

# Managing reputation in New Zealand: an investigation into perceptions of reputation and risk management



## Welcome

SenateSHJ and the Institute of Directors in New Zealand (IoD) are pleased to deliver new insights into how New Zealand business leaders create and protect their reputation.

This report follows on from research undertaken by SenateSHJ in 2006 and in 2009. In asking many of the same questions, we have been able to track how attitudes towards reputation have changed – or not. This year, we also increased our focus on managing reputation in an evolving digital age.

The IoD's membership was invited to participate in the research, and the results were delivered at the IoD's inaugural conference, *Leadership: Beyond the Boardroom*.

## A word from the Institute of Directors

The IoD firmly believes that directors have a key role to play as the guardians of their organisation's brand and reputation. We were, therefore, delighted to be able to invite our membership to participate in this research into reputation management, in partnership with SenateSHJ.

The results demonstrate there is a growing recognition of the fundamental importance of corporate reputation: that a good reputation underpins, and enables, good business. This also requires the essence of good governance, for directors to continually seek the views and perceptions of internal and external stakeholder perceptions. What is clear from this research is that translating this understanding into practice is a little harder.

We expect the results and the commentary will provide you with some useful insights, and talking points for your next board meeting.

**Ralph Chivers**  
*Chief Executive*



## Acknowledgements

SenateSHJ and the Institute of Directors in New Zealand would like to thank the 83 directors, chief executives, managing directors and heads of department who participated in this survey.

## Methodology

This survey was sent to more than 200 members of the Institute of Directors in New Zealand, who were registered to attend the conference *Leadership: Beyond the Boardroom*. There were 83 responses. Almost all respondents were either chief executives or directors.

There were fewer respondents in the two earlier surveys, which were undertaken jointly by Senate Communications and Baseline Consultancy. In 2009, 31 chief executives and senior managers responded. In the 2006 survey, 54 chief executives and senior managers responded.

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### What is reputation management?

Reputation is what others think about you. In this context, perception is everything.

It is about having, and conveying, a strong sense of identity. It is about connecting with the people who matter most to your organisation; and who will judge you much more by what you do, than by what you say.

Reputations need tending every day, during times of peace as well as in a crisis.

Organisations that have a clear sense of self and a strong 'voice', which everyone across the organisation understands and shares, will be much better equipped to respond decisively when under attack.

These principles of reputation management have never been more important than they are today. In a digital world, attacks on reputation are swift, and can be highly damaging – and the rules of engagement have changed. Reputation management is now, more than ever, a two-way street. What others say about you in social media can have more influence than what you say about yourself.

Organisations that have not adapted to this new environment are at risk of losing control over their own reputation. The truth is, once an organisation is under fire, the only thing it can control is itself.

### Research overview

Once again, our research shows that New Zealand's business leaders believe they value corporate reputation.

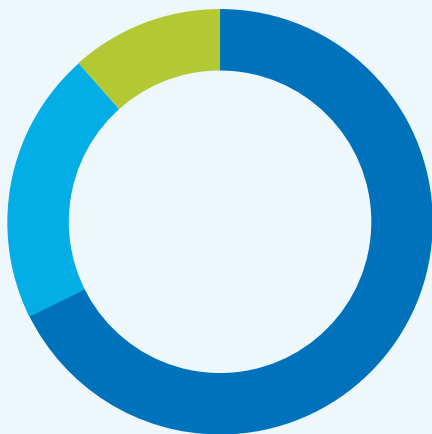
This year, nearly 70 per cent of all 83 respondents either agreed, or agreed strongly, that corporate reputation was one of the primary assets of their organisation.

At the same time, nearly two-thirds indicated reputational risk (events that undermine public trust in their brand or products) was a high risk for them. This is supported by the 90 per cent of respondents who said their most senior people have responsibility for managing the organisation's reputation.

This appears to be good news, when compared with the first survey in 2006, in which only 54 per cent of respondents viewed their corporate reputation as a prime asset.

