

# International Reputation Management

*Learnings from China*

*April 2009*

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International Director



# Content

1. Reputation Institute and the way we think
2. Reputation and performance
3. Reputation Management in China
4. Q&A

# 1 Reputation Institute and the way we think



# World's leading reputation consulting firm and combines leading academic research with research based advice



Knowledge

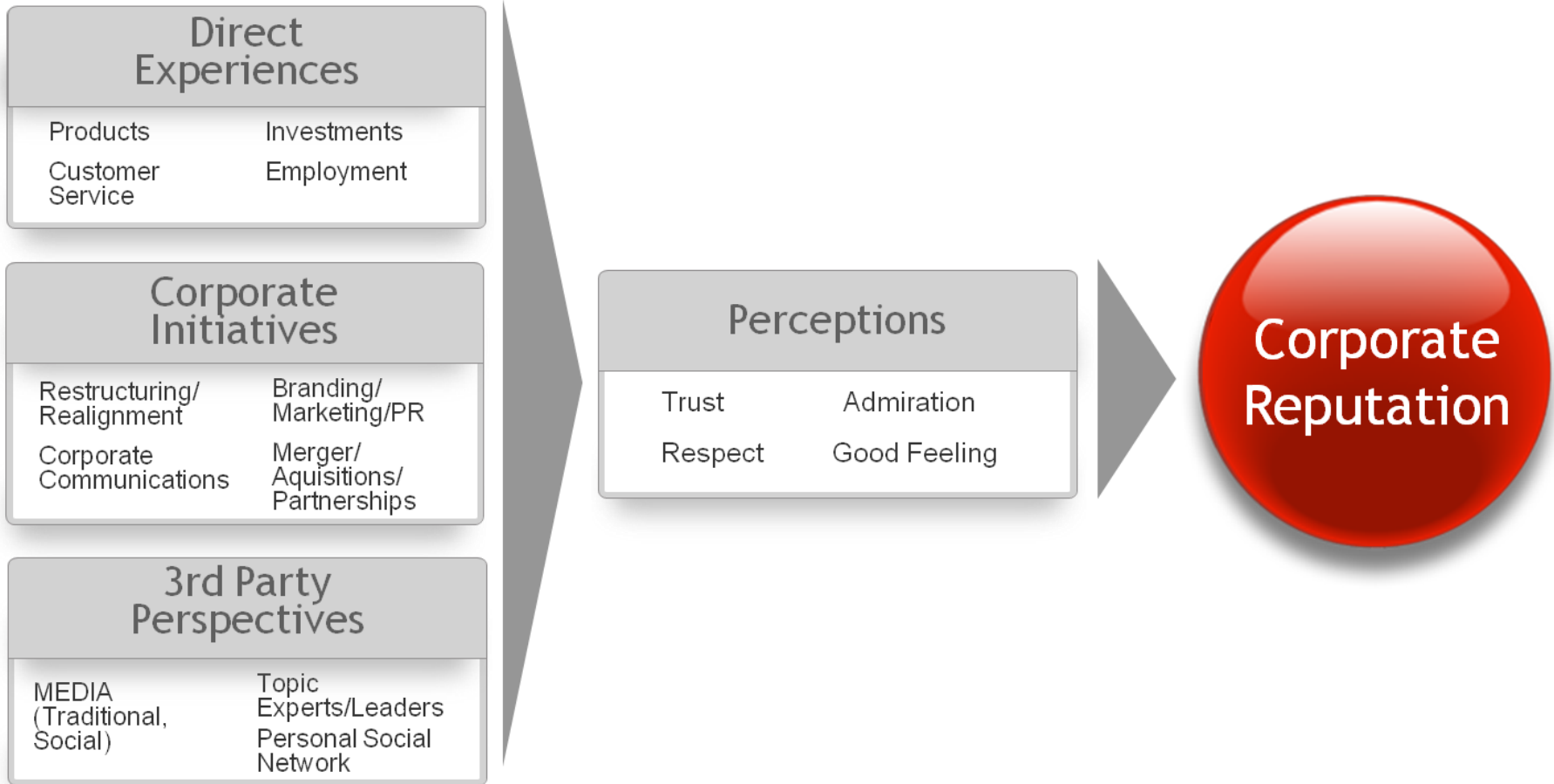
Advice

- Conferences
- Publications
- Networks

- Insight
- Strategy
- Alignment



# How reputations are created



# Reputation lives in the products/services...

## APPLE



## BAMBUS



Which MP3 player would your son or daughter rather have as a birthday present?

...and in the people we admire or fear..

Hillary Clinton



Barack Obama



From whom did we expect continuity / change...



... and in the companies we want to be a part of



**Microsoft®**

People either hate or love



**PETROBRAS**

People mostly love

Is your company loved more than your competitors?



# Reputation either creates or destroys (shareholder) value

Good  
reputation



Bad  
reputation



World of  
friends

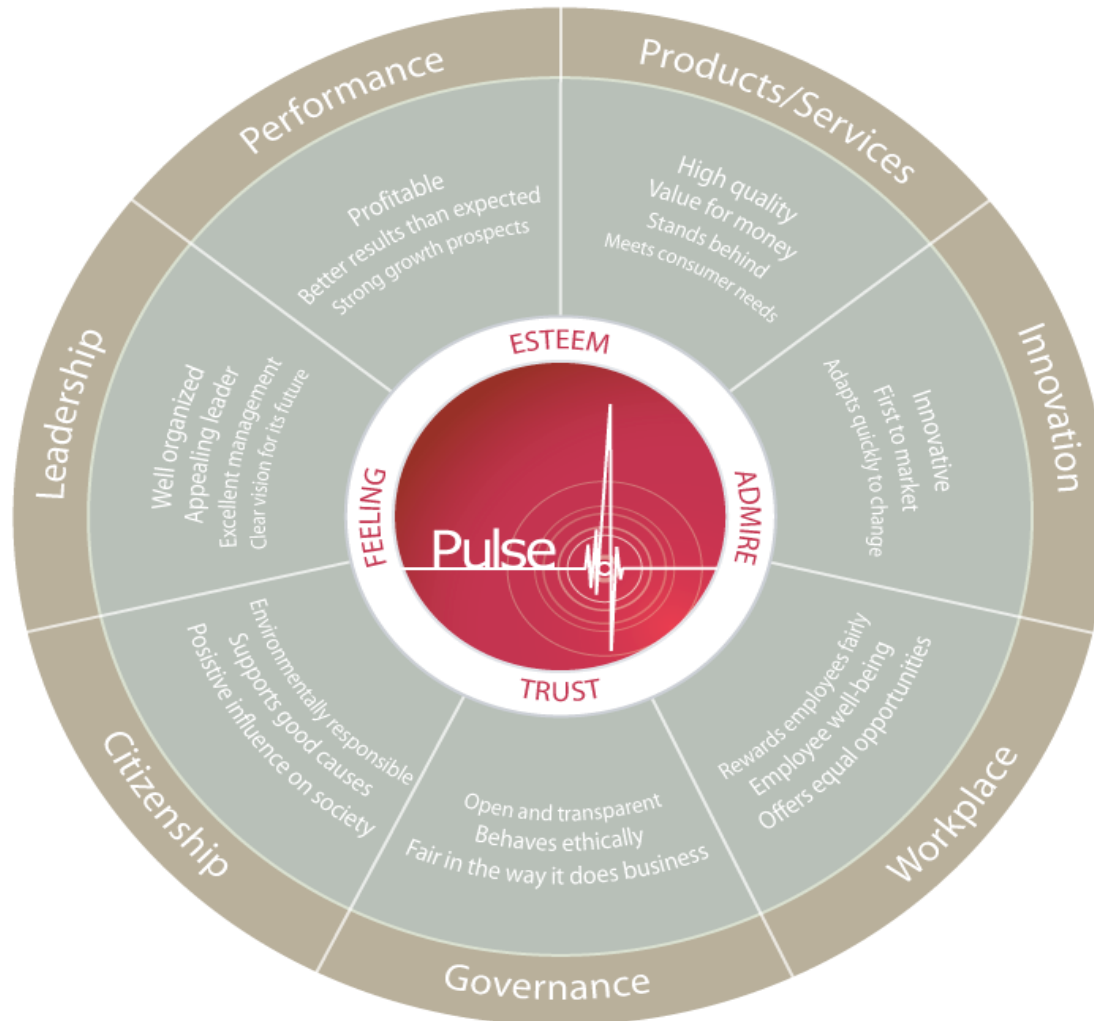
World of  
enemies

"Our assets are our people, capital, and reputation. If any of these are ever diminished, the last is the most difficult to restore."

