

Managing Reputation in New Zealand

An investigation into perceptions of
reputation and risk management

SENATE
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The Reputation Management Survey Authors

Senate Communication Counsel

We formed Senate because we are motivated about this most challenging of all management disciplines; building and guarding a reputation.

Our counsel has been tried and tested by major New Zealand organisations, many of them facing major issues that affect their reputations. Our services are provided with the utmost discretion, security and confidentiality.

We find that communication between people is at the heart of a solution to an organisation's opportunities and problems.

Our staff are experienced and immensely skilled in the discipline of communication.

Senate truly partners with clients – your reputation is as important to us as it is to you.

Acknowledgements

Senate Communication Counsel and TNS Global extend special thanks to the chief executives, managing directors and communications directors who responded to this survey – offering their time and energy to reflect on the state of reputation management in New Zealand.

TNS Global

TNS is New Zealand's leading consultative market research company. Formerly NFO/CM Research, we have spent over two decades immersing ourselves in New Zealanders' changing attitudes, opinions and lifestyles. As part of one of the world's leading market information companies, we are backed by state of the art research tools, techniques and thinking.

TNS is the 'sixth sense' for our clients by bringing them closer to their stakeholders and customers. We aim for greater insight into how people behave and a greater understanding of what they actually want. We will strive to become the sixth sense of your business.

Our TRI*M system, enabling the measurement, management and monitoring of a company's stakeholder relationships, is the world's No. 1 stakeholder management system.

We offer a comprehensive range of services, both qualitative and quantitative, including specialist social research, youth research, sensory evaluation, business intelligence and fieldwork divisions.

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Welcome

Senate Communication Counsel and TNS Global are pleased to bring you an insight into how New Zealand organisations think about and deal with their reputation.

We have surveyed organisations from around New Zealand to gauge attitudes to reputation management, risk and crisis management among New Zealand chief executives, managing directors and communications managers and directors.

This report will share the findings of our study, explore issues around the creation of reputation, effective management and identifying potential risks to reputation.

Foreword

“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 Buffet

When most of us consider reputation management we generally think of crises – examples of poorly executed reputation and risk management.

Take Enron. The fraudulent activities of its directors bankrupted the company, leaving more than 20,000 employees without jobs. While Enron still operates as a shell corporation, it is the ‘poster company’ for what can happen after a company crisis.

Closer to home, food giant Progressive Enterprises was widely vilified in the public media for the way it handled employee wage bargaining – imposing a lock out on the union members who demanded a single collective agreement.

More recently, the decision to prosecute GlaxoSmithKline over its false health claims for Ribena provided a salient lesson about reputation management.

But these are the exceptions. Most organisations’ reputations are formed without ever experiencing a crisis. It’s not media stories that form most reputations, it’s the stories we tell each other about our personal experiences and perceptions.

To avoid ending up as a negative story told between people, or that leads the 6pm television news, organisations need to have a programme to manage reputation and contingencies for reducing or reacting to threats to their reputations.

Influencing an organisation's reputation is an internationally recognised management discipline. However, little has been previously known about the extent to which New Zealand organisations adopt reputation management practices.

So Senate and TNS conducted a survey aimed at determining perceptions about reputation management, risk and crisis management among New Zealand chief executives, managing directors and communications managers and directors.

What is Reputation Management?

“Your corporate reputation is already impacting upon your organisation – whether or not you recognise it or manage it.”

Reputation management is concerned with knowing what people believe about your organisation and ensuring you take actions that improve these attitudes to your benefit.

A company's success may be determined solely by financial success (or failure) or outputs, but these things are actually dependent on what is known as 'reputation'.

Corporate reputations are determined by a variety of factors – leadership, finances, quality of products and services, operations, human resources, ethics, customers, business peers, and stakeholder and community engagement.

Essentially, a person's attitude toward an organisation is based on their direct experiences of that organisation, their indirect experiences (what they 'know' about similar organisations), and their perceptions formed from second-hand 'information' (i.e. what other people tell them).

The art of reputation management is ensuring the stakeholders' experiences are positive and their expectations are well managed – all the time.

