Credit Suisse & Campden Research

A Roadmap for Generational Wealth in Asia
Reputation

November 2014
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Foreword

Asian family businesses contribute significantly to economic activity and social development, perhaps more than in any other region in the world. The Credit Suisse Research Institute found that almost 1,280 listed companies above US$500 million in market capitalisation in Asia (excluding Japan and Australia) to be family-influenced. In addition to this, the proportion of family businesses is even higher in unlisted or privately held companies. Many of these family businesses will see generational transition of family ownership and leadership in the next decade or so.

Credit Suisse has had the privilege of serving many of the world’s wealthiest families since 1856. We recognize that generational wealth is a holistic combination of financial wealth, assets and the family business. To help families and their businesses prepare for this generational transition, Credit Suisse has collaborated with Campden Wealth Research to present the series: “A Roadmap for Generational Wealth in Asia”.

This Roadmap series will comprise a number of occasional papers that focus on various aspects of generational wealth, and aim to provide a framework for families to consider how to manage the different aspects of such a transition. The papers will also aim to be empirical, by containing survey based methodologies of family businesses across Asia, so as to provide the reader with a form of peer learning through insights into what other business families are doing and thinking about.

We are delighted to present the first paper of the Roadmap series, which focuses on the reputation of a family business and its various dimensions, including measurement, management, protection and promotion in an era where social media is growing and innovating continuously.

We trust this paper will be of interest and guidance to family business leaders on both sides of a generational transition; and look forward to presenting future papers in the Roadmap series.

Francesco de Ferrari
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**Executive Summary**

In the age of digital communication, the reputation of a family business can rise and fall at speed. While it may have taken a generation – or two, or three – to build a reputation, in the 21st century, time is no longer always on the side of family business leaders. Whether it stems from competitor-spurned negative publicity, employee misstep, or youthful blunder – when reputational damage strikes, it strikes fast, hard and often with irreversible consequences, as evidenced by the financial crisis and its local aftermath.

Importantly, not all reputation events are negative. Rather, with the rise of social media – in the world’s fastest growing economic region and world’s largest concentration of internet users – opportunity is unbounded to promote and preserve the family business reputation.

This rapid change means that now, more than ever, a family’s reputation requires serious attention as well as important protocols around managing its image.

But performing either of these efforts successfully – reputation protection defence and promotion – require a common characteristic: the need to manage reputation actively. As markets in Asia-Pacific continue to develop and competition increases, family business leaders are developing formalised – and often, complex – systems to manage reputation. For business families, developing systems to manage reputation requires early, effective intergenerational dialogue.

Communicating about reputation begins a constructive dialogue where participants – family members, non-family executives and trusted advisors – reflect on achievements and best practices, instead of fixating on reputation anxiety or youthful recklessness.

This report aims to facilitate that process, by analysing the current state of reputation management among business owning families in Asia-Pacific. From examining the values that underpin family business leaders’ views on reputation, to the structures implemented to measure and manage reputation, this report looks at the strategies and organisational structures that business families employ to protect and promote their business’ reputation.

Most importantly, the report provides a roadmap for the fluid transition of family business leadership in Asia-Pacific. As the next generation assumes positions of family business leadership, they have the opportunity – and the inclination – to introduce fresh ideas. This generation has the chance to incorporate the best aspects of early generation reputation management, while employing a proactive, often tech-savvy approach to ensure that the family business is resilient to reputational damage. Thus, the family business – and the family legacy – may continue to prosper.

The report covers three main themes:

**Valuing Reputation**

Asia-Pacific family business leaders recognise the importance of reputation for long-term success. However, intergenerational communication is crucial in ensuring the values associated with a positive reputation are transferred to future generations. When predecessors mentor the next generation about existing best practices and organisational structures, this promotes increased predecessor confidence, as well as successor readiness, resulting in a smooth transfer of responsibility.

