Symposium Report

The Market Value of Reputation

6th International Sustainability Leadership Symposium
8/9 September 2005
Swiss Re Centre for Global Dialogue, Rüschlikon

the sustainability forum zürich

Preface

The fact that a company's reputation contributes to its market value is widely acknowledged. There is also agreement on the extensive and time-consuming efforts that are required to build up a good and lasting reputation and on the risk of losing it rapidly, even overnight, if it is not managed properly.

Yet there are many open issues regarding reputation and its effect on market value. For a start, reputation is not easy to define. It is best understood as a conglomerate of perceptions that the stakeholders of a company – or any other organisation – form on the basis of observed performance and values. How, then, can reputation be appropriately assessed and managed? Is it possible to measure reputation at all? Can and do investors, business partners, clients and other commercial stakeholders of a company formally include this information in their ratings, evaluations and business decisions?

These and other crucial questions on the connection between a company's reputation and its market value were discussed at the *International Sustainability Leadership Symposium* titled *The Market Value of Reputation,* which took place on 8/9 September 2005 at the Swiss Re Centre for Global Dialogue in Rüschlikon near Zürich. It was the sixth dialogue event in a series initiated and organised by *The Sustainability Forum Zürich,* an independent, non-profit and non-partisan organisation dedicated to promoting the exchange of experiences and ideas about sustainable business practices. More than two hundred high-level representatives from business, science, the public and civil sectors of society contributed to the symposium's valuable discussions. They shared their knowledge, experiences and ideas on this complex topic, which is clearly of strategic importance to business as well public institutions.

With this report, we intend to convey some insights gained from the lively presentations and discussions, which were both constructive and challenging. At the same time, we would like to express our appreciation to all those who actively contributed to the success of this dialogue.

Peter Forstmoser, Chairman
The Sustainability Forum Zürich

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Input Paper

In a recent survey, executives from the financial services industry identified loss of reputation as the greatest potential threat to their companies' market value and earnings.[1] Yet, when asked which business risks they were addressing with concrete measures, these same executives put actions against reputation loss right at the bottom of the list. Even allowing for the possibility that the outcome may have been slightly different in other industries, this discrepancy is startling and raises some intriguing questions. While the consequences of a damaged reputation are clearly understood, the lack of corresponding frameworks and management approaches suggests that reputation is regarded as too complex or elusive for direct responses.

The 6th International Sustainability Leadership Symposium wants to shed light on the challenging nature of reputation by asking the following questions:
1) What is reputation?
2) What are the drivers of reputation?
3) How can a company manage the drivers of reputation?
4) Does the market assign a value to reputation?

1 What is reputation?

Thesis 1:
Direct "reputation management" tries to address the symptoms rather than the cause of an eroding reputation and is based on a limited understanding of reputation and its drivers.

When companies do think about concrete ways to preserve their reputation, they are often tempted to do so in somewhat simplistic terms. Under the heading of "reputation management", they establish separate processes and units that have the exclusive task of identifying potential threats to reputation and ways to defuse them. Ironically, this goes to show just how seriously the consequences of reputation loss are taken. But by putting the focus on managing reputational damage one fights symptoms only and fails to work on the underlying causes, in the same way as share price management neglects the actual value drivers. This approach will not be sufficient to build and preserve a company's reputation in the long run.

Thesis 2:
Reputation is the totality of perceptions formed by stakeholders on the basis of a variety of factors.

Reputation can only be preserved in the long run if it is approached as an opportunity, which requires an understanding of how a good reputation is established in the first place. Most managers will agree that it cannot be created at the click of a finger but that it takes time to grow. Reputation is best understood as the totality of enduring images that key stakeholders form on the basis of how they perceive a company's performance and overall behaviour. As such, reputation is a mosaic of various factors with different weights and impacts. It also needs to be distinguished from brand image and identity, two related but narrower terms: brand image is more closely linked to clients' emotive relationships with a company's products and services, while corporate identity refers to the self-image that employees form of their organisation.

1 Uncertainty tamed? The evolution of risk management in the financial services industry, PricewaterhouseCoopers and Economist Intelligence Unit, August 2004.

2 What are the drivers of reputation?

Thesis 3:
Most drivers of reputation can be captured in existing management systems.

The mosaic of factors making up reputation ought to be disaggregated and included in existing management processes and models of value creation (e.g. value chain, Balanced Scorecard). Key drivers of a good reputation at present include vision and leadership, products and services, financial performance, treatment of staff, social and environmental responsibility and emotional appeal. These factors change over time, reflecting changes in society in general and business in particular.

Thesis 4:
The perception of a company's performance and behaviour is shaped by its relationship with stakeholders.

But even if the drivers of reputation are in place, a company's reputation depends on how stakeholders perceive the different aspects of its performance and behaviour. Because of this, the relationship with stakeholders is an overarching driver of reputation.

Thesis 5:
Corporate governance and sustainability have a strong influence on reputation.

Two aspects are of special significance in this context: First, in today's business environment an extended notion of corporate responsibility is fast becoming a key requirement, creating additional demands (but also opportunities) in corporate governance and sustainability:

- Comprehensive corporate governance, requiring a company to take a voluntary, proactive stance to the issues of transparency and accountability beyond the finance function;
- Sustainability (including corporate citizenship), requiring a company to create value for a variety of stakeholders (not just shareholders).

Thesis 6:
Reputation creates a cross-functional challenge at the general management level in balancing conflicting expectations of different stakeholders.

Second, a company cannot afford to neglect any one of the key drivers of reputation, because the overall reputation reflects the "weakest link". There are always conflicts between the expectations of different stakeholders, sometimes even fundamental ones. Such conflicts need to be addressed without adversely affecting overall reputation, which creates an additional cross-functional task at the strategic management level. The goal for management is to find a balance between all opportunities and threats in achieving its business objectives.

3 How can a company manage the drivers of reputation?

Thesis 7:
Clear principles of behaviour must be adhered to across all company activities.

Given the different expectations of stakeholders and the importance of corporate responsibility, a company needs a clear and firm attitude to address the corresponding challenges. This attitude must be founded on distinct principles of behaviour:

- Transparency: assure the flow of relevant information to interested parties;
- Accountability: enabling one's actions to be assessed against stated objectives;
- Consistency: act the same way under all circumstances and to all stakeholders;
- Authenticity: nurture an individual approach, have the courage to do things one's own way;
- Reliability: live up to one's promises, "walk the talk".

Thesis 8:
Meeting high standards in governance and sustainability and adhering to principles of behaviour require certain competencies that should be embedded in a company's culture.

The ability to meet requirements in corporate governance and sustainability and to stick to firm principles of behaviour both require the existence of certain competencies in a company. These comprise relationship management with all key stakeholders, internal and external communication capabilities, issue management and knowledge management. Perhaps the most important thing, though, is to develop a distinct corporate culture that encompasses the requisite principles of behaviour. This reduces the need for formal internal rules and controls.