A good reputation makes people more likely to want to 'transact' with an organisation – as a customer, client, investor or stakeholder.

Reputation management is concerned with knowing what people believe about your organisation and ensuring you take actions that improve these attitudes to your benefit.

Reputation Management in New Zealand - Research Results

The survey was conducted electronically in late 2006. More than 200 New Zealand organisations and companies were approached, ranging from State Owned Enterprises to listed companies. Fifty four responded to the survey (approximately 25% response rate).

Of the 54 respondents, 17 described their position within the company as chief executive or managing director, while 31 listed their position as communications manager or director.

The respondents were based in Auckland, Wellington, Christchurch, Hamilton, New Plymouth, Whangarei, Rotorua, Palmerston North and Lincoln.

Result summary

1. Reputation is considered the second biggest risk to any organisation.
2. The things organisations most fear are all reputation issues:
 - a. Failure to deliver product or service to the expected standard
 - b. Exposure of unethical practices
 - c. Bad management of a crisis
3. Yet reputation is considered by only half of managers to be an organisational asset.
4. Fewer than half of all Boards and executive teams consciously attempt to influence their organisation's reputation.

New Zealand organisations fear risks to their reputation are increasing – and most think the problem is getting worse.

Identifying Risk

Risk management is an integral part of ongoing reputation management – if you know what could wreck your reputation, you can try to stop it happening in the first place.

Every organisation in the survey thinks risks to their reputation are increasing.

Internationally, executives identified direct threats to their reputation as the greatest risk their organisations faced. However, the Senate/TNS survey found that in New Zealand, only half as many bosses agreed, citing “human capital” risk as their main concern. This was followed by reputation, IT network issues and government regulation. Two percent mentioned terrorism as a potential risk factor.

The risks threatening organisations include:

- Human capital (32%)
- Reputation (30%)
- IT networking (24%)
- Regulations (24%)
- Politics (8%)
- Crime and physical security (6%)
- Natural hazards (6%)
- Finances (6%)
- Foreign exchange (4%)
- Markets (4%)
- Terrorism (2%)
- Credit

Over three quarters (76%) of the chief executives and communications managers surveyed think it is getting harder to manage this growing number of risks.

Only 54% of New Zealand's senior managers see corporate reputation as one of their prime assets – compared with 90% globally.

Reputation not considered an asset

A global research project carried out by the Economist Intelligence Unit (EIU) two years ago showed reputation is now considered a top priority for global leaders with executives citing reputation as one the most important corporate assets and one of the most difficult to protect.

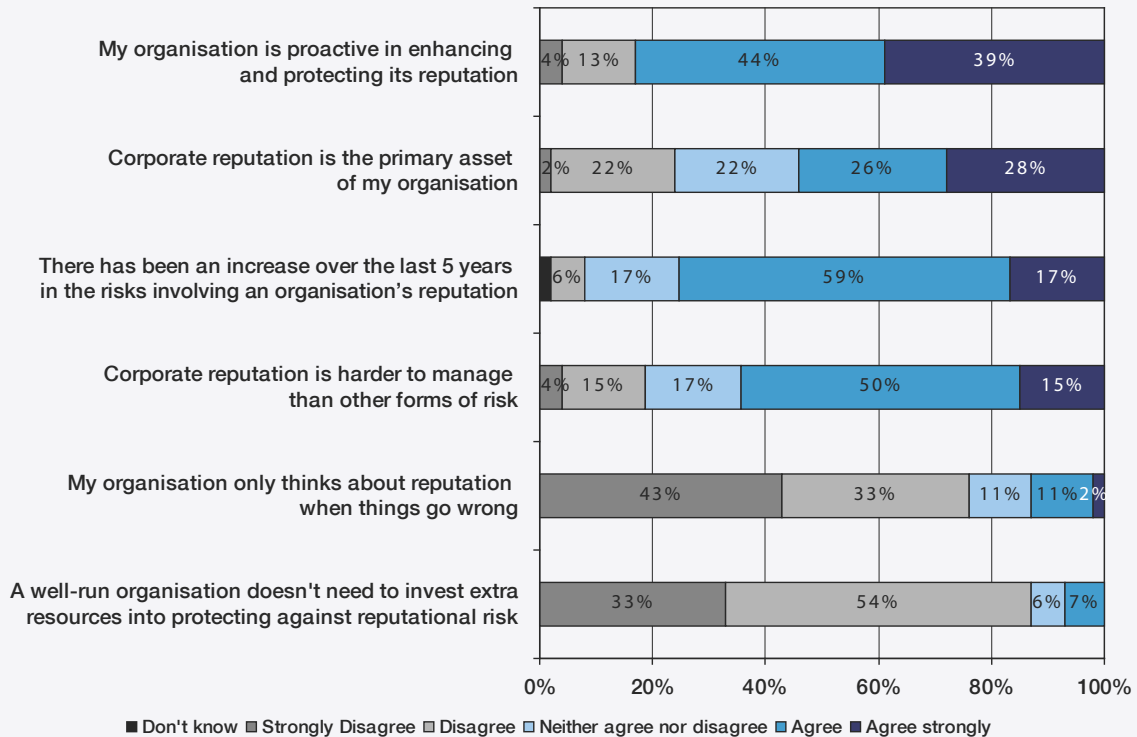
A good reputation, according to the EIU respondents, insulates the brand, strengthens market position, increases shareholder value, permits higher prices and helps to attract top talent.

