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grounded in
smart thinking.

ReputationReality.

Trans-Tasman perspectives
on reputation and risk



WELCOME

Reputation Reality: Trans-Tasman perspectives on reputation and risk

In 2017, SenateSHJ surveyed 146 business and public sector leaders and corporate affairs executives across Australia and New Zealand to better understand their attitudes towards reputation and risk.

This is the second trans-Tasman survey undertaken and builds on three previous surveys undertaken by SenateSHJ in New Zealand. This is the fifth time in a decade SenateSHJ has researched leaders' attitudes towards corporate reputation.

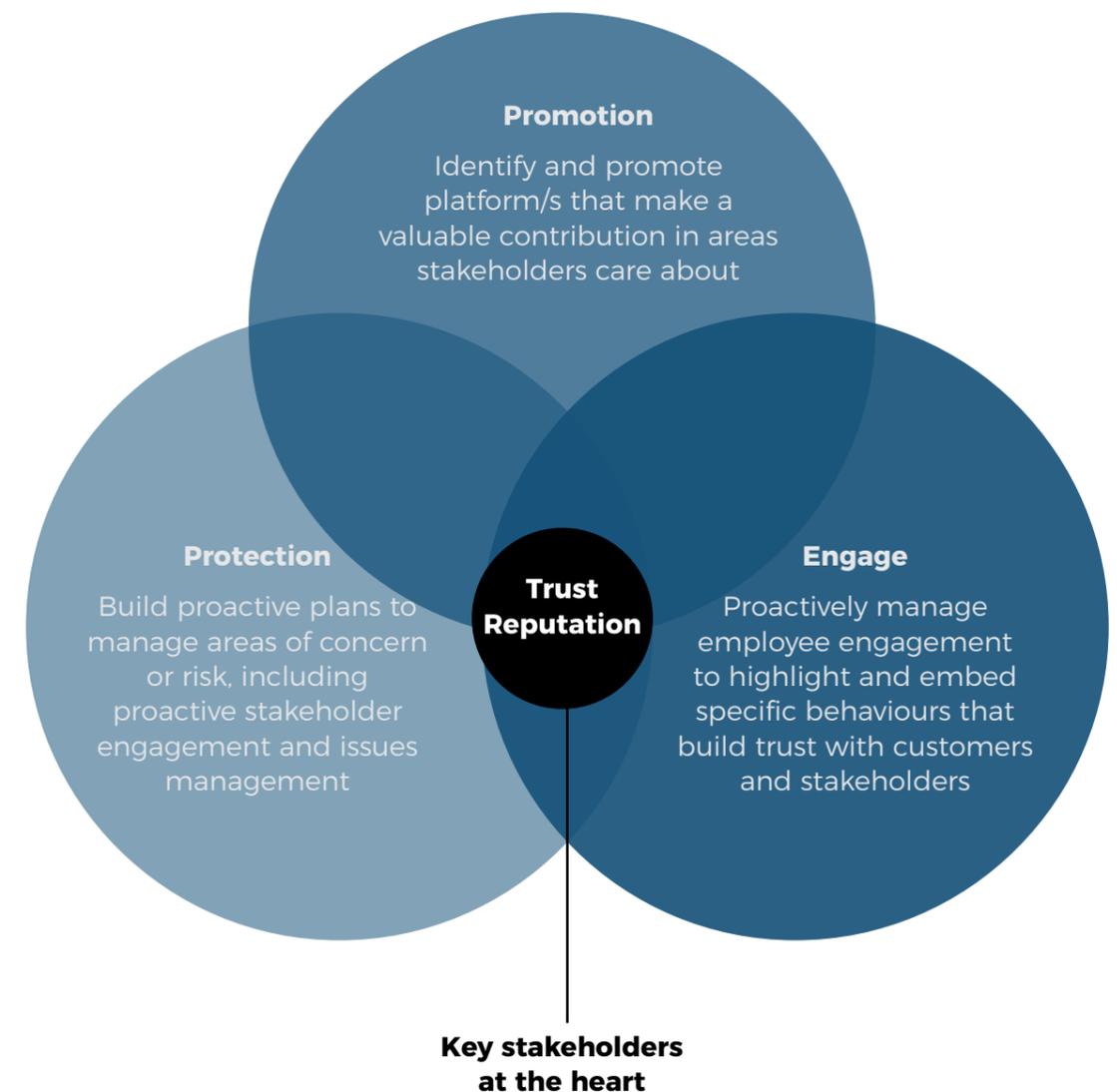
Since our first survey in 2006, we have seen that reputation damage is a growing issue for brands, organisations and their leaders.

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 reputations.

