

Social Distortion, Personal Responsibility, and Reputational Risk



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“What we’ve got here is failure to communicate.” – *Cool Hand Luke*, 1967

This week I’ve been reading *Rethinking Reputational Risk: How to Manage the Risks that can Ruin Your Business, Your Reputation and You*, by Anthony Fitzsimmons and Derek Atkins. In an early chapter, the authors share the following definition of reputation: “Your reputation is the sum total of how your stakeholders perceive you.” They go on to explain that this “deceptively simple statement” encompasses the following key concepts.

1. *It’s not me, it’s you.* Wishing for and proclaiming a great reputation isn’t the same as having one. Reputation is what your stakeholders believe about your organization, not the polished image you try to project or see reflected in the mirror.
2. *Perception doesn’t necessarily mirror reality.* An organization’s true nature may not be perfectly in sync with how others perceive the organization; this can work in your favor when your reputation is better than deserved but is decidedly disastrous when your reputation is more punishing than warranted.
3. *Stuff happens.* Your reputation isn’t fixed; it changes when your stakeholders perceive the organization in a different way. Sometimes you can sense those changes, but in many cases changing perceptions will catch you by surprise.
4. *The sums have it.* The sum total of your reputation may vary; the authors of *Rethinking Reputational Risk* explain that an entity’s reputation may depend “on which stakeholders are most relevant or influential at any particular time.”
5. *Pay attention.* To grasp reputation risk, it’s necessary to understand your stakeholders and also the levers that could lead them to become disenchanted, and worse, vocal and demonstrative about their disappointment.
6. *Going, going, gone.* Reputation is sapped when stakeholders believe that an organization is not as good as—or much worse than—previously believed.

Failed Signals

Suboptimal communication often emerges as a common cause or contributing factor during exercises focused on determining the cause(s) to a crisis (sometimes referred to as an after action review or root cause analysis). In some cases, better communication can fortify an organization and enable it to avoid a crisis altogether; in other instances, effective communication can prevent a smallish incident from snowballing or attracting

unflattering attention. Authors Fitzsimmons and Atkins explain that when stakeholders believe that the leaders of an organization were unaware of ‘what was going on’ in their organizations, severe reputation damage can result. Why? Because, they write, “stakeholders expect organizations to be ‘joined up’ inside and leaders to know about all that matters in their organizations.”

Three of the reasons top-level executives sometimes *don’t* get the information they need (when they need it), include:

- *Unpleasant or unwelcome information travels at a relatively slow pace.* If you’ve ever hesitated or procrastinated before delivering bad news to a superior, you’ve been part of the potentially perilous and slow system for sending troubling news to the top.
- *It’s social distortion, silly.* Remember the childhood game of telephone? Players sit in a circle and take turns whispering a phrase or statement into the ear of their closest companion. The tidbit makes its way around the circle until the final member repeats what they heard. The initial phrase or statement is invariably and repeatedly garbled by speaker and listener alike. The same phenomenon happens when negative news is passed among team members in an organization’s hierarchy. The authors of *Rethinking Reputational Risk* note that “Distortion may be innocent, for example, because the news is subconsciously squeezed to fit with the recipient’s mental model. But there may also be recipients who find the incoming message unpalatable. These may deliberately misinterpret or massage it into something more acceptable, before passing it on.”
- *Tell me what I want to hear.* A third reason that leaders sometimes don’t get the information they need to detect a reputation-related crisis in the making is that they are primed to interpret information in a way that reflects their current views on the subject. As a result, some leaders fail at listening carefully to cautionary tales from subordinates, while others ignore the messages altogether.

Fitzsimmons and Atkins also write about another way that ineffective communications put vulnerable reputations in peril: a phenomenon they call “downward communications failures.” Examples include instances where information is discounted or disbelieved because it’s inconsistent with the recipient’s perception of a leader’s character. Or when a recipient of a message is unreceptive to an important message because they believe the culture of the organization precludes acting on that information. And in some cases—yes, even in the nonprofit sector—messages are rejected outright because they are viewed as another example of a boss practicing “do what I say, but not what I do” lackluster leadership.

Put a Light on It!

Ask the following questions to explore whether communications practices—moving upwards or downwards—are an asset or liability with respect to the reputation of your nonprofit.

- Do clear, timely messages make it to decision-makers at the top as well as on the front line? Or do social distortion, cynicism and fear of repercussions for candor weaken the role of communication as a risk management tool?
- How fast does bad news travel to the CEO’s office and the board? How quickly and efficiently does disappointing news travel compared to the tempo that good news takes to reach the top?
- To what degree—and under what circumstances—does bad news get buried?
- Whose opinion are you seeking to better understand your nonprofit’s real reputation? Whose opinion of your nonprofit would contrast most dramatically with the image the executive team sees in the mirror?
- To what degree do members of your staff believe that some leaders talk the talk without also walking the walk?

Your reputation is more than window dressing, and goes beyond brand marketing, involving the personal reputation of everyone in the organization. This benefits you if you are attuned to how any organization’s culture can devolve into a self-reinforcing “group-think” mentality. Clear the path for individuals throughout the organization to communicate risk factors. Learn to recognize and respond to perception-changing consequences, social distortion, and other communication or network factors that underlie reputational risk. Be aware that perception is reputation, and that reputation is fluid and dynamic.

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