

STAKEHOLDER PERCEPTIONS OF ORGANISATIONAL RESPONSE TO CRISIS:  
A CASE STUDY

by  
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University.



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DECEMBER 2019

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## ABSTRACT

On Tuesday, 30 January 2018, Viceroy Research released a report on Capitec Bank, making allegations about Capitec Bank participating in predatory finance activities and accusing them on twitter as being the metaphorical “wolf in sheep’s clothing”. The report stated that Viceroy deemed it only a matter of time before the business activities of Capitec Bank would start falling apart. Viceroy speculated that the unravelling of this bank could possibly lead to bankruptcy, and compared the position of Capitec Bank to the problems African Bank faced before it collapsed in 2014. This study starts by determining the suitability of this crisis for an exploratory study and case study design that may yield scientifically useful insights. A qualitative approach to the study was applied due to the complexity and ongoing nature of the crisis episode under investigation. The selected qualitative approach provides the flexibility to deal with the case and to gain a deep understanding of stakeholder perceptions. The study assesses and reviews existing stakeholder literature. It also delves deeper into the background of stakeholder management theory, and reviews the Freeman vs Friedman debate by questioning the importance of all stakeholders against prioritising only an organisation’s shareholders. Different strategies of communicating with various stakeholders are explored, and the importance of setting up and maintaining stakeholder relationships is emphasised. The findings in existing literature on crisis communication strategies are discussed. This provides definitions for reputation and crisis, and scrutinises crisis communication specifically. The importance of Coombs’s work, generally considered seminal in the field of crisis communication, comes to light. Coombs’s Situational Crisis Communication Theory (SCCT) is introduced, seeing as this theory provides important background to the coding schemes and framework that are applied for the thematic findings and reported on in the findings. A non-probability sampling method, namely purposive sampling, was used to conduct semi-structured interviews with various stakeholders of Capitec Bank. Data saturation was achieved after 14 semi-structured interviews (SSIs) with purposively selected stakeholders of Capitec Bank. ATLAS.ti was used as content-analysis qualitative data analysis software (CAQDAS) to assist in the analysis of data gathered through the SSIs. The research findings are discussed thematically according to the coding scheme based on Coombs’s SCCT. Thus, the study also offers valuable practical information by supplying the reader with guidelines drawn from empirical and theoretical findings to address stakeholders’ expectations during and after a crisis such as the Viceroy report. These guidelines may assist other

organisations to enhance their own ability to deal with a corporate crisis. It is important that the reader understands that this study did not aim to find a single, set way of addressing stakeholders during and after a crisis, but rather explored how one organisation addressed this problem. However, based on the empirical evidence arising from this study, certain actions can be taken by an organisation to improve stakeholder engagement during and after a crisis. These measures include planning properly for potential crises by including crisis communication planning in an organisation's strategic planning, involving executives in a crisis response team, building strong media relationships, monitoring media and social media throughout, acting transparently and consistently, and never underestimating the threat that any crisis poses.

## OPSOMMING

Op Dinsdag 30 Januarie 2018 het *Viceroy Research* 'n verslag oor Capitec Bank uitgereik, waarin hulle aanvoer dat Capitec Bank aan roof-finansieringsaktiwiteite deelneem. *Viceroy Research* het Capitec Bank ook op die sosiale media-platform, twitter, as 'n "wolf in skaapklere" uitgekryt. Die verslag stel dat Viceroy dit net as 'n kwessie van tyd beskou voor die besigheidsaktiwiteite by Capitec Bank ontrafel. Viceroy spekuleer ook dat die ontrafeling van die bank moontlik tot bankrotskap kan lei en vergelyk die posisie van Capitec Bank met dié van African Bank in 2014. Hierdie studie begin deur die toepaslikheid van die krisis vir die uitvoer van 'n verkennende studie en gevallestudie-ontwerp om empiriese en wetenskaplike gevolgtrekkings te maak, te ondersoek. 'n Kwalitatiewe benadering tot die studie word gevolg as gevolg van die kompleksiteit en voortdurende aard van die krisis-episode wat ondersoek word. Die gekose kwalitatiewe benadering tot die studie bied buigbaarheid om met die geval om te gaan en om 'n begrip van belanghebbendes se persepsies te bekom. Die studie ondersoek en evalueer bestaande literatuur oor belanghebbendes. Die studie ondersoek ook die agtergrond van belanghebbende-bestuur teorie, en evalueer die Freeman vs Friedman-debat deur die belangrikheid van alle belanghebbendes te bevraagteken. Verskillende strategieë om met verskillende belanghebbendes te kommunikeer word ondersoek en die belangrikheid om verhoudings met belanghebbendes te skep en te behou word beklemtoon. Die bevindinge in bestaande literatuur rondom krisis kommunikasie strategieë word bespreek. Definisies vir onder meer 'reputasie' en 'krisis' word gelewer. Krisis kommunikasie kom onder die kalklig. Die belangrikheid van Coombs se werk in die krisis kommunikasie-veld van navorsing word beklemtoon. Coombs se *Situational Crisis Communication Theory (SCCT)* word bekendgestel siende dat hierdie teorie belangrike agtergrondinligting bied wat toegepas word vir die kodering-skemas en raamwerk wat gebruik word om uiteindelik verslag te doen oor die bevindinge. 'n Nie-waarskynlikheids steekproef-metode, naamlik doelgerigte steekproefneming is gebruik om semi-gestruktureerde onderhoude met verskillende belanghebbendes van Capitec Bank te voer. Data bevrediging is bereik na 14 sulke onderhoude gevoer is. ATLAS.ti is as rekenaargedrewe inhoudsontledingsagteware gebruik as hulp in die ontleding van die data. Die navorsingsbevindinge word tematies volgende Coombs se SCCT-raamwerk bespreek. Die studie lewer ook bruikbare, praktiese inligting deur lesers riglyne te gee, gegrond op teoretiese en empiriese bevindinge, oor hoe om belanghebbendes se verwagtinge aan te spreek tydens en na 'n krisis soos die Viceroy-verslag. Hierdie riglyne

kan ook ander organisasies bystaan om hul eie hantering van korporatiewe krisissise te verbeter. Dit is belangrik dat die leser verstaan dat hierdie studie nie poog om 'n enkele raamwerk op te stel om belanghebbendes aan te spreek na 'n krisis nie, maar eerder om te verken hoe 'n organisasie met die probleem omgegaan het. Sekere riglyne kan egter vanuit die teoretiese en empiriese bevindinge verkry word. Dit sluit in maar is nie beperk tot: behoorlike beplanning vir moontlike toekomstige krisisse en die insluit van krisis kommunikasie beplanning in 'n organisasie se strategiese beplanning, sluit uitvoerende bestuurders en senior werknemers in by die krisis reaksie span, bou sterk media-verhoudinge, monitor media en sosiale media, tree deursigtig en konsekwent op en moet nooit die bedreiging van enige krisis onderskat nie.

*Dedicated to the cheer squad: Kobie, my dad Heinie, my mom Maryke, and my sister Eugenie.*

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*“...but those who hope in the LORD will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they will walk and not be faint.” – Isaiah 40:31.*

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## LIST OF ABBREVIATIONS

**CAQDAS:** Computer-assisted Qualitative Data Analysis Software

**CEO:** Chief Executive Officer

**CFO:** Chief Financial Officer

**COSO:** Committee of Sponsoring Organisations of the Treadway Commission

**CSR:** Corporate Social Responsibility

**ERM:** Enterprise Risk Management

**PDF:** Portable Document Format

**PRSA:** Public Relations Society of America

**REC:** Research Ethics Committee

**SARB:** South African Reserve Bank

**SCCT:** Situational Crisis Communication Theory

**SSIs:** Semi-structured Interviews

**SRI:** Stanford Research Institute

**SU:** Stellenbosch University

## CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

### 1.1. INTRODUCTION

Crisis management and the protection of an organisation's reputation – especially during turbulent times and uncertain times – and the importance thereof for the survival of an organisation, came under the spotlight in the private business sector in South Africa at the end of 2017 and the beginning of 2018. Markus Jooste, Chief Executive Officer (CEO) of Steinhoff International Holdings (Steinhoff), resigned with immediate effect on 5 December 2017. This came after Steinhoff notified the market that their audited results would not be released on time. Steinhoff was staring at an imminent crisis (Tarrant, 2018). The crisis faced by Steinhoff heightened when Viceroy Research (Viceroy) released a report speculating that Steinhoff was using off-balance sheet vehicles to artificially inflate its earnings (Viceroy Research Group, 2017).

Viceroy's report was released at a time when the market was already asking questions about Steinhoff due to Jooste's resignation and the withholding of the company's audited results. However, the report was released at a favourable time for Viceroy and propelled them into the spotlight. Viceroy secured a trustworthy name and reputation among shareholders in the market.

How can a crisis be foreseen and prevented, or at the very worst, the effect thereof limited and minimised? How does an organisation ensure that its reputational assets and capital stay intact when a threat is posed? How should an organisation facing a threat to its existence communicate with stakeholders such as shareholders, and even with internal employees? Must they deny or admit guilt? What will the outcome of management's handling of the crisis be in the public sphere? These are questions associated with the seemingly growing number of corporate crisis incidents.

In South Africa, the case of Capitec Bank offered an opportunity to scientifically explore the phenomena: On Tuesday, 30 January 2018, the now infamous Viceroy released a report about Capitec Bank, making allegations about Capitec Bank participating in predatory finance activities and ousting them on twitter as

“a wolf in sheep’s clothing”. The report stated that Viceroy deemed it only a matter of time before the business activities of Capitec Bank would start falling apart. Viceroy speculated that the unravelling of this organisation could possibly lead to bankruptcy, and compared Capitec Bank’s position as resembling the problems African Bank faced before it collapsed in 2014 (Viceroy, 2018).

Within two hours after the Viceroy report on Capitec Bank was released, Capitec Bank responded by releasing a statement to the market and its shareholders. Capitec Bank also addressed specific issues in the report on the same day as the report’s release, and did so before the closing of the financial markets in South Africa. Not only did Capitec Bank respond timeously, they also countered the report with a defensive tactic, making the following strong statement, “On the face of it, the report is filled with factual errors, material omissions in respect of legal proceedings against Capitec Bank and opinions that are not supported by accurate information” (Tarrant, 2018). Gerrie Fourie, the CEO of Capitec Bank, and the Chief Financial Officer (CFO), André du Plessis, led a conference call with investors and did not hesitate to tell their side of the story (Tarrant, 2018).

Capitec Bank saw a drop in its share price largely due to Viceroy’s reports, and on 6 March 2018, Capitec Bank’s share price was down 20% (Cairns, 2018). Clearly the crisis (the release of the Viceroy report) had an impact on the organisation.

The overarching aim of this study was to explore how the stakeholders of Capitec Bank perceived the bank’s response to the threatening crisis of the Viceroy report.

This chapter firstly motivates the study by drawing on the importance of stakeholders in times of crisis. Important aspects such as stakeholder theory and the linkage between stakeholders and corporate social responsibility (CSR) are used briefly to illuminate the importance of the study. Secondly, the chapter shows the usefulness of employing relevant aspects of crisis and reputation management to support and motivate the study. From this motivation, the chapter articulates the primary and secondary research questions that were used to formulate primary and secondary research objectives. Thereafter follows a discussion of the research methodology. The research methodology includes a motivation for a qualitative approach, which is done in the form of single case

study design in order to explore Capitec Bank's reputation and crisis management strategies, the effect these had and the evaluation of their success in influencing stakeholders. The research methodology also describes the data collection methods, which include qualitative content analyses and semi-structured interviews (SSIs), as well as the sampling and data analysis process. Ethical considerations are discussed, and the chapter is concluded with an orientation to the study.

It is important to note that external influences and stakeholders, such as the South African Reserve Bank (SARB) defending Capitec Bank (Ebrahim, 2018), were also taken into account when conducting this exploratory study.

## **1.2. INTRODUCTION TO BACKGROUND TO THE STUDY**

This subsection of the chapter provides a view of the literature available on stakeholders, crisis management and crisis communication that was reviewed as part of secondary research in this study. The researcher considers stakeholder management. The word 'stakeholder', what it entails and means for an organisation, how to identify and manage stakeholders, and what communication with stakeholders entails are considered. Thereafter, the value of a strong reputation in crisis management is discussed. Reputational assets are defined, the threat that crises pose to an organisation's reputation is analysed, and this is followed by a discussion of crisis management, crisis management strategies and crisis communication in order to protect an organisation's reputation and to ensure an organisation's survival. This discussion is based on what is found in the literature.

The term 'organisation' is used throughout the study and is inclusive of all organisational forms.

## **1.3. STAKEHOLDERS**

Florea and Florea (2013) report that organisations cannot act as if they are entities that have zero effect on those around them, because organisations form part of industries and are role players in the society in which they are established. Therefore, anything and everything that an organisation does has a ripple effect

in the society and industry in which they operate. How organisations behave thus has an impact on their stakeholders. “Businesses and companies are part of the economic, social and natural environment. In this respect, business strategies influence a large number of people, companies, institutions and organisations which are generally entitled stakeholders” (Florea & Florea, 2013:135). It is important to identify who these stakeholders are and what the most effective way is to influence and manage their perceptions of the organisation. The perceived valuation of an organisation by stakeholders – a perception that is permanently challenged in a highly competitive environment – influences the reputation of that organisation (Chun & Davies, 2002; De Chernatony & Harris, 2000; Szwajca, 2017).

Organisations therefore cannot ignore the impact that their actions have on their so-called stakeholders, and an organisation needs to consider who its actions and decisions will influence and therefore must also take these anticipated reactions into consideration when making decisions (Szwajca, 2017). An organisation must also clearly communicate its doings with those whom they influence – communication with stakeholders influences their perceptions of the reputation of an organisation. Stakeholders can be internal to an organisation, such as shareholders, employees and managers, or they can be external, such as society in general, customers, suppliers, lenders, etc. It is generally accepted in the literature that the perspectives held by internal stakeholders and external stakeholders should be aligned (Chun & Davies, 2002; Florea & Florea, 2013). The reactions of stakeholders to the actions of an organisation are regarded in the literature as best managed when the organisation manages the perceptions held by its stakeholders by means of proper communication.

### **1.3.1. *Defining stakeholders***

Freeman (2010), noted as a scholar who is frequently referenced in the stakeholder literature, defines stakeholders as any person or group of people or an organisation that can either affect, or be affected by, organisational activity and the achievement of an organisation’s objectives. A stakeholder is therefore any person or any other organisation that is related to the organisation in the sense that it has an interest in the goals and strategy of the organisation, and/or in the sense that it has the power to influence the goals, strategy and decision-

making to reach the objectives of the organisation (Florea & Florea, 2013; Freeman & McVea, 2001; Oleksiv & Shpak, 2012).

According to Freeman, the term 'stakeholder' is an obvious play on the word 'stockholder', and 'stockholder' is a synonym for the term 'shareholder' (Freeman & McVea, 2001). Should managers, including reputation and communication managers, focus solely on promoting the interest and financial well-being of their shareholders? Stakeholder theory has its roots in opposing the idea that organisations should focus solely on the needs of shareholders, or the needs of owners of an organisation for that matter (Freeman, 2010). According to Machan (2017), the concept of stakeholder management broadens strategic management beyond its economic roots. Views presented in the literature following Freeman's view on stakeholders state that there are more parties and factors that an organisation's management should be concerned about, for example the quality of the community in which it operates, as well as employee satisfaction. Derived from this, it is also not only the stockholder's view or perception of the company that must be considered and managed, but the wider community and other stakeholders must also be identified, managed and communicated with (Freeman, 2010; Freeman & McVea, 2001; Friedman, 1970; Machan, 2017).

### **1.3.2. Friedman's view of the shareholder as primary stakeholder**

In 1970, the economist Milton Friedman wrote an influential article for *The New York Times Magazine* in which he argued that managers of a corporation are morally responsible to strive to enhance profits for the benefit of its shareholders (Friedman, 1970). At the time it was generally accepted that that was what managers would do anyway, seeing as it derives from the economic assumption that all participants in a marketplace are striving to enhance profits by maximising the deployment of their utilities (London, 2003; Machan, 2017). Friedman's article was contested by many, especially writers in the field of philosophy and ethics, who argued against his view and stated that managers should also take responsibility to satisfy the needs of stakeholders (Friedman, 1970; London, 2003; Machan, 2017).

In the early 2000s, there was debate and commentary on the 'stakeholder versus shareholder' debacle but, according to Freeman and McVea (2001:21), this is

attributed to the misconception that stakeholder management theory is “anti-capitalist, anti-profit and anti-business efficiency”. According to Freeman (2010:7), “the very nature of capitalism itself is putting together a deal, or a contract, or a set of relationships among stakeholders so that all can win continuously over a long period of time”. In agreement with Freeman’s view is that capitalism does not in itself contradict stakeholder management theory, and vice versa.

Friedman argues that it will be a socialist and dangerous notion to balance the needs of all stakeholders, and sticks to his point that shareholders should be a primary concern when running a business (Florea & Florea, 2013; London, 2003). Friedman is of the view that balancing all stakeholders can lead to an employee-run organisation. In the day-to-day operations, and even in the strategic run of the business and economic activities within the organisation, Friedman’s argument appears conceivable. However, when looking at reputation and the message that an organisation sends out to consumers, suppliers and society, the employees do have a very important role to play in setting a positive image of an organisation. The reputation perceived by external stakeholders such as consumers will also influence the profit of an organisation. It therefore is argued that all stakeholders are important in reputation management (Florea & Florea, 2013; London, 2003).

### **1.3.3. Stakeholder management**

A ground-breaking focal point in the advancement and establishment of stakeholder management theory was the publication of R. Edward Freeman’s *Strategic Management – A Stakeholder Approach*. This work was published in 1984, during the emergence of a stakeholder approach to strategy in the mid-1980s (Freeman & McVea, 2001).

However, the usage of the word/term ‘stakeholder’ already grew at the Stanford Research Institute (SRI International) in the 1960s (Freeman & McVea, 2001). According to the SRI, in order to develop appropriate objectives for an organisation, objectives that will gain support for the organisation, managers need to understand its stakeholders, such as the employees, customers, suppliers, shareholders and lenders, along with society’s concerns, because

without stakeholders and their support, the organisation would cease to exist (Florea & Florea, 2013; Freeman & McVea, 2001).

The case for stakeholder management and the importance of the needs and perceptions of stakeholders strengthened in the 1980s, when there was an environment that demonstrated the power of a stakeholder approach to strategy. Focusing on shareholder gains was deemed by some as no longer sufficient to ensure the survival of an organisation (Freeman & McVea, 2001).

Even more than in the turbulent business environment of the 1980s, a stakeholder approach to strategic management is applicable in the fast-paced and changing business environment of today, where it is still required of organisations to promote the bottom line, i.e. profit maximisation, although a more societable approach to business is also expected (Beaver, 1999; Freeman & McVea, 2001; Harrison & Van der Laan Smith, 2015; Lin-Hi & Blumberg, 2016; Oleksiv & Shpak, 2012).

Freeman and McVea (2001) argue that a stakeholder approach to strategic management can provide businesses with more insight into values and value creation as the business world becomes more interconnected and the lines between firms, industries, public and private lives blur. Although it is theorised in some research that organisations that invest in and emphasise stakeholder management in order to improve their performance will be penalised by investors and shareholders who are only interested in financial returns, this is contradicted by other research, which shows that a stakeholder approach to strategic management will heighten an organisation's financial success and sustainability in the long term (Beaver, 1999; Del Mar Garcia de los Salmones *et al.*, 2005; Harrison & Van der Laan Smith, 2015).

It is important for an organisation and the organisation's corporate strategy to deal effectively with its external environment, and stakeholders are part of this external environment (Freeman & McVea, 2001; Lin-Hi & Blumberg, 2016). Oleksiv and Shpak (2012) argue that it is a necessary from a strategic viewpoint to include the interests of influential stakeholders in the strategic decision-making process, organisational objectives, corporate goals and strategy in order to establish a higher level of consistency in corporate activity and achieve the overall objectives and corporate goals. A stakeholder approach to strategic

management, and the statement of strategic objectives within a business, are also not against the traditional goal of business, which is to maximise the wealth of shareholders (Freeman & McVea, 2001). A stakeholder approach to strategy encourages a business to look out for and invest in relationships that can ensure long-term success (Freeman & McVea, 2001; Lin-Hi & Blumberg, 2016; Oleksiv & Shpak, 2012).

It is important not only to identify stakeholders, but also to manage the organisation's relationships, interactions and communication with them. Stakeholder management is a process of analysing stakeholders' interests and harmonising these identified interests in order to establish a long-term and sustainable solution for an organisation's development. "Stakeholder management is built on a partnering mentality that involves communicating, negotiating, contracting, managing relationships and motivating" (Freeman & McVea, 2001:20). Freeman and McVea (2001) demonstrate that it is indeed possible not only to take relationships with stakeholders as a given, but also to create and influence these relationships. This process of establishing and influencing relationships with stakeholders is emphasised in the following definition of strategic management: "Strategic management is defined as a process in which management imaginatively plans how its actions might affect stakeholders and thus help to *create* the future environment" of the organisation (Freeman & McVea, 2001:12). The above definition illustrates that it is possible to shape the future of the organisation by creating, maintaining and influencing relationships with stakeholders, and it further emphasises and confirms that stakeholder relationships and stakeholder management should be part of the overall strategic management process. Research claims that firms that apply stakeholder management would outperform firms that do not apply stakeholder management (Florea & Florea, 2013). It is also important to note that the long-term management of stakeholders is equally as important as understanding them at present (Beaver, 1999; Florea & Florea, 2013; Freeman & McVea, 2001).

A conclusion can be drawn that stakeholders emerge in an organisation when they hold critical assets in the organisation and when these assets are exposed to risk, giving them a voice and influence in decision-making. Stakeholders are those who provide an organisation with resources, either explicitly or implicitly (Florea & Florea, 2013). Explicitly it can be in a monetary form, for example

shareholders' investments and customers' expenditure, and implicitly it can be in the form of a community that allows an organisation to exist and create value in it (Freeman & McVea, 2001; Harrison & Van der Laan Smith, 2015). It is important to determine the interest and power of the different stakeholders, seeing that energy must be spent on stakeholders who can be the most helpful, i.e. those with the most power. "Powerful people with the highest interest are most important, followed by those with power and less interest" (Florea & Florea, 2013:134). According to Florea & Florea (2013) it would be wise to allocate time and resources to those stakeholders with a higher level of power and interest.

"Stakeholder management calls for an integrated approach to strategic decision making" (Freeman & McVea, 2001:12). A business must not set strategy by focusing on each stakeholder individually, but rather must find integrated methods and strategies to satisfy multiple stakeholders at the same time (Freeman, 2010). However, this approach of simultaneously satisfying multiple stakeholders does not naively suggest that all stakeholders will benefit at all times, but rather that strategies must be developed that distribute harms in a way that ensures the long-term support of all the stakeholders, and that stakeholder interests must be managed in the same direction over time. Should some stakeholders feel that their needs are not viewed as being as important as those of other stakeholders, it can lead to them having a negative perception of the organisation and thus have a negative influence on the organisation's reputation (Harrison & Van der Laan Smith, 2015). As noted in the literature and as discussed in the previous paragraph, it is important that emphasis is placed on satisfying the needs of those stakeholders who carry the highest risk, for example in the form of having the biggest investment in an organisation. An organisation's enterprise strategy, values and objectives can dictate the prioritisation of certain stakeholders and partnerships, and at the same time discourage others (Freeman, 2010; Freeman & McVea, 2001, Harrison & Van der Laan Smith, 2015).

Some corporate social responsibility (CSR) literature works from the viewpoint of including stakeholder groups in strategic analysis (Lin-Hi & Blumberg, 2016). However, stakeholder relationships have also been criticised as business constraints – CSR and stakeholder relationships have been seen as either an "add-on luxury that can be only afforded by the most successful businesses, or

as damage limitation insurance” (Freeman & McVea, 2001:7). Although considered more strongly as part of strategy setting and strategic management, as confirmed by the increase in the effort to develop CSR activities, stakeholder management and CSR are yet to be seen by some businesses as a core input to corporate strategy (Lin-Hi & Blumberg, 2016). It is also important to note that stakeholders must perceive an organisation as participating in socially responsible corporate activities in order for CSR behaviour to add economic value to the organisation – thus it must be communicated in order to influence stakeholders and strengthen an organisation’s reputation (Del Mar Garcia de los Salmones *et al.*, 2005; Lin-Hi & Blumberg, 2016).

A stakeholder approach to strategic management is concerned with the survival of a business (Gajda & Puto, 2015). Therefore, understanding stakeholder relationships is, at least, a matter of achieving the organisation’s objectives, which in turn is a matter of survival. Strategies to manage these relationships need to be developed, because maintaining the desired relationships with stakeholders is important if an organisation not only strives to be regarded as socially responsible, but also wants to maintain its market share and strong market position (Freeman & McVea, 2001; Gajda & Puto, 2015).

The identification of stakeholders should be a process that is undertaken regularly, given that new business opportunities arise every day, and thus the process necessitates reconsidering the stakeholders’ influence on an organisation’s activity (Oleksiv & Shpak, 2012). Managers’ own experience and intuition form the basis for the concept and method of selection of stakeholders, and also understanding their power (Bourne & Walker, 2005; Lin-Hi & Blumberg, 2016; Oleksiv & Shpak, 2012).

#### **1.3.4. Stakeholder selection**

Oleksiv and Shpak (2012) suggests that the following factors be considered and used as requirements in the stakeholder-selection process:

- There should be correspondence between the selection of stakeholder groups and their strategic necessity.
- Industry and organisation type can influence the initial group of stakeholders.

- The stakeholders prioritised initially can change over time.
- Non-financial factors should be accounted for when selecting stakeholders. “Non-financial factors are sometimes more important than financial...” (Oleksiv & Shpak, 2012:68). However, seeing that subjective information is not easily transferable to numerical values, it can be overlooked when making decisions.

The identified stakeholders must also be analysed according to their values, the way in which they perceive the organisation, their power and the predictability of their actions and reactions to the organisation’s activities (Gajda & Puto, 2015). If an organisation can establish good relationships with key stakeholders, the risk of conflict with various stakeholder groups will be minimised – communication is key in establishing and maintaining a good relationship with stakeholders (Bourne & Walker, 2005). It is important and necessary for an organisation to balance various stakeholders’ interests, because “ignoring a certain stakeholder category could determine unfavourable effects for the organisation, such as losing performing employees, capital withdraws or shareholders support, which, finally, conduct to an image and financial situation depreciation” (Florea & Florea, 2013:130).

Conflict between stakeholder groups and the organisation itself arises when some expectations compromise the needs of the other group (Florea & Florea, 2013). Effective stakeholder management will help an organisation make adjustments to certain decisions and make plans to deal with stakeholders who have conflicting interests and/or different levels of influence (Florea & Florea, 2013).

#### **1.3.5. *Communication and stakeholder relationships***

Stakeholder management theory also involves communicating, consulting, informing, and explaining strategies and the implementation thereof to stakeholders (Florea & Florea, 2013; Gajda & Puto, 2015). Talking and explaining an organisation’s achievements is a key element in setting and establishing stakeholder relationships. Stakeholders such as the society and public expect constant communication due to the rise of social media, digital content and cellular devices (Cardwell *et al.*, 2016; Florea & Florea, 2013; Gajda & Puto, 2015; Szwajca, 2017).

In an era in which the use of the Internet is universal, an ongoing dialogue on important topics can be kept alive (Gajda & Puto, 2015). However, the Internet should not, unless necessary and unavoidable, replace face-to-face dialogue with stakeholders. Although it is seen in the literature that communication with stakeholders cannot be conducted solely via the Internet and social media (Szwajca, 2017), it is still argued that organisations should use the Internet and social media to establish and preserve their relationships with stakeholders, and thus build their reputation (Gajda & Puto, 2015). The Internet and social media can add value to the communication process and be seen not only as alternative communication channels – rather, they should be implemented as an additional communication method (Gajda & Puto, 2015; Szwajca, 2017).

Organisations must use meetings with stakeholders to listen to their expectations and opinions, and must use meetings to present their viewpoints in order to achieve consensus in the organisation/stakeholder relationship. Proper communication with stakeholders is key in achieving the objective of ensuring that there is harmonisation between stakeholder needs and the expectations of the organisation (Bourne & Walker, 2005; Gajda & Puto, 2015). When this harmonisation happens, it will strengthen the reputation of the organisation.

## **1.4. CRISIS COMMUNICATION MANAGEMENT**

### **1.4.1. *Stakeholder expectations***

“When bad news occurs, there are critical audiences, including the company’s own employees, who have expectations of management’s ability to cope with problems. Every stakeholder will focus on the organisation’s response. Every perceived act or word will contribute to the organisation’s reputation” (Schultz & Werner, 2013:7). An organisation’s reputation is under pressure when a crisis threatens, and management will have to manage and maintain relationships with stakeholders by communicating with them and informing them about everything the organisation is doing to survive. It is believed that stakeholders’ views of an organisation, which in essence comprises the organisation’s reputation, can be managed and influenced with the correct communication and response strategies (Schultz & Werner, 2013).

Stakeholders will have certain expectations of an organisation, and these expectations are based on their past experience of the organisation's actions or performance (Schultz & Werner, 2013). Reputation is defined by Coombs (2007) as an aggregate of stakeholders' evaluations of how well the organisation met their expectations. An organisation's reputation is evaluative in nature, meaning that a point of comparison is necessary (Baric, 2017). The stakeholders of an organisation will compare what they know about the organisation with whether or not that organisation met their expectations. Their expectations include an expectation of being treated in a certain way (Baric, 2017; Coombs, 2007; Wartick, 1992).

#### **1.4.2. Reputation**

An organisation's reputation is widely viewed as an intangible asset and strategic resource. Coombs (2007) describes reputation as a strategic resource because it supports an organisation's endeavour to meet its strategic objectives, such as attracting customers, attracting top employee talent, generating investment returns, improving overall financial performance, increasing returns on assets and creating a competitive advantage. Reputation is also seen as an asset because of the fact that a good reputation, i.e. a positive asset, will gather positive commentary from financial analysts (Erickson *et al.*, 2011). Financial analysts' views are seen as valid and are trusted by stakeholders of an organisation, such as the investors. In this way, if financial analysts perceive the organisation as having a good reputation, they can influence stakeholders' perceptions (Abraham & Tishler, 2005; Coombs, 2007; Erickson *et al.*, 2011; Helm, 2007). It is thus established that reputation will influence stakeholders' actions.

What stakeholders know about an organisation, and on what they base their expectations and assumptions, are established by the information they receive (Coombs, 2007). Stakeholders receive information about an organisation from news sources and media, such as newspapers, radio and television messages, and also from other people by means of word-of-mouth communication and social media (Cardwell *et al.*, 2016). Therefore, proper communication with news media is essential in influencing stakeholders' perceptions, because that is a way in which an organisation can determine the flow of information that reaches its stakeholders – in turn influencing stakeholders' perceptions of the organisation. In order for an organisation to maintain its reputation, stakeholders must perceive

that the organisation intends to act in accordance with the expectations set by a good reputation. From the information, communication and messages they receive, stakeholders must perceive that the organisation intends to do well. It is during times of crises that an organisation's reputation faces the greatest threat. An organisation's management can benefit from knowing and understanding how crisis communication can be used to protect the organisation's reputational assets in times of crises (Cardwell *et al.*, 2016; Coombs, 2007; Hillenbrand *et al.*, 2012).

### **1.4.3. Internet and social media**

The rise of the Internet and social media has provided organisations with an additional communication channel to establish dialogue with stakeholders (Szwajca, 2017). It is necessary that organisations accept that this is a two-way communication channel, and that they can establish conversations with stakeholders by using this channel. This will help an organisation to better understand the needs of stakeholders, and thus put them in an advantageous position to meet these needs (Carr *et al.*, 2016). If an organisation does not properly respond to stakeholders' messages on social media, it can increase reputational risk. However, it has been found in research that relationships and conversations that make use of a social media communication channel are mostly with the customer stakeholder group, and rarely with other stakeholder groups. It is possible that social media might be overused as a sales tool rather than as a reputation-management tool. There appears to be an opportunity for organisations to apply social media more and to build, maintain and manage organisations' reputations better (Carr *et al.*, 2016; Dutot *et al.*, 2016; Szwajca, 2017).

Stakeholders' need for information necessitates proper communication by means of the public relations or corporate communication function of an organisation. The Public Relations Society of America (PRSA) defines public relations as a process of strategic communication that builds a mutually beneficial relationship between an organisation and its stakeholders. However, it is also important to accept that reputation management should be integrated with the overall and general management of an organisation. It must not be limited only to the public relations, corporate communication or marketing department/function of an organisation. Cardwell *et al.* (2016) argue that it is imperative to regard reputation

as a strategic asset that must be aligned with an organisation's strategic objectives in order to support an organisation's overall strategy, vision and mission. Therefore, the implementation thereof cannot be limited to one department or function of an organisation; it must be integrated because it is a strategic necessity (Cardwell *et al.*, 2016; Szwajca, 2017).

According to Schultz & Werner (2013), an organisation's standing in the community, as well as its share price, is dependent on its reputation, and organisations consequently need to proactively address the management of their reputation. In some industries, reputation is valued as the most important asset; however, reputation is an indispensable asset in all industries because of the vast amount of information available, leading to organisations operating under tremendous scrutiny by the public.

According to Schultz & Werner (2013), an organisation's reputation rests on two main components: perception and reality. Reality is the truth about a company – its policies, practices, systems, performance and procedures. Perception, on the other hand, is the image of a company and “how the company is perceived by all stakeholders” (Schultz & Werner, 2013:2). Elements of reputation can also be defined as consisting of *images*, *identity* and *personality*. It is vital that these factors align to establish and maintain an organisation's reputation. *Images* represent the stakeholders' view of the organisation. *Identity* is an organisation's representation of itself, and the organisation's *personality* is what that organisation is all about. If there is harmony between the identity and the image of an organisation, the organisation's brand will be strengthened if such harmony is achieved in a rational way. Identity is the perception internal stakeholders have of an organisation, and image is the perception of external stakeholders. Thus, according to Schultz & Werner (2013:2), “the objective of reputation management is to foster this harmonious relationship between identity and image”.

#### **1.4.4. Defining crisis**

“A crisis is a sudden and unexpected event that threatens to disrupt an organisation's operations and poses both a financial and reputational threat” (Coombs, 2007:164). From this definition, it must be noted that a crisis is an event or situation that was in essence difficult to foresee, seeing that it is described as “sudden and unexpected” (Coombs, 2007:164). However, as unexpected and

unforeseeable as crises may be, crisis management is an important aspect of reputational management and must be implemented thoroughly in order to minimise the possible threat thereof (Del Greco *et al.*, 2016; Erickson *et al.*, 2011; Leighton & Shelton, 2008). Loss of confidence in an organisation's reputation can cause serious economic and financial problems, and any message about an organisation that is not controlled by the organisation poses a crisis, as defined by Coombs (2007).

Crises can pose a physical, emotional and/or financial threat to the stakeholders of an organisation, and "a wide array of stakeholders are adversely affected by a crisis including community members, employees, customers, suppliers and stockholders" (Coombs, 2007:164). Reputational damage caused by the harmfulness of a crisis will lead to a loss of reputational capital (Coombs, 2007; Erickson *et al.*, 2011).

One of the first steps in avoiding or resolving a crisis is to sense a potential problem that might give rise to a crisis situation (Coombs, 2007). This is possible because most crises have early signals or warning signs that should be noticed and reacted upon in order to reduce the risk or threat thereof (Schultz & Werner, 2013). Crises pose threats to an organisation's reputation, and the way in which stakeholders perceive an organisation to be handling crises will determine the effect they have on the reputation of the organisation. Crisis management forms part of reputation management and should therefore be an ongoing, continuous process and effort. If an organisation already has a good prior reputation in relation to handling a crisis, this reputation will be a buffer against any reputation lost during a crisis. A good prior reputation can be expected to lead to a better post-crisis reputation and, consequently, it will be easier to rebound and recover from a crisis (Schultz & Werner, 2013; González-Herrero & Pratt, 1995). Coombs (2007) suggests that organisations should spend time building reputation in order to avert stakeholders' attention at the beginning of a crisis.

It is assumed that every crisis follows a life cycle that is similar to the life cycle of a product (Schultz & Werner, 2013). A product life cycle is a process describing the lifespan of a product and can be broken down into four stages. The first stage is the introduction of the product to the market. This stage is followed by growth, maturity, and finally decline (Claessens, 2015). Schultz & Werner (2013) theorise

that it is possible to prevent a crisis from reaching its growth and maturity stages should there have been management intervention in a timely and appropriate manner. Under proper management, and with management intervention when necessary, it may even be possible to avoid crises before they are born, which highlights the importance of crisis management as part of an organisation's strategy to protect its reputation. Although a crisis is usually an unforeseeable event, it is not something that an organisation cannot afford to be prepared for. An organisation must expect the unexpected, plan for the unplanned to happen (Schultz & Werner, 2013; González-Herrero & Pratt, 1995). "Foresight and planning are essential. No company can afford to pay the price of complacency. The answer is to prepare and react" (Schultz & Werner, 2013:7).

#### **1.4.5. Crisis management**

The starting point of good crisis management is the setting of a complete and well thought-through strategy to implement when crises strikes (Coombs, 2007). Such a strategy will help to prevent crises from occurring, or may offer guidance in the process of managing, responding to and acting when a crisis becomes imminent and the development thereof is ineluctable. Should a crisis emerge, planning and preparing are essential aspects to guide communication during the crisis (Coombs, 2007; Leighton & Shelton, 2008).