In deep contrast with this growing international awareness, only half of New Zealand's senior managers (54%) see corporate reputation as their primary asset – compared with 90% globally.

What's more, six out of 10 chief executives think reputation risk management is not understood well enough in the country's board rooms.

Of the survey respondents, four out of five senior managers thought company directors should do more to understand the management of reputation.

General attitudes to reputation and risk management – Total



Is reputation risk management well understood in the board rooms of New Zealand?

	Total (n=54) %	CEOs (n=17) %	Communication Managers (n=31) %
Yes	44	41	42
No	56	59	58

The biggest threat is believed to come from 'bad news' spreading rapidly through media and/or internet channels.

An organisation's biggest risk?

The three biggest fears organisations have with regard to their reputation are:

- Failure to deliver product or service to the expected standard
- Exposure of unethical practices
- Bad management of a crisis

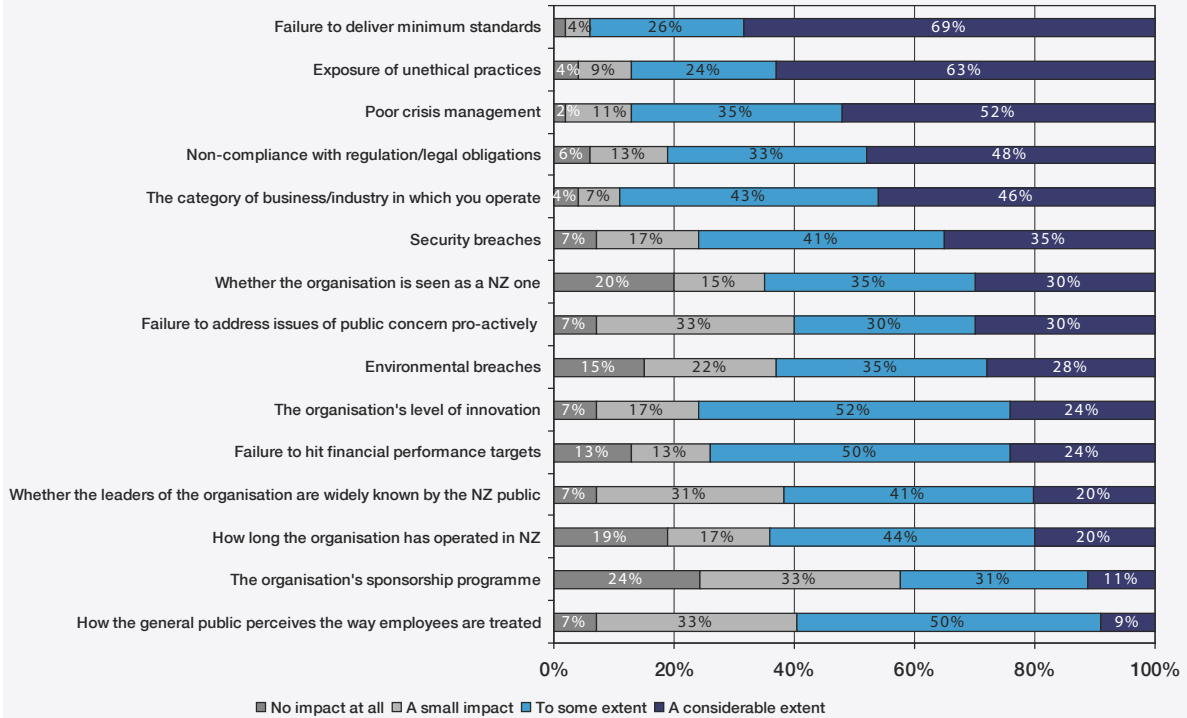
More than half of the respondents agreed advances in technology have enormously increased the risk of spreading damaging information about an organisation or even an individual.

