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MOBILIZE EVERYTHING

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HIGH FIDELITY

Sir Howard Stringer on steering Sony through turbulent times

THE WOMEN PUSHING BOUNDARIES IN CHINESE MEDIA

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CAN YOU TRUST THE NUMBERS?

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... AND WHAT IS TRUST ANYWAY? ASKS NOBEL ECONOMIST OLIVER WILLIAMSON

Plus THE POWER OF INFOGRAPHICS

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AVOIDING RÉSUMÉ PITFALLS

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ANTONIO PAPPANO: ORCHESTRAL MANEUVERS

BRUNSWICK

Brunswick is a corporate relations and communications consultancy. We provide informed advice at a senior level to businesses and other organizations around the world, helping them to address critical communications challenges that may affect their valuation, reputation or ability to achieve their ambitions.

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FACING TOUGH QUESTIONING FROM BRUNSWICK'S ANDREW GARFIELD, THE CHAIRMAN OF THE INTERNATIONAL ACCOUNTING STANDARDS BOARD, SIR DAVID TWEEDIE, BELIEVES SO

CONVERGENCE

Andrew Garfield: How much of a challenge do the rising nations of Asia and Latin America pose to the Western view of published accounts as a "true and fair" measure of a business, given their different cultural values and attitudes regarding transparency, disclosure and obligations to stakeholders, particularly financial investors?

David Tweedie: There's no one view of accounting across Asia and Latin America, but neither is there across western Europe, and there is support for International Financial Reporting Standards (IFRS) in all of these regions. This support exists because, in many cases, these economies have suffered a lack of confidence in their reporting regimes. Asia, in particular, had its own financial crisis in the 1990s, as did Argentina and Brazil. Adopting IFRS, with their investor focus and transparency, helps remove the risk associated with investing in these countries.

Can we really bridge the cultural gulf that exists between Europe and the US, and how problematic will it be if European and US bodies cannot agree a unified standard? Would it be better for them to go their separate ways than settle for a compromise that pleases no one?

I just don't buy the argument that the US should account for the same transaction differently from the rest of the world. The financial crisis blew that argument away. The fallout from Lehman Brothers affected world markets because equity and debt markets are so tightly coupled. Combining global markets and regional accounting standards invites regulatory shopping, as seen with the "Lehman Repo 105" problem [the accounting device that helped Lehman Brothers conceal its high leverage]. That is why the last three G20 communiqués have called for the International Accounting Standards Board (IASB) and the United States' Financial Accounting Standards Board (FASB) to complete convergence by 2011, and for the world to embrace global standards.

We are on track to complete this work by 2011 – the date when the US will decide on domestic use of IFRS. The Securities and Exchange Commission (SEC) has long supported IFRS, and I remain optimistic that the US will sign up to them in the near future.

It seems the US has stepped back from "fair value accounting," where the value of assets or liabilities is based on current market price rather than original cost, while many European corporations argue such practices are only valid for short-term trading books and that they are misleading when evaluating the strength of longer-term investments or assets. Does this mean the IASB, in advocating this model, is out of step with the principal users of accounts?

The FASB has proposed a full fair value model for all financial instruments, so it is wrong to say the US has stepped back. Meanwhile, the IASB has issued *IFRS 9 Financial Instruments*, which applied a "mixed measurement model" for financial instruments. Basic loans with predictable cash flows would be measured at cost; anything traded, or more exotic instruments with unpredictable cash flows, would apply a market price. Most commentators support this approach, which it is estimated will reduce the use of fair value by most financial institutions.

EFFECTIVENESS

One problem with accounts is they are backward-looking when most users want to know about future performance. Isn't this something your standards should address?

That's not strictly true. For example, *IFRS 9 Financial Instruments* takes into consideration predictability of future cash flows. But there are limitations to the information that can or should be in reports, and investors tell us they do not want forecast information in statutory accounts.

Should there be a uniform standard for industries as diverse as airlines, packing companies, chemical industries and banks, or should we recognize different businesses have different performance drivers?

If you apply different reporting requirements by industry, you tie yourself in knots. Is Tesco a financial services company, a retailer or a commercial property business? The answer is probably "yes" to all, so how would you apply sector-based standards?

In some cases, there are specific issues to be dealt with by a separate accounting standard, but we work hard to avoid defining them as sector-specific. That is why we have proposed accounting standards dealing specifically with insurance contracts and extractive activities – defining function, not sector.

Do you think some users place too much faith in published accounts and should be aware of the limitations of accounting?

Yes. And that was a conclusion of the Financial Crisis Advisory Group, a group of business leaders and policymakers advising the IASB on its response to the financial crisis. Sophisticated investors see published statements as a source of evidence, not answers. Other sources that should be consulted include market data, industry statistics and economic forecasts.

Is it true that as soon as management or investors focus on just one metric, it ceases to be meaningful?

I've always likened the bottom line to a haggis – if you knew what was in it, you wouldn't touch it with a barge pole. You get a more accurate impression of the wellbeing of a company by also considering current trading, stripping out unusual items, as well as long-term gains and losses.

Accounting standards reform is supposed to have improved transparency and disclosure, but the feeling persists that no one really knows what goes on inside financial institutions. Doesn't that suggest something is wrong with the approach to standards?

I have some sympathy with people who say that standards are complicated. But remember, the IASB has been around for less than 10 years, and the international standards that we inherited were roundly condemned when we acquired them. In that time we had to patch up existing standards as best we could

SHARED VALUES PAY DIVIDENDS (AT THE CO-OP)

As financial institutions look to rebuild trust among all their stakeholders, they could benefit from adopting the values of organizations owned by their "members," says Neville Richardson, Chief Executive of Co-operative Financial Services (CFS).

"Every organization has values, and they drive how that organization behaves," Richardson says. "But because Co-operative Financial Services is owned by its members and customers, not by other financial institutions, those members play a more active role in shaping our values, social goals and ethical agenda."

CFS is a diversified mutual business operating in both retail and corporate markets whose brands include the Co-operative Bank and Britannia. The combined business has £70bn in assets, 12,000 staff and 9m customers.

It is part of the UK's Co-operative Group, the world's biggest consumer-owned business with 5m members, 5,000 retail trading outlets and a turnover of £14bn ($22.5bn), with core businesses in food, financial services, travel, pharmacy and funeral care.

"The Co-operative is not simply profits-driven, but places equal emphasis on customer, social and employee measures, as well as on making profits to reinvest, share with members and invest in society," says Richardson.

Co-operatives started as grass-roots groups in western Europe, North America and Japan in the mid-18th century. The modern movement was created in 1844 by a group of weavers in northern England who, oppressed by poor working conditions and low pay, banded together to obtain basic goods at lower prices.

The idea of every customer becoming a member with a stake in the business was soon introduced, and it's a system which remains today. One and all members have a vote on key decisions.

"Our structure of regional boards and area committees enables members to hold us to account, while our customer engagement model enables customers to challenge us

in preparation for more than 100 countries using them, and prioritize our response to the worst economic crisis in more than 80 years.

The new standards that we and the FASB have written from scratch will come into effect in the next few years and will strip out much of the complexity that you refer to. Clearly there is more to be done, but that will be the job of my successor.

FINANCIAL TURBULENCE

Many critics, particularly in continental Europe, feel the drive toward fair value accounting, arguably at the heart of the international standards, was a big factor in the instability that caused the credit crunch. What lessons can be learned?

It's a myth that fair value accounting is at the heart of IFRS. The IASB has introduced little of it and, where we have done so, it has largely been in response to requests from practitioners.

Also, while fair value accounting is not perfect, it's not the villain many claimed. Post-crisis analysis has shown that poor lending decisions, lack of risk management, over-leveraging and insufficient bank capital requirements, the complexity of financial instruments, and a lack of due diligence also all contributed.

And studies from the Bank of England, Federal Reserve of Boston, and the SEC, have actually concluded that the role of fair value accounting was minimal. That's not to say such accounting was perfect and we are working on enhancements to improve transparency and disclosure.

Critics say the profession has failed to rise to the challenge posed by, for example, derivatives, whose volatility and destructive power cannot be captured by the traditional "snapshot in time" approach at the heart of accounting practice since the introduction of double-entry accounting.

Derivatives must already be disclosed under our rules. For example, the previously mentioned Lehman Repo 105 scheme would not have been permitted under existing IFRS, let alone the new enhanced disclosures we have recently proposed for off-balance sheet activities. That is one of the benefits of principle-based standards – we're never going to be able to predict every scheme dreamed up by the Ph.D. rocket scientists at the banks, but a well-crafted, principle-based standard will do a better job of catching them than detailed rules.

THE PROFESSION

Accounting can seem arcane even to sophisticated business people and investors. Do accounts really matter? Are accountants guilty of obsessing about footnotes and missing the big picture?

A former Chinese prime minister once told me that embracing international standards was one of the most important policy decisions of recent times. He felt to understand the bigger picture, you needed to

directly and provide feedback on policy and service," Richardson explains. As a result, the Co-operative Group regularly tops polls for customer satisfaction and fair employment practices.

"Uniquely, our board consists of executives, professional non-executives and elected lay members, a mix that ensures customers' and members' interests are at the forefront of decision-making," says Richardson.

He firmly believes the financial crisis might not have been so damaging had other institutions followed a similar, balanced approach. And that, he says, provides an opportunity for the current UK banking industry.

"Given that two of Britain's largest banks are effectively in public ownership, we surely have a unique opportunity to instill new values that put customer and social considerations high on their agendas.

"The Co-operative has become a market leader in financial inclusion, financial literacy, ethical investment, climate change and international development. We are determined to live up to that hard-won reputation: it's not window dressing, but part of who we are and what we do.

"And it is also part of our bonus system, another area where other banks could learn from what we do. Our approach is to use a balanced scorecard – my remuneration depends on the achievement of stretch targets in customer, social, colleague and financial measures.

"None of this deters commercial success; rather it supports and enables it, reflecting our purpose of being a pioneering business, delivering sustainable financial services for members and society for more than 150 years."

Neville Richardson became Chief Executive of Co-operative Financial Services following its 2009 merger with Britannia Building Society, a mutual savings and loans bank.

have confidence in the detail. Northern Rock [the UK lender] underlines why details are important – its disclosures showed that almost 80 per cent of its funding needed to be renewed every three months. A big-picture view helps, but the adage that "the devil is in the detail" is equally true for reporting.

Do these issues matter to anyone besides accountants?

Financial reporting is the universal language of business, so it does matter. However, it is sometimes difficult for those outside the profession to get to grips with such a complex and technical subject. But this is an area we have spent a lot of time on and, as a result, we are able to involve more policymakers, investors and business leaders.

Given what you say, shouldn't these people be actively involved in setting standards?

Yes, and this is something to which the IFRS Foundation trustees have given priority in their appointments to the IASB and its various advisory bodies. You do need some people on the board who understand the business of setting accounting standards, but more recent appointments to the IASB have included three former investors, two regulators and two former CFOs; and my successor, Hans Hoogervost, a former politician and regulator.

TRUST

Don't events, like the sub-prime mortgage crisis, demonstrate that accounts only measure what accountants are comfortable measuring and are poor as a true measure of a business's health?

The accounts should reflect the economics which, in some cases, are simple, have predictable cash flows and are relatively easy to measure.

However, the financial crisis was triggered partly by horrendously complex financial instruments no one could measure. How can you reliably measure a collateralized debt obligation containing other collateralized debt obligations that have sliced and diced thousands of sub-prime mortgages?

Accounting cannot and should not mask this complexity. There is no alternative to market-derived measurement for such complex products and, even then, potential investors should scrutinize them before making investment decisions.