A communication and crisis-response plan is a basic draft and design of what to do when a crisis occurs. It should communicate a message that will help protect and preserve the organisation's reputation, and this message must be communicated at the right time and to the right stakeholders (Schultz & Werner, 2013; Leighton & Shelton, 2008).

The moment that an organisation is perceived as being responsible for a certain crisis, said organisation's reputation will suffer (Schultz & Werner, 2013). Reputation will be influenced by word of mouth and information spread by angered stakeholders (Coombs, 2007). The main objective of crisis communication is thus to spread a message about an organisation that will repair and protect its reputation. Therefore, in order to reduce the psychological impact of a crisis, communicating as much as possible information to stakeholders is necessary (Leighton & Shelton, 2008). Various stakeholders have various communication needs, and these should be considered and accounted for.

Stakeholders must be informed about proactive actions that the organisation is taking to prevent and protect them against possible crises in the future, also about the corrective actions that are taken to minimise the harm of the imminent crisis (Coombs, 2007; Schultz & Werner, 2013; Leighton & Shelton, 2008).

It is important that an organisation take the psychological effect that a crisis has on stakeholders into account when communicating information with them; however, it is not advisable to admit guilt – expressing concern must be done in such a way that it minimises harm to stakeholders without admitting guilt (Fuchs-Burnetta, 2002). Fuchs-Burnetta's view is supported by Coombs (2007:165) "Expressions of concern are expected by stakeholders and recommended by crisis experts but are not admissions of guilt."

#### **1.4.6. Crisis communication**

"By definition, a crisis is only a crisis when it becomes public, before that it is simply a business problem" (Schultz & Werner, 2013:10). A perception of an organisation is formed within hours after a crisis materialises and a disaster or rumour strikes an organisation. There are various sources that can create/lead to reputational risk. Schultz & Werner (2013:9) indicate that there is an increase in reputational risk as a result of "having a company's (organisation's) name tarnished in cyberspace". Formerly, perceptions were set by traditional news media, such as radio or television messages, or articles in newspapers or magazines. However, in today's world, one person can damage an organisation's hard-earned reputation by publishing a harmful and misleading message on the Internet (Schultz & Werner, 2013).

The speed with which a message can spread across the Internet is almost immeasurable, and the Internet provides a global platform for instant publication (Schultz & Werner, 2013). An international example of the speed and immediateness of the Internet is provided by the scandal relating to former American president Bill Clinton and Monica Lewinsky, which was first broken on the Internet. A local example would be the incredible speed at which the news about the Valentine's Day murder of Reeva Steenkamp by Oscar Pistorius spread – it first broke on the social media platform, twitter.

In 2011, McDonald's launched a campaign on twitter to make followers aware of the heritage of the company's food. The promotion started with the hashtag

“#meetthefarmers”. Initially the campaign received positive feedback. The hashtag was then changed to “#mcdstories”. However, stories started to develop in a negative direction. The hashtag was no longer being used to share stories about the food’s heritage, but rather negative or funny stories putting McDonald’s in a negative light. After two hours, more than 1000 clients have posted negative experiences. This virtual firestorm received coverage from traditional media which resulted in even broader propagation online (McNaughton, 2011).

The Internet’s power is not only derived from the speed by which messages spread, but power is also derived from the fact that information published on the Internet is more permanent in nature, “unlike in the case of newspapers, which normally get discarded after some time” (Schultz & Werner, 2013:10).

The Internet is also a major source of and resource for information for news journalists. Research also indicates that it is necessary to focus on communication with the media and journalists, seeing as they are the means to reach other stakeholders (Cardwell *et al.*, 2016; Schultz & Werner, 2013). However, journalists must never be seen as means to an end; rather, the intent should be to build mutually beneficial relationships between an organisation and journalists (Cardwell *et al.*, 2016; Schultz & Werner, 2013). Then, should journalists view the Internet and social media as an important source, a good relationship between a journalist and an organisation will motivate a journalist not only to rely on the Internet and social media as news source, but also to approach the organisation as primary source (Cardwell *et al.*, 2016; Schultz & Werner, 2013).

Guarding reputation is ethically seen as a secondary concern in crisis management, second to protecting stakeholders from harm. In crisis management, ethical considerations must not be overlooked. The protection of reputation is not the first step in successfully and ethically managing a crisis. Rather, the protection of stakeholders against any harm must be the first point of departure in crisis management. Information must be communicated to stakeholders, directly or indirectly via news media, to inform them of how to protect themselves against any physical threats that the crisis might pose (Coombs, 2007). A crisis manager and crisis management team must examine a crisis and assess and evaluate the level of reputational threat that a crisis

presents. The crisis manager must have acquired a good understanding of the imminent crisis in order to set the best response strategies to maximise the preservation and protection of the organisation's reputation (Coombs, 2007; Leighton & Shelton, 2008).

Stakeholders' frames of thought of an organisation are shaped by frames in communication. "Frames in communication involve the way (words, phrases, images, etc.) that information is presented in a message ... The framing effect occurs when a communicator selects certain factors to emphasise" (Coombs, 2007:167). It is thus argued that the crisis frame will determine if stakeholders are angered because they attribute the responsibility for the crisis to the organisation, and it matters whether stakeholders deem a crisis to be the result of sabotage or criminal negligence, or if they view it purely as an accident (Coombs, 2007).

Possible strategies to follow in times of crises, according to Coombs (2007) and other researchers who support the work of Coombs, are presented in Table 1.

**TABLE 1: Crisis-response strategies**

<b>Deny strategies</b>	"Deny strategies attempt to remove any connection between the organisation and the crisis" (Coombs, 2007:171-172). This strategy will only be successful in minimising reputational damage if stakeholders (including the news media who are feeding information about the crisis to stakeholders) accept that the organisation is in no way responsible for the crisis.
<b>Diminish crisis-response strategies</b>	Diminish crisis-response strategies attempt to minimise the extent of a crisis, arguing that a crisis is not as bad as people might think it is; diminish crisis-response strategies also attempt to show that an organisation did not have much control over the crisis (Coombs, 2007).
<b>Excuse strategies</b>	An excuse strategy can be used to set a frame that a crisis situation was accidental (Coombs, 2007:171-172).

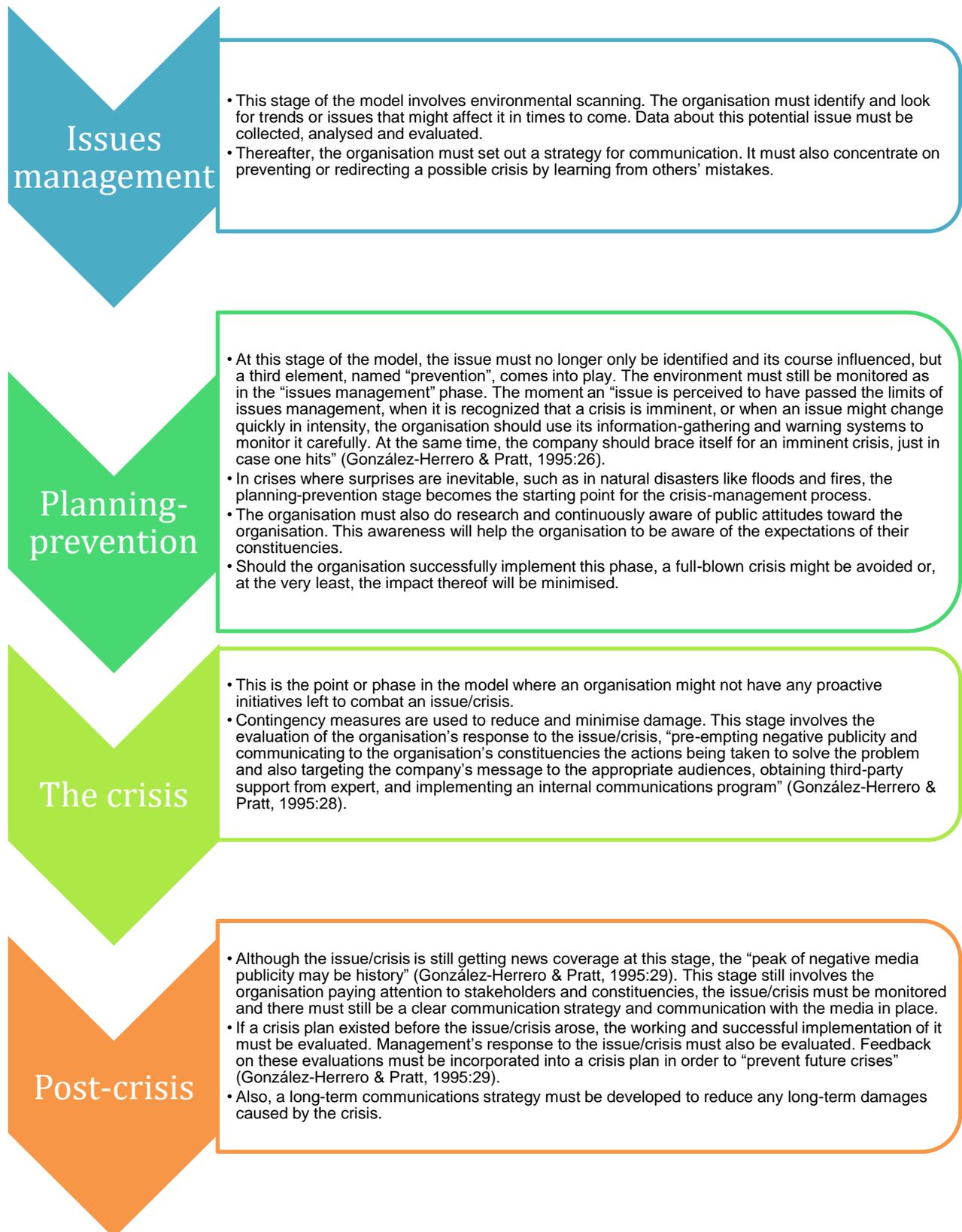
<p><b>Rebuild strategies</b></p>	<p>If an organisation follows a strategy of rebuilding, the organisation will offer aid to victims of a crisis, either in a material or symbolic manner. The aid an organisation provides to victims is an attempt to improve the organisation's reputation.</p> <p>Strategies to rebuild reputation during and/or after crises "are the main avenue for generating new reputational assets" (Coombs, 2007:171-172).</p> <p>A rebuild strategy is an ideal strategy to use when an organisation has a "crisis history and/or unfavourable prior relationship reputation", or if crises were intentional and thus pose a severe reputational threat to an organisation's survival and reputation (Coombs, 2007:171-172).</p>
<p><b>Bolstering strategies</b></p>	<p>When an organisation uses a bolstering strategy in crises, the organisation attempts to strengthen and build its reputation by focusing stakeholders' attention on previous and current good work that the organisation is doing (Erickson <i>et al.</i>, 2011).</p>
<p><b>Corrective action strategies</b></p>	<p>This strategy must be used when stakeholders worry how a crisis will affect them (Erickson <i>et al.</i>, 2011).</p> <p>Corrective action strategy entails taking steps to prevent a crisis from happening again and it entails an organisation trying to make amends for past wrongdoings (Erickson <i>et al.</i>, 2011).</p> <p>Corrective action strategies involve the organisation communicating action plans to stakeholders on how the organisation will strive to protect stakeholders from any possible future harm (Erickson <i>et al.</i>, 2011). Stakeholders will be presented with different frames created by crisis-response strategies. Stakeholders will accept and "select the frame provided by the source they find most credible" (Coombs, 2007:171-172).</p>

Coombs's (2007) crisis-response strategies, as set out in Table 1, will be discussed and elaborated on further in Chapter 3, as it sets the groundwork for the primary research that was conducted in this study.

Figure 1 presents a four-phase model as set out by González-Herrero & Pratt (1995) that describes possible steps to follow in the event of a crisis. The four stages consist of issues management; steps that must be taken to prevent or

redirect a crisis; the planning-prevention stage – the stage when the actual crisis materialises; and what must be done after a crisis occurred.

**Figure 1: Four-phase model for crisis management**



#### **1.4.7. *Situational Crisis Communication Theory***

The growing attention paid to corporate crisis management has prompted various attempts to develop theoretical constructs to assist in understanding and responding to crises. One such contribution is Situational Crisis Communication Theory (SCCT), devised by Coombs (2007).

SCCT will help managers of an organisation understand the dynamic between crisis communication and the protection of reputational assets. SCCT provides a technique to anticipate how stakeholders will react during and after a crisis, and it also determines the reputational threat of a crisis. SCCT can also predict and project how stakeholders will respond and react to a crisis-response strategy (Coombs, 2007).

“Situational Crisis Communication Theory (SCCT) provides an evidence-based framework for understanding how to maximise the reputational protection afforded by post-crisis communication” (Coombs, 2007:163). The perceived reputation of an organisation in crises, held by stakeholders of that organisation, as well as attributions about crises, can be identified by SCCT. SCCT will be discussed in more detail in Chapter 3.

### **1.5. RESEARCH QUESTIONS AND OBJECTIVES**

The research questions and objectives helped set the direction that this study took. Research questions and objectives were formulated to explore stakeholders’ perceptions of Capitec Bank’s response to the Viceroy crisis. The study was exploratory in nature, and therefore the questions and objectives were wide in order to gain broad knowledge about the subject. The questions and objectives set helped the researcher to gain a better understanding of the subject (Research Methodology, 2017).

#### **1.5.1. *Primary research questions***

The primary research questions were the following:

### **Question 1**

According to stakeholders, what crisis-response and remedial actions did Capitec Bank take in reaction to the Viceroy report?

### **Question 2**

How did stakeholders perceive Capitec Bank's response to the Viceroy report?

#### **1.5.2. Primary research objectives**

The primary research objectives were the following:

##### **Objective 1**

Explore what crisis-response and remedial actions Capitec Bank took in reaction to the Viceroy report.

##### **Objective 2**

Explore how stakeholders perceived Capitec Bank's response to the Viceroy report.

#### **1.5.3. Secondary research questions**

The secondary research questions were:

1. How did clients perceive Capitec Bank's response to the Viceroy report?
2. How did shareholders perceive Capitec Bank's response to the Viceroy report?
3. How did employees perceive Capitec Bank's response to the Viceroy report?
4. How did the public perceive Capitec Bank's response to the Viceroy report?
5. How did regulatory bodies perceive Capitec Bank's response to the Viceroy report?
6. What are the drivers of perceived appropriate and acceptable stakeholder engagement that is aimed at protecting and preserving an organisation's reputation during and after crisis episodes?

#### **1.5.4. Secondary research objectives**

The secondary research objectives were:

1. Explore clients' perceptions of Capitec Bank's response to the Viceroy report.

2. Explore shareholders' perceptions of Capitec Bank's response to the Viceroy report.
3. Explore employees' perceptions of Capitec Bank's response to the Viceroy report.
4. Explore public perception of Capitec Bank's response to the Viceroy report.
5. Explore regulatory bodies' perceptions of Capitec Bank's response to the Viceroy report.
6. Explore the drivers of perceived successful stakeholder engagement aimed at protecting and preserving an organisation's reputation during and after crisis episodes.

## **1.6. RESEARCH DESIGN**

This subsection of the chapter discusses the overall design of the research and the decision taken related to the methods used in this study. The research design was informed by the nature of the information needed to provide an answer to the primary and secondary research questions and objectives (Creswell, 2009). A qualitative research design was selected for this study. The qualitative research design helped to establish the research methods to be applied in the study. The research methodology is the research strategy and methods that the researcher followed in order to answer the research questions and objectives (Du Plooy, 2009).

The study included secondary research informed by a literature review. For this review, peer-reviewed articles, books and other scientific publications were studied in order to analyse and determine what the relevant existing literature says about stakeholders and reputation management.

### **1.6.1. A qualitative study**

This study adopted a qualitative research approach. It is appropriate to use qualitative research methods when the researcher intends to examine unique characteristics, properties, values or needs to enhance understanding. In this specific study, the researcher intended to explore and determine messages presented in interviews with various stakeholders (Du Plooy, 2009; Flick, 2007).

A qualitative study's objectives are to research an area in which little or no prior information exists. The exploration is done in order to describe themes, attitudes, relations or trends applicable to the units analysed. The qualitative design allows for the flexibility demanded by the nature of this study (Du Plooy, 2009).

The study required an analysis of messages gained from interviews conducted with various stakeholders of the organisation (the sampling of these stakeholders will be discussed later in this chapter). Flexibility in the research design and methodology arising from a qualitative approach is also advantageous, due to the ongoing nature of the crisis under investigation.

### **1.6.2. A single case study design**

"The field of crisis communication is dominated by case studies" (Coombs, 2007:163). This research focused on crisis communication, as it involved an analysis and evaluation of an organisation's reaction to a crisis situation. Reactions to crises are observed by studying the communication about it. Hence, a case study was determined to be the appropriate design for this research.

A case study is defined as a research design or method that is used to conduct an in-depth study of a single unit – a case study pertains to the intensive study of one unit of analysis, such as an individual, group or institution. If a single unit of analysis, such as an individual, is studied, that individual should represent a particular population. Otherwise, that individual must be atypical of the population or phenomenon being studied. "A case study cannot be both typical and atypical" (Kruger & Welman, 2001:183).

When developing case studies, the specific case's boundaries should be defined and demarcated. Observations made should not merely be described, but recurring patterns and consistent regularities must be highlighted (Kruger & Welman, 2001).

The researcher chose to use a single case study research design, and the case study chosen can be described as follows: Stakeholders' perceptions of Capitec Bank's reaction to allegations made in the Viceroy report that was released on 30 January 2018.

According to Creswell (2013), a case study starts by naming a single case within a current setting/context. Ideally, the case is still occurring in order to collect up-

to-date data that is not yet lost in time. The case must also be describable within set boundaries, such as a specific time frame or specific place. An attribute that can be ascribed to case study research within a qualitative context is that it cannot rely on single-source information. However, although it is dependent on more than one source of data, a case study typically focuses on a sole case – a case that is unique, has unusual interest and needs to be described and detailed in itself (Creswell, 2013).

The case study design used in this study was exploratory in nature. Exploratory studies usually lead to insight and comprehension; they also follow an open and flexible approach to research strategy and do not seek to generalise. That is why an exploratory single case study was conducted for this research (Babbie & Mouton, 2001).

### **1.6.3. Data collection**

Methods for data collection within qualitative studies include qualitative content analyses, as well as interviews by means of using interview schedules (Du Plooy, 2009). In the current study, data was collected by conducting semi-structured interviews (SSIs), for which discussion frameworks were developed. The SSIs were guided by the discussion frameworks that are attached to this study in Addendum E. Thereafter, the researcher transcribed the interviews verbatim before analysing the data.

### **1.6.4. Qualitative content analysis**

Qualitative content analysis is a method for data collection, as well as a tool for analysing the data collected. Content analysis refers to the analysing of verbal responses, video, audio and written material (Du Plooy, 2009).

This study included verbal and written material, which will be discussed, analysed, interpreted and explained in the coming chapters.

Content analysis can entail both the quantitative and/or qualitative analyses of content. It is a method to explore and describe intended messages. In general, content analyses are used to determine the frequent appearance of certain themes and symbols within messages. The messages observed systematically become the units of analysis in content analysis (Du Plooy, 2009).

Content analysis is described as a methodology that is “applied to explore, describe, and infer characteristics of messages” (Du Plooy, 2009:285). Qualitative analysis in research is important in order to understand texts or spoken words as in an interview, likely interpretations by its readers and audiences, to understand the deeper meaning of the message. It is indeed necessary to accept that verbal messages are exposed to different interpretations and must therefore also be examined by means of qualitative content analysis techniques (Macnamara, 2005).

Researchers in the field of communication studies should aim not to lose sight of the distinct and unique role of humans in the content analysis process. The role of humans in content analysis is particularly important to bring about contextual sensitivity to content (Hermida *et al.*, 2013).

According to Kruger and Welman (2001), successful descriptions of small groups and communities can be made by implementing qualitative field studies instead of quantitative methods. Quantitative methods are useful in hypothesis-testing research, but qualitative research methods may be more useful in studying scenarios or cases that do not fit particular theories (Kruger & Welman, 2001). Qualitative research allows researchers to understand, explore, describe and explain phenomena in the everyday, natural course of life (Flick, 2007).

Seeing that this study is about a specific scenario, namely the crisis that Capitec Bank faced after the release of the Viceroy reports and the management of the stakeholders, i.e. the human role players, qualitative content analysis was chosen as an appropriate research methodology to use.

#### **1.6.5. Sampling**

This study employed non-probability sampling. In a non-probability sample, the probability that any one unit of analysis will be included cannot be specified (Kruger & Welman, 2001). Purposive sampling relies on the researcher’s own experience and/or previous research findings in order to obtain units of analysis so that the sample can be regarded as being representative of the population being studied. However, due to different researchers proceeding differently when obtaining samples, “it is impossible to evaluate the extent to which such samples are representative of the relevant population” (Kruger & Welman, 2001:63).

When conducting content analysis, it firstly is necessary to define the phenomena to be analysed. Secondly, the universe of the appropriate interviewees must be defined, and then the sampling methods must be chosen (Kruger & Welman, 2001).

SSIs (semi-structured interviews) were conducted to better understand the themes and issues that arose in the qualitative content analysis of the secondary research (literature review). Open-ended questions were used in the SSIs with the intention of evoking responses that are meaningful and explanatory in nature. During an interview, the interviewer/researcher takes notes of the interviewee's non-verbal communication observed by the interviewer/researcher (Kruger & Welman, 2001). Ongoing communications, document, and interactions must be analysed (Flick, 2007). The researcher thus carefully observed any non-verbal actions and communication by stakeholders by constantly taking notes during the interviews.

SSIs were conducted with individuals who were stakeholders of Capitec Bank. Financial analysts were interviewed as a proxy for shareholders; branch managers of Capitec Bank were interviewed as a proxy for employees; and stakeholders of the client group were interviewed. The interview process stopped when once the participants did not deliver any new information. Data saturation was achieved once the researcher concluded that she had enough information to address and reconcile the research questions.

Branch managers of Capitec Bank were chosen as a proxy for clients' perceptions due to their holistic view of a variety of responses by clients of Capitec Bank to the Viceroy report. The confidentiality of Capitec Bank's client information is protected by law, and therefore Capitec Bank was prohibited from providing details of clients to contact for an interview. Approaching clients at random would have been intrusive, and therefore access to branch managers was preferred to gain insight into the perceptions of clients.

#### **1.6.6. Data analysis**

After the researcher had collected the data from the SSIs, the data was analysed by using ATLAS.ti version 8 – a qualitative analysis software package. The researcher underwent extensive training in using this software before she started the data analysis.

ATLAS.ti enables its users to make use of a query tool function to search for specific quotations according to the research question that will give the researcher/user answers within the coded data.

As part of the data analysis process, the researcher continuously recorded thoughts and interpretations by writing memos – these memos aided the study and the final analysis.

The process of data analysis followed in this study is discussed in greater depth in Chapter 4.

## **1.7. ETHICAL CONSIDERATIONS**

Firstly, this research was conducted under the name of Stellenbosch University (SU). It was the researcher's responsibility to apply for ethical clearance from the university. This was done and the researcher received ethical clearance from the Research Ethics Committee: Humanities on 15 January 2019 (with an ethics approval period from 15 January 2019 to 14 January 2022) to continue with the study.

The interviewees were under no obligation to answer any specific question or even to participate in the study should they not have felt comfortable doing so. They participated in the study of their own free will and were given the option to withdraw at any time should they no longer have felt comfortable. It was a challenge to ensure that the interviewees would be genuine about the issue under discussion. In order to build trust with potential interviewees, the researcher started all interviews by thoroughly explaining the research topic. The researcher validated the data collected by checking for inconsistencies in the interviews; this triangulation of information enhanced the quality of the data used in this study.

The researcher took care not to project her own views onto the interviewees. The researcher did not allow personal interests to become part of the discussion when conducting the interviews, since scholars view this as a possible barrier when conducting interviews (Baškarada, 2014:13).

The study was perceived by the researcher as a minimum- to low-risk study, as there was only a slight risk of creating discomfort when some of the interviews were conducted. The study was about an ongoing matter, one that was still unravelling and playing out every day. The phenomena under investigation were also still widely covered in the social, traditional and popular media – this might have created some discomfort, especially for certain stakeholders. For example, an employee of one of the organisations used in the case study might feel uncomfortable should that employee feel that his/her comments might pose a threat to his/her continued employment.

## **1.8. ORGANISATION OF THE THESIS**

This thesis consists of six chapters. This subsection provides an introduction to and short description of each of the chapters with the intention to orientate the reader to this thesis.

### ***Chapter 1: Introduction and background to the study***

The background and rationale for the study is offered. The chapter introduces the research problem and discussed the research objectives, research design, and methodology used in the study.

### ***Chapter 2: Stakeholders***

This chapter provides an in-depth discussion of secondary research on stakeholder management, stakeholder theory, and the value thereof to the survival of an organisation. The chapter defines stakeholders and explore the Friedman vs Freeman debate.

### ***Chapter 3: Crisis communication management***

This chapter includes a discussion of the meaning of reputation and crises. It will also provide a comprehensive study of the literature available on crisis communication management.

### ***Chapter 4: Research methodology***

This chapter provides the theoretical framework and research design, including the units of analyses, of the single case study.

The methods and tools used to conduct qualitative content analysis are described and defined in this chapter. The process of sampling the data for the study is also set out in this chapter. The use of the qualitative content analysis software package, ATLAS.ti, is described, discussed and laid out.

### ***Chapter 5: Research findings***

The results obtained through the qualitative content analysis using ATLAS.ti are discussed in this chapter, and conclusions are drawn.

## ***Chapter 6: Conclusions and recommendations***

The final chapter concludes the research findings. It refers back to the research problem by reconciling the research questions with the research findings, and determines if the research objectives were met. Recommendations on plausible crisis communication strategies for organisations facing crises led to the development of a model for crisis communication. Suggestions for future research are made, followed by a discussion of the limitations of this study.

### **1.9. CHAPTER SUMMARY**

This chapter has introduced the study by defining the research problem, providing a background to the literature available in the fields of stakeholder and crisis communication research, determining the research questions, setting the research objectives, and discussing the research methodology. The background to the study leads to the title of the study: Stakeholder perceptions of organisational response to crisis: A case study. A qualitative approach to research was followed, and primary research data were collected by means of semi-structured interviews, which were analysed in order to answer the two primary and six secondary research questions. The results and findings are presented as a single case study: Stakeholders' perceptions of Capitec Bank's reaction to the Viceroy report.

## **CHAPTER 2: STAKEHOLDERS**

### **2.1. INTRODUCTION**

In this chapter, the researcher reports on the study on which she embarked to do secondary research on the available literature in order to achieve the research objective. The first point of departure in the literature review was a study of the existing body of research available on the term 'stakeholders'. This chapter thus scrutinises and discusses different definitions of 'stakeholders', as well as stakeholder theory, as found in the existing literature.

This chapter assesses the existing literature found on the term 'stakeholders'. It also delves deeper into the history and fundamentals of stakeholder management theory, reviews the debate of Freeman vs Friedman, and discusses different strategies of communicating with various stakeholders as found in the literature. The chapter concludes with a review of the importance of establishing and maintaining stakeholder relationships. This chapter thus provides the fundamental point of departure, focusing on the importance of communicating with stakeholders in order to protect and preserve an organisation's reputation.

### **2.2. BACKGROUND TO STAKEHOLDER THEORY**

Stakeholder theory still seems to lack a clear theoretical grounding, and this shortcoming complicates the process of defining, analysing and prioritising stakeholder groups. This shortcoming also leads to the combining of broader and narrower definitions of stakeholders. "A striking characteristic of stakeholder literature is that diverse theoretical approaches are often combined without acknowledgement" (Donaldson & Preston, 1995:72; Maier, 2015).

Frooman (1999:193) theorises that there is one assumption that underlies all of stakeholder theory: "stakeholder theory is about managing potential conflict stemming from divergent interests". Only when the concept of stakeholder theory and management was applied to groups where there was potential for disagreement and conflict did the stakeholder model become useful. According to Frooman (1999), managers of organisations would have had no need to

worry about stakeholder theory and management if there was no potential for conflict, and the organisation and all its stakeholders were in agreement.

### 2.3. DEFINING STAKEHOLDERS

Every business creates, and sometimes destroys, value for customers, suppliers, employees, communities and financiers. The idea that business is about maximising profits for shareholders is outdated and doesn't work very well, as the recent global financial crisis has taught us. The 21<sup>st</sup> Century is one of 'Managing for Stakeholders.' The task of executives is to create as much value as possible for stakeholders without resorting to tradeoffs. Great companies endure because they manage to get stakeholder interests aligned in the same direction.

- R. Edward Freeman (2018)

R. Edward Freeman first published his classic work, *Strategic Management: A Stakeholder Approach*, in 1984. This work sets the tone for future writing on stakeholder theory and management, and the researcher found that it is very rare, if impossible, to find any literature and research on stakeholder theory and management that does not refer to Freeman's name and work. Freeman was a trailblazer in approaching strategic management from the stakeholder perspective, and it is thus quintessential to start any literature study on stakeholder theory with Freeman's definition of a 'stakeholder' as found in *Strategic Management: A Stakeholder Approach*. According to Freeman (1984:46), a 'stakeholder' can be defined as "any group or individual who can affect or is affected by the achievement of the organisation's objectives". The next section provides a further exploration of the term 'stakeholder' in order to determine an appropriate definition of 'stakeholder' for the purposes of this study.

The literature suggests some alternative definitions for the term 'stakeholder'. Definitions of a 'stakeholder' differ in the inclusivity of their approach to defining the term. Alternative definitions, as cited in Bryson (2003:22), include the following:

- “Any person, group or organisation that can place a claim on the organisation’s attention, resources, or output, or is affected by that output.”
- “Those individuals or groups who depend on the organisation to fulfill their own goals and on whom, in turn, the organisation depends” (Johnson & Scholes, 2002:206).
- “People or small groups with the power to respond to, negotiate with, and change the strategic future of the organisation” (Ackermann & Eden, 1998:117).

It is clear from the original definition of a ‘stakeholder’ by Freeman (1984) that every organisation will have its own groups or individuals whom they affect or by whom they are affected. The definition of a ‘stakeholder’, which might be organisation specific, is consequential in nature, since it will affect who and what matters to an organisation, an organisation’s overall strategy, as well as its decision-making processes. According to Courtright and Smudde (2011:137), stakeholder theory is in essence a holistic function of an organisation that must attempt to provide answers to the following questions: “How are stakeholders created? How can relationships with stakeholders be maintained? And also, how can relationships with stakeholders be improved?” Stakeholder theory thus concerns itself with the relationship between an organisation and an identified stakeholder that adheres to the definition of a stakeholder (Bryson, 2004; Courtright & Smudde, 2011).

After reviewing different approaches to defining the term ‘stakeholder’, the researcher decided on Freeman’s (1984:46) original definition: A ‘stakeholder’ is “any group or individual who can affect or is affected by the achievement of the organisation’s objectives”. The decision to focus on this definition of a stakeholder was made on the basis that Freeman’s work is most widely cited and included in other scholars’ work on stakeholders, and it encompasses the value that a stakeholder attributes to an organisation meeting its objectives. Although phrased differently, this value is also emphasised in the alternative definitions of a ‘stakeholder’. Bryson’s (2003:22) definition says that the stakeholder will be affected by the output of an organisation – implying that the stakeholder does have a stake in the organisation meeting its output

objectives. According to Johnson and Scholes (2002), the stakeholder and organisation are interdependent – once again this confirms Freeman’s definition that a stakeholder affects or is affected by the organisation. Ackermann and Eden (1998) suggest that a stakeholder can have an influence on the strategic future of an organisation. An organisation’s objectives are enclosed in its strategic direction, and thus it confirms that Freeman’s definition of a ‘stakeholder’ summarises all important aspects to consider when defining the term.

#### **2.4. STAKEHOLDER THEORY IN A STRATEGIC CONTEXT**

Freeman’s theory and definition of stakeholders created existential shifts in strategic management and thinking on strategic planning. There is no longer a short-term, singular focus on profitability, but rather a vision focused on the generation of sustainable value for the organisation. Also, there is no longer only a focus on the identification and achievement of organisational goals, but organisations also realise the responsibility they have towards all the individuals and groups they affect. “Instead of seeing organisations as masters of their own self-maximising destinies, Freeman’s theory embeds them in a complex web of institutional relationships and ethical responsibilities” (Maier, 2015:27).

According to the literature, such as Freeman’s work of 1984, he was not the first to make use of the term ‘stakeholder’. The term ‘stakeholder’ was first used in the pioneering ideas of the Stanford Research Institute (SRI International) in the 1960s. The SRI concept involved that the management of organisations should explore its relationships with all stakeholders in order to develop strategies that will lead to long-term success. According to the SRI, strategies will be successful if they consist of objectives that all stakeholders would support. In order to determine the objectives that all stakeholders would support, “managers needed to understand the concerns of shareholders, employees, customers, suppliers, lenders and society” (Das Gupta, 2012:164).

## 2.5. FREEMAN VS FRIEDMAN

In 1970, the economist Milton Friedman wrote an article for *The New York Times* magazine in which he argued that managers of a corporation are morally responsible to strive to enhance profits for the benefit of its shareholders (Friedman, 1970). At the time it was generally accepted that that was what managers would do anyway, seeing that it derives from the economic assumption that, in a marketplace, all participants are striving to enhance profits by maximising the deployment of their utilities. Friedman's article was contested by many, especially writers in the field of philosophy and ethics, who argued against Friedman's view and stated that managers should also take responsibility in satisfying the needs of stakeholders (Friedman, 1970; London, 2003; Machan, 2017).

There is also much contemporary debate and commentary on the 'stakeholder versus shareholder' debacle, but according to the literature this is attributed to the misconception that stakeholder management theory is "anti-capitalist, anti-profit and anti-business efficiency" (Freeman & McVea, 2001). According to Freeman (2010:7), "the very nature of capitalism itself is putting together a deal, or a contract, or a set of relationships among stakeholders so that all can win continuously over a long period of time". In line with Freeman's view, this means that capitalism does not in itself contradict stakeholder management theory, and vice versa.

The case for stakeholder management and the importance of the needs and perceptions of stakeholders were strengthened in the 1980s, when there was an environment that demonstrated the power of a stakeholder approach to strategy. Focusing on shareholder gains was deemed by some as no longer enough to ensure the survival of an organisation (Freeman & McVea, 2001).

A stakeholder approach to strategic management is applicable in the fast-paced and changing business environment of today, where it is still required of organisations to promote the bottom line, i.e. profit maximisation, but a more societable approach to business is also expected (Freeman & McVea, 2001; Harrison & Van der Laan Smith, 2015; Lin-Hi & Blumberg, 2016; Oleksiv & Shpak, 2012).

As a consequence of the above, there has been an increase in expectations and recognition of a more stakeholder-inclusive approach to corporate governance, instead of focusing only on a narrow group of shareholders or stockholders who have only a financial interest in an organisation. This forces organisations to accept Freeman's view, along with their responsibility towards all stakeholders who "can affect and [are] affected by" (Freeman, 1984:46) the organisation. Many scholars of business and management studies are accepting the effect that stakeholder relationships have on the success of organisations. Even those who argue that organisations' primary objective and reason for existence is to maximise the wealth of their shareholders accept that this is, in fact, affected by an organisation's relationship with its stakeholders (Das Gupta, 2012; Foster & Jonker, 2005; Freeman, 1984; Hansen & Spitzeck, 2010; Institute of Directors in Southern Africa [IoDSA], 2009; Maier, 2015; Marais & Vorster, 2014).

Freeman (1994:409) refers to the thinking that business decisions and ethical decisions must exist in isolation from each other as the 'separation thesis'. However, Freeman (2000) argues that the isolation of business decisions from ethical decisions will encourage organisations to participate in unethical business practices that will pose a threat of scandal and, according to Freeman (2000), this is also organisationally, ethically and environmentally an unsustainable way of conducting business.

According to Marais and Vorster (2014), Freeman's stakeholder theory is based on two assumptions. The first assumption is that an organisation cannot survive without the support of its stakeholders because of the view that an organisation forms part of an interdependent set of relationships among primary stakeholders. The second assumption is that any turbulence an organisation experiences is caused by either internal or external sources of change. Internal change encompasses any change in an organisation's relationships with its stakeholders, such as its owners, employees, suppliers and customers. External change refers to any actions of stakeholders, such as the government, consumer advocates, special interest groups and (arguably) competitors, as well as the media as stakeholders of the organisation, and how their actions affect the organisation (Freeman, 1984; Hillman & Keim, 2001; Marais & Vorster, 2014).

## 2.6. INSTRUMENTAL STAKEHOLDER THEORY

Some stakeholders are deemed more critical to the survival and success of an organisation than others. This is because of an organisation's dependence on resources that specific stakeholders provide to the organisation. According to instrumental stakeholder theory, an organisation must only pay attention to those stakeholders who provide the organisation with essential resources and who thus in that way can have an effect on the value of the organisation (Hansen & Spitzeck, 2010).