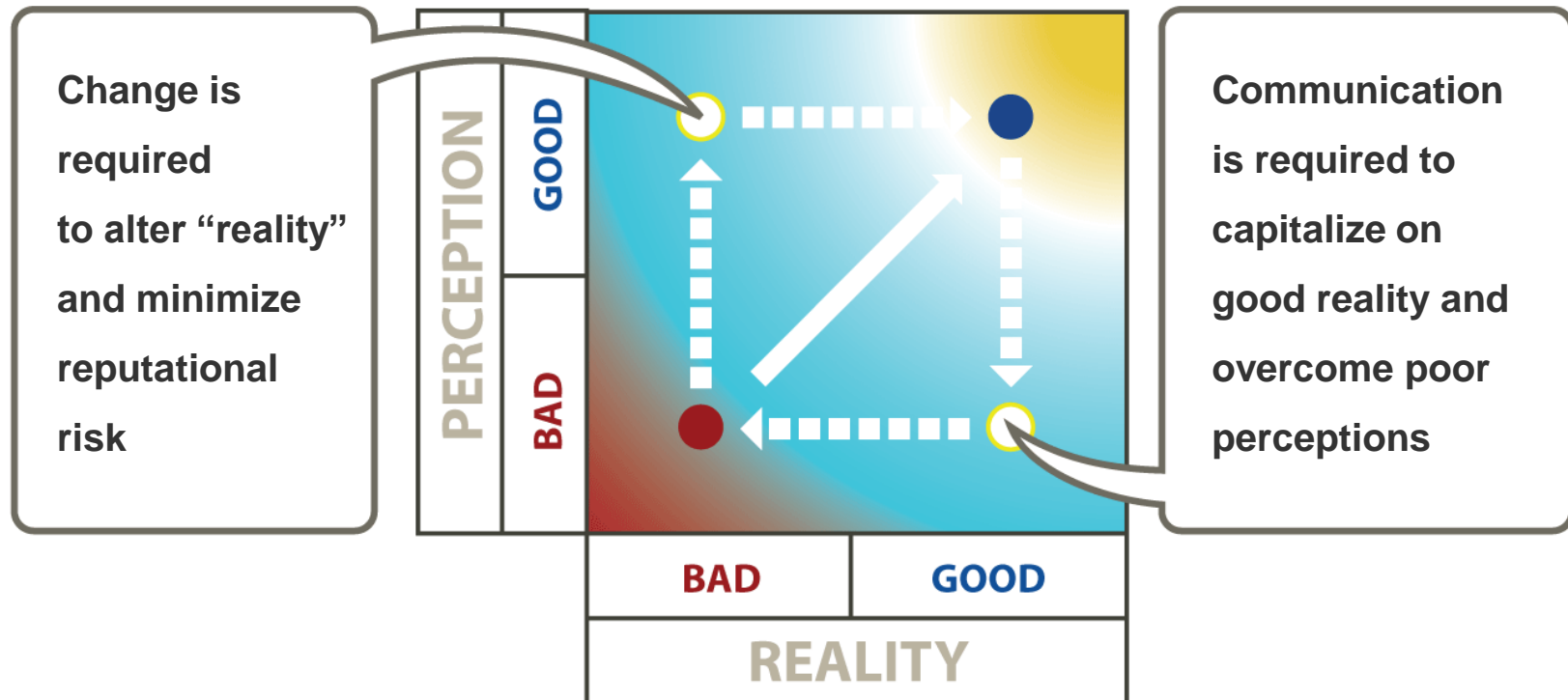
*From Goldman Sachs' Business Principles*

# Reputations are built on 7 Core Dimensions

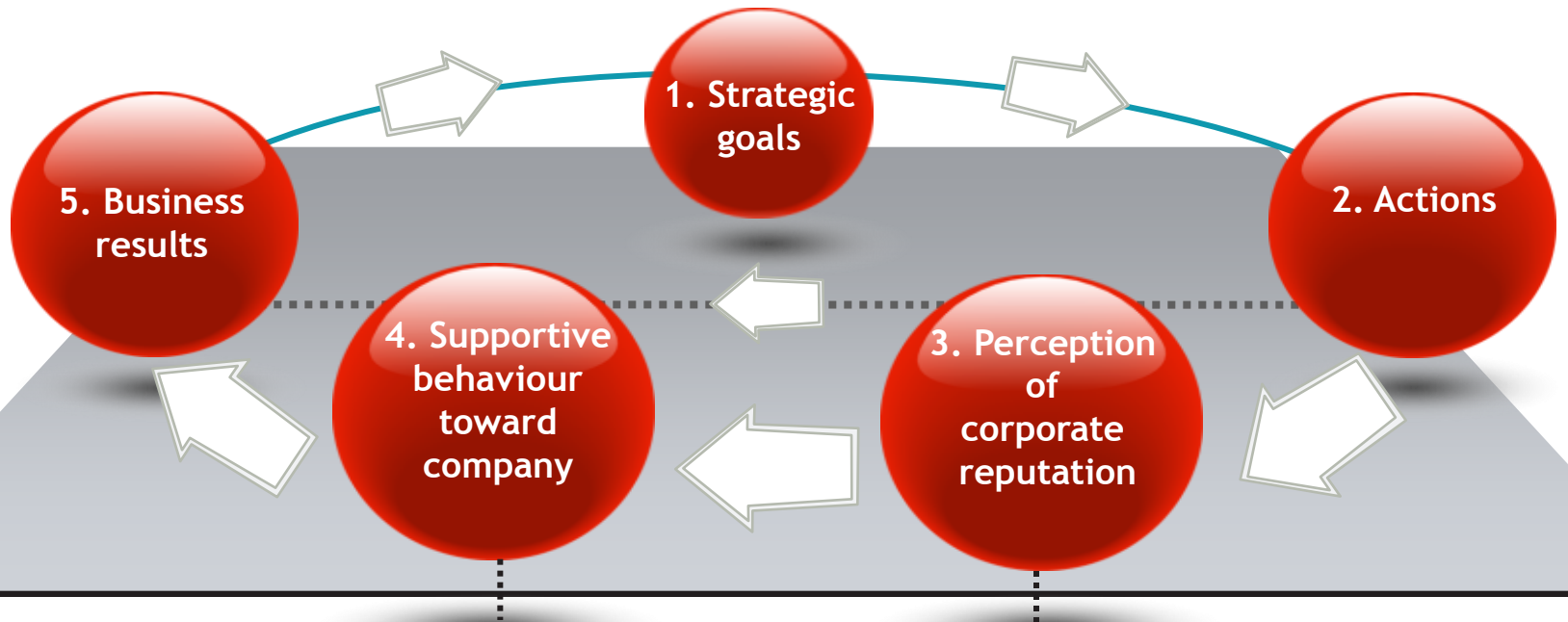
*...some of which are more relevant than others*



# Reputation Management is not spin – it's about balancing perceptions and reality ...

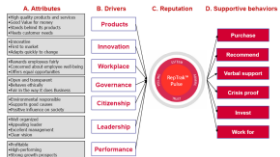


...and reputations drive stakeholder perceptions that lead to stakeholder support which has a direct impact on your bottom line



- Buy and recommend products
- Invest in the company
- Support the company
- Talk positively about company
- Recommend the company