4 Do markets assign a value to reputation?

The disastrous effects of reputation damage are evidently clear. They include negative headlines, additional communication and PR costs, falling attraction as an employer, erosion of customer loyalty, loss of market share, shrinking profits and a falling share price. These effects are direct, immediate and tangible. But is the reverse also true? Are systematic efforts at creating a good reputation adequately rewarded by markets? For a number of reasons, the answer is not clear-cut.

Thesis 9:
Reputation provides the basis for a strategy of differentiation requiring a credible balance between contents and communication.

The various elements that work towards a good reputation are difficult to express in quantitative terms, which makes it hard for market participants to measure corporate reputation accurately. There is growing evidence, however, that analysts appreciate qualitative information on how a company strives to build and protect its reputation. And recently launched attempts to benchmark company reputation indicate the growing demand for establishing more transparency in the fledgling "reputation market". Even if it is too early yet to assess the link to company performance, a systematic approach to reputation does seem to create scope for a strategy of differentiation. It is crucial, though, that such a strategy is consistent and truthful: If a company does not found its communication on genuine and material contents, it will come under fire sooner or later.

Thesis 10:
The "paradox" of reputation exists.

In executing a strategy of good reputation, a company must also be prepared to deal with a paradox. A good reputation over the long run raises a company's profile; but this creates new vulnerabilities, because a company known for its good reputation raises expectations, invites public scrutiny and becomes more exposed to criticism. Thus, there may be a point at which the benefits of a good reputation are cancelled out by its potential drawbacks.

The prospects of deriving value from a good reputation are further reinforced by recent developments in the business environment. At present, a strong trend towards a requirement for more transparency from companies can be observed. Companies that fully embrace the concept of reputation, as it has been described, may therefore find it easier to gain a first-mover advantage.

The time seems ripe for leaders and pioneers who are keen to differentiate themselves!

Lord John Browne, Group Chief Executive, BP: Reputation Is About Being Authentic

"The matter of reputation is very complex. Some people think that reputation is putting the best face on everything that is done, that the world is full of things that go well, that there are no bad things to report, there are no accidents, there are no mistakes – there is nothing other than perfection. Of course, this is just completely unrealistic. Companies are full of activities, but most importantly, all those activities are in the hands of people, human beings, and people's thoughts and their actions cannot all be perfect, because as individuals all of us – and I will say I am most certainly a representative of this – are frail ... There are things that we cannot see, things that we do not fully understand.

So, to my mind, for BP reputation is founded on being transparent – say what we want to do, testing that with our shareholders and other people who may have an interest, and reporting on what we are doing – remembering that things will go wrong and for us to be tested not just on the nature of what has gone wrong but on how we respond to what has gone wrong and how we think about it as human beings who are organised to achieve things. So reputation is about being authentic, if you will, a word which is being used more and more now. Equally, I think it is important that people do not regard reputation as something which can come by doing things but without explaining what is being done. Explanation is important, but explanation has to be authentic.

In the end, the market of course looks at everything you do, and in theory the share price takes care of everything. This is one measure, but it is a very long-term measure ... so we have subsidiary measures and we look at the different things we are doing in a very systematic way. We have them in six basic 'containers', if you will, and each one has key performance indicators and long-term milestones. We examine each one of these and then we look to see what we are learning and what we have to do to improve. The containers are safety and operations integrity, environmental management, capability – by which we mean people –, technology and digital technology, the external reputation of the firm and the state of the projects we are investing in."

Panel 1: Reputation – Branding – and the Reaction by Markets

"Reputation can be destroyed in an instant by people at the highest – or lowest – level of the corporation."
Ronald J. Alsop, The Wall Street Journal

The first panel focused on markets' perception of and reaction to corporate reputation. All panellists stressed how much public attention to questions of reputation has risen over the last few years – fuelled by the end of the bull market, financial scandals and the debate on executive pay. At the same time, the spread of information has continued to accelerate: news is processed more quickly and, crucially, in an increasingly interconnected fashion, forcing companies to be much better prepared for unexpected events.

These changes, it was argued, have made companies realise just how important a good reputation is. "Provided that reputation management has been built up in good times, it can play a life-saving role in a corporate crisis," Ronald Alsop from The Wall Street Journal put it succinctly. He was quick to add, however, that reputation management is significantly more complex than, say, the development of a brand strategy. Not only does it involve several target groups, the range of potential activities is so large that they need to be embedded in a company's culture as part of a comprehensive reputation concept. At this point, Herman Mulder of ABN AMRO brought the stakeholder concept into play, arguing that reputation

"There is no doubt – the clout of various institutions such as consumer organisations has grown remarkably over the last few years. The importance of proactive contacts with such interest groups should not be underestimated."
Herman Mulder, ABN AMRO

"The reputation of the CEO has a tremendous impact on how the company is perceived."
Leslie Gaines-Ross, Burson-Marsteller

should be nurtured through an open dialogue with all major stakeholders, including investors, consumers and pressure groups. In his view, the influence of institutions such as consumer organisations has grown remarkably over the last few years and, as a result, the importance of proactive contacts with such interest groups should not be underestimated.

The opening panel drew to a close with a discussion on the role of the CEO as the primary representative of a company's reputation and on the integration of reputation management in the company. According to Leslie Gaines-Ross of Burson-Marsteller, executives play an essential role with respect to reputation: "The reputation of a company is directly linked to the personality and the reputation of its CEO. What is more, our studies have revealed that this relationship is very strong." Nick Butler of BP agreed that the role of the CEO's personality is crucial but also emphasised how important it is for internal credibility to set standards that are binding for all employees and are understood as well as lived by members of middle management.

Panel 2: The Art and Science of Valuing Intangibles and Managing Reputation

"I firmly believe that the characteristics relevant to corporate reputation are similar to those relevant to individual reputation."
Cees van Riel, Business School at Erasmus University Rotterdam

"Reputation compensates for incomplete 'observability' of contractual performance and product quality … Reputation is a guarantee for which people are paying money."
Baruch Lev, Stern School of Business, New York University

By way of presenting different approaches and results from empirical research, Baruch Lev, Ken Standfield and Cees van Riel offered insights into questions concerning the value, value drivers and measurability of reputation. Cees van Riel of Erasmus University Rotterdam began his speech by prompting the audience to view corporate reputation from an individual perspective for a change: "The relevant factors that account for the good reputation of a company are quite similar to the reputation characteristics of an individual. Analysing who numbers among the respected personalities in different countries, and why, could thus be quite revealing."

Van Riel then listed six key drivers of corporate reputation that had gradually emerged in his research and that can be divided into two groups: firstly, the "ability" drivers of products and services, vision and leadership and financial performance, and secondly, the "responsibility" drivers of emotional appeal, social responsibility and workplace environment. The influence of each of these factors varies according to country, industry, stakeholder group and time of observation. Van Riel drew attention to an interesting and unexpected finding about the way in which the public and other stakeholder groups perceive reputation: among the general public the hard and more easily measurable "ability" factors have a greater influence on reputation than the soft "responsibility" factors. Van Riel also stressed that, when it comes to measuring and enhancing performance, the potential for improvement lies within a given bandwidth with an upward ceiling.