However, the interconnectedness of various stakeholders of the same organisation cannot be overlooked when strategising the long-term survival of an organisation. Therefore, it can be counter-argued that an organisation cannot only focus on those stakeholders that provide the organisation with essential resources, as determined in the literature just discussed. Rather, an organisation must accept that its perceived actions against one stakeholder group may serve as a proxy for the trustworthiness of that organisation (Crane, 2019). According to Ashworth and Gibbs (1990), the organisations that are perceived as the most trustworthy will be more likely to receive resources from their stakeholders. Organisations with the highest levels of trustworthiness will also obtain and maintain loyalty from their stakeholders.

Rather than focusing on stakeholders that can supply the organisation with essential resources, organisations must place their focus on building overall trust among stakeholders by viewing and managing all stakeholders as interconnected. The influential stakeholder theory scholar, Freeman, also emphasises the importance of the interconnectedness of stakeholders in his recent studies. Freeman *et al.* (2010:27) says that "no stakeholder stands alone in the process of value creation and that the stakes of each stakeholder group are multifaceted and inherently connected to each other".

The term 'stakeholder' refers to any people, collective groups or other organisations that the leadership, management and staff of an organisation must take into account somehow. According to Clarkson (1995), the term primary stakeholders refers to those stakeholders on whom an organisation's survival depends. They include shareholders who supply capital, employees,

customers, the community, the natural environment, and any other form of resource suppliers (Hillman & Keim, 2001). Primary stakeholders are those who “bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm” (Agle *et al.*, 1997:856).

According to some literature, a person, group or organisation cannot be classified or identified as a stakeholder in the absence of influence, i.e. a stakeholder relationship does not exist if the person, group or organisation does not have any influence on an organisation (Bryson, 2004).

It must, however, also be noted that Maier (2015:28) advances that the necessity of influence for a stakeholder relationship to exist “appears to limit the list of primary stakeholders to five key constituencies – customers, financiers, employees, suppliers and communities”. Note that this list excludes the media as a stakeholder, and it is still difficult to determine a scheme for prioritising stakeholders. Maier (2015:28) warns that, “when organisations are left to their own devices, groups can find themselves summarily and permanently marginalised, undermining the very purpose of stakeholder theory in the first place”.

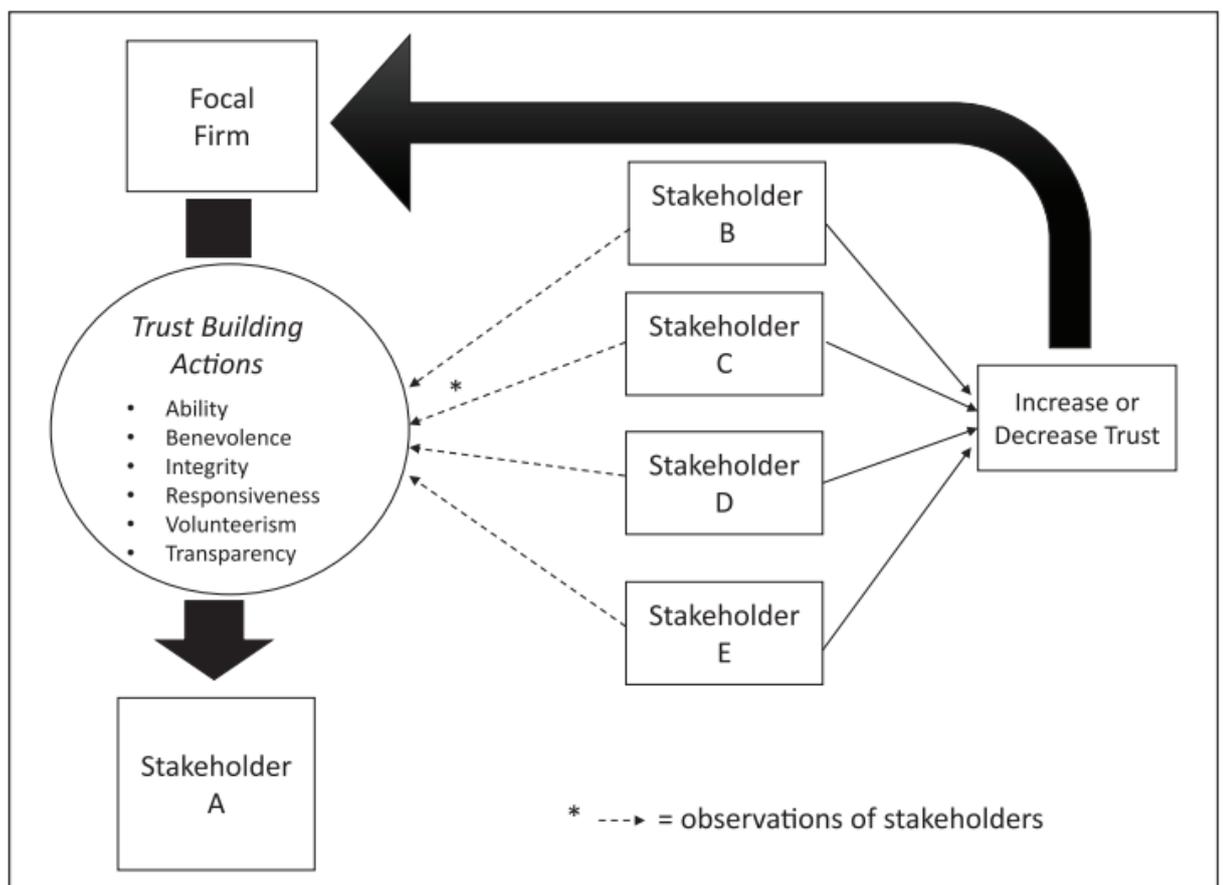
Although it is still difficult to determine an exact scheme and theory for prioritising stakeholders, stakeholders seem to be all the more equally important in the information age today, since each and every stakeholder can have an effect on one of the other stakeholder’s perceptions of the organisation (Crane, 2019).

According to Schultz & Werner (2013) a perception of an organisation can materialise only hours after a crisis has emerged. An organisation’s reputation rests on the perception stakeholders have about said organisation. Perception is the image of a company and how that image is perceived by the organisation’s stakeholders. Formerly, perceptions were set by traditional news media. However, in today’s world, one person or stakeholder can damage an organisation’s reputation by publishing harmful or misleading messages on the Internet (Schultz & Werner, 2013).

Crane (2019) built a model that visualises stakeholder trust formation. The model applies the ideas of stakeholder connectedness, trust and trust-building actions. The dimensions of trust leveraged in this model are as follows: ability,

benevolence and integrity. Ability refers to the capability of an organisation to adhere to the expectations of stakeholders; benevolence refers to an organisation's aim to satisfy and meet the needs of stakeholders and an organisation's intent to seek good; and integrity refers to the fairness with which an organisation acts and the idea that an organisation acts on promises made (Crane, 2019; Poon, 2013).

Figure 2 presents a summary of the findings of Crane's (2019) stakeholder trust-formation theory, i.e. that all stakeholders are connected and that there is a benefit in considering all stakeholders to be equal and so to receive favourable treatment, as this will have an effect in the greater stakeholder ecosystem.



**Figure 2:** Crane's stakeholder trust-formation theory

(Source: Crane, 2019)

## 2.7. IDENTIFYING, CLASSIFYING AND PLANNING STAKEHOLDERS

Identifying and classifying stakeholders are important to enable responsible parties in an organisation to gain a better understanding of them, their relevance to the organisation, and also how important they are in terms of engaging with them (Courtright & Smudde, 2011; Marais & Vorster, 2014). Stakeholder theory must be considered and applied at a strategic management level, because it is managers' responsibility to pay "simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organisational structures in general, policies and in case-to-case decision-making" (Courtright & Smudde, 2011:137).

Stakeholders will only be satisfied if their expectations of value are met. "Attention to stakeholders is important throughout the strategic management process because 'success' for (public) organisations – and certainly survival – depends on satisfying key stakeholders according to their definition of what is valuable" (Bryson, 2004:25). In order for an organisation to survive and thrive, it must meet stakeholder needs. However, in order to meet said needs, the organisation must first determine what stakeholders' needs are. Stakeholders' needs and wants are based on what that stakeholders perceive as value-adding. If a stakeholder does not perceive that an organisation's actions or decisions will add value, he or she will not be satisfied and this might prove to be fatal to the survival of the organisation.

It is necessary to include stakeholders in the planning process of an organisation from the beginning, as some of them, for example employees and operational level managers, will be responsible for the execution of the plans. A planning process faces the challenge of winning support from those parties among whom there is an expectation that the strategic plan of an organisation will be executed. There is an expectation among stakeholders that something will change within an organisation, for example budget cuts, retrenchments, restructuring, etc., should their expectations not be met, thus leaving them at least somewhat dissatisfied. Stakeholders' measurement of satisfaction is based on their own criteria for it, i.e. their expectations. Stakeholders are expected to be more willing to "buy into" (Fisher, 2018:3) a strategic plan if they

perceive the value that it can potentially create for them (Bryson, 2004; Fisher, 2018).

“Planning is informed by a strategic outlook and associated data. Ideally, such data would include:

- A clear understanding of future needs of key stakeholders,
- Current competitive data in relation to key stakeholders” (Fisher, 2018:5).

Without data and information, it will not be possible for an organisation to strategically plan to meet the current and future needs of stakeholders. Plans on how to acquire data and information that will aid an organisation in planning to meet the needs of stakeholders must be included in the strategic planning of an organisation, otherwise the absence of such plans might lead to failure to meet the needs of stakeholders.

If stakeholder value is managed in a strategic manner, i.e. if strategies focus specifically on the current and emerging needs of stakeholders, a strategic plan should provide the basis to align an organisation’s mission and vision with its systems and processes. A stakeholder approach to strategic management must be applied throughout the totality of an organisation (Fisher, 2018).

In order for crisis management to be effective, all of the various stakeholders must be properly recognised and characterised. This must be done in order to make it possible to involve them in the strategic planning process, i.e. they cannot be included in the planning process if they are not properly specified, and this will lead to the possibility of not protecting them properly from the adversities of a crisis (Brunet & Houbaert, 2007).

“Defining stakeholders in advance of any event nevertheless poses substantial challenges” (Brunet & Houbaert, 2007:647). These challenges might arise due to the fact that it is possible to define and characterise stakeholders in different ways, as already seen in the discussion of the different possible definitions of a stakeholder. For example, it is possible to define stakeholders according to their role within the given organisation, or in terms of their interests (such as economic or financial interest) or motivation (these are stakeholders who can

suffer economic or financial losses because of a crisis). Stakeholders can even be defined legally.

However stakeholders are defined, it also needs to be recognised that their role and status can be very fluid. These depend not only on characteristics of the stakeholders themselves, but also on the perspective of, and the timing of the observation. The identification of stakeholder groups is consequently a social construction. This implies that, for each situation or event, we do not have a clear *a priori* list of the stakeholder groups because each specific crisis produces its own special struggle for recognition and power. The answer to the question ‘who are the stakeholders?’ is thus neither simple nor neutral (Brunet & Houbaert, 2007:648).

According to work done by Agle *et al.* (1997), three attributes can be ascribed to stakeholders – power, legitimacy and urgency. Various combinations of these attributes will indicate how much attention management should give to each stakeholder. Scholars especially agree that power is a very important attribute of stakeholders that will demand the attention of an organisation’s management. Stakeholder power can stem from their position relative to the organisation, the network structure in which they operate, their budget size and source of funding, as well as the organisation’s dependence on the resource they can supply. “Power is structurally determined in the sense that the nature of the relationship – that is, who is dependent on whom and how much – determines who has power” (Frooman, 1999:196).

The classification and categorisation of stakeholders can be troublesome, as some stakeholders who have the potential to have a significant influence can be overlooked if they do not fit the tight definition of possessing power, legitimacy or urgency. Organisations are at risk of underestimating the power of some stakeholders by calculating that some stakeholders are more important than others. “The calculus with which a firm makes its priority judgments might offend groups viewed as ‘less important’” (Crane, 2019:14). The notion of offending certain stakeholders can give them legitimacy and a sense of urgency, which will have the effect of giving them more power than they originally had, and because of the interconnectedness of stakeholders, as explained in Figure 2, this can have an effect on other stakeholders.

## 2.8. FRINGE STAKEHOLDERS

Organisations are not only faced with so-called primary stakeholders, but according to Frooman (1999) organisations also face ‘fringe stakeholders’. ‘Fringe stakeholders’ are those stakeholders who do not pose an immediate threat to the operation and survival of an organisation. However, they can still influence an organisation in the sense that they can act collectively as a group, which will increase their power, or in the sense that they can have an influence on other, primary stakeholders. Fringe stakeholders can become more influential and their claims can carry even more urgency and weight should they act collectively. However, as they might be scattered, it is complicated for them to coordinate their shared identity and to define their strategies, tactics and actions against organisations. This dilemma of ‘collective action’ is intensified by the lack of a common identity, and thus individuals are likely to regard their problem as being of a personal nature, rather than perceiving it as a collective one. However, the Internet and the increase in the interconnectivity of the world is diminishing the problem of interacting with one another in order to act as a collective (Bruijn & Whiteman, 2010; Brunet & Houbaert, 2007; Bryson, 2004; Daudigeos *et al.*, 2019; Hans & Sharma, 2004; King, 2008). The importance of analysing stakeholders is growing because of the increasing interconnectedness of the world.

Fringe stakeholders are stakeholders that do not have a contractual relationship with the organisation and have very limited and weak resource dependency. They are described in the literature as being “the ‘mosquitoes buzzing in the ears’ of managers” (Agle *et al.*, 1997:875), and as being those stakeholders who neither have any power nor legitimacy, but they still have urgent claims. These claims might be bothersome, but they do not warrant anything more than passing management attention (Daudigeos *et al.*, 2019).

However, paying enough attention to perceived important stakeholders remains critical in managing the stakeholders of an organisation successfully. *Stakeholder management* entails the critical role of management within an organisation, which stakeholder theory suggests as assessing, prioritising and integrating stakeholders’ needs. “Failure to attend to the information and concerns of stakeholders clearly is a kind of flaw in thinking or action that too

often and too predictably leads to poor performance, outright failure or even disaster” (Bryson, 2004:23).

## **2.9. COMMUNICATION WITH STAKEHOLDERS**

Organisations that do not pay enough attention to communicating with their stakeholders will, according to the literature, struggle to survive in the long run. Communication with stakeholders is necessary in order for an organisation to understand and assess its stakeholders’ needs and expectations, and to determine what they view as valuable (Freeman, 1984; King, 2011). According to Clay Shirky, as cited in Van Zyl (2013:47), “all businesses are media businesses, because they rely on managing the communication of information with employees and the world”. It is necessary for organisations to realise the importance of communicating in an effective manner with stakeholders, and therefore an organisation can be regarded as an information management/ media business (Freeman, 1984; King, 2011; Van Zyl, 2013:47).

### ***2.9.1. Communication in the information age/Internet era***

The interconnectedness of the world because of the rise of the information age makes it necessary for organisations to consider the effect that different stakeholders can have on each other’s perceptions of trust. Trust in stakeholder relationships can be enhanced if an organisation carefully explores the connectedness among stakeholders, rather than prioritising certain stakeholder relationships. An organisation’s actions towards one stakeholder can be used as a proxy by the other stakeholders for the trustworthiness of the organisation. An organisation’s interaction and actions in a relationship with a certain stakeholder are visible to all other stakeholders in the information age of today – no deed goes unseen. Increased visibility to all stakeholders must not only be seen as a threat to trust, as a positive outcome of a relationship with one stakeholder can also spill over to other stakeholders’ trust in the organisation. It thus is important that an organisation remain in control of the message that is delivered to its stakeholders. “Real time reporting mechanisms, the pervasiveness of social media, and heightened public interest have made the actions of business more accessible and meaningful to all stakeholders” (Crane, 2019:17). Incomplete information

can also prove to be damaging, thus the onus is on the organisation to deliver the message and control the conversation with stakeholders in order to set trustworthiness.

Social media can also pose a threat to an organisation in the sense that it can lead to the spreading of so-called negative word-of-mouth or online firestorms. Online firestorms is defined by Carley, Pfeffer and Zorbach (2014:118) as an abrupt and unexpected “discharge of large quantities of messages containing negative word-of-mouth and complaint behaviour against a person, company, or group in social media networks”. It is acknowledged that online firestorms and negative word-of-mouth is related to this study. However, it is not the focus of the current study and further literature on this topic will not be explored or analysed in-depth.

### **2.9.2. Stakeholder trust**

Trust is an essential part of stakeholder relationships. Stakeholder trust is defined by Crane (2019:18) as “the willingness of a stakeholder to be vulnerable to a business”. Stakeholder trust does not only refer to the trust customers have in an organisation’s products or services, but it also refers to the trust in relationships between organisations and other stakeholders, such as the government, investors or suppliers. Low levels of trust in organisations can limit an organisation’s access to valuable and critical resources and also undermine its legitimacy – stakeholder trust is significant to the success of an organisation (Crane, 2019; Integrated Reporting Committee [IRC], 2011; Malhotra & Pirson, 2011; Martin *et al.*, Parmar & Pirson, 2017; Van Zyl, 2013).

Stakeholders will evaluate the perceived risk they face from entering into a relationship with an organisation; the higher this perceived risk, the more likely they are to stray away from certain relationships with stakeholders. An increase in trust and the expectation of a positive outcome of a relationship will decrease their perception of risk within the relationship and heighten their motivation to enter into a relationship with the organisation. Crane (2019) argues that organisations should focus on the uniform need of all stakeholders – to build trust in their relationship with an organisation – in order to create value. Organisations must communicate with their stakeholders the risks they face, as well as how they plan to limit and minimise the impact of these risks. Communication is at the core of managing stakeholder relationships – the very

essence of relationships in terms of stakeholder theory is the communication between officials acting for an organisation and stakeholders that are affected by an organisation's actions and decisions (Crane, 2019; Van Zyl, 2013).

Every stakeholder must be treated according to his or her own needs, and thus each identified stakeholder group must be communicated to in different ways. Some stakeholders will prefer face-to-face, verbal communication, whereas other stakeholders will be satisfied with written communication. Once again, it is important to manage the expectations and needs of all stakeholders. Communication between stakeholders themselves also happens because of direct interaction via the Internet, social media or word-of-mouth communication. The media become an important channel of communication, and specifically enhance the facilitation of informal communication that develops between stakeholders (Brunet & Houbaert, 2007; Davies & Roper, 2007).

Stakeholders base their decisions on information available to them. Stakeholders can gather information about an organisation from reports in the media, by paying attention to rumours, by communicating with an organisation's employees, or by asking the opinions of other stakeholders within their personal networks. However, not all these sources of information carry equal credibility, and those with greater credibility will receive more attention and create a greater change in opinion than those with less credibility. For example, should new information become available regarding a certain organisation, but the source of that information is not deemed credible, it will not necessarily have any influence on a stakeholder's decision-making (Puncheva, 2008).

### **2.9.3. *Integrated reporting***

One way in which an organisation can continuously communicate with its stakeholders and thus influence their relationship is by means of drawing up an annual integrated report. The reporting guidelines of the International Integrated Reporting Council (IIRC) highlight the need for disclosing information regarding stakeholder management in an integrated report. The IIRC's reporting guidelines also stipulate that an integrated report must give insight into an organisation's relationships with stakeholders, as well as any stakeholder interests and their expectations, and it must provide insight into

an organisation's response to stakeholder interests and their expectations (Marais & Vorster, 2014; Van Zyl, 2013). Integrated reporting has enabled organisations to have a better understanding of business value drivers such as stakeholder relationships. Integrated reporting also increases the quality of reporting on stakeholder relationships (Roberts, 2017). It is thus beneficial to stakeholder relationships that integrated reporting is the presiding form of reporting in South Africa, and that South African organisations follow the principles and recommended practices as set out in the King IV Code (Roberts, 2017).

#### **2.9.4. King IV and corporate governance**

The King IV Report on Corporate Governance for South Africa (IoDSA, 2016) was released on 1 November 2016 to give best practice guidance for integrated reporting (Roberts, 2017). The King IV Report on Corporate Governance for South Africa (IoDSA, 2016:17) provides the following definition of a stakeholder:

those groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value over time.

King IV also makes a distinction between an organisation's internal and external stakeholders, arguing that an organisation's internal stakeholders are "always material" (IoDSA, 2016:17), whereas external stakeholders "may or may not be material" (IoDSA, 2016:17). "Internal stakeholders are directly affiliated with the organisation and include its governing body, management, employees and shareholders. External stakeholders could include trade unions, civil society organisations, government, customers and consumers" (IoDSA, 2016:17).

One of King IV's (IoDSA, 2016) objectives is to enhance and encourage the transparent and meaningful reporting on corporate governance to stakeholders. The Companies Act of South Africa also highlights an organisation's obligation to the wider community and society. For example, the Companies Act places an obligation on certain companies in South Africa to have a social and ethics committee (Pandor, 2015). One of the core

responsibilities of a social and ethics committee within an organisation is to identify and manage stakeholder relationships in the sense of overseeing an organisation's performance in social and economic development, consumer relationships, and labour and employment practices (IoDSA, 2016; Pandor, 2015).

King IV advises organisations in South Africa to follow a stakeholder-inclusive approach to corporate governance. Puncheva's (2008) literature on corporate citizenship and governance emphasises that an organisation is not an isolated entity, but is part of the wider community and society within which it operates and conducts business. Following this approach, organisations must not only prioritise financial capital providers such as shareholders, but must also prioritise other sources of value creation, thus including social and relationship capital as concretised by that organisation's other stakeholders such as employees (IoDSA, 2016; Puncheva, 2008).

Furthermore, King IV explains the idea of interdependency between an organisation and the society within which it operates, from a pan-African and South African perspective.

This idea of interdependency between organisation and society is supported by the African concept of *Ubuntu* or *Botho*, captured by the expressions *uMuntu ngumuntu ngabantu* and *Motho ke motho ka batho* – I am because you are; you are because we are. *Ubuntu* and *Botho* imply that there should be a common purpose to all human endeavours (including corporate endeavours) which is based on service to humanity (IoDSA, 2016:24).

The communication of corporate social responsibility (CSR) practices can lead to "over-promising or declarations of rightness and good intentions" (Das Gupta, 2012:153), which can have negative implications in the sense that it can create mistrust among stakeholders should an organisation not fulfil the promises made. Das Gupta (2012) therefore argues that companies are realising the need to keep the communication of CSR straightforward, realistic and in a low tone. It must be a true reflection of the actual behaviour of members of the organisation (Das Gupta, 2012).

Although organisations must definitely guard against the above-mentioned risk, the literature still provides empirical evidence that there is a link between those organisations considered leaders in corporate governance and those that have a strong stakeholder approach (Hansen & Spitzeck, 2010; Ricart *et al.*, 2005).

## 2.10. CORPORATE REPUTATION

Experience with or of an organisation will drive the attitudes of stakeholders and their behaviour towards that organisation. If stakeholders do not have any previous direct experience with or of an organisation, they will base their decision on entering into a relationship with that organisation on said organisation's corporate reputation (Kazoleas *et al.*, 2001; Puncheva, 2008).

In short, an organisation's reputation is based on its perceived ability to meet the needs of and to deliver valued outcomes to all of its stakeholders. It is also a result of interactions between an organisation and its stakeholders, as well as stakeholder-to-stakeholder communication (Fombrun & Van Riel, 1997; Puncheva, 2008; Wartick, 1992).

There is a general consensus that corporate reputation is a valuable intangible asset that needs to be managed as it influences stakeholders' perceptions and preferences of companies as employment and investment opportunities, as community members, and as suppliers of products and/or services (Puncheva, 2008:272).

The ability of an organisation to respond to its surroundings will influence its corporate reputation (Goodale *et al.*, 2001).

A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments (Fombrun & Van Riel, 1997:10).

The internal perspective of the corporate brand/image will drive the external view thereof. "The development of values held internally and manifest to

external stakeholders ensures that the corporate brand is a guarantee of quality and an insurance against risk” (Balmer & Gray, 2003).

## 2.11. STAKEHOLDER RELATIONSHIPS

Hillman and Keim (2001) argue that good and effective stakeholder management will enhance an organisation’s chance to outperform its competitors. “Building better relations with primary stakeholders like employees, customers, suppliers, and communities could lead to increased financial returns by helping firms develop intangible but valuable assets which can be sources of competitive advantage” (Hillman & Keim, 2001:126).

A good corporate reputation will enhance value for the organisation itself because of the impact it has on stakeholder relations. A good corporate reputation can increase employees’ and customers’ willingness to enter into an exchange relationship with the organisation, and it will also increase the organisation’s leverage in negotiations with suppliers, investors and creditors, which can reduce its operating costs. An organisation’s corporate reputation is enhanced if that organisation manages to meet stakeholders’ expectations on repeat occasions, which can also lead to the establishment of a long-term relationship between the organisation and the stakeholder.

If a company is assessed as having a poor reputation, stakeholders decide not to enter into an exchange relationship with it. Alternatively, when that firm is believed to have a good reputation, stakeholders continue the decision process and look for information regarding the firm’s institutional actions (Puncheva, 2008:273).

The literature confirms that organisations with a higher reputation receive greater support from investors during times of economic crisis (Jones *et al.*, 2000; Puncheva, 2008).

## 2.12. CHAPTER SUMMARY

This chapter embarked on a journey to find a relevant definition for the term 'stakeholder'. The researcher adopted Freeman's (1984:46) definition of a stakeholder, namely that a stakeholder is "any group or individual who can affect or is affected by the achievement of the organisation's objectives". The chapter explored the possible classification of stakeholders according to their power over and influence on an organisation, but established that all stakeholders must be managed as interconnected, and therefore the power and influence of any stakeholder must never be underestimated. This theory was visualised in Crane's (2019) theory of stakeholder trust formation. The interconnectedness of all stakeholders is all the more important in the information era, as messages are easily spread amongst stakeholders themselves. It therefore is important that an organisation must manage messages that could influence the organisation's reputation. Communicating with stakeholders by means of integrated reporting based on the King IV code was also discussed, and the chapter concluded with the influence that stakeholders, stakeholder relationships and stakeholder management can have on the corporate reputation of an organisation.

## CHAPTER 3: CRISIS AND REPUTATION THEORY

### 3.1. INTRODUCTION

This chapter discusses secondary research conducted on the topic of crisis communication management. The reason why an organisation might need to apply crisis communication, i.e. to protect and preserve its reputation, will be discussed first. Thereafter, threats to an organisation's survival and to the protection and preservation of an organisation's reputation will be explored by discussing the meaning of a crisis. An introduction to crises will be followed by a thorough exploration of crisis-response strategies. The researcher reviews both Benoit's Image Restoration Theory as well as Coombs's Situational Crisis Communication Theory, the two dominating theories in the literature about crisis communication and response strategies.

### 3.2. DEFINING REPUTATION

Göritz *et al.* (2011:21) define reputation as "a valuable, intangible asset" and describe this asset as essential and very relevant to the financial success of organisations. It is important that organisations build, maintain and enhance their reputation in order to gain financially from this asset. "Reputations ... crystallise from the assessments generated by reporters, analysts, and the rumour mill. These images are not under a company's control. Rather, a reputation forms from these disparate images much like reflection in a broken mirror" (Fombrun, 1996:386).

In his book titled *Reputation*, a seminal work in the reputation landscape, Fombrun (1996) presents reputation as a valuable commodity for an organisation to have, seeing as it emphasises an organisation's positive features. Reputation is also a signal to the various stakeholders of an organisation. It is a signal of the amount of trust that a stakeholder can have in that specific organisation. It is a display of an organisation's credibility and reliability, and it will assist different stakeholders in their decision-making process, for example by helping employees decide for whom to work, helping customers or clients in make buying decisions, and guiding shareholders' investment decisions. It is seen that a good reputation and reputational capital

do have an effect on the bottom line, i.e. the profit, of an organisation (Fombrun, 1996). “A good reputation is a drawing card. It brings in customers and investors...” (Fombrun, 1996:4).

This study adopts Fombrun’s (1996:37) definition of reputation by specifying that “corporate reputation is the overall estimation in which a particular organisation is held by its various constituents”. This definition notes the importance of stakeholders’ perceptions as contributing to an organisation’s reputation.

Also, should anything, such as a crisis, threaten this asset, it must swiftly be addressed and repaired in order to maintain the organisation’s credibility and legitimacy. Therefore, there is a close relationship between reputation management and crisis management, and the two concepts will be discussed and reviewed together in this literature review. Crises are threats to the legitimacy, credibility and overall reputation of an organisation, and ways in which to counter the threat in order to protect the organisation’s reputation will also be under review (Fombrun & Gardberg, 2000; Göritz *et al.*, 2011).

An organisation’s reputation is deemed an important contributor to its overall performance. Not only will a good reputation strengthen an organisation’s stakeholder relationships, but it will also enhance its possible financial performance. As stated by Fombrun and Shanley (1990:233), “... favourable reputations may enable firms to charge premium prices, attract better applicants, enhance their access to capital markets, and attract investors”.

Reputation is regarded as a strategic, intangible asset with the potential to create value in the sense that it will aid in the production of tangible benefits, such as gains from asking premium prices for products, lower input costs for labour and an increase in employees’ loyalty, and it can act as a buffer of goodwill if and when crises hit (Beatty & Ritter, 1986; Dowling & Roberts, 2002; Fombrun & Shanley, 1990; Little & Little, 2000).

Wartick (1992:34) advances that reputation can be defined as an aggregate of stakeholders’ evaluations of how well an organisation met their (the stakeholders’) expectations. An organisation’s reputation is consequently evaluative in nature, meaning that a point of comparison is necessary. The stakeholders of an organisation will compare what they know about an

organisation with whether or not that organisation met their expectations. Their expectations include an expectation of being treated in a certain way (Baric, 2017; Coombs, 2007; Wartick, 1992).

According to Fombrun (1996), organisations are realising the importance of building and managing relationships with stakeholders. “In a world where intangibles like reputation matter at least as much as tangible assets like plant and equipment, competitiveness demands strong relationships with all constituents” (Fombrun, 1996:193).

The quality of the relationship that an organisation has with a specific stakeholder will influence the perception that specific stakeholder has of the organisation. The quality of the relationship rests on the communication and flow of information between the two parties, the trust between the two parties, as well as the frequency of interaction between the two parties (Fombrun, 1996). Relationships with stakeholders such as customers, shareholders, employees, the community/public and government, as well as regulatory bodies, influence the reputation of an organisation (Fombrun, 1996).

Some literature narrows the definition of reputation down to an individual stakeholder’s perception of an organisation. Wartick (1992:34) defines corporate reputation as “the aggregation of a single stakeholder’s perceptions of how well organisational responses are meeting the demands and expectations of many organisational stakeholders”, where the term “stakeholder” refers to Freeman’s (1984:46) definition thereof, namely “any group or individual who can affect or is affected by the achievement of an organisation’s objectives”. It is seen in the narrower definition of reputation, as stated by Wartick (1992), that even when considering only an individual’s perception of an organisation, it is still important to consider that individual’s perception with regard to how well the organisation has done in meeting all stakeholders’ expectations.

The researcher decided to apply the wider definition of reputation of Wartick (1992:34), combined with the view that reputation is a strategic, intangible asset, to define reputation within the specific context of crisis situations: An organisation’s reputation is a valuable intangible asset, representing an aggregate of stakeholders’ evaluations of how well an organisation met their

(the stakeholders') expectations, and it can act as a buffer of goodwill when crises hit.

An organisation's reputation is established on the basis of the information about the organisation that stakeholders have at their disposal. It is thus possible to create, maintain and manage an organisation's reputation by means of managing the information about that organisation. The following section scrutinises the role information plays in reputation management.

### **3.3. THE IMPACT OF INFORMATION ON REPUTATION**

In the previous section, it was mentioned briefly that an organisation's reputation is established on the basis of the information stakeholders have at their disposal about the organisation. Stakeholders do not necessarily receive information about an organisation from a primary source, but also receive it from secondary sources, such as word of mouth, blogs or social networking sites on the Internet (Göritz *et al.*, 2011:21). According to Göritz *et al.* (2011:21), "word-of-mouth refers to comments stakeholders make about organisations, for example on the internet". An organisation's reputation will develop further through interactions stakeholders have with the organisation. It is seen that a reputation is set indirectly, through information spread about it, or directly, through interactions that an organisation has with its stakeholders (Coombs & Holladay, 2007; Göritz *et al.*, 2011).

If employees of an organisation receive bad news, they will have certain expectations of the management's ability to manage problems. Employees are part of an organisation's critical audience of stakeholders that will pay attention to the organisation's response. Every word or act will be interpreted by stakeholders and thus contribute to the organisation's reputation (Schultz & Werner, 2013).

An organisation's reputation might come under pressure when a crisis threatens, and management will have to manage and maintain relationships with stakeholders by communicating with them and informing them about everything the organisation is doing to survive. It is argued that stakeholders' view of an organisation, which in essence forms an organisation's reputation,

can be managed and influenced with the correct communication and response strategies.

Information about an organisation can spread in an informal manner, via informal social contacts, interactions and networks. The available information influences an organisation's reputation (Fombrun, 1996). An organisation's reputation is built, enhanced, changed or damaged by information, because stakeholders base their perceptions of the organisation on the information that is available to them. This, unfortunately, also means that the spread of any negative information or messages involving an organisation will have an effect on the organisation's reputation. Managing rumours, and diminishing the negative effect thereof, is thus central in reputation management (Fombrun, 1996).

According to Fombrun (1996), people are more likely to pass on rumours that they believe to be true. If the source of the rumour or information is not a trustworthy or credible one, people are less likely to pass on the rumour due to the damage it might do to their own reputation should it play out to not be a truthful account. Fombrun (1996:157) also compares a rumour to "an opportunistic virus" that thrives because of its power to instil fear – Fombrun believes it is more probable that people will pass on a rumour that makes them anxious.

Fombrun (1996) further suggests possible defence mechanisms against rumours, set out as follows:

- Firstly, it is important that the organisation regard the rumour as a serious matter.
- Then, the organisation must strongly and swiftly deny the truthfulness of the rumour,
- Thereafter, the organisation must substantiate its claims of disproving the rumour with tangible evidence. This evidence and an account of the actual truth must be conveyed to all stakeholders in a convincing manner.

### 3.4. REPUTATION MANAGEMENT

Reputation management is focused on delivering messages specifically crafted to diminish any damages to an organisation's legitimacy and credibility, i.e. the organisation's reputation. Reputation management thus becomes even more important in times of crisis, when an organisation's legitimacy and credibility is under scrutiny (Benoit, 1995, 1997, 2000; Coombs, 1995; Ojeda & Veil, 2010).

#### 3.4.1. *Reputation management in times of crisis*

Mitroff and Pearson's (1993:49) definition of a crisis highlights the threat crises pose to the reputation of an organisation: an organisational crisis is "an incident or event that poses a threat to the organisation's reputation and viability. A crisis places survival of the organisation at serious risk". Without reputation management, the threat a crisis poses to the survival of an organisation will be more problematic to manage (Bailey *et al.*, 2005; Mitroff & Pearson, 1993).

A crisis typically has the following features: It poses a threat to the organisation, it contains an element of surprise, and it allows an organisation a short decision time to react to it (Massey, 2001; Weick, 1988). Crises are described in literature as low probability/high consequence incidents that can threaten an organisation and also that organisation's capability to achieve its objectives. Even though crises are unpredictable events, they are not *per se* unexpected. It is thus possible to prepare some of the predictable outcomes of a crisis (Massey, 2001; Weick, 1988).

Crises can vary in their severity and intensity. Crises are considered to be a consequence of either external/environmental threats, or a consequence of the internal weaknesses of an organisation (Bailey *et al.*, 2005; Egelhoff & Sen, 1992). Crises are also defined as "a situation that can potentially escalate in intensity, fall under close government or media scrutiny, jeopardise the current positive public image of an organisation, or interfere with normal business operations including damaging the bottom line in any way" (Bailey *et al.*, 2005:392).

### **3.4.2. Elements of a crisis**

According to Mitroff and Pearson (1993:49), a crisis consists of five elements: high visibility, a situation that requires immediate attention, a situation that contains an element of surprise, a situation that requires action to be taken, and a situation that is never within an organisation's complete control. High visibility entails that most, if not all, stakeholders of an organisation will become aware of the crisis. This is especially true in the information age, where information and messages are spread instantly. To illustrate, should a crisis have sensational value, people will be more likely to spread the message, therefore the crisis becomes more visible. A crisis requires immediate attention if the threat it poses would escalate should the crisis not receive immediate attention. A crisis can hit without any prior warning, and it contains elements of uncertainty. An important aspect of a crisis is the effect that it will have on stakeholders' views and perceptions of an organisation – it may alter these, heightening the threat of the crisis and also causing it to be out of the control of the organisation and its management (Bailey *et al.*, 2005; Mitroff & Pearson, 1993).

As pointed out earlier, a crisis is perceived as a negative event by an organisation due to the threat it poses to the organisation's activities and operations, as well as to the organisation's reputation. Stakeholders will also experience a crisis as a negative event. When an organisation's stakeholders perceive a crisis as a negative event, they will make attributions about responsibility for the crisis, and "...the more severe people perceive a crisis to be, the more negative are their perceptions of the organisation's reputation..."(Cauberghe *et al.*, 2010:261; Coombs, 2009a).

"The aim of crisis management is the survival of the company and its reputation over the long-term. The key to corporate longevity is public trust/confidence" (Lajtha & Robert, 2002:188). No matter how well a crisis is managed and handled, it is still perceived as a negative event that an organisation must manage and handle in order to minimise the damage thereof to the organisation's reputation and the overall well-being of the organisation (Coombs, 2009a). A crisis poses a threat to an organisation's reputation, which can alternatively be described as an organisation's 'legitimacy'. An

organisation's legitimacy as an alternative way of discussing its reputation is discussed next.