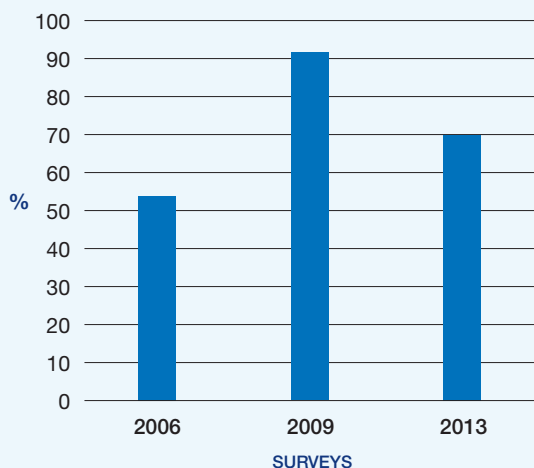


Corporate reputation is one of the primary assets of my organisation – 2013



- Agree
- Neutral
- Disagree

Importance of corporate reputation across three surveys



However, these good intentions were undermined when we dug a little deeper. More than 40 per cent of organisations said they did not discuss reputation formally at monthly or quarterly board meetings. Similarly, more than 40 per cent said they did not have a crisis communication plan in place – either because it wasn't considered a priority, or because they weren't aware they needed one.

**This begs the question:** how seriously are New Zealand's business leaders really taking their corporate reputation? What are they doing to nurture and protect the very thing most of them regard as one of their most important assets? How well do business leaders understand what their audiences really think of them?

Our research looks for answers to these questions.



**More than 40% said they did not have a crisis communication plan in place – either because it wasn't considered a priority, or because they weren't aware they needed one.**

### Knowing your stakeholders

Knowing what your stakeholders think about you is critical in building, and maintaining, your reputation. If you do not have regular dialogue with your stakeholders, you are operating on assumption. In effect, you are running your reputation blind.

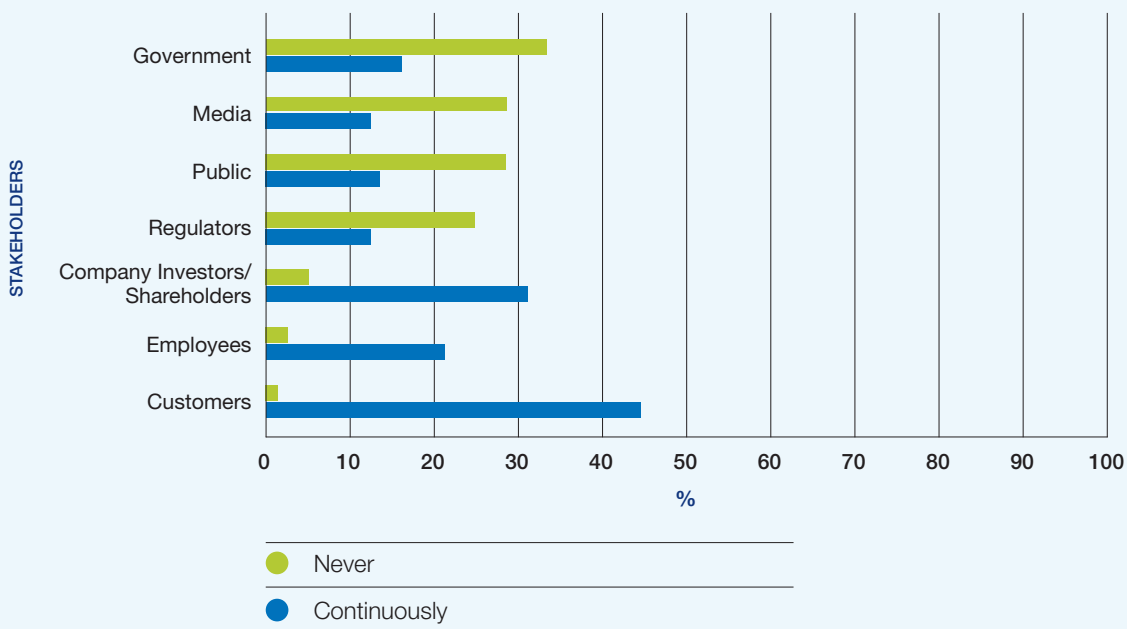
The good news in this research is that almost half of the respondents said they measure the perceptions of their customers continuously, and just under a third is continuously monitoring the perceptions of their shareholders and company investors.

