

Reputation Management for Non-Profit Organizations  
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I am delighted to be here today, and I thank you for the invitation to be a part of what I believe is a great day for non-profits in Virginia. I'm here to continue this morning's discussion about the competitive environment by examining the crisis of trust surrounding organizations today. I am going to focus on how paying attention to the way you manage your reputation can be the most advantageous thing you do for your organization.

After consulting organizations of all sizes for 20 years and running businesses myself, I am absolutely convinced that conscious attention to your reputation is:

- a. uplifting for your employees
- b. building trusting and long-lasting relationships with your clients & supporters, and
- c. most important, I believe it can be a key to improving your business results in practical matters like fund-raising, leadership and volunteer recruitment, staff retention and overall public support for your cause or charity.

In the next 20 minutes, I want to do three things . . .

First . . . Briefly review the Trust Deficit, a term created by Dr. John Knapp of the Southern Institute for Business and Professional Ethics that describes the declining trust and confidence that consumers, employees, taxpayers, non-profit supporters and others have in institutions. We'll look at how organizations need to conduct themselves in this environment of distrust.

We also were fortunate that the Junior League generously conducted a survey of non-profits in Central Virginia just for this seminar. And we'll spend some time examining what many of you who participated in the survey identified as key issues you are facing as well as your attitudes about reputation management.

Second . . . I will quickly run through a definition of reputation management and how it is complementary to but different from branding or marketing. Many leading organizations are coordinating these two disciplines more closely.

Finally . . . we'll look at some practical steps you can take when you get back to your office tomorrow that will help you be more INTENTIONAL about tapping the great resource of your reputation. If you walk away from this discussion with one thing, I hope it is the importance of being intentional about showing your integrity and values in all that you do.

By a show of hands, who had heard of the phrase "reputation management" before you received your invitation to this seminar?

I've been talking about reputation management for more than 20 years, even before I knew what I was talking about. As an idealistic graduate student, I wanted to write my thesis on how corporations were using goodness—in all things they did—to outperform their competitors.

There was only one problem: there was no data, and no one would talk about it if they were doing it. This was the beginning of a time when organizations were using the term corporate social responsibility, but at the time it mostly described strategic philanthropy. One of the early champions of the idea of reputation management was Frank LeBart, who was then VP of public affairs for John Hancock. He wrote a

Megatrends-like forecast for the insurance industry, but John Hancock was not ready for such forward thinking at the time.

But managing your reputation today should especially be fundamental to the way non-profits are run. In many ways, you need to be far more vigilant about your reputation than companies in the private sector. By the nature of your work, you are serving the public's interests and you have an obligation and an opportunity to run your business with integrity. And I guarantee you that your prospective financial supporters expect it more than ever.

II. Trends: Let's get started looking at some trends that effect reputation management. With a show of hands, who has grown tired about reading or hearing about the deceit, corporate misbehavior, accounting fraud?

Well if you said you're tired of hearing about it, you're not alone. A lot of companies are experiencing ethics fatigue, but I believe that is due to the preoccupation with Sarbanes Oxley reporting requirements (the federal law effecting how public companies report their finances). And while ethics and reputation management complement each other, they are not the same.

I'm a great newspaper, and now electronic news, reader, and I constantly clip and save articles. When I see patterns begin to develop in the news, I begin clipping stories and filing them away for reference material

When the crimes of Arthur Anderson, Enron, Tyco, Adelphia, Worldcomm, Global Crossing, HealthSouth and church priests were being reported, I had to give up my clipping after about a couple of months. The files got too large, too fast; and I knew

someone would be chronicling it better than I could. You've all seen the summaries by now, and even PBS.com provides an ongoing overview of recent corporate scandals and what's being done

A lot of people are giving up on institutions, and it is contributing to what is being called the Trust Deficit, a term coined by John Knapp, one of the leading business ethicists. The Trust Deficit describes a crisis in public trust and confidence with all of our major institutions.

I have a number of opinion surveys for us to look at that show the declining confidence and trust in institutions and leaders:

**Industry & Institutions**--This first graph shows the recent confidence ratings the public gives to a variety of industries and institutions. These ratings are a combination of the percentage of respondents who said they thought they had either a great deal of confidence or quite a lot of confidence in the industry.