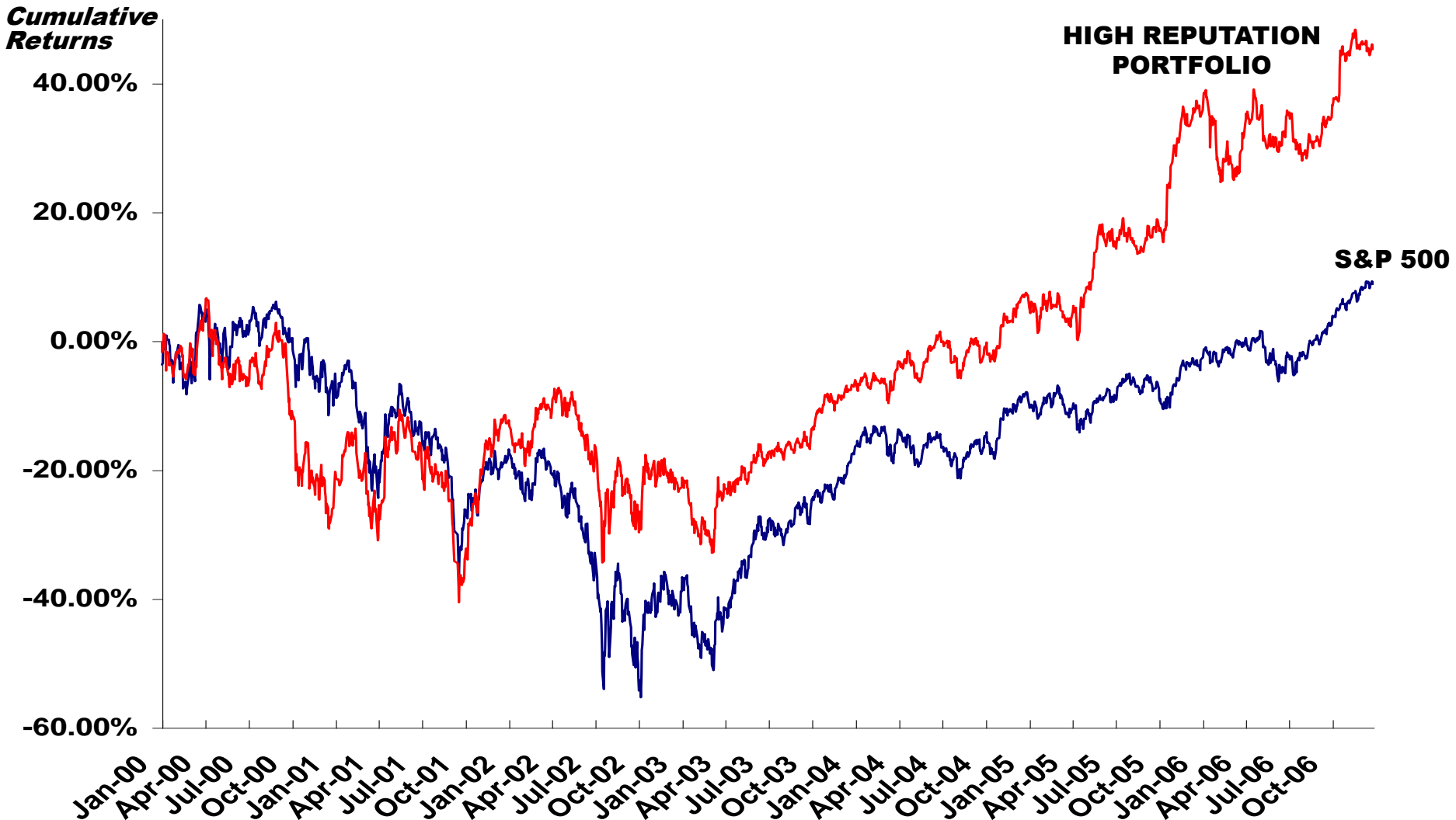
- Products/Services
- Innovation
- Workplace
- Ethics
- Social Responsibility
- Leadership
- Performance



# 2 Reputation and performance



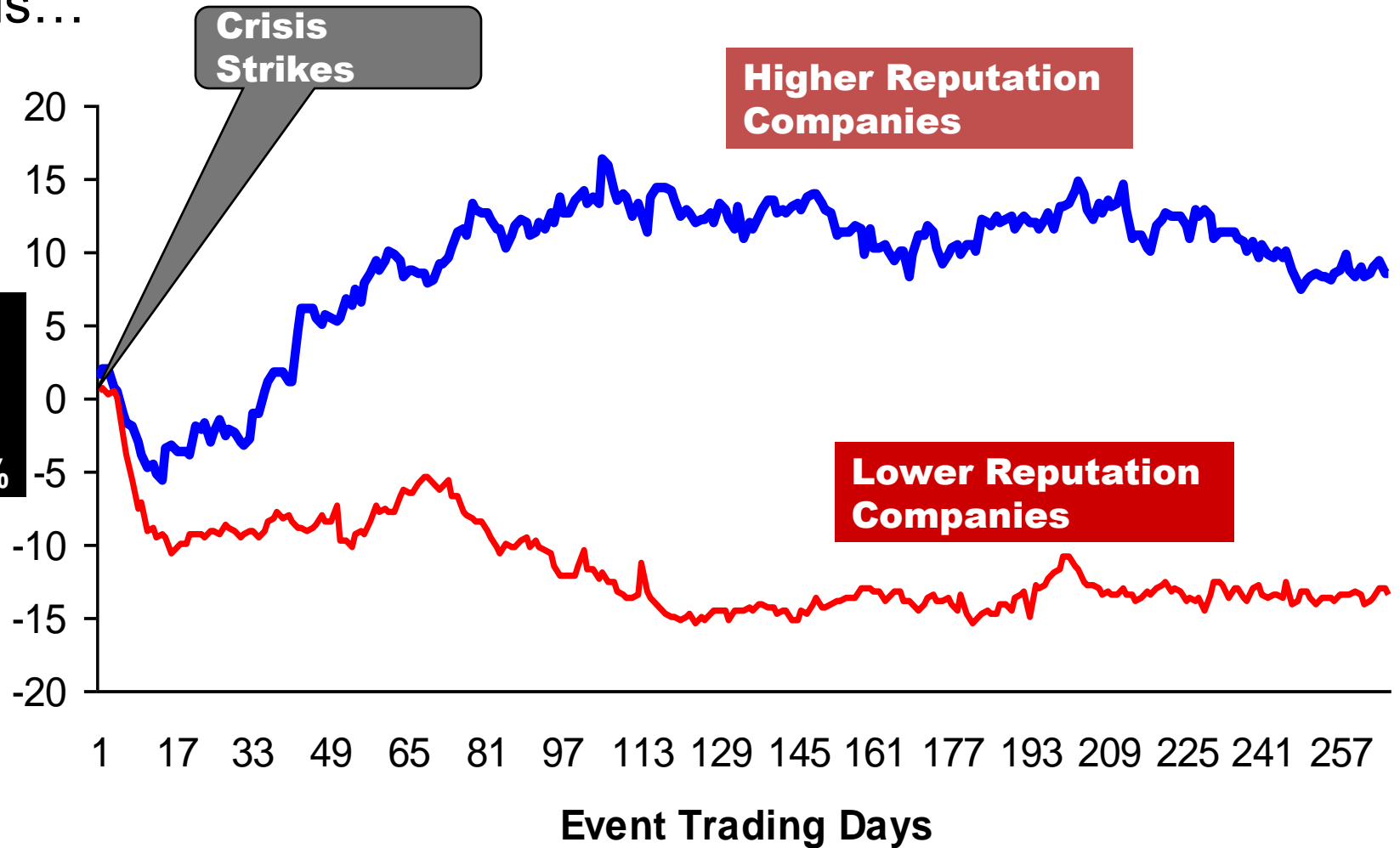
# Reputation is linked to performance: Good reputed companies deliver more financial value



Source: Reputation Institute, 2007

Reputation is linked to performance

Companies with reputation capital recover quicker from crisis...

