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Reputation Reality

Trans-Tasman perspectives on reputation and risk

March 2016

Welcome to Reputation Reality: Perspectives on Reputation and Risk

In late 2015, SenateSHJ surveyed 150 business and public sector leaders across Australia and New Zealand to better understand their attitudes towards reputation and risk. This is the fourth time in a decade SenateSHJ has researched leaders' attitudes towards corporate reputation.

This year was the first time we extended our research to include Australian leaders, reflecting that we are now a truly trans-Tasman consultancy and have reach into both markets. It was also the first time we worked with Catalyst Consultancy and Research, ensuring our methodology and research processes were second-to-none.

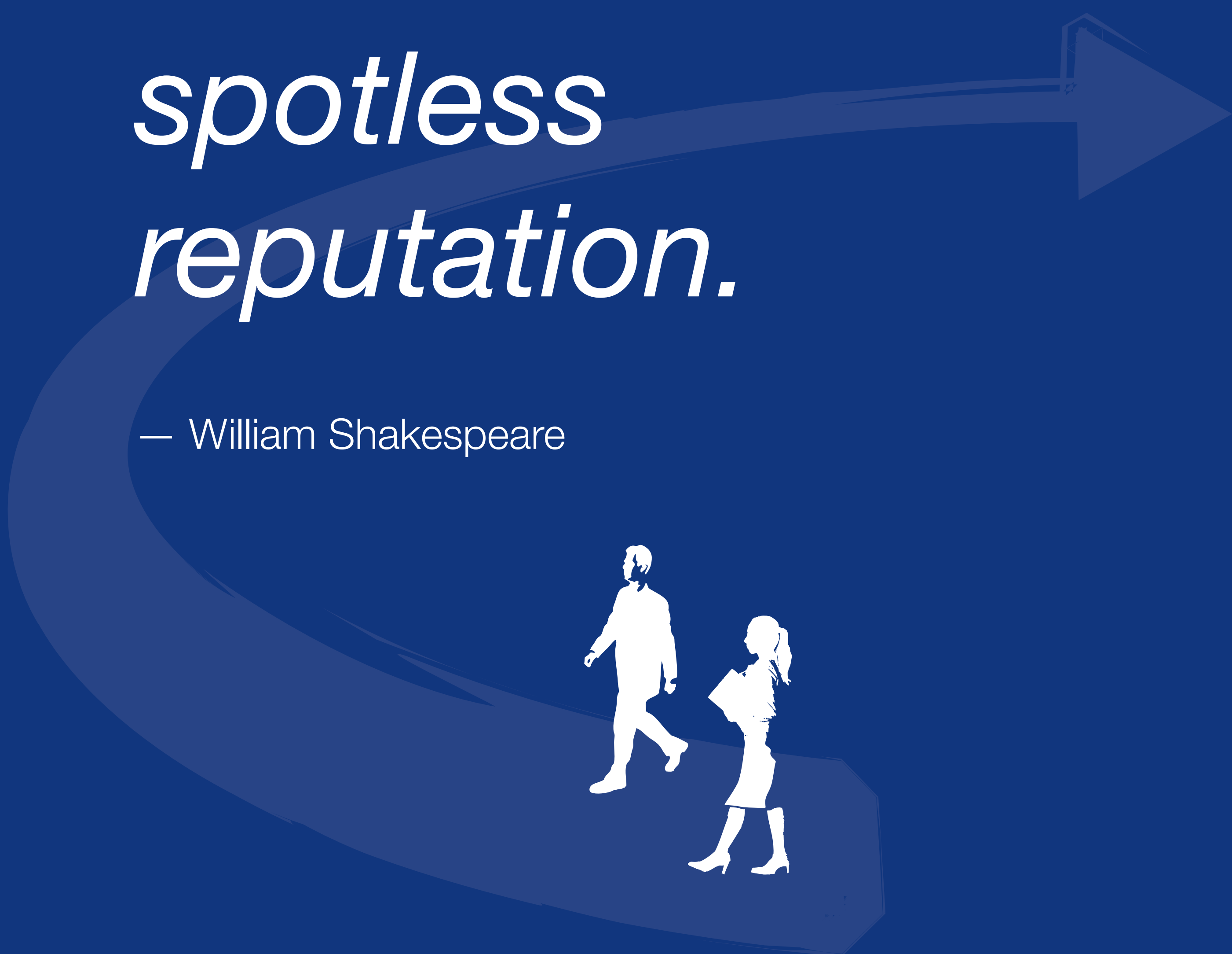
Since our first survey in 2006, we have seen that reputation damage is a growing issue for brands, organisations and their leaders.