**Managing and Measuring Reputation**

Across Asia-Pacific, a majority of successful family businesses employ formal and measurable objectives for managing reputation. These businesses share distinct advantages, including higher levels of reputational confidence, which themselves translate into improved resilience. Many of these business families have already suffered negative reputation events; others have exercised the foresight to learn from the experiences of these less fortunate. The next generation of family business leaders should continue this trajectory of improvement by defining clearly roles and responsibilities for key personnel, as well as incorporating reputational risk considerations into transition plans.

**Protection, Management and Promotion of Reputation**

Since the 2008 financial crisis, Asia-Pacific family businesses have been particularly involved in protecting their own reputations, often through the use of social media. Yet, it is time to move beyond purely reactive strategies and to adopt structural and proactive measures. These steps, while expressing an overarching reputation management strategy, often employ social media and digital communications. Both characteristics position young leaders to maximise opportunities to improve reputation, while safeguarding the reputation their predecessors worked so hard to achieve.
Section 1
Valuing Reputation

• Nearly eight out of ten Asian business leaders consider reputation an important part of business success. Eighty-three percent of all business leaders identify integrity as the most important value for business reputation;

• Business leaders’ positions within the family business, in terms of ownership structure and management role, impact their perceptions of the core values relating to business reputation. Transparency is the most important value for business reputation among the next generation;

• Although confidence in reputational resilience is high among all participants, confidence is highest, by a significant margin, among those family business leaders who have experienced a negative reputational event in their past. The next generation is the most confident grouping in terms of ownership structure;

• Intergenerational communication is key. While the next generation attribute more importance to reputation, and are more willing to implement management frameworks, they lack experience in dealing with reputational events. Mentorship and organisational agility are prerequisites for the seamless transition of reputation in Asian family business succession.
Reputation is important
The benefits of a good reputation are apparent: competitive advantage, increased loyalty in a brand, better recruitment prospects, increased value of a firm, and an increased resilience and support base among stakeholders of the family business, particularly during times of reputational crisis or controversy. Customers prefer to do business with trusted brands that retain strong reputations; they are also more likely to pay a premium on a product if the reputation of the brand provides value. As such, it is unsurprising that Asian family business leaders consider reputation important to the success and longevity of their business: 78% of participants in our research study identified it as very important or important, with just one participant dismissing it altogether (see Figure 1.1).

Figure 1.1 Importance of reputation to family businesses

Considering that only 30% of Asian family business members are motivated by the act of making money, it is fair to assume that much of their approach to business success stems from a commitment to core values, which manifest themselves when considering reputation. As the economies in Asia grow, the region has developed a greater focus on reputation management.

“I tell my children and employees in the business: Our reputation must always – always – precede us in a good way.”

The values most important to business reputation
But what values do family business leaders deem most important to their reputation? Which values inform their outlook and strategies for managing reputation?

Eighty-three percent of participants attribute some degree of importance to integrity, followed closely by fairness (82%), transparency (79%) and social and environmental responsibility (74%).

* All quotations provided in this report are attributable to Asia-Pacific family business owners who participated in interviews for the confidential study. In order to honour their request to remain anonymous, no identifying details will be disclosed as citations.
individuals currently awaiting succession) participants are least likely to attribute special importance to a particular reputational value (see Figure 1.3).

This distinction is important, for it reflects the changing values held by members of the family business throughout their association with the business; alternatively, one might consider how leadership regards reputation within the family business as the family business leadership and management transforms over time. Family business founders who have already transferred leadership are more aware of reputational impact on the process of succession. In contrast, current leaders and senior management have greater awareness of the impact of reputation management on a business’s integrity. The effects of preparation and anticipation (perhaps, even, anxiety), on the part of the next generation, is manifest in their formalisation of the management structures of the family business; hence, transparency stands out for this group as a critical reputational value.

Confidence in reputational resilience

Negative reputational events have impacted 30% of the family businesses in the sample. Yet, of this group, 92% are either completely confident or confident in their resilience against future negative reputational events (see Figure 1.4). Conversely, of those participants whose family business has never suffered a negative reputational event, only half retain similar levels of confidence in their ability to deal with reputational damage. A lesser 46% of those family businesses lucky enough to have avoided a reputation event to date are moderately confident that their business is resilient to negative reputational events.

Figure 1.4 How confident are you that your business is resilient against reputation damage?

