



ECRS News Issue 2 | February 22, 2008

Editorial

Dear readers,

"Only bad news is good news" is a well-known media maxim. If that is true, the last months must have presented many opportunities for journalists. Almost every day, new billion-euro holes in the banks' balance sheets were revealed, causing stock prices to nose dive. This means that confidence in the economy and, thus, companies' reputations are particularly in jeopardy.

Consequently, the second issue of our ECRS News focuses on the recent crises: Based on current ECRS studies, we take a look at how the subprime crisis has developed and show you how a country can emerge strengthened from a crisis. In addition, we give a few examples of how a company can exploit the problem of the "climate crisis" for its own reputation. This newsletter also contains an interview with a renowned business ethicist on the situation of Nokia and numerous other news articles on the subject of reputation management.

We wish you enjoyable reading.

Your
ECRS board

Dr. Mark Eisenegger

Ralf Langen

Prof. Dr. Manfred Schwaiger

Robert Wreschniok

Reputation Agenda: Trends & Topics

**What Preoccupied the World in 2007?
The Top 20 Communication Events**

Place	Communication event	Articles Number	Increase / decrease	FAZ	Rank NYT	NZZ	Average
1	Middle East conflict	1103	↘	1	4	2	2
2	Civil war in Iraq	1189	↗	4	2	5	4
3	Credit market crisis	672	New	2	11	4	6
4	Musharaff's regime	445	↗	16	5	8	10
5a	Nuclear weapons dispute in Iran	387	↘	10	14	9	11
5b	Economic cycle in the U.S.	494	↗	22	9	3	11
6	Rebuilding of Afghanistan	433	↗	6	7	27	13
7	Global climate policy	321	↗	8	25	10	14
8	Iraq debate in the U.S.	497	↗	26	3	28	19
9	Putin's administration	238	↗	20	34	11	22
10a	Presidential elections in the U.S.	1212	↗	42	1	24	22
10b	Stability and growth pact in Kosovo	233	↗	17	41	14	24
12a	Civil war in Darfur	198	↗	27	21	25	24
12b	Indicators of global warming	203	↘	35	23	15	24
15a	Presidential elections in France	233	↗	14	38	22	25
15b	EU constitution debate	378	↗	3	65	7	25
17	Real estate market in the U.S.	322	↗	55	6	16	26
18	National crisis in Lebanon	179	↗	31	31	20	27
19	Disarmament NATO / U.S. / Russia	216	↗	13	40	31	28
20	Economic cycle in the EU	250	↗	15	70	6	30

Reputation management requires systematic monitoring of topics that are potentially relevant to a company's or country's reputation. Consequently, ECRS regularly analyzes the important key media of the Western world* in order to identify international attention structures and communication dynamics.

Wars and other flashpoints have been at the center of transatlantic attention in recent years (places 1, 2, 7, 12a, 12b). First place is occupied by the conflict between Israel and Palestine which was not eased under the administration of George W. Bush. The climate policy (8th place) and the expert debate on global warming (place 12c) firmly established themselves on the public attention agenda in 2007, both in Europe and the U.S. Furthermore, national elections and crises also cause the media to focus on democratic processes (places 10a, 10b, 15a and 18).

The Global Economic System is Being Put to the Test: The Subprime Crisis in the Media

The financial and credit market crisis is the only new topic to make it directly into the top five communication events in 2007. Considering that news coverage on this development only really gathered momentum after the hedge fund crisis of the Bears Stearns Bank in the U.S. in mid-June, the importance of this event for the transatlantic media arena is understandable.

The trends in 2007 of various communication events (see chart 2) already reveal that no end to the crisis is in sight. This is also confirmed by the most recent stock market developments. In fact, it is likely that it will also affect other areas of the financial world.

You can also find a detailed analysis of the transatlantic attention structures and the communication events in German-speaking Switzerland on our homepage under "research." In the future, we will give you an overview of the most important communication events in each quarter in this section.



* The media sample includes: Frankfurter Allgemeine Zeitung (FAZ), Neue Zürcher Zeitung (NZZ) and the New York Times (NYT).

The Nokia Case from the Perspective of a Business Ethicist



When the closure of Nokia's plant in Bochum, Germany, became known on January 15, 2008, an outcry went through Germany's printed press. Nokia was accused of immoral actions and politicians called for a mobile phone boycott. But how do business ethicists view this situation? ECRS invited Professor Dr. Joachim Fetzer, member of the board of the Deutsche Netzwerk für Wirtschaftsethik (the German Business Ethics Network), for an interview on this topic. Joachim Fetzer is professor of business ethics at the University of Applied Sciences of Würzburg-Schweinfurt, Germany, and associate lecturer at a number of other universities.

