

COMPANY REPUTATION

Ranking by coverage

Billionaire investor Warren Buffett once said: "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

To gauge the extent to which local companies are heeding such advice, strategic media analysis group Media Tenor SA has developed SA's first media sustainability index (MSI).

Designed in conjunction with sustainability consultancy Trialogue, the index focuses on the 100 SA companies that had the most media coverage in the past three years (2006-2008).

It looks not only at the volume of coverage and the tone of reports, but also the diversity of sustainability issues and

media, as well as the impact of these on corporate reputation.

Heading the overall top 100 list is multinational telecommunications firm MTN. What worked in this group's favour was its impact in the marketplace (pricing, product quality, innovation) and relations with external stakeholders (the media, the board, customers). These are two of the categories Trialogue uses to assess sustainability.

MTN's merger talks with India's Reliance Communications last year and its purchase of Verizon produced huge and generally positive coverage. The other categories used to benchmark companies' performance include:

- Sustainability management (leadership, governance, corporate credibility);
- Sustainability advocacy (company's position on topics of general interest such as crime and job creation);
- Regulatory compliance;
- Human resources management;
- Community relations; and
- Biophysical environment (policies on the environment).

Media Tenor SA MD Wadim Schreiner says a media index is a good proxy for corporate reputation. This is "because editorial coverage is [generally] regarded as independent and is trusted more than companies' advertorials or advertisements". What the MSI also reveals, he adds, is that for journalists

to assess a company's performance and sustainability of reputation, looking at the numbers is no longer enough.

He says in the past three years there has been a "considerable increase" in the media's focus on sustainability issues in SA, from a total share of corporate coverage of 18% in 2006 to 23% in 2008. This figure is expected to rise even further, driven by increasing demand for corporate malpractice to be exposed. The subprime crisis of the past year has also led to mounting international media pressure on a wide range of issues related to the sustainability of reputation, says Schreiner.

Nick Rockey, CEO of Trialogue, says sustainability, in this context, is about companies understanding their stakeholders and the environment in which they operate. "It's about working with these stakeholders in a way that doesn't compromise your business," he says.

Second to MTN on the top 100 list is Discovery. Last year, the company's relationship with customers received positive media coverage after Discovery announced in July that it had used its large market share to push down costs for them.

The automotive industry has not done well on the MSI. Affecting its ranking and media reputation have been strikes, production challenges and operational inefficiencies. Toyota and McCarthy performed better than their peers, coming first and second respectively in their sector and being placed 34th and 52nd in the overall ranking. Embattled US manufacturer General Motors was 92nd on this list and at the bottom of its sector.

The banking industry has also not done that well. According to the MSI, Absa has been the most consistent performer. Boosting its image has been its community relations. Second to Absa was African Bank, whose image has improved in the past year. "With the exception of African Bank, all companies' scores were appreciably lower in 2008 than in 2007 and 2006" in this sector, Schreiner says.

In the freight, logistics, transport and travel sector, Transnet ranks top — thanks to former CEO Maria Ramos, who's credited with turning the company around. Schreiner says, though, that recent negative reports about the parastatal's leadership vacuum may

Wadim Schreiner More media pressure



result in a drop in Transnet's ranking next year.

This would be a demonstration of Buffett's dictum that things can change very quickly indeed.

It also shows how important an individual can be to a corporate reputation. The charisma or individual strengths of a woman like Ramos — or of business legends like Bidvest's Brian Joffe and retailers Raymond Ackerman and Whitey Basson — can be both an advantage and a liability. If the individual is suddenly revealed to be not as competent as had been previously, or if the person simply resigns or retires, the company needs to be sure that it has reputational reserves to draw on.

Transnet is followed by Barloworld, with Airports Company SA third.

In the ICT sector, top 10 performers MTN, Vodacom and Google SA scored highly. In media,

PLAYING ON STRENGTHS

Top 10 companies: Media Sustainability Index

- 1. MTN** – Mainly for its "external stakeholder relations" and "marketplace impact"
- 2. Discovery** – Best in external stakeholder relations due to relationship with customers
- 3. Absa** – Scored well for community relations, mainly sponsorship and donations
- 4. Transnet** – Leadership under former CEO Maria Ramos, who was praised for "turning it around"
- 5. Anglo American** – Outspokenness about management's obligations towards corporate responsibility
- 6. SABMiller** – Human resources management a strength, due to positive coverage of its owner-driver scheme
- 7. Vodacom** – BEE and transformation
- 8. African Bank** – BEE and transformation
- 9. Google** – Products and research & development ensured a high score in marketplace impact
- 10. Mvelaphanda** – Relationship with business associates and suppliers

SOURCE: THE SUSTAINABILITY HANDBOOK 2009

Naspers leads, followed by Prima-media and then Avusa, 50% owner of BDFM, publisher of the *FM*. The SABC ranks lowest. It's also number 99 on the overall index.

In other sectors, Anglo American and Mvelaphanda Holdings are top in mining and energy; Shoprite and Pick n Pay in retail; and SABMiller and Tongaat Hulett Group in the general industrial and services sector. And languishing at the bottom of the top 100 list is Fidentia, which also held that spot in 2007.

Schreiner says it's important to note that the index is not an indicator of the actual sustainability of a company's status. "But media coverage does, in a way, reflect . . . at least the importance a company places on sustainability [of reputation]."

The MSI will be officially launched this week.

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