CORPORATE REPUTATION MANAGEMENT

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Q&A with Moshopyadi Hannah Heil of Reputation House

Cayleigh Bright

What do years of looking into the perceptions and personalities of South Africa's biggest corporate brands teach you? For one thing, South Africans have a certain sentimentality for the companies closest to them. For another, those same customers are quick to hold brands to account. We asked Moshopyadi Hannah Heil a few questions about the local consumer landscape as depicted in the results of this year's RepTrak™ survey.

How important is it to avoid a 'one size fits all' approach to reputation?

The basic, straightforward answer is: it is absolutely vital. It's vital to know what drives the reputation of the industry one is in, the country one is operating in, even the region. The reputation drivers that you need to spend more attention on are those that weigh more from the perspective of mission critical stakeholder groups, measure these. Given that this research study focuses in the general public as a stakeholder group, it offers insights into what the South African general public considers the dimensions of prime relevance when rating these various industries. So, before delving into the various industry reputation drivers, it's important again to emphasise that building a company's specific reputation platform across dimensions is the key to achieving positive results in the reputation economy.

When this research study started 12 years ago, most companies that were measured were keen to be seen in the public media as having high scores. Of course it's great to have a high score, but one must pay attention to which industry you're operating in.

Just how concerned should we be about South Africa's small decline in reputation in comparison with last year?

From our research over the years, it seems to us that the general trend is that reputations take quite a while to build, and, similarly, can take a fair while to be destroyed completely. Of course there is an impact, and a dent, and a decline. However, I think that we have learnt that the market can actually be very generous in giving companies and individuals a chance to produce corrective action. So the market can self-correct, and as I mentioned, in the global market there are many other variables that can counterbalance the effect of a declined reputation. I think that there's much more space that companies have to respond accordingly, so that small decline can become not such a big issue.

The crux of the matter is, when you recognise a decline, what do you do about it? Do you want to cover, do you choose to pretend? Perhaps opt to save face, or do you come out recognising the opportunity to authentically say, "Indeed, I see the error of my ways". You can communicate with the public about what you're going to do that's now going to be different, how you're not going to fall into the same traps as you did in the past… That way, you can use the negative and turn it into a positive. So, I think that we shouldn't be too concerned about that small decline — but we should be concerned if there is no corrective action.

Are local companies working against a negative consumer bias and misconceptions, or is this the result of genuine problems that need to be addressed?

In 2018, there are two significant movements: Mr Price had a significant rise, and Tiger Brands had a phenomenal drop. To zero in on Tiger Brands' drop, you can see how problems of reputation in that one company pulled down the industry as a whole.

I don't think it's a bias, because "bias" suggests that it's something unconscious and unsophisticated about the perception that the consumer might be holding. It's important that we look at the realities when it comes to the challenges of context regarding how some companies have behaved. I think that the consumer is very consciously reprimanding corporations and saying, "we don't appreciate it when you behave the way that you have". Therefore, to that degree I do not believe that it's a consumer bias — I feel that it's fairly rational.

The retail sector is in first place in terms of industry reputation in South Africa. Why might this be?

Although this year the retail sector was first and that may have to do with Mr Price, it may well be that the outcome of this study emphasises that the closer the product or service to us, our person, our wellbeing, the more likely the general public will rate it highly. If I love peanut butter, I know I love peanut butter. It's a very emotional thing. The retail sector and the FMCG (fast-moving consumer goods) sector, being very close to our emotions, tend to have this prime position that they're contesting, as we've seen over the last three years.

Around January, Mr Price bounced back with a sales surge, outperforming other retailers and recording an 8.3% growth in sales. However, five months down the line, in June 2018, this reality seems to have altered — there's a generous adjustment. The Annual RepTrak™ Study provides a picture of a slice in time: at a particular point during a certain number of days or weeks, we are busy collecting data, what may be happening in the market at that time, what may have preceded those weeks when we're in the field … those sentiments are often still top of mind. As seeing from Mr Price's own reporting, it's interesting that in January there was a certain sense, we collected data, and just a couple of months later adjustments had to be conceded.