In a pithy presentation, Baruch Lev of New York University took a strictly economic approach focusing on cost/benefit considerations. "Reputation needs to create value that pays off for a company. Behind every investment there is a paying investor, so all corporate measures – including those with respect to reputation management – need to be viewed from this economic perspective." At the same time, Lev stressed the importance and potential of measuring reputation as a corporate asset. From this point of view, reputation can be understood as a guarantee provided by the seller for which the buyer is willing to pay a premium. This in turn makes the calculation of future cash flows possible. The clients of

"In intangible economics the trade-off is time … If you have a company that is not performing that well, maybe it's a time allocation issue."
Ken Standfield, International Intangible Management Standards Institute

Internet bookseller Amazon, for example, are prepared to pay such a premium, because the company has a reputation for high on-line security. This kind of value can be expressed in figures and set against the investments required for building up and preserving a good reputation.

As an example of a valuation and management process, Ken Standfield of the International Intangible Management Standards Institute presented a systematic approach for putting into practice and assessing a reputation value system. At the core of the system is the time management of knowledge, relationships and roadblocks, i.e. impediments. It is important, Standfield noted, that the whole system is integrated in certified processes such as accounting, intangible valuation reporting and risk management.

Finally, Cees van Riel outlined different methods of measuring corporate reputation. If three differing methods are compared – for example attributes to be chosen by the interviewees, statements to be assigned, and images – the differences in approach will be reflected in the results. Rational factors such as the question whether to include long-term trends do play a role in the choice of a method, but so do the requirements of those who have given the mandate. Because reputation surveys are usually commissioned by senior management, which wants to receive results it can quickly understand, most of them are based on quantitative data.

Panel 3: Why Successful Organisations Build a Leading Reputation

"It doesn't take much brains to understand that if you had one billion people on this planet in the 1860s … and you will have over seven billion in just 18 years' time, something must give way. But somehow it seems that we are still arguing about how we determine reputation value."
Achim Steiner, IUCN – The World Conservation Union

"Building a good reputation is a never-ending process."
Peter Forstmoser, Swiss Re

Preparing the ground for the subsequent workshops, the third panel discussed practical experiences from a corporate perspective. All panellists emphasised the relevance of long-term thinking and the large benefits of a good reputation for recruiting skilled new staff.

Achim Steiner of the IUCN first focused on environmental protection measures. If corporations are serious about matters of reputation, he said, they have no alternative but to think and act long-term on environmental issues, taking into regard all people affected by their activities worldwide. This is being undermined, however, by maximisation of shareholder value, which, although claims are sometimes made to the contrary, prioritises short-term profit – without having to internalise negative externalities. Achim Steiner criticised that such mechanisms continue to be reinforced by the rules of global financial markets, for instance by the way analysts set priorities in valuing listed companies.

The keynote speakers representing the corporate world tended to stress the importance of a long-term approach primarily from a business perspective. Peter Forstmoser pointed out that the very nature of the reinsurance business is based on a promise to meet claims and thus drives Swiss Re to take a long-term view. Meanwhile, Thierry Lombard of private bankers Lombard Odier Darier Hentsch argued that client relationships are largely founded on trust, which provides a strong basis for aiming at a good reputation, involving all stakeholders.

The audience was reminded, however, that all investments, including those for the purpose of corporate social responsibility, require profits. It was therefore a vital concern for the speakers from the business world that the goal of running companies profitably should be

“It’s our responsibility towards clients and employees to hand down the bank to the next generation.”
Thierry Lombard, Lombard Odier Darier Hentsch

“The most important element of reputation is people.”
Peter Quadri, IBM Switzerland

accepted as an indispensable precondition for a constructive debate. For shareholders in particular, Peter Forstmoser added, it is very important to measure the future benefits of long-term reputation management and express its net present value, in order to capture the resulting out-performance.

Finally, it was underlined how highly current as well as potential employees value the reputation and social commitment of a company and how sensitively they react to any changes in this respect. Peter Quadri of IBM Switzerland argued that offering employees the opportunity to complement their careers with social or charitable activities should therefore also form part of a comprehensive reputation management.

Workshops I

In the first series of workshops, the experiences of five companies served as cases for a discussion on the drivers of reputation, the importance of stakeholder perceptions and the benefits of a good reputation.

A ABN AMRO

Presenter: Madeleine Jacobs, ABN AMRO
Challengers: Claude Martin, WWF International; Cees van Riel, Erasmus University Rotterdam

When the accusations of an NGO all of a sudden threatened ABN AMRO’s reputation, this had the effect of a “wake-up call” in the words of Madeleine Jacobs. Assuming that the concept of corporate responsibility did not concern it, the bank first denied the charges, but subsequently discovered that there were indeed critical gaps in its project assessment. Having realised that NGOs could in fact be a valuable source of knowledge beyond mere compliance with the law, ABN AMRO then decided to establish a constructive dialogue. Asked by the challengers whether the bank’s approach is rule- or principle-based, Madeleine Jacobs stressed that addressing controversial issues that do not violate formal law should be based on a set of principles. Extensive dialogue not just with NGOs but also with employees, clients, academics and others has been essential to establish “workable policies” that can be applied to real business situations. Employees, in particular, were said to play a critical role in implementation: on the one hand they are a major driver themselves, being keen to work for ethical companies, on the other they need sound training in order to be able to apply the policies. Policies may not be perfect solutions, but they clearly show that ABN AMRO has procedures in place to address critical issues. With accelerating pressure on companies from the media and the Internet since the 1990s, the bank’s pioneering role has now turned into a competitive advantage, because its clients have become increasingly keen on getting expert advice on how to do business in a responsible way.

B Vontobel Group

Presenter: Zeno Staub, Vontobel Group
Challengers: Marco Curti, Zurich Cantonal Bank; Felix Locher, Swiss Life

As financial products are getting ever more complex, reputation is becoming absolutely key in the banking industry, Zeno Staub said at the beginning of this workshop. Yet not so long

ago Vontobel Group was itself confronted with a situation of severe reputation loss: the burst of the high-tech bubble had abruptly jeopardised the bank's strategy of managing IPOs in the technology sector and as a result its share price crashed. The lessons on how to respond to such an acute reputation crisis were crystal clear, Zeno Staub said: "Act fast and boldly, but at the same time make structural improvements with a long-term impact." Thus, Vontobel Group swiftly made changes in its top management and revised its strategy, but also took well-considered measures to further improve transparency in financial reporting.
The workshop discussion revealed a far-reaching consensus on effective short-term crisis management among participants. Opinions differed much more on the appropriate measures to protect reputation in the long run, though. Whereas some participants leaned towards the view that reputation management should and could be tied to certain core operations, Zeno Staub himself and others were more sceptical. They cautioned that this might amount to simple PR and instead took a comprehensive view, arguing that reputation is the result of "doing many things a little better". Approaches inspired by the CSR debate, such as stakeholder relations management and issue management, were propagated by some as a principal way to improve overall company performance.