“Your brand name is only as good as your reputation”
– **Richard Branson**

SenateSHJ reputation management framework



APPROACH AND METHODOLOGY

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

Crises such as Samsung's battery explosions, Volkswagen's emissions and more recent examples like Ardent Leisure (Dreamworld), 7-Eleven, United Airlines and British Airways are reminders of the impact a crisis can have on the reputation of an organisation, a brand, a senior executive and the bottom line.

We hope the findings from this research will help organisations to manage reputational risks better, and contribute to the developing discipline of reputation management.

SenateSHJ would like to thank each and every person who participated in this research. 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 Reputation Reality survey included 146 respondents: 95 in Australia and 51 in New Zealand. Respondents included senior leaders, board members, senior executives and senior managers in private and public sector organisations.

The respondents surveyed in this study represent the following industries:

- Banking / Financial services (18%)
- IT / Tech / Communications (12%)
- Retail / Wholesale (8%)
- Healthcare (10%)
- Government (14%)
- Not-for-profit (10%)
- Other (28%).

The confidential survey questionnaire was developed by SenateSHJ, with research facilitated by Catalyst Research. The data collection method was a combination of phone and online surveys. The survey explored key issues and challenges of reputation risk and management.



RESEARCH FINDINGS

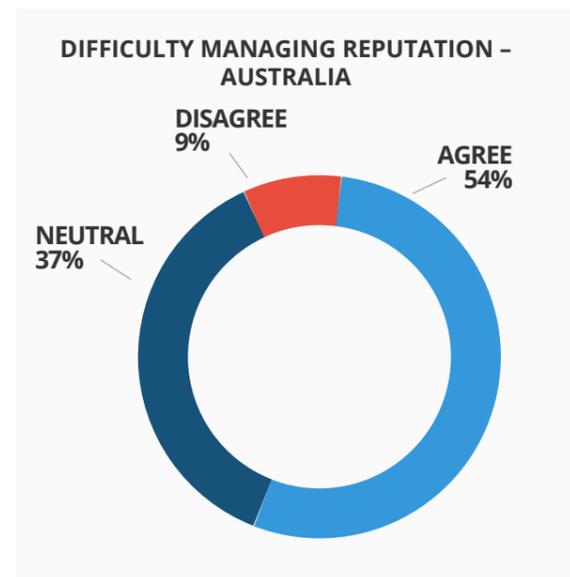
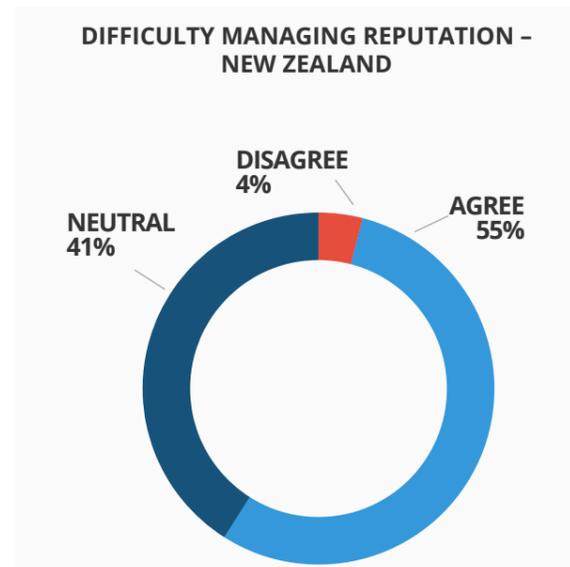
Risks to corporate reputation continue to climb

Organisations are experiencing greater risks to their reputation than ever before, and senior executives acknowledge reputation is more important to manage than it has been in the past.

- Ninety-eight per cent of respondents told us corporate reputation is one of their organisation's primary assets.
- Over half of executives surveyed reported reputation is now harder to manage than any other risk.

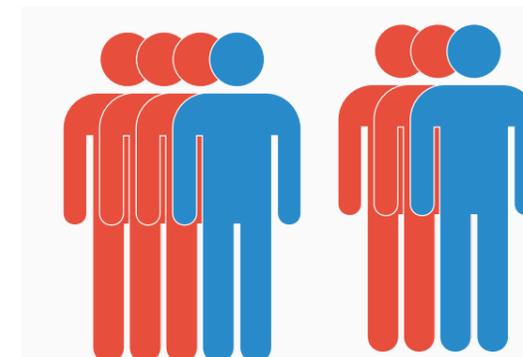
Almost all executives surveyed see reputation as a key component of their success, but the risks to their reputation have grown significantly over the last three years, and almost 75 per cent have witnessed an increase in risks affecting reputation.

Senior executives understand their corporate reputation is a tangible asset, like any other asset, and are well aware of their responsibility in protecting and managing their company's reputation. As a result the research showed **senior management and board members becoming more actively involved** in managing their reputation and putting systems in place to protect and mitigate the risks to their reputation.