Were there any parts of this year's results that were particularly surprising to you?

The 2018 results are actually quite surprising in terms of the diversity that we're seeing in dimension rankings. In 2016 and 2017, it was a three-horse race. 2018's leading brands are a far more diverse group than those who have held the top spots in previous years. In 2018, Clover is holding onto products and services, and nowhere else, which is intriguing to me: Let's take Unilever and CocaCola to clarify, how each dimension is underpinned by attributes. When we speak about "leadership" for a company, the attributes that underpin that are the same, so that we're comparing apples with apples, and in every category this is the case. When I look at Unilever, it's featuring for the first time as a dimension leader, and it's recognised in the leadership dimension, which is made up of four attributes: that the company is well-organised, that the company has a strong leader, that it has excellent managers, and that it has a clear vision. Coca-Cola has for three years held onto the position of a company perceived to have high performance prospects, from a dimension point of view. Financial performance entails the company being perceived to have good growth prospects, that it's a profitable company, and that the financial results are pleasing. These results may well be premised on actual information that the respondents may be privy to or are aware of.

Where did we get these results?

James Nash

Thanks to intelligent and creative methodology employed to quantify an undoubtedly important but easily underrepresented metric — reputation — the annual RepTrak™ Survey allows South African companies an unprecedented understanding of their customers and key stakeholders. While statistics such as revenue and usage are clearly critical, it's thanks to the work of studies like this that companies are able to fully understand the underestimated aspects of their business and move towards the future with an awareness of self that provide easily discernible signs pointing in the direction of success.

The annual RepTrak™ Study was conducted during March and April this year, with the intent of analysing corporate reputation among the South African public. As a finished product, it provides an incisive tool for local businesses to understand their respective standings in the minds of the people of our nation. To an outsider, it seems a daunting and complex process: to garner the opinions of an entire country. So, how is it done?

The study begins with a survey of the general public. Respondents were chosen with the intention of reflecting the national demographic profile, including age and gender, of South Africa, which can be an obstacle to gaining accurate insights if not done correctly - details may vary year on year. Cawi (Computer-Assisted Web Interviewing) or online questionnaires, as they're colloquially known, present the most efficient manner through which a study such as this can start to compile the requisite data. Although incomparable in efficacy to an in-person survey, this quantitative approach is without doubt the most viable option when dealing with the significant number of respondents needed to attain a cross-section of the country's population.

The sample size of the survey comprised 5 702 interviews, representing roughly 0.01% of the population — hence the importance of choosing respondents who accurately represent the economically active population and digitally connected people within South Africa. Moreover, it makes clear the need to ensure respondents are "qualified" to answer the questions accurately and usefully. This was realised through two metrics, the foremost of which was familiarity, or how well the respondent knew a given corporation. Those who considered themselves at least "somewhat", or ideally "very", familiar with the companies in question would be considered qualified. The latter of these two metrics serves as a safeguard, allowing only respondents who have answered at least 75% of the questionnaire to qualify, removing the possibility of data becoming skewed by incomplete answers.

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As to the contents of the survey, it was based on a proprietary research model developed by the Reputation Institute. The survey was not "open", instead opting to find respondents by invitation, after they had been screened by market research organisation ESOMAR. Each selected respondent was randomly assigned five companies to rate using the Pulse system. In addition, respondent were assigned the task of completing a Deep Dive questionnaire on two of the companies with which they were most familiar.

For each given company in the study, at least 100 respondents were surveyed to obtain the score assigned in the Pulse Study. The Pulse study asked each respondent how they felt about about a given company and to rate their feeling on a scale of one to seven, from "Strongly Disagree" to "Strongly Agree". These statements each reflect an aspect of the RepTrak™ Pulse, which will be further elaborated upon later. After the test was concluded these scores were transformed into 100-point scales for ease of comprehension and interpretation.

Where possible, deeper insights were garnered by gathering information from a greater number of respondents. When companies were widely known to the general public, this high level of familiarity allowed for the minimum of 300 respondents required for a Deep Dive study.