C Alcan

Presenter: Dan Gagnier, Alcan
Challengers: Didier Fohlen, International Finance Corporation; Mohammad Rafiq, IUCN – The World Conservation Union

With core interests in aluminium, composites and engineered products, Alcan is active in industries that have a high environmental impact. But although the company has been in business for over a hundred years, Dan Gagnier openly admitted that matters of sustainability and responsibility towards stakeholders have become a key concern only in the last ten years. Safeguarding the company's reputation in an altered global environment has been a key trigger. In a laborious learning process, the company has had to explore how to meet new requirements such as community-based economic development. Today, Dan Gagnier explained, Alcan strives to integrate sustainable practices at all levels of the company, and extensive training programmes for employees and dialogue with NGOs play a crucial role in these efforts. Nine key drivers for reputation have been identified and integrated in the business model: a) business portfolio (along the lifecycle, multinational); b) governance, values and management policies; c) integrated management systems; d) managing for sustainability; e) procurement drive for excellence, products, customers; f) community engagement; g) investor engagements; h) corporate engagement beyond Alcan; i) awards and recognition.
In the following discussion the two challengers argued that, viewed from the outside, the company's "selective transparency", and the fact that there is no third-party verification for its sustainability report raise questions about its sincerity. In defence of Alcan's record, Dan Gagnier replied that the recent transformation towards sustainability had to overcome an "evolution problem", but also pointed to some tangible achievements, for example the decline in the company's accident rate. The panel concluded that while Alcan still has a lot of work to do, it should be seen as evolving towards sustainability, which will help to strengthen its reputation. (Please find more details in Alcan's company profile on page 18.)

D Novo Nordisk

Presenter: Charlotte Ersbøll, Novo Nordisk
Challengers: Angela de Wolff, Lombard Odier Darier Hentsch; Leslie Gaines-Ross, Burson-Marsteller

The healthcare industry on the whole suffers from a tainted reputation these days. Put simply, it makes money from people's misfortune and, what is worse, has not always been entirely ethical about its business conduct. Novo Nordisk, which specialises in diabetes medication, has been at the forefront of addressing the industry's intrinsic reputation dilemma head-on. Driven by the simple yet ambitious vision of helping to make the world a better place, it pursues a long-term strategy that combines "fighting against diabetes and producing medication to cure diabetes". Thus, Novo Nordisk channels substantial funds and know-how into a wide range of organisations and projects that provide medical training, raise awareness, build local capacity etc. Charlotte Ersbøll insisted that the business case for this dual strategy is solid. In the long run, spending money on such programmes feeds back into company performance, through social leadership, brand awareness and business growth. Asked by Angela de Wolff whether a strategy that involves additional costs and reduces the company's potential market can be justified vis-à-vis the financial community, Charlotte Ersbøll argued that it requires careful explanation but on the whole is understood by long-term investors. For such a long-term strategy the CEO's credibility is of utmost importance, though, Leslie Gaines-Ross added.

E BT Group

Presenter: Chris Tuppen, BT Group
Challengers: Albert Kuhn, Swisscom; Colin Melvin, Hermes Investment Management; Piera Waibel, INVERA Investment Ethics Research & Advisory

BT Group has been taking a very analytical approach to managing its reputation. In his introductory presentation, Chris Tuppen drew attention to some interesting research findings and their implications. Clearly distinguished from the Group's brand, which has a more commercial focus, primarily addresses customers and focuses on the short term, reputation in BT's definition results from the satisfaction of all its key stakeholder constituencies. But BT's reputation, as that of any other company, has been found to be strongly influenced by overall perceptions of business and has declined over the last five years. Given this background of increasing public scepticism, a positive link can be established between a company's familiarity and its reputation. While consumer goods companies with a high profile can benefit from this fact, one workshop participant concluded that nowadays a company is "assumed guilty until proven innocent": people need to be convinced that a company does not behave unethically. Growing public mistrust of large corporations is reflected in the priority accorded to honesty and integrity, slightly ahead even of product quality and customer service. BT's detailed research suggests that an informed, purposeful CSR policy can help to link "transactional" and "societal" expectations: customer satisfaction has been found to be strongly correlated to reputation, to which CSR activities in turn contribute more than 25 per cent. Given this evidence, a key point of interest in the ensuing discussion was finding the right balance for CSR activities, for example with regard to costliness and disclosure, especially of associated risks.

Panel 4: Stakeholder Perception: Risk or Untapped Asset?

"It's clearer now than at any time before that companies and their CEOs are looking to how to create value from values."
Robert Davies, International Business Leaders Forum

"The reputation of the company is not about one man, it's about all the people working in the company; therefore it's very important that from top down all the people know our guiding principles."
Claude Hauser, Federation of Migros Cooperatives

"Management can use a special type of stakeholders – an "agent provocateur" – to shape stakeholders' perceptions in order to increase wealth creation and to minimise risks."
Sybille Sachs, University of Applied Sciences in Business and Administration, Zurich

"The proper management of the so-called CSR issues is the proper management of the company."
Colin Melvin, Hermes Investment Management

The concluding panel of the first day focused on the assessment and analysis of a company's different stakeholders: should a company single out certain stakeholders with regard to its reputation management – and if so, which ones? How are relations to be managed? And how should contact be maintained?

Speakers included Robert Davies of the International Business Leaders Forum, Claude Hauser of the Federation of Migros Cooperatives and Colin Melvin of Hermes Investment Management. Sybille Sachs of the University of Applied Sciences in Business and Administration, Zurich, provided the academic background on the stakeholder approach.

The fact that as a co-operative society Swiss retailer Migros does not have any shareholders was judged by Claude Hauser to be a big bonus for strategy implementation. Key stakeholders are customers, who provide the company with valuable feedback through their daily purchasing decisions. Consumer organisations, trade unions, the media and NGOs were referred to as pressure groups by Claude Hauser. Migros is in contact with all these groups and has analysed their priorities – such as environmental protection, fair trade or human rights – and their implications for the organisation.

Sybille Sachs stressed that corporations need to have a clear idea of who their strategically important stakeholders are, and why. In this context she spoke of the "agent provocateur" as a particular stakeholder group that companies need to identify. In the events surrounding the Brent Spar oil platform, for example, Greenpeace acted as a typical "agent provocateur" (AP) vis-à-vis Shell. Classifying certain stakeholders as APs allows management to develop a well-structured response strategy, in order to enhance long-term reputation and reduce risks. At the same time companies can derive direct benefits from dealing with APs, for example by tapping their knowledge.

Finally, Robert Davies presented some key insights he had gained in his long experience of working with business on corporate responsibility and development issues in international markets. The notion of cultural differences, for example, has clearly entered the consciousness of management as a result of globalisation. But in actual reality the cultural dimension still seems to get frequently overlooked, especially in stakeholder relations. Experiences such as these had led Davies to believe that there is a huge gap between theory and practice in stakeholder relations. Seeking direct contact with individual stakeholders (for example consumer organisations) would therefore offer "wonderful training" opportunities for management.

Lars Rebien Sørensen, President and CEO, Novo Nordisk: Corporate Responsibility – a Key Driver of Reputation and Value?

"There is no doubt in my mind that reputation is driving value generation for companies. It does so in three dimensions. First, it does so in relation to the society in which we operate. A corporate enterprise is not an island. It is part of society, it can only function as part of society and by being partners with different types of stakeholders – as we like to call them – in society, and without a good reputation it is difficult to foster these partnerships. These partnerships will often have to be entered on conditions that are not favourable to the company if you do not have a good reputation and, conversely, if you have a good reputation, you often benefit from conditions that are better than the average for the industry.