But why would a business leader who has suffered from reputational damage express higher levels of confidence in resilience?

Perhaps it is because family businesses that survived a negative reputational event have responded by implementing structures and procedures designed to prepare the family business for future events. Before turning to issues of managing reputation and mitigating damage, the remainder of the section explores further the relationship between participant business role and confidence in resilience.

Ownership structure and confidence in reputational resilience

Once again, there is a direct relation between the participant role and perception – this time, relating to the family business’s resilience to reputational damage. Approximately 83% of the next generation exhibit strong levels of confidence, compared with 67% for both current senior managers and controlling interest owners. Those participants who had already relinquished control could only report moderate levels of confidence in their resilience to reputational damage.

Considering they are acutely aware of the impact that reputation events have on business performance, prospects and market share, family businesses that have experienced a negative reputational event allocate higher priority to reputation in their decision-making processes and, particularly, in business development and investment decisions (see Figure 1.5). Anecdotal evidence also suggests that some family businesses have learned from other businesses’ negative reputational events:

“It’s about making sure that when other companies are losing public trust and attracting anger, we are there to support our customers. For example, I did this with my company after the crisis began in 2008: we made sure the company was watertight...Anybody who was not part of this ‘cracking down’ on image was told to leave and find a new job.”

“We managed the financial crisis by anticipating and guarding against accusations before any became public, ensuring our reputation stayed strong in the following months, while other companies were reactive and failing – and I mean really dropping – all around us.”

Figure 1.5 Importance of reputation for business development and investment decisions, by experience

Source: A Roadmap for Generational Wealth in Asia: Reputation
**Roadmap for the next generation**

“In Asia, you definitely see more of a respect for reputation. A respect towards family and hierarchy. In the West, there is a tendency for children to go and off and do their own thing straight away. In Asian family businesses, there exists an expectation for intergenerational succession – motivated, often, by the desire to uphold the reputation of the family and its business.”

While the research echoes the general importance of values-based business strategy – and the importance of reputation, in particular, to Asian family business leaders – it is important to note the generational difference in perspectives on reputation. Importantly, only 33% of current generation leaders regarded reputation protection as important, compared to 80% of next generation members awaiting transfer of the family business. The fact that participants who are “current” leaders may themselves be second- or third- generation family members suggests that, in this context, concern for reputation is less connected to youth or millennial values than successor status.

Considering these differences between family member perspectives on the importance of reputation, Asian business families should focus on communication when designing plans to bridge this gap. Furthermore, reputation itself might serve as the bridge for succession, since successors are more prone to consider its importance. It is natural, therefore, for successors to assume responsibility for these aspects of the business.

As successors and current family business leaders enter the reputation planning process and begin to consider developing a long-term business reputation strategy, reputation may serve as the common ground upon which to initiate discussions of business strategy and, importantly, succession and leadership transitions.

“Well I think for the earlier generations, generally speaking, they just felt...that if you produce a good product that it would sell itself. And that would impact positively on the reputation of the company.”

Intergenerational communication about reputation, then, can facilitate the mutual understanding of shared values and common goals, not just for the family but for all employees.

“[Communication] ensures that the whole organisation – not just one individual – is familiar with this process.”

While the research indicates that the next generation understands the value of business reputation, there remains a need to ensure successors garner the appropriate, practical experience in reputation management. Mentoring the next generation while transferring responsibility will allow the current leadership to maintain oversight of business reputation, while delegating its management to future leadership.
Section 2
Measuring and Managing Reputation

• Asian family business leaders rank communications and messaging strategies as the top reputational campaign objective, followed by brand visibility and awareness. Objectives more directly related to business success – such as sales and feedback, and business/industry intelligence – are ranked amongst the least important reputational objectives;

• The implementation of formal and measurable objectives improves confidence in reputational resilience. Also, family businesses that have experienced a negative reputational event are more likely to employ formal or measurable objectives for reputation management;

• Eighty-eight percent of family businesses that have used external firms (or keep a firm on retainer) for reputation management employ either formal or measurable objectives. In comparison, only 57% of self-sufficient firms (i.e., those that have not coordinated for external reputational management support) employ formal or measurable objectives for reputation;