Our concern for safety and security and the welfare of our troops are reflected in the ratings for military and police. The ratings for the institution of the president also jumped several points in this recent Gallup poll, which should make the Bush campaign happy.

Interesting where medical systems are and HMOs; Wall Street was a recent addition to this survey by Gallup.

Aggregate Confidence scores for big business took a steep decline in the middle of the accounting fraud and dot com bust.

It's interesting (frightening, actually) to look at what's behind some of these numbers. Other Gallup studies show that 54 percent don't believe the accuracy of

financial information provided by company spokespeople. And 77% believe that greed and corruption of corporate executives is one of the major reasons for the problems in the economy over the past several years.

**Next up are ratings of Congress**, which actually got a slight lift when this survey was completed perhaps as a result of the federal attempts to go after the corporate abuses. But the general trend is going down, especially when the public is asked specifically about the honesty and ethics of Congressmen.

**Finally, the crisis in the church**, and not just the catholic church, registered its lowest scores since Gallup began the survey in 1942.

The Non-profit sector is doing its part to contribute to this Trust Deficit. This is due to scandals at national charities, concerns about the handling of monies after 9/11 by some national charities, and, what Bill Light of the Brookings Institute calls a general mistrust of the financial management of non-profits.

The percentage of people who say they have no confidence in non-profit organizations has doubled since July 2001, to 16 percent, according to surveys by the Brookings Institution and Independent Sector, an association of nonprofit groups. At the other end of the scale, the proportion of those who say they have "a lot" of trust in charities has slipped from one in four last July to less than one in five.

When the question is narrowed to just federated appeals such as the United Way, the confidence level tails off even more abruptly: Those with "a lot" of trust have fallen from 39 percent a year ago to 26 percent, and those with "none" have grown from 13 percent to 17 percent.

The best way to sum all this up is to remember the famous words of a former business leader . . . . and his mother.

**II. Reputation Management Survey of Virginia Non-Profits:** Now let's quickly look at the results of our reputation survey that was conducted by the Junior League on our behalf. Many of you participated in this survey, where we wanted to determine key issues you're facing and your attitudes and behaviors around reputation management.

We learned that fund-raising was the issue that the greatest majority of you cited as one of the top three issues facing your organization, followed by awareness, and brand identity, then board relations, expense management, leadership down to employee relations.

Similarly, you said that awareness of what you do and how well you do it was the number one factor that effected your organization's reputation.

Finally, we asked what effect, if any, the current scandals had on fund-raising and other organization activities. 62% said that they had no impact, and surprisingly, almost 6% said that those scandals have had a positive impact on your business.

How do you feel about these reports? Show of hands: Very accurate, somewhat accurate, inaccurate or depressing?

Curious to hear why someone would agree with the 6 percent on our last chart who said that the distrust created by recent scandals is an opportunity?

I agree with those who see opportunity at a time when there is so much distrust. This environment of distrust provides opportunities for leaders and organizations of

integrity to stand a part. As everyone is being painted by the same brush, you can create your own picture.

Let's start by looking at the elements that you can get working in your favor as you manage your reputation.

(REPUTATION MANAGEMENT CHART)

To help put it in context, it's valuable to compare brand management and reputation management, two distinct yet complementary disciplines.

**The brand voice** . . . is what an organization delivers to the marketplace—the emotional connection between a company and its constituents.

**The organization's voice** . . . Reputation is about all the actions that bring a brand to life; and it is the ability to navigate in the social and political context you operate in.

One of the important reasons I like to frame the organization's voice in terms of reputation is because employees can understand it. They have a reputation. Their husband has a reputation. Their mother and father have reputations. And you have a reputation, too.

As you can see on the chart, your emotional appeal is essential to gaining support for your organization. But that appeal is made real by things like the workplace environment, your services, and financial and leadership integrity.

If I were running a non-profit, I'd focus on using three fundamentals of reputation management to demonstrate my values and value to the community.