Today, there is a strong appreciation of the tangible value of corporate reputation, and a perception that the risks to reputation are increasing – making reputations harder and more important to manage.

We use this research to stay across these shifts in attitude. It helps us understand how we can support our clients in building and protecting their corporate reputation.

The purest treasure mortal times afford is a spotless reputation.

— William Shakespeare



Understanding risk and reputation

Reputation is what others think about you. In this context, perception is reality, and that makes it a highly prized asset in the boardroom.

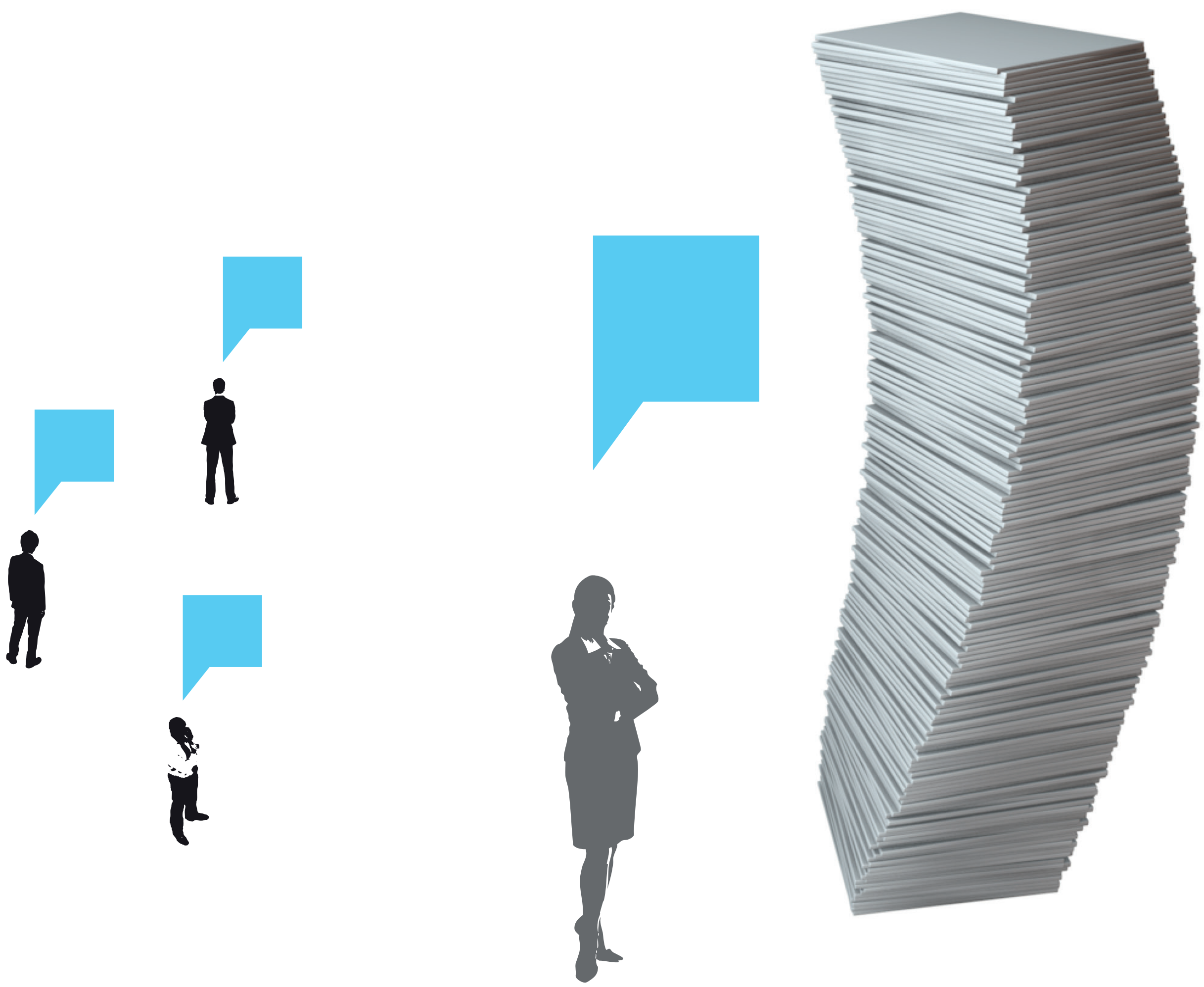
Recent crises such as those affecting VW and BHP are reminders of the impact a crisis can have not only on the reputation of a brand, but also on its bottom line.