### **3.4.3. Legitimacy**

An organisation's legitimacy is another, but closely related, way of referring to an organisation's reputation. Legitimacy is defined by Suchman (1995:574) as "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Any crisis situations an organisation might face will possibly – quite probably – lead to a loss of legitimacy. "Every crisis, then, can be interpreted as the sign of a loss of confidence ... This is why preserving confidence is (ought to be) a management team's major and constant concern" (Lajtha & Robert, 2002:189). This loss of legitimacy will especially realise should their actions within a crisis situation not conform with what is believed to be proper organisational behaviour according to a socially constructed system of "norms, values, beliefs, and definitions", as stated in the definition of legitimacy by Suchman (1995:574).

There exists a perception about whether or not an organisation is legitimate and also a perception of its actions' legitimacy, based on whether that organisation is perceived to act within expected social norms, beliefs, values and definitions that are constructed in a social manner. However, should an organisation not act in a desirable manner or violate socially constructed norms, illegitimacy will occur (Massey, 2001).

It is important that organisations realise and accept that they cannot make claims to being legitimate; instead, legitimacy is something attributed to them by their various stakeholders. Stakeholder expectations must be aligned with an organisation's actions in order to successfully achieve legitimacy. "Legitimacy in this view is the stakeholder perception that an organisation is good and that it has a right to continue its activities – a right granted the organisation by its stakeholders" (Massey, 2001:156). Seeing that legitimacy is ascribed to an organisation by its stakeholders, and that legitimacy is an integral part of reputation, it can be assumed that reputation is also not something that an organisation can claim by itself, but rather something that must be ascribed to it by its stakeholders.

It is possible to conceptualise legitimacy as the interaction between stakeholder expectations and an organisation's strategy, behaviour and actions. The management of legitimacy thus requires dialogue between an organisation and its stakeholders. Strategic communication involves communication that is targeted at specific stakeholders as an audience; it also encourages participation by stakeholders in the dialogue. "A dialogic approach to legitimacy management requires ongoing communication between the organisation and its stakeholders, not one-way transmission of information from the organisation to stakeholders" (Massey, 2001:155).

#### **3.4.4. *Dialogical approach to reputation management***

Why not follow a monologic approach to legitimacy or reputation management? Why is it important to involve stakeholders in the conversation, and not just inform them of actions or decisions? Botan (1997:190) states that organisations using monologue to communicate with their stakeholders seek to "command, coerce, manipulate, conquer, dazzle, deceive or exploit...", whereas dialogic communication "is characterised by a relationship in which both parties have genuine concern for each other rather than merely seeking to fulfil their own needs" (Botan, 1997:192). It is thus important to have a two-way conversation with stakeholders in order to be properly informed of their expectations of the organisation. Otherwise stakeholders might perceive an organisation to coerce or deceive them. Instead, it is preferable that stakeholders draw their own positive perceptions.

### **3.5. CRISIS MANAGEMENT AND COMMUNICATION**

There is still a lack of standards and guidelines on how to manage reputational risk during crisis. Eccles *et al.* (2007) point out that there are adequate standards in place to manage other risks during crises, but that there are not enough guidelines in place for organisations to adopt should they face a crisis. For example, when one considers the enterprise risk management (ERM) framework set by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – a group consisting of professional associations of United States accountants and financial executives that sets guidelines for

internal controls – it is interesting to see that the ERM framework does not have a single reference to reputational risk at all.

Are theory and research really necessary in crisis communication aimed at managing reputational risk? According to Coombs (2009a), crisis communication should be clear and obvious in business management and for crisis managers. However, Coombs (2009a) argues that there is a need for theory and research in crisis communication when one considers all the mistakes that organisations make in this regard during crises.

This section reviews Coombs's approach to developing a theory for crisis management and communication. The field of crisis communication is dominated by Situational Crisis Communication Theory (Coombs, 2015), and Image Repair Theory (Benoit, 2015). Both Benoit's and Coombs's theories include a list of possible post-crisis-response strategies (Frandsen & Johansen, 2018). Benoit's (2015) theory involves five general response strategies. According to Frandsen and Johansen (2018), Benoit's list has remained consistent over the past 30 years. The five general response strategies discussed by Benoit in his list of possible response strategies are (with subdivisions): denial, evading responsibility, reducing offensiveness, corrective action, and mortification (Frandsen & Johansen, 2018).

Table 2 summarises each of these general response strategies briefly.

**TABLE 2: Benoit’s Image Repair Theory**

<b>Strategy</b>	<b>Key Characteristic</b>	<b>Example</b>
<b>Denial</b> i. Simple denial ii. Shift the blame	i. Did not perform act ii. Another performed act	i. Tylenol: did not poison capsule ii. Tylenol: a “madman” poisoned capsules
<b>Evasion of responsibility</b> i. Provocation ii. Defeasibility iii. Accident iv. Good intentions	i. Responded to act of another ii. Lack of information or ability iii. Mishap iv. Meant well	i. Firm moved because of new taxes ii. Executive not told meeting changed iii. Tree fell on tracks causing train wreck iv. Sears wants to provide good auto repair service
<b>Reducing offensiveness of event</b> i. Bolstering ii. Minimisation iii. Differentiation iv. Transcendence v. Attack accuser vi. Compensation vii. Corrective action viii. Mortification	i. Stress good traits ii. Act is not serious iii. Act is less offensive than similar acts iv. More important values v. Reduce credibility of accuser vi. Reimburse victim vii. Plan to solve/prevent recurrence of problem viii. Apologise	i. Exxon’s “swift and competent” clean-up of oil spill ii. Exxon: few animals killed in oil spill iii. Sears: unneeded repairs were preventive maintenance, not fraud iv. Helping humans justifies testing animals v. Coke: Pepsi own restaurants, competes directly with you for customers vi. Disabled movie-goers given free passes after denied admission to movie vii. AT&T long-distance-upgrades; promised to spend billions more to improve service viii. AT&T apologised for service interruption

(Sources: Benoit & Brinson, 1999)

In contrast to Benoit’s Image Repair Theory, which has remained constant over time, Coombs’s list of possible response strategies has changed over the years, especially with regard to the number of available response strategies. The researcher finds that Coombs’s range of available response strategies to a crisis is more comprehensive and provides more options for the crisis communication manager than Benoit’s Image Repair Theory. Coombs’s list of

possible response strategies is discussed in section 3.5.4. and Table 3 in this chapter.

According to Coombs (2009a), there is a real need for evidence-based research in crisis communication, as the advice that is given to crisis managers in times of crisis is usually speculation that has not been tested and is thus not supported by theory, research and evidence. In Coombs's opinion, it will be better for crisis managers to rely on evidence-based research and theory to communicate during a crisis than to base their actions and reactions on speculation.

Anything that an organisation communicates to its stakeholders after a crisis has occurred is described by Coombs (1995:448) as a "crisis-response strategy". These so-called crisis-response strategies must be used to influence stakeholders' perceptions in order to repair and maintain an organisation's reputation. When an organisation and its crisis managers handle the communication during crisis situations wrongly, it can make the crisis situation and the effect thereof much worse than they are already (Coombs, 2009a; Massey, 2001).

Situational Crisis Communication Theory (SCCT) was developed to give crisis and communication managers a way in which to determine, based on empirical evidence, which crisis-response strategy to apply in a crisis situation. The aim of this theory is to protect and, if necessary, restore an organisation's reputation (Cauberghe *et al.*, 2010; Coombs, 2007).

The goal of SCCT is to provide crisis and communication managers with more evidence-based research and management techniques in order to improve crisis and reputation management (Coombs, 2009a). SCCT divides crises into the following three categories, which also describe the way in which an organisation's stakeholders will perceive and attribute the responsibility of a crisis to an organisation and its management:

- Victim: i.e. the organisation does not have any responsibility for the crisis
- Accidental: i.e. the organisation has some responsibility for the crisis

- Preventable: i.e. the organisation is fully responsible for the crisis and could have done more to prevent the crisis from happening in the first place (Coombs, 2004, 2009a).

SCCT (Coombs, 2009a) states that there are some factors that intensify how stakeholders perceive a crisis, and also how they attribute responsibility for a crisis. Intensifying factors include an organisation's history of crises, as well as its prior negative reputation. An organisation with a perceived highly positive reputation will be better protected during a new crisis than an organisation without it (Coombs, 2009a; Göritz *et al.*, 2011).

Coombs (2004) argues that an organisation should accept responsibility for a crisis to a greater extent when the reputational threat of that crisis is particularly high. However, acceptance of responsibility can lead to higher financial costs for that organisation (Avery *et al.* 2009; Coombs, 2004; Ter Keurs *et al.*, 2012).

Stakeholders in an organisation, especially those who are direct victims of a crisis, will have a natural expectation that the organisation will help them feel better and cope with the crisis. SCCT aims to provide crisis managers with guidelines and a communicative device for what to do and say during a crisis. According to SCCT, it is not advisable that an organisation have an individual plan for all types of crises, but rather should have response plans for each cluster of crisis types, for example it should prepare plans for the "victim cluster" (Coombs, 2009a).

According to Coombs (2009a), SCCT has found that there is a base response that should cover two aspects when responding on a crisis. The first of these is that the response to the crisis should help minimise and prevent any further physical harm or damage that the crisis may cause. The second is that the response should strive to help stakeholders cope psychologically with the crisis.

Any stakeholders influenced by and involved in a crisis will worry that the same crisis might occur again, thus it is extremely important for the organisation to have open communication and inform them about what is being done to prevent such a crisis from happening again (Coombs, 2009a).

It is crucial that an organisation know and understand the situation of the crisis in which it finds itself, as this will help the organisation shape and create a

suitable response to the situation. Included in the understanding of a crisis is the importance of understanding and anticipating the expectations of the organisation's stakeholders (Eccles *et al.*, 2007). This will help prevent the organisation from either overreacting or underreacting to a specific crisis situation. "A crisis is a very dangerous time for an organisation and it is not the time for an organisation to rely on any speculation" (Coombs, 2009a). This reiterates the importance of planning for crises and crisis responses. Crisis management and crisis communication management are essential components of strategic planning (Camillo, 2015). There are too many organisations that focus on threats and crises that have already surfaced (Eccles *et al.*, 2007). The threat and damage to an organisation's reputation and long-term survival could have been prevented if there was proper planning in place to meet the expectations of stakeholders.

Any and all crises will have elements and characteristics of uncertainty. There is uncertainty in any scenario that involves risk (Brashers, 2001). The filling in of facts, and information dissemination, can build trust and develop a sense of expertise among stakeholders (Hancock *et al.*, 2009). Not all questions can necessarily be answered, but it is still important to try to answer as many as possible in order to minimise the uncertainty surrounding a crisis – "the greater the uncertainty about resolving a situation, the more severe the crisis" (Bailey *et al.*, 2005:393). The media also pose a threat to the reputation if there is any uncertainty surrounding the facts of a threat or crisis. An organisation's reputation can be "significantly damaged" by "unfair attacks ... or inaccurate reporting by the media" (Eccles *et al.*, 2007:108). This can be prevented by meeting stakeholders' needs for information and clearing any uncertainty surrounding an issue or threat.

### **3.5.1. Crisis responsibility**

Empirical evidence from a study done by Ter Keurs *et al.* (2012) shows that perceptions of an organisation, i.e. its reputation, are damaged more severely by a crisis that is perceived as being preventable than by a crisis that happened by accident. The study indicates that crisis responsibility has a significant effect on trust in and the reputation of an organisation (Ter Keurs *et al.*, 2012).

"In crisis situations, the damage of an organisation's reputation is often positively related to the perceptions of responsibility for the crisis, i.e. 'crisis

responsibility' and specific characteristics of the crisis situation" (Görizt *et al.*, 2011:21). The higher the attribution of responsibility for a crisis, the greater the threat and danger to an organisation's reputation, as the crisis is perceived as intentional and thus could have been prevented (Coombs, 1995; Coombs & Holladay, 1996, 2002; Görizt *et al.*, 2011).

Coombs and Holladay (2007) recommend different response strategies for different types of crisis. They make this recommendation in order to effectively enhance and protect an organisation's reputation by mitigating the threat of a crisis. The type of crisis is determined by looking at how much responsibility for that crisis is attributed to the organisation in question (Cauberghe *et al.*, 2010). "Crisis types vary by how much crisis responsibility stakeholders ascribe to the organisation. By understanding how much crisis responsibility a crisis type is likely to generate, a crisis manager can predict the reputational threat posed by the crisis type" (Coombs, 2004:269).

Research has established that "the more responsibility that is attributed to the organisation with respect to the crisis, the more negative is the impact on the organisational reputation" (Cauberghe *et al.*, 2010:257). The more the attributions of responsibility are, the stronger the negative views, perceptions and anger towards the organisation will be (Cauberghe *et al.*, 2010; Coombs, 2004).

It is important that an organisation also acknowledge the general public as a stakeholder when a crisis arises and that they should thus also manage the general public as an important stakeholder in the event of a crisis. If the organisation includes the general public as an important stakeholder to manage, the general public's perception of the organisation will matter, as reputation is in essence an aggregate of the stakeholders' of an organisation's perception of that organisation (Coombs, 1999; Ter Keurs *et al.*, 2012).

A crisis can provide the organisation with an opportunity to prioritise and classify stakeholders. Crises "may be viewed as a way to determine who is important to the organisation at that time" (Bailey *et al.*, 2005:393). A crisis might also increase the number of important stakeholders that an organisation must consider. It is thus important that an organisation takes time to identify any customers, rivals or other stakeholders in its environment that can be

affected in any way by a crisis. Unstable environments and uncertainty necessitate the constant evaluation of how organisations must respond to crises. Guilt by association and poor representation of an organisation's handling of a crisis in the media can have a negative effect on stakeholders' support for and perception of an organisation and the organisation's reputation (Bailey *et al.*, 2005).

### **3.5.2. Crisis history**

SCCT argues that whether people know about past crises is an important consideration for crisis managers. Indeed, SCCT suggests that to adequately protect an organisation's reputation, management must adjust their communication to account for possible past crises about which relevant publics are aware (Coombs, 2004:265).

SCCT research argues that the type of crisis does not necessarily determine the threat, or rather the degree thereof, that crisis history poses to an organisation's reputation. Any history of crises, especially a history of crises that are similar to the current one, intensifies the threat thereof (Coombs, 2004; Coombs & Holladay, 2002). "A crisis originally considered a mild reputational threat moved to the moderate threat level and a crisis originally considered a moderate reputational threat moved to the severe level when the organisation had a history of crises" (Coombs, 2004:283).

It is thus necessary that crisis and crisis communication managers undertake some form of crisis history audit, i.e. a study of past crises the organisation has faced, in order to accurately picture the organisation's crisis history. This will then enable them to anticipate and prepare for the effect of crises when selecting their appropriate crisis-response and communication strategy (Coombs, 2004).

For example, it is more advisable to have a response strategy in which the organisation accepts greater responsibility for a crisis if that organisation has a history of (similar) crises. "By accounting for the effects of crisis history, crisis managers can craft messages that more effectively protect the organisation's reputational assets" (Coombs, 2004:287). If the public and relevant stakeholders are not yet aware of past crises, the news media will remind them thereof. This reminder of a past crisis might shape and influence perceptions

of the current crisis. The influence of the media is also perceived in the sense that, if the news media do not provide any information about past crises, stakeholders will likely make the assumption that the organisation experienced no previous crises (Coombs, 2004). As part of dealing with and managing a crisis, an organisation must communicate with its stakeholders. This is done in the form of verbal remediation, a crisis-response strategy that will be discussed in the next section.

### **3.5.3. Verbal remediation**

An account/version of events/crises is often given by an organisation in the form of verbal remediation when responding to a crisis. These so-called “verbal remedial strategies” are offered by an organisation to diminish any stigma or blame when there is an event that is identity-threatening (Massey, 2001).

Accounts can be given in order to deny the crisis/problem that created the crisis, explain and make excuses for the crisis, justify the problem that led to the crisis, or give reasons for it. It is essential when providing any of these remedial strategies that the message conveyed remains constant. If an organisation fails to communicate consistently, it may threaten stakeholders’ perceptions of the truthfulness and accurateness of an organisation’s account. Communicating consistently with stakeholders will increase an organisation’s credibility in the eyes of stakeholders. An organisation must deliver a consistent message to all stakeholders when communicating with them (Massey, 2001).

Coombs (1995) developed a model that groups crisis communication strategies into categories to give organisations a framework from which to select a strategy when facing crises (Bailey *et al.*, 2005; Coombs, 1995; Massey, 2001). This model will be discussed in Table 3 in this chapter.

An organisation will use this strategy to communicate a message regarding the crisis to stakeholders, and this communication and message will have an influence on stakeholders’ perceptions of the organisation, stakeholders’ perceptions of the crisis, and the organisation’s overall reputation. “Organisations-in-crisis seek to protect their image by modifying public perception of responsibility for the crisis or to manage impressions of the organisation itself” (Bailey *et al.*, 2005:395).

According to Bailey *et al.* (2005:395), the following are considerations that will influence an organisation's choice of strategy for communication during a crisis:

- The target audience – the stakeholders the organisation intends to reach with the communication.
- Crisis category, i.e. preventable, accidental or the organisation having no responsibility at all.
- The severity of the damage caused by the crisis.
- Legal issues the organisation might face.
- The credibility of the organisation.
- The performance history of the organisation.
- Organisational culture.
- Culture of the target audience – “culture affects how the organisation communicates to various stakeholders by influencing what are considered appropriate responses” (Bailey *et al.*, 2005:395).

According to Coombs (1995), the best method that an organisation can use to protect its image/reputation is to change stakeholders' perceptions of who is responsible for a crisis – thus, shifting blame to another party. However, this is not necessarily the way to go if a crisis happened due to no fault of the organisation. It is thus important to note that different crisis communication strategies must be used in different situations (Bailey *et al.*, 2005; Coombs, 1995; Massey, 2001).

#### **3.5.4. Coombs's five-category model of crisis-message strategy**

Coombs suggests that an organisation experiencing a crisis should implement the following crisis-response strategies, as set out in Table 3, to address the threat.

**Table 3: Situational Crisis Communication Theory**

<b><u>NONEXISTENCE STRATEGIES</u></b>	
<b><i>Denial</i></b>	The organisation makes a statement that the crisis did not occur.
<b><i>Clarification</i></b>	The organisation explains why there is no crisis.
<b><i>Attacks</i></b>	The organisation confronts those who incorrectly reported that a non-existent crisis occurred.
<b><i>Intimidation</i></b>	The organisation threatens organisational power against someone, such as a lawsuit.
<b><u>DISTANCE STRATEGIES</u></b>	
<b><i>Excuses</i></b>	This strategy minimises the organisation's responsibility by denying intention or volition.
<b><i>Denial of volition</i></b>	This strategy entails blaming someone else for the crisis.
<b><i>Justification</i></b>	This strategy attempts to minimise the damage from crisis by convincing stakeholders that the crisis was not that serious, or claiming that the crisis was misrepresented, or convincing the publics that the victim deserved what happened.
<b><u>INGRATIATION STRATEGIES</u></b>	
<b><i>Bolstering</i></b>	The organisation gains public approval by reinforcing the existing organisational image.
<b><i>Transcending</i></b>	This strategy aims to transcend and minimise the crisis to a more desirable position.
<b><i>Praising others</i></b>	The organisation gains others' approval with this strategy.
<b><u>MORTIFICATION STRATEGIES</u></b>	
<b><i>Remediation</i></b>	With this strategy, the organisation offers compensation to victims.
<b><i>Repentance</i></b>	The organisation asks for forgiveness.
<b><i>Rectification</i></b>	With this strategy, the organisation shows what it is doing to prevent similar crises from occurring in the future.
<b><u>SUFFERING STRATEGY</u></b>	
The suffering strategy aims to portray the organisation as a victim in order to get the public to sympathise with the organisation.	

(Source: Coombs, 1995).

Coombs (1999) also describes silence as a possible response to a crisis. However, Coombs suggests that "silence" is a passive strategy, as in silence there is a suggestion of uncertainty from the organisation's side that is in crisis (Coombs, 1999).

### **3.5.5. Technical crises**

Crises that are very technical in nature and require difficult and difficult-to-understand technical explanations when conveying messages to stakeholders are only vaguely addressed in Coombs's crisis-message strategy. However, Coombs's message strategies can still be applied to a broad variety of crises (Bailey *et al.*, 2005; Coombs, 1995).

Bailey *et al.* (2005) suggest that even though the consistency of messages to stakeholders is key in building and maintain an organisation's credibility, technical messages might be one area of crisis communication in which the organisation's communication must be differentiated between different stakeholders.

Obviously the information must be factually the same, but some stakeholders likely need more of an explanation than others ... this might be one area in crisis-communication (research) where organisations can and should send different technical explanations to their diverse stakeholders ... this might be one place where consistency actually decreases legitimacy if some stakeholders fail to understand the technical nature of the crisis (Bailey *et al.*, 2005:410).

Research has found that some stakeholders will require more detailed technical explanations of a crisis than others (Dunwoody *et al.*, Friedman & Rogers, 1999).

### **3.5.6. Combatting uncertainty and filling the "information void"**

Coombs (2007) accurately describes crises as creating an information void. The void must be filled. If the organisation is not ready to respond when the media is ready to run the story, the story will be run without the organisation's response ... the void can be filled by rumour and speculation instead of facts (Ojeda & Veil, 2010:414).

Coombs's (2007) view as described above indicates how important it is for an organisation to be the first party to respond during a crisis or just after the occurrence thereof. Proper and complete communication is an essential part of a crisis-response plan. Uncertainty will heighten a crisis and lead to stakeholders filling information gaps with rumours or false accounts. Unresponsiveness by the organisation will also send a signal to stakeholders

that the organisation is possibly not in control of the situation at hand – this will open the door to others (such as speculators spreading messages via the Internet or social networks) to step in and take control, especially of the distribution of available information regarding the crisis (Caruba, 1994; Ojeda & Veil, 2010; Veil, 2007).

### **3.5.7. Media relationships**

Schmidt (2006) indicates that the media are too often viewed as opponents and possible threats to an organisation when that organisation is in the midst of a crisis. It can be mutually beneficial to both the organisation and the media to rather operate as partners, instead of being strangers or even opponents, when communicating to other stakeholders of the organisation about the crisis. It firstly is important that the organisation realise that stakeholders will base their perceptions of the organisation and the crisis on the information they receive in the media. Schmidt (2006:10) suggests “that practitioners should view reporters as filters through which carefully prepared messages pass before they reach stakeholders”. In order for an organisation to better manage these “carefully prepared messages” (Schmidt, 2006:10) that are conveyed by the media to stakeholders, it is important that the media are in essence seen as partners of the organisation (Courtright & Hearit, 2003; Ojeda & Veil, 2010; Schmidt, 2006).

When accepting the role of the media within a crisis and acknowledging them as part of the crisis response, i.e. to supply information to certain stakeholders, it becomes important for an organisation to realise that Seeger (2006:240) is correct when positing that “the best practices of crisis communicators are grounded in effective communication with the media”.

Unfortunately, it can be seen in the research and literature that there is not always a lot of trust between the media and organisations. The media and some journalists are of the opinion that organisations sometimes withhold critical information during a crisis and that spokespersons often obstruct rather than help the media in the effective communication of important facts (Ojeda & Veil, 2010). This might be because some organisations and their spokespersons fear a negative outcome if they are too straightforward and honest with the media. This then leads the media to view public relations as a “propaganda” (Ojeda & Veil, 2010:413) function of organisations. The distrust,

misperceptions and stereotypical judgments between organisations and the media will reduce effective communication with stakeholders. The media have the power to prevent an organisation from maintaining its reputation by inhibiting it in effectively distributing information to stakeholders and by portraying an organisation in a very negative light. However, even if there is trust within the organisation-media relationship, the media are still under obligation to report on any facts they discover during their reporting, which is of critical importance to their audience. This is the case even if the exposure thereof might harm an organisation's reputation (Fischhoff, 2004; Ojeda & Veil, 2010).

In order to improve effective communication with the media, an organisation should continuously monitor it in order to promptly rectify any errors and misrepresentations or the delivery of inaccurate information to stakeholders (Ojeda & Veil, 2010; Ropeik, 2006).

In an article published by Lajtha and Robert in 2002, the media's contribution in heightening people's emotions regarding a crisis was pointed out. "...the media appeal of many crises, combined with the power of the media to disseminate information worldwide almost immediately, often generates more emotion than good sense or meaningful reporting..." (Lajtha & Robert, 2002:182). The media can further heighten the threat of a crisis by publicising previously uncovered problems or weaknesses of the organisation – shining a spotlight on past organisational weaknesses will strengthen the threat of the current crisis (Lajtha & Robert, 2002). It is argued in the literature that media exposure has a significant influence on an organisation's (corporate) reputation. It has been proven empirically that the "magnitude of negative media exposure leads to proportionate declines in corporate reputation" (Wartick, 1992:34).

However, it is important to note that other factors can moderate the impact of negative media exposure on an organisation's reputation. Factors that can act as moderators include the credibility of the media source, the attribution of responsibility to the organisation, the organisation's history and crisis history, and the way in which the organisation reacts to negative media exposure (Wartick, 1992).

The media are a useful communication tool and channel for both the organisation and its stakeholders. “Prominent crisis communication researchers have suggested that practitioners should work with the media as partners when managing a crisis” (Ojeda & Veil, 2010:413). An organisation must use information available in the media to determine its stakeholders’ expectations. “...the media serve as vehicles which reflect owner, employee, customer, community, and other stakeholder expectations” (Wartick, 1992:35). In contrast, stakeholders will use available information in the media about an organisation to form their perceptions of the organisation. However, not all information available in the media will be processed by stakeholders and necessarily be taken into account when they form their perceptions of the organisation. A human’s limited capacity to process all information will lead to the picking and choosing of information available in the media to form his or her perceptions of the organisation. An organisation will rely on various media to use in their crisis-response strategies, as stakeholders of an organisation base their perceptions of the organisation on the information they receive from various media. The media and the various forms of it thus comprise a method or channel that an organisation can use to influence stakeholders’ perceptions by implementing crisis-response strategies to manage the information available to stakeholders (Massey, 2001; Wartick, 1992).

According to Wartick (1992), the most important aspect of media exposure is the “tone” in which a message is conveyed. The “tone” of a message will have an influence in how stakeholders process it, i.e. a positive tone will lead to a positive perception and a negative tone will create a negative perception. The literature also indicates that negative news, rather than positive news, is more likely to be processed automatically by individuals/stakeholders (Wartick, 1992).

### **3.5.8. *The impact of the Internet***

“Few phenomena have had the social impact that the Internet has had in only a decade” (González-Herrero & Smith, 2008:143). This statement was made in 2008, which is now another decade ago. However, the statement still holds true today, when yet another era of the Internet has an immense social impact. The social impact of the Internet is encompassed in the changes in business

methods, business management and communication (González-Herrero & Smith, 2008).

Improvements in stakeholder relationships are ascribed to the rise of social networking in Van Zyl's (2009) article, and the possible advantages of the Internet and social networking have even increased since then. "Social networking ... has been credited with the ability to expand social contacts, accelerate business processes, the improvement of customer relations, cost-effective recruitment of high-calibre staff, and the improvement of morale, motivation and job satisfaction among staff" (Van Zyl, 2009:907). The Internet and social media and the growth thereof have had (and are still having) an immense impact on the way in which business is conducted, on social interactions, and on conduct in general and strategic communication with stakeholders (Van Zyl, 2009).

Although using social networking and reaping the benefits of it, the implementation of social networking practices within an organisation also poses a downside risk to the organisation – in the form of causing a threat to the organisation's reputation. The spread of any negative information or messages regarding a crisis will heighten that specific crisis, as well as the concern amongst stakeholders about the crisis and the organisation's capability to handle and manage it (Coombs, 2009b; Van Zyl, 2009).

The stakeholders of an organisation, and those affected by crises, are increasingly sharing information online – whether it be on blogs, microblogs, or social networking sites like Facebook. Crisis and communication managers must be aware and take note of these messages and the information spread on the Internet in order to engage with it effectively (Coombs, 2009b).

Not all negative messages and information online will necessarily pose a threat to an organisation's reputation, since not all messages and information on the Internet are necessarily read and consumed by influential parties. Overreaction to a message online can be prevented by properly assessing the message before reacting on it. However, once crisis and communication managers have determined that a negative message is spreading that can be harmful to an organisation's reputation, it is time to react and manage the situation in order to minimise the threat thereof. Crisis and communication

managers must determine what messages and information can damage an organisation's reputation. Steps to determine possible threats include scanning for negative comments, assessing the possible impact of the message, assessing whether the origin of the message or information is regarded as important online, and assessing if there is any potential for the message to spread on the Internet (Coombs, 2009b).

Some crises flourish online and spread more easily than others. Rumours, i.e. false information, and complaints are examples of messages that spread quickly and easily on the Internet. It is now easier than ever for stakeholders to access information regarding a crisis (Bailey *et al.*, 2005; Coombs, 2009b).

The Internet has become the most popular way for an organisation to communicate with its various stakeholders, such as customers, investors, analysts and journalists in the mainstream/traditional media. This has led to the transformation of the public relations or corporate communications function of organisations. As seen in the above-mentioned benefits of social networking, building relationships with contacts, i.e. stakeholders with whom the organisation can have a mutually beneficial relationship, is seen as a major advantage (Brown & Duguid, 2000; González-Herrero & Smith, 2008; Van Zyl, 2009). "Corporations regard blogs and twitter often as efficient communication tools for 'repairing' the reputation and preventing boycott in crisis situations" (Göritz *et al.*, 2011:20). Social networking can provide an organisation with knowledge that can be beneficial in operations – "It's not who you know, it's what who you know knows" (Van Zyl, 2009:910).

Sometimes the Internet is not only the facilitator of the conversation about a crisis, but it can also be the "trigger" (González-Herrero & Smith, 2008:145) of the crisis. For example, when a rumour is spread online about an organisation, the Internet ignites a crisis that would not exist otherwise (González-Herrero & Smith, 2008).

The tone in which messages from an organisation to its stakeholders are communicated differs when the Internet and social media platforms are being used, instead of mass media such as TV, radio, newspapers and magazines. Organisations use PR to address stakeholders via mass media. The organisation will deliver the message in a corporate tone to the media, and the

media will then decide whether or not the message is newsworthy and publish accordingly. This means of communication with stakeholders does not leave room for other stakeholders, such as investors and the public, to participate in the conversation. In the current environment, where the Internet and social networking sites are the way for organisations to converse with stakeholders, the message must be delivered in a human voice in order for it to be perceived by stakeholders as trustworthy, transparent and credible. There is still a place for mainstream media in today's discussion, but mainstream media do not, however, dominate the conversation between the stakeholders of an organisation any longer (González-Herrero & Smith, 2008).

Social networking on the Internet gives stakeholders the chance not only to view a situation, but also to participate in the conversation around it. "... information changes hands at record speed and local issues can become global in a matter of seconds" (González-Herrero & Smith, 2008:144).

Crisis and communication managers must also take note that the stakeholders of an organisation, thus their intended audience, are very fragmented due to the large choice of available online media platforms (González-Herrero & Smith, 2008).

Twitter, according to literature, is a very effective communication tool for an organisation to use to communicate with its stakeholders. Research has found that crisis communication using twitter leads to less negative reactions by stakeholders than communication via blogs or newspaper articles – "organisations should therefore pay more attention to twitter, and strategically reflect on their media choice and the target groups' media use" (Göritz *et al.*, 2011:26).

### **3.5.9. Crises management as part of strategic planning**

Crisis communication is not regarded as equally important in all literature. Communication during a crisis is viewed by some as being only a reflection of the organisation's crisis-management strategy, i.e. crisis communication must not be viewed as an independent part of crisis management, but rather as reflecting on an organisation's set strategies. Therefore, should an organisation not have a crisis plan, communication during a crisis will be a reflection of the absence thereof (Lajtha & Robert, 2002).

However, Lajtha and Robert (2002) also note that there is a gap in crisis-management planning if there are no proper information planning and managing strategies in place. There should be enough planning in place to have “rapid access to essential information in an appropriate format” during a crisis (Lajtha & Robert, 2002:185). It should also be determined in advance “what information should be made available? By whom? For whom?” and whether there is a proper information and communication management policy in place should a crisis strike (Lajtha & Robert, 2002:185).

### **3.5.10. *Involving executives in reputation and crisis management***

It is very important to actively involve the senior management of an organisation in the preparation and planning for a crisis. The top executives and senior management of an organisation will have to deal with crises – also with executing the communication strategy in relation to a crisis. They must therefore be properly trained and prepared to act in case of crises. “Why do many top managers devote so little time to crisis management planning and training when the return on the small investment may be huge – and even commercially life-saving? (Lajtha & Robert, 2002:185).

### **3.5.11. *Learning from others***

It is quite difficult to gather information on how a specific organisation deals with a crisis – making it hard for similar/other organisations to learn from that organisation’s actions. There also are other obstacles in the way of creating a general body of research on crisis management (Lajtha & Robert, 2002:190):

- A crisis is not an event that occurs frequently – “Most forms of numerical validation or statistical approach are made more difficult as a result.”
- A crisis situation cannot be duplicated in an exact way – every crisis has unique elements to it.
- “No one can prove beyond doubt that a different approach to the crisis under consideration could/would have resulted in a different and more acceptable outcome.”
- It is not possible to fabricate a crisis to test it in real-life.

### **3.6. CHAPTER SUMMARY**

There is much to be said about the advantages of organisations with strong, positive reputations. Good reputations can act as an intangible asset, as it attracts talent, retains clients, allows organisations to charge a premium, and can act as a buffer of goodwill when crises hit. Crises present a threat to an organisation's reputation, which in turn threatens the longevity and survival of an organisation should its reputation be tarnished. Benoit's Image Repair Theory and Coombs's Situational Crisis Communication Theory both present organisations with crisis communication plans in order to restore reputation in times of crisis. The effect that the media, both social and traditional, can have on heightening a crisis and its threat to an organisation's reputation has also been considered in this chapter. The next chapter uses the secondary research discussed in Chapter 2 and Chapter 3 as a background to build the methodology and design for the primary research to be conducted. The researcher chose Coombs's Situational Crisis Communication Theory as framework to analyse a case study that is set out in Chapter 4. Coombs's work was chosen as it has evolved the most over recent years, whereas Benoit's theory has remained limited.

## CHAPTER 4: RESEARCH METHODOLOGY

### 4.1. INTRODUCTION

Stakeholder theory, reputation and crisis management have been discussed and explored in the foregoing systematic literature review in Chapter 2 and Chapter 3. It is concluded that, in a theoretical sense, proper reputation management is best achieved through a holistic approach combining a proactive approach to stakeholder and reputation management, as well as a proper plan for and implementation of crisis management.

The aim of this chapter is to describe the research methodology that was implemented in the study in order to address the research problem. The research methodology was guided by the primary research objectives, which are as follows:

#### ***Objective 1***

Explore how Capitec Bank's stakeholders perceived Capitec Bank's communication with them, and Capitec Bank's remedial actions and crisis management to protect and preserve their reputation in response to the Viceroy report.

#### ***Objective 2***

Explore whether the stakeholders (of Capitec Bank) perceived Capitec Bank's stakeholder management after the release of the Viceroy report to be acceptable and appropriate according to their own expectations.

The researcher used a qualitative research design to explore the primary objectives of this research study. According to Du Plooy (2009:85), the purpose of a research design is to set out and propose the gathering and organising of data in order to achieve the research findings. The research design is also a framework that the researcher uses to describe the objectives of the study, who was involved in the study, and where and when the study took place.

The researcher aimed to explore the perceptions of different stakeholders of Capitec Bank on how Capitec Bank managed its reputation during and after the so-called 'Viceroy crisis'.

In this chapter, the research approach and strategy, research design, sampling methods, data gathering and data analysis are discussed in detail. This chapter also describes the selection of participants to contribute to the data collection. The chapter is concluded with the ethical considerations of the study.

## **4.2. RESEARCH DESIGN**

Creswell (2009) describes the research design as a plan or proposal for conducting research, involving the intersection of philosophy and strategies of inquiry and specific methods. This plan or proposal is aimed at answering the questions asked by the researcher (Du Plooy, 2009; Flick, 2007). The research design should be an iterative and reflexive activity that is implemented at every stage of the research project (Creswell, 2009).

### **4.2.1. *Research approach and strategy***

The researcher followed an interpretive epistemological approach to this study. Interpretive tasks aim to make the world more visible through representations of the world, such as interviews, conversations, field notes, recordings, memos and photographs (Creswell, 2013). An interpretive approach to research unfolds from the scholarly position that is of the view that human interpretation is the beginning of the development of knowledge and information about the social world (Cassell & Symon, 2012).

An interpretivist-motivated researcher recognises the influence of his/her own background on the shaping of his/her interpretations and the meaning formed (Creswell, 2009). Before any research can be conducted, a set of assumptions lays the groundwork and informs the research or study. The researcher also connects her own interpretation of the data to a larger body of research conducted and developed by other researchers (Creswell, 2013). Researchers have a pre-existing understanding of the phenomenon or problem being studied; “no one comes to interpretation with an open mind” (Cassell & Symon, 2012:21). The final outcome and report of a qualitative study includes not only the voices of the participants, but also reflections by the researcher herself, interpretations and a description of the problem under study, contributions to the literature and, if necessary, a call for change (Creswell, 2013).