First . . . Articulate & demonstrate your Vision & Values—Ensure that your service goals drive your reputation and not the reverse. What's your point-of-view; what are your values; what do you stand for? Is it to be the best in your area, is it to serve the hardest to serve, is it to be the leader in economic development?

But a mission statement with a public relations campaign is not enough, you must demonstrate authentic, responsible leadership. I said at the outset that managing your reputation should especially be fundamental to the way non-profits are run. The mission of a 501-C3, non-profit is to serve the public's interests; so people want to believe you. You are ahead of the game compared to many for-profit organizations. I am often hired by companies to determine public needs that they can be serving, other than employing people and providing a return to shareholders. These aren't bad people, either, but many see their mission in different terms than you do.

This needs to be both an outward and inward look. Find out what others think about you and what gaps are there between what you want to be and what others think you are. Do you have a strategy, a plan—in your head, better if its on paper, shared with others, kicked around, scraped its knees then cleaned up and shared with others again?

One of the non-profit organizations that I've gotten to see up close in this regard is the Community Foundation of Central Virginia. Over the past year, the staff conducted research of key constituents to determine how others perceive the organization and what changes might be necessary. And the board was involved with this process at a summer board retreat, where we had a thoughtful discussion about the priorities of the organization's responsibilities.

Second . . . Define and use employees, board members and volunteers as your reputation leaders. What do you think about when you think about Ukrops? What about when you think of Habitat for Humanity? How about the Mayo Clinic?

The people.

Employees and volunteers are your most important reputation asset, but in our survey, board members and employees were not rated high as either an issue you needed to address or as a way to effect your reputation.

A 2003 John's Hopkins study pointed to the stress that employees in non-profits were feeling due to the uncertain economic conditions. How do you think that effects the way employees sound when they answer the phones? Or how they talk about you to others when they are not at work?

In a study of customer service phone centers, researchers learned that some reps cause the company to lose every customer s/he comes in contact with. Ouch. And there are a number of current surveys that point to fundamental problems workplace. A new Gallup study reported that 61% of the respondents to the survey had not received positive recognition once during the past 12 months. And yet another revealed that 40% of employees "strongly disagreed with the statement: "I trust my boss."

We don't have the time to fully cover how to engage your employees and board, but you must begin by serving internally first, and there are a number of ways you can be sure that your staff and board can be effective representatives:

1. Make sure employees and the board understand how you are managing the key elements on the reputation chart; providing detailed information about your finances, staff, communications. (COMMUNITY FDTN REPORTING)

2. Equip them to be effective story tellers—what is your mission, and how can you state it in a way that isn't just understandable by a bright board member, but that is simply stated so the board or staff member can feel good about saying it to others so they understand it without a lot of explanation.

Third . . . Master financial management and improve disclosure—The opinion surveys we went through earlier are strong evidence of the need for improved financial management and reporting. But again, financial reporting was not rated high as a key reputation asset in our Virginia non-profit poll.

Earlier this year, I had a personal experience that brings all the surveys to life. Fritz Kling, the executive director of the Parker Foundation, and I were trying to help a group that really provided a valuable service to the community but was in a financial crisis. Unfortunately, it didn't take us long to learn that this group, which had been in business for years, had never had a budget or a financial plan. Fritz told me at the time that he often received requests with little or no financial information from non-profits that have been around for sometime.

Despite the good works provided by non-profits, it is no longer business as usual for any business. Everyone is being scrutinized more than ever, and managing your financial reputation is another way that you can, first, meet your obligations to your supporters, and second stand out at time when others still are not measuring up to the new expectations.

In closing . . . I think there are enormous opportunities for you to stand out when funders and the public—including your clients and employees—are more suspicious and distrusting of organizations than ever. I encourage you to match the passion you

have for your purpose with a passion for demonstrating both how well you serve and how well you run your business.

Look inside yourself, know your story, tell it, engage your employees, and develop financial skills. Then you will be able to be more effective at raising money, board relations and creating awareness about the kind of organization that others should be proud to be a part of.

Two key benefits of a strong, authentic reputation are

. . . it can be a life preserver when you face tough times . . . and it can be a valuable tail wind when times are good