

# Changing media tactics to combat reputation risk

South Africa's energy provider under pressure: 2005-2007



In November 2005 South Africa and the Western Cape province in particular, was hit by severe power outages, as a result of an incident at one of the electricity generating plants. What first appeared as a short-lived electricity problem, expected to last only a few days, became a crisis running into months of unplanned outages. The crisis created uncertainty around whether the company would be able to meet the demand for electricity during the 2006 winter and beyond, to accommodate a growing South African economy.

Like the people of the Western Cape, who did not expect to endure many winter weeks in the dark, Eskom seemed to have been caught completely unprepared to manage operational challenges posed by the outages and to communicate effectively to manage the challenges and the crisis. The utility's media communication seemed entirely reactive, especially in the first few months. It was slow and sometimes even came across as arrogant, which to a large extent also played a part in the rapid decline in the company's media ratings, as demonstrated by MEDIA TENOR's research.

## Eskom back in the headlines

During the 2006 South African summer, the media focus on electricity issues naturally waned, but the issue of electricity shortages and supply challenges faced in the beginning of winter 2007 brought Eskom back to the headlines. The question to be asked is,

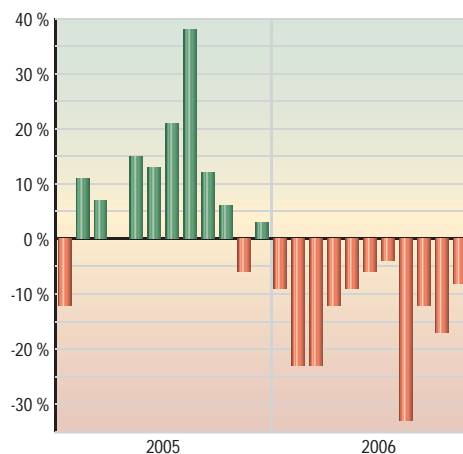
did Eskom learn anything from the past and how is it reacting and facing yet another winter?

Before the occurrence of first unplanned outages in November 2005, Eskom's media ratings were riding high. Media support of the company's business performance and business strategy was strong for six consecutive months, finances were receiving favourable ratings and critics of problematic issues, such as the pricing policy and electricity tariffs, appeared to have lost their media momentum. Even controversial issues, such as nuclear energy, which had previously attracted a heated debate and divided public opinion, were receiving little negative coverage.

Despite the highly favourable overall rating, the company nevertheless lacked proactive communication in some of the crucial areas, particularly in respect to management issues. The media profile of top executives as well as the company's Chief Executive Thulani Gcabashe was low in volume, which presented a risk for the company's media reputation. Indeed, the risk materialised later as the company's reputation took a pounding principally because of the poorly managed image of the company's executive and leadership team.

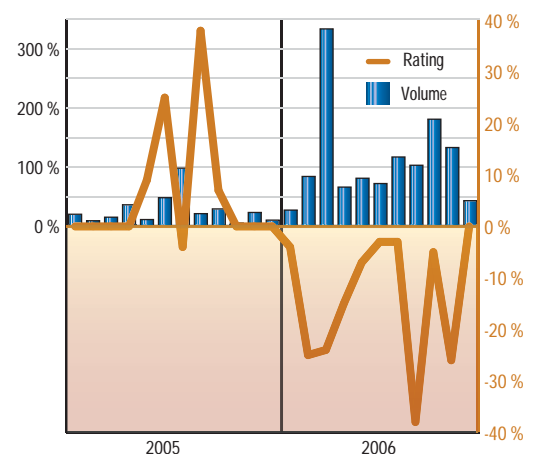
In the first week of the 2005 blackouts, the media focused predominantly on the unplanned outages. When the power cuts continued and the future appeared unpredictable, the media began to change focus and to look closely at issues such as the company's overall business policy, in an attempt to find reasons for such a major failure. This was a

## 1) Rating of Eskom



Share of all statements  
Basis: 37,929 statements on Eskom in 28 international media  
Time period: 01/2005 - 11/2006

## 2) Coverage on Eskom's management issues



Number and share of statements  
Basis: 1,566 statements on Eskom in 28 international media  
Time period: 01/2005 - 11/2006

failure which in the beginning of 2006 pushed media ratings of previously very positive issues like the company's business strategy and investments in new capacity, deep into the negative. An added problem was the fact that during this period the company continued to communicate with the media predominantly through its spokespeople, while the CEO remained in the background.