The ontological orientation of this study is constructivism. The study was done based on the researcher's understanding and view that the phenomena and themes under review and exploration in this study are not static, but are continuously changing as various factors influence said phenomena and themes. According to Bell and Bryman (2007), constructivism argues that social phenomena are under constant revision and are continuously shaped and influenced by social actors.

The research strategy followed by the researcher was an exploratory strategy. An exploratory study enabled the researcher to develop her own understanding of the research problem and her search to clarify phenomena and situations that are not yet clear. According to Blumberg *et al.* (2011:17), an exploratory study does not usually start out with hypotheses. Rather, when conducting the research, certain concepts and propositions can be founded upon the clarification of the available information.

#### **4.2.2. Overview of qualitative research**

Qualitative research allows researchers to understand, explore, describe and explain phenomena in the everyday, natural course of life (Flick, 2007). This is done by considering and analysing the knowledge, accounts or stories of groups or individuals in order to analyse their experiences and interpretations of experiences. Qualitative research is also conducted by analysing ongoing communications, documents and interactions (Flick, 2007). Qualitative research can thus not be conducted without some form of interaction with people.

Conducting a study following an exploratory strategy was beneficial for the study, because the study aimed to provide a broad understanding of the research problem. There is more flexibility in qualitative studies than, for example, in studies with a quantitative design (Du Plooy, 2009).

The researcher herself was an essential part of this qualitative study. According to Creswell (2009:176), "qualitative research is a form of interpretive inquiry in which researchers make an interpretation of what they see, hear and understand". Therefore, the observer or researcher who is conducting qualitative research is immersed in the world whilst busy with the activity of conducting research.

Qualitative researchers study the world and any happenings in their natural setting in order to interpret and make sense of them. Qualitative research thus follows an interpretive and naturalistic approach to make sense of phenomena. (Creswell, 2013). Important in the tradition of an interpretive approach to research is the researcher's commitment to access and understand the interpretations and meanings that participants "ascribe to phenomena" (Cassell & Symon, 2012:20-21). Participants ascribe these meanings to phenomena in order to explain their behaviour and actions by investigating their own everyday truths. (Cassell & Symon, 2012). "Researchers engage in interpreting the data when they conduct qualitative research. Interpretation involves making sense of the data." (Creswell, 2013:187).

Social constructivism, of which interpretivism forms a subset, relies on the assumption that individuals and people in the world seek to understand the environment and setting in which they live and work. This need leads to individuals forming subjective meanings and understandings of their experiences (Creswell, 2009). Interpretivism as a research approach in qualitative inquiry focuses the intent of the research on the participants' views of the case or situation being studied – the use of open-ended questions will better equip the researcher to listen carefully and intently at what the participants are saying (Creswell, 2009).

Qualitative studies are usually conducted in the participants' natural setting, i.e. the research is typically not conducted in a laboratory setting and neither is it done by sending out instruments such as scientifically prepared surveys for individuals or participants to complete. Qualitative researchers typically do not rely on instruments pre-developed by others; rather, they become an instrument in the research themselves. Researchers collect data for qualitative research in a natural manner, for example by talking directly to participants after designing and developing semi-structured, open-ended questions. Therefore, the researchers themselves have a very important role to play in qualitative research (Creswell, 2013; Flick, 2007).

According to Creswell (2013), a researcher must design, develop and make use of an interview guide/protocol phrased in a way that the participants will understand and/or relate to. Qualitative research intends to provide a holistic account of the problem or issue under study (Creswell, 2009). "This involves

reporting multiple perspectives, identifying the many factors involved in a situation and generally sketching the larger picture that emerges” (Creswell, 2009:176).

Qualitative enquiry follows an emerging approach – researchers build patterns, themes and categories from the “bottom up” (Creswell, 2013:45), and data analysis is both inductive and deductive in nature, which means that qualitative research comprises complex reasoning.

Lastly, the goal of qualitative enquiry is not to describe generalised information, but rather to shed light on a single, unique case. Hence, the use of a single case study design is an appropriate research design to conduct an exploratory, qualitative study. The heart of qualitative data analysis is the forming of codes and categories that are nested in the data collected. (Creswell, 2013).

Data analysis in qualitative research consists of preparing and organising the data (i.e. text data as in transcripts) for analysis, then reducing the data into themes through a process of coding and condensing the codes, and finally representing the data in figures, table or discussion (Creswell, 2013:180).

The interpretation of data thus involves the pulling apart of the data, and then putting it back together in “more meaningful ways” (Creswell, 2013:187).

### **4.3. THE AIM OF THE STUDY AND THE RESEARCH QUESTIONS**

#### **4.3.1. *Research aim***

The aim of the study was to explore how various stakeholders perceived an organisation’s reactions and communication in a crisis situation. More specifically, the aim was to determine and explore the perceptions of Capitec Bank’s stakeholders (which included its shareholders, employees, clients, the government and regulatory bodies such as the South African Reserve Bank (SARB), and the public/society in general) of the bank’s reaction after Viceroy released a report on 30 January 2018 in which it made allegations about Capitec participating in predatory finance activities and ousting them on twitter as “a wolf in sheep’s clothing” (Viceroy, 2008).

#### **4.3.2. Research questions and objectives**

Research questions were asked and objectives were set in order to realise the aim of the exploratory study:

##### ***Primary research questions***

The primary research questions were the following:

##### **Question 1**

According to the stakeholders, what crisis-response and remedial actions did Capitec Bank take in reaction to the Viceroy report?

##### **Question 2**

How did the stakeholders perceive Capitec Bank's response to the Viceroy report?

##### ***Primary research objectives***

The primary research objectives were the following:

##### **Objective 1**

Explore what crisis-response and remedial actions Capitec Bank took in reaction to the Viceroy report.

##### **Objective 2**

Explore how the stakeholders perceived Capitec Bank's response to the Viceroy report.

The primary questions and objectives led to the following secondary research questions and objectives being set:

##### ***Secondary research questions***

The secondary research questions were:

1. How did the clients perceive Capitec Bank's response to the Viceroy report?
2. How did the shareholders perceive Capitec Bank's response to the Viceroy report?
3. How did the employees perceive Capitec Bank's response to the Viceroy report?

4. How did the public perceive Capitec Bank's response to the Viceroy report?
5. How did regulatory bodies perceive Capitec Bank's response to the Viceroy report?
6. What are the drivers of perceived appropriate and acceptable stakeholder engagement aimed at protecting and preserving an organisation's reputation during and after crisis episodes?

### ***Secondary research objectives***

The secondary research objectives were:

1. Explore the clients' perceptions of Capitec Bank's response to the Viceroy report.
2. Explore the shareholders' perceptions of Capitec Bank's response to the Viceroy report.
3. Explore the employees' perceptions of Capitec Bank's response to the Viceroy report.
4. Explore the public perception of Capitec Bank's response to the Viceroy report.
5. Explore the regulatory bodies' perceptions of Capitec Bank's response to the Viceroy report.
6. Explore the drivers of perceived successful stakeholder engagement aimed at protecting and preserving an organisation's reputation during and after crisis episodes.

The research methodology and design used to answer the above-mentioned questions are discussed in the following sections.

#### **4.4. THE CASE METHOD**

A single case is appropriate for this study as it facilitates deep insight and understanding. In addition, it is not a prerequisite that an actual person makes up a case when conducting a case study. Instead, any individual, institution or event can constitute a case, all being dependent on the research aims and questions (Flick, 2007).

According to Creswell (2013), a case study starts by naming a single case within a current setting/context. Ideally, the case is still occurring in order to collect up-to-date data that is not yet lost in time. The case must also be describable within set boundaries, such as a specific time frame or specific place. An attribute that can be ascribed to case study research within a qualitative context is that it cannot rely on single-source information. However, although it is dependent on more than one source of data, a case study typically focuses on a sole case – a case that is unique, has unusual interest and needs to be described and detailed in itself (Creswell, 2013).

“A complete findings section of a case study would involve both a description of the case and themes or issues that the researcher has uncovered in studying the case” (Creswell, 2013:98). Chapter 5 of this study provides a description of the case under study, as well as thematic findings drawn from interviews with stakeholders.

On completion of the study, the researcher involved in case study research will draw conclusions and make assertions about the overall meaning and interpretation of the case at hand. Conclusions and assertions are based on the data collected, as well as current literature (Creswell, 2013).

More than one case may dilute the level of detail provided by a researcher, and therefore a single case study is advised.

Case studies is a strategy of inquiry in which the researcher explores in depth a program, event, activity, process, or one or more individuals. Cases are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time (Creswell, 2009:13).

The researcher chose to use a single case study research design, and the case study chosen was: Stakeholders’ perceptions of Capitec Bank’s reaction to allegations made in the Viceroy report that was released on 30 January 2018. Table 4 outlines and summarises the underpinnings of this case study.

**Table 4: Summary of case study**

<b>FOCAL ORGANISATION</b>	Capitec Bank KEY FACTS: <ul style="list-style-type: none"> <li>• Established 1 March 2001</li> <li>• Listed on the JSE on 18 February 2002</li> <li>• 10 million active clients (based on the financial results for the year ended 2018)</li> <li>• 826 branches (based on the financial results for the year ended 2018)</li> <li>• Over 13 333 employees (based on the financial results for the year ended 2018) (it's banking, just simpler – about us, 2019)</li> </ul>
<b>INCIDENT</b>	Viceroy report of 30 January 2018, “A wolf in sheep’s clothing”
<b>TIMESPAN</b>	<b>30 January 2018 to 28 February 2019</b> Stakeholders were interviewed approximately one year after Viceroy released the report.
<b>STAKEHOLDERS TARGETED FOR INTERVIEWS</b>	
<b>INVESTORS</b>	Financial analysts and portfolio managers were interviewed to act as proxy for the perceptions of investors. Financial analysts and portfolio managers were targeted because of their holistic view of the market and daily interactions with investors.
<b>CLIENTS</b>	Branch managers of Capitec Bank were interviewed as a proxy for the perceptions of clients. Branch managers were chosen as a proxy for clients’ perceptions due to their holistic view of a variety of clients’ perceptions of Capitec Bank’s response to the Viceroy report. The confidentiality of Capitec Bank’s client information is protected by law and therefore Capitec Bank was prohibited to provide details of clients to contact for an interview. Approaching clients at random would have been intrusive, and therefore access to branch managers was preferred for gaining insight into the perceptions of clients.
<b>EMPLOYEES</b>	The contact person at Capitec Bank introduced the researcher to various employees at different levels

	of seniority in the organisation. The researcher contacted them and agreed to meet with them at a time and venue of their choosing.
<b>MANAGEMENT</b>	The management of Capitec Bank, especially members of the top management who were also members of the crisis-response team, were targeted.

#### 4.5. RESEARCH METHODS

This study adopted a qualitative research design and it is motivated as follows:

The process of collecting data that is of a qualitative nature must be a flexible process, as the data that is being collected is fluid and is described by Richards (2009:34) as “messy”. It is, however, based on text as empirical material for the study (Flick, 2007). The researcher rather adopted a flexible and fluid approach to conducting research in the quest to answer the research question, because the situation had to be understood in context and, in order for a researcher to establish that context, the records collected must contain context. The researcher’s aim in qualitative enquiry is to learn from the data collected. Due to this process of continuous learning and adaptation in qualitative data collection, it might sometimes happen that new questions arise and that interviews (as an example of data-collection methods) are shifted towards people who are more significant (Richards, 2009). Qualitative inquiry is especially interested in the participants’ perspectives (Flick, 2007). The researcher set out to enquire about different stakeholders’ perceptions of Capitec Bank’s reaction to allegations made in the Viceroy report, and thus confirms that this qualitative inquiry was interested in its participants’ perspectives. It is also important that the researcher provides an overview of the situation in order to create context for the collected data.

Types of qualitative designs that provide the direction and procedures in research design are referred to as research methodology or strategies of inquiry (Creswell, 2009). The strategies of inquiry that the researcher used in

this study, namely content analysis and semi-structured interviews (SSIs), are discussed in the next sections.

#### **4.5.1. *Semi-structured interviews with stakeholders***

The literature advises that it is necessary to leave room for unforced interactions and dialogues between the interviewer/researcher and participant when lesser-known/unclear fields are entered.

It is very important that the researcher who is conducting the interviews never suggests certain responses or answers to the participant, as this will influence the objective outcome of a study, as well as its scientific rigour. This can be achieved by avoiding leading questions and also by neither approving nor disapproving of participants' answers and actions.

In this study, the researcher was guided by an interview guide when interviewing the participants (Addendum E). This guided the researcher to prompt the interviewee without leading the interviewee to respond in a certain manner or by suggesting possible answers. The researcher recorded the interviews to be able to transcribe them verbatim afterwards. The researcher also made notes of any non-verbal actions that were included in the verbatim transcriptions of the interviews by adding memos.

#### **4.5.2. *Computer-assisted Qualitative Data Analysis Software (CAQDAS)***

An advantage of using computers and computer programs, which have been available since the late 1980s, for data analysis is the fact that they provide the researcher with an organised storage file system that enables the researcher to access data and material in a quicker and easier manner, while also storing all the information in one place (Creswell, 2013). When using a computer program for data analysis, the researcher is also motivated to take a closer, line-by-line look at every line of data, encouraging her to consider the meaning of each idea and sentence (Creswell, 2013).

However, a computer program used for data analysis can create an uncomfortable distance between the researcher and the information, and it is sometimes difficult and time-consuming for a researcher to learn to run and use Computer-assisted Qualitative Data Analysis Software (CAQDAS) (Creswell, 2013). CAQDAS enables the researcher to organise text together with his/her own interpretation in the form of codes, memos and findings into

one document, called a project. CAQDAS efficiently stores and manages the data collected, but it does not carry out the process of analysing the data – the researcher is still tasked with actual analysis (Saldaña, 2013). The researcher underwent extensive training in the use of ATLAS.ti, a CAQDAS that can be used for data analysis. This allowed the researcher to organise the data collected from the SSIs according to meaningful themes that could be interpreted by her.

After the collection of data, the researcher must describe and explain the data that has been collected. The process of explaining the meaning of the data collected is called “coding”. “To codify is to arrange things in a systematic order, to make something part of a system or classification, to categorise” (Saldaña, 2013:10). The researcher coded the data from the SSIs as a way of organising it under themes and subthemes to enable her to interpret its meaning. Coding, in simple terms, is the conversion from data collection to data analysis. In qualitative data analysis, coding is specifically used as an exploratory problem-solving technique; it does not contain any specific formulas. Data analysis aims to find patterns in data and also to explain why these patterns exist within the data collected (Saldaña, 2013). If the researcher does not properly analyse the data, it would be impossible to draw conclusions or findings from the raw data as entered into the CAQDAS.

“In qualitative data analysis, a code is a researcher-generated construct that symbolises and thus attributes interpreted meaning to each individual datum for later purposes of pattern detection, categorisation, theory building, and other analytic processes” (Saldaña, 2013:4). The researcher thus applies the process of “coding” in order to create “codes” that organise the data thematically and thus enable her to interpret and analyse the raw data manually. Codes are there to capture essential elements in the data collected. Codes can be clustered together to form a pattern in order to develop categories that can be analysed to see connections in the data. The clustering of codes is based on the regularity and similarity of codes (Saldaña, 2013).

In the current study, the researcher used both open and *in vivo* coding; open coding summarised the primary topics of the data, while *in vivo* coding extracted verbatim codes (i.e. direct quotations) from the texts. After coding, the codes were interpreted and grouped into categories and themes, which

were then analysed in order to identify their claims, propositions and arguments. The data and research findings from the content analysis of the SSIs were coded and analysed. In a later section in this chapter, the coding scheme that led to codes for this study will be discussed in more detail.

#### **4.5.3. Coding and data management using ATLAS.ti**

The data management and coding of the SSIs conducted with the different stakeholders were done using the CAQDAS programme, ATLAS.ti. ATLAS.ti enabled the researcher to code data, retrieve data based on keywords, and determine patterns, themes and categories within the data.

ATLAS.ti was also selected by the researcher as a CAQDAS program to use, as it allows more effectively for the integration of big volumes of data, especially different data types (Friese, 2012).

Transcripts of the SSIs were converted into portable document format (PDF), and thereafter were uploaded to ATLAS.ti for coding and analysis. The researcher also underwent proper training in using ATLAS.ti for qualitative content analysis prior to conducting the research.

Table 4 illustrates the coding scheme that the researcher used to code and categorise the data from the SSIs using ATLAS.ti.

**Table 4: Coding scheme**

<b>Themes</b>	<b>Sub-themes</b>	<b>Description</b>
<b>Viceroy</b>	Claims made by Viceroy	Discussion about the first report released by Viceroy on Capitec Bank, on 30 January 2018. This was done to explore the crisis Capitec Bank would find itself in because of the Viceroy report.
	Viceroy's credibility	Discussions about and an exploration of who and what Viceroy is, especially what the stakeholders know about Viceroy, and whether or not Viceroy had any credibility. Should it have credibility, it must be established why it has credibility and thus an influence on Capitec Bank. Viceroy's credibility was researched and discussed in order to determine whether the claims it made about Capitec Bank posed a threat to Capitec Bank at all.
<b>Crisis</b>	Current reputation	Discussion and an exploration of how Capitec Bank's stakeholders perceived the bank before the Viceroy report.
	Crisis history	An exploration of any possible crises Capitec Bank might have faced in its past from which it could have learnt how to deal with crises in the future.
	Preparing for a crisis	Discussions on the importance of preparing for a crisis, and also whether Capitec Bank had any measures in place to prepare for the threat created by the Viceroy report.
	Crisis event	Discussion of what happened on 30 January 2018 as perceived by various Capitec Bank stakeholders.

	Aftermath	Discussion of how the crisis played out – once again as perceived by various Capitec Bank stakeholders.
<b>Coombs' Situational Crisis Communication Theory</b>	Clarification	Exploration of how Capitec Bank used a clarification strategy as described by Coombs to combat the crisis.
	Justification	Exploration of how Capitec Bank used a justification strategy as described by Coombs to combat the crisis.
	Attack	Exploration of how Capitec Bank used an attack strategy as described by Coombs to combat the crisis.
	Denial	Exploration of how Capitec Bank used a denial strategy as described by Coombs to combat the crisis.
	Denial of volition/intent	Exploration of how Capitec Bank used a denial of volition strategy as described by Coombs to combat the crisis.
	Intimidation	Exploration of how Capitec Bank used an intimidation strategy as described by Coombs to combat the crisis.
	Transcending	Exploration of how Capitec Bank used a transcending strategy as described by Coombs to combat the crisis.
	Bolstering	Exploration of how Capitec Bank used a bolstering strategy as described by Coombs to combat the crisis.
<b>Stakeholders</b>	Employees	Discussion of the employees' perceptions of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
	Investors	Discussion of the investors' perceptions of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
	Public perception (traditional & social media)	Discussion of the public's perception of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led. Also, how was Capitec Bank's handling of the Viceroy report portrayed in the traditional and social media. Threat posed by traditional and social media.
	Auditors	Discussion of the auditors' perceptions of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
	Regulatory bodies – SARB	Discussion of the SARB's perception of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
	Regulatory bodies – Treasury	Discussion of the National Treasury's perception of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
	Regulatory bodies – JSE	Discussion of the perception of the JSE (in its capacity as a regulatory body of companies publicly listed) of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
	Management	Discussion of the management's perception of Capitec Bank's handling of the first Viceroy report and the threat/crisis to which it led.
<b>Communication</b>	Availability of information	Discussion of the stakeholders' view of the availability of information during a crisis as being important and if they perceived Capitec Bank to supply enough information after the release of the first Viceroy report on 30 January 2018.
	Unavailability of information	Discussion of whether the stakeholders perceived Capitec Bank as supplying too little information after the release of the first Viceroy report on 30 January 2018.
	Overload of information	Discussion of whether the stakeholders perceived Capitec Bank as overcommunicating and supplying too much information after the release of the Viceroy report on 30 January 2018.

	Frequency of communication	Exploration of how frequently Capitec Bank communicated with various stakeholders on and after 30 January 2018, and also how stakeholders perceived this frequency of communication with them.
	Uncertainty and uneasiness	Discussion of whether any stakeholders of Capitec Bank had feelings of uncertainty and uneasiness during and after the Viceroy report was released on 30 January 2018.
	Consistency, accuracy and professionalism	Exploration of the communication that Capitec Bank had with stakeholders about the Viceroy report was consistent, accurate and conducted in a professional manner and discuss how stakeholders perceived it.
	Transparency and honesty	Exploration of whether the communication that Capitec Bank had with stakeholders about the Viceroy report was transparent. Also, if the stakeholders perceived Capitec Bank to communicate transparently, with integrity and honesty.
	Approachability	Exploration of whether stakeholders perceived Capitec Bank to be approachable during and after the crisis.
	Unapproachability	Exploration of whether stakeholders perceived Capitec Bank to be unapproachable during and after the crisis.
	Trust in Capitec Bank and Capitec Bank's management	Exploration and discussion of whether Capitec Bank's stakeholders have trust in the bank as well as in the management of the bank.
	Capitec Bank's communication structure	Exploration of how Capitec Bank's communication structure works when communicating with internal and/or external stakeholders.
	Expert opinion and voice in communication	Exploration of the importance of having an expert opinion and voice when communicating with stakeholders during a crisis. And discussion of whether stakeholders of Capitec Bank perceived the communication to include the opinion and voice of experts and whether they perceived it as mitigating or heightening the crisis.
<b>Crisis-response team</b>	Members	A discussion of the members that make up the crisis-response team in Capitec, and also an exploration of why these specific people/teams are part of the CRT.
	Public face of Capitec	Exploration of who the public face/spokesperson of Capitec Bank is in times of crisis, and determination of why this is the case.
	Investor relations	Exploration of Capitec Bank's investor relations function – whether it has one, who is responsible for it and if it is perceived by stakeholders, especially shareholders, to be successful in communicating with investors (specifically during crises).

#### **4.5.4. Sampling and sampling procedures**

The researcher decided to apply an inductive approach to determine a sample size for the non-probability sample used to collect data for the study. This entails that the researcher continued to collect data until a point of data saturation was achieved, i.e. a point at which no new themes or information were observed. According to Cassell and Symon (2012), non-probability sampling can be divided into the following four techniques:

- Quota sampling: This sampling is used as a substitute for a probability sampling technique when a sampling frame is not available to employ the latter sampling technique.

- Snowball and self-selection sampling: Participants take part in a study by volunteering.
- Purposive sampling: The researcher selects participants based on the researcher's own judgement.
- Convenience sampling: Participants are selected because of their convenient positioning.

The researcher decides on what technique to use, based on whether or not that technique will select participants for the study that will be able to provide the researcher with data to answer the research questions and meet the research objectives (Cassell & Symon, 2012). For this study, the researcher chose purposive sampling, as she used her own judgment to select participants based on whether they were expected to be able to help her reach the aim of the study. Convenience sampling was also employed, as some of the participants were chosen due to their location, as well as their position within the organisation being studied.

In general, non-probability samples are more widely used in qualitative research than probability samples. Non-probability sampling entails that the researcher actively chooses appropriate participants for a specific case, whilst also actively excluding certain participants from a research study. The researcher employed her own judgement to determine what characteristics were important in a participant in relation of the requirements needed to meet the research aim (Cassell & Symon, 2012).

According to Huberman and Miles (1994), the most frequently used non-probability sampling technique is purposive sampling. "Extreme case purposive sampling chooses unusual or special participants on the basis that the data collected from these cases will enable us to find out the most" (Cassell & Symon, 2012:42). Purposive sampling techniques can be divided into two sub-categories: heterogeneous purposive sampling and homogeneous purposive sampling.

Heterogeneous purposive sampling uses our judgement to choose participants with sufficiently diverse characteristics to provide the maximum variation possible in data collected. Homogeneous purposive sampling focuses on choosing one particular sub-group, such as a

particular occupation or level in an organisation's hierarchy (Cassell & Symon, 2012:42).

A third sub-category of purposive sampling is also offered in the literature, namely theoretical sampling, which is a method for data collection based on concepts that appear to be relevant to the evolution of the so-called "storyline" of the research (Cassell & Symon, 2012:42-43). Researchers initially do not necessarily need to know what to sample for; however, they do need to have an idea where to sample. Participants can then be chosen as they become needed (Cassell & Symon, 2012). "A theoretical sample is therefore commutatively chosen according to the developing categories and emerging theory based on a simultaneous collection, coding and analysis of the data" (Cassell & Symon, 2012:43). The researcher applied heterogeneous purposive sampling in the sense that participants chosen to participate in the study had diverse characteristics because they represented different stakeholder groups. Theoretical sampling was also applied, as some of the participants were only selected as the study progressed and the researcher saw the need to add more, or specific, participants to the study.

The intent of purposive sampling is to select an individual or individuals who will "best inform the researcher about the research problem under examination" (Cassell & Symon, 2012:147).

As it is essential for qualitative researchers to have access to research participants in order to carry out their research, it is an unavoidable constraint that research is limited to a choice of participants who are available and accessible to the researcher (Cassell & Symon, 2012). The researcher could not reach each and every stakeholder who forms part of a specific stakeholder group, and therefore purposively selected participants who could provide the most information to answer the research questions.

It thus takes careful consideration and thorough planning to select and choose research participants who will form the sample and provide the data that will answer the research questions and meet the research aim in qualitative research. It was essential that the sample was selected in such a way that it enabled the researcher to meet her research aim and answer the research

questions. The focus of the research thus determined the research sample, i.e. the research participants (Cassell & Symon, 2012).

Given that sample sizes in qualitative research are usually small, the researcher is unable to make generalisations about a population. Nevertheless, it is still possible to draw generalisations theoretically, “providing that the participants are appropriate for our research aim” (Cassell & Symon, 2012:40). Sample sizes of non-probability samples are dependent on what the researcher aims to find out, what will be credible and helpful to the research, and what resources are available to the researcher (Cassell & Symon, 2012).

The next section of the chapter will provide an explanation of how the researcher went about to purposively select research participants to participate in this study using a non-probability sampling method. After the initial participants were selected, based on the convenience of their location, the researcher conducted semi-structured interviews with them. Theoretical sampling was then applied to expand the sample size and increase the number of participants in the study, as it became clear to the researcher that she needed more, or specific, participants to gather information to meet the aim of the research.

#### ***4.5.5. Selection of participants for semi-structured interviews***

The stakeholder groups that were targeted for interviews in this case study are set out in Table 4 and were the following: Investors, clients, employees, and management.

Interview participants were selected purposively for this study by means of individual solicitation. Solicitation was done via an email in which the researcher explained the project to possible participants. Acceptance to participate in the research and emails with consent forms (as per the Ethical Clearance Policy of Stellenbosch University) were then sent to the research participants, to be signed and returned to the researcher before the SSIs.

The following list describes why the participants were purposively selected to participate in this research study:

**Participant 1:** This participant acted as a proxy for the perceptions of shareholders of and investors in Capitec Bank, as he/she was a chartered

financial analyst at a leading corporate and investment bank, working directly with shareholders and investors who invest in Capitec Bank.

**Participant 2:** This participant was the chief executive of business development at Capitec Bank. He was part of Capitec Bank's management and leadership team, and thus a very important stakeholder to take into account in order to answer the research questions.

**Participant 3:** This participant acted as a proxy for the perceptions of shareholders of and investors in Capitec Bank, as he/she was a senior portfolio manager at a leading wealth management organisation in South Africa.

**Participant 4:** This participant acted as a proxy for the perceptions of shareholders of and investors in Capitec Bank, as he/she was a portfolio manager at a leading wealth management organisation in South Africa.

**Participant 5:** This participant acted as a proxy for the perceptions of shareholders of and investors in Capitec Bank, as he/she was a senior portfolio manager at a leading wealth management organisation in South Africa.

**Participant 6:** This participant acted as a proxy for the perceptions of shareholders of and investors in Capitec Bank, as he/she was a bank analyst and sector head of investments in equity at a leading asset management organisation in South Africa.

**(Note:** Participants 5 and 6 were interviewed together and stated that their answers must be discussed as one unit and not as two separate interviews.)

**Participant 7:** This was a very important stakeholder to take into account, as he was the chief financial officer of Capitec Bank. He was part of the top leadership and management team of Capitec and also formed part of the crisis-response team that responded to the Viceroy report released on 30 January 2018.

**Participant 8:** This participant was the head of strategic communication at Capitec Bank. He was part of the leadership and management team of Capitec and also formed part of the crisis-response team that responded to the Viceroy report released on 30 January 2018. He is also a communication expert/specialist.

**Participant 9:** This participant was an employee (support manager) of Capitec Bank and gave insight into the employees' perceptions of Capitec Bank's response to the Viceroy report released on 30 January 2018.

**Participant 10:** This participant was a branch manager of a Capitec Bank branch and thus acted as a proxy for the perceptions of employees of Capitec Bank's response to the Viceroy report released on 30 January 2018.

**Participant 11:** This participant was a branch manager of a Capitec Bank branch and thus acted as a proxy for the perceptions of employees of Capitec Bank's response to the Viceroy report released on 30 January 2018.

**Participant 12:** This participant was an employee (worked in human resources) of Capitec Bank and gave insight into the employees' perceptions of Capitec Bank's response to the Viceroy report released on 30 January 2018.

**Participant 13:** This participant was an employee (executive assistant and credit coordinator) of Capitec Bank and gave insight into the employees' perceptions of Capitec Bank's response to the Viceroy report released on 30 January 2018.

#### **4.5.6. Content analysis**

The core of qualitative content analysis is the forming of codes and categories that are nestled in the data collected (Creswell, 2013). In order to analyse the data, the data must first be prepared by transcribing and organising the data. Thereafter, the data could be analysed by means of coding and reducing the codes in order to present the data in meaningful discussions (Creswell, 2013). The interpretation of data thus involves the pulling apart of data, after which it is putt back together in "more meaningful ways" (Creswell, 2013:187). The researcher collected the data by using SSIs, transcribing the interviews, and then using different codes to analyse the data thematically in order to present the findings in a systematic manner.

Content analysis is conducted in order to examine, in a systematic manner, the content of sources in order to determine the frequency/relative incidence of themes and to determine the ways in which themes are portrayed (to explore the context of themes).

#### 4.6. QUALITY IN QUALITATIVE RESEARCH

The process of data collection relies on the researcher's ability to gain access to and establish trust relationships with participants to ensure data of a high value and quality (Cassell & Symon, 2012; Creswell, 2013). Organisational gatekeepers are those people who control the access of the researcher to a research participant if that research participant is an organisation or part of an organisation. However, access via organisational gatekeepers can be organised through friends and/or colleagues (Cassell & Symon, 2012).

Quantitative research design is focused on ensuring quality through the standardisation of the research problem or situation. In qualitative research, however, only a limited issue of standardisation can be provided, as qualitative research does not emphasise the process of standardisation as being a main concern in research planning and design (Flick, 2007). In qualitative research and when conducting SSIs, it is still possible to keep some aspects, such as methodological features, constant. Flick (2007:42) suggests that, when using SSIs, one should "develop an interview guide, which is then applied more or less consistently in each interview". This enables the researcher to be better equipped to compare the data collected, if necessary (Flick, 2007). The researcher developed an interview guide used in the SSIs, and this interview guide can be found in Addendum E.

A constant use of a method will increase the similarity of the research situations in which data were produced, so that differences in the data can more likely be drawn back to differences in the interviewees rather than to the differences in the situation of data collection (Flick, 2007:42).

When the research questions in qualitative inquiry are narrower, and when the sampling process as well as the conditions of data collection are more determined, it can be described as a tighter design in qualitative research because the research design includes a higher degree of standardisation and control (Huberman & Miles, 1994).

Since quality is not necessarily closely linked to standardisation in qualitative research, Flick (2007:61-62) describes quality control in this form of research as follows:

Quality control is rather seen as an issue of how to manage it (standardisation). Sometimes it is linked to rigour in applying a certain method, but more often to soundness of the research as a whole ... Quality in qualitative research (planning) is based on a clear, explicit and reflected decision for a specific method or design.

- **Indication (Quality)**

The research design, methods selected and approach should be linked to the research problem or issue under discussion (Flick, 2007).

If all these components justify the use of a specific method, design or approach, we can speak of indication in this context ... That a method, design or approach is indicated can be an important condition for the quality of its use and the project as a whole (Flick, 2007:62).

The study of the perceptions of stakeholders of Capitec Bank's response to the Viceroy report required the analysis of messages implied in interviews conducted with various stakeholders of the organisation. Flexibility in the research design and methodology because of the use of a qualitative approach was also advantageous due to the ongoing nature of the crisis under investigation. From this it is seen that the research problem at hand – exploring the perceptions of stakeholders of Capitec Bank's response during a crisis it faced after the release of the Viceroy report – indicated that a flexible approach to collecting and analysing data was needed. Therefore, it was justifiable to implement a qualitative method of enquiring in this exploratory study.

- **Adequacy (Quality)**

The researcher must be familiar with the research methods that are used in the study. Adequacy as an approach to the quality of research entails that the researcher prepare the application of research methods, as well as is possible, before conducting the actual research (Flick, 2007:62). This researcher was well acquainted with qualitative research methods and content analysis, and went through an extensive training course to learn how to work with the CAQDAS, ATLAS.ti.

- **Rigour (Quality)**

In order to follow a rigorous approach, the researcher must be very consistent and strict when applying a research method and must adhere to his/her sampling scheme (Flick, 2007). The researcher conducted SSIs using the same discussion and interview framework in order to apply scientific rigour in the collection of data. Interviews were transcribed and then sent back to the participants in order for them to verify the discussions. Freeman's (1984) definition of a stakeholder was also consequently applied to determine whether an individual should be purposively selected to participate in the study.

- **Transparency (Quality)**

The researcher must present the results and findings in such a way that the reader will understand how decisions were made. The researcher must be transparent about how the research was conducted and how he/she arrived at the findings, assertions and conclusion in order to enhance the quality of the research (Flick, 2007). This chapter transparently explains how the researcher went about conducting the research, and the results and findings are presented in an understandable manner in the next chapter in order to enhance the quality of this research study.

#### **4.7. ETHICAL CONSIDERATIONS**

Ethical considerations in qualitative research in which research participants are involved emphasise that coercion should always be avoided when trying to convince participants to take part in a study. It is also a prerequisite to get the participants' formal consent before interaction with them can take place (Cassell & Symon, 2012).

The researcher supplied each participant in the study with a consent form that adheres to the guidelines of Stellenbosch University's Research Ethics Committee: Humanities to read and complete before the interview itself was conducted. On this form it clearly states that the participant will not be remunerated for his/her participation and that they are also free to opt out of the study if they should feel uncomfortable about further participation. The

researcher also gave the participants an additional copy of the consent form to refer back to, as well as contact details of the researcher and supervisor of this study, should they have any pressing concerns or questions after the interview has been conducted.

Since a current issue at Capitec Bank was under review in this study, it was important to protect the identity of the participants as they are definite stakeholders of Capitec Bank. Therefore, they were kept anonymous and are referred to as participants 1 to 14 in the findings. Enquiries about the identity of the participants can be directed to the researcher or supervisor, who is in possession of a list of the details of the participants. The study will also be placed under embargo in order to protect the reputation of Capitec Bank.

#### **4.8. CHAPTER SUMMARY**

The research methodology and design of the study were outlined, discussed and explained in this chapter. The sampling and sampling procedure, as well as the methods for selection of research participants were also discussed thoroughly. The chapter concluded with the ethical considerations and ways to address these.

The next chapter discusses the research findings from the semi-structured interviews held with participants in order to answer the research questions and meet the research objectives. The discussion is done thematically according to the themes and sub-themes as set out in the coding scheme included in this chapter.

## CHAPTER 5: RESEARCH FINDINGS

### 5.1. INTRODUCTION

The aim of this study, as discussed in the preceding chapters, was to explore stakeholders' perceptions of Capitec Bank's reactions and response to the crisis caused by the Viceroy report. The aim of the data collection and interpretation of the semi-structured interviews held with purposively sampled financial analysts, portfolio managers, Capitec Bank management, Capitec Bank employees and Capitec Bank clients was to explore whether these stakeholders perceived Capitec Bank to have planned and implemented reputation and crisis management strategies during the so-called 'Viceroy crisis' and in the aftermath thereof in order to protect and preserve its reputation.

The methodology and strategy followed to explore this case were set out in the previous chapter. Primary qualitative research in the form of conducting SSIs was undertaken to answer the research questions and meet the research objectives.

The SSIs were then transcribed verbatim and processed by means of CAQDAS using ATLAS.ti. ATLAS.ti assisted in organising the transcripts, adding memos and emphasising direct quotes that enhanced the themes of the study. Thereafter, the researcher manually analysed the data in order to reach the research findings that are presented in this chapter. The chapter commences by setting the scene for the case at hand: Capitec Bank in the aftermath of the report released by Viceroy on 30 January 2018. This is followed by a discussion of the research findings thematically according to the coding scheme set out in the previous chapter. The main themes under scrutiny in this chapter are the following: Viceroy, Capitec Bank's reputation before 30 January 2018, Situational Crisis Communication Theory and how Capitec Bank applied/did not apply crisis management and communication techniques, Capitec Bank's stakeholders' perceptions of the bank's reactions and communication after the Viceroy report was released, the crisis-response team and investor relations at Capitec Bank.