ECRS: The German Business Ethics Network's aim is to solve moral dilemmas in connection with economic competition. Is Nokia caught in such a situation?

F: The announcement of the closure shortly before Christmas must have come as a shock for Nokia's employees and gave rise to understandable emotional reactions. From a business point of view, everything seems to definitely justify the closure. That in itself is a dilemma. Business ethics also mainly focuses on the question of whether initial emotions and intuitions can be supported by good arguments.

ECRS: The announcement of the plant closure was not preceded by negotiations and came as a big surprise to the employees. Is this communication strategy ethically justified?

F: It is necessary to conduct negotiations if there is something that can be negotiated. Everyone who works in human resources knows that dismissals must be announced in the first 60 seconds of a dismissal talk. Consequently, I think that the strategy of clear communication is justified. By unambiguously announcing its - albeit unpleasant - decision, the company acted with greater integrity than some other companies, which keep their employees in limbo for months with pseudo-negotiations.

ECRS: On the subject of the mobile phone boycott: How would you interpret the fact that the purchasing decisions of consumers are increasingly influenced by a company's ethical behavior?

F: It is doubtless a welcome development that consumers no longer only pay attention to quality and price but also to a company's behavior. Consumers have begun to consider the company's integrity, the way it treats its employees and its position on topics like corporate responsibility, corruption prevention, etc. Of course, this also applies to Nokia. However, the question of good and not so good reasons arises. In

the case of Nokia, only those who seriously support a static, rather immobile, nationally focused economic system with little competition on the employment market have a good reason to boycott the company. At present, Nokia represents the opposite: choosing a location is an issue that keeps coming up periodically. Everyone must learn that indefinite employment contracts are not contracts for life. That is unpleasant. But it is not unfair - as everyone will agree after a quick look at Rumania. In this context, the demonstrative mobile phone boycott may be politically opportune, but it is an implausible argument.

ECRS: How about the reproach of being a "subsidy locust", i.e. receiving subsidies and then moving on?

F: If a contract exists in which Nokia made job promises which it has not kept, then this must certainly have consequences. But it has not yet been revealed whether Nokia made such promises, or whether German politicians may have raised expectations among their voters by paying subsidies. In fact, it is unlikely that a few million euros will cause a company to choose a location for all eternity. Companies recalculate once subsidies run out. This is something that the nation of subsidies must learn as well.

ECRS: What could Nokia do at present to improve its reputation?

F: At present? Trust that it has the better arguments and stay calm. In the past, it would have been helpful to be more critical of Germany's subsidy policies. Porsche once dealt with this issue convincingly by rejecting similar subsidies. In addition, we all need to ask ourselves what we can do in order to be an attractive production location.

ECRS: Professor Fetzner, thank you for this interview.

Country Reputation Management – About Liechtenstein's Reputation



In an era of continuously accelerating globalization, the time when only companies fought for global attention are long past. Countries have also come to realize that their reputation with an international public plays a decisive role in the struggle for investments, trade, tourists, and thus, economic success. Liechtenstein serves as a particularly impressive example today.

Reputation Analysis of Liechtenstein

Against this background, country reputation management is becoming more and more important. But how can the reputation of a country be measured and managed? ECRS's recent reputation analysis of Liechtenstein gives an answer to this question. In 2000, Liechtenstein came under massive international pressure because of a money laundering scandal. The institute evaluated some 900 press releases by the key media in Germany, Switzerland, and the U.S. between 1999 and 2007 to determine the impact of crisis on the country and its reputation. It offers valuable insights that are particularly important in view of the present tax scandal in Germany.

Continuous Reputation Improvement until 2007

The study reveals that the country's reputation, which was damaged by the scandal in 2000, improved continuously until 2007. In fact, Liechtenstein was even able to significantly improve its reputation over 1999 by adopting stringent measures against money laundering. Liechtenstein's position as an economically booming and innovative business location and the issue of the "integrated Financial Market Authority" also contributed positively to its reputation.