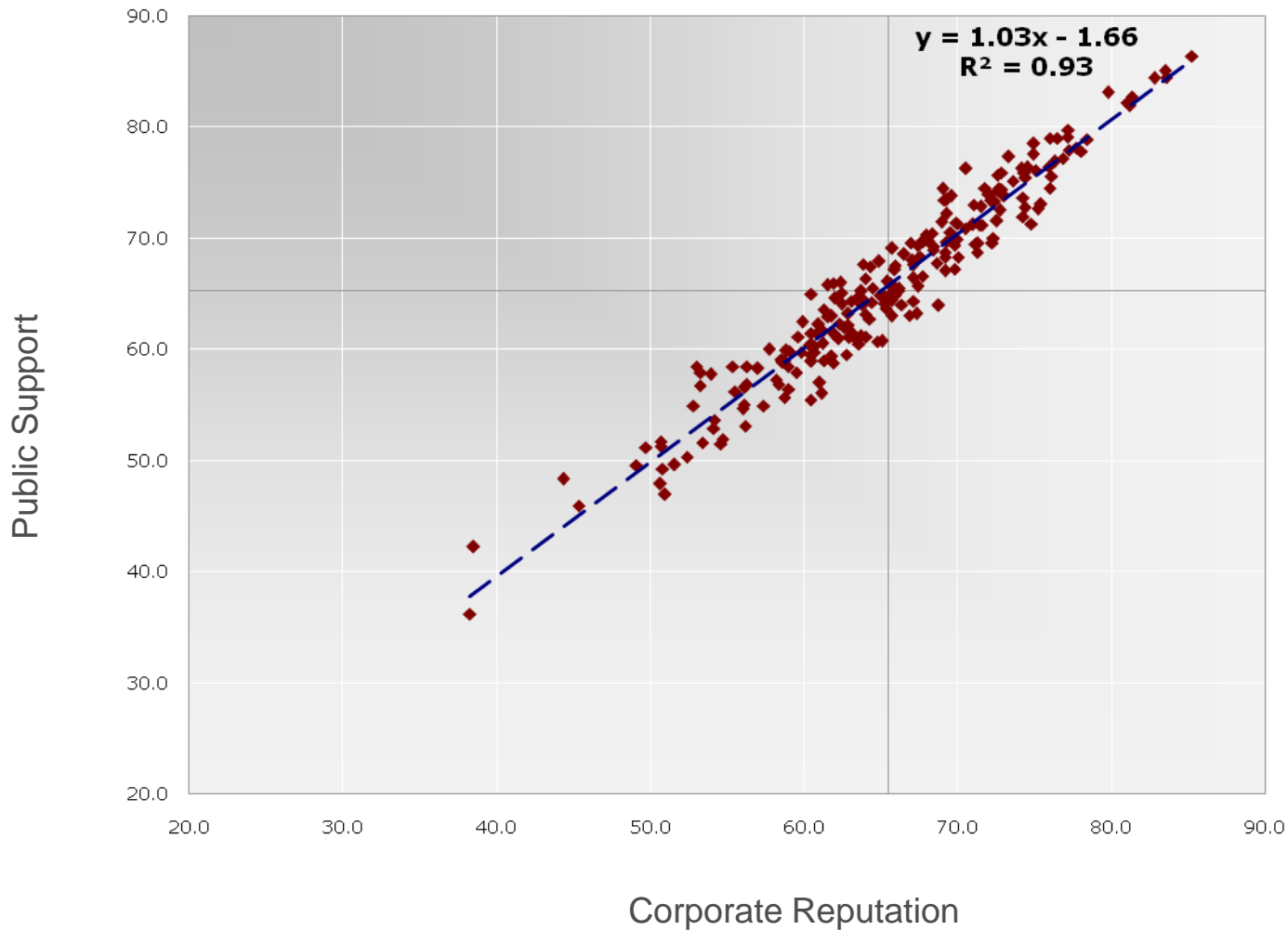


A Study that Compared 17 Crises Demonstrates that Significant Financial Value is Lost for all Firms, but Hits Lower Reputation Companies more Significantly

Source: D. Petty, *Corporate Reputation Review*



# Reputation is linked to performance: A strong reputation builds stakeholder support



# Reputation is linked to performance:

## Reputation has a direct impact on sales and financial results

*“Reputation (in which responsible behavior has an effect) has an influence in some commonly accepted financial metrics. Telefónica performed an internal study in 2008 in order to establish the correlation between client perception metrics (client satisfaction, client loyalty, brand health and corporate reputation) and five critical financial indicators: ARPU (average revenue per client), Churn (defection rate), Margin (profit per client), Net wins (new clients) and SAC (acquisition cost per client).”*

*We could demonstrate with this study that, during 2006 and 2007, the evolution of these financial metrics for Telefónica Group could be explained in an 11% by the variation that has been tracked in reputation. That is to say, the variations in the perceived reputation by clients have an impact in Telefónica's financial results. To be more*

*concrete, **Telefonica's reputation is influencing positively the financial metrics in a 7%** (increasing Telefónica's reputation*

*perception from our clients we increase our financial indicators). **On the other hand, the better reputation of our competitors has a negative impact in our financial indicators in a 4%** (if the reputation perception of our competitors improves among our clients our financial indicators decrease).*

*We could also state that the impact of reputation and CSR in Latin America is, on average, five times bigger than the impact in Spain, which is probably linked with the fact of being an international company.”*



Telefonica



*Alberto Andreu Pinillos  
Managing Director  
Corporate Reputation, Identity &  
Sustainability  
TELEFONICA, S.A*

# In Simplistic Terms, Citizenship & Reputation put \$\$ in the Bank

	Top 30 in Citizenship	Bottom 30 in Citizenship
Market/Book Ratio	3.79	1.42

A simple equation links reputation to market value:

$$\% \text{ Change in Market Value} = 1.3 * \% \text{ Change in Reputation}$$

So, on average:



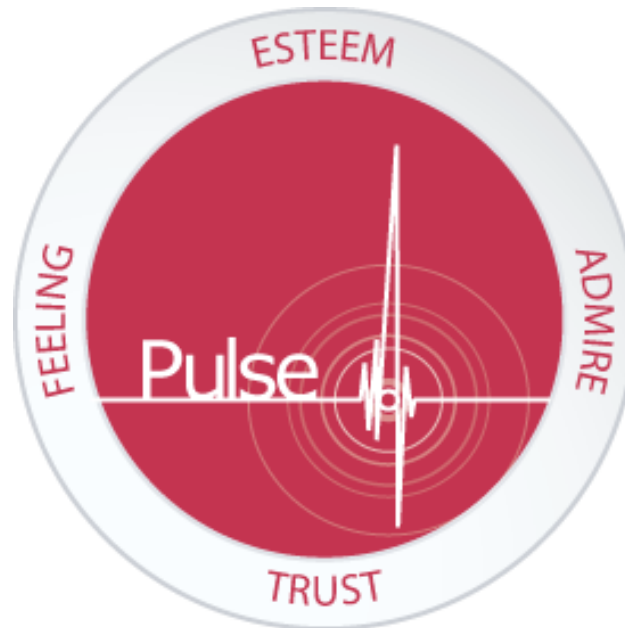
# 3 Reputation Management in China



# The 'Global Pulse' Project in 2008

## Third year of the largest study of corporate reputations in the world:

- Online interviews with over 60,000 people aged 18-64
- 175,000 ratings of companies in 27 countries
- Measuring the reputations of 1000 of the largest companies in the world
- Using a standardized measure of reputation
- In China, measuring the top 100 National and Multinational companies
- 2009 Global results to be published in Forbes 5<sup>th</sup> of May 2009

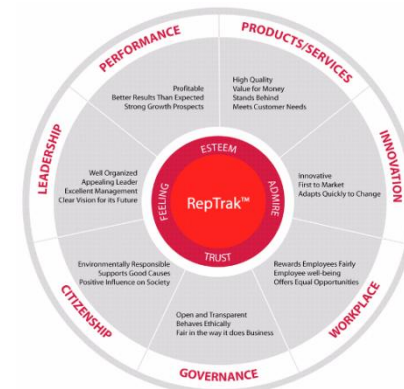
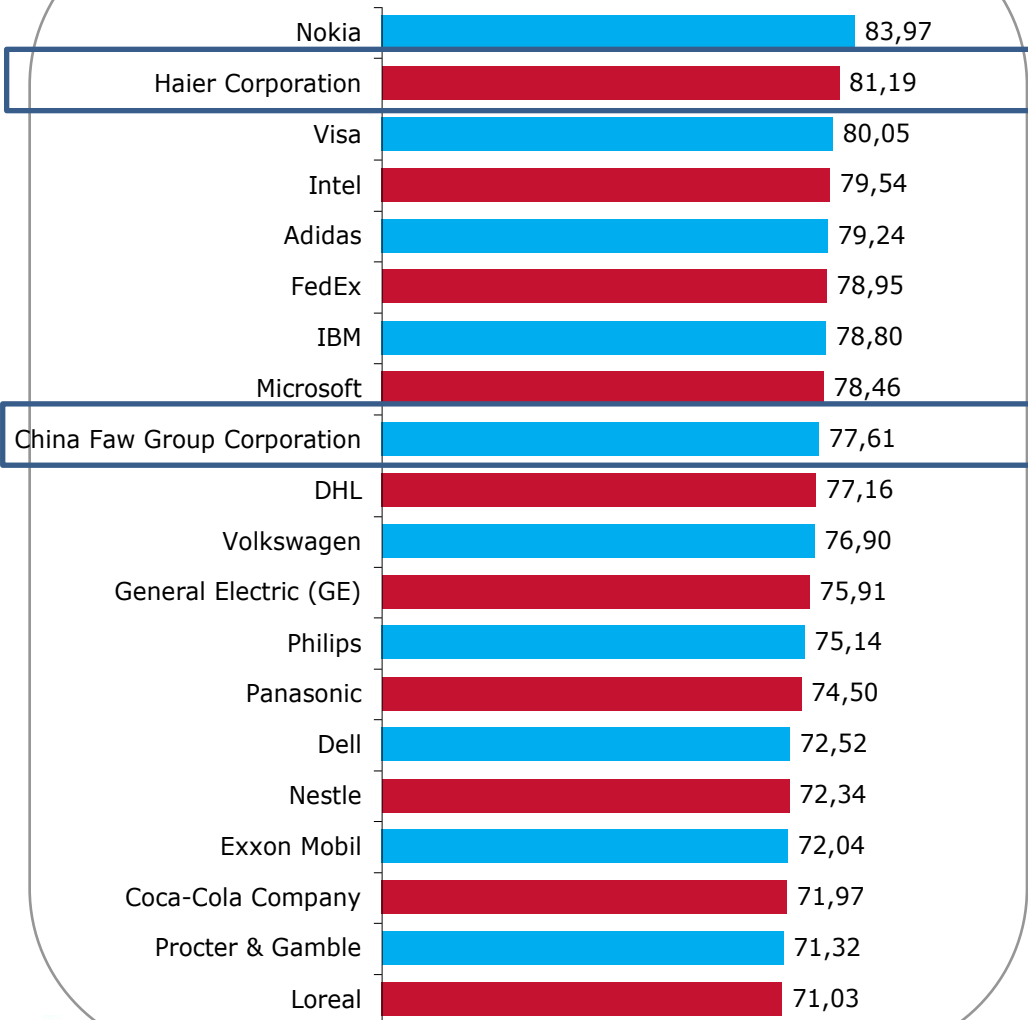