• Individuals alone cannot be the ultimate guardians of reputation. Resilient businesses implement structures to manage reputation, including clearly defined roles for key personnel;

• In order for family business leaders to understand the complex nature of reputation, transition plans may include a discreet review into reputation risk, leading to the development of objective and formal reputation measures, as well as an official reputation risk strategy.
The impact of formal and measurable objectives on confidence of resilience

Although reputation is notoriously difficult to measure – and, perhaps, even harder to safeguard, this does not mean one needn’t try. Indeed, remarks made by participants in the last section demonstrate the relevance of the financial crisis on this topic: businesses need not only adhere to core values of integrity, transparency, and fairness, they must also gauge public and consumer perceptions of their family business reputation.

Many Asian family business leaders, this study found, are doing just that. A quarter of Asian family business participants employ both formal and measurable objectives for reputation management (see Figure 2.1). Forty-five percent of participants use one type of objective, but 30% of participants use neither. Comparatively, this rate is higher than corporate businesses in the U.S., where only 19% of businesses have a formal system in place to measure reputation.

![Figure 2.1 Does your business have formal and/or measurable objectives for reputation?](source)

Perception studies, through the use of surveys, are fundamental to this process and one of the best methods for measuring reputation. This allows family businesses to look at specific aspects of their reputation amongst target groups. These multidimensional surveys may not only affect product development and marketing, but the organisational structure and human capital management of the organisation.

“Surveys should be conducted across different areas – such as how customers regard the company, employee satisfaction, in addition to deep dives into specific areas of the company’s reputational strengths and weaknesses.”

Reputation objectives and confidence

Businesses that have incurred a negative reputational event are more likely to employ at least one type of (measurable and/or formal) reputation objective (83% compared with 64% of business leaders who have not experienced a reputation event). But how does this impact confidence?

Consider Figure 2.2. While experience impacts confidence (as addressed in section 1), the employment of formal and/or measurable objectives appears to have a stronger impact. Business leaders most likely to declare the highest levels of reputational resilience are those individuals whose business has survived a reputation event and currently employ objectives to monitor reputation, either formal or measurable or both.

![Figure 2.2 Confidence, by event and implementation of formal and measurable objectives](source)

This trend should shed light on the (relatively higher) rate of resilience confidence among negative reputation event survivors. Those family businesses that have undergone a negative reputation event now monitor reputation as a part of their communications strategy. But, is measurement merely defensive? What steps can family businesses take to protect or promote reputation? In order to understand these issues, we should consider more closely the mechanics of reputation objectives.

The mechanics of reputation objectives

As the top-ranked reputational campaign objective (see Figure 2.3), the very essence of message delivery and information sharing relies on the idea of open communication between business and consumer. For business leaders to be able to communicate their business’s current status and future intent is clearly important in an age of globalisation and freely-available information. Information sharing is tied intrinsically to transparency and ‘brand visibility and awareness’, which participants consider to be the second most important campaign objective for promoting reputation. Alternatively, at the opposite end of the mechanics of reputation, objectives such as ‘sales and feedback’ and ‘business/industry intelligence,’ are among the lowest ranked. Considering that a business’ turnover (sales) and competition are two of the factors most likely to influence its short-term economic success, the low ranking of both objectives in a reputational environment suggests that a business’ reputation can be viewed as a soft asset, measured in its long-term impact, rather than a factor that is candidly linked to business revenue.

Least important under reputation campaign objectives is
‘media engagement’, an influential group with whom family business leaders do not currently engage on any significant scale. However, one study participant noted that families were losing out by not establishing and furthering personal relationships with media contacts:

“In a sector where discretion and trust are critical, it’s important. Because it determines whether the media and/or bloggers have time to form an opinion rather than wait till a crisis happens, and then rely on whatever [publicity] comes out. Then credibility must be built from scratch.”

Reputation campaigns and social media

“I would not consider investing in social media to monitor competitors or engage clients to solicit feedback. I think social media is an inherently public tool – what is out there is meant for everybody to see. We have better, more secure, more private and personal ways of reaching out for those things.”