It is also clear to me that as we are talking about customers, increasingly customers will not only look at the product features that they are acquiring, but also at the reputation, the credibility of the companies that are behind the products they are consuming. That even goes for healthcare products where traditionally consumers have primarily looked to their physicians and healthcare professionals for endorsement of the products. But increasingly, as we have seen, there are products with side effects and therefore the responsibility and the reputation of the companies behind the products is important.

Finally, one thing that is important is the value proposition that reputation represents to our employees – our current employees and our future, prospective employees. There is no doubt in mind that the reputation of Novo Nordisk is contributing to the motivation of all our employees and it makes us a better potential employer in the future and, as a consequence, it heightens our competitive edge vis-à-vis our competitors and drives value for the company."

Panel 5: Corporate Reputation: The Challenge of Meeting Stakeholder Expectations

"The expectation gap is the hardest thing to manage."
J. Frank Brown, PricewaterhouseCoopers

"Expectations are evidently high. Yet corporate social responsibility is assailed on the right as a diversion, on the left as a cynical fig-leaf for business as usual."
Michael Pragnell, Syngenta

Friday's first panel paired CEOs Michael Pragnell (Syngenta) and Herbert Scheidt (Vontobel Group) with J. Frank Brown (PricewaterhouseCoopers) and Haig Simonian (Financial Times), who contributed the viewpoints of critical market observers. Their discussion revolved around themes such as executives' self-perception, risk factors and how to deal with critical situations, for example in relation to corporate social responsibility (CSR).

In his input speech, J. Frank Brown presented intriguing analyses on how reputation is assessed and dealt with as a risk factor. According to one survey, top managers consider reputation risks to be the largest threat to their companies, ahead even of market and credit risks. But in contrast to this high degree of awareness, corresponding action is insufficient: efficient risk management for reputation threats is mostly lacking. Another survey has revealed that stakeholders are often identified and assessed on the basis of preconceived views. Thus, many companies do not perceive the media and civil society organisations as being among their stakeholders.

Such aspects were also highlighted by Michael Pragnell, who used a concrete example to demonstrate how quickly a multinational corporation may get negative coverage in the media and become the target of criticism. Evidently, in the case of Syngenta this risk is increased by industry characteristics and the large number of production sites in developing

“We need reputation from the inside to gain reputation from the outside world.”
Herbert J. Scheidt, Vontobel Group

and transitional countries. Once such a process is underway, Pragnell warned, prevailing opinions are very hard to change, whatever facts and figures a company may present. It is all the more important, therefore, to learn how to adopt the viewpoints of different stakeholders in solving problems. After Syngenta had taken stock of the situation it thus sought direct contact with NGOs and the affected communities and began to look at the problem within a socio-economic context, in order to draw the necessary conclusions for its CSR policy.

“The perception now is that a truly world-class company, whether in pharma, whether in finance or whether in crop science, is expected to be a great corporate citizen.”
Haig Simonian, Financial Times

Haig Simonian recalled that after the recent series of scandals, the public and the media have very high expectations on corporate behaviour. Social responsibility and a commitment to sustainable practices are simply taken for granted nowadays. Any “infringements” are penalised instantly, with serious implications for the affected companies. Given these high standards, it is crucial for corporate representatives to maintain credibility in their behaviour and statements, both internally and externally. Herbert Scheidt also spoke about these pressures when reviewing the crisis of confidence at Vontobel Group. If, for example, management does not respect the stated values and fails to keep its promises, the negative consequences for the corporation – for employee motivation, amongst others – should not be underestimated.

Panel 6: Is Reputation Manageable – a Benchmarking Exercise

“There is increasing scrutiny on civil society organisations to not only deliver, but to do so as effectively and efficiently as possible.”
Claude Martin, WWF International

How are civil society organisations (CSOs), countries and the private sector dealing with reputation? What do their approaches have in common, where do they differ? Before these questions were discussed in the second series of workshops, Claude Martin of WWF International, Brian Bruce of Murray & Roberts and Peter Forstmoser of Swiss Re provided initial inputs for CSOs, countries and the private sector, respectively.

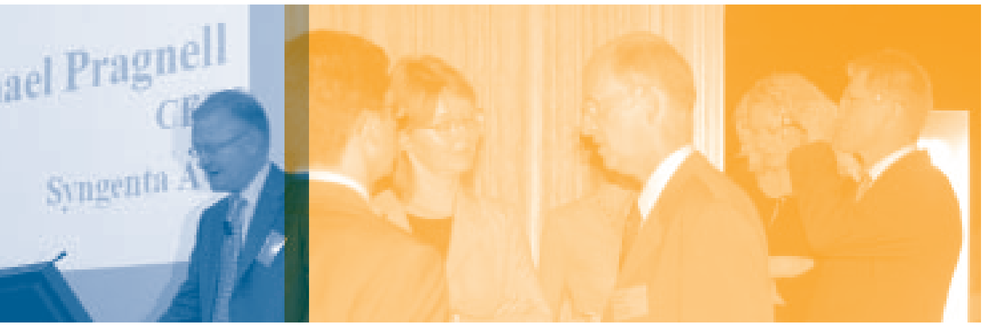
Claude Martin argued that the times when the public would uncritically support the work of CSOs because of their charitable character are definitely over. Several instances of misappropriation have led to a decline in the reputation of CSOs. As a result, they now come under much more public scrutiny, in particular with regard to the efficiency and transparency with which they go about their work.

“Companies should translate core values into specific hands-on guidance.”
Peter Forstmoser, Swiss Re

These developments were said to have created many parallels with the private sector, because the same responses are required. “As in the corporate world, there is a need to create a vision and derive corresponding objectives. CSOs have to place particular importance on communicating this vision regularly and convincingly, within the organisation and to external groups.” Claude Martin also drew attention to the similar role of the CEO in building reputation and stakeholder relations.

“Countries need to develop a reputation, but this cannot simply be tailored by the government. This wouldn’t be credible.”
Brian C. Bruce, Murray and Roberts

Introducing the country approach, Brian Bruce said it was still a young but highly interesting, if challenging concept. Conceptualisations of countries are the subject of constant international and internal change. Who would have thought after the Second World War that Saudi Arabia would turn into such an important partner on the basis of its oil reserves, that the Soviet Union would collapse and that China would be seen as an area of booming economic activity? Such changes require constant readjustments of partnerships and their implications for reputation. Two of the biggest current challenges facing countries include global trade and migration, according to Brian Bruce.



Speaking for the private sector, Peter Forstmoser highlighted the importance of going the whole way in embedding a company's reputation – from the rather abstract task of defining a corporate philosophy and core values to the more concrete development of a code of conduct and intelligible manuals. These need to give clear guidance for specific situations in daily business life. Furthermore, he pointed out that paying close attention to all three areas – corporate governance, compliance and corporate reputation – has a cross-fertilising effect and builds competence in each of them. Finally, Peter Forstmoser stressed that the results can in fact be monitored, because to a large extent reputation values are measurable.