The answers were then compiled and analysed to create the RepTrak™ Pulse, a simplified depiction of the results, which is used as the main indicator for measuring corporate reputation. Using a normative scale backed by past studies dating back as far as 1998, RepTrak™ data allows for companies to be benchmarked against others and to track over time. In other words the RepTrak™ Pulse also reflects how high or low a score is in comparison to previous iterations or similar studies, allowing for a more nuanced analysis. The Pulse measure is derived on the basis of statistical calculations that gauge not only the data but also the level of confidence we can have in the accuracy of the analyses. The less deviant the answers for a given question, the greater their confidence in their insight. The less responses garnered in total, the less their confidence. RepTrak™ research reports scores with a 95% confidence interval in the surveys that we conduct. The interval describes our confi-

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Where did we get these results?

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dence that, if we conducted the same study repeatedly, 95 times out of 100 the obtained score would lie within that stated level of accuracy, which from the point of view of statistical analysis is outstanding.

As for how the studies themselves are quantified, the RepTrak™ Pulse, the core construct signifying the level of emotional connection or strength of emotional bond a stakeholder has towards a company or organisation, has four key elements: esteem, admire, trust, and feeling. Although these speak to how a company emotionally resonates with a given respondent, seven rational Reputation Dimensions underpin the rational aspects that further inform stakeholder perception. These dimensions are the corporeal aspects, the levers a company can work on to impact how they are perceived by the general public.

The emotional spectrum could be understood as thus: esteem comes from products/services and performance, admire from innovation and workplaces, feeling from citizenship and leadership, and trust into governance. From these seven rational dimensions RepTrak™ expands further into attributes: highly specified aspects of each rational lever. For instance, innovation speaks to those who are often first to the market, the driving force of the statistic being how adaptable and actually innovative a company actually is. This pattern continues, allowing effective insight into exactly what a company is faltering at, and where its strong suits are; essentially creating a guide to growth for any company, by plainly representing how it is perceived by the people within a specific/particular stakeholder group.

The RepTrak™ methodology is a great tool for helping companies better understand stakeholder sentiment and expectation in what has globally become the reputation economy in that it allows companies to analyse among other considerations, whether they're perceived as trustworthy and whether they're likely to be given the benefit of the doubt in case of crisis. In the Reputation economy as much as 70% to 80% of a company's market value can be reliant on intangible assets such as reputation, meaning that any significant damage to a company's reputation could have financial consequences.

The results are remarkably tangible, despite the ephemeral nature of their variables. The study is of considerable importance in the gauging of the minds of the South African general public, specifically allowing us to understand how consumers perceive and rate corporations, allowing them to look at what's important to stakeholders as well as expectations stakeholders place on corporations operating within the South African economic landscape.

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Transparency in the age of oversharing

Cayleigh Bright

Depending on your point of view, it may be exciting or alarming to note that the public persona of a company's chief executive now accounts for a more significant percentage of that company's reputation than ever before. In what's often seen to be an increasingly fickle world, it's exciting to anticipate the possibilities of presenting a personable leader, but it can also present challengers.

In the age of social media, it's easy to understand why some chief executives have garnered a remarkably engaged following — and how that can be both a good and a bad thing. An example that makes this clear is that of Elon Musk, the South African-born business magnate whose tweets range from the inspirational and the harmlessly misguided to the somewhat malicious and the downright alarming. When he tweeted that he'd like to send a submarine to assist in the rescue of the boys' soccer team trapped in a cave in Thailand, it seemed like a well-meaning, if impractical, gesture. When he went on to call one of the divers assisting in the rescue a "pedo guy" in retaliation against that diver's dismissal of the submarine plan, eyebrows were raised.

Where his tweets began to affect his business's bottom line, however, was when he tweeted — while en route to the airport, he later claimed — that he was thinking of taking Tesla private, and had funding "secured". The company's stock value quickly increased, then Musk found himself in legal trouble when it later surfaced that funding was not, in fact secured. Stock value plummeted weeks later when Musk gave a podcast interview in which he smoked marijuana with the host — and the show's content was largely buried under headlines featuring the words "cannabis", "weed", and "dagga".