A conclusion from the findings and reconciliation of the findings with the research questions and objectives are presented in the sixth and final chapter of this research study.

### **5.1.1. *Setting the scene***

A crisis typically has the following features: It poses a threat to the organisation, it contains an element of surprise, and it allows an organisation a very short period of time to react to it in order to prevent irrecoverable damage (Massey, 2001; Weick, 1988). On 30 January 2018, Capitec Bank experienced such a sudden upset.

It is argued that the build-up to this upset had already begun at the end of 2017, when Viceroy released a report on Steinhoff. This report was released after Markus Jooste, CEO of Steinhoff, resigned with immediate effect on 5 December 2017. His resignation came after Steinhoff notified the market that its audited results would not be released on time. Steinhoff International Holdings was facing an imminent crisis (Tarrant, 2018).

### **5.1.2. *Targeting Capitec Bank***

On Tuesday, 30 January 2018, Viceroy released a report about Capitec Bank (Capitec), making allegations that the banks was participating in predatory finance activities and ousting it on twitter as “a wolf in sheep’s clothing”. The report stated that Viceroy deemed it only a matter of time before “Capitec’s financials and business unravel”, which could possibly lead to bankruptcy, and compared Capitec’s position to the problems African Bank faced before it collapsed in 2014 (Viceroy, 2018).

The Viceroy report posed a threat to Capitec Bank’s reputation, as stakeholders took note of the report and reacted in a negative manner, as seen in the impact it had on the bank’s share price. On 6 March 2018, Capitec Bank’s share price was down by 20% (Cairns, 2018). Clearly, the crisis (the release of the Viceroy report and the market’s response to it) had an impact on the organisation. As the findings will point out later in this chapter, it was not only investors who were concerned. There was uncertainty and uneasiness amongst employees and clients as well.

This crisis also came as a surprise, as Capitec Bank was in a healthy condition prior to the release of the Viceroy report. However, Capitec Bank now had

limited time to respond to the crisis so as order to salvage the situation and to answer concerned parties' questions in order to prevent its share price from dropping any lower.

The researcher conducted SSIs with purposively selected participants to explore how Capitec Bank reacted to this crisis and also how its stakeholders perceived Capitec Bank to have handled the crisis. The analysed findings of the SSIs will now be reported and discussed thematically based on the coding scheme that was set out in the previous chapter.

## **5.2. VICEROY**

### **5.2.1. Capitec Bank's response to claims made by Viceroy**

In order to grasp the stakeholders' perspective of Capitec Bank's handling of the Viceroy report, the researcher specifically explored how the stakeholders perceived or experienced the bank's reaction to the report and the threat Capitec Bank faced as a result of the report. As determined in the previous section, which set the scene the case at hand, the Viceroy report posed a threat to Capitec Bank. Crises are threats to the legitimacy, credibility and overall reputation of an organisation (Fombrun & Gardberg, 2000; Göritz *et al.*, 2011).

According to participant 8, who was part of the crisis-response team (the crisis-response team will be discussed and identified in more detail later in this chapter) and who also was part of Capitec's top management, they responded immediately and as quickly and thoroughly as possible.

***“André (participant is referring to the CFO of Capitec Bank) immediately had a team that worked on the whole Viceroy report...” – participant 8***

Participants 4, 5 and 6 also perceived this to be the case,

***“So where they (participant is referring to Capitec Bank) could, they tried to explain what they thought Viceroy were doing” – participant 4***

**“...they (*participant is referring to Capitec Bank*) responded to every single allegation that Viceroy had levied against Capitec...” – participants 5 and 6**

However, according to the communication and reputation expert, the Viceroy report still had a negative impact on stakeholders’ perceptions of Capitec Bank.

**“Viceroy decreased the positive sentiment ...” – participant 8**

Taking all the interviews together, the positive perceptions outweigh the negative perceptions about Capitec Bank’s handling of the Viceroy report. This is in particular confirmed by participants 5 and 6.

**“... the fact that the impact was so short-lived is credited to how well they (*participant is referring to Capitec Bank*) responded to the allegations...” – participants 5 and 6**

### **5.2.2. Viceroy’s credibility**

In order to gain an understanding of the crisis, the credibility of Viceroy prior to the crisis also needs to be understood, as this provides some insight into how seriously the stakeholders took the Viceroy report. The following responses by participants seem to give an indication of Viceroy’s credibility:

**“And obviously the market was concerned about the Viceroy report coming out because in December they released a report on Steinhoff ...” – participant 1**

**“And we are talking about Viceroy, a company that exposed Steinhoff ...” – participant 11**

**“... the country was polarised ... emotions ran high ... because these guys stepped on a landmine in December with Steinhoff ...” – participants 5 and 6**

**“I think the Steinhoff report contributed a lot to the credibility of Viceroy ...” – participant 3**

**“... the Steinhoff incident was fresh in everybody’s memory. I think Steinhoff was ideal for Viceroy” – participant 3**

**“Steinhoff happened ... Viceroy received a lot of credibility because of it ...” – participant 7**

**“... but now they have a little bit of credibility because they wrote something about Steinhoff ...” – participant 4**

According to the participants mentioned above, Viceroy’s credibility when it released the report on Capitec Bank on 30 January 2018 was because of its report on Steinhoff in December 2017. It seems that the participants were of the view that stakeholders only paid attention to the report because Viceroy had released viable research on what to date was South Africa’s biggest corporate scandal, namely the (almost total) collapse of Steinhoff.

Therefore, it is understandable that the stakeholders wanted to raise questions about allegations made in the report and that they expected an answer from Capitec Bank.

Some participants pointed out that it was not only Capitec Bank’s own feedback and handling of the allegations in the Viceroy report that helped to defuse the situation, but also their own research on the credibility of Viceroy, as well as third parties’ views.

**“... the treasury (*participant is referring to the National Treasury, a government department in South Africa*) also said that they would lay a complaint against Viceroy at the FSCA ...” – participant 3**

**“... the treasury also encouraged the UK and USA to launch an investigation into these guys (*participant is referring to the people who wrote the Viceroy research report*) ...” – participant 3**

### 5.3. CAPITEC BANK'S REPUTATION BEFORE 30 JANUARY 2018

An organisation's reputation can be traced to the way in which it serves its various stakeholders (Schultz & Werner, 2013). Traits that enhance an organisation's reputation and its reputational capital include the perception among its shareholders that it is a good investment, a respectable corporate citizen, and a pleasant and enjoyable place to work at. Reputation is also a signal to various stakeholders of the confidence they can have in an organisation to meet their needs and demands. It is a display of an organisation's credibility and reliability, and it assists different stakeholders in their decision-making process (Beatty & Ritter, 1986; Dowling & Roberts, 2002; Fombrun, 1996; Fombrun & Shanley, 1990; Little & Little, 2000; Milgrom & Roberts, 1986).

Scholars regard an organisation's reputation as a strategic, intangible asset that can act as a buffer of goodwill when crises hit (Beatty & Ritter, 1986; Dowling & Roberts, 2002; Fombrun & Shanley, 1990; Little & Little, 2000; Milgrom & Roberts, 1986).

When exploring the interviews with the participants, the researcher found that Capitec Bank's stakeholders perceived Capitec Bank as having a positive reputation in the sense that it "served its various stakeholders" well, which is deemed necessary from a theoretical perspective in order to have a good reputation.

**"... in communicating with the market, Capitec does a very good job ..."** – participant 1

In terms of the way in which Capitec Bank serves its investors and shareholders, participant 1 was of opinion that Capitec Bank was doing well.

**"I think coming along with a company for so long, one would know that Capitec is stable ..."** – participant 11

Participant 11, an employee at Capitec Bank, also had faith in the reputation that the bank had built.

Other employees agreed.

**“... there was a lot of positive response from employees to say that they are proud to be associated with Capitec ...” – participant 12**

According to participant 2, clients also stood behind the Capitec Bank brand after the Viceroy report was released, attacking Viceroy research on twitter on the day the report was released. However, this finding has limited value as it is not verified by the clients themselves.

**“Clients quickly starts saying, ‘Listen, Viceroy, leave our bank alone.’ This is not something we asked for, or tried to engineer. I mean, you can’t engineer things like this ...” – participant 2**

Regulators like the SARB and the National Treasury released statements on the same day that Viceroy released the report. The SARB and National Treasury stood with Capitec Bank and told the rest of the public that the claims made in the report were not truthful.

An organisation’s reputation is embedded in the organisation’s name. “Ultimately, a name crystallises reputation: It anchors public perceptions about a company and its products and activities” (Fombrun, 1996:33). An organisation’s name will be the carrier of tacit information about that organisation, information regarding the organisation’s identity – i.e. what the organisation is all about, its personality, its values and what the organisation strives to be.

According to participant 2, a founder and member of the top management of Capitec Bank, this is something that Capitec Bank has borne in mind since its establishment – to build on its name in order to create a good reputation.

**“... again, it’s about how you built your brand over the years, and the consistency thereof ... because we built the business from the ground up, the decisions we make are long-term ... that is where you establish credibility, not on the day (*participant is referring to the day of the actual crisis*) ...” – participant 2**

An organisation can never be in complete or direct control of its stakeholders' perceptions. The stakeholders of an organisation will compare what they know about an organisation with whether or not the organisation met their own expectations of being treated in a certain way. A perception is always based on someone's point of view – how they see/view you. A perception is not easy to manipulate, and that is why reputation management cannot be regarded as an easy or obvious task by an organisation. It is a task that must be well planned, managed and executed in order to influence how stakeholders view the organisation. The quality of the relationship that an organisation has with a specific stakeholder will influence the perception that specific stakeholder has of the organisation (Coombs, 2007; Fombrun, 1996; Wartick, 1992).

Based on the views expressed by the participants, it is clear that the reputation of Capitec Bank prior to the release of the Viceroy report was significantly strong. It therefore is conceivable to conclude that Capitec Bank managed to develop a reputable image in the banking sector that could help it withstand a crisis such as the Viceroy report.

#### **5.4. CRISIS HISTORY**

Scholars argue that if stakeholders know about past crises, especially a history of crises similar to the current one, it will intensify the threat of the current crisis (Coombs, 2004; Coombs & Holladay, 2002). It thus is necessary to consider the crisis history of Capitec Bank before the Viceroy report was released on 30 January 2018, as the literature suggests that the bank's history of crises could have heightened the crisis posed by the Viceroy report.

Participant 8 summarised the occurrence of crises in organisations when he said,

**“Crisis is a given. Crises happen. It's how you react to it that matters ...” – participant 8**

As he/she points out, it is not a given that crises will not happen; it is very possible to survive a crisis and even learn something about the organisation from it.

**“... the credibility which you build on from previous times when there was bad news ... and that also goes back to the level of communication and consistency across many years ...” – participant 2**

Participant 2 agrees with participant 8 in the sense that Capitec Bank has had to deal with bad or negative views and news in the past. It is clear, however, that it is possible to keep the organisation’s reputation intact if one manages to deal with the crisis.

Participant 11, a branch manager, emphasised how important it is to deal with a crisis in a rational manner, and to not get emotional about it. This is something he had learnt from past experience with crises.

**“I think that lesson was learnt ... whatever allegations come our way, we handle it calmly ...” – participant 11**

The researcher observed that the participants did not make any direct mention of past crises that Capitec Bank had dealt with. However, the participants understood the importance of the theory found in the literature, namely that an organisation can gain a lot of insight on crisis-response strategies from past crises.

## **5.5. SITUATIONAL CRISIS COMMUNICATION THEORY**

The literature reviewed demonstrates that Situational Crisis Communication Theory (SCCT) was developed by Coombs (2007), a crisis communication scholar, to provide crisis and communication managers with guidance for determining, based on Coombs’s empirical evidence, which crisis-response strategy to apply in a crisis situation (Cauberghe *et al.*, 2010; Coombs, 2007).

During a crisis, as was created on 30 January 2018 when the Viceroy report about Capitec Bank was released, an organisation will use strategies to communicate a message regarding the crisis to stakeholders, and this will have an influence on stakeholders’ perceptions of the organisation, their perceptions of the crisis, and the organisation’s overall reputation. It is

important to note that different crisis communication strategies must be used in different situations (Bailey *et al.*, 2005; Coombs, 1995; Massey, 2001).

With reference to Coombs's (1995) Situational Crisis Communication Theory, and his five-category model of crisis-message strategy set out in the literature review, the researcher found that Capitec Bank used the following strategies to communicate its message regarding the crisis to its stakeholders.

### **5.5.1. Attacks**

According to Coombs (1995), a strategy of attacking is when an organisation confronts those who incorrectly report that a crisis that does not exist, occurred.

Participant 4 explained that Capitec Bank used the call that they made to investors and the press conference that followed thereafter on the afternoon of 30 January 2018 to

**“... explain what they (*participant is referring to Capitec Bank*) thought, the guys (*participant is referring to Viceroy*) is doing ... (Viceroy) tried to make something out of nothing ...” – participant 4**

Capitec Bank thus employed an “attack” strategy (Coombs, 1995) by addressing the allegations in the Viceroy report and explaining to any questioning stakeholders that such a threat did not exist.

Participant 2, a member of Capitec Bank's top/strategic management, also informed the researcher that Capitec Bank in fact confronted Viceroy in the public sphere by inviting them publicly to reach out and talk to the bank about their concerns.

**“... and we said ‘come speak to us, explain to us, and then we can sit and chat’ ...” – participant 2**

**“We asked them (*participant is referring to Viceroy*) to contact us at various occasions ...” – participant 7**

Although Viceroy did not respond to Capitec Bank's invitation to address the it directly, it can be seen that Capitec Bank did address and confront Viceroy, as the bank believed that Viceroy incorrectly reported that a crisis exists.

### **5.5.2. Clarification and justification**

Coombs (1995) explains that an organisation or person employs a "clarification" strategy when an attempt is made to explain why there is no crisis. The "clarification" strategy is very close to Coombs's (1995) "justification" strategy, in terms of which an organisation or person attempts to minimise any damage that a crisis can cause. It is possible to minimise a crisis by convincing stakeholders that the crisis was not that serious, or claiming that the crisis was in fact misrepresented.

Capitec Bank immediately addressed the claims made in the Viceroy report; the bank did not keep quiet, but rather attempted to clarify why there was no crisis.

**"So, our first response was, 'we don't agree' ... we had to understand their (*participant is referring to Viceroy*) calculations to show them how and where their logic failed"**  
– participant 2

**"André (*participant is referring to the CFO of Capitec Bank*) immediately had a team that worked on the whole Viceroy report ..."** – participant 8

According to participant 3, Capitec Bank managed to do well in clarifying why and justifying why the crisis was not as bad as Viceroy made it out to be.

**"... they did an excellent job at defending the financials ... they could attend to it and say 'one plus one is two, and there is my evidence, you are wrong ...'"** – participant 3

**"Capitec took 100% the correct decision to say, 'We are going to meet these allegations ... and we are going to do it immediately, and we are going to do it in a very, very comprehensive manner ...'"** – participants 5 and 6

According to the employees' perceptions, Capitec Bank managed to clarify and justify the so-called crisis.

**“... we could assure them that the Viceroy Report on its own was not confirmed and did not contain any truth ...” – participant 11**

It was important for Capitec Bank to clarify and justify the crisis based on factual information, therefore it was decided to only respond on the afternoon after the Viceroy report was released.

**“The press conference would be at 17h00 so that we had enough time to provide in-depth answers ...” – participant 7**

### **5.5.3. Denial and denial of volition**

When an organisation or person uses a strategy of “denial”, they essentially take a position that the crisis did not occur (Coombs, 1995). According to Coombs (1995), “denial of volition” is when the organisation or person blames someone else for the occurrence of the crisis.

Internally, Capitec Bank communicated to its employees that the allegations made in the Viceroy report were not true.

Participant 11, a bank branch manager, also explained how Capitec Bank communicated to its clients that the crisis was only brought about because of speculations by Viceroy and that it was not truthful.

**“And I said to the client, ‘it’s fine, everything is merely speculation ...” – participant 11**

Participant 8, a communication and reputation specialist, realised that stakeholders needed to believe that the crisis did not exist in order for them to perceive Capitec Bank as able to manage and diminish the crisis.

**“People need to feel at ease that this is not the correct information that Viceroy is bringing to the table ...” – participant 8**

#### **5.5.4. Intimidation**

“Intimidation”, according to Coombs (1995), is used when there is an organisational power that threatens the other party, for example by means of a lawsuit.

The researcher found that Capitec Bank did not necessarily use intimidation against Viceroy by itself, but rather that third parties involved in the crisis had the effect of minimising the threat posed by allegations raised in the Viceroy report.

**“I think it was made public that an investigation was conducted by both us (*participant is referring to Capitec Bank*) and the FSB (*participant is referring to the Financial Services Board, a government department of South Africa*)”  
– participant 2**

**“... and then the treasury (*participant is referring to the National Treasury, a government department of South Africa*) also said that they would lay a complaint against Viceroy at the FSB ... the treasury also encouraged the UK and USA to launch an investigation into these guys (*participant is referring to Viceroy*) ...” – participant 3**

#### **5.5.5. Transcending**

According to Coombs (1995), a strategy of “transcending” is followed when an organisation or person attempts to minimise the crisis to a more desirable and more manageable level.

According to participants 7 and 8, Capitec Bank attempted to minimise the crisis by mitigating the stakeholders’ negative feelings, uneasiness and uncertainties arising from the Viceroy report.

**“... we needed to make people (*participant is referring to clients of Capitec Bank*) feel at ease ...” – participant 8**

**“Our first goal was to answer them (*participant is referring to Viceroy*) ...” – participant 7**

The researcher observed through an exploration of the strategies implemented by Capitec Bank to diminish and minimise the threat and crisis of the Viceroy report that the bank employed a combination of more than one of Coombs's five categories of crisis-message strategies to address the crisis.

However, in the interviews conducted with the participants, it became clear that Capitec Bank emphasised using "clarification" and "justification" of the crisis in order to send a message to stakeholders that there was indeed nothing to worry about and that the allegations made by Viceroy had no substance.

## **5.6. STAKEHOLDERS**

Freeman's (1984) definition of a stakeholder is applied throughout this study. According to Freeman (1984:46), a stakeholder is "any group or individual who can affect or is affected by the achievement of the organisation's objectives". This definition was borne in mind when the researcher decided to include the following stakeholders and their perceptions in the discussion of findings.

### **5.6.1. Employees**

Capitec Bank communicates with its employees via an internal communication network called CConnect.

Participant 10 explained that CConnect is a platform on which information that must be discussed and distributed throughout the whole organisation is loaded. It is also a platform on which employees can interact with one another, and this helps the bank minimise the commentary that employees provide on other social media platforms, as CConnect is

**"... a platform ... there you can raise your voice ..."** –  
**participant 10**

Participant 8 further explained how CConnect is used to send out CFACTs as well as CALerts:

**"A CFACT is something that you need to know to do your job,  
but it's not urgent ..."** – **participant 8**

A CAAlert, however, is a message sent out to Capitec Bank employees that they need to pay attention to immediately:

**“It’s an instruction, but there is an immediacy to it ...” –  
participant 8**

On the day that Viceroy released the report on Capitec Bank, the Head of Strategic Communication and his team notified and communicated with employees using the bank’s established CConnect communication network. Using CConnect, it was possible to engage with employees all over South Africa and immediately distribute messages from the crisis-response team that included Capitec Bank’s CEO and CFO.

When asked how they were informed of what was done on the strategic level about the Viceroy report and also how they, as employees (including branch managers), should deal with other stakeholders during the crisis, participant 10 explained how CAAlert was used.

**“It (*participant is referring to communication with employees*) was done via CAAlert ... via CAAlert and email ... A CAAlert comes from our Communications Department at Head Office ... a CAAlert is very important information and should be implemented within 24 hours ...” – participant 10**

Then, any additional information, as well as information that has already been communicated with employees, is placed on Capitec Bank’s intranet website, called CNet. Employees and branch managers can thus refer to CNet should they require any additional information regarding a subject or matter.

Employees therefore had consistent, standardised and up-to-date information to refer to should they have had any questions about the Viceroy report.

**“... so whatever was released to press, we could go look at it on CNet and our website ...” – participant 12**

Participants were asked to reveal what options were available to them should they have had any uncertainty and unanswered questions after the Viceroy report was released.

**“... there is an open-door policy, you can speak to any executive ...” – participant 12**

The management team, as well as the crisis-response team, is and was very approachable and employees felt comfortable to raise any questions or concerns they had with any one of the executive committee members.

Participant 10 also noted that the communication and information that was given to them was provided in an understandable form:

**“... it wasn’t the normal bank jargon that was used, it was language that the man in the street could understand ...” – participant 10**

Participant 2 made an interesting statement about how the availability of information eased the minds of those who were in possession of it:

**“So, it was the people who knew the most who were the calmest of everyone ...” – participant 2**

According to participant 12, there were not many employees who felt as if they had been left in the dark.

**“I think the leadership team pride themselves in overcommunicating, they are making sure that everybody understands ...” – participant 12**

According to participant 8, employees’ trust in Capitec Bank’s top management increased due to the way in which the communication and the situation or crisis created by the Viceroy report were handled.

**“I think that staff has realised the value of having good people at the top” – participant 8**

**“Really, the communication afterwards was so frequent and so complete ... I think the crisis was handled very well ...” – participant 9**

**“I must say, I was very impressed by the way they handled the whole thing ...” – participant 10**

According to participant 10, the timely manner in which the crisis-response team and Capitec Bank's top management handled the crisis impressed him/her:

**"The report came out early, and I think about an hour later, we already started getting answers . . .I don't think panic was relevant to us, because we had been prepared. At that stage, I was very proud to be part of Capitec, I still am ... the information that was distributed to us, was so precise and professional" – participant 10**

Participant 11 agreed with participant 10,

**"I actually think they (*participant is referring to the top management and crisis-response team of Capitec Bank*) communicated in the best possible way they could for everybody to understand ... I don't think there was anything else they could have done better or faster ..." - participant 11**

The employees had already established trust in the top management and the Capitec Bank brand, built over years, by the time the Viceroy report was released on 30 January 2018. This also helped to ease their worries and concerns about the stability of Capitec Bank.

**"I think most of us were quite calm ... we have a lot of confidence in Capitec ..." – participant 13**

**"Personally, I wasn't alarmed, because I knew it was in good hands ..." – participant 12**

**"... there was a lot of positive response from employees to say that they are proud to be associated with Capitec ... I don't think anyone was alarmed ... I don't think any of my colleagues at the time was nervous or panicky or anything like that ..." – participant 12**

**“I like the way that they address things immediately and I just think the people in finance in credit, they are ethical people, they are honest ... They are very smart. I am proud to be here” – participant 12**

However, the positive reaction and perception employees have of Capitec Bank and the way in which it handled the Viceroy report does not mean that all of the employees were completely at ease all of the time.

**“Naturally there would be initial shock, you know, some people were shocked, some were scared ... people, you know, panic ...” – participant 2**

Participant 9 also noted that there were some emotional responses and negative reactions by employees.

**“Some of the people were emotional ...” – participant 9**

When the researcher compares the positive perceptions of the way in which Capitec Bank handled the release of the Viceroy report on 30 January 2018 with the negative perceptions of the employees, it is clear that the positive perceptions outweigh the negative perceptions.

### **5.6.2. Investors**

After the researcher explored the manner in which Capitec Bank communicated and interacted with shareholders by means of interviewing financial analysts as a proxy, the researcher established that even though the bank does not necessarily have a formalised investor relations function or departments, investors and shareholders appeared to be happy and positive about the way in which Capitec Bank communicated and interacted with them. Participants 1, 5, 6 and 7 indicated that investor relations were maintained by the CEO and CFO of Capitec Bank themselves:

**“All investor relations related duties are handled by Gerrie (participant is referring to Capitec Bank’s CEO) and André (participant is referring to Capitec Bank’s CFO) directly” (participants 5 and 6)**

Participant 1 confirmed this,

**“... traditionally it’s Gerrie (*participant is referring to Capitec Bank’s CEO*) and André (*participant is referring to Capitec Bank’s CFO*) ...” (participant 1)**

According to participant 7, it is of the highest importance that Capitec Bank communicates and interacts with investors and shareholders throughout, and not only in times of crisis.

**“... we do a roadshow every year after our results come out ...” – participant 7**

Participant 1 confirmed that the CEO and CFO keep in touch with their investors and shareholders and maintain relationships throughout, not only on a local, but also on an international level.

**“Capitec, André (*participant is referring to the CFO of Capitec Bank*) and Gerrie (*participant is referring to the CEO of Capitec Bank*) will travel twice a year to actually go and see their investors in the US ... Capitec comes up (*participant is explaining how Capitec Bank travels to Johannesburg to meet with local investors*) to a lot of conferences” – participant 1**

According to participant 4, Capitec Bank’s relationship with its investors is good because of frequent communication between the two parties.

According to participant 1 in relation to this specific situation, it was good that investor relations and interactions with shareholders were handled by the CEO and CFO themselves after Viceroy released the report, because of the experience they have in dealing with investors and shareholders.

**“I think they (*participant is referring to the CEO and CFO of Capitec Bank*) were pretty well placed, and it wasn’t an unfamiliar position ... it wasn’t their first rodeo either ...” – participant 1**

Participant 2 was of the opinion that, in times of crisis, stakeholders want to hear directly from the CEO.

The data suggest that Capitec Bank managed to address the fears of investors and to establish a positive perception among investors of how the bank responded to the Viceroy report. Furthermore, it can also be deducted that, prior to the Viceroy crisis, investors held Capitec Bank's reputation in high regard.

### **5.6.3. Public perception (traditional and social media)**

Public perception of the manner in which Capitec Bank handled the Viceroy report is seen in the way the traditional media, i.e. newspapers, magazines, television and radio news, portrayed it. The public reacted to the crisis because of reports in the media sphere on the Viceroy report.

**“People like a story ... this was a great story ... very sensational ...” – participant 2**

According to participant 8, a communication and reputation expert, it is extremely important to manage what is communicated in the traditional media sphere in order to manage public perception.

When the Viceroy report was released, participant 8 was the very first person to be notified of it, as Capitec Bank's communication department was approached by the media to give a response even before the report was released. Bloomberg contacted the Head of Strategic Communication at Capitec Bank the night before the Viceroy report was released in order to organise a live interview with the CEO or CFO. However, participant 8 knew better than to allow his CEO or CFO to speak live on air unprepared, as they did not yet know what the interview was going to be about.

**“Bloomberg told us that they can not tell us what the news is, but they want to secure a time slot with our CEO ... my task was to find out what it is about and then to buffer the news media in such a way that we have time to respond ...”  
– participant 8**

Capitec Bank thus had very little time to anticipate how the story would break in the media news.

When asked how they managed to know how to best deal with the news media and reporters, participant 8 responded:

**“I am not doing this since yesterday ... most of the journalists, I have a deep and personal relationship with ... I think when I speak to journalists, then they do know that my yes is my yes ...” – participant 8**

Participant 8, together with his experienced team of communication specialists, decided that twitter would be the best platform to address stakeholders when the Viceroy report was released on 30 January 2018.

**“... twitter has the highest engagement in the news media side ... and it is instant ... suddenly, from the beginning, we had a voice in the news” – participant 8**

**“We arranged for a press briefing just after five ... in order to be ahead of the news cycle ... say it fast, stay ahead of the news cycle ... that is the best antidote to fake news ... – participant 8**

According to the participants, social media can negatively influence stakeholders' perceptions. Participant 10 said that information, negative or positive, will spread fast on social media. Participant 8 was of the opinion that social media can lead to the spreading of false or misleading information, as it is not necessarily fact-checked news and can be based on hearsay. Social media also provide stakeholders with a platform to say anything they want, even if what they say can be damaging to an organisation's reputation.

**“... social media is like a wildfire ...” – participant 10**

**“The biggest problem is social media, there people can say whatever they wish ...” – participant 8**

#### **5.6.4. Clients**

Interviews with branch managers were used as a proxy to consider clients' perceptions of Capitec Bank's handling of and response to the Viceroy report. Interviews with branch managers of Capitec Bank gave the researcher a good

oversight of how different clients reacted to the way in which the bank handled the crisis.

Not all clients were immediately reassured that everything at Capitec Bank was going to be fine after Viceroy released the report on 30 January 2018. According to participant 11, there were clients who were shaken by the allegations made in the Viceroy report and who needed reassurance that they would not be affected negatively in any way.

**“Look, all the clients were not easy ... you had clients coming in and wanting to withdraw their money immediately” – participant 11**

However, according to participant 11, Capitec Bank’s top management and crisis-response team enabled them, the branch managers and the consultants dealing with clients, to ease clients by giving them the facts in a transparent manner. Top management and the crisis-response team communicated adequately and transparently with the branch managers, therefore the branch managers could communicate with the rest of their staff and the message was conveyed to clients that the allegations did not have any truth to them. The crisis was diverted with facts.

**“When you talk to the clients, at least you can reassure them by giving them the facts ...” – participant 10**

Participant 10 also pointed out that timely communication from top management and the crisis-response team helped him to understand the allegations in order to better explain them to clients.

**“When I got to the branch that morning, I already had a good idea of what was in the Viceroy report ...” – participant 10**

Participant 11 indicated that the statements made by the SARB and the National Treasury that disregarded the allegations made in the report also relieved the concerns of clients.

However, the less-informed clients concerns were addressed through already established relationships with consultants and branch managers built on trust.

**“... something that really came to the rescue of Capitec, is the trust and the relationship clients have with us ...” – participant 11**

The reactions of clients on social media to the Viceroy report indicate their confidence in Capitec Bank:

**“Clients quickly started saying, ‘Listen Viceroy, leave our bank alone ...’ – participant 2**

The words “our bank” emphasise the ownership and trust that clients have in Capitec Bank.

The following section explores and discusses the theme of communication in crisis situations. The researcher explored and discussed different sub-themes that arose during interviews with the participants.

## **5.7. COMMUNICATION**

Anything and everything that an organisation communicates to its stakeholders after a crisis has occurred is described by Coombs (1995:448) as a “crisis-response strategy”. Crisis-response strategies can be used by organisations to influence stakeholders’ perceptions in order to repair and maintain an organisation’s reputation during and after a crisis. Should crisis and communication managers handle the communication wrongly during crisis situations, by either not answering to stakeholders’ expectations or by not communicating at all, it could worsen the effect of said crisis (Coombs, 1995, 2009a; Massey, 2001).

The importance of communication when handling a crisis situation was made evident 622 times by the participants. This result was drawn from the analysis assisted by ATLAS.ti. The following direct quote by participant 7 emphasises just how important he/she views communication to be in times of crises:

**“Communication, communication, I think that’s what it all comes down to” – participant 7**

### **5.7.1. Availability of information**

According to Coombs (2007), a crisis can create an information void that must be filled. If this void is not filled by facts, the void can be filled by speculation

and rumours spread amongst stakeholders. It is thus important for an organisation to be the first party to respond during or after a crisis occurs. Completeness of information when communicating with stakeholders after a crisis is an essential part of a crisis-response plan. Unresponsiveness by the organisation will send a signal to stakeholders that the organisation might not be in control of the crisis. This unresponsiveness could open the door to others (such as speculators in traditional and social media) to take control of the dialogue, potentially harming the reputation of the organisation by spreading rumours (Caruba, 1994; Coombs, 2007; Ojeda & Veil, 2010; Veil, 2007).

The single most important aspect of communication during crises, as evident in ATLAS.ti assisted analysis, were pointed out 265 times by participants 1, 2, 3, 4, 8, 9, 10, 11, 12 and 13, is that as much information as possible must be available at all times.

Participant 12 pointed out that it is extremely important to keep stakeholders of the crisis informed all the time in order to ease their fears, as this will lead to successful stakeholder engagement.

Participants 5 and 6 indicated that they believed there was a need for information to be available during the crisis because it was necessary for stakeholders, and especially investors, to be able to make informed decisions during. Information must be available in order for investors to be able to triangulate, check and reference information to make informed decisions.

Participant 1 indicated that Capitec Bank managed to keep stakeholders informed by providing the market with detailed information to make informed decisions:

**“So Capitec has spent a lot of time in post-event, providing the market with far more detailed levels of information” – participant 1**

The following direct quotes from participants indicate their need for the availability of information during the crisis, and illustrates the manner in which the stakeholders reacted to the communication and information made available to them after the release of the Viceroy report on 30 January 2018:

**“... it was always the people who knew the most who were the calmest of everyone” – participant 2**

**“It is important to communicate and to give (us) as much information as possible” – participant 4**

The following direct quotes from participants also outline how Capitec Bank managed to keep stakeholders informed following the release of the Viceroy report. It includes quotes from members of the crisis-response team to indicate how they made information available, as well as quotes from external stakeholders to indicate how they perceived Capitec Bank to make information available.

**“So Capitec has spent a lot of time in the post-event, providing the market with far more detailed levels of information ...” – participant 1**

This participant is of the view that Capitec Bank spent time ensuring that it delivered detailed information to its stakeholders.

**“They (Capitec Bank) responded quickly and thoroughly, and did not underestimate the whole thing ...” – participant 4**

Participant 4 is of the opinion that Capitec Bank took the Viceroy report and allegations seriously and that this enabled them to act in a manner that supplied stakeholders with the information they needed to make informed decisions.

**“Really, the communication afterwards was so frequent and so complete” – participant 9**

This participant indicates that at no time did stakeholders have to wait too long for information to be made available by Capitec Bank, and also that the information Capitec Bank provided was complete and answered any questions stakeholders might have had.

**“We were put in the situation where we could say to the client, listen, these are the facts ...” – participant 10**

Participant 10, who deals directly with clients and should thus be able to answer any questions posed by clients, was of the opinion that Capitec Bank enabled him/her by supplying enough information to answer any questions clients might have had.

**“The information that was distributed to us, was so precise and so professional” – participant 10**

Once again, a stakeholder praises the quality of information made available by Capitec Bank after the release of the Viceroy report.

**“He (*participant is referring to Gerrie Fourie, the Chief Executive Officer of Capitec Bank*) was completely transparent about how they were going to handle the situation” – participant 13**

Participant 13, an employee of Capitec Bank, was impressed with the information made available to them by the CEO himself.

**“We drafted quite a simple document and distributed it to everybody in the bank ...” – participant 13**

Participant 13 showed how employees of Capitec Bank helped to make sure that the information that Capitec Bank released to other stakeholders was made available to each and every individual, and also that the information was easy to understand to make it more accessible for all the stakeholders.

**“The leadership team pride themselves in overcommunicating” – participant 12**

Another participant informed the researcher that it was not unusual for Capitec Bank’s leadership team to make a lot of information available to and openly communicate with stakeholders.

**“So Capitec took, I think, 100% the correct decision to say, ‘We are going to meet these allegations head on. We are going to do it immediately, and we are going to do it in a very, very comprehensive manner’” – participants 5 and 6**

**“They (*participant is referring to Capitec Bank*) responded to every single allegation that Viceroy had levied against Capitec” – participants 5 and 6**

Participants 5 and 6, who work specifically with investors in Capitec Bank, were highly impressed in the information that Capitec Bank made available in order to keep all shareholders informed all the time.

It was noted that it was extremely important for stakeholders that the communication provided by Capitec Bank to them was done in a clear and understandable manner.

Participant 10, an employee of Capitec Bank, noted that the communication sent out by Capitec Bank was easy to understand:

**“It wasn’t the normal bank jargon that was used, it was in a language that the man in the street could understand” – participant 10**

Participant 10 also noted that the information they received was “precise”.

Participant 13, another employee of Capitec Bank, informed the researcher that Capitec Bank took time to make sure that everyone, including all the stakeholders, who would receive communication and information from Capitec Bank would be able to understand it:

**“We drafted quite a simple document and distributed it to everybody in the bank” – participant 13**

**“The leadership team ... were making sure that everybody understand the communication” – participant 13**

The view of participant 13 is confirmed by a member of Capitec Bank’s leadership team’s (participant 7), who said that the bank:

**“Ensured that someone who does not necessarily have every single detail will still be able to understand it”**

and that he/she

**“Took the questions from Viceroy and rewrote them in everyday language, to be more accessible to the public” – participant 7**

Participant 7 also pointed out to the researcher that simplicity was a core value for Capitec Bank, and that its communication should adhere to the core values.

Another employee of Capitec Bank, who worked in human resources and dealt especially with employees, explained how the bank simplified the communication with stakeholders, especially employees of Capitec Bank, to make it available, accessible and understandable:

**“if financial terminology was used, we tried to simplify it when we sent it internally to our staff” – participant 12**

**“So they (*participant is referring to the leadership/ management and crisis-response team of Capitec Bank – to discussed later in this chapter*) were trying to simplify it and make it fit for everybody to understand” – participant 12**

Participants 5 and 6 noted that it was important for shareholders and investors that the information that they received was kept simple.

This communication also reassured investors and shareholders that the organisation they had invested in was well prepared for a crisis situation and, according to participants 5 and 6, Capitec Bank managed to come across as well prepared:

**“We think they responded in a manner that came across as very well prepared” – participants 5 and 6**

The above supports the notion of participant 7 that the bank communicated consistently and in a detailed manner.

Participant 9, an employee of Capitec Bank, informed the researcher of the importance of direct interaction in times of crisis.

**“It was certainly necessary to have face-to-face communication” – participant 9**

Later in this chapter, the communication structure of Capitec Bank will be explored and discussed, and the researcher will demonstrate how the bank managed to have direct interaction with both internal and external stakeholders after the release of the Viceroy report on 30 January 2018.