How do you feel about managers who abuse accounts – even when they aren't engaged in actual manipulation – and who focus on delivering a few easily measurable indicators at the expense of the business's long-term health?

There is an overlap between financial reporting and corporate governance and we are happy to plug loopholes where we see continued abuse of standards. Research shows that many "long-term" investors churn their investments several times a year, so short-term performance measures clearly matter to many investors.

Do IFRS accounts skew managers' priorities to indicators that don't necessarily correspond to the business's priorities and add running costs while benefiting accountants?

Our starting point is to consider whether the change will result in more useful information being made available to users of financial information. We then work backward to consider if the change warrants the increased burden on preparers, the profession and others. All our standards go through extensive consultation. Then the board explains how it responded to this feedback. We'll re-examine how the standard is functioning after two years; if we got the balance wrong, we'll look again.

How can accountants restore trust in corporate accounting?

Corporate reporting is based on the accounting standards and the ethos of company law. The true and fair view is evolutionary. What was true and fair 20 years ago would be unacceptable today. Trust comes from good accounting standards, tough auditing and effective regulation – all this in an atmosphere of good corporate governance.

Sir David Tweedie has been Chairman of the International Accounting Standards Board since 2001, having previously led the UK's Accounting Standards Board. The IASB is an independent, privately funded body based in London that develops and promotes accounting standards.

Andrew Garfield is a Partner in Brunswick's London office, specializing primarily in financial services and international M&A. Andrew spent 15 years in newspaper journalism including senior editorial roles at *The Independent* and *London Evening Standard*.

Gill Ackers and **Pip Green** also contributed to this article.

A CALCULATED TAKE ON TRUST

DOES NOBEL ECONOMIST **OLIVER WILLIAMSON** REALLY BELIEVE THAT TRUST HAS NO PLACE IN BUSINESS?

BY HEATHER MCGREGOR

"A common word but without a common meaning." Oliver Williamson, joint winner of the 2009 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel (more commonly known as the Nobel Prize for Economics), pronounced his view on the word "trust" to the *Brunswick Review* while perched on a chair in the foyer of a building at the University of Stirling, Scotland.

To be fair, we had not expected anything different. An e-mail request for an interview on the subject had been met by an unequivocal answer. "I am a great skeptic of employing 'user friendly' words (of which trust is one) in a commercial context."

Does Williamson really believe trust has no place in a commercial context? After all, it is a subject much studied and written about by academics, many of whom have shown that trust encourages people to enter economic transactions (such as buying items from a website), reduces the time spent deciding on those transactions (which website to buy from), influences how institutions deal with each other (is there really a need for a lot of paperwork for every contract if two firms have dealt with each other often?) and encourages the exchange of information between companies. Trust, it would appear, lowers transaction costs.

The dictionary defines "trust" as "assured reliance on the character, ability, strength, or truth of someone or something," but how do you get to that "assured reliance"? In chapter 10 of his magnum opus, *The Mechanisms of Governance*, Williamson argues that the real reason people or companies choose to enter into transactions with others is a more specific form of trust known as "calculative" trust.

WHAT DO YOU GET FOR FIVE MILLION SWEDISH KRONOR? (ABOUT $750,000)

Oliver Williamson is the Edgar F. Kaiser Professor Emeritus at the Haas School of Business, the University of California, Berkeley. The announcement of his Nobel Prize was exciting news for everyone at Haas, especially its Dean, Richard Lyons. A few days later, he had a meeting with Williamson in his office at the Nobel Laureate's request.

The MBA blog at Haas takes up the story: "I'm sure the Dean expected a request for more research assistance, perhaps a larger office or, the perk of perks that is granted to all Berkeley Nobel Laureates, an assigned parking space. Instead, Williamson and his wife had been talking about what they would like to do with the prize money. [Williamson had shared the 10m Swedish kronor prize with fellow winner Elinor Ostrom.] They decided to give most of it to the Haas School, to establish an additional faculty position in economics.

"And for the record, Williamson did get his parking spot."

The concept of calculative trust is simple. People come to believe that they can rely on another party, based on the rational calculation of the payoffs and costs of doing business with that party. I buy my meat from my local store because I have done so many times before and know the bacon I purchase is of a better quality and a lower price than I would find at the supermarket. That is "calculative trust," a concept Williamson has rightly described as "a contradiction in terms."

The University of Stirling is based on a campus noted more for its site (310 acres, complete with loch and 18th century castle) than its architecture, which is relentlessly modern. In June it became, briefly, a mecca for economists from all over the world when the International Society for New Institutional Economics held its 2010 meeting there. Heading the lineup of speakers were Williamson and his fellow ISNIE member and joint Nobel Laureate, Elinor Ostrom.

Their audience in windswept Scotland was far more familiar with them than most business leaders will be, but that does not mean they have not been influential in how companies have developed.

"Williamson has not been writing to a management audience; but that's not to say that he hasn't influenced management thinking," David Teece writes in his tribute to Williamson in a special edition of *The California Management Review* honoring his Nobel Prize. In the same issue, Steven Tadelis says Williamson's work offers clear guidance for at least three practical areas. One is the way in which business strategy can evaluate the costs and benefits of outsourcing; the second is the way in which local and federal governments should decide what to privatize; and the third is to help regulators decide when to intervene with antitrust policy.

When asked to expand on his reservations about the word trust, Williamson points to what the "governance" (for which read "the management") of a company is designed to achieve: "The means by which you can infuse order, mitigate conflict and realize mutual gain." Inside a company, therefore, people do business with each other in such a way as to maximize the end result for everyone – and there probably will not be a quantifiable cost of doing that business. Surely, trust helps firms transact business both inside and out? What Williamson, who is, after all, a classically Carnegie-trained economist, seems to object to is the woolly language. He has said: "Diffuse terms, of which trust is one, that have mixed meanings should be avoided when possible." And it is true when you examine situations that seem to involve trust: there really is no risk involved.

Take the case of the Takeover Panel, a body that operates in the City of London to regulate conduct in public takeover bids. Investment banks in London appear to "trust" each other in the way they do business, but the reality is that the Panel will come down hard on firms that infringe their common rules of behavior. So, no "trust" is involved because firms rely on the Panel to keep them honest.

We could continue – and Williamson patiently did so, in the way only a 78-year-old Nobel Laureate could when confronted with an eager student – to show that every time it looks like economic transactions are based on "trust," there turns out to be a calculative decision involved, rather than an emotion.

Use of the word, as Williamson has suggested, should probably be reserved "for very special relations between family, friends, and lovers. Such trust is also the stuff of which tragedy is made. It goes to the essence of the human condition."

TRANSACTION COST ECONOMICS FOR DUMMIES

By Heather McGregor

Who invented the theory?

The term "transaction cost" is thought to have been coined by Ronald Coase, whose famous 1937 paper *The Nature of the Firm* included a theoretical framework for predicting when certain economic tasks would be performed within companies and when they would be performed through the market. Coase, who will be 100 in December and is still the Clifton R. Musser Professor Emeritus of Economics at the University of Chicago Law School, was awarded the Nobel Prize for Economics in 1991.

However, the arguments surrounding transaction costs became more widely known through Oliver Williamson's *Transaction Cost Economics*. Williamson himself also acknowledges the work of John Commons (1862-1945), although he describes it as "not an easy read."

What is the main argument?

Transaction cost economists look at the transaction as the unit of analysis, rather than the firm. They argue that there are lots of costs involved in making an economic exchange; for example, the costs incurred in searching for the best supplier/partner/customer, the cost of establishing a robust contract, and the costs of monitoring and enforcing the implementation of that contract.

The natural consequence of the existence of those costs is that their size and nature will affect the decision about where any economic exchange should take place: outside the firm, with markets setting the price and policing the transaction, or inside the firm, with the firm's own internal governance mechanisms – its hierarchy – performing that function instead.

Explain?

OK, I know it sounds complicated. But it's not difficult to grasp the basic concept. If your company makes and sells a product, then you have to choose between buying the constituent parts of that product from suppliers on the open market or making them yourself. Transaction cost economics makes it easier to work out which you should do.

Examples of companies which have been reviewing their transaction costs recently include BP. After it announced the restructuring of its exploration and production unit in September, the *Financial Times* reported: "The company also plans to review its use of third-party contractors, a move that could see it bring much of the work it has previously outsourced in-house. One person familiar with BP's thinking says: 'If you are ultimately held responsible for your operations, then it makes sense to have 100 per cent control over them.'"

By bringing economic transactions within the company, Williamson points out, you lose some of the benefit of markets, but you gain other benefits. This is well illustrated by Johnstons of Elgin, a manufacturer of quality knitwear and clothing based in Scotland, which has described its current business strategy as "a relentless pursuit of verticalization" – taking control of as many parts of its production chain as it can. Johnstons says this gives the company a competitive advantage because it can create new colors and styles more quickly than if everything was outsourced. In other words, the cost of outsourcing includes the loss of the ability to respond swiftly to customer demand.

Is there anything else I should read?

Williamson's *The Economic Institutions of Capitalism* (1985) reviews the whole spectrum of possible governance mechanisms, from commodity markets (deep and liquid) to full vertical integration.

Oliver Eaton Williamson is a US economist specializing in transaction cost economics. He was born on September 27 1932 and is the Edgar F. Kaiser Professor Emeritus at the University of California at Berkeley Haas School of Business. Williamson received his BS in management from the MIT Sloan School of Management in 1955, his MBA from Stanford University in 1960, and his Ph.D. from Carnegie Mellon University in 1963. In 2009, he was awarded the Nobel Prize in Economics for his "analysis of economic governance, especially the boundaries of the firm," sharing it with Elinor Ostrom.

Heather McGregor cited Oliver Williamson more than any other author in her Ph.D. thesis for the University of Hong Kong in 2003. A headhunter, *Financial Times* columnist and visiting professor at Cass Business School in London, she recently qualified as a pilot and flew herself to Scotland to interview the Nobel Laureate, whom she met for the first time.

HEARING CHINA'S VOICES

WHILE STILL A ONE-PARTY STATE, CHINA IS NO LONGER A ONE-VOICE NATION. IN 1949 AND FOR DECADES AFTERWARDS, MAO ZEDONG'S WORDS WERE THE ONLY ONES THAT MATTERED, AND HIS PROPAGANDA CHIEF MEI YI HELPED BROADCAST THEM IN CHINA AND AROUND THE WORLD.

TODAY, WITH AN ESTIMATED 70 MILLION BLOGGERS AND 420 MILLION INTERNET USERS, TOTAL CONTROL OVER THE FLOW OF INFORMATION IS IMPOSSIBLE, AND PIONEERING NEW MEDIA OUTLETS SUCH AS *CAIXIN* CAN BE TRUSTED TO TELL THE TRUTH AND COMMENT FAIRLY.

THE *BRUNSWICK REVIEW* PRESENTS TWO INSPIRING WOMEN WHO ARE PUSHING THE BOUNDARIES OF THE CHINESE MEDIA INDUSTRY. MEI YAN, THE DAUGHTER OF MEI YI, IS HEAD OF VIACOM AND MD OF MTV IN CHINA. INVESTIGATIVE JOURNALIST HU SHULI IS THE FOUNDER OF CAIXIN MEDIA AND THE FOUNDER AND FORMER EDITOR OF *CAIJING* MAGAZINE

ADVOCATE FOR OPENNESS

Brunswick's Ginny Wilmerding and Tim Payne talk to the head of Viacom and MD of MTV in China, Mei Yan

The Chinese people have stood up." On October 1 1949, Mao Zedong's radio address announcing the founding of the People's Republic of China was broadcast live around the world, a technical achievement that his propaganda chief, Mei Yi, would later say was one of the biggest of his career. In the decades that followed, any deviation from the Communist Party's official narrative could send a person to prison.