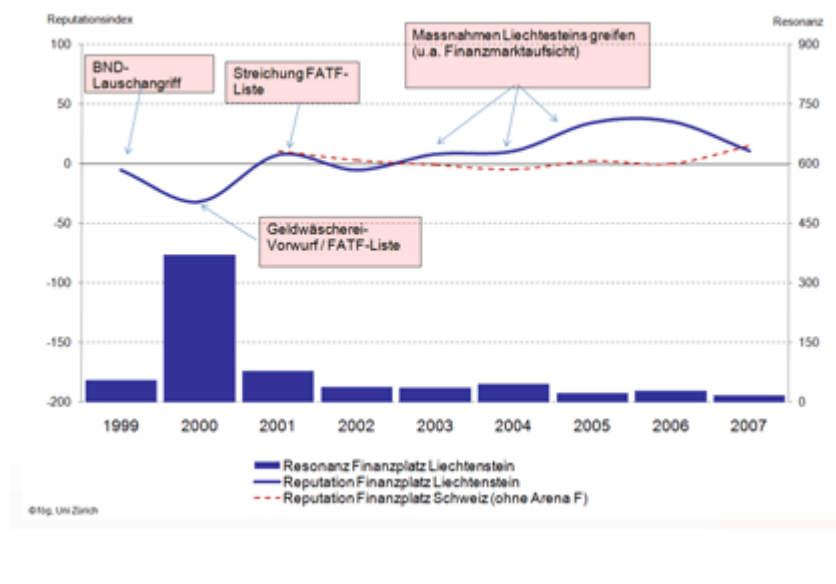
Reputation Profile of Liechtenstein

Today, Liechtenstein's economic reputation is mainly derived from the country's economic power. Its social reputation engenders its major weaknesses: Abroad, Liechtenstein's reputation as a tax haven persists, endangering its reputation as the present crisis has impressively confirmed. Liechtenstein has developed its distinctive profile, its expressive reputation so to speak, with the help of its innovative power, niche policies, and constitutional monarchy.

Another "Reputation Catastrophe"?

The current tax scandal in Germany could once again expose Liechtenstein to massive criticism like in the crisis year 2000. It remains to be seen whether today's debate that focuses mainly on individuals will turn into a crisis that threatens Liechtenstein's reputation or whether serious damage to its reputation can be averted thanks to the country's efforts in recent years and the implementation of reform steps (the Futuro Project). The strong increase in the scandalisation of tax evasion offences that has recently become visible and reaches deep into middle-class values suggests that the issue will stay on the agenda for some time to come and may spill over into other countries.

Please also read the interview with Dr. Mark Eisenegger, member of the board of ECRS, on this topic in the File Centre of our homepage.



Climate Stakeholder Report: Companies and NGOs are Moving Closer Together



Atmospheric climate change goes hand in hand with a change in the business climate. In the past, companies and non-profit organizations usually stood on opposite sides and, at best, maintained rather cool relations with one another. However, the Climate Change Stakeholder Report that came out in December 2007 revealed that economic players and NGOs have become considerably closer. In fact, NGOs and companies cooperate in more than one quarter (26 percent) of the surveyed partnerships focusing on climate change.

Climate change not only unites former opponents, it also motivates companies to become more involved in environmental protection: Over 70 percent of the Fortune 500 companies with the highest revenue worldwide have begun to initiate climate protection projects. However, the study shows that only very few talk about their commitment: Thus, the majority of companies fail to actively exploit climate protection as a reputation driver because they do not communicate and highlight these

projects adequately. The survey also identifies two other mistakes these companies make: Firstly, the selection of climate-relevant stakeholders lacks strategy, and secondly, a large number of companies fail to assume a leadership role in their industry with regard to climate protection.

Swiss Re - A Best-Practice Example

The insurance company Swiss Re is an interesting example of how to make positive use of climate change for one's reputation. The company launched an initiative called "CO-you-2" which subsidizes every employee who improves his personal ecological balance sheet and thus supports an ecological lifestyle with €3,100. The business case is clear: According to a study by the "Deutsche Institut für Wirtschaftsforschung" (German Institute of Economic Research), the climate change incurs costs totaling €330bn in the tourist and insurance industry. Swiss Re thus makes clear that CSR is not a charitable act but improves a company's economic performance over the long term. You can download the Climate Change Stakeholder Report from <http://www.reputation-centre.org/de/forschung.html>.

House Notes

DAX 30 & Co: Corporate Reputation Monitor in the Acceptance Market

German market leaders are evaluated most positively by journalists - this is the result of a first survey of the Corporate Reputation Monitor in the acceptance market that was carried out at the end of 2007. In the study, journalists, politicians, analysts, economists, business leaders, heads of associations, and board members in the non-profit sector were asked to give their appraisal of the reputation of the DAX 30 companies and 27 other major players.

Politicians overall gave the highest reputation ratings, whereas representatives of the non-profit sector were the most critical - least critical however, of VW: The Wolfsburg-based company with an overall ranking of seventh place received the highest reputation and sympathy ratings and thus captured first place among leaders of labor unions, charitable and church organizations and in sports. The WestLB is ranked last by almost all target groups.

Please contact us if you wish to receive further information on the study and how you can order it.