While the accuracy of information carried in traditional media (newspaper, radio, television) is regulated to some extent, new technologies

do not have the same filters. Information published on the internet or in emails does not have to be true to gain traction. In fact, the opposite is true because the act of 'publishing' the information lends it still more credence above a one-to-one communication and it is disseminated speedily.

Half of the respondents thought that the biggest threat would come from 'bad news' spreading rapidly through media and/or internet channels.

Factors influencing quality of reputation — Total



Although only half of respondents see reputation as an asset, reputation looms large to them as a risk.

Reputation is the second biggest risk

Although only half of respondents see reputation as an asset, reputation looms large to them as a risk.

An organisation's reputation is the second biggest risk they face; second only to risks around staff, and ahead of the risk posed from information technology disruption.

Both human capital and information networks are considered to be important assets for an organisation, so are conversely considered as risks if they fail. Correctly then, senior executives put a lot of time and resource into these factors, and Boards monitor them carefully.

In our experience, the public's perception of how an organisation treats its employees is a litmus test for its corporate reputation.

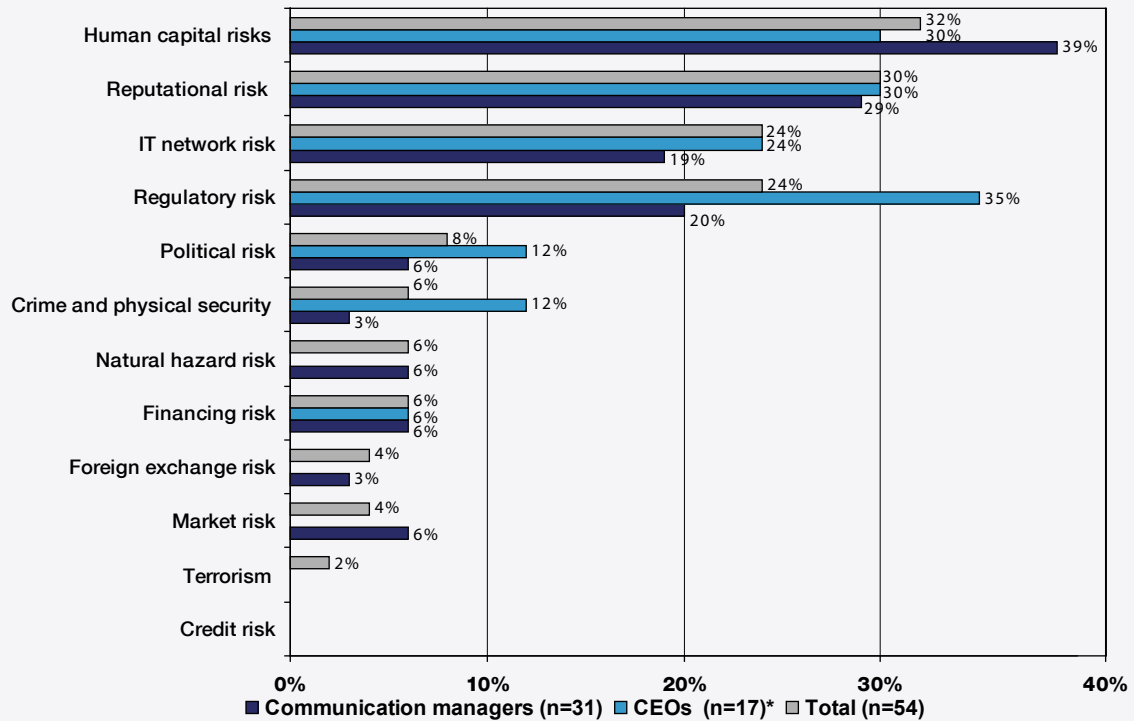
Hubbard Foods Ltd was regarded as New Zealand's most admired company in 2004 because of the positive way people perceived the organisation's employment relations.