In the case of his tweet about shares, it's no surprise that information closely related to business had repercussions for Musk's finances. But the YouTube video? It could well be that investors' alarm related only to the business-related content shared there, but it seems more likely that a moral judgement is affecting buying choices. It's not news that consumer behaviour is likely to be emotional and even sentimental rather than purely rational, but in an age of increasingly immediate exposure, it's in the best interests of chief executives to manage those feelings more carefully. The social media age enables easier communication, and companies must harness this power for good — their own good, and that of their customers. So, what's a social media-shy chief executive to do?

"Take the initiative to educate," says Moshopyadi Hannah Heil of Reputation House. "As in, don't expect people to understand why you're in business." If resources allow, she suggests, companies should ensure that they've invested in media tracking and even consider hiring a chief reputation officer (CRO).

"Some people might argue that that's the job of the chief executive, that he or she is the CRO. Yes and no. Depending on the resources that a company has, it may well be worth the company's while to have a CRO who can liaise between the external-facing people who are responsible for managing the corporate reputation of the company externally and coordinate, internally as well: as we've seen, the windows that shine a light into organisations are much clearer than they have been historically, when companies had solid walls. With the internet, it is not a waste of time for companies to really spend their requisite resources on empowering a key individual to understand the workings of reputation and what is necessary."

> **Reputation House advises that businesses present a clarity in their business message: that a company's vision is outlined clearly in a way that demonstrates its aims and how it plans to achieve them**

The findings of this year's RepTrak™ survey demonstrate that transparency is highly valued in a brand — now that we as the public are used to having information at our fingertips, we have no desire to relinquish that privilege and be kept in the dark. Happily, this runs both ways: research technologies allow companies an unprecedented ease of access to their customers' and stakeholders' points of view.

Reputation House advises that businesses present a clarity in their business message: that a company's vision is outlined clearly in a way that demonstrates its aims and how it plans to achieve them. Negative reports are not the only enemy of a brand's reputation, and neither is fake news — there's also the sheer volume of available information to contend with. It's easy for a brand's reputation to become diluted by the reputation of other players in their industry, if they're not careful to distinguish themselves with a strong identity.

A significant and recent example of this clarity of purpose comes from Nike in the US, whose decision to put their symbolic and financial support behind Colin Kaepernick, the controversial football player who has received both praise and vitriol for kneeling during the national anthem in protest against police brutality. Heil explains that Nike's stance has served to communicate a clear message about the brand. "They're saying, 'This is what we support', she says. While of course a savvy business move with profitability calculated in, they're nonetheless aligning to the higher purpose of others. Their advertisements are speaking about their corporate brand — about something more than just the products and services they sell."

When Kaepernick was featured in Nike's most recent ad campaign — alongside other much-maligned sports stars such as Serena Williams and South Africa's own Caster Semenya — the response was loud, and divided. While opponents of the Black Lives Matter movement vowed to burn their Nikes, and in many cases posted video footage of themselves doing so, Nike's stocks and sales have increased. Shoe burnings, after all, do no damage to the company's bottom line when the footwear has already been purchased and paid for, but the more significant point here is that Nike's clear identification of their target market and a clear message from the brand to these young, black Americans has paid dividends. The black youth who not only understand Kaepernick's message about police brutality but also the misrepresentation that he has experienced as a result of sharing it are Nike's customers, and their brand loyalty has been reconfirmed thanks to a decisive, bold message.

"We don't just talk about familiarity and transparency for the sake of it. Ultimately, the reason companies bother with this, and taking all these steps, is to impact the behaviour of consumers, so that those behaviours are to the benefit of the company or the organisation." Heil is of the opinion that brands' reputations don't have to be spotless: in her years of research, she's noted that the public has a propensity for forgiveness and forgetting when it comes to brand mishaps that cause minor damage to a company's reputation.