While business leaders see reputation as a key component of their success, there is a 'crisis of confidence' in managing it

Despite business leaders regarding reputation as a primary asset, and almost **90 per cent of organisations believing they are proactive in protecting their reputation, only one in four surveyed in Australia and one in three in New Zealand have high confidence** in their ability to successfully manage their crisis communication plan in the event of a crisis.



Only 1 in 4 Australian and 1 in 3 New Zealand

respondents have high confidence in their ability to successfully manage their crisis communication plan in the event of a crisis.

The survey highlighted a lack of confidence among business leaders in adequate systems and processes to manage reputational risks or crises.

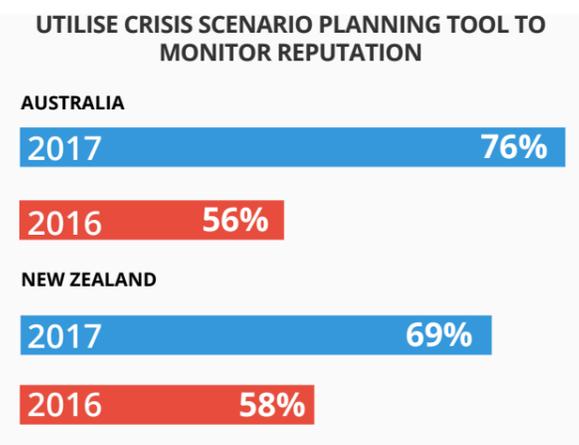
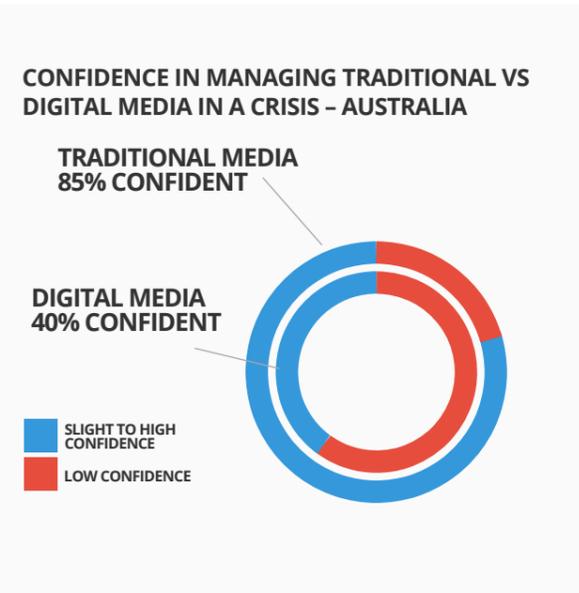
Social and digital channels remain a challenge

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

In Australia, social media monitoring is taking over traditional media monitoring as the preferred tool for monitoring reputation, with 85 per cent of respondents using it as their core tool, compared to 83 per cent for traditional media monitoring.

In New Zealand, customer surveys remain the leading tool to monitor reputation, with 73 per cent of respondents utilising them. However, social media monitoring and traditional media monitoring are almost equally employed, with 71 per cent of respondents using these tools to monitor reputation.

We have also seen an increase in the number of organisations who use crisis scenario planning as a tool to monitor reputation, with 76 per cent of respondents in Australia and 69 per cent in New Zealand planning to do so, up from 56 per cent and 58 per cent last year, respectively.



Managing social pressure

Digital channels mean news of a crisis can be communicated quickly, widely, and with significant impact. In fact, online content is often the basis of the first media coverage of an incident.

A person's smartphone, combined with their perception of what is happening, will shape the initial perception, coverage, and sentiment around an incident.

Organisations need to know how they will use digital channels to manage a crisis situation. They are not just a 'nice-to-have.'

So, how can businesses best mitigate this risk? We recommend using social simulation tools to test and train internal teams. Simulation tools:

- offer a private and secure digital environment that enables realistic and interactive simulations
- help organisations (and brands) train safely to enhance their digital crisis capabilities and resilience
- provide the scrutiny and realistic pressure of a live crisis, as well as the unique demands associated with delivering high-quality customer service in a pressured environment
- provide detailed assessment and recommendations to ensure organisations have the digital capability required to effectively manage crisis situations.



However, in Australia, only 40 per cent feel confident managing social and digital media in the event of a crisis, compared to 85 per cent in relation to managing traditional media. The survey highlighted a similar challenge in New Zealand, with only 41 per cent confident in managing social and digital media, compared to 79 per cent in relation to managing traditional media. This demonstrates a confidence gap in organisations' ability to manage social media during a crisis.

SenateSHJ's insight

The reality of today's news cycle is that the first stories to appear – often within minutes – will be 'crowd sourced' from social media. In this medium, a crisis is likely to get away from you before you even realise you have one. You need to have the right tools and structures in place.