In relation to customer and investor relations, social media use for the management and measurement of reputation (see Figure 2.4) is predominantly based in reputation promotion and community building (69%), with environmental scanning (59%) and reputation promotion and defence (51%) also prominent. In conjunction with the mechanics of reputation, social media is used least often for competitive intelligence (44%) and service and support (28%). Once again, reputation can be characterised as a soft asset, for understanding current business conditions while building consumer communities online. Where the softer objective of ‘environmental intelligence (scanning)’ is escalated to ‘competitive intelligence’, the number of business leaders using social media to achieve this objective falls considerably.

The ways in which family businesses use social media vary according to whether or not they have incurred a negative reputational event in their past (see Figure 2.5). Those that have had reputational damage saw 83% of participants use social media for reputation promotion and defence. Only 37% of participants who have not incurred reputation damage would use it for a similar purpose. As they force businesses to re-evaluate their priorities, incidents of reputational damage can drastically alter the role played by social media in the process of reputational resilience and management.
Reputational confidence is higher among family businesses that have used external firms in the past, or have one on retainer. Three quarters of these businesses are at least confident about their reputation management, though this figure drops to 54% when examining businesses that have not identified or expressed a need for an external firm. The retention of external reputation firms is an action that suggests businesses are doubly wary of reputational risk, and as such, have developed a contingency service through which to improve resilience during reputational events.

Family businesses more likely to use external firms are also more likely to use measurable objectives. These objectives can be developed by the external firm for the business and implemented initially through simple, but broad-ranging key performance indicators (KPIs). KPIs can be treated as the first stage of a reputational framework in the family business, and as indicators from which to develop more complex reputation measurements.

**Roadmap for the next generation**

Asian family business leaders should look to create suitable structures for reputation measurement and management, particularly in today’s digital age, where they cannot expect to remain the sole guardian of their business’s reputation. These structures must contain clearly defined roles for key personnel throughout the company.

Family business succession planning should include a discreet review into both internal and external reputation risks of the family business, and the role of business resilience frameworks in mitigating these risks. This review should result in the delineation of measurable reputation objectives, which give rise to the creation of resilience frameworks. The responsibility of implementing facets of these frameworks, in turn, should be delegated across the board, leadership teams, communications directors, and risk managers, as well as monitored by steering committees in accordance with newly designed and implemented reporting systems.

Ideally, resilience frameworks focus on the dynamic between preventative and mitigating measures and are, thus, designed to weather the risk of both internal, structural weaknesses and external, negative reputation events. During this transition process – whether in planning, implementing or reviewing – external firms should be consulted, particularly if business leaders lack knowledge of reputation management systems, not only for the expertise that specialist firms leverage, but for the objectivity their independence affords.

These considerations should make it evident how reputation and succession accelerates the professionalisation of a family business. Not only are successors primed to consider reputational issues, but involving the next generation early in the succession process affords them the flexibility to develop a long-term, strategic outlook, in partnership with the current family business leaders, an advantage discussed further in the next section.

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**External firms in measuring and managing reputation**

Where reputational management is not a function of their internal environment, businesses can turn to external firms for the management and/or measurement of reputation. Twenty-five percent of Asian family businesses have used external firms, or have a firm on retainer for contingency. Of these businesses, almost nine out of ten business leaders employ either formal or measurable objectives, or both. In comparison, only 57% of those firms that have not identified or expressed the need for an external reputational management firm employ some form of objective. The involvement of an external management firm may encourage the family business to introduce internal formal and measurable objectives, and eventually manage its own reputation protection.

Businesses using external firms to manage their reputation are more likely to use social media for the campaign objective of reputation promotion and defence (88%), than those who have not identified or expressed a need for such a firm (37%).