Compared with previous surveys, this is reassuring. In 2009, the majority of organisations surveyed monitored their most important stakeholders' views (regulators, employees and investors) only once a year. In 2006, many of the New Zealand organisations surveyed did no formal research among their stakeholder groups.

The interest in audience perception doesn't, however, extend much further than customers and shareholders. Almost 35 per cent of respondents said they never monitor the perceptions of government, and almost 30 per cent never audit perceptions of the public or media.



How often do you measure perceptions of your organisation amongst stakeholders? – 2013



35%



Almost 35 per cent of respondents said they never monitor the perceptions of **government**.

30%



Almost 30 per cent of respondents said they never audit perceptions of the **public or media**.



### Media wars

What people think about you or your company is influenced by what is written or said about you in the news. Having good working relationships with news media is central to maintaining and protecting your corporate reputation.

This was borne out in the research. More than half of the respondents placed a high importance on the news media, including newspaper editorials, radio news, TV news and current affairs programmes, as indicators of people's level of trust in their company.

But there is a serious shortage of confidence and trust in the Fourth Estate. We asked people what their greatest concern or frustration in dealing with the media on behalf of their company was. Of the 62 who answered this question, only one person said they had no frustrations:

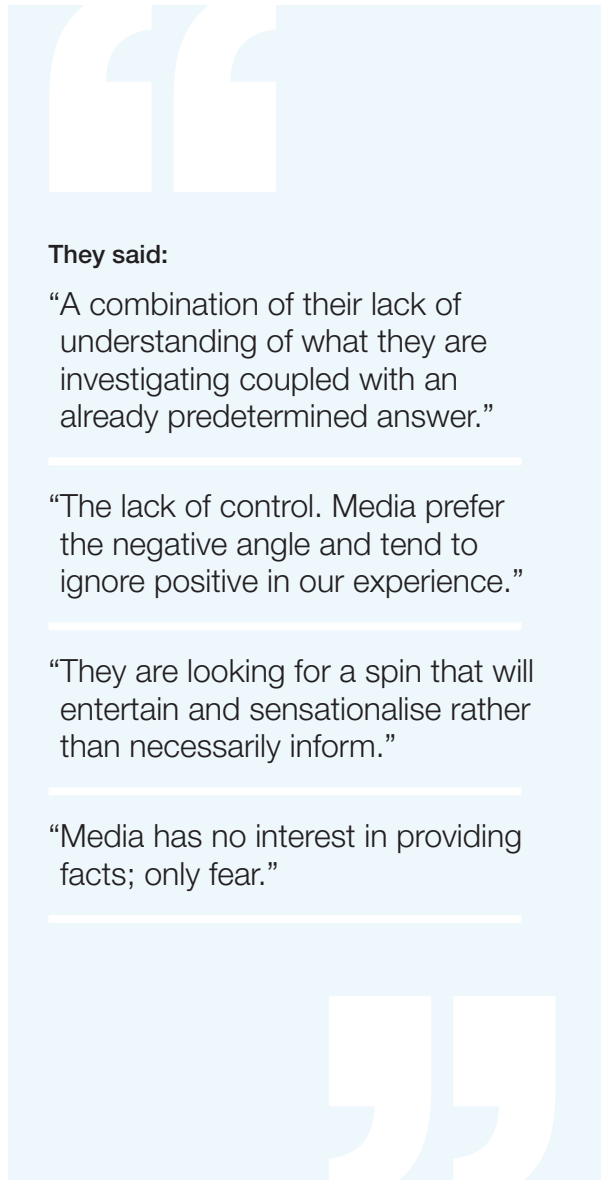
"Very happy to deal with media and they are generally very supportive of this and many other companies I am involved with."