# The best reputations in China in 2008

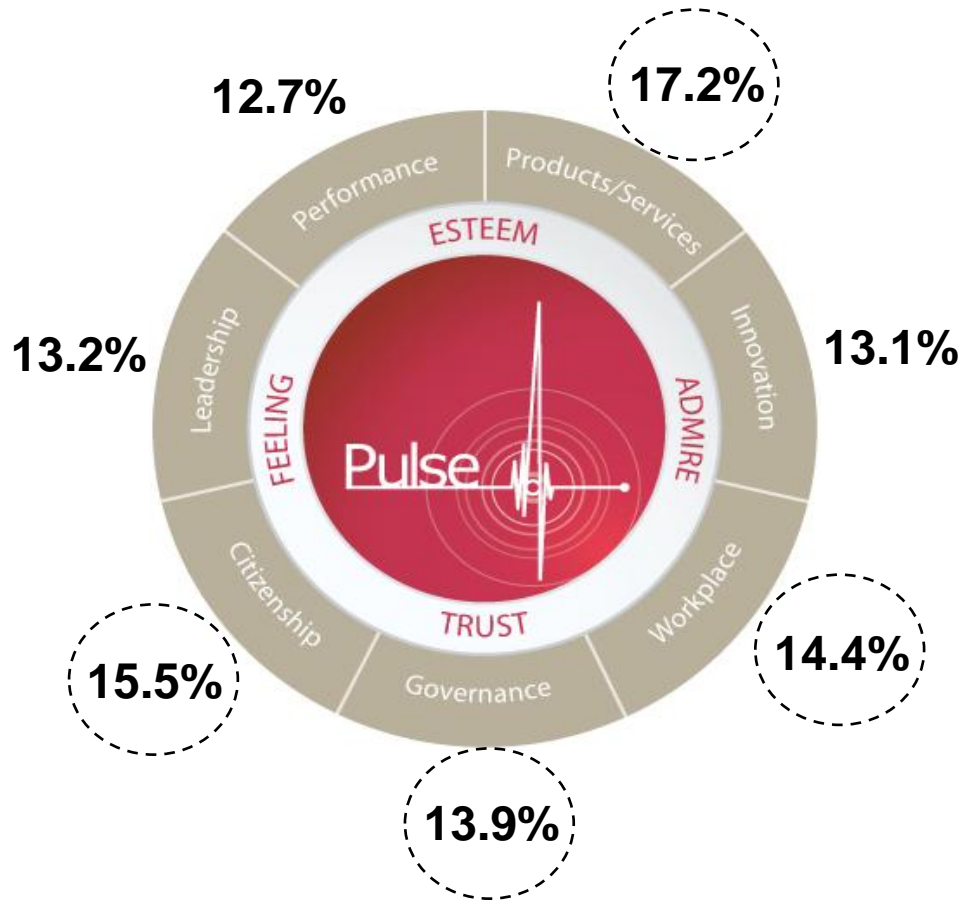
## Nokia has the best corporate reputation in China...

### Only a few Chinese companies make the top 20

## China Pulse 2008



# Products and citizenship are the most important drivers of reputation among the general public in China in 2008



The most influential dimension with the Chinese general public was **Products/Services**, accounting for **17.2%** of reputation, with **Citizenship** running a close 2nd.

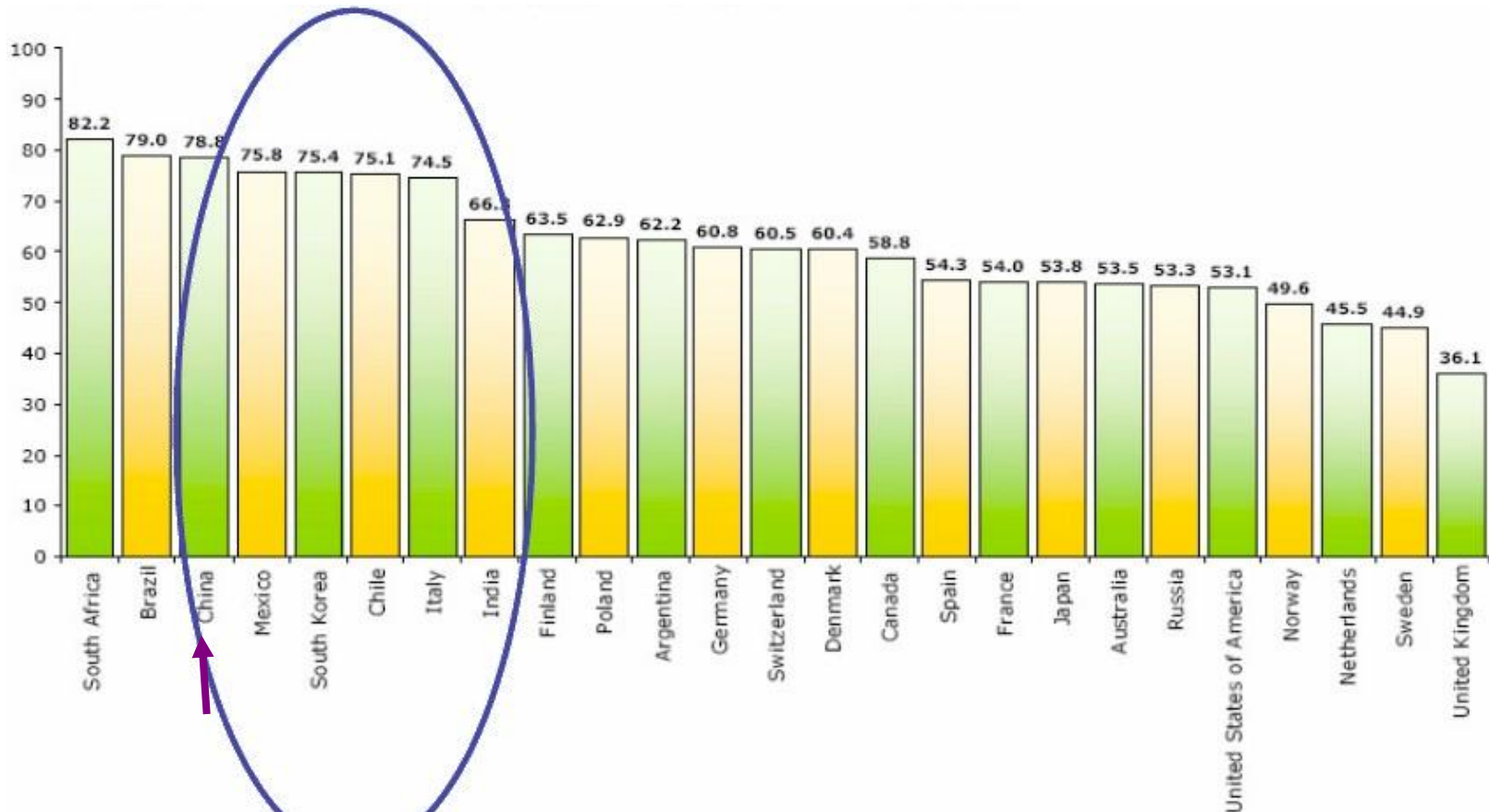
When combined, **Governance and Citizenship** account for **nearly 30%** of a company's reputation.