Workshops II

The second series of workshops looked at several cases from civil society organisations, a country and the private sector, to identify what their respective approaches to the management of reputation have in common and how they differ.

G Civil Society

G1 WWF International

Presenter: Claude Martin, WWF International
Challengers: André Abadie, ABN AMRO; Christina Ulardic, Swiss Re Centre for Global Dialogue

Claude Martin pointed out that the image of WWF International is crucial for its work. The WWF logo, he said, is one of the most recognisable in the world. Key elements people associate with the organisation are independence, political neutrality, a science-based approach and the avoidance of unnecessary confrontation. In the discussion it was argued that an intact reputation is at least as important for an NGO as for a private-sector company, since the ability to attract members and funds strongly depends on it. Recognising potential threats to reputation is therefore essential. Foremost among these is the loss – or perceived loss – of independence. This is why WWF International needs to be prepared to challenge its project partners in the private sector. Financial propriety and transparency are other key requirements. Indispensable attributes for meeting these principles include personal integrity and strong leadership, plus, as Claude Martin stressed, a stable "corporate" culture that allows new issues to be embraced in a consistent way.

G2 International Committee of the Red Cross

Presenter: Gilles Carbonnier, International Committee of the Red Cross
Challengers: Ronald J. Alsop, The Wall Street Journal; Herman Mulder, ABN AMRO

Like WWF International, the International Committee of the Red Cross (ICRC) has a distinct image and reputation. Confidentiality is one of its defining qualities: all parties involved in a conflict need to accept it. But Gilles Carbonnier conceded that today the ICRC is also under pressure to become more transparent. The organisation strives to balance these contradictory demands by actively involving the media in communicating its mission and way of working. Information leaks, however, are a serious threat to its reputation. The ICRC tries to counter this and other threats by providing its employees with intensive training on its values and operating principles – and indeed staff are rarely the source of leaks. Another

essential element in training is employees' round-the-clock behaviour in conflict areas: a damaged reputation in one area could have immediate consequences for ICRC's ability to carry out its mission in other locations.

H Country

H1 South Africa

Presenter: Brian C. Bruce, Murray & Roberts
Challengers: Elisabeth Höller, Dr. Höller Vermögensverwaltung und Anlageberatung; Achim Steiner, IUCN – The World Conservation Union

Since the end of apartheid, South Africa has been able to gain a much better reputation. Several ratings confirm this, and a quick rating exercise conducted in the workshop saw South Africa claim second place behind Switzerland but ahead of the US and China! Analysing this achievement, the workshop participants concluded that some of the drivers of a country's reputation are very similar to those of the corporate world: quality of leadership, treatment of stakeholders and economic performance. But a country's stakeholder relationships and leadership structures are obviously more diverse, making reputation management more complex. As Brian Bruce pointed out, some tough challenges still lie ahead for South Africa, for example with regard to housing, crime, foreign direct investment and use of natural resources. Achim Steiner concluded that leadership will be essential for the future of South Africa: the politicians that succeed the generation of activists will need to maintain the present spirit of accountability, if the country's positive transformation is to continue.

I Private Sector

I1 Swiss Re and MORI

Presenters: Ivo Menzinger, Swiss Re; Roger Stubbs, MORI – Market & Opinion Research International
Challengers: Marco Durrer, Lombard Odier Darier Hentsch; Charlotte Ersbøll, Novo Nordisk

Roger Stubbs first explained how MORI identifies issues that may affect a company's reputation. Different stakeholders have different perceptions, so a risk area develops when a particular issue is highly relevant to one or more stakeholder groups, but the company does not perform well in this area. Ivo Menzinger then outlined how Swiss Re incorporates findings like those provided by MORI in its strategic issue management approach to determine "top topics" for the company. Among these, climate change has been a particular "success story" for Swiss Re. This is because a wide range of stakeholders (both in business and the public) take an interest in the topic, top management fully backs it and the company has followed up its words with credible actions. In the ensuing discussion, Charlotte Ersbøll warned that a "reputation-driven process" is insufficient to bring about genuine corporate responsibility. Ivo Menzinger agreed but emphasised that this is not the logic behind Swiss Re's issue management: rather, it is to identify and address relevant issues, which may then benefit the company's reputation.

I Private Sector

I2 Agriculture and Agri-Food Canada, and GlobeScan

Presenters: Jason Baillargeon, Agriculture and Agri-Food Canada; Doug Miller, GlobeScan
Challengers: Jem Bendell, Lifeworth; Chris Shaw, Factiva Insight

This workshop focused on a brand development initiative for the purpose of differentiating Canadian agriculture and agri-food exports, specifically in Mexico. The project was motivated by the mounting international competition facing agricultural exports from developed countries. Reputation research involving some two hundred decision-makers in Mexico had the objective of identifying key attributes associated with Canada and Canadian products. The results suggested that there is indeed potential for developing a "national" Canadian brand based on environmental friendliness and safety. The presenters said that it was too early, however, to determine whether this strategy can actually feed back into more sustainable policies. In the discussion a lot of attention was directed to the nature of competition between nations in the global economy: on the whole participants seemed to lean to the view that there can be a "race to the top", based on products that embody high environmental and social standards.

I3 Philips

Presenter: Henk de Bruin, Philips
Challengers: Philipp Mettler, SAM Research; Ken Standfield, International Intangible Management Standards Institute

Henk de Bruin gave a comprehensive account of Philips' reputation development, management and measurement. In developing its reputation, the company identified sixteen attributes, which are fed by seven drivers spanning the whole value chain and most traditional functions. These drivers are leveraged through mission, vision and brand positioning. Given the breadth of the identified reputation drivers, reputation management is the sum of activities in compliance management, performance management, stakeholder engagement, supplier involvement, external reporting, consistent communication and benchmarking. To measure its reputation, Philips uses several tools, amongst them a three-yearly reputation survey that in 2003 covered ten major stakeholder groups and four competitors. Asked whether a consumer goods company should not just focus on brand marketing, Henk de Bruin replied that overall reputation is an important emotional selling factor and a key part of the culture that allows the right products to be manufactured.

I4 Holcim

Presenter: Barbara Dubach, Holcim
Challengers: Sabine Döbeli, Zurich Cantonal Bank; Nikodemus Herger, Swiss Re; Chris Tuppen, BT Group

Barbara Dubach started her input by recalling that the global Holcim Group was established in 2001, superseding the previous decentralised group of companies. While these companies had carried out many local environmental and social initiatives, the global Group defined sustainable development (SD) as a key element in its vision and mission. Holcim has steadily expanded its SD activities, which now form an important pillar of its reputation. Barbara

Dubach stressed, however, that measuring reputation and its drivers is no easy task for a group active in seventy countries. Efforts are therefore made both at Group and at individual company level (for example global and local stakeholder dialogues). Independently conducted customer satisfaction and loyalty surveys include Holcim's competitors, so that a simple brand equity index can be calculated. Moreover, in five key markets customers have been asked in more detail about the impact of the Group's sustainable development programmes. An important point revealed by the discussion was that NGOs are considered crucial for identifying key issues in different areas and are systematically involved in stakeholder dialogue platforms.