#### Frustrations cited by others include:

- lack of understanding and objectivity
- preference for bad news and easy sound-bites
- loss of control over the message.

**50%+** 

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## New media

Our news is going digital, and while traditional news media organisations are evolving to meet our growing appetite for online news, citizen journalists and bloggers are gaining unprecedented influence and share of voice.

Since our last survey in 2009, Twitter, Facebook, LinkedIn and a plethora of new media have changed the way we manage our reputations. We regularly see examples of reputations being made, maintained and, more importantly, lost in social media.

What an organisation does, and what it says, will be publicly judged – often harshly – online. People are expressing themselves much more freely and with more emotion on social media. While this can provide very informative feedback, it can also (and often does) lead to opinions, or responses, that ratchet an issue from being a complaint into a significant issue, or crisis. Similarly, a failure to respond well to online commentary can be the difference between an issue and a reputational crisis.

It is crucial to remember social media does not operate in a silo. What happens in social media can feed directly into front page news. Online content is now a useful, valued and valuable source of stories for traditional media.

This research suggests that our business leaders are not keeping pace with the change. Only seven per cent of respondents saw social media more as a potential threat. This is even fewer than in 2009, when 10 per cent saw social media more as a potential threat.

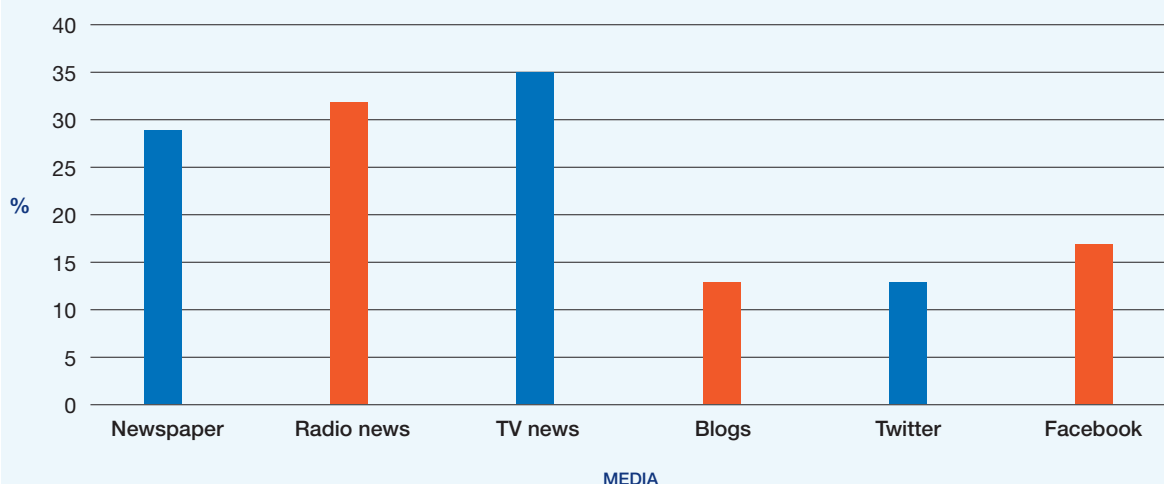
Forty per cent saw it as an opportunity to develop a viewpoint, while just over 40 per cent saw it as neutral: possibly affecting them either way.

Certainly, online platforms can provide excellent channels for unfiltered and consistent information to many different stakeholders. Search engine optimisation techniques can ensure your information will be at the top of the Google search – at least alongside views expressed by potential detractors.