It suggests that **performance on these institutional dimensions is critical** if companies are to build trust, admiration, and good feeling with the Chinese general public.



# Other RI research points in the same direction CSR has a strong impact on Reputations in China...

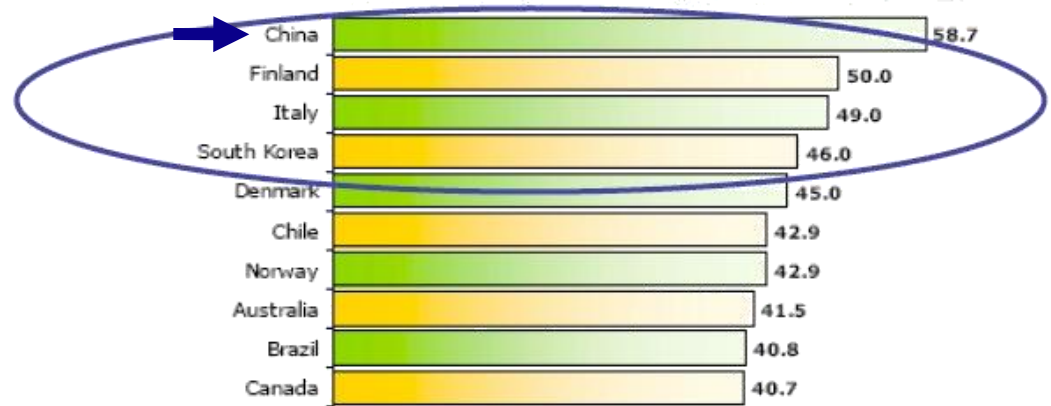
In a 2008 study **78,8 % of the Chinese general public said that CSR has a strong effect on corporate reputations**. This indicates that companies in China can improve their reputation by focusing on working strategically with Institutional Dimensions; Citizenship, Governance and Workplace...



# ...and influences buying behavior and employee attraction

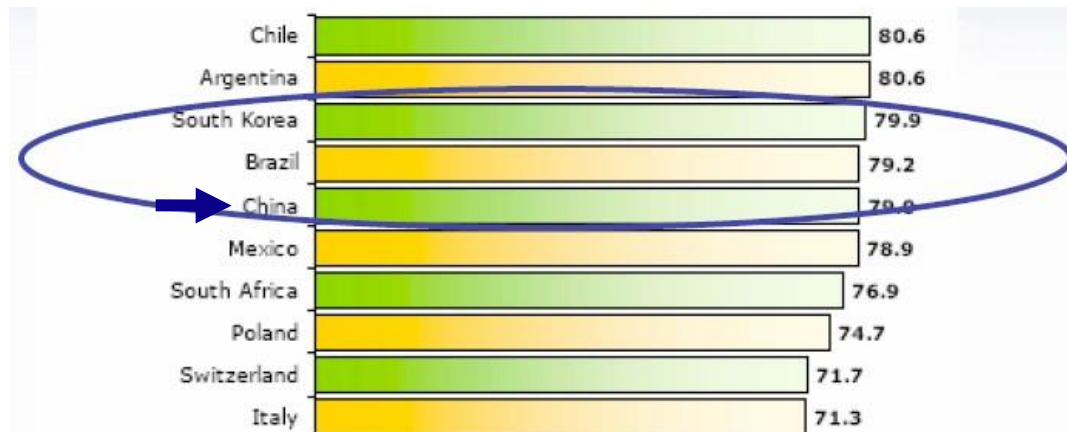
## CSR initiatives influence buying behavior of the Chinese general public

China came out as the country where CSR had the highest influence on buying behavior in a study of



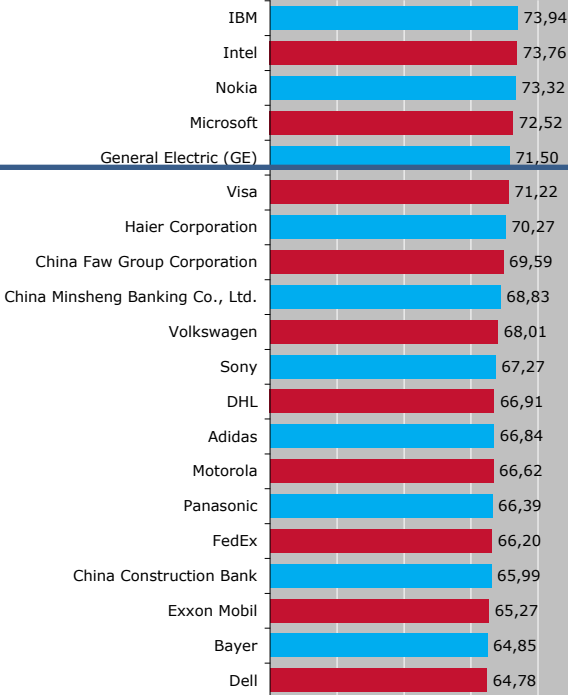
## CSR attracts employees in China

The study showed that CSR is important for the Chinese companies when attracting and recruiting employees

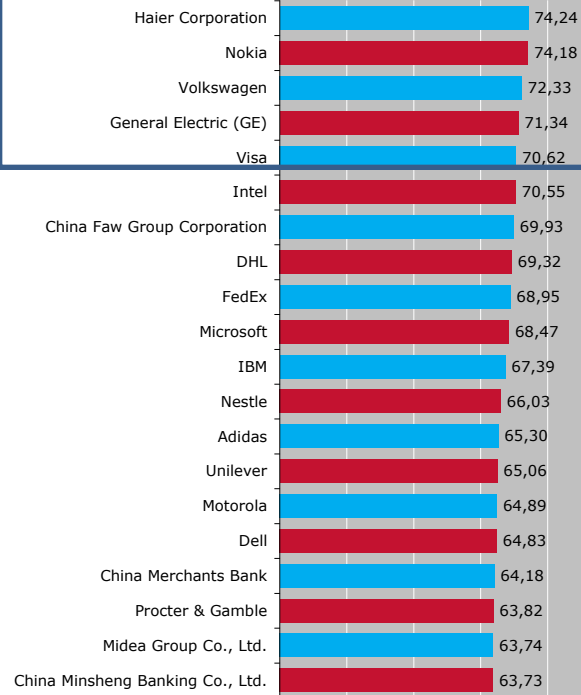


# Which companies can we learn from?

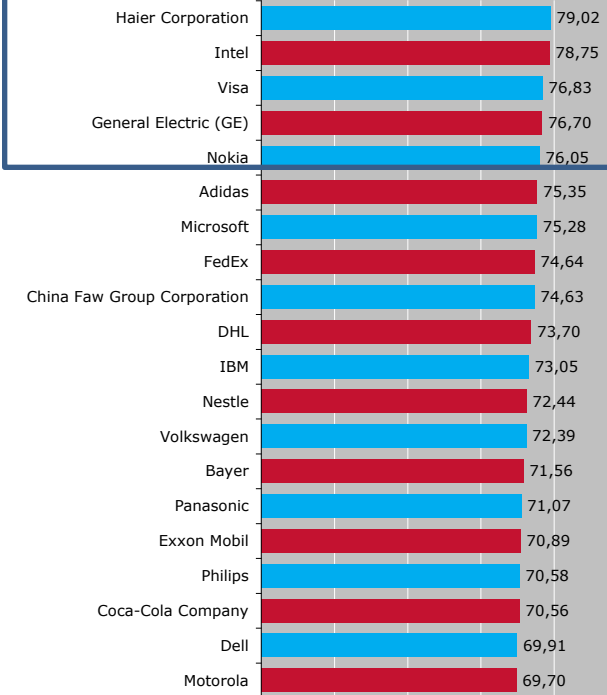
## Workplace (National and MNC)