In February 2006, the severe criticism spread to management issues. The impact of the criticism on the image of top executives was pronounced due to the weak media profile of the management prior to the crisis and the lack of response in the first months of the blackouts. When the CE finally stepped in the media spotlight to address the capacity issues, the ratings on Eskom plummeted further. From then on, Eskom's media rating remained deep in the negative for the rest of 2006.

### Eskom learnt the lessons

If the November 2005 power crisis caught South Africans by surprise, the same cannot be said for electricity outages in 2007. Although the media continued to be highly critical of electricity cuts, MEDIA TENOR's study of business media coverage on Eskom in the first four months of 2007 indicates that the company did learn its lessons from the communication challenges in 2006 and has since become significantly more proactive in its communication. This was reflected particularly in the following areas:

- Regular communication on the country's cur-

rent electricity supply and clear presentation of the company's business strategy as well as steps Eskom is planning to meet a rapidly escalating demand:

- The company's management has also adopted a significantly more proactive role in communicating with the media compared to 2006, particularly its new CE Jacob Maroga, who assumed "the most challenging job in the country" in May 2007.
- Eskom has enhanced consumer education on electricity efficiently and communicated proactively on incentives to households and businesses to use alternative sources of energy through the media.

While the criticism towards the outages remain, this noticeably changed communication approach is already reflected on the less damaging media rating on all crucial reputation issues. (kd)

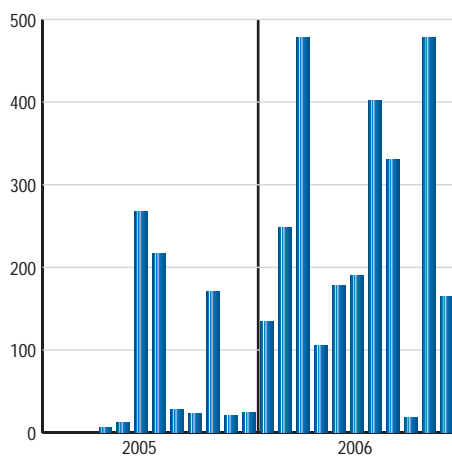
### Basis

**Media Set (2005-2006):** Beeld, Business Times, Business Day, City Press, Business Report, Financial Mail, Daily Sun, FinWeek, Pretoria News, Mail & Guardian, Sake, Rapport, Sowetan, Sake Rapport, The Citizen, Sunday Independent, The Star, Sunday Times, Sunday Sun, Sunday World, The Weekender, SABC (Afrikaans, English, Sotho, Zulu/Xhosa, Africa News Update, News@One, News@10), E-TV News

**Media Set (2007):** Business Day, Business Report, Sake, FinWeek, Financial Mail, SABC (Afrikaans, English, Sotho, Zulu/Xhosa, Africa News Update, News@One, News@10), E-TV News

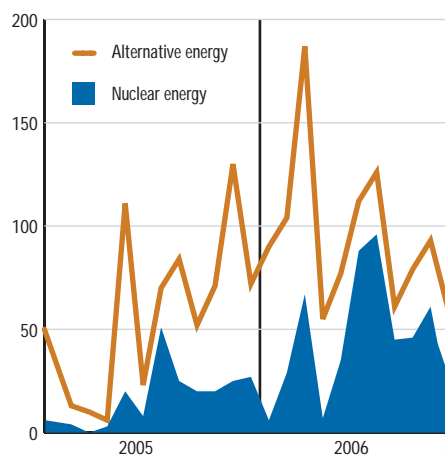
**Timeframe:** January 2005 - April 2007

### 3) Eskom's CEO as a source



Number of statements  
Basis: 3,496 statements on Eskom in 28 international media  
Time period: 01/2005 - 11/2006

### 4) Coverage of alternative and nuclear energy



Number of statements  
Basis: 1,717 statements on Eskom in 28 international media  
Time period: 01/2005 - 11/2006

