

## REPUTATION

# Talking the talk

**Companies spend millions** each year trying to manage reputation. They fire communications consultants, advertise their corporate and product brands, and invest in projects they think will be viewed positively by consumers. And, though this cannot be proved, there is a view that good reputation impresses investors because it reduces risk.

A recent survey by the US-based Reputation Institute (RI) shows that how

consumers feel about a company depends on a wider range of indicators than in previous years.

Whereas the quality of products and services accounted for nearly 40% of a company's reputation in 2005, this year it was just 17%. "Reputations are based on perceived realities," says RI director Dominik Heil. "Much of this can have nothing to do with what the company is actually doing, but more about how well it communicates with its stakeholders."

The recent RI survey shows that Toyota, Google and IKEA were the three most respected companies in the world. Sasol and Standard Bank were the only two SA companies to make it onto the global Top 200 ranking.

The RI asks members of the public to rate companies on a variety of measures, including whether they are appealing places to work, the quality of products and services, whether they are good corporate citizens, are run responsibly, have strong leadership and are innovative. It surveys consumers across income groups and levels of education.

Heil says Sasol's high score is a good example of how a company can turn its reputation around in a few years.

In 2003, the company was accused of government of being too slow to transform and of bad-mouthing SA abroad by warning foreign investors about the risks of black economic empowerment. In 2004, workplace accidents put Sasol's worker safety in the spotlight. In 2006, government announced it was looking into charging Sasol a windfall tax.

But four years later, the company's reputation among stakeholders is apparently soaring. Heil attributes much of this to strong leadership under CEO Pat Davies. "Sasol seems to have put an integrated strategic plan in place to



**Dominik Heil** Communication is the key

tackle these issues," says Heil. "It's not just the communications department, it was support from the top."

The company's BEE deal, structured to allow ordinary South Africans to purchase Sasol shares at a fraction of the market price, was widely viewed as progressive and accessible.

"You can tell when a company has managed its reputation well, when consumers are willing to put their own reputation on the line by recommending the company to others," says Heil.

But Sasol's sponsorship of the Springboks shouldn't be underestimated either. The team's winning the rugby World Cup late last year not only generated millions of rand worth of media coverage, but generated feelings of euphoria among many South Africans.

Standard Bank scored well on products and services, though its overall score may

## GLOBAL BEST CORPORATE REPUTATIONS 2008

Ranking	Company	Score
1	Toyota (Japan)	86.53
2	Google (US)	85.23
3	IKEA (Sweden)	84.14
5	Johnson & Johnson (US)	83.48
6	Tata Group (India)	82.84
12	Walt Disney (US)	81.22
21	Carlsberg (Denmark)	79.82
29	Marks & Spencer (UK)	78.88
31	Philips (Netherlands)	78.72
33	Xerox (US)	78.44
36	Colgate-Palmolive (US)	78.04
57	Nestlé (Switzerland)	75.78
69	Heineken (Netherlands)	74.79
88	BMW (Germany)	73.90
92	Berkshire Hathaway (US)	73.58
117	Qantas Airways (Australia)	71.82
127	Sasol (South Africa)	71.38
188	Standard Bank (SA)	68.54
<b>Other SA companies</b>		
	Sanlam	65.37
	Old Mutual	64.73
	Absa	60.19
	Anglo American	57.42
	SABMiller	54.83
	Imperial Holdings	50.36
	Bidvest Group	46.49
	Telkom	45.93

### KEY:

- Excellent/Top Tier - above 80
- Strong/Robust - 70-79
- Average/Moderate - 60-69
- Weak/Vulnerable 40-59
- Poor/Lowest Tier below 40

SOURCE: REPUTATION INSTITUTE

also have been boosted by positive associations with its cricket sponsorships.

The RI ranking seems to show that companies that spend a lot on advertising and marketing are among the most respected by consumers. Companies that produce consumer products dominate the Top 200 ranking.

"The public tends to rate makers of consumer products, computers and electronics well above the global mean," says Heil.

But he cautions that consumers are likely to see through companies' attempts to generate goodwill if they don't back up these claims with genuine action.

"There's no point in trying to distract customers by marketing your corporate social investment if you don't have the governance structures in place, for example," he says.

In SA, the most respected listed companies seem to buck global trends. Globally, the reputations of energy, financial services and telecommunications companies rank lower than producers of

consumer products, food, automotives and pharmaceuticals. In SA, listed financial services companies dominate the top rankings — Standard Bank, Sanlam, Old Mutual and Absa follow Sasol as the companies with the best reputations.

If unlisted companies are included, cellphone company Vodacom is top, with Sasol second and Coca-Cola third.

"Globally, companies in the communications sector face an uphill battle in communicating with the public," says Heil. "But in SA, cellphone companies seem to have generated high levels of trust, respect and good feeling."

Between 2007 and 2008, the biggest gains in reputation were recorded by companies operating in the information, media and computer sectors.

"It's not difficult for a company like Google to manage its reputation — it makes lots of money and operates in a relatively low-risk industry," he says.

"It can afford to spend money on the 'feel-good' factors, such as creating an innovative workplace."

Among the top 10 listed companies in SA, SABMiller and Imperial Holdings scored between 40 and 59, indicating that their reputations were "weak and vulnerable," which might surprise investors who regard SABMiller as a good company — and one of the few SA ones that has globalised successfully. However, consumers' perceptions of the negative effects of alcohol on society may have been influential, says Heil.

Survey participants ranked Pick n Pay chairman Raymond Ackerman as the most admired businessman in SA for the third year in a row. Mvelaphanda chairman Tokyo Sexwale and Absa CEO Steve Booysen were second and third.

Heil says measuring corporate reputation offers some clue into how a company will do further down the line.

"A good reputation ultimately helps companies perform better, because they're able to attract good people — and they sell more because consumers are happy to buy more of their products."

Jacqui Pile

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