Some 61 years later in that same country, a powerful official appeared on television wearing a "one million yuan watch." A few observant citizens spotted it and began talking about it on Weibo, China's equivalent of Twitter, and before long the official had been sacked. There may be no formal democracy, but "people power" has arrived in China.

Mei Yan, the daughter of Mei Yi, is now Viacom's Chief Representative and MTV's Managing Director for China. Her career in broadcasting (CNN, News Corporation and now Viacom) has taken a different path from that of her father, who headed the Broadcast Administration, the cabinet-level body that managed China's nationwide network of radio and TV stations and the international station Radio Beijing in the 1950s and 1960s. On a recent hazy Beijing afternoon in Viacom's sleek and modern China headquarters, Yan reflected on how the information age has profoundly changed China in recent years, and how the notion of propaganda has fallen out of favor.

Until recently, it was not uncommon to walk into a state-run enterprise or government office and see a sign in English for the "propaganda department." In China, the word for propaganda, *xuanchuan* 宣传, means simply to disseminate, publicize, or propagate information. Formerly a neutral word in English too, it took on a negative connotation in the West during the 20th century, when the Soviet Union, Nazi Germany and China used propaganda to promote and further causes that liberal Western societies found repugnant.

In the early years of communism, Yan's father was the spokesman for the Communist Party during its negotiation with the Nationalist government in Nanking. He had been tapped by Mao to run his radio broadcasts from Communist Party headquarters in Yan'an, Shaanxi province, when China was at war with Japan, and later served as one of the translators for the influential book documenting the Party's early history, Edgar Snow's *Red Star Over China*.

That just one person could have been responsible for communicating news of a nation the size of China is almost impossible to fathom in today's era of information overload.

His daughter reflects: "You cannot imagine how isolated China was during those early years. The belief was that news and information would distract the people from the cause, so there was just one perspective, one truth. This was more than just censorship."

Her father's identity as a censor is one which Yan feels compelled to debunk. He had a loftier goal, which was not to limit, but to shape the national consciousness.

Mei Yan, hailed as one of China's most powerful women by influential blogger and *China Daily* columnist Huang Hung, argues there is an unbroken line between the past and the present, from her father's broadcast of Mao's speech to the 21st century's Twitter-like services. In today's world, total control over the flow of information is impossible, but information is still power.

"The person with a gun, he holds a country together. The person with a pen, he can destroy that country," says Mei Yan, paraphrasing a lesson learned from her father, who was expounding on Mao's famous quote: "Political power grows from the barrel of a gun." It was just a matter of time before the idealism of those early days in Yan'an yielded to a siege mentality, a paranoia and a chaotic purge of loyal elements in the party such as Mei Yan's father, who was jailed for nine years during the Cultural Revolution when she was a young child (he was rehabilitated after Mao's death in 1976 and became head of the Chinese Academy of Social Sciences).

Notwithstanding the official media, there are many voices and sources of information in China today. Chinese people do not know who to trust and what is true, but they do have an insatiable appetite for information and are helping to create and disseminate it. Media are now trusted less than ever. Yan explains: "When Chinese people know more, and can read more, the availability of information makes them skeptical, rather than more trusting."

Take for example the August 2010 passenger plane crash in Yichun, Heilongjiang province, in which 42 people died, or the mudslide in Zhouqu, Gansu province, a natural disaster that claimed at least 1,400 lives in an area plagued by over-logging and development-related water and soil erosion. Coverage of these events could not be more different than the news blackout after the Tangshan earthquake of 1976 that killed 250,000 people.

"In the old China, there were no disasters," says Yan. "None of them were reported, because the leadership was afraid that to do so would cause angst and insecurity. Today, we hear the news immediately, and the government must respond to disasters on the spot. The leaders have to be accountable, have to travel to the scene right away. People are inquisitive and provocative, and that drives progress. The leaders may not feel comfortable with it, but they have to deal with it."

In response, the State Information Office now holds a press conference every Thursday and takes questions from both foreign and domestic reporters. This was unheard of in the past.

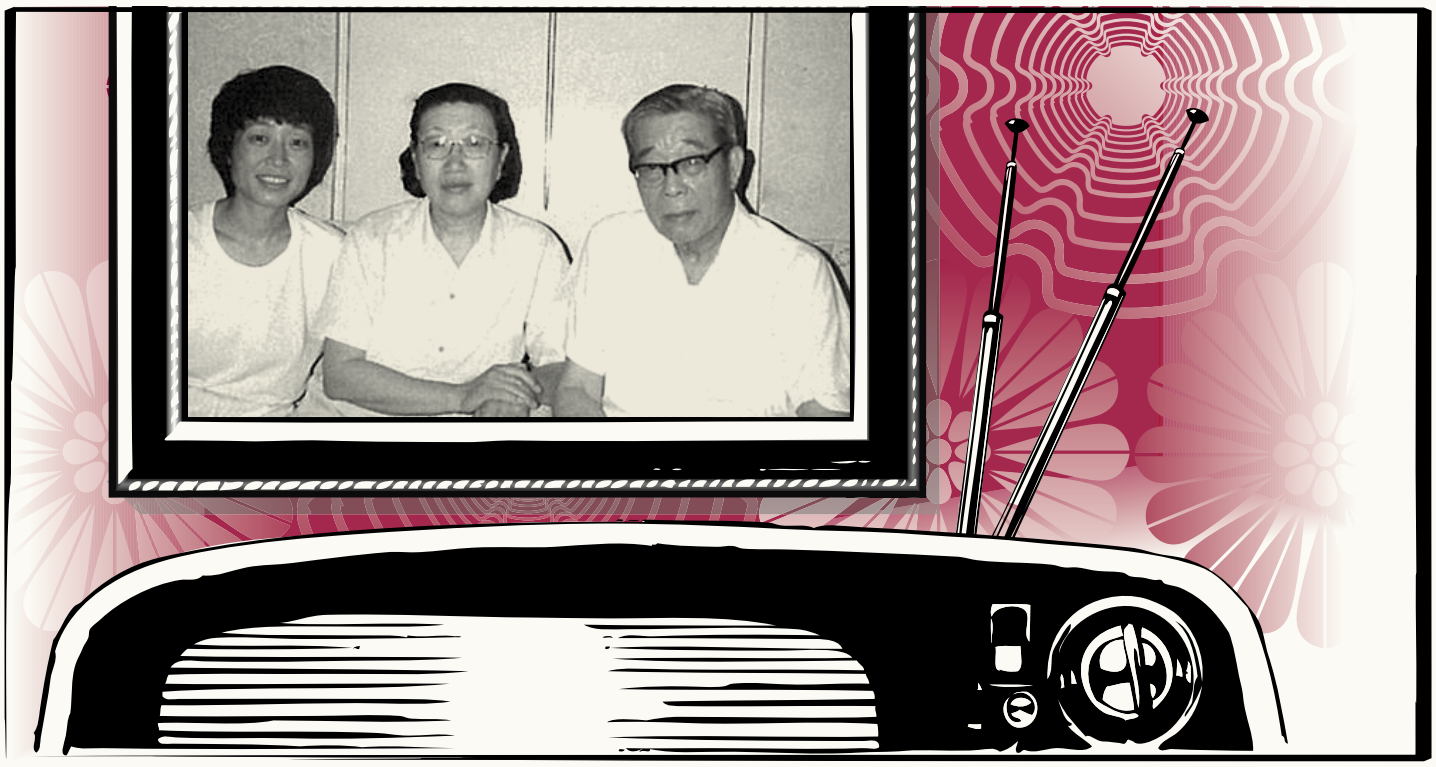
Yan points out that the publicity might actually be beneficial to the government. For instance, coverage of national disasters could help pro-environment policymakers build public support. It is a relatively new role for Chinese journalists and citizens. So, press freedom is driving accountability and progress in China, albeit slowly and unevenly.

> "WHEN CHINESE PEOPLE KNOW MORE, AND CAN READ MORE, THE AVAILABILITY OF INFORMATION MAKES THEM SKEPTICAL, RATHER THAN MORE TRUSTING"

To Mei Yan, "press freedom is all about how confident a government or society is. Freedom comes from inner strength, when you know you are on a winning course. Then, you are freed to tell the truth." During China's years of hardship, the "truth" was the party's official line, and if you didn't believe in it, you might find the reality unbearable. Now China's success, and the confidence it breeds, is allowing the truth, or multiple truths, to get out. She uses her own business to illustrate China's need to search hard for what is authentic, original, and creative.

"After the lip-synching scandal at the Beijing Olympics in 2008 [when a schoolgirl singing at the opening ceremony mimed to another's voice], China's image was tarnished. We counteracted that at MTV by launching MTV *Zhen* ["True"]," a show that features original rock bands from all over China. "It's all about being real," she says of this venture. Yan has faith that there is a deep well of original creative talent in China, and her company is encouraging artists to draw upon an inner strength and confidence that allows them genuinely to express themselves.

Of course, there are still taboos. "Sex, pornography, drugs, casinos. It is not wise to write about these things, unless you do it in a certain way," says Yan. Many reporters confirm the need for a delicate dance around sensitive issues: family planning is okay; female infanticide is not; the "three Ts" – Tibet, Taiwan and



Mei Yan pictured at home in Beijing nearly 10 years ago, with her mother, Yin Qihua and father, Mei Yi

Tiananmen – are still touchy. But there is also evidence that the more the government plays down a "difficult" subject (for example the controversial *Falun Gong* movement), the more attention it gets.

When it comes to leading Viacom in China, Yan is all business, but she is a realist. Explaining why China is different to her overseas bosses is difficult, but she hopes to push the boundaries. Today, the media business is one of the last frontiers to liberalize, not having been included in the industries affected by China's accession to the World Trade Organization.

Still, progress has been made. A 2003 "landing" agreement with the government allowed three channels owned by Time Warner, Viacom and News Corporation to broadcast in Guangdong and to luxury residential buildings and hotels across the country. Nickelodeon content was among the first foreign animated programming allowed to be broadcast on Chinese TV; before that, the authorities tried to nurture the development of China's own animation industry. This was a victory, but Viacom has had to partner with Chinese stations such as CCTV, de-emphasizing its MTV and Nickelodeon brands in a way it would never do on its home ground.

Mei Yan also points out that while the Chinese market is obviously very large, even big players do not have access to all of it. And when distribution is restricted, so are advertising revenues. The road to profitability will be a long one, but she is working within the system, finding a sustainable path to success through partnerships and creative ways of delivering content online.

By her own admission, Yan's father may not have been able to understand today's bewildering new media landscape, but he was able to cheer with her when she reported the fall of the Berlin Wall for the UK's Independent Television News in 1989. She thinks that if he were alive today, he would celebrate his fellow citizens' ability to speak the truths they believe in.

Mei Yan is Chief Representative in China of Viacom Asia and Managing Director of MTV Networks Greater China. She oversees all of the operations of MTV's businesses in the country, which include the MTV and Nickelodeon brands. Prior to joining Viacom she held senior roles within News Corporation and the Chinese operations of its STAR TV network. She began her career as a journalist, and spent time working for ITN and at CNN's US headquarters in Atlanta.

Ginny Wilmerding is an Associate in Brunswick's Hong Kong office; she has been doing business in China since 1991 and speaks fluent Mandarin.

Tim Payne is Managing Partner of Brunswick's Asia business and is also based in Hong Kong.

TRUSTED SENTINEL

Brunswick's Cai Jinqing talks to Hu Shuli, Chief Editor of Caixin Media and founder and former Editor of *Caijing* magazine

In a country where the ties between government and the media have long stifled independent journalism, Hu Shuli stands out. Her crusading editorial agenda and tenacious investigative instincts have earned her a reputation as the most respected and influential journalist in China.