Companies and organisation will always have moments in which they disappoint stakeholders, but the handling of these incidents can be cushioned by a clarity of purpose that creates understanding and even advocacy from customers. If managed well, and with a good degree of transparency, these moments can even become turning points at which customers gain a greater degree of trust in a brand. As in all relationships, communication is key, and individuals and corporations alike would be well-advised to keep talking to those who matter to them.

SA's Reputation Leaders

Cayleigh Bright

The year's biggest gain in reputation was garnered by the Mr Price Group, up by 9%, which contributed in turn to the overall success of the retail industry as the best-reputed sector in South Africa this year. Their success might be attributed to a number of factors: among them, the fact that South Africans tend to favour brands dealing in goods and services close to their person — food and clothing, it's clear have a strong emotional attachment. In a tough economic climate, Mr Price clearly articulates its "value" message, with its price strategy at the core of this, allowing for a small sales surge, even though this was later corrected by the inescapable economic downturn.

2018's leading brands are a far more diverse group than those who have held the top spots in previous years. While in 2016 Woolworths, Clover and Coca-Cola between them swept all of the top honours across categories, with a similar situation involving Pick n Pay, Clover and Coca-Cola in 2017, 2018's results saw the field opening up and a greater number of companies claiming various accolades. This year, Discovery holds two top spots for innovation and workplace, while Clover held onto products and services, Woolworths took top honours for citizenship, governance went to Mr Price, while leadership saw Unilever ranked highest and Coca-Cola took performance.

"In 2018, there are two significant movements: Mr Price had a significant rise, and Tiger Brands had a phenomenal drop. To zero in on Tiger Brands' drop, you can see how problems of reputation in that one company — the listeriosis crisis, and what happened — pulled down the industry as a whole," explains Moshopyadi Hannah Heil of Reputation House. "One company can have a decline that can contribute to the decline of the general industry."

The greatest drop in reputation was that of Tiger Brands, almost certainly as a result of its handling of the listeriosis crisis earlier this year, which also led to losses in excess of R300-million for the group. Interestingly, this is a relatively common phenomenon: a significant drop in reputation for one corporation in an industry can lead to a knock-on effect in that sector, causing many brands to suffer some damage to their reputation as a result of a scandal or setback facing a competitor.

This seems at first to be surprising, but makes sense if one imagines the disgruntled consumer mumbling, "Wow, banks..." to a friend, or tweeting that "These networks want to steal our data!". In all likelihood, the person making their statement has only had experience with one service provide, but has had their perception of the industry as a whole tainted by the interaction — just as the general public might come to distrust a certain service, product or group of professionals as the result of the actions of one.

Says Heil: "There are all sorts of repercussions when we don't watch what our industry is doing. In fact, we would be better-served by making sure that we encourage our peers, even though they are competitors, to toe the line, to stick to corporate governance principles, to hold each other to account, and all the other things that governance principles require."

Perhaps this isn't quite fair for all those affected, but it's a reality that stands in stark contrast to the cartoonish image of a tycoon rubbing his hands together with glee at his competitor's failings. Instead, a setback for one company in an industry should be met by industry peers with a plan of action to sustain or regain consumer trust.

Says Heil: "As a small market, we have the responsibility to appreciate that when one company in South Africa 'sneezes', the effect and the 'infection' tends to be far more severe. It's like if we're in a kindergarden of children contained in one classroom — when one child sneezes, the chance of the rest of the children getting infected is that much higher than if that child were sitting on a bench in an open sports field."

This is something that can be avoided, Heil makes clear. "This research tells us that it's important to recognise that what you do as an organisation, as an individual in that organisation, as a leader in that organisation, ultimately does impact more than just the company that you're working for. It's a two-way street: just as the reputation of the country taints the reputation of the companies, equally, the reputations of the corporations that operate in a country also taint the reputation of that country. So, it's vice versa, and ultimately what we need to realise is that all of us have got a stake in this and all of us do contribute, as we see in the case of the industries that have been hit."