We hope the findings from this research, and the insights we share as a result, will contribute to the developing discipline of reputation management.

Who we surveyed

SenateSHJ and Catalyst Consultancy and Research would like to thank the 150 leaders in Australia and New Zealand who participated in this research. Respondents included top-level decision makers such as board members, chief executives and senior managers from the public and private sectors. Many have had to protect their own reputations in times of crisis.

We appreciate the time they took to provide their views on reputation and risk.



The findings

More than half of those we surveyed said reputation is more important to manage now than it was three years ago.

Reputation is a primary asset

Ninety-six per cent of respondents told us that corporate reputation is one of their organisation's primary assets.

This continues an upward trend since we first surveyed business leaders nearly 10 years ago. In 2006, only half said their corporate reputation was one of their organisation's primary assets.

More than half surveyed also agreed that reputation is harder to manage than other forms of risk. Six in ten said there has been an increase in the risks affecting reputation over the last three years.

More than half of those we surveyed said reputation is more important to manage now than it was three years ago.

These figures suggest senior leaders understand their corporate reputation is a tangible asset, just like any other asset, and are well aware of the prospect of financial loss resulting from a damaged reputation.

96%+

Corporate reputation is a primary asset.

60%+

Have seen an increase in risks affecting reputation over the last three years.

Organisations are under-investing in their reputations

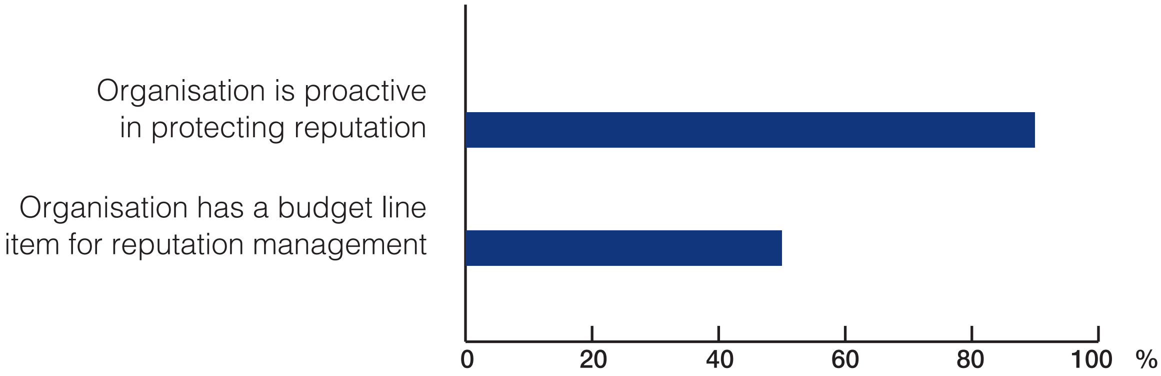
Business leaders may say they value their reputation – but very few are assigning budget to protect it.

While nine in ten respondents and eight in ten New Zealand respondents told us their organisation is proactive in protecting its reputation, few are putting their money where their mouth is. Only half of businesses surveyed have a budget line item for reputation management and even fewer New Zealand companies do.