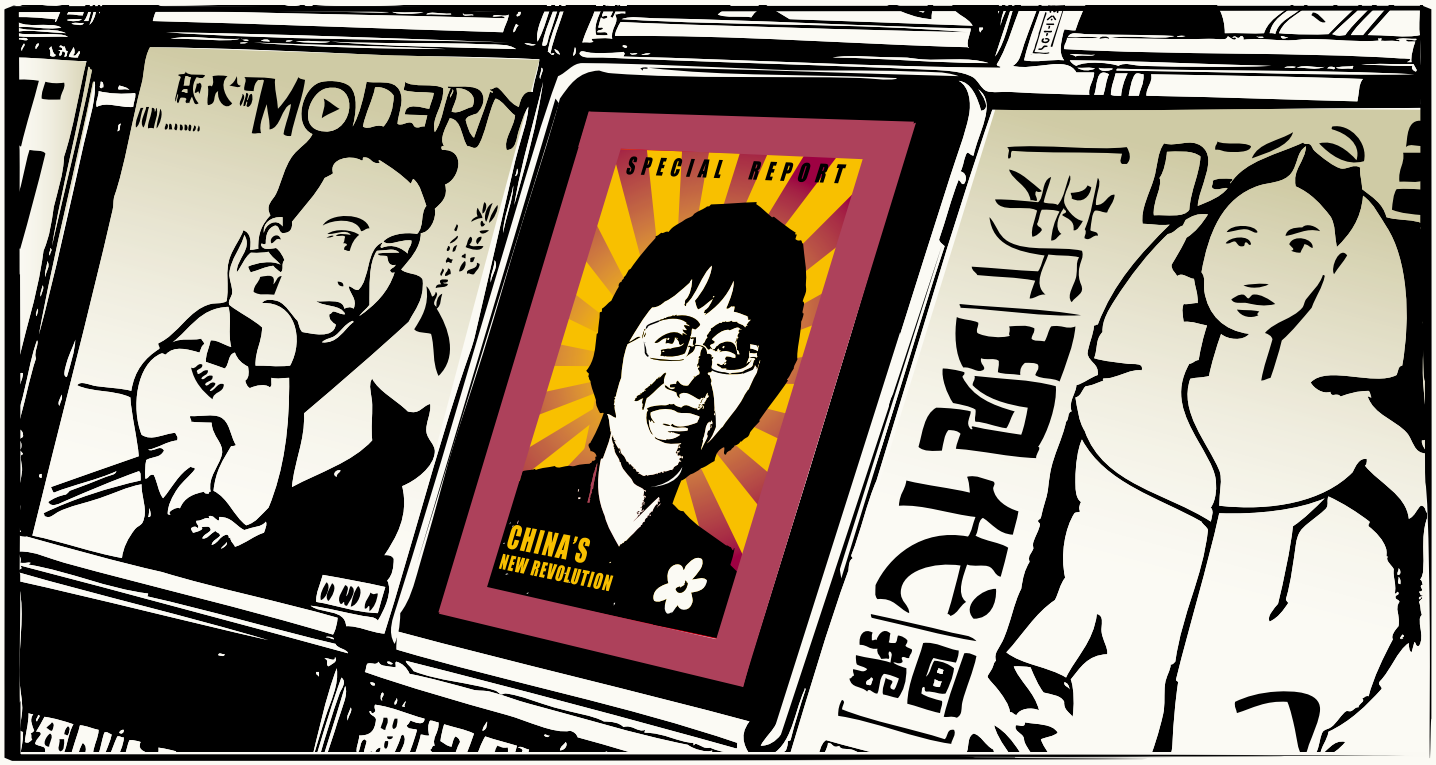
Caijing magazine, which she founded in 1998, was recognized as the most respected source of analysis on business, finance and politics in China. Under Hu's stewardship, it mixed high-level business commentary with searing exposés on topics as diverse as the government mishandling of the 2003 SARS crisis to the corruption that led to the collapse of school buildings in the 2008 Sichuan earthquake.

But late last year she resigned as head of the empire she had built. There were rumors of bitter disagreement between Hu and *Caijing*'s owners over editorial policy and financial control. In a stunning vote of confidence, more than 90 per cent of the magazine's journalists and two-thirds of business staff followed Hu to her new venture, Caixin Media.

"It was a difficult choice," she says. "I can only say that differing visions of *Caijing*'s sustainable development brought us to a critical point. I feel that, as journalists, it is our responsibility to warn of possible dangers, especially in the financial markets and business environment in China. Our mission is to play the role of watchdog. For the past 10 years, more than a third of our reporters and editors [at *Caijing*] were focused on exclusive investigative reporting, because we thought that the public should know what was happening behind the curtains of China's emerging financial markets." For example, in 2000, *Caijing* journalists exposed illegal trading and stock price manipulation among Chinese mutual funds.

"That was the first in-depth media report about such problems in China's securities market," she says. "Ten companies sued us, but Chinese investors finally got a glimpse into the practices of their fund managers. The net result was that we, the media, earned public trust and were able to have a real impact on regulatory supervision of the markets."

Her new enterprise continues that tradition. "When readers open our magazine or click on our website, they know that *Caixin*



will publish what they *should* know, not necessarily what they want to hear."

Strictly speaking, there are no completely independent media outlets in China today, but certain factors – such as being free of government financing, government-staffed employees and government resources – can increase the independence of some media.

Meanwhile, to maintain the public's trust, Hu has insisted on transparency at her new enterprise. "We set up a Trust Board, composed of academics, business leaders and intellectuals," she says. "The Board is independent from our directors and management. It makes key decisions, such as appointing the chief editor, and sets the standard for our editorial principles. That is the source of our professionalism and independence, and that's the best source of protection. Political influence and commercial interests need to be kept out of editorial judgment. In general, in China, we need to improve corporate governance of the media to ensure its independence."

At the same time, regulation of the media is changing and the government is not entirely inflexible. "We need to move into the gaps and grasp every possible opportunity to push forward the boundaries of what is possible and what the media are allowed to do," says Hu.

She points to a recent incident in Zhejiang province, where local police issued an arrest warrant for a journalist who had written a negative report about insider trading in a local company. The reporter had to go into hiding to avoid being arrested. This caused such an uproar in the press that the authorities withdrew the warrant and apologized. "It was remarkable to see how the media came together to oppose this abuse of power by the authorities," she says.

Journalists have responsibility too. Being "professional" does not simply mean professional training. "Rather, it means that we uphold our journalistic ethics and remain independent, not influenced by power, money or relationships. By doing so, the media can help to improve the rule of law and preserve citizens' rights," she says.

Hu believes her publication's most important asset is the trust it has earned from readers who rely on it to report accurately and comment fairly.

"For any media outlet, the most important asset is its credibility," she says. "In China currently, the market-oriented media, though they don't have the same level of official backing as government media, have gained an ever greater influence on society. Gradually, these market-oriented media are becoming the true mainstream media."

Hu's company publishes two magazines: one weekly, called *Century Weekly*, and a monthly economic review, *China Reform*. There is also a website, Caing.com, in Chinese and English, and a digital English bi-weekly magazine called *Caixin Weekly – China Economics and Finance*.

Caixin is also leaping into the digital age, with iPhone, iPad, Android and Kindle applications, and a social networking platform. When *Caixin's* reporters cover a news story, they write micro-blogs, set up online polls and conduct video interviews.

"The digital threat in China is not as severe as it is elsewhere, because the entire media industry is still at an early stage of development and still growing. But it's clear that, given the upswing in internet usage in China, that is where our future lies," she says. "But I would rather regard this as an opportunity than a threat. In fact, the internet has been a key factor behind the success of independent, market-oriented media like ours in China, so we should embrace it."

> "MARKET-ORIENTED MEDIA, THOUGH THEY DON'T HAVE THE SAME LEVEL OF OFFICIAL BACKING AS GOVERNMENT MEDIA, HAVE GAINED AN EVER GREATER INFLUENCE ON SOCIETY"

No wonder Hu has been described as "the most dangerous woman in China." Her launch of *Caixin* came only months after her departure from *Caijing* and is already making its mark.

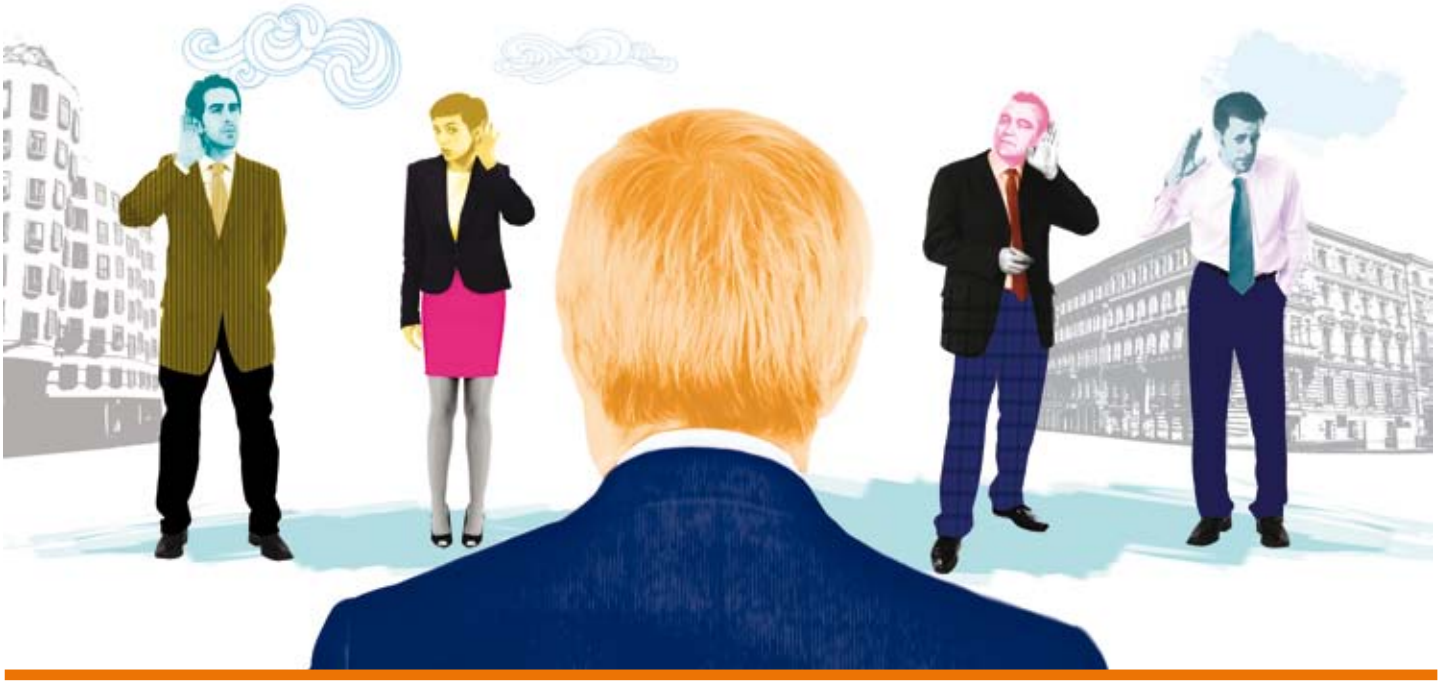
Hu Shuli is Chief Editor of Caixin Media, Chief Editor for *Century Weekly*, Executive Chief Editor for *China Reform* and Dean of the School of Communication and Design at Sun Yat-sen University. Prior to founding Caixin Media in 2009, for 11 years she was Editor of *Caijing* magazine, a title she founded and led to eminence as one of China's most authoritative business publications.