Panel 7: The Market Value of Reputation: A Question of Leadership – or More?

"Management of reputation amounts to no more than speeches by the CEO unless it's enforced upon the organisation as a process."
Jermyn P. Brooks, Transparency International

"A Question of Leadership – or More?" This topic launched the final panel of the International Sustainability Leadership Symposium 2005. Tom Clough, Thomas Müller and Heinrich Wiemer addressed it from the perspectives of executive management, risk management and financial analysis, respectively, while Jermyn Brooks of Transparency International provided the back-drop to the discussion with his observations. He once again drew attention to the complexity of the whole subject and urged the audience to remember that the critical issues are in a constant state of flux, for example with regard to legislation and regulations, the convergence of governance and corporate responsibility and the complex interplay of local and international factors in shaping stakeholders' expectations.

"We should let people know what our promise is."
Tom Clough, Holcim

The panellists agreed that, as a result of these forces, crucial importance attaches to the CEO and his/her personality. Internally, it is important to motivate employees and create the right spirit, while externally a company needs to be represented with a credible and authentic voice. In this context, Heinrich Wiemer pointed out that tighter regulations on communications policies have moved the CEO even more to the centre of attention. However, both he and Tom Clough argued that market observers do recognise the significance of people and mechanisms in the "background". While the CEO is called upon to lead the way in situations of crisis and in the build-up and application of a value system, in daily business responsible behaviour must be ensured through robust structures and processes.

"Significant compliance builds on measurable and controllable values."
Thomas Müller, Banca del Gottardo

Speaking from a risk management perspective, Thomas Müller of Banca del Gottardo supported this view. He identified a general need to improve the implementation of clear processes and argued that meaningful compliance will only be possible if the underlying values become measurable and thus controllable. However, the amount of time and other resources required to accomplish this should not be underestimated, he added.

"With today's disclosure rules, CEOs are even more in the limelight."
Heinrich Wiemer, Bank Sal. Oppenheim jr. & Cie.

In view of the identified challenges, the participants concluded the workshop by formulating their wishes and requests. Jermyn Brooks for instance urged managers to look beyond the boundaries of their corporate "black box", so they would learn to listen more carefully to stakeholders (including challenging ones) and understand different points of view.

Kurt Imhof, Professor of Media Studies and Sociology, University of Zurich:

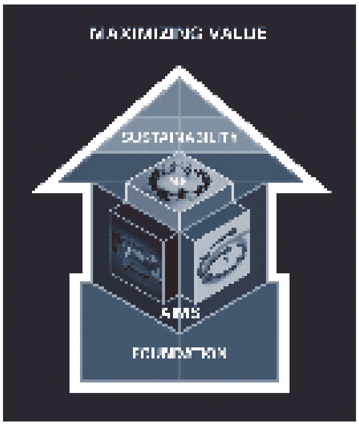
Communication Risks of Organisations: Medialisation Effects

"I will concentrate here on the communication risks to which modern organisations are subject and which result from a new structural change of the public sphere ... The reputation of an organisation is made up of functional and social aspects. Whereas functional reputation represents an assessment of the narrower purpose of the organisation, social reputation reflects how far the actions of organisations agree with norms and values structured according to expectations. In view of the moral charge carried by public communications, the social reputation of organisations has risen dramatically in importance. It can be seen in particular that organisations with reputation deficits are subject to a massive risk of being branded primarily as deficient in social morality. The dominant importance of social reputation for their overall reputation makes it necessary for organisations to apply much greater effort to nurture their overall reputation in both 'inner' and 'outer' senses.

Organisations are increasingly perceived by the mass media in terms of the personalities of their top managers ... A form of communication with a strong bias towards personalities came to the fore especially in the 1990s and increasingly replaced the organically grown social prestige of the organisation by the reputation of its top managers. This made the organisation dependent on personal reputation. In fact, what we are seeing is a star system created by the media: reputation is increasingly created and assigned by the media (charisma effects). This trend to highlight personalities dramatically increases the volatility of the organisation's overall reputation ... The fluctuation rates among top managers in organisations have risen accordingly and now far exceed average corporate values. As a result, historically anchored social prestige can be formed only under greatly impaired conditions because the organisational biography is chopped up into the brief leadership cycles of their respective management elites. This increased volatility at the top of the corporation spreads to the entire organisational structure because the top managers must satisfy the social expectations of their charismatic reputation: as a rule, therefore, fundamental reorganisations follow the rhythm of CEO change."

Alcan

Alcan is a global leader in aluminium and packaging. With world-class operations in primary aluminium, fabricated aluminium as well as flexible and specialty packaging, aerospace applications, bauxite mining and alumina processing, today's Alcan is well positioned to meet and exceed its customers' needs for innovative solutions and service. Alcan employs almost 70,000 people and has operating facilities in 55 countries and regions.



Alcan has developed a set of priority sustainability focus areas, referred to as the "Alcan 8":
Energy, Climate Change, Natural Resource Stewardship, Community Development, Well-Being, Environmental Releases, Innovation and Industry Shifts and Product Stewardship.

By recognition of these eight areas as key factors in addressing sustainability within the company, the geographic or business group boundaries have been removed. As a result, Alcan was able to develop a cohesive and forward-looking global strategy to address an issue company-wide, confront the challenges and identify new opportunities.

Alcan's Integrated Management System (AIMS), which is the foundation of sustainability business model, aims to reinforce the company's sustainability approach and to help pursuing the goals within the eight key areas. With AIMS, three key corporate building blocks (pillars) are being interconnected and applied in a consistent manner throughout Alcan: Value-Based Management, Environmental-Health-and-Safety FIRST, and Continuous Improvement.

Reputation Management is crucial for Alcan, as activities of any company dealing with raw material bear environmental risks on a global scale. The negative impact of operational failures can cause a long-term damage in a company's reputation and economic value, Alcan therefore invests in the prevention of social, environmental and health risks linked to its operational activities and beyond.

For Alcan, the maximisation of profitability and of value for all its stakeholders is the key driver for a good reputation and a governing objective of the company. The enhancement in value has to occur at all levels – not only by economic success alone but most importantly by comprehensively implementing sustainability principles within the company.

"The world faces enormous sustainability challenges, among them providing for a growing population while managing natural resources responsibly, meeting the needs of burgeoning mega cities, addressing climate change, and protecting water resources so they can be used sustainably into the future. Our customers and the communities in which we operate care about these issues and are seeking solutions and partners that can help provide them." Travis Engen, President and CEO, Alcan Sustainability Report 2005.

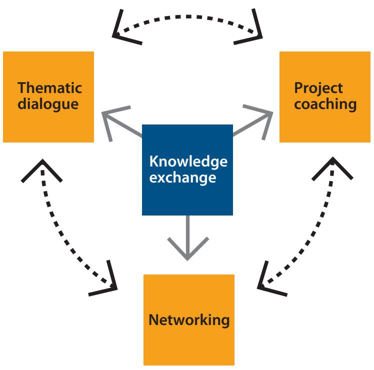
Being aware of the many economic, environmental and social dimensions of its presence led Alcan to establish a continuing dialogue and develop cooperative initiatives with a wide range of stakeholders. This engagement – a key element of Alcan's sustainability business model – is helping to promote sustainable business practices within the company. From local community "open house" days to international engagements focused on global issues and challenges – Alcan is involved at many levels and on many issues with its stakeholders.