There has been a major shift in the risk environment, and organisations are working hard to keep up

Compounding this lack of confidence in managing reputation online, the research highlighted a major shift in the risk environment – in particular, the emergence of newer and somewhat misunderstood risks such as cyber security, data and privacy issues, and media activism and sensationalism.

The research highlighted similar shifts in the risk environment across countries, but where New Zealand organisations differed was their top ranking of customer dissatisfaction and employee conduct as leading risks. Threats of employee misconduct, ‘whistle blowers’, and stories being leaked to the media if an organisation’s actions do not align with an employee’s ethical compass, were all considered the greatest risk to organisations in New Zealand.

Forty-six per cent of Australian companies surveyed identified ethics and social governance as major triggers for reputational risk (up 14 per cent from last year’s study), followed by data privacy and cyber security (up 14 per cent from last year’s study) and regulatory changes (up 5 per cent from last year’s study).

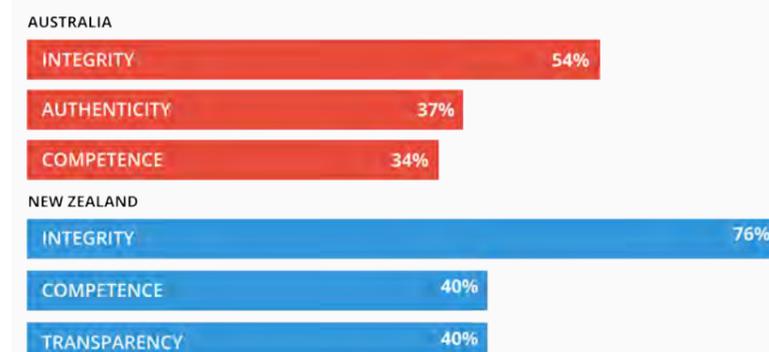


The ‘outrage economy’ and social media are proving to be significant and pressing challenges for organisations when it comes to reputation

Key drivers of reputation

Given the decreasing trust in organisations and governments the world over, it was interesting to note that integrity ranked overwhelmingly as the key driver of reputation across both countries, although New Zealand organisations placed a much greater weighting on this, at 76 per cent, compared with just over half of Australian organisations, at 54 per cent.

KEY DRIVERS OF REPUTATION AUSTRALIA AND NEW ZEALAND



What type of crisis are you most likely to face?

We asked respondents to explain the biggest risks their organisations are likely to face in the near future.

“Community perceptions of safety which overblow the reality of the actual risk.”

Government

“Data privacy is emerging as a risk, especially in financial services. A lot of effort is required [to manage it] and many won’t take the time unless there is a massive breach. Regulators are extremely worried.”