Cai Jinqing is a Partner in Brunswick's Beijing office and has played a central role in a series of critical corporate situations involving cross border M&A communications, corporate reputation and public affairs.

Lou Yi also contributed to this article.

FOLLOW THE LEADER

BEING CONSISTENT, CLEAR, AND RELIABLE IS THE PERFECT ANTIDOTE TO THESE TOPSY-TURVY TIMES, SAYS RICK WARTZMAN OF THE DRUCKER INSTITUTE



It is amazing that more corporate executives aren't being shown the door. A Maritz research poll conducted last April with more than 2,000 respondents found that a mere 11 per cent of employees strongly agree that their managers show consistency between their words and actions. In addition, only 7 per cent strongly agree that they trust senior leaders to look out for their best interest. Other recent surveys paint a similarly bleak picture.

All of this would surely distress Peter Drucker, the father of modern management, who believed that trust was essential to the effective functioning of any organization.

"You cannot prevent a major catastrophe," Drucker declared, "but you can build an organization that is battle-ready, that has high morale, that knows how to behave, that trusts itself, and where people trust one another." In other words, trust must be established in all directions: from the top down, from the bottom up, and from peer to peer across the enterprise.

Let's begin at the top. "In military training," Drucker noted, "the first rule is to instill soldiers with trust in their officers, because without trust, they won't fight."

So, how does a senior executive forge these bonds? It starts by being straight with people. "To trust a leader, it is not necessary to like him," Drucker wrote. "Nor is it necessary to agree with him. Trust is the conviction that the leader means what he says. It is a belief in something very old-fashioned, called 'integrity'... effective leadership – and again this is very old wisdom – is not based on being clever; it is based primarily on being consistent."

As simple as this principle sounds, it is not easy to put into practice. Louis Gerstner has remarked on how many times executives appealed to him to overlook company policy when he ran IBM in the 1990s: "In hundreds of such conversations, there were always two sides to the story; there was always a seemingly good reason to bend the rules."

The total cost for doing this, though, can be incredibly high. "Cumulatively," Gerstner warned, "if an executive demonstrates that exceptions are part of the game, then his or her leadership will erode as the trust of colleagues evaporates."

At the same time, executives must not only earn the trust of those who report to them; they must also actively demonstrate that they have trust in their subordinates. This can be accomplished in a couple of ways.

First, one must invite conflicting opinions. That's how Alfred Sloan, who built General Motors into an industrial giant, operated. "Sloan was clear that managers were paid to offer *differing* views on important issues," said Drucker, whose 1946 landmark book, *Concept of the Corporation*, explored Sloan's GM. In fact, if there wasn't sufficient disagreement during a meeting, Sloan would dismiss everyone and make them go back and do more homework.

Second, one must spread responsibility throughout as much of the organization as possible. This is exactly the philosophy that helped Coca-Cola grow into the world's top brand. For decades, the man who headed the company, Robert Woodruff, sent individuals to some foreign outpost and "didn't see them again until they determined when and how a Coca-Cola business could be built," the company's former president, Donald Keough, has recalled. And that was in an era when communications around the globe were terribly slow, and so Woodruff might receive no indication of how things were going for quite some time.

Today, of course, communications are instantaneous. But the same concept can apply: establish unambiguous goals and then show your people, by word and deed, that you have real faith in them to figure out how to meet the objectives.

"Trust is the conviction that the leader means what he says"

Peter Drucker

Such trust, however, cannot be given without getting something in return – namely, accountability. Drucker advised that everyone in the organization should commit to writing the results for which he or she should be held responsible. This information should then be widely shared: up, down, and sideways. Drucker saw this as the way to build mutual trust, because, as he put it: "Trust means that you know what to expect of people."

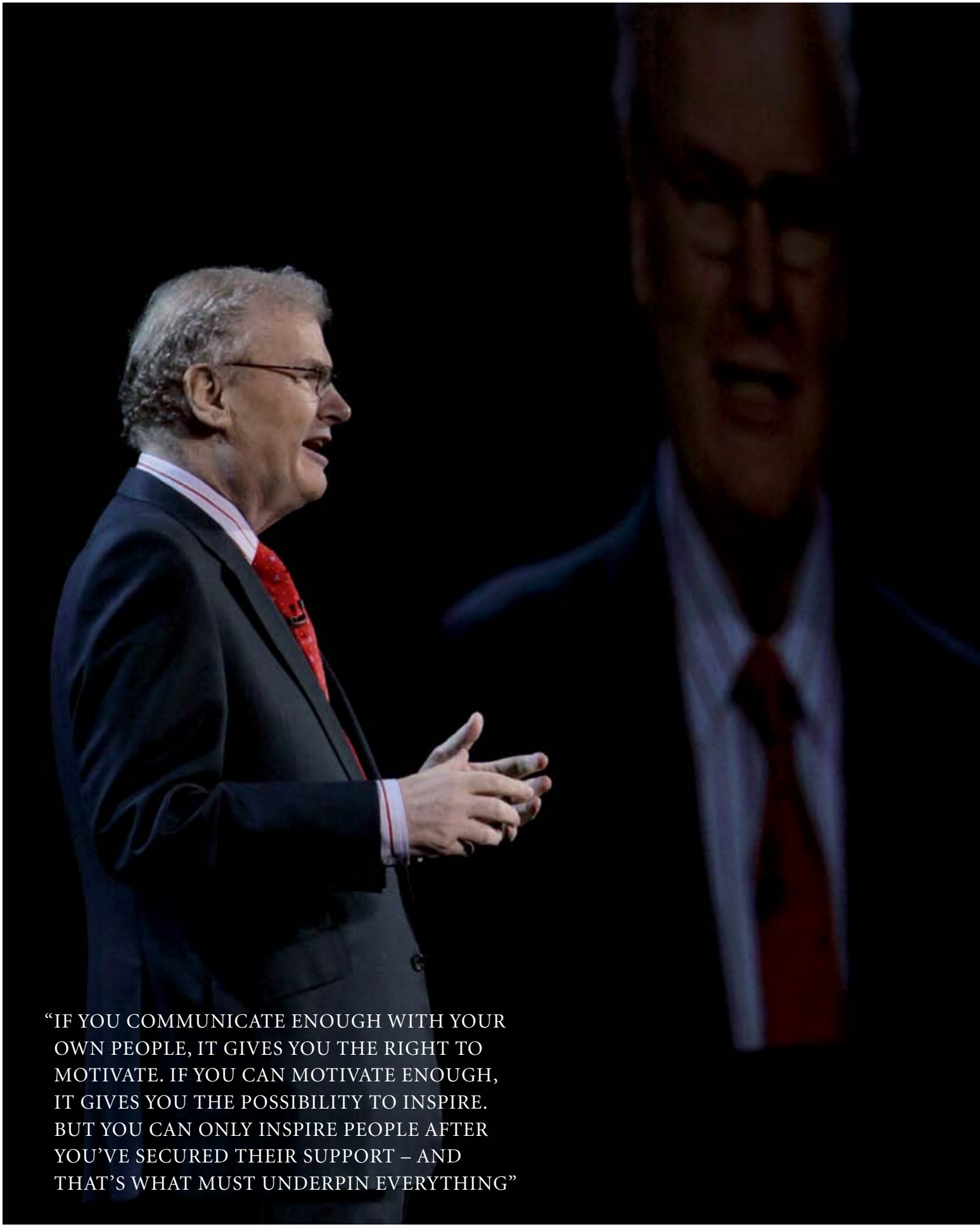
This kind of trust – between and among colleagues – also seems to be in short supply these days. The Maritz poll found that only 7 per cent of employees trust their co-workers to look out for their best interest, the same dismal fraction as with their bosses.

Some companies work hard to get past such feelings. Procter & Gamble, for example, has shown that the best way to spur innovation is to get people from different disciplines – finance, manufacturing, human resources, marketing – on the same team. But before these teammates try to tackle a particular business problem, they spend a considerable amount of time working on what former P&G Chairman Alan "A.G." Lafley (himself a Drucker disciple) has identified as the biggest reason that innovation gets tripped up: poor social interaction.

"For the first two weeks, led by a facilitator, the team does no nitty-gritty business," Lafley has said. "In this early phase, exercises and experiences are designed with one thing in mind – to develop trust." Among them: eating lunch together every day and drawing their thoughts and fears on giant sheets of paper.

Uncertainty and upheaval are all around us. Building trust – that is, being consistent, clear, and reliable – is the perfect antidote to these topsy-turvy times.

Rick Wartzman is the Executive Director of the Drucker Institute at Claremont Graduate University, an author and a columnist for *Bloomberg Businessweek* online. The mission of the Drucker Institute is to better society by stimulating effective management and responsible leadership. It does this, in large part, by advancing the teachings of the late Peter F. Drucker, the author of 39 books on organizational behavior, economy, society, innovation, marketing, strategy, and more.



"IF YOU COMMUNICATE ENOUGH WITH YOUR OWN PEOPLE, IT GIVES YOU THE RIGHT TO MOTIVATE. IF YOU CAN MOTIVATE ENOUGH, IT GIVES YOU THE POSSIBILITY TO INSPIRE. BUT YOU CAN ONLY INSPIRE PEOPLE AFTER YOU'VE SECURED THEIR SUPPORT – AND THAT'S WHAT MUST UNDERPIN EVERYTHING"

HIGH FIDELITY

SIR HOWARD STRINGER, SONY CORPORATION'S FIRST NON-JAPANESE CEO, TALKS TO BRUNSWICK'S TIM BURT ABOUT THE NEED FOR IMAGINATION, VISION AND TRUST AS 'LEGACY COMPANIES' FACE NEW CHALLENGES AND NEW COMPETITORS

As the first non-Japanese head of consumer electronics and entertainment giant Sony Corporation, Welsh-born Sir Howard Stringer was going to have a tough job, no matter what. But his appointment as CEO in 2005 coincided with shrinking markets and increased competition, especially in consumer electronics. Then there was the matter of a global economic meltdown.

Over the past five years, Stringer has pushed through a radical restructuring and heavy cost-cutting as he moved to ensure the future success of the Sony business in a changing world. His work has paid off. Sony is predicting operating profits of Yen 180bn ($2.2bn) in 2011, as demand grows again for the company's products, from PlayStations and camcorders to recorded music and 3-D movies, and from cellphones to cameras and laptops.

Yet Stringer – a former award-winning journalist and President of CBS – is far from complacent. Speaking to Brunswick's Tim Burt, the Sony Chairman discusses the challenges of pursuing innovation while simultaneously containing costs and exploiting new markets with existing products. Above all, he says, you have to start from the bottom up, building trust within your company.

Tim Burt: Your five years at the helm of Sony Corporation have coincided with a major upheaval in the global economy, unhelpful exchange rates and a continuing technology revolution. How has that affected your attempts to secure management support for restructuring the business?

Howard Stringer: Our management team are optimistic. They still see opportunities globally, but they also know that it's very hard. As a company, we have accomplished quite a lot, given the challenges, especially when you consider that foreign exchange rates have been systematically tougher on Sony than almost any other company because we depend on exports for almost 75 per cent of our revenues. I worked it out: if the yen was where it was seven years ago, we would have had another billion dollars of profit added to our balance sheet. So, Sony has really taken it on the chin, and yet we did bounce back, and we continue to bounce back, because we've not become complacent.