It is thus seen that the availability of information in a crises is a driver of perceived successful stakeholder engagement aimed at protecting and preserving an organisation's reputation during crisis episodes, and that Capitec Bank achieved successful stakeholder engagement by making enough information available after the release of the Viceroy report.

### **5.7.2. Unavailability of information**

No participant mentioned that Capitec Bank did not make any or enough information available to stakeholders to ease and calm their questions after the Viceroy report was released on 30 January 2018. However, it is important to bear in mind that this does not necessarily provide empirical evidence that there was never a need for more information to be made available to stakeholders. This finding could arise from the limited number of participants interviewed in the study.

In the opinion of participants 5 and 6, the availability of information is an aspect that set Capitec Bank apart from other organisations when managing and communicating in the crisis. It is in particular the bank's ability to make information available and communicate it in a clear and understandable manner to stakeholders that was important for these participants.

It can be concluded that the unavailability of information during a crisis episode will lead to unsuccessful stakeholder management in relation to the protection and preservation of an organisation's reputation during crisis episodes. However, Capitec Bank managed to achieve successful stakeholder engagement by communicating enough and not making too little information available after the release of the Viceroy report on 30 January 2018.

### **5.7.3. Overload of information**

Four participants (participants 5, 6, 7 and 12) indicated that too much information had the potential to lead to confusion in crises. However, it is important to note that participants 5 and 6 indicated that social media and the information spread online – not necessarily by Capitec Bank – led to confusion.

It became even more evident that managing and controlling the message on social media is extremely important when managing stakeholders' perceptions in crises.

Therefore, too much information unfortunately can lead to unsuccessful stakeholder engagement during a crisis episode. It therefore is important to manage the amount of information and communication sent out to stakeholders during a crisis.

#### **5.7.4. Frequency of communication**

According to participant 7, a member of the leadership and crisis-response team of Capitec Bank, as well as participant 9, an employee of Capitec Bank, frequent communication is important when managing stakeholders during crises.

**“We communicated frequently” – participant 7**

Participant 9 believed that this is an area in which Capitec Bank can improve on when handling future crises:

**“I think if there is anything that we could have done better, it would probably be the frequency of communication” – participant 9**

However, participant 9 did not perceive Capitec Bank as communicating too infrequently with stakeholders, especially employees, as this participant explained to the researcher how Capitec Bank held an information session for employees to attend out of their own choice following the release of the Viceroy report on 30 January 2018. He also pointed out that employees have a real need for information and answers:

**“I think at that stage everybody chose to attend the information sessions because everybody had questions” – participant 9**

During a crisis, stakeholders can be expected to have a lot of questions. These questions also change as time and the crisis progress. Thus, it is important for successful stakeholder engagement to remain in touch with and inform stakeholders on a regular basis.

Although one participant noted that Capitec Bank could improve in this aspect, it should also be noted that Capitec Bank undertook regular feedback and information sessions with stakeholders to keep them informed.

#### **5.7.5. Uncertainty and uneasiness**

Uncertainty around the facts of a crisis can lead to feelings of uneasiness amongst stakeholders. Uncertainty also heightens the threat and possible impact of a crisis, as stakeholders might fill any information gaps with rumours or false accounts that could damage the reputation of the organisation (Caruba, 1994; Ojeda & Veil, 2010; Veil, 2007). In order to minimise the threat of a crisis, it thus is important that the organisation aims to ease any uncertainty and address any unanswered questions and concerns about the crisis.

When exploring the uncertainty and uneasiness of stakeholders after the release of the Viceroy report on 30 January 2018, it is important to account for the impact of the Steinhoff crisis and the Viceroy report on Steinhoff on this feeling.

According to participants 5 and 6,

**“Steinhoff created the platform for Viceroy” – participants 5  
and 6, and**

**“the Steinhoff incident was fresh in everybody’s memory” –  
participant 3**

**“... obviously the market was concerned about the Viceroy  
report coming out because of the Steinhoff crisis ...” –  
participant 1**

The Steinhoff crisis, and the fact that Viceroy had released a report on Steinhoff, added to the uncertainty and uneasiness stakeholders felt. However,

the question that arises is whether Capitec Bank did better to ease stakeholders' uncertainty and uneasiness than Steinhoff did?

According to participant 3, a portfolio manager working with shareholders and investors, investors in fact reacted differently to the Viceroy report on Capitec Bank than to the Viceroy report on Steinhoff.

**“I think it was a totally opposite reaction to Steinhoff, if you have to compare the two” – participant 3**

The reason why shareholders and investors might have reacted differently to the Viceroy report on Capitec Bank than to the Viceroy report on Steinhoff, is explained by participants 5 and 6:

**“In Steinhoff's case, there were questions, or allegations, which remained unanswered.”**

According to participants 5 and 6 in the Steinhoff case,

**“there was a total breakdown of communication” – participants 5 and 6**

**“that is when a share price goes down 90%” – participants 5 and 6**

**“Steinhoff was never available to help answer the questions” – participants 5 and 6**

As already discussed in section 5.7.1. 'Availability of information', a lack of information leading to uncertainty and uneasiness was not present at Capitec Bank. Instead, the bank made as much detailed information available as possible in order to help stakeholders answer questions and make informed decisions. By making enough information available, Capitec Bank managed to ease stakeholders' uneasiness and uncertainty.

It was pointed out 11 times by participants how the confidence with which information is communicated to stakeholders can decrease feelings of uncertainty and uneasiness.

Participant 12, an employee of Capitec Bank, indicated that her own confidence in Capitec Bank and the bank's management, as well as in its behaviour in the crisis, reduced her feelings of uncertainty and uneasiness:

**"They (*participant is referring to Capitec Bank's leadership and management team*) are very smart. I think if my direct manager behaved funny, it would have made me feel less confident" – participant 12**

**"I am proud to be associated with the brand" – participant 12**

It was mentioned 20 times by participants that, in order to ease feelings of uncertainty and any uneasiness, it is very important when communicating and making information available to do so in a manner that avoids sounding and being emotional.

Capitec Bank did act rationally, according to the chief financial officer:

**"What we did, we never took it personally" – participant 7**

According to the participants, Capitec Bank was successful in taking the emotion out of the crisis and thus avoiding a heightened and emotional crisis:

**"They took the emotion out of it, and factually responded to each of the allegations" – participants 5 and 6**

**"Capitec was very calm, very comfortable, answering questions directly. They did not have an aggressive approach" – participants 5 and 6**

**"... they (*participant referring to Capitec Bank*) met them (*participant referring to Viceroy allegations*) very forcefully, but not in a manner which was seen as being overly defensive. It was just factual" – participants 5 and 6**

According to participant 10, clients were relieved of any feelings of uneasiness and uncertainty:

**"... the fire was extinguished by the facts" – participant 10**

It can thus be seen from the data that the participants were of the opinion that an organisation should act rationally, and not emotionally, in order to ensure better stakeholder engagement aimed at protecting and preserving the organisation's reputation during crisis episodes.

The stakeholders perceived that Capitec Bank managed to take the emotion out of the Viceroy crisis and thus successfully settled and diminished any feelings of uncertainty and uneasiness they might have had.

#### **5.7.6. Consistency, accuracy and professionalism**

The importance of delivering communication and messages consistently was mentioned 84 times by participants. The importance of communicating consistently during and after a crisis is also highlighted in the literature, as discussed in Chapter 3 of this study. If an organisation fails to communicate consistently, it may threaten stakeholders' perceptions of the truthfulness and accurateness of the organisation's account. Communicating consistently with stakeholders will increase an organisation's credibility in the eyes of its stakeholders. It is very important for the sake of credibility, and to be perceived by stakeholders as delivering an accurate account in a professional manner, that an organisation deliver a consistent message to all stakeholders when communicating with them (Massey, 2001).

Participant 7 explained how Capitec Bank went about communicating consistently:

**"I think the most important thing is that if you say something you have to be consistent ..."** – participant 7

**"We are consistent, detailed and we say it the way it is ..."** – participant 7

**"... all correspondence always went through my office ... everything was double checked ... these are the same figures which have been previously published"** – participant 7

However, participant 7 also pointed out that consistency is something that must be practised throughout an organisation's communication with

stakeholders and that it is not something that an organisation can suddenly implement in the event of a crisis:

**“If it’s not part of your DNA, then you can’t suddenly communicate differently” – participant 7**

Participants also pointed out how important it is to communicate factually and in a professional manner during a crisis.

Should an organisation fail to give facts about a crisis, it might lead to stakeholders finding answers for themselves in unreliable places, such as sources on the Internet or social media that are misrepresenting the facts, as explained by participant 4:

**“... you know, then they read these stories, which aren’t true, so then it’s good for a company to give them the facts again” – participant 4**

According to participant 10, Capitec succeeded in communicating in a fact-driven and professional manner.

**“You know, the information that was distributed to us, was so precise and so professional ...” – participant 10**

The importance of communicating in a timely manner with stakeholders during crises was also emphasised by participants, and it was mentioned 85 times in the interviews.

#### **5.7.7. Transparency and honesty**

It became apparent in the SSIs that Capitec Bank strives to communicate in an open and transparent manner. Participant 11 indicated that there was transparent communication between the top management and all other levels of employees. According to participants 7 and 13, Capitec Bank also strives to engage in a transparent manner with all stakeholders, and not only with employees.

**“Capitec is very transparent. We pride ourselves that our business is built on things like accessibility, transparency and simplicity ...” – participant 13**

According to participant 13, an employee at Capitec Bank, it is part of the bank's strategy to always act in a way that is honest and transparent.

**"We are very transparent in the way in which we communicate with our stakeholders" – participant 7**

Employees perceived Capitec Bank's top management and crisis-response team as communicating in a transparent manner. Participant 11 was of the opinion that this transparent communication of the bank with its employees created a feeling of reassurance, while participant 12 was thankful for the transparency in communication. Employees thus perceived transparency in communication during this crisis as a positive attribute of crisis communication.

**"I must say, I take my hat off to our CEO, because he created a completely transparent platform ... he even communicated with the staff in a video, reassuring them that everything was fine" – participant 11**

**"So, whatever happened behind closed doors was communicated to us (*participant is referring to Capitec Bank's employees*) ..." – participant 9**

**"So it's quite transparent, the way things are communicated, and that is what I appreciate ..." – participant 12**

Transparent communication was also apparent to investors and shareholders, as confirmed by participants 5 and 6.

**"They (*participant is referring to Capitec Bank*) answered the questions transparently ..." – participants 5 and 6**

According to participants 5 and 6, this is also what investors and shareholders value in an organisation's communication with them.

**"... transparency, and thoroughness, and accessibility ... keep it simple. Keep it transparent ..." – participants 5 and 6**

A branch manager mentioned that the transparent manner in which Capitec Bank communicated with its employees enabled him/her to also communicate transparently with clients.

**“All of that put us in the situation where we could say to the client, listen, these are the facts ... We have all the information at our disposal to answer the questions we had ...” – participant 10**

It was observed that participants were of the opinion that transparency in communication is something that an organisation must strive for over time, and that it is not easy to establish transparency in communication only on the day a crisis hits. If an organisation manages to establish transparency in communication over time, it will have a positive influence on stakeholder relationships should there be a crisis.

Participant 2 described how this was the case with ensuring that regulators have a positive relationship with Capitec Bank, thanks to transparency and honesty in their prior communication:

**“... because they (*participant is referring to the SARB*) know, in the past they have always received a straight answer ... and that also goes back to the level of communication and consistency across many years ... I mean, we have always been completely transparent with our regulator ... giving everything in detail, any details that they wanted ... but the preparation for that has taken place over the past 18 years”**  
– participant 2

One of the members of top management at Capitec Bank who was part of the crisis-response team, and who dealt specifically with questions from the media and reporters, emphasised how important relationships with them are in order to ensure that the correct message is sent across to other stakeholders.

**“I think when I speak to journalists, they know that my yes is my yes ...” – participant 8**

According to participants 5 and 6, it was especially important that the top management of Capitec Bank, including the CEO and CFO, participated in the conversation with stakeholders after the Viceroy report was released on 30 January 2018.

**“... because these are the guys who understand the business in detail ... who have the integrity and the expertise ...” – participants 5 and 6**

#### **5.7.8. Approachability and unapproachability**

One of the main things that set the manner in which Capitec Bank communicated with its stakeholders apart from the way in which Steinhoff communicated with its stakeholders after the Viceroy report was released was that the stakeholders perceived Capitec Bank to be approachable during and after the crisis.

**“Steinhoff was never available to help answer the questions ...” – participants 5 and 6**

### **5.8. CRISIS-RESPONSE TEAM**

Scholars argue that it is very important to actively involve the senior management of an organisation when preparing for, planning and acting upon a crisis (Lajtha & Robert, 2002). The researcher found that Capitec Bank did indeed involve its senior management in the crisis-response team, a team that had been set up before the Viceroy crisis emerged.

The crisis-response team (CRT) was made up out of:

- the chief executive officer (CEO) of Capitec Bank,
- the chief financial officer (CFO) of Capitec Bank,
- the treasurer,
- the head of strategic communication, and
- the head of marketing.

Both participant 12 and participant 13 explained that any questions from the media's side were to be directed to the head of strategic communication in order for Capitec Bank's CRT to handle the crisis in an orderly manner.

**"... when the media comes to a branch, or even head office, with questions, we have to directly refer them to (head of strategic communication) ... – participant 13**

Referring media enquiries to the strategic communication team was not something new that was implemented after the release of the Viceroy report. It is a given way of operation at Capitec Bank.

**"If the media approaches you, you must direct all media enquiries to our media box, (the head of strategic communication's) team ..."** – participant 12

The head of strategic communication himself believed that this was the optimal way to deal with communication, and especially communication with the media during the crisis:

**"... but that is what my job is, to help them (*participant is referring to any other Capitec Bank employee who have been targeted to give media commentary*) communicate"** – participant 8

According to participant 7, this was a very good team to handle the crisis, as they knew Capitec Bank very well and thus were in an ideal strategic position to be able to address and answer stakeholders' concerns.

## **5.9. INVESTOR RELATIONS**

During the interviews with participants, it became clear that Capitec Bank does not currently have a formalised investor relations team. However, this does not mean that the bank does not engage with its investors; rather, it implies that the investor relations function is handled by members of the top management of the bank themselves.

**“All investor relations-related duties are handled by the CEO and CFO directly...” – participants 5 and 6**

**“Traditionally it’s (CEO - *participant is referring to the CEO of Capitec Bank*) and (CFO – *participant is referring to the CFO of Capitec Bank*) ...” – participant 1**

The researcher then investigated whether it is particularly negative that investor relations are handled by the top management, including the CEO and the CFO of an organisation, in a crisis situation.

According to participant 2, stakeholders would not have wanted to it any different:

**“... and in a listed organisation, people simply want to speak to the CEO ...” – participant 2**

Participants 5 and 6 agree with participant 2:

**“I think it was an event of such significantly important proportions that they would not have outsourced it to the investor relations team anyway ... it would not have had the same impact if it was (another) investor relations person ... I think it would have (still) be the CEO and CFO, the top guys, who would have come to the market ...” – participants 5 and 6**

The researcher thus comes to the conclusion that the fact that investor relations were handled by the CEO and CFO of Capitec Bank was successful in this instance, seeing these are the people who stakeholders, especially investors, would want to speak to during crises.

However, it was pointed out by participants 5 and 6 that a formalised investor relations team is something that could complement the bank in the future:

**“... as the company continues to grow, and their approach to managing investor relations becomes more complex, they may well require a little bit more resources around the investor relations function ...” – participants 5 and 6**

## 5.10. CHAPTER SUMMARY

The research findings drawn from the analysis of the semi-structured interviews were discussed in this chapter. The results were presented thematically according to themes identified in the coding scheme in the previous chapter. The themes addressed in reporting the findings include: Capitec Bank's reaction to claims made by Viceroy, the credibility of Viceroy, Situational Crisis Communication Theory and crisis-response strategies employed by Capitec Bank after the release of the Viceroy report, various stakeholders' perceptions of Capitec Bank's communication and handling of the crisis, crisis communication strategies employed during the crisis, the crisis-response team and Capitec Bank's relations with investors. The research findings are summarised in the next and final chapter, from which conclusions will be drawn, limitations will be identified and recommendations will be made for future research. The research findings will also be reconciled with the research problem, research questions and research objectives. The managerial and theoretical implications of the study will also be considered.

## CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

### 6.1. INTRODUCTION

The aim of this research study was to explore how stakeholders perceive an organisation's response to a crisis. In order to meet the research aim and objectives of this study, as set out in Chapter 4, the researcher explored stakeholders' perceptions of Capitec Bank's response to the Viceroy report that was released on 30 January 2018.

This chapter provides a summary of the study by setting out the primary engagement of each chapter, after which the research questions are addressed by reconciling them with the findings as set out in the previous chapter. The reconciliation of the research questions and findings is followed by a discussion of the practical implications of the study and by relating the findings to the existing literature. This is followed by a discussion of the limitations of the study and recommendations for crisis communication. The chapter is concluded with the researcher's suggestions for future research on this topic.

### 6.2. RECONCILING THE RESEARCH QUESTIONS WITH THE FINDINGS

The qualitative content analysis performed on the data collected through the SSIs enabled the researcher to find answers to the research questions that this study set out to answer. This section begins by reconciling the research findings with the secondary research questions in order to answer primary research question 2: How did stakeholders perceive Capitec Bank's response to the Viceroy report? Thereafter, primary research question 1 will be addressed and reconciled with the findings, as discussed in detail in Chapter 5. The answering of the research questions will aid the researcher in meeting the research aim and research objectives that were set out in Chapter 4.

#### 6.2.1. *Secondary research question 1: How did clients perceive Capitec Bank's response to the Viceroy report?*

It becomes clear in the findings drawn from the semi-structured interviews that clients did have questions and concerns after the Viceroy report was released. According to the branch managers that were interviewed, clients came into

branches asking to speak to them directly about the Viceroy report in order to determine if the allegations were truthful.

However, because of the transparency with which senior management at Capitec Bank's head office communicated with its branch managers, the latter were able to inform their staff and consultants on how to address the clients' concerns and questions. Throughout the day of the crisis, and in the weeks following it, new findings and developments were shared in detail with the various Capitec Bank branches.

**“The information that was distributed to us was so precise and so professional ... All of that put us in the situation where we could say to the client, ‘listen, these are the facts’, we had all the information at our disposal to answer questions” – participant 10**

As noted by participant 10, this enabled branch managers, staff and consultants to answer clients' concerns and questions in a calm and consistent manner.

Capitec Bank did not face a “run on the bank” scenario after the release of the Viceroy report and that clients and depositors were calmed before they could consider withdrawing their money from the bank. A “run on the bank” occurs when a substantial number of clients of the bank withdraw their deposits at the same time because of a concern over the bank's solvency. As more clients withdraw their money, the chance of default increases, which leads to even more people withdrawing their money. In extreme scenarios, the bank may not have enough reserves to cover the withdrawals (Kaufman, 2019). According to the bank managers, there was never a time when clients and depositors believed the bank would cease to operate. Therefore it is concluded that the clients perceived the response of Capitec Bank to the Viceroy crisis in a positive light. Moreover, clients did not decide to withdraw their money from the bank or seek to discontinue their association with the bank in any significant way.

### **6.2.2. Secondary research question 2: How did shareholders perceive Capitec Bank's response to the Viceroy report?**

It has been indicated in the findings that shareholders perceived the crisis that was created by the report and allegations made by Viceroy to be short-lived. The short lifespan of the crisis and Capitec Bank's overcoming of the crisis can be ascribed to the manner in which the bank handled and managed the situation.

The shareholders described Capitec Bank as being well prepared to deal with the crisis, and that the information that the bank made available to them was communicated in a timely and thorough manner. It was also noted by the shareholders that Capitec Bank responded in a very detailed manner. The shareholders are of the view that Capitec Bank did its best to communicate with them and to give them as much information as possible. Frequent communication eased the shareholders' concerns, which were addressed head-on by the top management of the bank. Any uncertainties and uneasiness experienced by shareholders were addressed in a transparent and responsive manner.

The investigation indicated that Capitec Bank did not have a formalised investor relations function or department, and that all investor-related concerns were handled by the CEO and CFO themselves. However, this does not seem to have negatively affected shareholders' sentiments about the bank's ability to reduce the impact of the crisis. The CEO, CFO and other top managers of Capitec Bank have a proven record of industry experience and, according to the shareholders, this definitely helped Capitec Bank address the crisis in a proper manner, thereby diminishing damage.

It is also noted in the findings that the established shareholder relationships helped to ease the minds of the shareholders. Shareholders pointed out that the CEO and CFO are very active in communicating with shareholders, not only when there is a crisis at hand. Capitec Bank manages to maintain relationships with local and international shareholders throughout its day-to-day operations. This well-established relationship with the bank's shareholders can be ascribed to the frequent communication by and visibility of Capitec Bank in the financial marketplace, for example at roadshows with financial analysts, and travelling internationally to have face-to-face interaction and

communication with its shareholders. Participants 4, 5 and 6 emphasised that shareholder trust had been established between top management and shareholders prior to the Viceroy report, and therefore shareholders trusted top management to halt the threat of the Viceroy report.

The findings indicate that shareholders deemed Capitec Bank's response to the Viceroy report, and its stakeholder engagement as a result thereof, to be appropriate in addressing their concerns.

### **6.2.3. Secondary research question 3: How did employees perceive Capitec Bank's response to the Viceroy report?**

The employees noted that the crisis-response team (as discussed in Chapter 5) addressed their (employees') questions and concerns rapidly, which helped them to have more trust in the CRT's ability to address the crisis. Employees also appreciated the consistency in the messages that the CRT and management of Capitec Bank sent to both internal and external parties – everything that was communicated with the press and other external parties was also communicated to them (employees) through the internal communication network. The employees interviewed did not feel as if they were being excluded from communication, and they felt educated and informed about Capitec Bank's response plan.

One of the employees interviewed indicated that Capitec Bank could have communicated with them on a more frequent basis. However, this was refuted by other employees, who said that they received frequent updates on their internal communication network that kept them up to date with developments in the crisis and crisis-response plan.

Employees pointed out that there was an open-door policy throughout the company and that any questions or concerns one might have can be taken directly to line and/or senior managers. This open-door policy was continued on the day that the Viceroy report was released, and also in the days and weeks thereafter. The employees added that there never was a time that they felt as if their uncertainties and questions could not be listened to.

It is important to note that the employees said that communication with them happened in an understandable manner. According to the branch managers interviewed, bank jargon and technicalities are excluded from communication

with employees so that every employee in the organisation can easily understand the extent and possible repercussions of the crisis. Once again, this helped to include all employees in the crisis management plan.

Overall, the employees had a positive experience of the manner that Capitec Bank addressed the Viceroy report, and the sense that the researcher gained from the employees' perceptions of the bank's employee engagement is summarised in the following words of participant 11,

**"I actually think they (*participant is referring to the top management and crisis-response team of Capitec Bank*) communicated in the best possible way for everybody to understand ... I don't think there was anything else they could have done better or faster" – participant 11**

Participant 11 also referred to Capitec Bank as the "best bank in the world", and said that he/she was "proud to be associated with the brand".

#### **6.2.4. Secondary research question 4: How did the public perceive Capitec Bank's response to the Viceroy report?**

It is important to realise that the public did have some concerns after the Viceroy report was released, as

**"... the Steinhoff incident was fresh in everybody's memory ..." – participant 3**

The questions and concerns that the public had gave rise to an information void that needed to be addressed by the bank. Did Capitec Bank manage to address this information void and fill it with facts?

Referring to the Steinhoff incident, the public still has unanswered questions and concerns, and fills the information void with their own speculations and theories. However, participants 5 and 6 noted that this was not the case with Capitec Bank:

**"It was a totally opposite reaction to Steinhoff. In Steinhoff's case there were questions or allegations which remained unanswered. Steinhoff was never available to answer questions."**

On the same day that the Viceroy report was released containing allegations about Capitec Bank, the bank was prepared to address questions and concerns at a press briefing at 17h00 in the afternoon. This gave the bank enough time to research the allegations and to prepare detailed answers to the allegations.

The detailed and timely manner in which Capitec Bank responded to the allegations in the Viceroy report seems to have had a calming effect on the public's opinion of Capitec Bank's ability to survive the crisis.

Reactions from the SARB, as well as National Treasury, also helped to ease the public's concerns (this will be discussed under the next question).

**6.2.5. Secondary research question 5: How did regulatory bodies perceive Capitec Bank's response to the Viceroy report?**

The researcher considers the reactions of the regulatory bodies to the Viceroy report to be an indication of the trust they had in Capitec Bank's reactions to the Viceroy report.

The SARB and the National Treasury released statements on the same day that Viceroy released the report. Both these bodies stood with Capitec Bank and told all stakeholders that the claims Viceroy made about the bank were untruthful.

The researcher concludes that it seems as if most stakeholders had a positive perception of Capitec Bank's reactions to the Viceroy report. This thus answers primary research question 2: How did stakeholders perceive Capitec Bank's response to the Viceroy report?

The final secondary research question is addressed and discussed later in this chapter when the literature is reconciled with the findings and as part of the practical implications of this study. Primary research question 1 will be discussed next.

**6.2.6. Primary research question 1: According to stakeholders, what crisis-response strategies and remedial actions did Capitec Bank take in response to the Viceroy report?**

In the empirical findings discussed in Chapter 5, it was shown that the stakeholders perceived Capitec Bank to follow a strategy that is described by

Coombs (1995), in his Situational Crisis Communication Theory, as “attack”. This means that the stakeholders perceived Capitec Bank to confront Viceroy directly and that the bank pointed out that the allegations made by Viceroy were not true and therefore there was no real crisis at hand.

Capitec Bank invited Viceroy to meet with them directly on several occasions so that they could answer any questions that Viceroy might have and also directly address any concerns that Viceroy had about the bank. Although Viceroy never responded to these invitations, Capitec Bank still went ahead and addressed the questions and allegations that Viceroy set out in the report with detailed explanations.

Capitec Bank thus used an “attacking” strategy by confronting Viceroy head-on and by explaining to stakeholders in detail why there was no actual threat or crisis.

Capitec Bank is also seen to have applied a “clarification” strategy according to Coombs’s Situational Crisis Communication Theory, as the bank explained why there was no crisis at all – they researched each and every allegation made in the Viceroy report and addressed all of them with preciseness and detailed answers to explain to the concerned stakeholders why there was no truth to the allegations and questions raised by Viceroy.

Not only did Capitec Bank manage to respond in a detailed and thorough manner, but the bank also responded timeously. On 30 January 2018, the same day that Viceroy released the report containing the allegations, Capitec Bank addressed the press and public in a press conference and also answered shareholders’ questions through an investor conference call.

This timeous response can be described as a “justification” response strategy, as it was applied by the bank to reduce any possible damage that the crisis might cause. Capitec Bank continuously endeavoured to ease the minds of all stakeholders concerned in order to reduce the possibility of long-term damage due to the Viceroy report.

Capitec Bank communicated with clients that the allegations made in the Viceroy report were mere speculation and were not truthful. This was also communicated with the employees internally. The bank substantiated this with detailed answers and facts to disprove the allegations made in the report.

Capitec Bank's statement that there was indeed no truthfulness to the allegations, that they were mere speculation on the part of Viceroy, and that there thus was no crisis or imminent threat, are contained in the "denial" and "denial of volition" strategy of Coombs's Situational Crisis Communication Theory. Capitec Bank essentially denied that there was a crisis and that it had any part in creating the crisis.

**"... an investigation was conducted by both us (*participant is referring to Capitec Bank*) and the FSB (*participant is referring to the Financial Services Board/Financial Sector Conduct Authority, a government department of SA*)..."**  
**(participant 2)**

Participant 2 is referring above to an investigation into the legitimacy of Viceroy as a research organisation, and it can be seen that the bank's scepticism of Viceroy was shared and supported by the FSB/FSCA. The public announcement of its inquiry into the Viceroy organisation indicates that Capitec also applied an "intimidation" strategy according to Coombs's SCCT.

Lastly, it was established in the findings that Capitec Bank also applied a strategy of "transcending", meaning that it attempted to reduce the crisis to a more desirable and manageable level. It did this by providing thorough and detailed information in order to answer stakeholders' uncertainties and concerns. Capitec Bank also addressed stakeholders' negative perceptions, for example those of their clients:

**"... we needed to make people (*participant is referring to Capitec Bank's clients*) feel at ease"** (participant 8)

This study explored and determined how Capitec Bank's stakeholders perceived the bank's communication with them, and the bank's remedial actions and crisis management strategies applied to protect and preserve its reputation. After thorough exploration, the researcher concludes that Capitec Bank applied a variety of verbal remediation strategies by addressing the information void that existed after the Viceroy report was released. Capitec responded to the information void timeously by addressing stakeholders on the same day that the report was released.

According to Coombs's Situational Crisis Communication Theory and the various crisis communication strategies set out by in this theory, Capitec Bank was once again seen as not following only one road to combat the crisis. Instead, it applied various communication strategies to address the information void, the stakeholders' concerns and to participate in stakeholder engagement.

The next section looks at the managerial applications of the study by reviewing, answering and summarising findings from the last secondary question: What are the drivers of perceived appropriate and acceptable stakeholder engagement aimed at protecting and preserving an organisation's reputation during crisis episodes? This section also looks at reconciling practice with theory, and thus marrying the secondary research with the primary research conducted in this study.

**6.2.7. Secondary research question 6: What are the drivers of perceived appropriate and acceptable stakeholder engagement aimed at protecting and preserving an organisation's reputation during and after crisis episodes?**

The first driver of perceived appropriate and acceptable stakeholder engagement is an existing positive reputation prior to the crisis. Shareholders indicated that they believed that Capitec Bank would diminish the crisis thanks to its well-established prior reputation.

The suspicion that a positive prior reputation can diminish the negative effects of a crisis is confirmed in the theory. A good reputation can act as a buffer of goodwill when crises hit. Secondary research and works by scholars Fombrun and Coombs suggest that an organisation's reputation is in fact influenced by the relationship that it has with its shareholders. An organisation with well-established relationships, and with a perceived highly positive reputation, will be better protected during a new crisis than an organisation without these (Coombs, 2009a; Dowling & Roberts, 2002; Fombrun & Shanley, 1990; Göritz *et al.*, 2011). According to Bundy, Coombs, Pfaffer and Short (2017), the likelihood of a crisis emerging can be reduced by maintaining good and positive stakeholder relationships.

The internal perception of an organisation, i.e. employees' perceptions of an organisation, will drive the external perception of said organisation (Davies &

Roper, 2007; Fisher, 2018). It was seen in the empirical evidence that Capitec Bank's employees have a positive perception of the bank:

**“... there was a lot of positive response from employees to say that they are proud to be associated with Capitec Bank”**  
**(participant 12)**

This positive perception is reflected externally by clients' positive perceptions of Capitec Bank. It was noted that clients stepped up and attacked Viceroy on twitter after Viceroy released allegations about Capitec Bank.

Capitec Bank believes that a positive prior reputation can help withstand any crisis situation, thus supporting the theory that positive prior reputation will diminish the negative effects of a crisis. Participant 2 confirmed this when he spoke about Capitec Bank's strategy regarding reputation and crisis management:

**“... it's about how you build your brand over the years, and the consistency thereof ... because we built the business from the ground up, the decisions we make are long-term ... that is where you establish credibility, not on the day *(participant is referring to the actual day of a crisis)*”**  
**(participant 2)**

Another driver of perceived appropriate and acceptable stakeholder engagement and crisis management that was supported by both the primary and secondary research is integrating crisis management into an organisation's overall strategic planning. An organisation must be ready and prepared at all times to deal with a crisis so that it can carry on with business as usual if a crisis hits. If an organisation is ready and prepared to deal with a crisis at all times, no matter how big the threat, the impact of the crisis on the day-to-day operational activities of the organisation will not be major.

If an organisation is also prepared to handle a crisis and has a set crisis management and crisis communication strategy in place, there will be an opportunity for the organisation to be the first party to react to the crisis in the public sphere and in the media. Stakeholders will base their perceptions of the organisation and the crisis on the information they receive in the media

(Schmidt, 2006). The organisation can be in charge of the message that is sent to its stakeholders if it is first to respond to the crisis. The organisation can fill the information void before the media, social media or word-of-mouth speculation can close the gap. Should an organisation not be ready to respond when the media is ready to run the story, the media will run the story without the organisation's response, leaving ample space for speculation (Ojeda & Veil, 2010).

It is also advisable that an organisation know who is going to act when a crisis occurs, i.e. that it has set up a crisis-response team to be on the ready. Then everyone in the organisation will know what their role is when a crisis strikes, and this will clear up any internal uncertainties that could be visible to external parties and give reason for further concern. A very important aspect of managing a crisis is to minimise uncertainty as much as possible in order to manage the severity of the crisis. According to Bailey *et al.* (2005:393), "the greater the uncertainty about resolving a situation, the more severe the crisis".

There should always be proper planning in place to have immediate access to necessary information in an acceptable and appropriate format, and it should be determined in advance what information will be made available to stakeholders, who will make this information available to them, and what stakeholders should be included (Lajtha & Robert, 2002).

Participant 8 indicated that an organisation can avoid the spreading of false rumours and speculation by always staying ahead of the news cycle. The organisation must be ready to give it input to a story before the media wants to place the story, otherwise the organisation might be misrepresented in the media. It is also important that the organisation has a good relationship with journalists and the media in order to have more control over what is said about it in the press. According to participant 8, such a relationship cannot be built overnight. It is a trusting relationship that takes years of experience and management. The media have the power to prevent an organisation from maintaining its reputation by inhibiting the organisation from distributing information to stakeholders effectively and by portraying the organisation in a very negative light (Fischhoff, 2004; Ojeda & Veil, 2010). However, years of experience and time spent on building a trusting relationship with the media is not always possible, especially if it is a new organisation. The theory suggests

that media management can still be improved without such a relationship by continuously monitoring the media and immediately rectifying any errors and misrepresentations or the delivery of inaccurate information to stakeholders (Ojeda & Veil, 2010; Ropeik, 2006).

The impact that social media can have on a crisis, or by creating a crisis, should be considered seriously when preparing for crisis management and communication with stakeholders.

**“The biggest problem with social media is that there people can say whatever they wish” (participant 8)**

It is important that crisis and communication managers remain alert and are aware of messages and information that spread on the Internet or on various social media platforms, such as twitter and Facebook, in order to engage with these effectively (Coombs, 2009b).

However, the Internet and social media are not necessarily a disadvantage when dealing with and managing a crisis and crisis communication. Instead, by using them effectively to sustain a dialogue with stakeholders they can prove to be an advantageous tool to apply to better understand the needs of stakeholders. A dialogic approach to managing the conversation using social media channels will then enable an organisation to react to stakeholders according to the stakeholders' uncertainties, needs and questions in an effective, acceptable and appropriate manner.

In the Capitec Bank case study, the stakeholders noted that they really appreciated the fact that Capitec Bank did not underestimate the threat posed by the allegations made in the Viceroy report. Instead, Capitec Bank considered the allegations and responded to them in a thorough and detailed manner. It is important that an organisation never underestimate the potential of a minor crisis to evolve into a much bigger, and more difficult-to-control, severe crisis. Considering the previous finding, social media have the power to amplify a crisis or threat. “Social media is like a wildfire” (participant 10). When a rumour about an organisation is spread online, the Internet can ignite a crisis that perhaps would not have existed otherwise (González-Herrero & Smith, 2008).

When communicating during and after the crisis, the participants noted that they felt more at ease and comfortable with Capitec Bank's handling of the Viceroy report thanks to the transparency and consistency in the messages the bank sent to its stakeholders. Transparency improves trust in an organisation, as it will prevent stakeholders from feeling as if the organisation is hiding something. There is an open-door policy at Capitec Bank that further enhances this transparency. Any employee of Capitec Bank who felt uncomfortable or uneasy at any time could speak to the CEO or CFO of the bank directly. This also improved the trust of stakeholders in the crisis-response team's crisis-response strategy.

Any stakeholders influenced by and involved in a crisis will be concerned that the same crisis might occur again. Therefore, it is deemed important for an organisation to have open and transparent communication in order to inform stakeholders of what is being done to prevent a similar crisis from happening again (Coombs, 2009a).

Consistency in the message that an organisation communicates during a crisis will not be accepted if the organisation does not always act and communicate consistently. "If it's (*participant is referring to communicating consistently*) not part of your DNA, then you can't suddenly communicate differently" (participant 7). This does not mean that each and every stakeholder must be communicated to in exactly the same way, but rather that the message must be consistent no matter the communication method used. It is still necessary that the message is communicated in a way that fits each individual stakeholder's needs and expectations. Otherwise the message, although consistent, might get lost (Brunet & Houbaert, 2007; Davies & Roper, 2007).

Lastly, the current study established that stakeholders found it reassuring that the executives of Capitec Bank were included in the crisis-response team, and that communication with stakeholders, although primarily managed by the head of strategic communication, was broadcast by the CEO himself. This assured stakeholders that Capitec Bank was taking the matter seriously and that stakeholders' needs, uncertainties and questions were considered even at the highest levels of influence within the bank.

