

What drives a good reputation in today's environment?

The Inside Story spoke to some of Australia's top business journalists during July 2013 to understand what they believe companies need to have a strong reputation in the current business environment.

Naturally the drivers of reputation will differ depending on the stakeholder you are talking to, but senior business journalists see a number of key areas from their perspective:

- Financial performance – profitable growth with shareholder returns
- Innovating – changing to meet challenges
- Being open and honest, transparent
- Maintaining open communications – beyond ASX requirements
- Reliable, quality products and services
- Good customer service practices
- Corporate social responsibility – maintaining the balance between shareholders and the community
- Use and monitor social media channels appropriately

"If it's reputation in the market, then that's about performance obviously. In an environment where it's very hard to get significant top line growth, then it's just about cost disciplines."

Journalists welcome having the context around announcements with the AFX. Keeping the story around the strategy alive beyond results time with case examples is important to maintain that open and honest relationship with all stakeholders and increase confidence in the organisation:

At a glance summary

A good reputation today is about having:

- A balanced business model with corporate responsibility coupled with profitability.
- Open and honest communications -going beyond just results time to build long term confidence and trust.
- Managing social media responsibly, minimising reputational damage.
- Innovating and adapting to meet changing technological and economic challenges and opportunities.

"An openness to the marketplace beyond simply their legal obligations with notifying the AFX. Just being open with what's happening with their company so shareholders have a clear idea, but also customers are more aware as well as the general marketplace as to what the company is doing and where it's going."

"It's not good enough putting out a press release to your group of journalists. You've got to start communicating properly and doing that in a way that maintains the transparency of communications and operates with full disclosure in share markets."

"...When I'm dealing with corporate affairs people or PR people, it's all about the relationship and not spinning people. The companies that are the most successful are the ones that call it as it is and don't try to sugar coat anything."

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Journalists continue to recognise the need for companies to have a balance between shareholders and the community, with corporate citizenship a key driver of reputation:

"To have a strong reputation you need to have good returns to get strong profits. How can the shareholders care about you if you don't do either of those? But then you also need to be a good corporate citizen, and it's that balancing act between servicing the needs of shareholders, servicing the needs of the general public particularly if you're a consumer facing business, a big bank, a major retailer, all they do is be very careful of their corporate image."

While social media is not a source of stories for most business journalists, they do notice the impact of social media on corporate reputations and share price, particularly when it is handled poorly. They recognise the need for effective social media management:

"I think they need to be open, honest, transparent. They need to learn some of the big lessons that we've seen about the perils of not understanding social media, which is the way a lot of people communicate these days...they're having to be much more aware of the way people communicate."

"The listed companies are having to be much more aware of the impact of social media on full and continuous disclosure on the share market and also, recently we saw how even a single tweet, a fake tweet after the Associated Press's Twitter account was hijacked, can actually cause major machinations on share markets. So there's a whole lot more going on at the moment that companies need to be across and be aware of and perhaps be a bit more in touch with the needs of consumers and the way that consumers communicate."

"I think we're dealing with a public these days that are much more savvy than some companies might think because there's so much more information at their fingertips via computers or iPads or iPhones. So there's a lot more to think about."

Strong Australian dollar creating opportunities and threats

The Australian dollar has been strong for some years now (despite some recent softening) and it is anticipated that this will not change for some time:

"Businesses is also now having to accept that the Australian dollar will remain high for the foreseeable future and they're operating in an atmosphere where I guess it's the new normal."

While Australian manufacturers on the whole would probably say they are challenged by the strength of the Australian dollar, a number of journalists see this as an opportunity for business, citing Darwin's theory of natural selection – weaker businesses will disappear while those who strengthen and innovate will emerge as winners.

"I liken that to the tariff cuts that started in the '70s through to the '90s. Yes, we lost big swathes of the clothing and textile industries, but those who were left were actually internationally competitive."

Some journalists have noticed manufacturers implementing changes to better compete in this environment:

"Many manufacturers have been dealing with outmoded industrial practices, pressures on local productivity and a lot of the plans that they might have had may well have been outdated. Some of those big manufacturers have used the changed economic circumstances to make long-awaited changes in the workplace."

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There is a general belief that much of Australian business is traditionally reticent when it comes to finding and addressing efficiencies and pushing forwards with innovations.

"There has previously been a lack of focus on boosting efficiencies within corporate Australia. I think some have been a little bit lax... some haven't seen that they need to strip out costs and build synergies within their organisation. You could probably name a number of the retailers have had an issue in that regard. I think there have been some in the financial services industries which are playing catch up."

Journalists believe consumers are quick to adapt to the latest technologies while many business models have been slow to alter to suit this new world, with their own industry a case in point:

"Even if you look in the media sector, there's been a lot of forced adaptation happening with the change to traditional media and the rise of the Internet and the fall of high paying advertising in newspapers. So we're all working in a changing world."

"..The up and coming generation is so used to computers now they think that it's the done thing. And I think people of my generation are doing it because it's just more convenient."

Which industries have stronger reputations in this environment?

Journalists find it hard to name companies with good reputations:

"There's not a hell of a lot of companies around with great reputations, there's just not..."