Even when the yen deals us another blow, what's remarkable about the employees and management is that they respond quickly. There is a real understanding that this isn't about American restructuring methods or even my methods. This is about fighting an economic challenge that is tough and in your face. We have had to restructure the company, and at the same time, nurture the technological skills and the energy and enthusiasm for innovation that is characteristic of Japanese business. That's the cohesion of Sony.

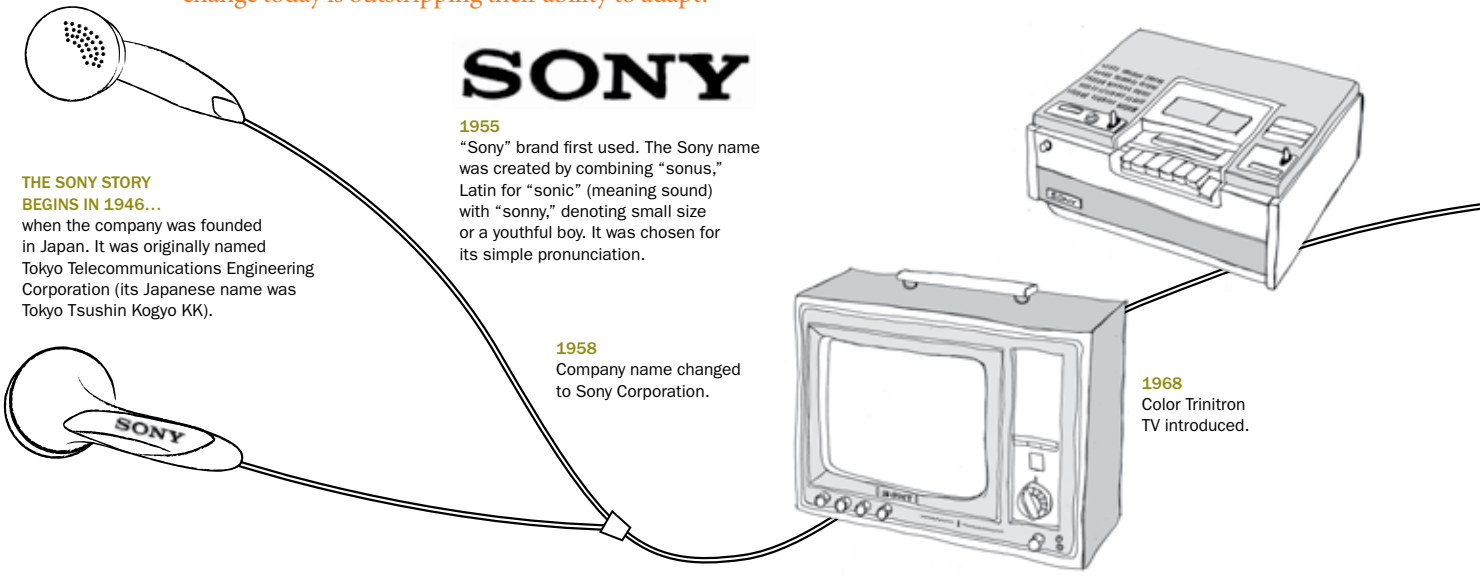
Is there a fundamental difficulty in what one might call "legacy companies" – whether in technology or car-making or aerospace – that the pace of technology change today is outstripping their ability to adapt?

Yes, of course. But it's compounded by size. As long as a company like Sony continues to grow or, indeed, if a country is growing – as China is today – you can keep absorbing your problems. You can hire more people, you can spread the wealth around a little bit; you can give people opportunity. But when you stop growing and you flatten out, you become less productive whether you like it or not. You have to adapt, and quickly. We have had to address this at Sony. And we are, by finding ways to give our promising executives opportunities around the world so that they are not frustrated by layers of management.

And can businesses, such as Sony, protect their brand appeal while managing those legacy issues, especially in a consumer climate where brand loyalty seems to have evaporated?

The brand erosion is less than you might think. We took a few hits three or four years ago. But there was a big brand study recently where Google came out number one and Sony came out number two. We have done a lot to repair our brand in advertising and presentation – as you saw during the World Cup finals. Nobody scored a goal in South Africa without passing in front of the Sony logo.

Polls will sometimes show that you're up or down in brand loyalty. I'm not worried about that. What's more important is to remember the global appeal and reach of our brand. Even if we are not the company behind the iPad, Sony still sells close to 25m TV sets every year; we have 50 per cent of the world market in camcorders; we've won awards for miniature phones; awards for cameras. I could go on because Sony is a giant place. It is not a boutique brand.



THE SONY STORY BEGINS IN 1946…
when the company was founded in Japan. It was originally named Tokyo Telecommunications Engineering Corporation (its Japanese name was Tokyo Tsushin Kogyo KK).

1955
"Sony" brand first used. The Sony name was created by combining "sonus," Latin for "sonic" (meaning sound) with "sonny," denoting small size or a youthful boy. It was chosen for its simple pronunciation.

1958
Company name changed to Sony Corporation.

1968
Color Trinitron TV introduced.

At Apple, by comparison, I think consumers are drawn to Apple software. I'm envious of Steve [Jobs] because he doesn't have to operate on the broad scale that we do. At Sony, our challenge is to be faster across a whole range of products and services. We compete in product segments spanning 3-D video, internet television, digital cinema, games, music – you name it.

We have to keep feeding the machine. But when Sony gets things right – with technology infrastructure and networked devices working together – it is a world beater. It's hard to get out of our way. I want to make it harder and harder to get out of Sony's way.

The issue for us at the moment is can we keep pace with the market opportunities around the world, while still navigating the foreign exchange situation? If you're not generating demand for goods and services – however big you are – you're not generating revenues and income. If you get it right and seize the opportunities from new markets and technology, and at the same time preserve innovation, quality and brand appeal, it represents a virtuous circle. In a way, I think it's forcing all of us to redefine virtue, which is particularly ironic at a time when the banking industry has demonstrated the opposite.

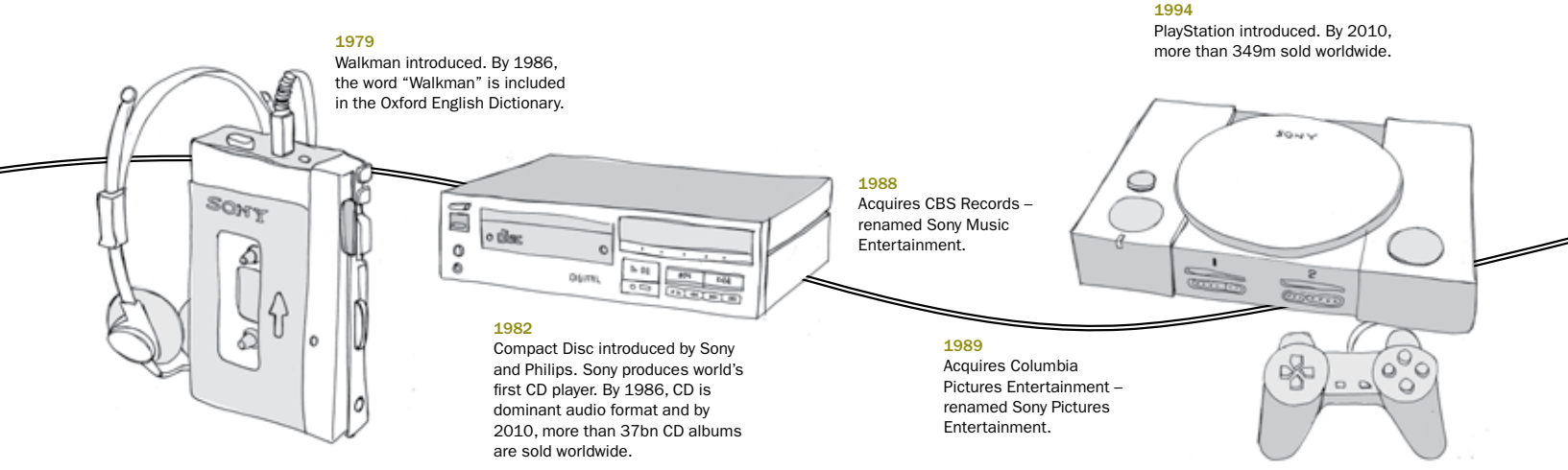
And I suppose virtue – in corporate terms – goes to the issue of trust. Given the size and complexity of the Sony organization, how do you instill that trust in the workers who must execute your strategy?

I don't think you can be an autocrat. You can micromanage a small company, but in a big company, you have to find disciples, spread them throughout the business, and take the whole organization with you. You have got to inspire trust. You have got to win support.

When I assumed this role, all sorts of people told me I should move faster. But the pace of what you can do is dictated by the culture. You can't impose yourself. Here at Sony, they weren't looking for General Patton; they were looking for Eisenhower – constantly encouraging everyone to work toward common goals. That meant building a consensus for change and instilling a sense of urgency. Success also depended on working effectively with the people around you. To do that, the single most important management tool was to communicate internally. People had to trust what I was doing.

Presumably, maintaining internal support for the turnaround has proved harder in the current skeptical media environment. Have you ever encountered a period where corporate reputations have been so much on the rack in the regulatory world, the political world and, because of that, in the media world?

I started my career in the middle of a crisis of trust. I was part of the lawsuit that General [William] Westmoreland filed against CBS over a documentary we produced – *The Uncounted Enemy* – which suggested he ignored military intelligence and exaggerated casualty numbers during the Vietnam War. It was about trust, and whether the General was misleading the American public. He sued us, and it went to trial. This was a pivotal experience for me, because we knew that if we lost that case, CBS News would be seriously damaged, and our careers would have been seriously damaged. For me, it shaped my understanding of what happens when you are under siege on the issue of trust.



So, is this current media environment just part of a cycle that ebbs and flows, and we're now back in a period where corporate reputations are much more in the line of fire?

In a crisis, the crisis news makes its own rules, and you don't know where it's going. In Japan, when Lehman went down, the initial response was that this was an American issue and their debacle. But now, the Japanese know that the fallout was global. That's probably the biggest single difference in the last four to five years. Any crisis in a global corporation has a global response. For every local action, there's a global reaction. I don't think most people understood that before. And I don't think bankers understood it either. With the banking crisis, the global impact kept on rolling, engulfing more nations than anyone expected – even Iceland found itself in the headlines.

The media reaction seems to have been that questionable conduct in the banking industry was symptomatic of bad corporate behavior in general. In that atmosphere, how do companies respond and prepare themselves for what is quite a venal approach from today's media?

I don't think you conduct your business with one eye on the media, because the one thing to remember about journalists – and I know this, having been one – is that the news will get you coming or going. That's always been especially true in the UK, where there are so many newspapers. If one newspaper says the world is black, the other will say white. You have to rely on the *Financial Times* and one or two other newspapers to consider the possibility that it's gray. So, what you're seeing now is a sort of retaliation from the press for being caught out for not spotting a story.

That was exposed by Michael Lewis, in his wonderful book *The Big Short*. He demonstrated there were specialists who knew what was going on in the market for sub-prime mortgage bonds, but they couldn't convince anybody something was wrong. An awful lot of people simply didn't understand what was going on – including the media. Now, we're seeing a sort of journalistic backlash against the financial world.

The reality of the sub-prime mortgage crisis was that it was a bubble, and a bubble will burst, as it did with the internet. Journalists want to be the ones who predict it. But journalists are also under stress at the moment. Newspapers are in trouble; advertising is in trouble; and people are worried. A *New York Times* columnist recently called it the "pessimism bulge," which is a good way of describing the current mood.

In that kind of febrile atmosphere, how do corporations defend and restate their core business proposition? Although the media may be peripheral, you still need to reach suppliers, dealers, customers and employees.