The difference when it comes to managing reputation is startling. Despite the extent of the risk, reputation is not widely seen as an asset and is not actively managed.

The reason is clear — most respondents agreed that threats to reputation were harder to manage than other sorts of risk. They are actively choosing to concentrate on the things they think they can influence more easily.

But the research did suggest that senior executives are beginning to see this inconsistency, and that they realise that managing a reputation is possible (see next section).

What are the key risks organisations believe they face?



Managing Risk

Almost 85% of the New Zealand senior executives surveyed claim to be active in enhancing and protecting their reputations. However, it is also clear from the research that they are unsure how to go about it.

The Senate/TNS research revealed that in many cases New Zealand organisations did no formal research among some of their stakeholder groups.

These included political activists and pressure groups, (which 80% of organisations said they never regularly monitored), and even the perceptions of the general public (which two thirds of organisations admitted to never regularly seeking to understand).

The research revealed a glaring disparity between organisations' apparent concern for reputation risk and their apparent unwillingness to frequently check what some of their important stakeholders were thinking.

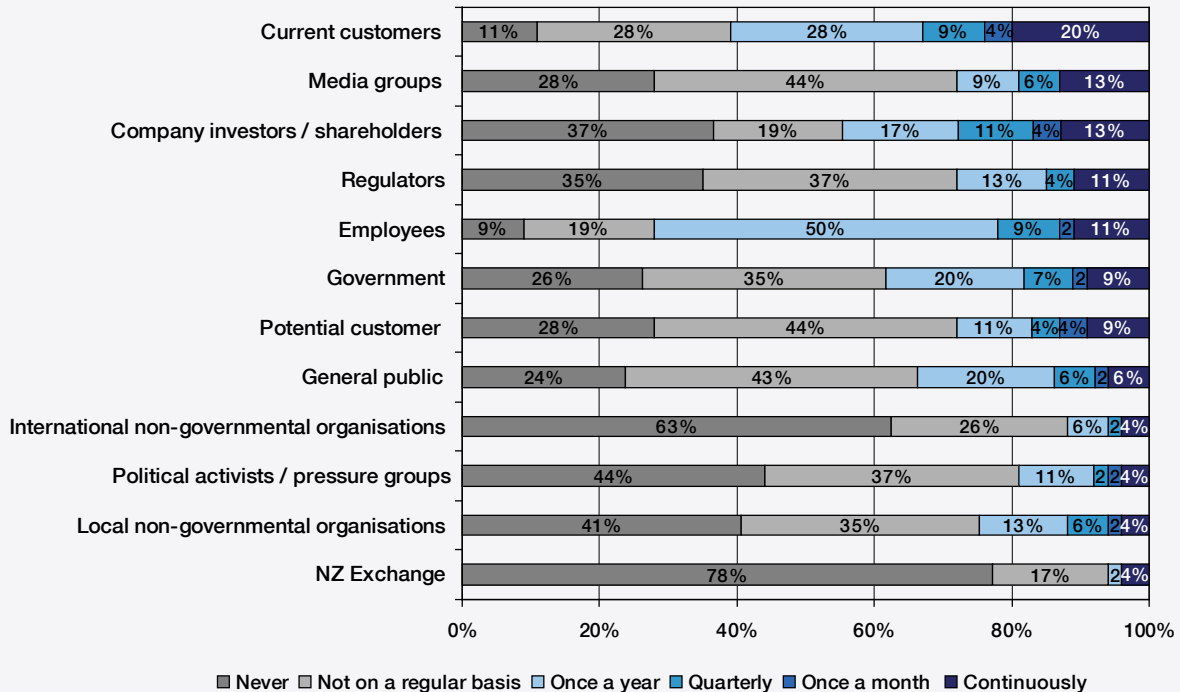
The media – whose power to destroy reputations was recognised to be consistently growing – was found to be “never” researched for their perceptions by over a quarter of the survey's respondents. Only 20% continuously monitored their customers' perceptions – **half as many as in the rest of the world.**