The creation of the $1 million Alcan Prize for Sustainability in 2004, to recognise outstanding contributions from non-governmental organisations to the cause of global sustainability, is another demonstration of Alcan's commitment to sustainability. The Prize is awarded every year and highlights the value of encouraging stronger linkages among the many organisations, from business and government to the non-profit sector, that are working on the challenge of sustainable development around the world.

Alcan's credible stakeholder engagement, its voluntary efforts to reduce greenhouse gas emissions and its strong commitment to sustainability have earned it a position on the Dow Jones Sustainability World Indexes for the last four years.

The Sustainability Forum Zürich

The Sustainability Forum Zürich (TSF) is a partnership between the private sector, academia and public authorities. Since its inception in 1999, TSF has been offering business leaders a professionally managed platform to exchange ideas and experiences on sustainable business models. An open, ongoing dialogue with leading representatives from politics, academia, public authorities and civil society aims to stimulate the implementation of sustainability principles in practice – in the sense of the triple bottom line – and thus promote corporate responsibility.



The TSF focus
Thematic dialogue
Agenda setting, dialogue events on future-oriented, global themes

Project coaching
Coaching of focused dialogue processes and studies on implementing sustainability principles and corporate responsibility

Networking
First-class national und international networking organisation

Thematic dialogue

In cooperation with interested partners, TSF initiates, develops and organises focused dialogues on future-oriented topics with reference to sustainability and corporate responsibility, in a national, international as well as industry-specific context. A focal point is the annual International Sustainability Leadership Symposium which has brought together leaders from business, politics, science and civil society for the last six years to discuss the following topics:

2000: Sustainability – Driver to Economic Success?
2001: Financial Services – Drivers to Sustainability?
2002: Governance for Sustainability: Making Corporate Responsibility Work
2003: Towards a More Sustainable Retirement System: The Quest for New Governance and Asset Management Strategies for Pension Funds
2004: Business Investment in Development: Experiences and Perspectives
2005: The Market Value of Reputation

Project coaching

The available know-how on sustainable practices and solutions is steadily increasing. The big challenge lies in pooling this know-how and putting it to effective use. TSF identifies and realises path-breaking projects with regard to sustainability and is involved in the coaching of theme-specific dialogue processes and studies, taking into consideration applied research.

In 2005, for instance, TSF carried out the project “The new Generational Contract in Switzerland”, a political dialogue based on scientific research on the reformation of the Swiss retirement system. The dialogues resulted in the publication of a report addressed to political and scientific institutions as well as to the general public with recommendations for the reformation of the Swiss retirement system, and of an accompanying booklet containing the underlying science. At a first concluding conference in January 2006, national politicians, representatives from public and private pension schemes and scientists discussed the results and recommendations of the study. The leaders of the four largest Swiss political parties made a commitment to continue this constructive dialogue aimed at finding sustainable solutions for the system.

Networking

TSF (www.sustainability-zurich.org) is a first-class networking organisation and knowledge platform in the field of sustainability and corporate responsibility. Close co-operation is maintained with the Center for Corporate Responsibility and Sustainability CCRS (www.ccrs.unizh.ch), established by TSF and attached to the University of Zurich, as well as novatlantis in the ETH domain (www.novatlantis.ch).

Conclusions

The 6th International Sustainability Leadership Symposium provided strong evidence that reputation is indeed a key issue for the corporate world and increasingly for civil society organisations, too. Unsettled by financial scandals, ballooning executive pay, globalisation and other factors, large parts of the public and the media have started to look much more critically at the overall performance and behaviour of companies.

Many of the theses on reputation presented in the input paper were confirmed, at times with interesting twists. The lively discussions conducted in the panels and workshops also offered some genuinely new insights, however.

Several speakers confirmed that reputation management must not be understood as an array of isolated measures to be taken in times of crisis. Rather, they stressed the complex character of reputation and the comprehensive efforts its build-up and protection requires. As a consequence, responsibility for reputation cannot be delegated to specific entities within the organisation, but needs to be firmly embedded in its overall culture and strategy.

Stakeholder relations emerged as a vital precondition for building up a lasting reputation. Companies need to engage actively and transparently with various stakeholder groups to identify differing concerns and priorities. But there seems to be uncertainty at times about who the relevant stakeholders really are. Companies must take care not to identify their stakeholders on the basis of preconceived opinions, so they do not end up excluding important groups that – directly or indirectly – may have a strong influence on general perceptions.

In this context, a plea was made for proactively seeking dialogue with critical NGOs and other opinion-makers. Some companies who have been doing so stressed how much this has helped them to spot and address critical issues at an early stage. On the other side, NGOs were themselves said to be just as dependent on a good reputation as companies. The key challenges are thus very similar for both types of organisation.

Corporate responsibility and sustainability were judged to be essential – at times they were almost considered synonyms for a good reputation. It was also pointed out, however, that a commitment to corporate responsibility and sustainability is not to be taken lightly. Stakeholder expectations in this respect have risen substantially in recent times, and if a company is found not to live up to its claims and promises, this can lead to a very damaging boomerang effect.

The ability to meet the rising expectations of different stakeholders seems to rest on a set of firm principles of behaviour. Transparency was perhaps the most widely mentioned principle that companies need to adhere to. But authenticity also emerged as a key concept, especially for the way in which shortcomings and mistakes are explained.

Looking at the bottom line, there was a broad consensus that a good reputation makes a vital contribution to value creation. In bad times it can have a "life-saving" function, in good times it allows companies to achieve a premium in the relationships with its different stakeholders. Attention was drawn to the fact, however, that the resulting economic value should and can be measured. If, for example, the reputation premium is defined as a guarantee provided by sellers for which buyers are willing to pay in markets with incomplete observability, the associated future cash flows can be calculated.

According to a number of speakers, one benefit of reputation that can hardly be overestimated is its ability to attract and motivate employees. This effect may even be reinforced if employees are allowed to gain hands-on experience in charitable activities. Vice versa, though, it was said to be essential to provide employees with sound training and guidance on corporate culture and principles.

An intriguing finding that perhaps was not expected in this fashion relates to the role of the CEO: accordingly, this is not limited to overall vision and leadership, but actually extends to his or her personality. Empirical research cited at the conference shows that the CEO's reputation accounts for an increasingly large part of the company's overall reputation. At the same time, several speakers stressed that this should under no circumstances go at the expense of structures and processes setting binding standards for the whole organisation. In other words, personality and organisation must complement each other.

Finally, a notion was brought into play several times which may be in danger of being neglected in today's fast-paced world. Although short-term pressures in product and financial markets are ever increasing, it is vital for companies to retain a long-term perspective at the same time. If the patience to achieve long-term gains is missing, the short-term consequences may ironically be quite devastating.

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