This means managers and their teams will be expected to manage reputation within existing resources: creating the risk that it will be overlooked in favour of more immediate challenges.

While respondents told us that risks to reputation have increased in the last three years, actions to prepare for and manage these risks are limited. Only half of respondents in both countries are planning to invest in crisis simulation training – one of the most effective ways to prepare for a crisis.

Three other ways to improve reputation management – technology, new processes and systems, and governance – are also under-valued. Close to half of the respondents told us they had no plans to invest in these areas.



You can't build a reputation on what you are going to do.

— Henry Ford

It's a risky business

We asked leaders what they considered would be the most significant triggers for reputational risk for their organisation today and in the future.

Customer satisfaction was highlighted as a key risk area in the next two to five years, with 50 per cent of respondents saying this would be a risk focus for them in the years ahead.

There are a number of reasons why customer satisfaction is regarded as a high reputation risk.

A key factor may be the power of social media to affect reputation, and the ease with which customers can comment about companies online. This means more and more companies are using social media monitoring to track these risks.

50%

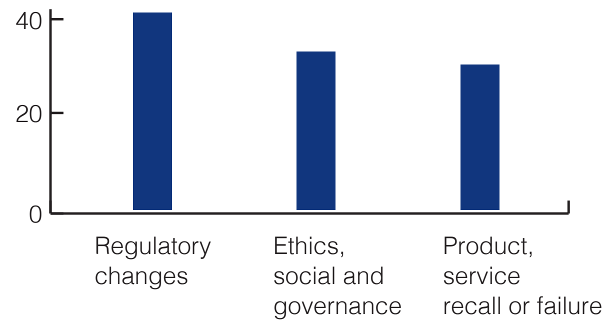
Say that customer satisfaction is a key risk area.

Regulatory changes are a key area of risk with 40 per cent surveyed saying they expected to focus their risk management on this for the next two to five years.

Ethics, social and governance was another area of concern, with 37 per cent saying this is an area of future risk management.

Product / service recall or failure was also noted, with 36 per cent of respondents saying it was a significant trigger for reputational risk.

% **Key risk areas**



Tools to help prepare

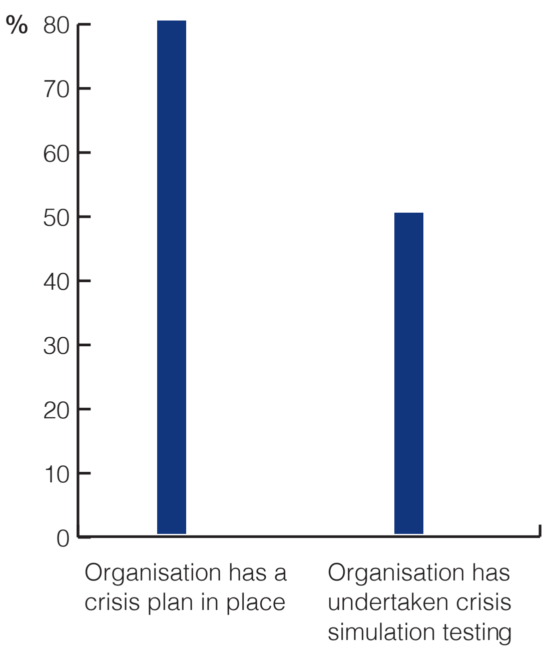
The research explored what organisations are doing to monitor their reputation, and what they would do to defend their reputation should it come under attack.

With the exception of customer satisfaction, which was being addressed through customer surveys, there is a gap between perceived future risks and the tools businesses are using to protect against those risks.

For example, product / service recall or failure is considered a significant trigger for reputational risk. But only 24 per cent surveyed said they modified or deleted products or services as part of their reputation management strategy.