These findings suggest New Zealand organisations might be complacent on reputation management matters compared with their overseas counterparts.

Worldwide executives put direct threats to their reputation as the greatest risk their organisations faced.

In many cases, New Zealand organisations did no formal research among some of their stakeholder groups.

Stakeholder perceptions — frequency of measurement



Many organisations (40%) don't actually plan how to handle communication in a crisis.

The research found an organisation's reputation was only on a quarter of the businesses' monthly board agenda. Most (90%) covered it on an annual basis, with 27% formally discussing their reputation on a quarterly and/or six-monthly basis.

Many New Zealand organisations have faced what they regard as crises quite recently. In fact, 43% of respondents said they had managed a crisis within the past year. But many organisations (40%) don't actually plan how to handle communications in a crisis.

The respondents in the Senate/TNS survey claimed to be proactive about reputation management. Of the organisations interviewed, 61% have planned processes for crisis management and 51% formally discuss

corporate reputation at board meetings at least every three months.

In our experience however, these plans are not integrated into an overall reputation management plan and do not incorporate formal systems or processes to regularly and actively monitor reputation.

In order to be fully prepared to handle any sort of crisis and manage corporate reputation, organisations need to have conducted research, such as into stakeholder perceptions, and established a clear contingency plan for each potential crisis.

Responsibility

Responsibility was a key issue discussed in the survey findings – responsibility for developing a reputation management process or plan, responsibility for maintaining the plan and responsibility for communications in a crisis.

Asked who had responsibility for managing reputation, nearly every respondent claimed it was the CEO.

Four out of five respondents in the Senate/TNS survey also said it was the communications director's role to manage the company's reputation. Interestingly, despite marketing and advertising departments claiming responsibility for the primacy

of brand, marketing professionals were mentioned by just 35% of respondents as having responsibility for managing reputation.

These findings reflect international perceptions. The EIU project found that internationally, organisations were struggling to quantify risk to reputation and finding it hard to decide who should be responsible for owning the issue.

It is the Board and the chief executive's role to be the "reputation guardian".

Building a Reputation and Managing Risk – the Challenge

“Focus on building trust first, restoring it second.”
– Al Golin

It is clear from the Senate/TNS research that nowhere near enough discussion is taking place among New Zealand organisations about the management of corporate reputation.

Organisations in New Zealand have been slower than international counterparts to understand the significance of reputation, the primary factors that drive their reputation, the sort of reputation risks they run and how to manage those risks.

The fact that only around half of those surveyed actually measure external perceptions shows the remaining half have not even engaged in the initial step of benchmarking their reputation in order to be able to protect and increase it.

As a good reputation has been shown to help when a crisis hits, it is not enough to have an irregular, or haphazard, approach. A strong corporate reputation takes time and effort to maintain.

Organisations that value their reputation, plan for crises in order to be able to minimise their potential impact. Severe disruptions to business can strike at any time and in a number of ways, so the emphasis for management should be on anticipating and managing risk where possible, and having business continuity plans in place to deal with problems should they occur.

Many organisations already have operational plans or crisis plans in place. The next step is to harmonise and integrate these plans into a reputation management process.

Nowhere near enough discussion
is taking place.

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