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**Figure 2.5 Regarding consumer and investor relations, for what aspect of reputation management do you use social media?**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Overall</th>
<th>Negative event</th>
<th>No negative event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation promotion and community building</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Environmental scanning</td>
<td></td>
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<tr>
<td>Reputation protection and defence</td>
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<tr>
<td>Competitive intelligence</td>
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<td></td>
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<tr>
<td>Service and support</td>
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</table>

Source: *A Roadmap for Generational Wealth in Asia: Reputation*
Section 3
Protection, Management and Promotion of Reputation

• Twitter and Facebook are the most popular social media sites for managing reputation among smaller businesses (net 2013 revenue less than $500 million) in the sample. Larger family businesses all use LinkedIn for their reputational management;

• Marketing strategy and former reputational events are the two most important determinants influencing reputation management allocations within the public relations (PR) budget;

• Doing it themselves: For smaller businesses, monitoring, managing and protecting family businesses’ reputation is most likely the responsibility of a member of their senior management team;

• Family business leadership (board members, executives and managers) – whether family members or not, irrespective of generation – should support the development and implementation of a reputation management strategy;

• Effective reputation strategies employ proactive rather than reactionary measures. The business that publishes regular content on its activities is better prepared for negative reputation events;

• Social media usage is critical to this proactive approach: business leaders should set clear guidelines regarding online conduct for employees, along with an early warning system for mitigating (internally- or externally-caused) negative reputation events. Social media constitutes an opportunity to prepare the way for a smooth intergenerational transition, through leveraging the next generation’s familiarity with digital structures and the role such structures can play in managing business reputation.
Social media usage in the management of reputation

In the last section of this report, participants highlighted the importance of using social media to measure reputation: this is a trend that is explored further in the final section, though with a focus on the proactive: reputational protection, management and promotion.

Two-thirds of Asian family businesses use LinkedIn, with other social media sites including (from most to least popular), Twitter, RenRen, Facebook, and Weixin. The use of RenRen and Weixin are almost exclusive to participants from China, Hong Kong, and Singapore, suggesting an awareness of the power of home grown social media platforms when conducting business in China.

Businesses with revenue greater than $500 million in 2013 all used LinkedIn, compared with 29% of smaller family businesses using the same platform. Family businesses with revenue less than $500 million preferred the use of Facebook and Twitter for their social media outreach and management (see Figure 3.1), a preference corresponding with their popular reputational campaign objectives of ‘visibility and awareness’ and ‘message delivery’ (see Figure 2.3). Larger revenue businesses may find using LinkedIn more beneficial in targeting major stakeholders as part of their ‘reputation protection and defence’ objectives.

Determinants of allocation of the public relations budget

In determining the percentage of a business’ total public relations (PR) budget allocated to reputation management, the research proves the importance of family business attitudes to reputational protection. With six out of ten Asian family business leaders allocating 10% or higher to reputation management, it is surprising that 13% of Asian family businesses allocate nothing. The lack of allocation might suggest reputation management has not, as of yet, managed to separate itself fully from public relations, and establish itself as a valuable asset in the psychology of Asian business leaders. These participants could, of course, be allocating to reputation management in an ad hoc, rather than periodic, manner. Periodic allocation is more desirable, however, as it ensures a long-term strategy can be implemented, as opposed to waves of funding that are aimed at responding to short-term reputational incidents.

The allocation by larger firms (2013 revenue greater than...
$500 million) to reputation management in the PR budget is significantly higher than in smaller family businesses (average of 10% compared with 1-4% respectively). Resource availability may be a determining factor, for example, similarly high fees for website maintenance will constitute a significantly higher proportion of smaller family businesses’ public relation budgets.

Business leaders’ determinations of this allocation are impacted considerably by marketing strategy and former reputational events (see Figure 3.2), both positive and negative. Two-thirds of allocation decisions were determined by these factors. Those citing ‘market and industry conditions’ also commented on the impact of the 2008 financial crisis, considered as a negative reputational event incurred by all businesses. Comments from participants cited the crisis as a catalyst for a marked increase in public anger, and a rising sensitivity towards unsavoury business practices. The negative attitude towards several business sectors (the most obvious example being that of finance) is reflected in the volatility of the current macroeconomic environment, and illustrates the growing importance of reputational resilience to the family business model.

Figure 3.2 What determines your allocation to reputation management in the public relations budget?

