

How well did companies shape up?



Dialogue, in partnership with Media Tenor, has developed the innovative Sustainability Coverage Monitor to assess CORPORATE REPUTATION based on sustainability reportage in the media.

Media has the ability to build or to destroy corporate reputations. Here is a channel that is quick, far-reaching and more objective than communication from a corporate origin. For instance, where companies have been exposed for transgressing laws, price collusion or pollution, the damage to their reputation and market base can take months or even years to repair. Tiger Brands and Pioneer Foods, for example, know all about reputational damage in the media following their price collusion, which eventually drove some management to resign. And no amount of corporate spin changes the way the public perceives Transnet or South African Airways, unless they get the ‘thumbs up’ from the media.

electronic media is a vital lens through which to assess corporate behaviour and its effects on corporate reputation. Together with our media analysis partners, Media Tenor, Dialogue sets out to do so by analysing the extent to which companies have received positive and negative media coverage on sustainability issues. The results are captured in our Sustainability Coverage Monitor (SCM), which analyses the coverage and tone of corporate sustainability reportage. The SCM considers the volume of coverage, the range of sustainability issues reported and the spread of media, as well as whether coverage was positive, negative or neutral.

On the other hand, positive media exposure on sustainability issues can give companies a competitive edge in a marketplace that is increasingly sensitive to environmental and social issues. And often, media coverage about the way companies proactively rectify previous concerns goes a long way towards restoring reputation.

Top-5 coverage in Q1 2010

The table below lists the top-5 companies on the SCM, based on their coverage in the media over the period December 2009 to February 2010. This is traditionally the quietest media period and the SCM scores were, at times, influenced by favourable and widely reported coverage of just one or two issues. This top-5 rating therefore provides a sense of who, over the period, was well regarded in the media and why, but would not necessarily have a lasting impact on corporate reputation.

Reputation through the media lens

In this context, analysing the coverage and tone of corporate sustainability-related reportage in the print and

fast FACT

In order to analyse the media, we have been partnering with The Media Tenor Institute of Media Analysis (Media Tenor), which scrutinises the news, opinion and business sections of leading South African print, broadcast and online media to provide a range of media intelligence to the corporate sector. The quarterly and cumulative calendar year results of our Sustainability Coverage Monitor (SCM) will be published in this Review each quarter.

The data used for our SCM is based on Media Tenor’s comprehensive day-by-day analysis of all relevant company-related articles appearing in 30 broad-based national daily and weekly newspapers and TV news broadcasts.

For more information on the methodology and categorisation of this index, please visit www.mediatenor.co.za or www.dialogue.co.za.

Top-5 (Q1 2010)	Main issues driving positive reputation
1. Barclays	Top executives forgo a cash bonus for 2009
2. Standard Bank	Commitment to BEE codes; stated intention to keep South Africans in homes without fear of legal action or repossession
3. Old Mutual	Announced that it will sell its life unit and list its funds operation in the United States as part of a strategic overhaul and an attempt to reduce the complexity of its business
4. DRD Gold	Zimbabwe seriously considered for its growth prospects, despite political uncertainty
5. Air France	Air France launched the new A380, the most environmentally-friendly aircraft to date, which is capable of increasing capacity with no need for increased airport infrastructure

Top-10 coverage in 2009

Tracking results over an entire year is a more robust indicator of which companies have performed well in the media and why. The table below lists the top-10 over the period January to December 2009. SAB Miller, Woolworths and Standard Bank claimed the top three spots. What do these companies have in common? Despite various sector challenges resulting from the global economic crisis, they have managed to maintain good sustainability profiles in the media by actively seeking new growth opportunities and redefining their business strategies – and by talking about it. SAB Miller, for example, although experiencing its worst six-month trading period in a decade during 2009, sought new opportunities in emerging markets and invested heavily in Africa. The brewer's strategy on the continent also took into account the relative poverty of the population through the introduction of local crops, such as sorghum and cassava and, by so doing, reducing input costs and lowering prices. Similarly, Woolworths battled declining consumer figures by implementing a new retail strategy that included the reintroduction of the Woolworths "basic".