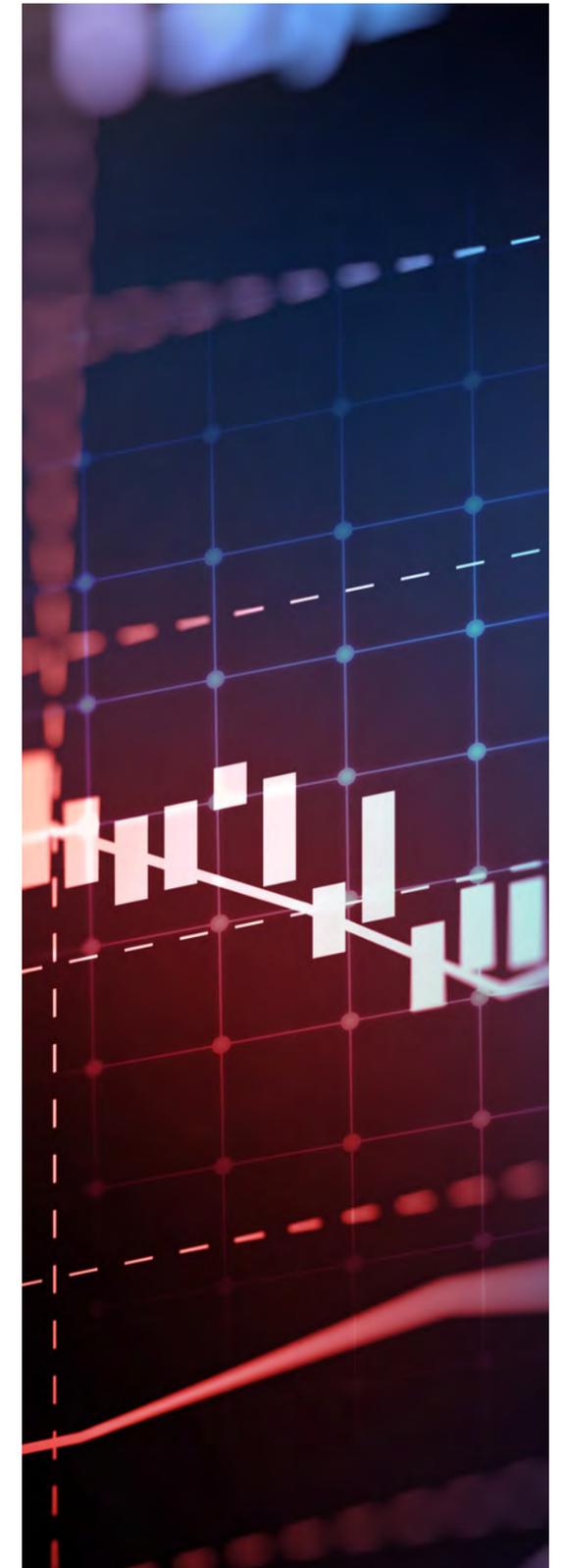
Banking / Financial services

“Consumer expectations are higher and their choices wider. Financial pressures. Increasing regulation. Competition via newer digital-based capabilities.”

Not-for-profit

“Activism is becoming a bigger deal. As we have seen, activism doesn’t always rely on fact, and a protest based on false data can spread like wildfire.”

Retail / Wholesale



Investment shows intent but many organisations are not 'walking the talk'

When it came to systems and processes for managing reputation, respondents rated crisis simulation training as an important tool. However, their investment in this reputation management tool is not backed up by their actions. Only 55 per cent of respondents in Australia (up from 49 per cent) and 48 per cent in New Zealand (down from 50 per cent) plan to invest in crisis simulation training – one of the most effective ways to prepare for a crisis.

Almost all organisations are investing in managing reputation, with nearly two-thirds directing their investment towards new processes and systems, governance and technology.

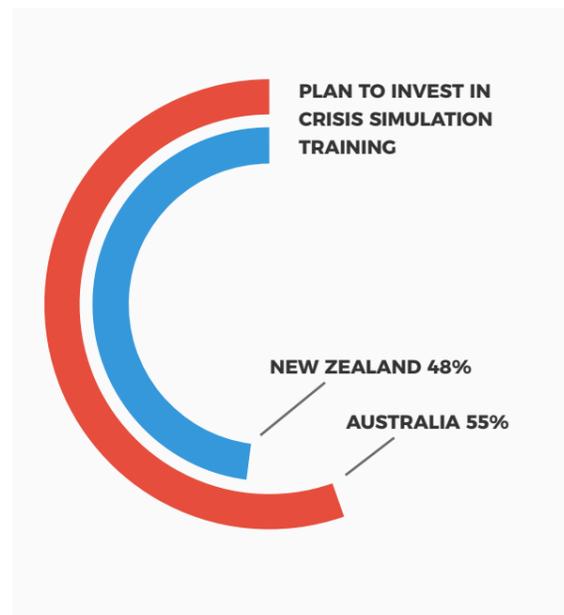
It's clear that business leaders believe their corporate reputation is an extremely valuable asset and are well aware of the increasing risks to reputation. **Unfortunately, the research indicates actions are not backing up beliefs.** While 9 in 10 respondents said their organisation is proactive in protecting its reputation, less than 50 per cent are testing their crisis plans annually and approximately one-third once every six months.

In practice, this lack of preparedness means that organisations are running a real risk of major reputational damage, in an ever-changing and increasingly complex business and political environment.

SenateSHJ's insight

Having a crisis plan does not in itself mean you are proactively protecting your reputation. You must test it, and your people, regularly to improve the organisation's response ability, and to expose potential weaknesses in your business operations that may lead to a crisis in the first place.

Also, preparation is key when it comes to building third party advocates. It's much more difficult to garner support during a crisis. If you haven't built credibility with stakeholders, for example, you're dead in the water before the crisis has started.



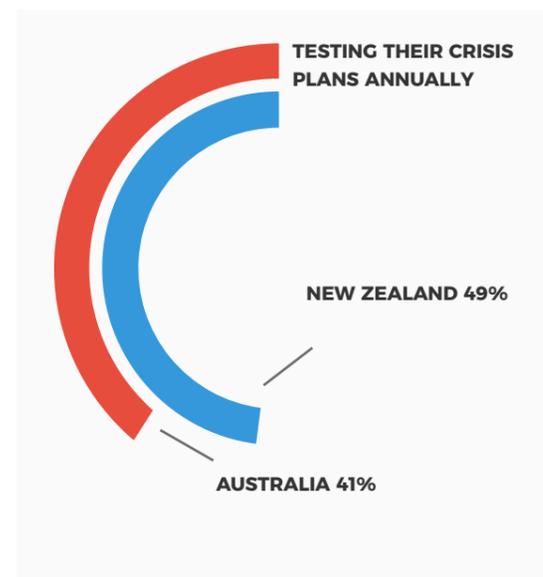
Who is accountable for an organisation's reputation?

