

Reputation Risk: Steward a Valuable Asset



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Has your nonprofit ever had a situation where part of your team felt that making a public statement on an issue could *ruin* your reputation, and the rest of your team felt that *not* making a statement could ruin your reputation?

Many nonprofit teams have, especially in recent years. When those disagreements arise, it can be helpful to remember that everyone at the table agrees on one thing: Your nonprofit's reputation is precious, could be harmed by one bad decision, and your actions should protect it.

What is reputation? According to [Rethinking Reputational Risk by Anthony Fitzsimmons and Derek Atkins](#), it's the sum of how your constituents perceive you. Reputational risk, in their view, is the risk that constituents come to believe you are not as good as they thought you were. That could happen because of poor performance by your nonprofit, or because of the behavior of people associated with the organization.

In an era of political division and social media firestorms, it's helpful to think through the elements of reputation risk—and how to close the gaps that may arise between how your nonprofit wants to be viewed and what you do.

Factors That Heighten Reputation Risk

Holding tax exempt status under [Section 501\(c\)\(3\) of the Internal Revenue Code](#) brings responsibilities, such as the responsibility to be organized and operate for exempt purposes, and ensure that the organization does not operate for the benefit of private interests. That status also means people hold nonprofit organizations and leaders to a very high standard.

The public expects nonprofit leaders will consistently live up to the sector's "higher purpose." Behavior they might tolerate in business or government might garner scorn in the nonprofit sector. That's not a bad thing—all leaders, especially in the charitable sector, should observe a high standard of behavior. But it is something for your team to pause and consider as you make decisions: What would a constituent or outside observer think of a nonprofit making this choice?

Nonprofit organizations also frequently work with partners, from vendors to donors and suppliers. Nonprofit leaders may want to believe that when they outsource a task, they relinquish all the risks that accompany it. But you can't divest reputation risk. If there's an outbreak of food poisoning at your gala, many people will

shudder at the thought of attending next year, even if you hire a different caterer.

Reputation Risk Management Strategies

The best way to protect your reputation is to open up every possible channel for leaders to receive bad news.

This is a challenge. The power of a C-suite title makes many employees and some outsiders hesitate to tell leaders things they don't want to hear—but need to. Ask yourself and your teams these questions:

- What barriers at your nonprofit (culture, incentives, social norms) prevent bad news from traveling to people who need to hear it?
- How are messages massaged or re-interpreted before being passed on?
- How can you stop these things from happening? Revisit the last time early warning signs of a problem didn't make it to leadership. Reverse-engineer the situation. What could your team have done to invite that information?
- Which of your constituents might distance themselves from you in a crisis? Why? How can you build trust with those constituents?
- What nonprofit does your team most admire? What do you admire about the organization? How can you cultivate similar qualities in your organization?

For more on this topic, join NRMCA Assistant Executive Director Elyzabeth Joy Holford [at our Risk Summit in Reston, Virginia October 27-28](#). She'll explore these issues and many more in depth at her session on reputation risk.

As you can see, protecting your reputation isn't just about messaging, although that's important. It's about looking within your nonprofit and its community to see where trust is weak and could fray—and how you can reinforce it.

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