## Citizenship (National and MNC)



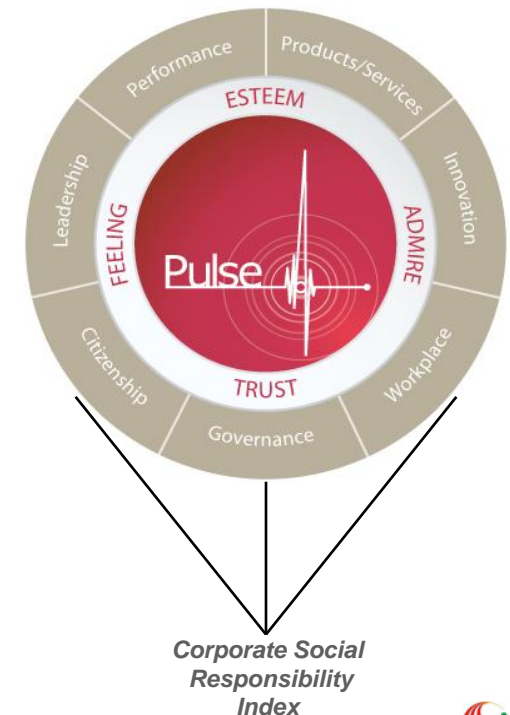
## Governance (National and MNC)



# Nokia was also seen as the most Socially Responsible company in China in 2008

CSR Rank	MNC and National Companies	CSR Index
1	Nokia	74,52
2	Haier Corporation	74,51
3	Intel	74,35
4	General Electric (GE)	73,18
5	Visa	72,89
6	Microsoft	72,09
7	IBM	71,46
8	China Faw Group Corporation	71,38
9	Volkswagen	70,91
10	DHL	69,97
11	FedEx	69,93
12	Adidas	69,16
13	Nestle	67,68
14	Motorola	67,07
15	Panasonic	66,76
16	Dell	66,50
17	Bayer	66,44
18	Unilever	66,17
19	Coca-Cola Company	65,60
20	Exxon Mobil	65,59
21	China Minsheng Banking Co., Ltd.	65,51
22	Johnson & Johnson	65,40
23	Philips	65,28
24	Bank of Communications	64,95
25	China Construction Bank	64,32
26	Sony	64,27
27	China Merchants Bank	64,09
28	China Southern Airlines	63,99
29	Epson	63,10
30	Midea Group Co., Ltd.	63,05
31	Procter & Gamble	62,96
32	Canon	62,74
33	Loreal	62,74
34	Budweiser	62,66
35	Kodak Company	62,29

Nokia takes first place as the most socially responsible company in the China Pulse 2008. Out of the top ten companies in the CSR ranking only two companies are Chinese.



# Best practice: What are Nokia's (#1 Reputation in China in 2008) CSR initiatives in China?

- Set up of **500 recycling spots** in over 200 cities for used cell phone batteries etc. as part of the Green Box Environmental Protection Plan
- **Nokia Youth Entrepreneur Education Program** – Helping China's youth to map their futures. Donation of large sum to GuangHua foundation. Will reach students in over 100 universities
- Touch an Orphan's Life program. Nokia has given support to the Operation Blessing China for over 6 years **helping some 2.300 orphans**
- **Built new school** in rural areas to help China's rural youth to better education and health





# Best Practice: What are Haier's (#2 Reputation in China in 2008) initiatives?

- **Building 51 schools** as part of "One Gold Medal, One Olympic School" program. A partnership with the Chinese NGO Project Hope
- **Sichuan earthquake** - Haier provided 38 million RMB worth of materials and **financial aid for reconstruction** of schools and homes destroyed by the earthquake
- **Development of the Haier Farmer PC "JiaJiaLe" 800A** with Intel to support China's Countryside Initiative and to raise living standards for China's farmers
- Launch of campaign to **increase energy-efficient CFC-free refrigerators**. In a five year period energy friendly "green" refrigerators sold from 1,000 in 1999 to 40 million in 2005



# The link between Citizenship and business

*“Putting the environment first doesn't thwart business opportunities, it creates them. DuPont's mission is to increase shareholder and societal value while reducing our environmental footprint along the value chain.”*






**-Charles O. Holliday, Chairman & CEO, DuPont Co.**

## PROOF POINT:

DuPont is now expanding business offerings that will address biotechnology, safety, environment, energy and climate challenges in the global marketplace. The company expects to derive additional revenues of \$6 billion or more by 2015 from the targeted effort.










# Good Deeds Should Be Communicated?

<b>Q. When companies engage in acts of corporate citizenship, do you think they should publicize their good deeds?</b>	 <b>Sweden 2004</b>	 <b>Norway 2004</b>	 <b>Denmark 2004</b>	 <b>U.S. 2003</b>	 <b>The Netherlands 2003</b>
<b>Yes, publicize through corporate advertising and public relations</b>	50%	50%	33%	52%	34%
<b>Yes, but minimal releases such as annual reports and on website</b>	45%	39%	45%	41%	52%
<b>No, should not publicize</b>	5%	10%	21%	7%	14%

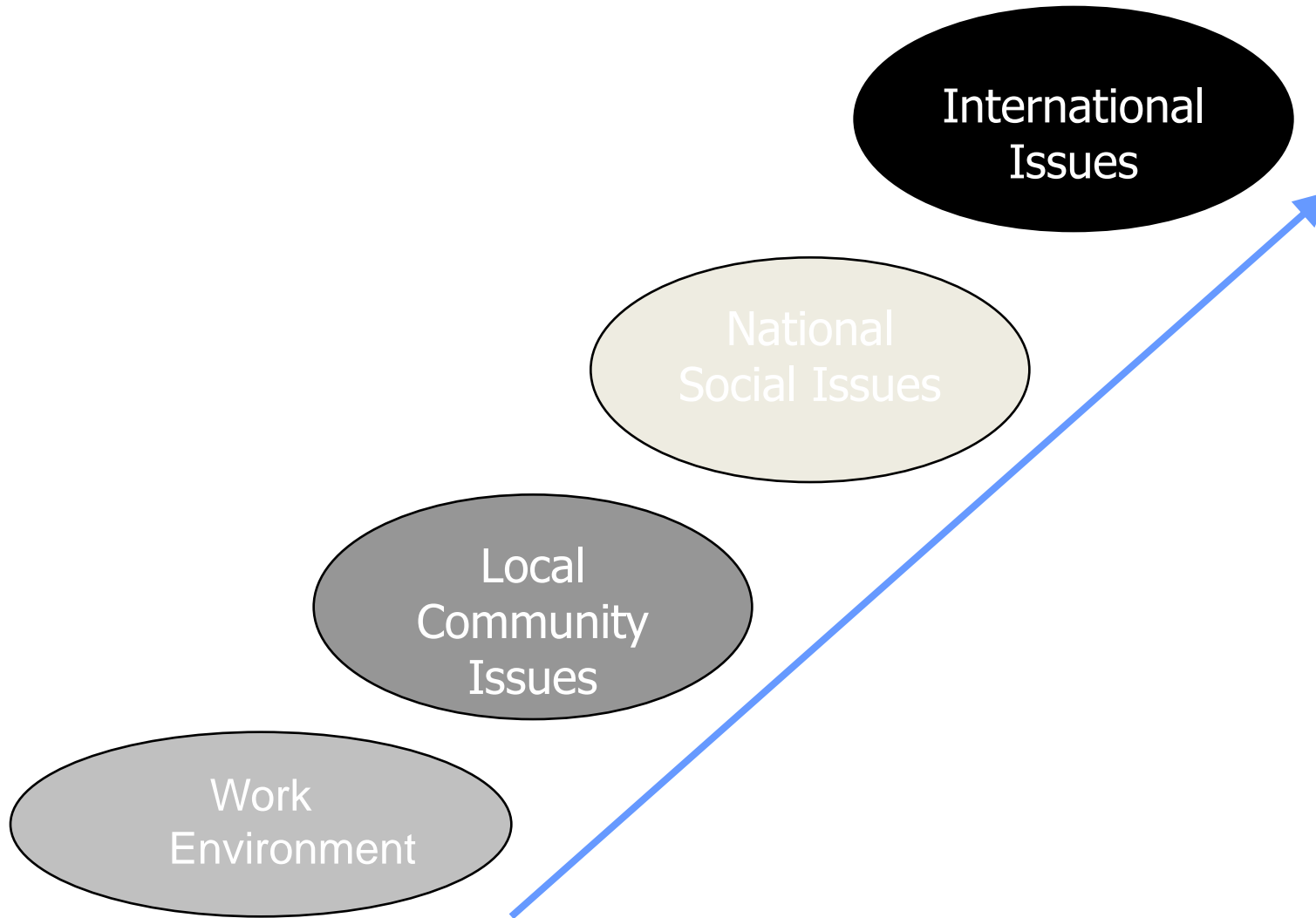
Source: Reputation Institute

# Growing Expectations of Responsibility in the world

	 Netherlands 2003	 Denmark 2003	 Italy 2002	 UK 2004	 France 2004	 Germany 2004	 U.S. 2004
<b>Only Generate profits for shareholders</b>	1%	3%	6%	2%	4%	4%	2%
<b>Responsibility to shareholders AND employees and customers</b>	45%	42%	25%	40%	43%	42%	52%
<b>Shareholders, employees, customers, <i>plus broad social responsibility</i></b>	<b>51%</b>	<b>51%</b>	<b>66%</b>	<b>57%</b>	<b>53%</b>	<b>54%</b>	<b>46%</b>