“Do not leave your reputation to chance or gossip; it is your life's artwork, and you must craft it, hone it, and display it with the care of an artist.”
– Robert Greene

Across both countries, respondents agreed that the chief executive needs to own the management of corporate reputation. We are seeing chief executives playing a more active role in managing reputation in 2017.

The responses also reflect that responsibility for corporate reputation often rests with more than one role in a business. In this year's study we are seeing a greater level of active involvement in managing reputation across all functions.

This was evident in recent crises, such as the Dreamworld and Seven West Media examples in Australia, where respondents believed the CEO wasn't adequately able to manage the crisis, and the board needed to step in.



SenateSHJ's insight

Yes, a CEO is ultimately responsible for an organisation's reputation. However, recent events at organisations such as the CPA, Ardent Leisure, Seven West Media and Crown Resorts have only served to highlight the increased risk for chairs and board members in poorly managed crises. It is in every director's interest to ensure the company they oversee is well prepared, and well versed in identifying and managing reputation risk.

CORPORATE REPUTATION VIEWS BY INDUSTRY SEGMENT

The respondents surveyed in this study represent the following industries:

- Banking / Financial services (18%)
- IT / Tech / Communications (12%)
- Retail / Wholesale (8%)
- Healthcare (10%)
- Government (14%)
- Not-for-profit (10%)
- Other (28%).

We asked each respondent to which degree they agreed with the statements tabled at the right of this page.

SenateSHJ's insights into key sectors

Financial services

Sentiment around issues starts small and rapidly gains speed before becoming a full-blown crisis. Don't wait for public opinion, government or the regulator's opinions to sway against you. Act on the warning signs early, be brave, take the medicine, make changes and then bank the reputational goodwill, even if it means breaking ranks from the pack.

The current financial services conundrum is fundamentally a crisis of culture. Integrity is so key to reputation in this sector. Trust is in short supply, so it should be the focus for financial services organisations that care about their customers, their stakeholders and their future success.

Healthcare

Vision and purpose is a key factor influencing reputation internally with employees. Pharmaceutical companies are placing increasing importance on their employee engagement and internal communication.

A key stakeholder for the health sector is the patient. The pharmaceutical industry is much more focused on taking a patient-centred approach and takes very seriously its reputation and relationships with patient organisations.

Internationally, PatientView conducts an annual global reputation report for the pharmaceutical industry. It consults with patients and a number of pharma industry executives on the issues of importance affecting corporate reputation from a patient perspective, such as the company's record of transparency with external stakeholders, whether the company acts with integrity, and whether the company has an effective patient-centred strategy. In PatientView's most recent survey, pharma company scores have dropped across all the measurements – including transparency, an area the industry has a continued focus to improve.

Australia

	BANKING / FINANCIAL	IT / TECH / COMMS	RETAIL / WHOLESALE	HEALTHCARE	GOVERNMENT	NFP	OTHERS
Corporate reputation is one of our organisation's primary assets	100%	69%	100%	67%	88%	88%	88%
My organisation is proactive in protecting its reputation	67%	69%	82%	67%	75%	75%	72%
There has been an increase over the last three years in the risks affecting my organisation's reputation	48%	54%	55%	22%	63%	63%	56%
Reputation is more important to manage now than it was three years ago	57%	46%	27%	22%	50%	63%	44%
Corporate reputation is harder to manage than other forms of risk	38%	31%	18%	22%	63%	38%	44%

New Zealand

	BANKING / FINANCIAL	IT / TECH / COMMS	RETAIL / WHOLESALE	HEALTHCARE	GOVERNMENT	NFP	OTHERS
Corporate reputation is one of our organisation's primary assets	100%	100%	100%	80%	83%	100%	82%
Reputation is more important to manage now than it was three years ago	20%	75%	100%	60%	67%	57%	76%
My organisation is proactive in protecting its reputation	100%	50%	100%	80%	50%	57%	59%
There has been an increase over the last three years in the risks affecting my organisation's reputation	40%	100%	100%	80%	50%	43%	53%
Corporate reputation is harder to manage than other forms of risk	0%	0%	100%	40%	33%	43%	29%

■ HIGHEST SCORES
■ LOWEST SCORES

Who to trust? Analysts and external experts now competing with CEOs as most trusted spokespeople

In Australia, across all industry sectors, 74 per cent of respondents believe the chief executive is considered the most trusted source by the public in a crisis, while New Zealand respondents agree the chief executive is the most trusted source, but with a much lighter weighting, at less than 40 per cent.

