strengthen your reputation in one area may alienate another stakeholder group. Some of this alienation may be short-term. Also keep in mind that it is possible to create a positive impression even

after a donor has decided to move on. When a major donor terminates or reduces his/her level of support for your nonprofit, reach out (preferably by phone or in person) to learn the reason for the change. Follow up in writing with donors who candidly share the reasons for the decision to cease or reduce their support. The donor may have had a change of heart, but your interest in their views, your willingness to listen, and your professional follow-up are likely to be remembered. It is also possible that the donor will have an opportunity to tell others about your nonprofit. By ending the relationship on a positive note, you'll increase the chance that a former donor will speak highly of your nonprofit and bolster your reputation in the process.

Reputation risk is an uninsurable risk that requires careful nurturing and vigilance. Managing reputation risk should be a top priority in your nonprofit risk management program.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your feedback on this article and questions about NRMC's consulting services at Melanie@nonprofitrisk.org or (703) 777-3504.