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Marketing strategy</td>
<td>36%</td>
</tr>
<tr>
<td>Market or industry conditions</td>
<td>26%</td>
</tr>
<tr>
<td>Negative reputation event</td>
<td>21%</td>
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<tr>
<td>Positive reputation event</td>
<td>9%</td>
</tr>
<tr>
<td>Business growth</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: A Roadmap for Generational Wealth in Asia: Reputation

Unsurprisingly, businesses that have incurred negative reputational events in their past were likely to allocate more to reputation management in their

Does the technology sector have greater reputational risk, due to the presence of hacking?

Twenty-eight percent of the family businesses represented are involved in the technology sector. Between the increasingly common nature and frequency of data breaches, and internal negligence accounting for other forms of reputational damage, negative, digital reputational events significantly impact the ability of the sector to manage reputation. When multinationals such as Visa, Mastercard, Paypal, and Sony are under the risk of, and have already been the victims of serious data breaches, family businesses must be willing to understand the vulnerabilities and downsides of digital frameworks. Such attacks can be hugely detrimental to business reputation: distributed denial of service attacks (DDoS attacks), for example, can disrupt online service and, potentially, the leakage of private data, compromising consumer trust.

"Cyber security is a big threat today. And the number of data breaches in large businesses is almost...once a month!"

Furthermore, those businesses involved in financial services and technology are at greater risk, though this has been somewhat mitigated with efforts to introduce cyber security as a standard practice of firms. Over 90% of banking industry executives incorporate IT issues into their reputational risk management strategy. These strategies are becoming more common across digital sectors.

"I think companies are realising that they need to have a plan in place, and so there is more proactive planning for managing reputation when there’s a breach."

Despite the increased risk, consumers are still willing to access financial services online, with an estimated one in four regular web users banking now online. This demonstrates that the reputation of such online services are still intact, and that, currently at least, consumers are willing to endure the risks to their personal data for the ease of service provided.

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PR budgets. Their experience of negative reputational events is likely to be a determining factor in this allocation. Participants who had not suffered negative reputational events often referred to the experiences of other firms, with one participant declaring that, “other businesses’ negative experiences have taught us always to be 100% alert.” However, this awareness was not always evident in participants’ actions, with those who had not suffered a negative reputational event only allocating an average of five percent of their PR budgets to reputation management, compared to 25% for who had first-hand experience of prior negative reputational events.

Family business reputation after the financial crisis
Across the board, confidence in reputational resilience is high (see Figure 1.4), but family businesses have remained cautious after the 2008 financial crisis, and unwilling to decrease allocation to reputation management. In the past three years, a third of family businesses have increased their allocation to reputational management in the PR budget, while just over half have kept their allocation at a steady level. That some business leaders are willing to reduce their allocation on reputation management is somewhat surprising, as it suggests they are very confident in their reputational resilience – though it remains the case that the majority of participants have elected not to reduce allocations to reputation management.

When asked about how attention to the long-term management of their reputation changed since the 2008 financial crisis/global recession, our case study responded,

“There is more focus on other aspects of reputation – such as leadership, sustainability, succession.”

This is not unique, as increasing numbers of family businesses respond to globalisation and the impacts of global financial crises and negative reputational events.

“People are realising that they are having to manage that, a long-term strategy. Be proactive and have plans in place. And when anything goes wrong, they’re in position to reset, to deal with it when it happens.”

Doing it themselves: Business leaders in smaller family businesses taking responsibility for reputation
Almost half (45%) of participants use communications associates or teams to monitor, manage, and protect reputation (see Figure 3.3). Yet those businesses with 2013 revenue greater than $500 million are significantly more likely to use communications associates or teams, departmental members or legal teams for these purposes.

“Corporate communication people have a higher role in the organisational charts today…The counsel for reputation management is getting to the top much faster.”

Comparatively, those relatively smaller family businesses, with 2013 revenue less than $500 million, are more likely to assign a member of their senior team, or the controlling interest owner, to the task of reputation management.