There is only one answer and that is communicate, communicate, communicate. I used to say that the three elements of leadership for a CEO are, at the high end: inspiration, second level: motivation, and at the third level: communication. Actually, that's upside down – it should be communication first. If you communicate enough with your own people, it gives you the right to motivate. If you can motivate enough, it gives you the possibility to inspire. But you can only inspire people after you've secured their support – and that's what must underpin everything.

How do you maintain that support inside a company that is facing multiple challenges, such as having to address shrinking margins in the core electronics business and fighting off new, low-cost competitors?

1997
Howard Stringer named President and COO, Sony Corporation of America. He initiates cross-company collaboration across US operating companies. Named Chairman and CEO of Sony Corporation of America the following year.

1999
Howard Stringer receives the title of Knight Bachelor in the New Year's Honors list of Her Majesty Queen Elizabeth II.

2001
Stringer launches wide-ranging restructuring initiative, called Project USA, across Sony's US operating companies (Sony Electronics, Sony Music and Sony Pictures). Results include:

- More than $700m in annualized cost savings
- Some 9,000 positions eliminated
- Creation of numerous shared service platforms
- Sony Pictures uses its savings to continue to digitize its film library.

2004
Sony Music and BMG, the music business of German media company Bertelsmann, create 50-50 joint venture, named Sony BMG. In 2008, after restructuring, streamlining and establishing digital partnerships, Sony acquires Bertelsmann's 50 per cent share of Sony BMG – now named Sony Music Entertainment.

Sony United

2005
Sir Howard Stringer named Chairman and CEO, Sony Corporation. He introduces concept of "Sony United" to drive collaboration and break down silo walls between different parts of the company.

It goes back to the issue of people trusting your warnings about economic reality. In a global world, if you are too comfortable with low margins you lose to somebody else. Japan, as a whole, is adjusting to that. Smart people in Japan and elsewhere realize you can't turn your back on the global business environment. At Sony, our customers are global, and we have to adjust to a world where China and Korea have emerged as producers of low-cost competitive goods.

So, the turnaround at Sony is as much about changing the mindset in the company as the physical turnaround of shedding jobs, closing plants and refocusing the product portfolio?

It's absolutely both. We have to change the mindset *and* cut costs. We face an environment in which South Korea and China have lower costs and are copying Japan's innovation culture as fast as they can. We developed backlit LED televisions and the world's thinnest television, but we didn't get them to market fast enough because we couldn't make them economically enough. Our dilemma is that it's now much easier for Korea or China to duplicate what we do. No one has the product lead-time that we all used to enjoy.

The management team at Sony gets it. The younger generation of managers knows that if we're going to be competitive, we have to change. Two years ago I thought I might be losing this battle. At the height of the crisis, everybody was telling me I couldn't lay off people. And I said: "If I'm the captain of the ship, of course I have to worry about the crew, but first and foremost, I have to worry about the passengers – they're the customers. And then, ultimately, I have to worry about the ship. If the ship goes down, it's all over."

When we lost money for the first time, people here saw the scale of the threat. Then, our management stopped looking backward, particularly the younger generation of executives. A competitive instinct to survive kicked in. Now things are better, but we absolutely cannot afford to be complacent. Sony people love their relationship with quality. They love their relationship with being the best, and that's the competitive spirit you have to constantly urge and demand.

The switch from analog to digital mirrors the shift that corporations have to make. Mature companies – like mature industrial countries – have to have the imagination and vision to make another great leap forward. They have to recognize that markets such as Brazil, Russia, India and China represent new opportunities. Everybody knows this is a turning point. But everything needs leadership, and that comes down to where you started – an issue of trust.

Howard Stringer was born in Cardiff, Wales, in 1942. He has been a US citizen since 1985. Educated at Oxford University, he had a distinguished 30-year career as a journalist, producer and executive at American broadcaster CBS, where he supervised the award-winning *CBS Reports* and was executive producer of the *CBS Evening News* with Dan Rather. As president of CBS News and later CBS, he was responsible for all the broadcast activities of the company and persuaded David Letterman to bring his late night show to his network. He left CBS in 1995 to lead TELE-TV, a new television company formed by the US's biggest phone firms. He joined Sony in 1997, initially leading the company's US business before being promoted to the role of Chairman, Chief Executive Officer and President of the whole of Sony Corporation in 2005, the first non-Japanese citizen to hold the position in the company's 60-year history.

Tim Burt is a Partner in Brunswick's London office specializing in media, technology and telecoms. He worked previously at the *Financial Times*, where he held several senior editorial roles including Media Editor, Motor Industry Editor and Nordic Bureau Chief.

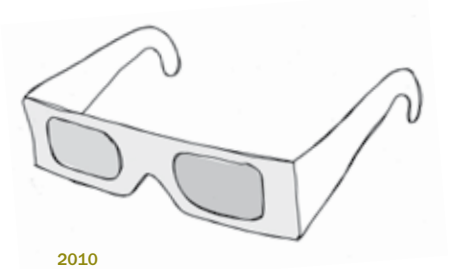
2006
Online multi-player gaming service PlayStation Network launched. In 2010, there are more than 52m registered accounts worldwide, with online storefronts in 36 countries, 12 languages and 22 currencies.

2008
Sony-supported Blu-ray format defeats HD-DVD; becomes sole high definition optical disc standard and enables expansion of 3-D video into the home.

2008
Company announces further expansion in the BRIC countries (Brazil, Russia, India, and China) and other growth areas.

In India, for example:

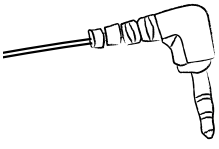
- Sony Entertainment Television is now ranked the #4 channel in very crowded market
- Sony TVs had #1 market share in second quarter 2010
- Sony Electronics has more than 5,000 dealers and distributors, 240 exclusive Sony outlets and 19 direct branch locations.



2010
"Video on Demand Powered by Qriocity" launched. Service enables consumers to purchase and stream more than 700 films directly to select Sony Bravia TVs and Blu-ray players in US and Europe.

3-D TVs launched into the global market.

Sony Internet TV Powered by Google TV launched in US market in October.



TRUST NO ONE? EXPLORING THE DISCONNECT BETWEEN BEHAVIOR AND BELIEF

BY GRAEME TRAYNER, BRUNSWICK RESEARCH, LONDON AND MARIA FIGUEROA KÜPÇÜ, BRUNSWICK, NEW YORK

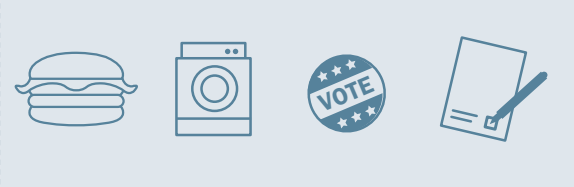
Having both worked on political campaigns around the world, we've seen first-hand the virulent mistrust of politics felt by many parts of the electorate, particularly in the UK and US, and the breakdown in trust between the elected and electors. In Britain, the expenses scandal involving Members of Parliament reinforced an existing trust deficit, and became a toxic issue for all mainstream parties. The UK General Election result reflected public ambivalence to politicians of all stripes. In the US, voters' anxiety about the economy and frustration over partisan bickering on fiscal and healthcare reform have eroded their confidence that government can act effectively in times of crisis.

At the same time, this challenge has found an echo in the business world. The perceived failings of banks and financial institutions have led to a wider questioning and skepticism of elites and governance, with issues around bonuses and bailouts turning public frustration to outright anger. Wider economic malaise reinforces the sense of a divide between business leaders and the general public. Indeed, organizations need to be sensitive to a climate defined by mistrust and anxiety in both politics and business – a rare if unwelcome combination.

Yet, behind the headlines and topline story lie nuances and subtleties – ones we need to bear in mind as we explore public attitudes, and understand how best to communicate. In the UK, the perceived failure of business has led to a greater support for state intervention and regulation. There has been a shift from the 1990s mindset of "business knows best" and earlier reactions against government involvement. The changing context meant that even the avowedly pro-market "New Labour" was able to nationalize banks – an unexpected echo of earlier claims to take over the commanding heights of the economy.

The picture in the US is more complicated – the bailout of failed banks was initially seen as a necessary crisis response. However, the public's skepticism over government over-reach has become a backlash that has seeded the ground for the Tea Party movement. For many, personal responsibility, rather than government intervention, is seen as the way out of the economic crisis.

Conversely, growing skepticism around the ability of the public sector to deliver value and service means business has more permission to talk about how it can bring know-how and efficiency to healthcare and education – the public is often more pragmatic than those it elects, and is driven by common sense rather than ideology. What matters is whether something works, rather than who runs or owns a service. Instead of talking about the power of "big," people want to hear about the impact of "small," – a sentiment shared by US and British voters. Bear this in mind as we see more debates across markets on whether to open up further the running of services to private sector providers, and the divides between opponents and supporters start to cut across party political lines.



Above all, we need always to bear in mind that the trust issue is complex and nuanced, and is dependent on context and how communications are framed. We also need to guard against the knee-jerk consumer attitude of "I trust no one" (often voiced in current affairs focus groups), and realize that everyday behavior shows trust – conscious or otherwise – towards public and private institutions.

If trust represents one current conundrum to deal with, understanding how consumers look at the downturn represents a major challenge for communicators. Separating out what is opinion versus behavior is absolutely critical, as is the need to identify what is a playback of media panic versus actual consumer change. Polling shows a complex picture – low and moderate income consumers across Europe and the US are cutting back – whether that's everyday purchases and "treats" such as premium brand groceries and eating out, or delaying a big purchase such as a holiday or new car. While high income individuals in the US have also pulled back, their spending this

year is on par with 2009 levels and "frugality fatigue" may be setting in. Decisions about discretionary spending hinge on job prospects, and with the unemployment rate hovering below 10 per cent, consumer behavior is "wait and see." But consumer attitudes seem resilient – many do not see these as permanent changes.

It is vital to understand how different factors shape similar perceptions. For many Britons this downturn has been so far, in former UK Cabinet Minister Michael Portillo's words, a "phony recession." Though unemployment has risen, most people have kept their jobs and homeowners have been better off due to falling interest rates. What has happened has been a psychological recession in which, influenced by media coverage and social chatter, consumers have felt a great sense of anxiety – a fear of the unknown. Consumers are responding to fear of the recession as well as the financial reality. But arguably consumers do have reasons to be fearful, even if the impact has not yet been fully felt. Hard choices have been made on public spending and job losses will very much become a reality in the public sector. As the cost of living rises and assistance from the state declines, middle-class attitudes will be defined by concerns around fairness, and fears over both their prosperity in retirement and prospects for their children will come to the fore.

This insecurity finds a very strong echo in the US; the American middle class has suffered a decline in income and wealth. There is deep concern that this recession has accelerated, in the words of Fareed Zakaria of *Time* magazine, a "structural shift" in the US economy. As global companies set their sights on growth in emerging markets, Americans may no longer be the employees who get the best jobs and the highest wages. The US government will surely be trying to reassure consumers – both at home and abroad – and employers that the "American Dream" is not out of reach. Already there are moves to address a range of issues at the heart of innovation and growth – from improving public education reform to amending the corporate tax structure. It remains to be seen if these policy initiatives will be enough.

The implication for researchers and communicators is to keep exploring where the "phony" recession gains a sharper and real edge and where the "real" recession begins to soften. Doing so is at the heart of authentic communications.