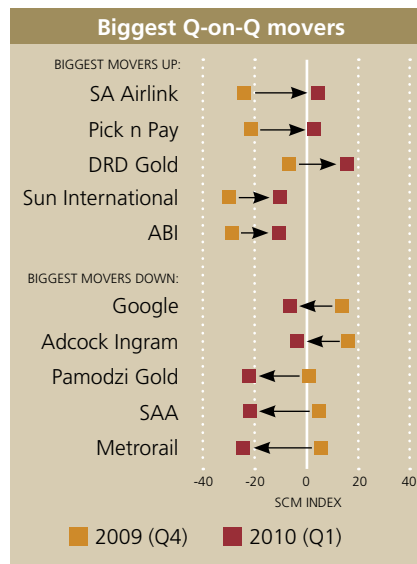
Top-10 (2009)	
1	SAB Miller
2	Woolworths
3	Standard Bank
4	MTN
5	Absa
6	Deloitte
7	First National Bank
8	Netcare
9	KPMG
10	ACSA

Regulation, particularly compliance with legislation, and the ramifications of the economic crisis emerged as the most critical sustainability issue facing the financial services industry. Banks such as Standard Bank, Absa and First National Bank adopted the strategy of driving 'softer' issues such as BEE/transformation and community relations while maintaining a core focus on expansion and business diversification. First National Bank, in particular, profiled its African operations, including the opening of more branches in Zambia.

Another highly visible issue for the same period was customer relations, including customer complaints, general levels of customer service and high-profile court cases with clients, such as Absa's legal battle with businessman Rico Bernert. Considering that the economic crisis proved the fallibility of financial institutions, non-fiscal sustainability-related issues will remain critical to help restore trust in the sector.

Biggest Q-on-Q movers

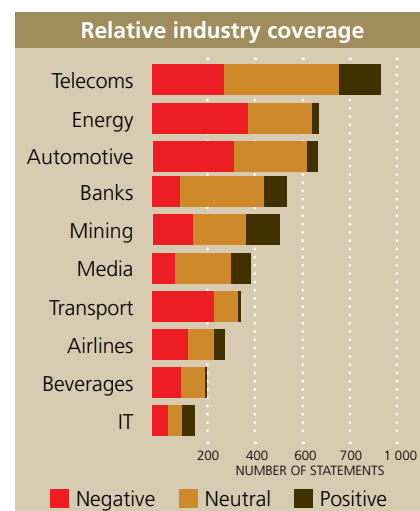
The SCM also provides early indication of reputational shifts by tracking quarter-on-quarter changes in media coverage. The five biggest 'movers up' and 'movers down' on the SCM from Q4 2009 to Q1 2010 are shown in the graph below. Currently the list of top 'movers' includes those companies that have recovered from media crises, such as SA AirlinK and ABI, while various transport and airline companies, such as SAA and Metrorail, continued to face increased scrutiny in the build-up to the World Cup 2010 and competition authority-related issues.



Industry coverage in Q1 2010

The graph alongside shows the relative coverage across a number of industry sectors for the first quarter of 2010. Telecoms industry reportage was shaped by coverage on Vodacom and issues of corporate governance. The energy sector, and Eskom in particular, saw coverage on how renewable energy forms part of the utility's broader business model, a discourse triggered by the application for World Bank funding for the Medupi

coal-fired power generation plant. The automotive sector received a lot of attention relating to product quality and safety, on the back of Toyota and Honda's recall of vehicles. Various mining companies, such as Anglo American and AngloGold Ashanti, were in the news at the beginning of 2010 regarding the impact of higher energy tariffs on financial results, as well as potential partnerships between the mining industry and Eskom.



Early analysis of 2010 indicates an increase in the visibility of the majority of sustainability issues in the first quarter of 2010 when compared to Q1 2009. It is predicted that key corporate challenges for 2010 will continue to centre on topical issues, such as transformation and 'carbon neutrality', which form part of the broader social and political discourse. In fact, there is likely to be a general increase in coverage on corporate environmental performance, which has, until now, remained low on the corporate sustainability agenda, despite the increase in global awareness of climate change.

The media focus will also remain on compliance, or rather the lack thereof. Affected companies need to find ways to respond appropriately, because remaining quiet in the face of controversy often makes the company more vulnerable to critical reportage.

On the other hand, in the face of growing consumer consciousness about societal issues, coverage of positive corporate performance in the media represents a good opportunity to enhance corporate reputation. ☉