SOURCES MOST LIKELY TO BE TRUSTED BY THE PUBLIC DURING A CRISIS

AUSTRALIA



NEW ZEALAND



External experts / analysts and the media are still considered by respondents as trusted sources by the public in a crisis, and respondents in New Zealand believe the public are more likely to trust these sources than the senior executive team. Conversely, Australian respondents believed the public are more likely to trust employees than believe the senior executive team. This could be due to their belief that employees are more likely to be seen as genuine and honest in their commentary, and less 'scripted' or rehearsed in their comments than more senior representatives of an organisation.

What was particularly interesting to note was that respondents in both countries overwhelmingly ranked the CEO as the most trusted spokesperson by the public during a crisis. This perception is in stark contrast to numerous international studies, most notably the 2017 Edelman Trust Barometer, which found trust in CEOs falling to an all-time low – with only 26 per cent of Australians ranking them as an 'extremely / very credible' spokesperson.

Given that the respondents for the Reputation Reality study were made up of senior leaders and C-suite executives, this would suggest a significant disconnect between how trustworthy senior managers perceive themselves to be, compared to the general public's perception of them. This misalignment will clearly have implications for how companies perceive reputational threats, and how they go about managing them.

A photograph of a library aisle. On the left, there are several rows of metal bookshelves filled with books. The books are mostly white and yellow, with some colorful spines. On the right, a series of hanging light bulbs are strung across the aisle, creating a warm, ambient glow. The background is slightly blurred, showing more bookshelves and a window at the end of the aisle.

“The way to gain a good reputation is to endeavour to be what you desire to appear.”

– Socrates

REPUTATIONAL CRISES OF 2016

No organisation is completely immune to a crisis. You can take every measure to protect your organisation from a crisis happening, but:

“When something bad happens you have three choices. You can let it define you, let it destroy you, or you can let it strengthen you.” – Unknown

We asked respondents to provide examples of the most significant reputational crises in 2016. Ardent Leisure (Dreamworld), 7-Eleven and New Zealand Rugby were the crises most mentioned by respondents. Common criticisms in relation to crisis response included a lack of preparedness, failure to take responsibility, and lack of empathy and understanding of public sentiment.



Ardent Leisure (Dreamworld)



On 25 October 2016, paramedics and fire rescue teams were called to attend to a ‘critical incident’ at Dreamworld theme park, located on Australia’s Gold Coast. Initial reports suggested two people had been injured on its family-friendly Thunder River Rapids ride. A few hours later, it was confirmed four adults had been killed due to a malfunction on the ride.

Crisis planners say deaths at a leisure park such as Dreamworld would have to be something planned for by management and the board.

Whether Ardent Leisure did this or not is now irrelevant, because they were roundly panned for the way they handled the crisis.

The Dreamworld tragedy is just one example of a litany of reputational crises that have devastated corporations globally over the past few years. They negatively impact business operations, share price and profitability, and they can destroy personal reputations and end careers. Respondents indicated this is a case study on what not to do when faced with such a crisis.

Respondents to the Reputation Reality study said Ardent Leisure’s response demonstrated its lack of:

- preparedness for such a tragedy
- empathy or appreciation of public sentiment, with a ‘business-as-usual approach’ and failure to devote every possible resource to the survivors, or families of the victims
- responsibility and visibility, with the CEO and chair making poor business decisions to mitigate the fall-out
- acceptance of responsibility, and ownership, and lack of control of the crisis.

7-Eleven

In 2015, Fairfax Media first exposed systemic wage fraud within 7-Eleven, including a head office cover-up of worker exploitation and, specifically, underpayment of workers. The media investigation revealed 7-Eleven staff were being paid as little as \$5 an hour, often in gruelling 60-hour working weeks.

Then, despite officially taking measures to repay their staff, a new investigation was opened in 2016, after it was revealed that several franchisees were paying their employees the lawful rate, but then encouraging them to pay back a certain proportion of their wages to the employer in cash.

7-Eleven's crisis did not help their already eroded company reputation. The company was castigated for selling out thousands of exploited workers through systemic and widespread underpayment.



Respondents to the Reputation Reality study said 7-Eleven's response demonstrated its:

- lack of integrity at the core of the ongoing crisis
- failure to take responsibility and address the issue quickly
- failure by senior executives to front-foot the issue immediately
- dishonesty through misleading statements
- failure to implement risk controls and indicators to stop the issue occurring in the first place.

New Zealand Rugby

In August 2016, allegations were made that members of the Super 15 Chiefs rugby team acted inappropriately towards a stripper during one of their Mad Monday celebrations at the Okoroire Hot Springs Hotel. New Zealand Rugby's poor handling of the allegations reinforced the keystones of good crisis management: tell the truth, tell it all, tell it fast.

The team's management and major sponsor made fundamental errors in their responses to the media. These errors in judgement and communication only added fuel to the fire and allowed the scandal to run several news cycles, despite both the coach and sponsor later apologising.