Business leaders in smaller revenue family businesses are more likely to undertake a greater number of responsibilities for the business. While some businesses would not have the resources to delegate these responsibilities elsewhere, the involvement of senior management might also suggest an increased importance placed by smaller revenue family businesses on reputation management and protection.

On his use of an internal/in-house reputation management, one participant stated:

“The PR team is…in-house, full time working on managing our reputation...[and] of course looking after reputation, but this is not just about releasing press releases and writing things on Facebook and Twitter.

We used an outside firm for a while, but they were like a boring answering machine who said the same thing, gave the same statement every time something popped up. Now we promote the positivity in ourselves to the world, and all in-house too.”
Roadmap for the next generation

The significance of market conditions in allocating budgets for reputation management among this research sample implies a predominately reactive approach towards reputation risk and resilience. Conversely, adopting a proactive approach enables the family business to mitigate negative reputational events that might otherwise derail the business, minimise reputation recovery time after an incident, as well as capitalise on latent opportunities for positive reputation gains.

“We can’t just be responding to negative things all the time, we must be out there and putting our message out 24/7.”

Social media is critical in this shift from reaction to action, for it affords new opportunities and the expansion of networks, the enhancement of communications messaging through said networks, as well as facilitating real-time feedback loops and early warning for compromised reputational information. As the family business develops, the next generation in particular will need to evaluate and adapt the way the business and the family utilises social media, incorporating its use into the business’s reputation resilience and digital policy frameworks. Policies created for social media will vary depending on the family business, and range from guidelines/standard policies for employees, to the introduction of more sophisticated measures when dealing with financial data and personal records. Where message delivery and visibility/awareness are top priorities for family businesses, the critical role of social media in crisis communication must be prioritised by business leaders.

“In the past, families would practice, perhaps, some form of corporate social responsibility, without any strategies or promotion behind it. Whereas today, you know there are all kinds of communications strategies already in place, before even you hear the details of a campaign, an initiative, or a business decision.”

Senior management teams in the family business should exercise structural oversight of the reputation management process, in order to better co-ordinate reputational response strategies. Tracking business reputation in the long-term is a necessity, and permits family business leaders to observe the effectiveness of their key reputational management objectives.

“Having a year-on-year assessment is ideal, as it is long enough to evaluate opinions. If there’s a crisis, it should be addressed sooner rather than later. But if the climate is normal, a yearly assessment is enough...for companies to see if they have charted a path of where they want to go and want to see whether programmes put in place work. It’s best to have a period of time that is consistent, as long as it’s constant.”

Long-term business reputation strategy is intrinsically connected to corporate communications, branding and identity. While the next generation should be involved in the vision for long-term reputation planning, mentorship by family members or senior managers in the family business ensures that their contributions to reputation are strategic, resilient, and closely linked to business success. Social media, again, is a natural fulcrum point for managing a smooth intergenerational transition, for it allows the business to leverage the next generation’s familiarity with digital structures in a way that improves the business’s resilience (systemically) and, thereby, in a way that’s relatable and recognisable by senior leadership.
Profile of Participants

Participants’ position in the family business: Participant role with regards to the management and control of the family business varied significantly.

Family business location: Approximately 46% of participants were from South East Asia. Both East Asia and Southern Central Asia contributed 23% of participants. Finally, the Asia Pacific brought in the remaining 8%. The proportion of participants from each representative nation can be seen right.

Family business revenue: The majority (54%) of participants had 2013 revenue greater than $500 million. The bulk of these family businesses were from Hong Kong and Singapore (57%) with the remainder from 6 different countries. The relatively smaller family businesses with 2013 revenue less than $500 million were spread equally amongst different nations.

Family business industries: Participants’ family businesses constituted over 12 major primary industries. Twenty-two percent of the family business participants’ primary industry was in financial services and real estate. ‘Technology and Telecom’ was also prominent, with 15% of the businesses reporting thus.
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Endnotes


2. Barclays and The Economist Intelligence Unit, (2009). Family Business in Safe Hands?. Barclays Wealth Insights Volume 8. Barclays, p.8. The impact of these values on generational transfer is no secret. Many family business owners consider their business to be “an asset to be passed down the generations, rather than simply a source of personal wealth.”
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