What is of concern, however, is that respondents are primarily registering that social media can be used for positive outreach. It can also be used by those motivated to change, or stop, your company doing something. Social media is not just a channel for advertising, and it should not be mistaken as one.

Respondents also disregarded social media platforms as good indicators of people's levels of trust in them. Nearly 20 per cent scored Facebook and Twitter as 'very low indicators' of trust.

Importance placed on different media as indicators of people's levels of trust – 2013



### Assessment of existing practice

#### THE HEROES

In 2009, we asked which organisations had managed their reputation well. Air New Zealand came out on top.

We asked the same question in 2013, and we got the same top scorer.

Other organisations also appeared this year: Fonterra, Telecom, Vodafone, Z Energy and Xero all had repeat mentions.

#### **We asked: what are these organisations doing so well?**

The key to their success, respondents said, was that they took a proactive approach to managing their reputation, rather than responding to a crisis. They also said these companies had a direct connection with the public, were open with their answers, had good relationships with media – fronting with the most senior people.

“Plus, in Air NZ’s case responding to a crisis.”

“And had a core product that is genuine and excellent.”



#### THE ANTI-HEROES

We also asked which organisations had not managed their reputations well.

Two companies that were repeatedly mentioned were Solid Energy and ACC. It is worth noting that in the 12 months before this research took place, both companies were engaged in crises with a high public interest.

Other organisations that made an appearance on this list included Pike River Coal, the Ministry of Education, Jetstar and Telecom. Interestingly, Telecom also made it onto the list of companies that had handled their reputation well.

#### **We asked: what did these organisations do that was so bad?**

More than half of the respondents said their failures lay in a lack of openness. Around a quarter of the respondents said they had failed to proactively manage their reputations.

#### **Other insights included:**

“Lack of transparency.”

“Not providing the full story at the time.”

“Hide from the problem and pretend it is not their fault until evidence overwhelms them.”

“In all cases, several versions of the truth seemed to exist through the media.”



What did they do that was so bad? – 2013



- Proactive reputation management vs responding to a crisis
- Speed of response
- Seniority of response
- Openness of answers
- Relationship with media
- Direct connection with the public
- Presence in social media

**Insights**

It's reassuring to see that so many of the organisations we surveyed do value their reputation, and understand that it is one of their most important assets.

What's less reassuring is that this research shows that their good intention far outweighs their action. Reputation has gone into the 'too hard' basket for many companies, and they are paying only lip service to the subject. At worst, these companies are risking their future through negligence.

Too few respondents (40 per cent) have communications crisis plans in place. In our experience, even fewer will be regularly rehearsing their plans, or will have kept them updated. We know that reputation is not regularly discussed at board meetings, and the feedback suggests that the discussions that are taking place are not in-depth, and that they are not using the right data.

While organisations regularly survey their customers, many have no idea what the media, the public or government think about them.

Social media is largely being ignored. It is not considered a useful indicator of what people think, and it is not seen as much of a threat to reputation. Traditional news media, including newspaper editorials and TV news, is regarded as a much better indicator of people's trust in companies. Yet, most organisations appear to have troubled relationships with journalists, and do not hold the news media in high regard.

**There is work to be done.**



## Recommendations

### 1. Research, listen and engage

Corporate reputations are built less by what organisations say about themselves, and more by what others say about them. Today, the voice of ‘others’ is easily shared and amplified. This means it has never been more important for leaders to understand what people really think about their organisation.

This calls for leaders to step outside their corporate bubble. It means walking the floor, talking to people, and investing in regular, thoughtful research. It means listening – to staff, to customers, to the media (including social media) and to the broadest possible base of stakeholders. It also means companies have to be accessible and transparent. This will require a major mind-shift for many.

Have a regular programme for surveying key stakeholders, beyond just customers. In particular, closely monitor both traditional and social media channels – these are your eyes and ears.

### 2. Build capability, prepare and practice

If we accept that an organisation’s reputation is one of its greatest assets, it should also be treated as one. That starts with identifying where the weak spots are and then planning, in detail, for worst case scenarios.