Source: Reputation Institute

# Escalator of Social Responsibility



# TAKE AWAYS

1. Reputation is linked to business
2. Citizenship is a driver for reputation in China
3. Citizenship has to be linked with business and start from within
4. Good deeds should be communicated

# What is RI doing for International companies to build strong stakeholder relations on the ground in China

- 1. Targeted Stakeholder Communications:** Develop an understanding of your positioning across the most important stakeholders in China and establish what drives support among these. This will enable targeted communications and programs.
- 2. Government and Media Relations:** Our strong ties and understanding of government and media enables us to assist you in building stronger relations with government agencies and specific media - international as well as local.
- 3. CSR Planning and Execution:** We have proved that CSR has a strong effect on stakeholder support in China. We could assist in identifying best practices in building CSR platforms in China (*what did they do and who did they partner up with*) and through that assist you in building a trackrecord of developing strong CSR programs.

# Q&A

## About Reputation Institute

**Reputation Institute** is the world's leading reputation consulting firm. As a pioneer in the field of brand and reputation management, Reputation Institute helps companies unlock the power of reputation. With a presence in more than 25 countries, Reputation Institute is dedicated to advancing knowledge about reputation and shares best practices and current research through client engagement, membership, seminars, conferences, and publications such as *Corporate Reputation Review*. Reputation Institute's *Global Pulse* is the largest study of corporate reputations in the world, identifying what drives reputation and covering more than 1,000 companies from 27 countries annually. Reputation Institute provides specific reputation insight from more than 15 different stakeholder groups and 24 industries, allowing clients to create tangible value from intangible stakeholder feelings.

[www.reputationinstitute.com](http://www.reputationinstitute.com)

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Greece • India • Ireland • Italy • Japan • Netherlands • Norway • Portugal • Russia • South Africa  
Spain • Sweden • Switzerland • Turkey • Ukraine • United Arab Emirates • United Kingdom • United States



# Best Corporate Reputations in China 2009

Rank	Company	Global Pulse Score
1	Intel	82.64
2	China Faw	79.35
3	IBM	79.05
4	OMEGA	79.02
5	China Merchants Bank	78.72
6	Tsingtao Beer	78.35
7	Haier	77.80
8	Canon	77.12
9	Volkswagen	77.12
10	Philips	77.03
11	Nokia	76.74
12	adidas	76.15
13	Kodak Company	75.63
14	Visa	75.17
15	Microsoft	74.93
16	Michelin	74.48
17	Toyota	74.45
18	Sony	74.34
19	Wuliangye Group	73.96
20	Legend Holdings	73.35
21	Coca-Cola Company	73.07
22	Shanghai Automobile Industry Group	72.72
23	Panasonic	72.53
24	Bank of Communications	72.17
25	Nestlé	72.17
26	Johnson & Johnson	71.99
27	Wilmar International	71.33
28	ICBC-Industrial and Comm Bank of China	71.26
29	L'Oreal	71.26
30	General Electric	71.07
31	Galanz	71.05
32	China Construction Bank (CCB)	71.04
33	Ricoh	71.00
34	Roche	71.00
35	Procter & Gamble	70.73
36	Shanghai Airline	70.71
37	Dongfeng Motor	70.66
38	Budweiser	70.56
39	Dell	70.54
40	Bosideng	70.50
41	Electrolux	70.47
42	Nissan	70.35
43	Epson	70.16
44	COFCO	69.88
45	Bayer	69.87
46	McDonald's	69.74
47	Shanghai Pudong Development Bank	69.65
48	Samsung Electronics	69.61
49	Youngor	69.60
50	Midea Group	69.54

## Subheading

Text

Excellent/Top Tier	above 80
Strong/Robust	70-79
Average/Moderate	60-69
Weak/Vulnerable	40-59
Poor/Lowest Tier	below 40

All Global Pulse scores that differ by more than +/-0.5 are significantly different at the 95% confidence level.

Pulse scores are based on questions measuring Trust, Admiration & Respect, Good Feeling and Overall Esteem (captured in the Pulse score on a 0-100 scale).

# Best Corporate Reputations in China 2000

Subheading

Text

Rank	Company	Global Pulse Score
51	CITIC	69.47
52	China Southern Airline	69.36
53	Hitachi	69.33
54	Bosch	69.24
55	AstraZeneca	69.22
56	Bank of China	69.07
57	New Hope Group	68.94
58	Air China Group	68.71
59	Bridgestone	68.66
60	Hisense	68.53
61	Huawei	68.47
62	Whirlpool	68.27
63	3M	68.16
64	Yurun Group	68.15
65	Toshiba	67.97
66	Wanda Group	67.80
67	Fujitsu	67.42
68	Exxon Mobil	67.26
69	Wahaha	67.15
70	Changhong	67.04
71	Beijing Yanjing Beer	66.97
72	Motorola	66.95
73	Pfizer	66.89
74	Guangdong Development Bank	66.54
75	Fujifilm	66.35
76	China Mobile	65.97
77	Beijing Bank	65.94
78	Suning	65.77

Rank	Company	Global Pulse Score
79	Beijing Automobile	65.72
80	Taiping Life	65.51
81	China Minsheng Bank	65.44
82	LG Electronics	65.32
83	UPS	65.30
84	Hainan Airline	65.20
85	Unilever	65.13
86	Shuanghui	64.80
87	Vanke	64.73
88	Guangzhou Pharma	64.69
89	Guangzhou Automobile	64.20
90	Wumart	63.73
91	Hongdou	63.68
92	Atos Origin	63.65
93	PICC	63.56
94	Zhongtian Group	63.46
95	Bailain Group	63.28
96	Yutong Group	63.23
97	Xiamen KLM Motor Group	63.10
98	Danone	63.08
99	China OCT	63.02
100	Shanghai Tobacco	62.89
101	China Eastern Airline	62.88
102	Huaxia Bank	62.59
103	JAC Motors	62.59
104	Hongyun	62.48
105	Cherry Auto	62.35
106	Shenzhen Development Bank	61.86

Rank	Company	Global Pulse Score
107	Shanghai Greenland Group	61.85
108	Tongwei	61.83
109	Industrial Bank	61.65
110	Aux Group	61.46
111	Lifan Group	61.44
112	Shandong Liuhe	61.26
113	Manulife	61.22
114	Heilan Group	61.22
115	Brightfood Group	60.63
116	Jiangling Motor Corp	60.43
117	CNC	59.68
118	CIC	59.26
119	Yili	59.13
120	ZTE	58.99
121	China Life Insurance	58.95
122	Hongta Tobacco	58.66
123	China Guangsha	58.48
124	Brilliance Automobile	58.47
125	Mengniu	58.42
126	Tiens	58.36
127	TCL	58.07
128	Gome	57.58
129	China Telecom	57.47
130	CPIC	57.04
131	Pingan Life Insurance	56.61
132	Agricultural Bank of China	55.95
133	BHP Billiton	54.66
134	New China Life	51.25

Excellent/Top Tier above 80  
 Strong/Robust 70-79  
 Average/Moderate 60-69  
 Weak/Vulnerable 40-59  
 Poor/Lowest Tier below 40

All Global Pulse scores that differ by more than +/-0.5 are significantly different at the 95% confidence level.

Pulse scores are based on questions measuring Trust, Admiration & Respect, Good Feeling and Overall Esteem (captured in the Pulse score on a 0-100 scale).

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