Impact Of Nonprofit Reputational Capacity On Stakeholder Decisions: Definition, Propositions And Experimental Testing

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Within the broad body of nonprofit effectiveness literature, a particular group of seminal contributions has focused on reputation and reputational effectiveness given its various theoretical and methodological advantages (Green & Griesinger, 1996; Herman & Renz, 2004; Padanyi & Gainer, 2003). Despite being often considered as a constructionist concept and therefore ‘less real’, nonprofit reputation deserves more attention, given the growing evidence that it can have a real and substantial impact on stakeholder behavior towards an organization (e.g., donations by donors or work effort by employees) (Mews & Boenigk, 2013; Padanyi & Gainer, 2003; Sarstedt & Schloderer, 2010; Thomson, 2011). Within this context, we define the related concept nonprofit reputational capacity. This concept adds a longitudinal and cumulative perspective to the discussion, where reputational capacity is the built-up image of an organization among its stakeholders that is the output of a series of interactions between that organization and its stakeholders. In addition to the insights already provided in earlier studies on how reputational effectiveness can influence stakeholder behavior, an important gap remains with respect to how organizations can build-up their reputation over time. In particular, it is the additional effect of a series of stakeholder interactions that makes the concept worth investigating. Researching how reputational capacity can be built-up and how it can buffer for negative outside publicity has become more relevant in the contemporary information-overloaded and media-dominated societies.

Therefore, we investigate the following research questions: How does a series of subsequent positive interactions cumulatively shape reputational capacity? And how can this serve as a buffer for negative publicity? In particular, we are interested to investigate whether a positive linear, or even a positive convex relationship can be assumed (meaning that there would be an additional effect on reputation of multiple subsequent positive interventions), or do we observe a concave relationship (meaning that each additional intervention has a decreasing marginal effect). Furthermore, we aim to get insight in how built-up reputational capacity can be a buffer for an (extreme) negative publicity event (e.g., due to a scandal in which the organization might be mentioned).

When answering these research questions, we encountered two important challenges. First, the concept of reputational capacity can be tested in various settings and for various types of stakeholders (volunteers, donors, beneficiaries, employees, etc.). Furthermore, given the longitudinal nature of the research questions and the many potential exogenous factors that might influence reputation, it is hard or even impossible to compose useful real-life data sets, in which the broad range of necessary control variables are included. Therefore, we explore these research questions with two experimental analyses. One of these experiments focuses on volunteers and the other on potential employees of a nonprofit organization. In each experiment, both with a random-split sample design, respondents are confronted with a series of subsequent positive interactions. In one sub-sample an extreme negative message is given before the series of positive interactions, and in the other sub-sample after that series of positive interactions. After each intervention organizational reputation is measured (for all positive and negative interventions). We apply a longitudinal, multilevel within-and-between subject design (different subsequent events within respondents, and different treatments between random sub-samples of respondents), and we provide insight on the one hand in the cumulative effect of subsequent events, and on the other hand in the particular impact of an extreme negative experience. In particular, we discuss the differences between the buffering effect of built-up capacity (negative experience after a series of positive interventions), and the restoring effect (a series of positive interventions after a negative experience).

From the discussion of our results we derive several avenues for further research that could
provide more detail to our preliminary findings, and to make insights more generalizable for other types of stakeholders. In addition, we discuss pathways to investigate these avenues with further empirical analyses. We conclude with limitations of our study and with practitioner recommendations.

References