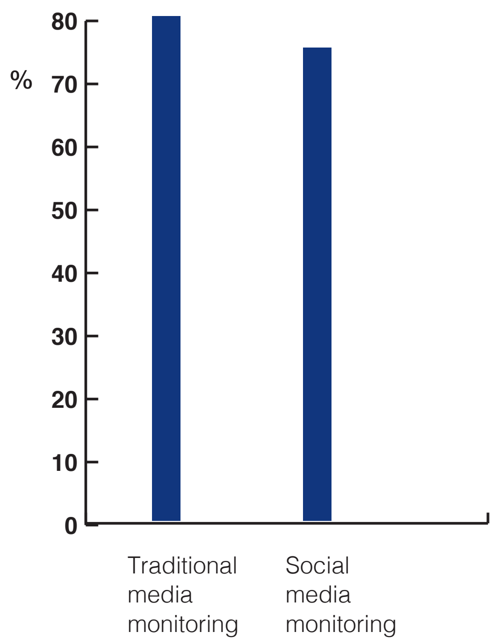
One of the greatest areas of concern is the low use of crisis and issues scenario planning.

While 80 per cent of respondents said they had a crisis plan in place, only 50 per cent use crisis simulations to test their plans. Yet a plan is of little use if it hasn't been trialled and tested, and if teams don't learn how to use it under simulated crisis conditions.



Respondents make good use of traditional and social media monitoring to listen to the market and flag potential issues early.

Social media monitoring is increasingly important as the power of social media to influence reputation grows.



80 per cent of organisations use traditional media monitoring, while 75 per cent use social media monitoring.

Where does the reputation buck stop?

It was revealing to see which roles were given responsibility for reputation management.

Respondents could pick more than one role, and their responses reflect that responsibility for corporate reputation often rests with more than one person in a business.

In six out of ten Australian organisations, the Chief Executive Officer is responsible for corporate reputation. More than half say the Head of Corporate or Public Affairs has responsibility, and a quarter say the Board has responsibility.

Responsibility for corporate reputation often rests with more than one role in a business.

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

— Warren Buffett

Reputation management exemplars

We asked which organisations had done a good job in rescuing or improving their position after a corporate reputation crisis. A number of brands were mentioned, with Qantas receiving the highest number of votes.

"[Qantas] kept their messages consistent, with open and honest communication. CEO Alan Joyce did a great job fronting media and the public."

Air New Zealand

"Following the crash of their A380 Airbus during a test flight in France, Air New Zealand front-footed communication led by their CEO Rob Fyfe, whose intensely personal handling of the tragedy, escorting the grieving families to France and returning with the victims, was widely commended."

Carnival Cruises

"Expressed empathy early and often – the customer came first in all communications when the two people were lost overboard. They also communicated clearly and often via multiple channels."

Commonwealth Bank

"Apologised; were transparent, finally, about the extent of error, had plans to mitigate future issues. Put the head of the organisation front and centre to the reputation."

Huawei

"Used sponsorships and CSR activities as well as media strategies to raise awareness of the brand and tell a broader story."

BP

"They addressed the issue, they didn't try to avoid it. They communicated well with the public, media and regulatory authorities. They did as well as expected."

What should you be doing about your reputation management?

Our experience in this field tells us that while every organisation has a unique reputation, and every crisis has a very different run sheet, there are fundamental things any organisation can do to protect its reputation and mitigate the risks.

1 Invest

in your reputation during times of low threat and put in place robust risk mitigation measures.

This means not only having a crisis communications plan, but testing it regularly. Part of this is to create understanding across the organisation of who has responsibility for what during a crisis, and building confidence that you have the systems and training in place to manage effectively.

2 Own your reputation

by establishing senior responsibility for reputation.

Brand reputation is an asset that is simply too precious to squander. Those tasked with reputation management should have sufficient influence in the organisation to put in place what is required to protect it.

3 Map and listen

to all your stakeholders, including customers, employees, investors, suppliers, government.

Each will have varying degrees of importance during a crisis. But what they say about you, and how they support or turn on you during a crisis, will help shape your reputation in the market.

4 Communicate

build relationships before a crisis occurs.

The old adage "You don't make friends in a crisis" stands. While it won't avert the crisis, at the very least, good relationships with media will enable you to tell your side of the story.

SenateSHJ is an award-winning trans-Tasman communications consultancy with offices in Auckland, Christchurch, Melbourne, Sydney and Wellington. We have more than 60 partners and consultants specialising in communications strategy, change, facilitation and training.

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