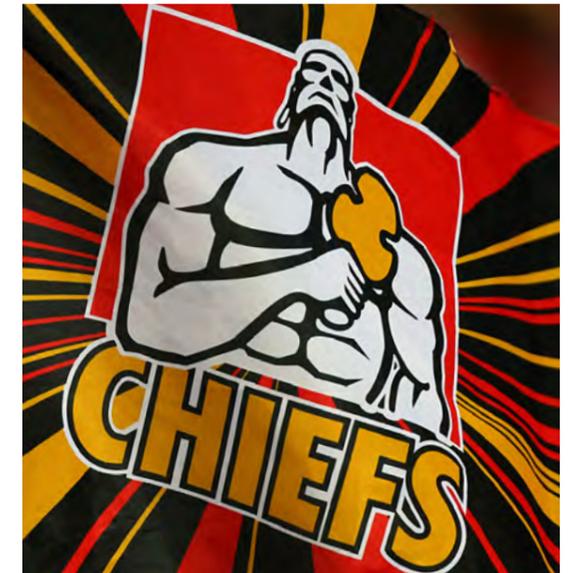


Photo: Photosport

Respondents to the Reputation Reality study said New Zealand Rugby's response demonstrated its:

- defensive stance, which implied they didn't take the matter seriously
- lack of integrity and responsiveness, as they said things had changed when clearly they hadn't
- poor messaging in response to attitudes towards women
- failure to front-foot the issue quickly and accept responsibility.

So what does this all mean for organisations in 2017?

The context in which companies operate is changing at an unprecedented rate – it is an environment in which traditional approaches to reputation management will no longer work. Reputation management today involves finding the link between a company’s culture, purpose, and its reputation – combining an understanding of the stakeholder landscape with a capacity to navigate internal and external environments.

Reputations are built and maintained when organisations consider how they promote themselves, how they protect themselves and how they engage their people. Successful organisations promote not only themselves, but also their contributions to the things their stakeholders care about. They take proactive risk management measures, including crisis and issues planning, to protect themselves in the event of challenges. And they proactively engage their employees, embedding behaviours that build trust with customers and align with their values.

This third element has never been more important, given the deficit in the trust people have for institutions – be they private or public sector.

Reputation management, therefore, requires smart thinking and rigorous problem-solving techniques. Consider the following as a way to bring your reputation to life.

- **Shared principles:** explore stakeholder expectations via an analysis of the landscape, to map any gaps and identify common causes to build on.
- **Story:** build a strong voice and share your narrative consistently, backing it up with actions.
- **Support and structure:** be consistent and coordinated, and underpin what you do with internal structures that help, not hinder.
- **Skills:** build the right capabilities across the organisation to execute plans, engage stakeholders and manage issues.
- **Systems:** ensure there are appropriate communication systems in place to inform, listen to and involve stakeholders, as well as demonstrate leadership.
- **Leadership and rigour:** clarify roles and responsibilities, and track beliefs and activities.

SenateSHJ's insight

Crises can bring opportunities as well as challenges. Recognising this can make the light at the end of the tunnel shine a little brighter.

SenateSHJ crisis communication checklist - Phase one, pre-crisis

In talking to clients about our 2016 Reputation Reality report, many said it would be useful to have a crisis communication checklist. So here is a checklist for phase one, pre-crisis.

The objective is to provide a company’s communications team with the necessary tools to prepare for a crisis and mitigate risks.

The following checklist covers the immediate actions required. As part of our work with clients, we develop tailored plans and checklists covering the initial period and all subsequent stages of a crisis.

Crisis preparedness checklist - Phase one, pre-crisis

While every crisis has a different run sheet, our research has shown there are a few fundamentals when it comes to protecting reputations and mitigating risks.

Action	Responsibility	Check
Planning, testing and training		
Do you have a crisis communication plan?		
Is it integrated with your organisation’s business continuity plan?		
Has it been updated in the past 12 months?		
Has it been tested in the past 12 months (i.e. through a crisis simulation exercise)?		
Has your crisis management team been trained on the crisis communication plan in the past 12 months?		
Have your spokespeople received media training within the past 12 months? Are you confident you are effectively monitoring social channels, and have the capability to manage social commentary?		
Has your senior management given you official licence to act in case of a crisis, in order to protect your organisation’s reputation?		
Have you undertaken any stakeholder mapping in the past 12 months?		
Have you identified stakeholders who will be of importance to you during a crisis?		
Have you built relationships with priority stakeholder groups, including media, who could speak on your behalf in a crisis?		
Do you have the names and contact details of your priority stakeholders collated and saved in a central location?		
Resources		
Have you undertaken crisis / issues mapping in the past 12 months?		
Have you developed approved core messages for each issue and saved them in a central location?		
Do you have key organisation information collated and saved in a central location?		

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