Tourism is one industry where some business journalists have noticed an innovative change. Rather than accepting that the high dollar will put off international visitors, there has been an adjustment in focus to target people to niche experiences such as Eco Tourism.

Banks are seen to be addressing the need for more efficiency with a focus on better technology:

"I think the banks are doing well in terms of implementing and putting a greater focus on their technology, driving efficiencies through technology, then I think that long term is going to pay off very well for them."

Commonwealth Bank's Kaching app (which helps make mobile payments possible for customers), and its core banking technology upgrade are praised as innovative changes which help the bank to stave off potential competition:

"They are all things that are quite positive in terms of driving business. They're also quite positive in terms of defending the business, because I think that if you're a bank, the biggest concern is that a Google or an Amazon or whoever will actually create a new online model for banking, in a sense a smarter version of PayPal and take their customer base away from them. So being able to offer the same sort of apps that are available online is quite important for the four majors."

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"It's not massive and it's not transforming stuff that sometimes happens, but it's actually quite smart, clever and useful innovation."

"I think an example of a company which has got a good reputation and one that's been enhanced in the last couple of years, would be Commonwealth Bank, which has definitely innovated. They've spent a huge amount of money on getting a bleeding edge technology platform, which they're using in a very sensible way and it's customer satisfaction and customer retention driven."

- Mining has often been named as at the forefront of innovation due to the large sums of money passing through the operations and that has not changed. Rio Tinto and BHP stand out for their use of technology to drive efficiency:
- *"Rio Tinto has done a little bit in terms of their driverless train, greater use of technology helps to cut down costs as well as drive efficiencies and up-time improvements."*
- *"Both Rio particularly and BHP are quite innovative in the way they manage their resource operations. Remote management centres and the like."*
- The major supermarkets are seen to be leading in the retail field by creatively putting pressure on their supply chain to maximise competitiveness:
- *"The most controversial example would be what's going on in the supermarket sector...where the whole supply chain is being reshaped because of the pressure they're exerting. But they're quite creative."*

Wesfarmers is also named, having been a strong performer over the past few years:

"I think Wesfarmers is doing a good job. They're helped by the natural conglomerate nature of their business though I suppose. It helps them in that regard."

CSL and Cochlear have been named as having strong positive reputations for many years, their consistent solid performance and global positioning standing them in good stance:

"CSL has a phenomenal reputation for instance, with good reason, because it's been a remarkably well performing company over decades now. Has anyone surfaced in the last 12 months? Probably not."

"I think CSL has a very good reputation and Cochlear has a good reputation. Some of these ones like Cochlear and CSL is to do with the sector that they're in, the idea of helping people, so Cochlear through implant, and also the fact that they're an Australian company that has a globally leading product. CSL as well in terms of the Gardasil product. So the idea that people like these companies because of the areas that they're in."

Consistency is a key driver of good reputations, ensuring there are no surprises (especially bad news) and communication is clear. Maintaining positive relationships with stakeholders is important for building and strengthening your corporate reputation, whatever challenges the organisation is facing.

Ensuring that the organisation is moving forwards with innovations to cope with technological and economic changes in the business environment is important to communicate and foster confidence in the organisation's future.

INSIDE REPUTATION BULLETIN



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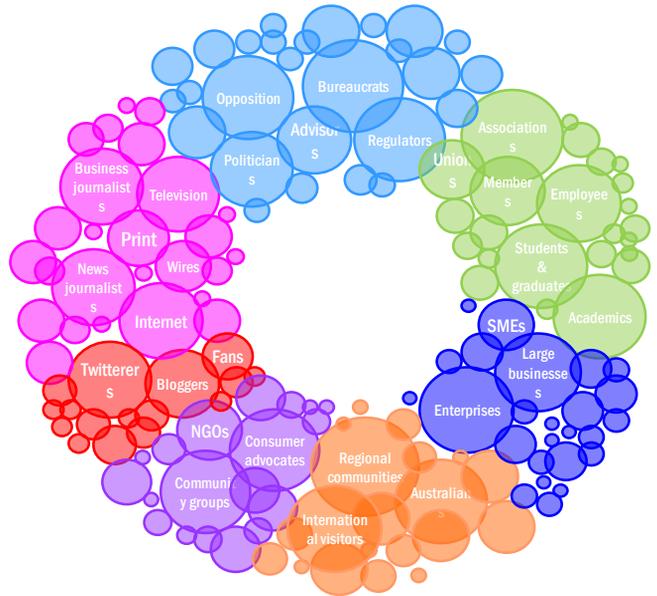
About the Inside Story

The Inside Story has been a key player in the Australian research environment for more than 25 years. With a reputation for being innovative and at the forefront of insight techniques we launched our first Inside Reputation research study with journalists in November 1999. Since then we have conducted more than 30 studies with Australia's senior business media.

In addition, we have spoken to many other stakeholder groups for our clients, including government, business influencers, financial analysts, key bloggers and of course the general public.

If you are interested in hearing more about our studies, would like to brief us on your research needs or just want a chat, please get in touch!

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