In order to summarise the above findings, the researcher concludes that the following are important considerations from the empirical and theoretical findings when aiming to respond to stakeholders in an acceptable and appropriate manner during and after a crisis:

- Establish a positive reputation prior to any crisis
- Implement crisis management and crisis communication planning in strategic planning
- Build trusting relationships with the media
- Stay ahead of the news cycle
- Monitor media and social media throughout
- Respond to social media activity
- Never underestimate a crisis or potential threat
- Incorporate transparency as a core value
- Communicate consistently
- Include executives in the crisis-response team
- Include executives in crisis communication

If an organisation keeps applying these drivers, the researcher believes that said organisation will be able to react to stakeholders' concerns in an acceptable and appropriate manner, and this in turn, will allow the organisation to protect and preserve its reputation.

From the findings from the primary and secondary research, the researcher developed a crisis communication model, as can be seen in the section on recommendations and suggestions for future research.

### **6.3. RECOMMENDATIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

This section start with recommendations on crisis communication for organisations that are set out in the model developed by the researcher based

on the primary and secondary findings. Thereafter, suggestions for future research are made.

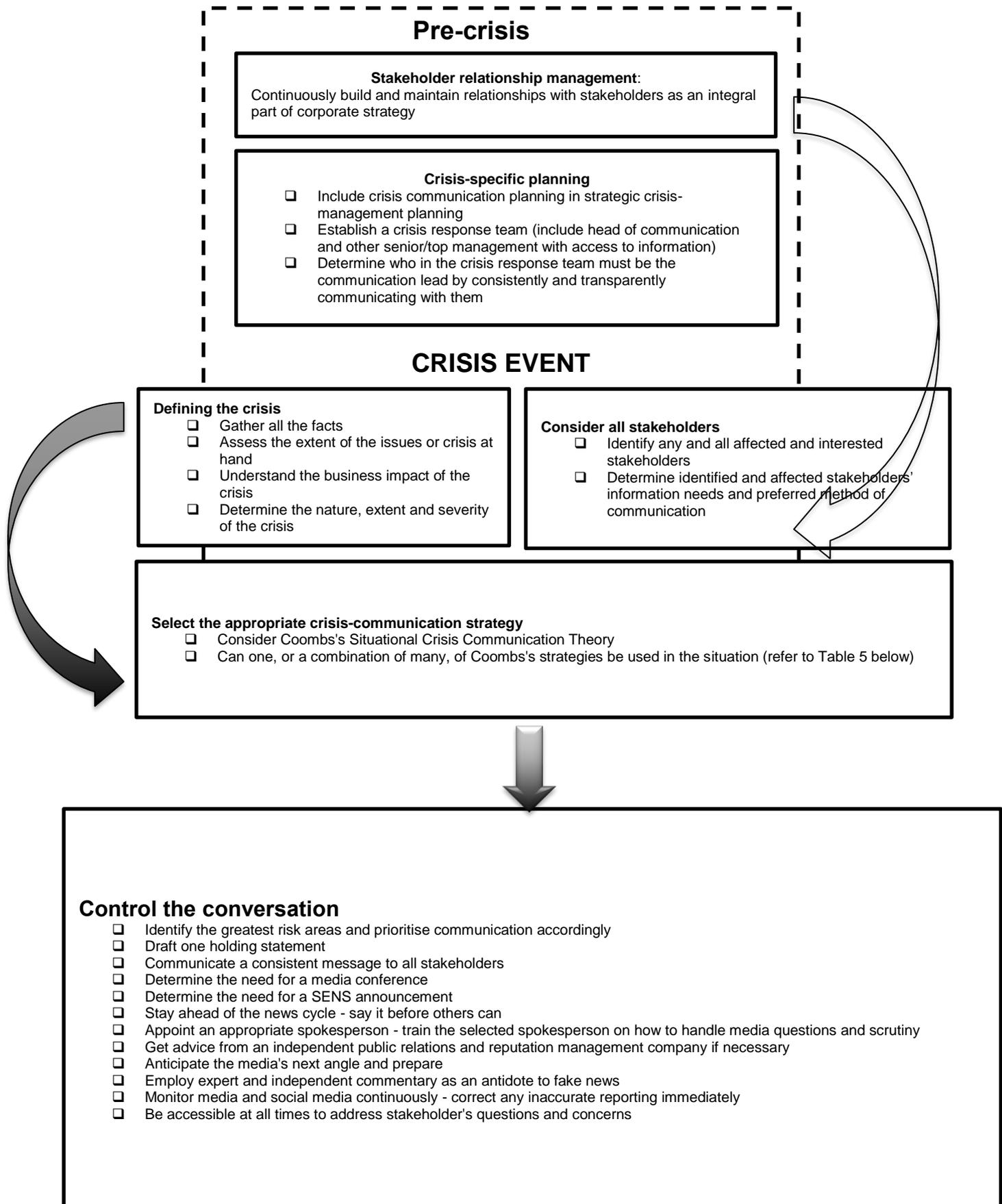
An organisation cannot foresee a crisis; a crisis is characterised by its unexpectedness and surprise. It can be disastrous if such an unforeseen and unexpected event occurs and an organisation is literally at a loss for words and is unable to respond to questions and concerns from stakeholders. An inability to respond in a proper and timely manner will lead to the organisation losing control of the conversation, and of the message spread amongst its stakeholders, and thus subsequently will lead to the spreading of rumours or false and misleading information that can heighten the negative impact on and damage to the organisation's reputation.

Managing the crisis and preventing the crisis from affecting the day-to-day operations of an organisation will be resource and time-consuming, leaving little additional capacity to manage crisis communication when an unforeseen and negative event has occurred. Failing to plan communication, and thus failing to communicate properly and timely during and after a crisis, can harm an organisation's reputation beyond repair.

The primary and secondary research conducted in this study assisted the researcher in developing the following model to ensure proper and timely crisis communication during and after a crisis.

Figure 3 shows a model based on the primary and secondary research findings in this study and can assist organisations in their own crisis communication endeavours.

**Figure 3: Model of crisis communication**



**TABLE 5: Coombs's five-category model of crisis-message strategy**

<b><u>NONEXISTENCE STRATEGIES</u></b>	
<b><i>Denial</i></b>	The organisation makes a statement that the crisis did not occur.
<b><i>Clarification</i></b>	The organisation explains why there is no crisis.
<b><i>Attacks</i></b>	The organisation confronts those who incorrectly report that a non-existent crisis occurred.
<b><i>Intimidation</i></b>	The organisation threatens organisational power against someone, such as a lawsuit.
<b><u>DISTANCE STRATEGIES</u></b>	
<b><i>Excuses</i></b>	This strategy minimises the organisation's responsibility by denying intention or volition.
<b><i>Denial of volition</i></b>	This strategy entails blaming someone else for the crisis.
<b><i>Justification</i></b>	This strategy attempts to minimise damage from the crisis by convincing stakeholders that the crisis was not that serious, or claiming that the crisis was misrepresented, or convincing the public that the victim deserved what happened.
<b><u>INGRATIATION STRATEGIES</u></b>	
<b><i>Bolstering</i></b>	The organisation gains public approval by reinforcing the existing organisational image.
<b><i>Transcending</i></b>	This strategy aims to transcend and minimise the crisis to a more desirable position.
<b><i>Praising others</i></b>	The organisation gains others' approval with this strategy.
<b><u>MORTIFICATION STRATEGIES</u></b>	
<b><i>Remediation</i></b>	With this strategy, the organisation offers compensation to victims.
<b><i>Repentance</i></b>	The organisation asks for forgiveness.
<b><i>Rectification</i></b>	With this strategy the organisation shows what it is doing to prevent similar crises from occurring in the future.
<b><u>SUFFERING STRATEGY</u></b>	
The suffering strategy aims to portray the organisation as a victim in order to get the public to sympathise with the organisation.	

(Source: Coombs, 1995)

The **planning of crisis communication** must happen prior to an actual crisis. This planning must be easily adaptable to any crisis situation.

The responsibilities for communication during and after a crisis must be assigned to members of the predetermined crisis-response team. Typically, the head of communication or public relations in the organisation will lead the crisis communication. The lead will determine whether all communication with internal and external stakeholders is appropriate, aligned and unharmed to the organisation's reputation. It is essential that the crisis-response team includes members from the top management of the organisation. These should include someone with direct and easy access to all information available about the crisis and the organisation. This member of the crisis-response team and representative of the top management can then keep the communication lead informed about the progression of the crisis in a timely and thorough manner. It is important to note that the communication lead will not necessarily be the actual spokesperson or public face of the organisation. The nature, extent and severity of the crisis will determine who the most appropriate spokesperson will be.

It is important to establish and maintain trusting **relationships** with all stakeholders, as a well-established prior relationship might diminish the negative impact of a crisis on the stakeholders' perceptions of the organisation. Relationships with stakeholders can be enhanced by proper, transparent and consistent communication throughout.

The crisis must be **defined**. Before deciding on an appropriate crisis communication strategy or combination of strategies, as set out in Table 5, it is important to first understand the nature, extent, threat and severity of the crisis. A proper definition and understanding of the crisis will help to determine who the most important stakeholders are, what their information and communication needs are, and who the ideal spokesperson will be, and thus enable the crisis-response team to activate an appropriate crisis communication strategy.

Communication with **stakeholders** must be tailored to their specific needs and expectations. However, the key message of the communication must remain consistent (this will be addressed by drafting one holding statement, which will

be discussed next). Some stakeholders will expect verbal, face-to-face interaction, whereas others will be satisfied with an email. It might be necessary to include a stakeholder relationship expert or manager in the crisis communication planning and crisis-response team to avoid overseeing any stakeholders.

Arguably the most important aspect of crisis communication is to remain in **control of the conversation** about the crisis. This will prevent the spreading of any false or misleading information that could damage the reputation of the organisation.

Communication with stakeholders must send a consistent message about the crisis in order to avoid confusion and negative feelings towards the organisation. Stakeholders will realise if the messages they are receiving from the organisation about a crisis are not consistent with messages other stakeholders are receiving because of word-of-mouth communication, as well as information spreading on social and traditional media. The communication lead, together with the crisis-response team, must draft a holding statement with the key message that the organisation wants to drive about the crisis. This key holding statement with its consistent message must be adjusted to be fit for different communication channels and must then be communicated to all stakeholders. Thus, although different methods of communication can be used to communicate according to the needs of different stakeholders, the message must be consistent and based on a holding statement with a single key message. The communication lead must verify and sign off any communication sent in the organisation's name in order to establish and maintain consistency in the message. All media enquiries and questions from stakeholders must first be directed to the communication lead, who can assign responsibility for responding to the question or query to another suitable party.

It must be determined if it is necessary to call a media conference. If the extent and severity of the crisis, as well as the potential effect of the crisis on the public, necessitate a media conference, a spokesperson must be selected who is well equipped to handle the media, has been properly informed about the crisis, and has extensive knowledge about the organisation. It might be necessary to train a member of the senior or top management, such as the CEO or CFO, on how to handle and respond to media queries, as they will be

the likely candidates to represent the organisation at a media conference. The rest of the organisation must also be notified to direct any related or unrelated media queries during times of crisis to the communication lead. If the communication lead feels that there is a lack of internal knowledge on managing the media, it is advisable to contract an independent media, public relations or reputation management organisation to advise and consult with the organisation facing the crisis.

It should also be determined if it is necessary to release a SENS announcement if the organisation under scrutiny is listed on the JSE. A Stock Exchange News Service (SENS) announcement is a JSE service that allows the announcement of any news that might have an impact on movement in the market. It is thus an offering of announcements about takeovers, mergers, rights offers, cautionaries and capital issues (Johannesburg Stock Exchange (JSE), 2019).

All social media platforms must be monitored very closely in order to respond to and rectify any incorrect messages about the crisis or the organisation. Monitoring the social media dialogue will also enable the organisation to better address and meet the needs of certain stakeholders who might voice their opinions on social media.

Whenever communicating with any stakeholder group, it is essential that the communication is presented confidently, without hesitation, timeously, transparently and, most importantly, consistently.

The domain of crisis management has re-emerged, as crises seem to have become a characteristic of corporate existence in modern times (The Economist, 2019). The field can also benefit from more in-depth case studies across different industries, as well as cross-sectional designs to consider organisations across different industries. Such approaches should benefit researchers' abilities to refine their measurements of crisis effects.

The configurations of crisis management in the larger domain of strategic management may also offer fertile research opportunities. In modern times, strategic management embraces the ideas of both planned action and emerging action, and both these areas can be complemented with the notion of crisis management.

In addition to the above, the research on crisis management stands to gain significantly from the consideration of contextual factors, such as country factors, industry factors, and socio-cultural factors. The latter in particular seem to offer interesting avenues for further exploration. Stakeholder bias and emotions can also influence their perceptions of the effectiveness of crisis-response strategies, and a study could explore the significance of this influence.

#### **6.4. LIMITATIONS OF THE STUDY**

It is important to note some limitations concerning the current study. The first such limitation is the nature of the organisation under review. Capitec Bank is a specific type of organisation. It is a bank and a public listed company on the JSE. It is not possible to generalise the findings of this study to all types of organisations, as the stakeholder groups of different organisations might differ. Effective and appropriate stakeholder management and communication strategies might be different in different scenarios.

The study is also limited by the participants to whom the researcher had access. The study is to a great extent dependent on the responses of the participants interviewed, and the participants had control over the content of the data collected. A greater sample size might have influenced the outcome of this study. Although necessary precautions were taken to ensure objectivity in the SSIs, as discussed in Chapter 4, the researcher cannot guarantee that the responses by the participants were objective or truthful. In addition, the researcher took care not to project her own views onto the research participants, and they were not guided to answer questions in a certain manner. The researcher herself limited the study in the sense that, due to the qualitative nature of the study, she was a primary research instrument. This exposes the study to possible human error and researcher bias.

The realised non-probability sample was selected by purposively selecting participants to participate in the study. By using non-probability sampling, the reliability and representativeness of the sample might have been limited. For example, selecting branch managers to act as a proxy for clients' perceptions limited the representativeness of the sample.

There was a time limit to the study. The outcome of the Viceroy crisis cannot be comprehended fully, as there still are ongoing investigations by South African regulatory bodies, such as the Financial Sector Conduct Authority (FSCA), into the credibility and possible negligence of Viceroy. The crisis can thus be seen as ongoing, and the full extent of its effect cannot yet be grasped. Also, there was a time lapse between the event when the Viceroy report was released, and when the interviews with the stakeholders were conducted – there is a reliance on memory of participants which poses a limitation on this study.

## **6.5. CONCLUSION**

The research aim of this study was to explore how stakeholders perceive an organisation's reaction to a crisis. The case selected to explore this research aim was specifically how stakeholders perceived Capitec Bank's reaction to the report that Viceroy released on 30 January 2018 containing allegations targeting the operations of Capitec Bank. The researcher scrutinised the responses of stakeholders of Capitec Bank to the crisis communication strategies employed by Capitec Bank to diminish the threat posed by the report to both the bank's operations and its reputation.

After reviewing the existing literature available on the topic, the study evolved into conducting semi-structured interviews with various purposively selected stakeholders of Capitec Bank. The researcher then analysed the findings by using a qualitative research methodology and computer-assisted qualitative data analysis software in order to answer the research questions and meet the research objectives.

The findings of the study suggest that Capitec Bank's approach to addressing stakeholders' questions and concerns during and after the crisis are consistent with what the literature suggests.

Thus the study also offers valuable practical information by supplying the reader with guidelines drawn from the empirical and theoretical findings to address stakeholders' expectations during and after the crisis such as the one posed by Viceroy report. These guidelines may assist other organisations to enhance their own ability to deal with a crisis.

It is important that the reader understand that this study did not aim to find a single, set way of addressing stakeholders during and after a crisis, but rather explored how one organisation addressed this problem. As seen in Coombs's (1995) Situational Crisis Communication Theory, there are many different strategies to engage with stakeholders during and after a crisis, and these are dependent on many factors, such as the nature of the crisis, whether the organisation has a history of similar crises, and which stakeholders are involved.

However, based on the empirical evidence from this study, certain measures can be taken by an organisation to improve stakeholder engagement during and after a crisis. These drivers are summarised as planning properly for potential crises by including crisis communication planning in the organisation's strategic planning, involving executives in a crisis-response team, building strong media relationships, monitoring media and social media throughout, acting transparently and consistently, and never underestimating the threat posed by any crisis.

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**ADDENDUM A**  
**Ethical clearance**



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## NOTICE OF APPROVAL

### REC Humanities New Application Form

15 January 2019

Project number: 8695

Project Title: An exploratory study of how stakeholders perceive an organisation's response to a crisis

Dear Miss Heike Werth

Your REC Humanities New Application Form submitted on 27 November 2018 was reviewed and approved by the REC: Humanities.

Please note the following for your approved submission:

#### **Ethics approval period:**

Protocol approval date (Humanities)	Protocol expiration date (Humanities)
15 January 2019	14 January 2022

#### **GENERAL COMMENTS:**

Please take note of the General Investigator Responsibilities attached to this letter. You may commence with your research after complying fully with these guidelines.

**If the researcher deviates in any way from the proposal approved by the REC: Humanities, the researcher must notify the REC of these changes.**

Please use your SU project number (8695) on any documents or correspondence with the REC concerning your project.

Please note that the REC has the prerogative and authority to ask further questions, seek additional information, require further modifications, or monitor the conduct of your research and the consent process.

#### **FOR CONTINUATION OF PROJECTS AFTER REC APPROVAL PERIOD**

Please note that a progress report should be submitted to the Research Ethics Committee: Humanities before the approval period has expired if a continuation of ethics approval is required. The Committee will then consider the continuation of the project for a further year (if necessary)

#### **Included Documents:**

Document Type	File Name	Date	Version
Research Protocol/Proposal	Research Proposal Heike Werth	25/10/2018	
Data collection tool	Interview guide	25/10/2018	
Default	3.3 explanation	27/11/2018	
Default	4.1 explanation	27/11/2018	
Informed Consent Form	Consent employees	27/11/2018	Latest
Informed Consent Form	Consent investors and clients	27/11/2018	Latest
Proof of permission	Capitec consent latest	27/11/2018	

If you have any questions or need further help, please contact the REC office at [cgraham@sun.ac.za](mailto:cgraham@sun.ac.za).

Sincerely,

Clarissa Graham

REC Coordinator: Research Ethics Committee: Human Research (Humanities)

*National Health Research Ethics Committee (NHREC) registration number: REC-050411-032.*

*The Research Ethics Committee: Humanities complies with the SA National Health Act No.61 2003 as it pertains to health research. In addition, this committee abides by the ethical norms and principles for research established by the Declaration of Helsinki (2013) and the Department of Health Guidelines for Ethical Research: Principles Structures and Processes (2<sup>nd</sup> Ed.) 2015. Annually a number of projects may be selected randomly for an external audit.*

### Protection of Human Research Participants

Some of the general responsibilities investigators have when conducting research involving human participants are listed below:

**1. Conducting the Research.** You are responsible for making sure that the research is conducted according to the REC approved research protocol. You are also responsible for the actions of all your co-investigators and research staff involved with this research. You must also ensure that the research is conducted within the standards of your field of research.

**2. Participant Enrollment.** You may not recruit or enroll participants prior to the REC approval date or after the expiration date of REC approval. All recruitment materials for any form of media must be approved by the REC prior to their use.

**3. Informed Consent.** You are responsible for obtaining and documenting effective informed consent using **only** the REC-approved consent documents/process, and for ensuring that no human participants are involved in research prior to obtaining their informed consent. Please give all participants copies of the signed informed consent documents. Keep the originals in your secured research files for at least five (5) years.

**4. Continuing Review.** The REC must review and approve all REC-approved research proposals at intervals appropriate to the degree of risk but not less than once per year. There is **no grace period**. Prior to the date on which the REC approval of the research expires, **it is your responsibility to submit the progress report in a timely fashion to ensure a lapse in REC approval does not occur**. If REC approval of your research lapses, you must stop new participant enrollment, and contact the REC office immediately.

**5. Amendments and Changes.** If you wish to amend or change any aspect of your research (such as research design, interventions or procedures, participant population, informed consent document, instruments, surveys or recruiting material), you must submit the amendment to the REC for review using the current Amendment Form. You **may not initiate** any amendments or changes to your research without first obtaining written REC review and approval. The **only exception** is when it is necessary to eliminate apparent immediate hazards to participants and the REC should be immediately informed of this necessity.

**6. Adverse or Unanticipated Events.** Any serious adverse events, participant complaints, and all unanticipated problems that involve risks to participants or others, as well as any research related injuries, occurring at this institution or at other performance sites must be reported to Malene Fouche within **five (5) days** of discovery of the incident. You must also report any instances of serious or continuing problems, or non-compliance with the REC's requirements for protecting human research participants. The only exception to this policy is that the death of a research participant must be reported in accordance with the Stellenbosch University Research Ethics Committee Standard Operating Procedures. All reportable events should be submitted to the REC using the Serious Adverse Event Report Form.

**7. Research Record Keeping.** You must keep the following research related records, at a minimum, in a secure location for a minimum of five years: the REC approved research proposal and all amendments; all informed consent documents; recruiting materials; continuing review reports; adverse or unanticipated events; and all correspondence from the REC

**8. Provision of Counselling or emergency support.** When a dedicated counsellor or psychologist provides support to a participant without prior REC review and approval, to the extent permitted by law, such activities will not be recognised as research nor the data used in support of research. Such cases should be indicated in the progress report or final report.

**9. Final reports.** When you have completed (no further participant enrollment, interactions or interventions) or stopped work on your research, you must submit a Final Report to the REC.

**10. On-Site Evaluations, Inspections, or Audits.** If you are notified that your research will be reviewed or audited by the sponsor or any other external agency or any internal group, you must inform the REC immediately of the impending audit/evaluation.

## **ADDENDUM B**

### **Informed consent form: Employees**



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## STELLENBOSCH UNIVERSITY CONSENT TO PARTICIPATE IN RESEARCH

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Dear .....

My name is Heike Werth and I am an MCom student at Stellenbosch University. I would like to invite you to be a participant in a research project entitled "An exploratory study of how stakeholders perceive an organisation's response to a crisis. (*Case study: Capitec's response to the Viceroy report*)".

Please take some time to read the information presented here, which will explain the details of this project and contact me if you require further explanation or clarification of any aspect of the study. Also, your participation is **entirely voluntary** and you are free to decline to participate. If you say no, it will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part.

The aim of the study is to explore how various stakeholders perceived an organisation's reaction and communication within a crisis situation. More specifically the aim is to determine and explore Capitec Bank's stakeholders' perceptions of Capitec Bank's reaction after Viceroy released a report on January 30, 2018, making allegations about Capitec partaking in predatory finance activities.

### **Potential for negative experiences or risk of harm, including discomfort, inconvenience, psychological stress, stigmatisation etc.**

*None.*

### **Potential benefits of participation**

*It will provide you, as an employee, a chance to reflect on the happenings of 2018 with regards to the release of the Viceroy report.*

*No other direct benefits and no incentives will be given to participate in the study.*

### **Recording of interviews**

*The Semi-structured interviews will be recorded with a recording device, stored and backed-up in order to keep for further reference. Raw data will be properly protected with passwords, saved on a Google Drive that is also protected with passwords, and will only be accessible by myself, as well as my supervisor, Prof Gert Human. Passwords will be changed every month to ensure ongoing confidentiality.*

### **Reporting of data**

*After interviews have been conducted and data saturation have been achieved (according to the researcher), data will be analysed using content analysis methods as well as the computer program, ATLAS.ti (Computer Assisted Qualitative Data Analysis software). Findings will then be reported on in Heike Werth's thesis for the fulfilment of her MCom. The thesis is titled: "An exploratory study of how stakeholders perceive an organisation's response to a crisis. (*Case study: Capitec's response to the Viceroy report*)". The thesis will be the property of Stellenbosch University.*

If you have any questions or concerns about the research, please feel free to contact me, Heike Werth, at [hwerth@sun.ac.za/0829672987](mailto:hwerth@sun.ac.za) or my supervisor, Prof Gert Human at [ghuman@sun.ac.za/021-8082218](mailto:ghuman@sun.ac.za).

**RIGHTS OF RESEARCH PARTICIPANTS:** You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research participant, contact Ms Maléne Fouché [[mfouche@sun.ac.za](mailto:mfouche@sun.ac.za); 021 808 4622] at the Division for Research Development. You have right to receive a copy of the Information and Consent form.

**If you are willing to participate in this study please sign the attached Declaration of Consent and hand it back to the researcher, Heike Werth.**

**DECLARATION BY PARTICIPANT**

By signing below, I ..... agree to take part in a research study entitled "**An exploratory study of how stakeholders perceive an organisation's response to a crisis ( Case study: Capitec's response to the Viceroy report)**" and conducted by Heike Werth.

I declare that:

- I have read the attached information leaflet and it is written in a language with which I am fluent and comfortable.
- I have had a chance to ask questions and all my questions have been adequately answered.
- I understand that taking part in this study is **voluntary** and I have not been pressurised to take part.
- I may choose to leave the study at any time and will not be penalised or prejudiced in any way.
- I may be asked to leave the study before it has finished, if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.
- All issues related to privacy and the confidentiality and use of the information I provide have been explained to my satisfaction. I acknowledge that my name and relationship to Capitec Bank will NOT be identified in the study and will be kept anonymous in the final report.

Signed on .....

.....

**Signature of participant**

**SIGNATURE OF INVESTIGATOR**

I declare that I explained the information given in this document to \_\_\_\_\_ [*name of the participant*] [*He/she*] was encouraged and given ample time to ask me any questions. This conversation was conducted in [*Afrikaans/\*English/\*Xhosa/\*Other*] and [*no translator was used/this conversation was translated into \_\_\_\_\_ by \_\_\_\_\_*].

\_\_\_\_\_  
**Signature of Investigator**

\_\_\_\_\_  
**Date**

## **ADDENDUM C**

### **Informed consent form: Other stakeholders**



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## STELLENBOSCH UNIVERSITY CONSENT TO PARTICIPATE IN RESEARCH

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Dear .....

My name is Heike Werth and I am an MCom student at Stellenbosch University. I would like to invite you to be a participant in a research project entitled "An exploratory study of how stakeholders perceive an organisation's response to a crisis. (*Case study: Capitec's response to the Viceroy report*)".

Please take some time to read the information presented here, which will explain the details of this project and contact me if you require further explanation or clarification of any aspect of the study. Also, your participation is **entirely voluntary** and you are free to decline to participate. If you say no, it will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part.

The aim of the study is to explore how various stakeholders perceived an organisation's reaction and communication within a crisis situation. More specifically the aim is to determine and explore Capitec Bank's stakeholders' perceptions of Capitec Bank's reaction after Viceroy released a report on January 30, 2018, making allegations about Capitec partaking in predatory finance activities.

**Potential for negative experiences or risk of harm, including discomfort, inconvenience, psychological stress, stigmatisation etc.**

*None.*

### **Potential benefits of participation**

*No direct benefits and no incentives will be given to participate in the study.*

### **Recording of interviews**

*The Semi-structured interviews will be recorded with a recording device, stored and backed-up in order to keep for further reference. Raw data will be properly protected with passwords, saved on a Google Drive that is also protected with passwords, and will only be accessible by myself, as well as my supervisor, Prof Gert Human. Passwords will be changed every month to ensure ongoing confidentiality.*

### **Reporting of data**

*After interviews have been conducted and data saturation have been achieved (according to the researcher), data will be analysed using content analysis methods as well as the computer program, ATLAS.ti (Computer Assisted Qualitative Data Analysis software). Findings will then be reported on in Heike Werth's thesis for the fulfilment of her MCom. The thesis is titled: "An exploratory study of how stakeholders perceive an organisation's response to a crisis. (*Case study: Capitec's response to the Viceroy report*)". The thesis will be the property of Stellenbosch University.*

If you have any questions or concerns about the research, please feel free to contact me, Heike Werth, at [hwerth@sun.ac.za/0829672987](mailto:hwerth@sun.ac.za/0829672987) or my supervisor, Prof Gert Human at [ghuman@sun.ac.za/021-8082218](mailto:ghuman@sun.ac.za/021-8082218).

**RIGHTS OF RESEARCH PARTICIPANTS:** You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research participant, contact Ms Maléne Fouché [[mfouche@sun.ac.za](mailto:mfouche@sun.ac.za); 021 808 4622] at the Division for Research Development. You have right to receive a copy of the Information and Consent form.

**If you are willing to participate in this study please sign the attached Declaration of Consent and hand it back to the researcher, Heike Werth.**

**DECLARATION BY PARTICIPANT**

By signing below, I ..... agree to take part in a research study entitled “**An exploratory study of how stakeholders perceive an organisation’s response to a crisis ( Case study: Capitec’s response to the Viceroy report)**” and conducted by Heike Werth.

I declare that:

- I have read the attached information leaflet and it is written in a language with which I am fluent and comfortable.
- I have had a chance to ask questions and all my questions have been adequately answered.
- I understand that taking part in this study is **voluntary** and I have not been pressurised to take part.
- I may choose to leave the study at any time and will not be penalised or prejudiced in any way.
- I may be asked to leave the study before it has finished, if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.
- All issues related to privacy and the confidentiality and use of the information I provide have been explained to my satisfaction. I acknowledge that my name and relationship to Capitec Bank will NOT be identified in the study and will be kept anonymous in the final report.

Signed on .....

.....

**Signature of participant**

**SIGNATURE OF INVESTIGATOR**

I declare that I explained the information given in this document to \_\_\_\_\_ [*name of the participant*] [*He/she*] was encouraged and given ample time to ask me any questions. This conversation was conducted in [*Afrikaans/\*English/\*Xhosa/\*Other*] and [*no translator was used/this conversation was translated into \_\_\_\_\_ by \_\_\_\_\_*].

\_\_\_\_\_  
**Signature of Investigator**

\_\_\_\_\_  
**Date**

## **ADDENDUM D**

**Letter of consent: Capitec Bank**



26 November 2018

University of Stellenbosch

To whom it may concern,

This is to confirm that I have had discussions with Ms Heike Werth, a student at your institution, concerning her MCom.

I have given her permission to approach employees at Capitec Bank with regards to interviewing them on her thesis topic: "An exploratory study of how stakeholders perceive an organisation's response to a crisis."

I acknowledge that the permission of interviewees will also be sought by Ms Heike Werth.

Yours sincerely

A handwritten signature in black ink, appearing to read 'André du Plessis', with a long horizontal stroke extending to the right.

**André du Plessis**  
Chief Financial Officer

## **ADDENDUM E**

### **Semi-structured interview guide**

## ***Interview guide***

The following is the guide that the researcher used when conducting semi-structured interviews with different stakeholders of Capitec Bank.

The first stakeholder group that was approached by the researcher to participate in the study was financial analysts, who acted as a proxy for shareholders of Capitec Bank.

The researcher started the interview by thanking the participant that he/she was willing to participate in the research study. A short explanation of the study at hand was provided and entailed the following detail:

The title of the research study is as follows: **“An exploratory study of how stakeholders perceive an organisation’s response to a crisis. (Case study: Capitec Bank’s response to the Viceroy report)”**

The aim of the study was to explore how various stakeholders, which thus include shareholders, perceived an organisation’s reaction to and communication within a crisis situation. More specifically, the aim was to determine and explore the perceptions of Capitec Bank’s stakeholders of the bank’s reaction after Viceroy released a report on 30 January 2018 in which it made allegations about Capitec Bank participating in predatory finance activities.

The researcher also explain to the participants, before they signed the consent form, that participation was entirely voluntary and that they were free to decline to participate. If they said no, it would not affect them negatively in any way whatsoever. They were also free to withdraw from the study at any point, even if they had agreed to take part. Thus, it was explained to them what signing the consent form entailed, and they were given the assurance that they were participating in the study of their own free will. They were also asked at the beginning of the interview whether the researcher would be allowed to contact the participant again in the future should anything be unclear or incomplete.

The following questions were asked. Please note, questions were adapted and expanded on where necessary.

- Have you heard about the Viceroy report that was released in January 2018 and the allegations Viceroy made about Capitec? (If yes, researcher can continue with the follow-up questions).
- If yes, how did you come to hear about the Viceroy report?
- Did the shareholders have a lot of questions and queries about the risk of current investments in Capitec after the release of the Viceroy report? (Probe)

- Was there a significant request by Capitec's shareholders to withdraw their current shareholding in Capitec/request to sell their shares? (Probe)
- How did investors/shareholders hear about the Viceroy report?
- Did Capitec contact you, as financial analyst, to communicate their response after the release of the Viceroy report?
- If yes, who contacted and communicated with you?
- What did Capitec do to inform you about how they were going to react to the Viceroy report?
- How do you feel about the way Capitec reacted to the Viceroy report and the frenzy it created?
- Do you think they could have done something different?
- Did your trust in Capitec as a share/investment increase or decrease after hearing their response to the Viceroy report?

After the researcher had asked all the questions that she wanted to ask to the financial analyst, she gave the participant a chance to ask questions.

After information saturation was reached according to the researcher's judgment, the researcher once again thanked the participant for agreeing to participate in the study. The researcher also confirmed that she was allowed to contact the participant again should she have any follow-up questions.

The second stakeholder group asked to participate in the study was Capitec Bank's branch managers, who acted as a proxy for clients' perceptions.

The researcher started the interview by thanking the participant for being willing to participate in the research study. A short explanation of the study at hand was provided and entailed the following detail:

The title of the research study is as follows: **"An exploratory study of how stakeholders perceive an organisation's response to a crisis. (Case study: Capitec Bank's response to the Viceroy report)"**

The aim of the study was to explore how various stakeholders, which thus include employees, perceived an organisation's reaction to and communication within a crisis situation. More specifically, the aim was to determine and explore the perceptions of Capitec Bank's stakeholders of the bank's reaction after Viceroy released a report on 30 January 2018 in which it made allegations about Capitec participating in predatory finance activities.

The researcher also explained to the participants, before they signed the consent form, that participation was entirely voluntary and that they were free to decline to participate. If they said no, it would not affect them negatively in any way whatsoever. They were also free to withdraw from the study at any point, even if they had agreed to take part. Thus, it was explained to them what signing the consent form entailed, and they were given the assurance that they were participating in the study of their own free will. They were also asked at the beginning of the interview whether the researcher would be allowed to contact the participant again in the future should anything be unclear or incomplete.

The following questions were asked. Please note, questions were adapted and expanded on where necessary.

- Do you think clients have heard about the Viceroy report and the allegations that Viceroy made about Capitec? (If yes, researcher can continue with the follow-up questions).
- If yes, how did they come to hear about the Viceroy report?
- How did they form an understanding and opinion of the Viceroy report on Capitec? (Probe)
- Did anyone from top management contact you with regard to the allegations made in the Viceroy report?
- If yes, who contacted/communicated with you and how did they go about it?
- Did clients indicate that they considered moving bank account(s)? (Specifically as a result of the Viceroy report)
- Why did/didn't they want to? (Probe)
- How do you think clients feel about the way Capitec reacted to the Viceroy report and the frenzy it created?
- Do you think they could have done something different?
- Do clients think you (Capitec) could have done something differently?
- Do you still have trust in Capitec as a bank?
- Do clients still have trust in Capitec as a bank?
- If yes, why? AND If no, why not? (Probe)

After the researcher had asked all the questions that she wanted to ask, she gave the participant a chance to ask questions.

After information saturation was reached according to the researcher's judgment, the researcher once again thanked the participant for agreeing to participate in the study.

The researcher also confirmed that she was allowed to contact the participant again should she have any follow-up questions.

The last stakeholder group asked to participate in the study is Capitec's employees and management. They were only contacted once Gerrie Fourie, CEO of Capitec Bank, gave his consent that the researcher may ask them to be participants in the study.

The researcher started the interview by thanking the participant that he/she was willing to participate in the research study. A short explanation of the study at hand was provided and entailed the following detail:

The title of the research study is as follows: **“An exploratory study of how stakeholders perceive an organisation's response to a crisis. (Case study: Capitec Bank's response to the Viceroy report)”**

The aim of the study was to explore how various stakeholders, which thus include employees and management, perceived an organisation's reaction to and communication within a crisis situation. More specifically, the aim was to determine and explore the perceptions of Capitec Bank's stakeholders of the bank's reaction after Viceroy released a report on 30 January 2018 in which it made allegations about Capitec participating in predatory finance activities.

The researcher also explained to the participants, before they signed the consent form, that participation was entirely voluntary and that they were free to decline to participate. If they said no, it would not affect them negatively in any way whatsoever. They were also free to withdraw from the study at any point, even if they had agreed to take part. Thus, it was explained to them what signing the consent form entailed, and they were given the assurance that they were participating in the study of their own free will. They were also asked at the beginning of the interview whether the researcher would be allowed to contact the participant again in the future should anything be unclear or incomplete.

The following questions were asked. Please note, questions were adapted and expanded on where necessary.

- Have you heard about the Viceroy report and the allegations that Viceroy made about Capitec? (If yes, researcher can continue with the follow-up questions).
- If yes, how did you come to hear about the Viceroy report?
- How did you feel about Capitec as employer after you first heard of the allegations made by Viceroy in the report?
- Do you still have trust in Capitec as an employer?

- Was there a change in the atmosphere at the office or work environment after Viceroy released the report? (Probe)
- How do you feel about the way Capitec reacted to the Viceroy report and the frenzy it created?
- Do you think they could have done something different?
- Did anyone from top management reassure you of job security or attend to any other concern you might have had after Viceroy released the report? Probe
- If yes, who did?

After the researcher had asked all the questions that she wanted to ask, she gave the participant a chance to ask questions.

After information saturation was reached according to the researcher's judgment, the researcher once again thanked the participant for agreeing to participate in the study. The researcher also confirmed that she was allowed to contact the participant again should she have any follow-up questions.

