

SA's corporate reputation is dented as shadow hangs over insurance industry

RENOWNED business leader, Sir Roger Carr, captured the essence of the challenge of establishing a good corporate reputation in observing that "It's not simply how much money you make, but equally, how you make money that counts." Few intangible assets are as valuable and yet as slippery as corporate reputation.

Above all else, however, corporate reputation is dependent on the need for the company to be true to its purpose and value proposition. It is the alleged abrogation of this fundamental corporate commandment that makes the Competition Commission's recent raid and seizure of documents and hard drives of eight insurance companies so perplexing.

In broad terms, corporate reputation is generally defined as a collective assessment of a company's attractiveness to a specific group of stakeholders relative to a reference group of companies with which the company competes for resources. It is important to note, however, that a corporate may have different reputations held by different stakeholders.

Low-priced retailers may be may be liked by customers, yet loathed by suppliers. Relatedly, a disjuncture may exist between internal and external perceptions of corporate reputation.

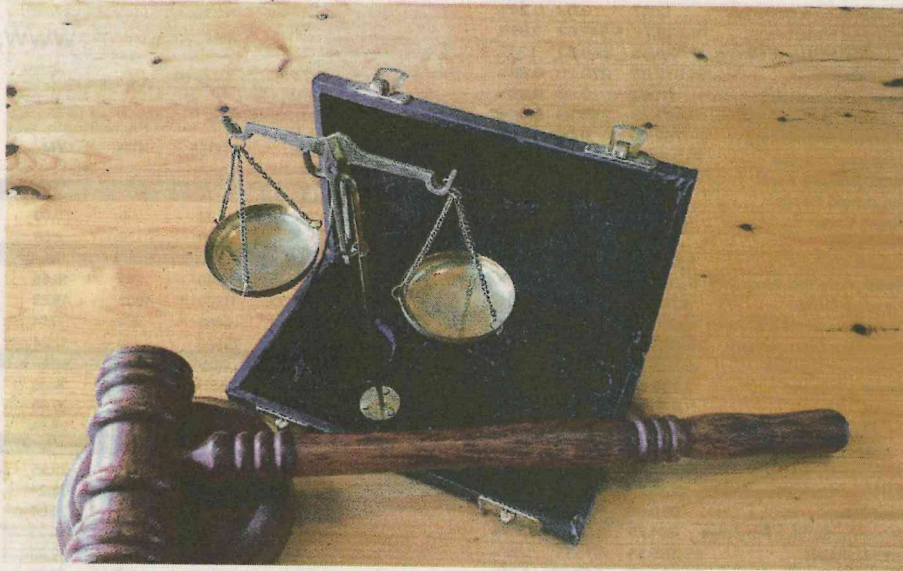
Characteristically, corporates and in particular their leadership, believe in their own reputation often without testing and measuring this against the opinions of external stakeholders.

Indeed, far too much time and effort is spent on branding and corporate spin and far too little on reputation management. The development of a positive corporate reputation requires far more than active investor relations.

Shareholders are but one vital stakeholder, along with employees, communities, customers, suppliers, regulators and media that are important elements to the creation of a positive corporate reputation.

Accidents, or rogue employee behaviour may morph into crises and damage corporate reputation, but are explicable, are often manageable and do not necessarily reflect a bad corporate ethos.

Indeed, how the corporate responds to such crises is the clearest indicator of its institutional ethics. Transparent and accountable corporate leadership in response to an issue or crisis can not only recover corporate reputation, but



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OPINION



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enhance it.

Collusive corporate behaviour is of an entirely different order however. By definition, collusive behaviour is wilful and sets out to secure financial benefit at the expense of other stakeholders.

These can be other competitors, or even the government, but most often, it is customers who are cheated by collusive behaviour.

The shadow of alleged collusive behaviour among some of South Africa's largest and most iconic insurance companies not only impacts local stakeholders and investors, but will factor into ratings agencies and could not have come at a worse time for a country scrambling desperately to escape being "grey-listed" by the Financial Action Task Force.

While the issues under investigation by the Competition Commission focus mostly on alleged collusion among life offices, a number of these corporates are directly or indirectly linked to banking institutions whose brokers promote and derive revenues from the sale of their products.

South African banks themselves were the focus of a Competition Commission inquiry into collusive foreign exchange practices resulting in fines being issued to many of the major banks in 2017.

Corporate reputation applies equally to non-private sector entities, however. Indeed, the conduct of entire sectors, most especially the financial services sector, hinges to some degree on the corporate reputation of regulators themselves. The Nupen and Zondo Commissions of Inquiry have borne witness to how easily the world-class corporate reputation of the South African Revenue Service was hobbled through the collusive behaviour of corrupt individuals, facilitated by the complicit behaviour of local and global corporates.

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