Ensure senior executives are well trained on media engagement and crisis response, and that they know what role they will play. Have a clear view of your organisation’s capability in this area, and assign crisis roles in advance that play to people’s strengths.

Members of your crisis response team should understand their roles, and possible scenarios should be rehearsed, at the very least, once a year. Twice or three times a year is preferable. Individual teams (operational divisions, communications, human resources, etc.) can do further training on top of this.

Investment and support for this is vital. It is not a ‘nice-to-do’.



### 3. Work with media

Our research shows that leaders respect the influence of the media, but begrudge interaction with journalists. In reality, you get out what you put in.

Being open and responsive to media, including new media, is critical. It will lead to mutual respect, a good working relationship and opportunities to build your reputation.

Social media creates a forum for organisations to engage with their audiences, and proactively manage their reputations. It has also levelled the playing field. Courtesy of social media, all voices are created equal, and all faults are amplified. Ignoring social media is the modern day equivalent of burying your head in the sand.

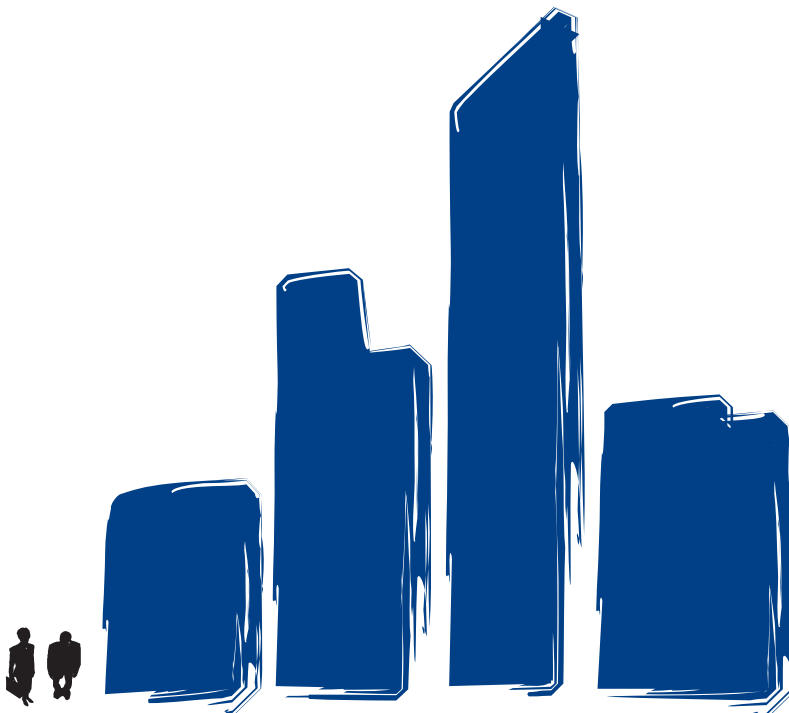
Organisations that are confident and proactive in their dealings with all media are inevitably better able to build their reputations, and better placed to weather a reputational storm should it occur.

**Our final comment...**

**Don't get complacent.**

**Keep your corporate reputation right at the top of the agenda. Discuss it, question it, research it – and practice what you will do if you ever need to protect it.**

**Corporate reputation is one of your most valued assets. It deserves your attention.**



### **SenateSHJ**

SenateSHJ is an award-winning trans-Tasman communications consultancy, with offices in Auckland, Melbourne, Sydney and Wellington. We have more than 40 partners and consultants specialising in communications strategy, change, facilitation and training.

### **Institute of Directors**

The Institute of Directors in New Zealand (IoD) is a membership organisation that promotes excellence in corporate governance, represents directors' interests and facilitates their professional development through education and training.

Its membership of around 5,500 individuals represents the spectrum of New Zealand enterprise, from small family owned businesses to large NZX listed companies.

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