Current Research Projects: Reputation in the Recruiting Market and among CEOs

Besides the reputation monitor among the general public and in the acceptance market, ECRS's current research also focuses on the recruiting market, and the reputation of CEOs. In a first pilot study of Munich's Ludwig Maximilian University, almost 400 economics students were asked about their inclination to apply to more than 50 companies and these companies' reputations.

The result: The BMW Group is the clear winner in all categories with a comfortable head start, followed by Adidas, Porsche, Deutsche Lufthansa, and Daimler. Consulting and auditing companies are in the top third when it comes to applying for a job, however, the students only ranked their reputation as average. The first reputation monitor in the recruiting market, which is planned for autumn 2008, will deliver representative results. Our next ECRS Symposium will also address this topic.

The second focus of current research is also on human resources - albeit at a higher level: An ongoing study that measures the reputation of top management and its relationship to the company's reputation will be completed by the end of the year. We will inform you of the interim results in our newsletter but, if you are interested, you can also contact ECRS directly.

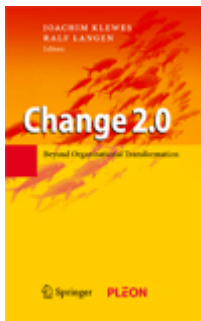
Current Publications

Mark Eisenegger: Das Wahre, das Gute und das Schöne in der Mediengesellschaft (The True, the Good and the Beautiful in the Media Society).

In his latest article, Mark Eisenegger has developed a general reputation theory that can be applied to any protagonists, i.e. people, organizations, and institutions. It also focuses on the role of PR, which mainly concentrates on controlling reputation and must thus be considered as reputation management. The article is based on empirical research and describes important regularities of a media-based reputation constitution that must be taken into account by a company's reputation management.

Eisenegger, Mark, Imhof, Kurt (2007): The True, the Good and the Beautiful: Reputation Management in. the Media Society. In: foeg discussion papers (ISSN 1661-8459), University of Zurich.

Joachim Klewes, Ralf Langen: Change 2.0. Beyond Organisational Transformation.



"Change before you have to" – this piece of advice from General Electric's former CEO constitutes the Leitmotiv of the collection of articles on change communication published by ECRS's board member Ralf Langen and ECRS's advisory board member Joachim Klewes. For, organizations are permanently under pressure to change if they want to run a successful business. This is not an easy task considering that employees and management have especially high expectations in times of change. Today we know that employees must be involved in the change process. In this volume, authors from the consulting, management, and economic sector explain in a practical fashion how it can be implemented successfully and how it can help to improve trust within the organization and enhance the external reputation.

Also includes, among others:

Robert Wreschniok: The Power of Ideas: Reputation Management and Successful Change

Historical and political transformation research shows that radical social changes have always received the decisive impulse from the idea systems prevailing at the time, such as the nation state or democracy. These megatransformations were initiated by a surprisingly small number of people, who shaped and enforced the idea systems of their time. The article examines what conclusions for change processes in companies can be drawn from this observation, and the role of active reputation management. With the help of a concrete example from the financial sector, the author shows that observance of the laws of modern reputation management is the key to successful change management.

Wreschniok, Robert (2007): The Power of Ideas – Reputation Management and Successful Change. In: Joachim Klewes, Ralf Langen (ed.): Change 2.0. Beyond Organisational Transformation. Springer, Heidelberg.

Other publications:

Schwaiger, M.; Sarstedt, M.; Taylor, R. (2008): Long-term Effects of Culture Sponsoring on Corporate Reputation: An Experimental Study, paper accepted for the 2008 Global Marketing Conference, Shanghai.

Schwaiger, M.; Scharf, S.; Ganßauge, R. (2008): Status Quo des

Kommunikationscontrollings (Status Quo of Communication Controlling), in: WiSt – Wirtschaftswissenschaftliches Studium, probable publication date is April 2008.

Schwaiger, M.; Scharf, S. (2007): 360°-Kommunikationscontrolling (360° Communication Controlling), in: ZfCM - Zeitschrift für Controlling und Management, Vol. 51, 2007, issue 4, pp. 264-271.

Events

The third ECRS Symposium 2008



In 2008, the third ECRS symposium will probably be held on October 16 and 17 in Brussels. Our topics will include: Reputation as a success factor in the "war for talents", reputation as a competitive advantage in the global market, and the identification and management of reputation risks. Please see to our next newsletter or our web page shortly for more detailed information on the program and the speakers.

Imprint

European Centre for Reputation Studies (ECRS)

Zürich/München

Contact:

Julia Diener

Theresienhöhe 12

D-80339 München

T +49 (0)89 590 421 370

F +49 (0)89 590421 111

julia.diener@reputation-centre.org

www.reputation-centre.org