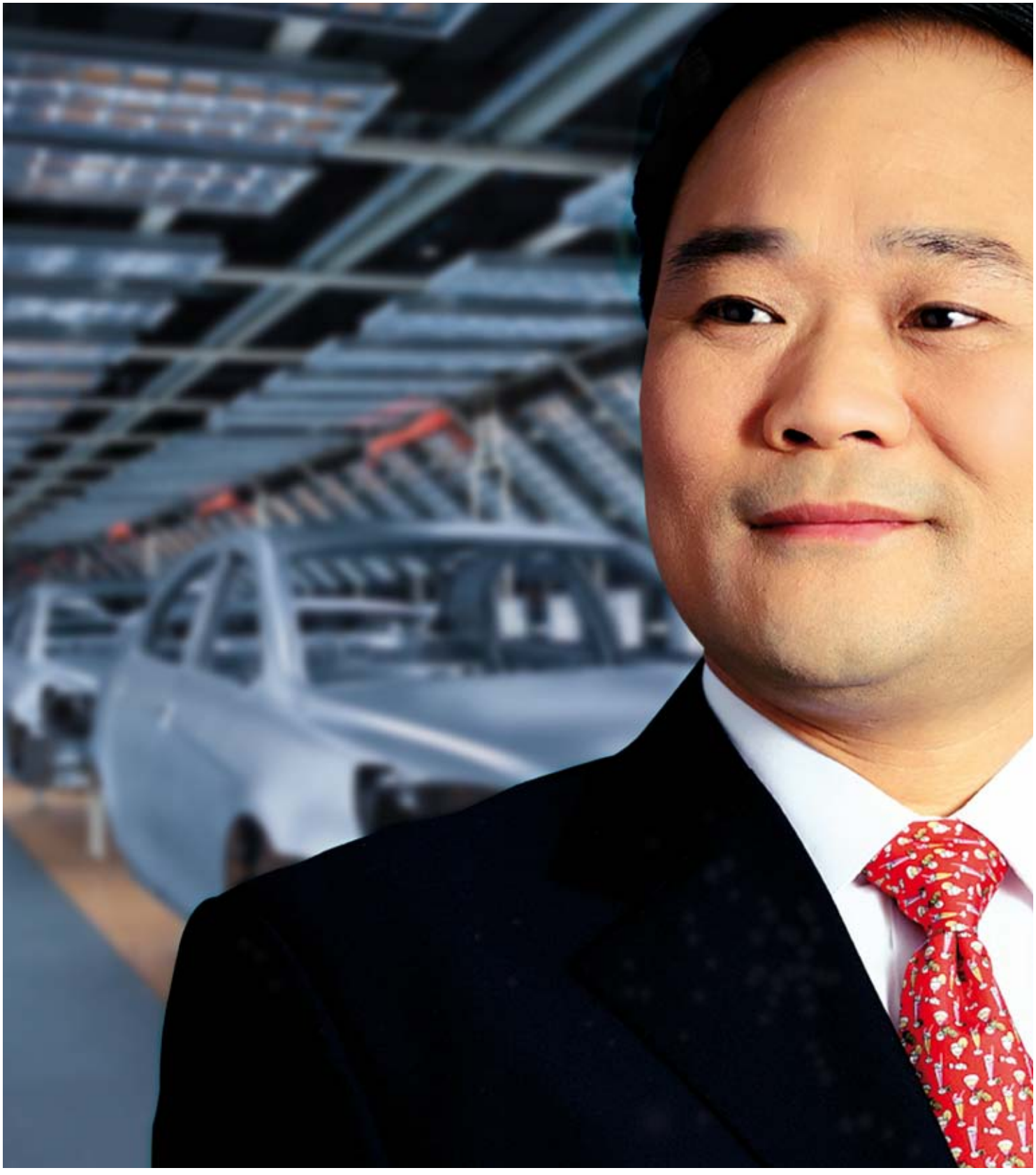
Given the confluence of business and politics, and the loss of trust, what trends can we expect to see? One shift to bear in mind is further devolution of power to consumers and voters. In politics in the UK, look out for innovations borrowed from the US and Europe – electoral reform will be a major issue in 2011, and we may see greater localism and developments such as primaries, chances for voters to recall MPs and ballot initiatives. In the US, regardless of the specific fortunes of the Tea Party movement, grassroots activism is certain to remain vibrant.

In business, this devolution will be more subtle, but the trend toward using social media platforms for feedback and engagement will grow, as will ever-increasing demands for openness and transparency – whether that is from NGOs or investors. Regardless of the electoral cycle, decision-making for corporates and politicians will be increasingly "public" and open.

Graeme Trayner is a Partner in Brunswick's London office, where he set up and leads the firm's opinion research practice, Brunswick Research.

Maria Figueroa Küpçü is a Director in Brunswick's New York office. She advises on corporate reputation, issues management and strategic opinion research, with a particular focus on corporate responsibility.

BRUNSWICK RESEARCH



CUSTODIAN OF A SCANDINAVIAN ICON

THE HEAD OF GEELY HOLDING GROUP EXPLAINS WHAT LED HIM TO ACQUIRE THE QUINTESSENTIAL SWEDISH BRAND, VOLVO CARS, IN A BOLD $1.5BN TRANSACTION AND HOW HE PLANS TO NURTURE THE EUROPEAN AUTO MAKER

BY LI SHUFU, CHAIRMAN, GEELY HOLDING GROUP, AND CHAIRMAN, VOLVO CARS

Until the fall of 2009, few business leaders or drivers in the mature markets of Europe and North America had ever heard of Geely Holding Group.

But China's largest privately owned automotive group, which I founded 24 years ago, would soon become a familiar name in the business pages of the world's leading media.

Our company hit the headlines in October 2009 after being named as the preferred bidder for one of the most famous names in the automotive industry, a premium brand associated with safety, quality, environmental care and modern Scandinavian design: Volvo Cars. We have remained in the public eye ever since, culminating with the recent completion of the acquisition of the Swedish company.

For generations, motorists around the world had associated Volvo Cars with technical innovation, leading Scandinavian design, product integrity, environmental care and the safest vehicles on the market. Put simply, Volvo is a brand you trust.

From the moment I entered the auto industry, I had a dream to build a trusted brand like Volvo.

Li Shufu: "We did what Volvo Cars is famous for. We paid attention to detail; we approached the deal with care and integrity; and we adopted a safety-first attitude in what we did and said"

I understood that for Geely to complete an audacious offer to acquire Volvo Cars from Ford Motor, we had to win the hearts and minds of many people in Sweden and elsewhere, for this would represent the largest automotive takeover by a Chinese company.

The "trust challenge" was far more than a public relations exercise; it was central to our bid proposal.

From the moment we were named preferred bidder for Volvo Cars, Geely had to secure the trust and support of every part of the Volvo community. This meant educating a wide range of audiences about our company's past, its values and culture, its approach to car-making and its ambitions for the future.

We had to demonstrate to employees, unions, suppliers, dealers, politicians, regulators and above all customers, that Geely would be a good guardian of the Volvo brand. We also had to show the value Geely would bring to Volvo over the long term. We had to do all this while respecting our confidential negotiations and undertakings to Ford, which had carefully nurtured the famous Swedish carmaker during its 10 years of ownership.

From the start, this was a difficult and sensitive exercise. Geely was a fast-growing company from a country that had become the world's largest car market. But we were also relatively unknown

outside China, in spite of developing popular cars for motorists at home and abroad.

In addition to our own challenges, we had to overcome suspicions in the West about Chinese corporate behavior in general, particularly regarding respect for intellectual property rights. So, Geely embarked on a detailed plan that could become a case study for a young, fast-growing Chinese company acquiring a revered global brand.

To help us, we assembled a team comprising banking advisors from Rothschild, lawyers from Freshfields, integration specialists at Deloitte and KPMG, and Brunswick on the communications side. At an early stage, Hans-Olov Olsson, the former President and Chief Executive of Volvo Cars, also provided positive support and counsel because he was confident Geely would be a good guardian of the company.

On August 2 2010, our collective efforts were rewarded when Ford and Geely signed the last of several thousand sale documents, transferring ownership of Volvo Cars to Geely Holding Group. It was a historic day for the Chinese auto industry.

To get there, we had to negotiate detailed term sheets and technology agreements with Ford. The US auto maker's willingness to agree to undertakings with Geely on intellectual property and future supply arrangements was an important mark of trust.

That alone was not enough. We also recognized that labor support was vital. That encouraged us to engage in close and lengthy discussions with the union leaders at Volvo Cars. Over several months, we met union representatives in Sweden and Belgium, home to Volvo's manufacturing operations, to assure them of our intentions. We also invited them to Geely's plants to gain understanding and knowledge of what Geely has built in terms of both facilities and corporate value.

Those intentions were crucial to winning the trust argument. First, we assured them, and all employees at Volvo, that Geely would remain Geely – a company focused on the volume segment of the car market, foremost in China. Second, we promised Volvo would remain Volvo, a distinct Swedish company with its own business plan, its own board and its own headquarters in Gothenburg.

"…we had to overcome suspicions in the West about Chinese corporate behavior…"

It was also critical that Volvo had confidence Geely could help the firm to grow. Our entrepreneurial focus had enabled Geely to become one of China's biggest independent auto manufacturing groups with compound annual growth in sales of 53 per cent over the past five years.

Beyond the numbers, Geely had also demonstrated commitment to independent innovation, strong respect for talent and good corporate citizenship. For example, to promote education, it has established multiple higher education facilities in China, which together have an enrollment of more than 50,000 students.

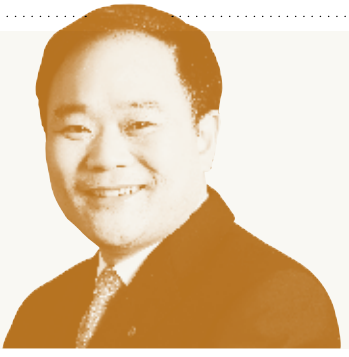
Li Shufu

Chairman of Volvo Cars, Founder and Chairman, Geely Holding Group

Born in Taizhou, Zhejiang, China in 1963, Li Shufu has a bachelor's degree in management engineering from Harbin University of Science & Technology and a master's in mechanical engineering from Yanshan University. He started his career in refrigerator manufacturing in 1986, transferring to motorcycle manufacturing in 1993.

In 1997, he moved into auto making. Geely Holding Group is one of China's fastest-growing private carmakers. In March 2010, the company agreed to acquire Sweden's Volvo Cars. The deal was completed on August 2 2010.

Li Shufu is Vice-Chairman of the China Association of Automobile Manufacturers and the Chinese Non-Government Education Association and a member of the National Committee of the Chinese People's Political Consultative Conference.



We also demonstrated that our understanding of the Chinese market would be a strong asset to Volvo. This would enable it to enhance its competitiveness in the world's fastest-growing automotive market and help create new opportunities. Our proposal not only presented a compelling proposition but also had Volvo's best interests in mind.

We repeated those assurances to local and national politicians in Sweden and Belgium, including Maud Olofsson, Deputy Prime Minister of Sweden, and Kris Peeters, Premier of Flanders. Similar undertakings were also given and accepted by regulators in more than a dozen markets where we required regulatory approval including, of course, China.

Not only did we promise to preserve and extend Volvo Cars' special brand appeal in important markets, such as North America and Europe, we also vowed to actively build the Volvo Cars brand in emerging markets, including China.

We explained that China would become Volvo's second home market, after Sweden. We also said we would invest in environmental research and development, while assembling vehicles in China to meet local demand. Taken together, these steps should help Volvo Cars to increase unit sales from close to 400,000 to 600,000 over the next five years. I see Volvo as a tiger. We need to liberate this tiger and empower it as it grows.

Of course, this is easy to say but harder to prove. For that reason, we had to secure the trust and enthusiasm of Volvo management. The company had a fine management team, led with distinction by Stephen Odell, who has since become President of Ford Europe.

It was a crucial test to maintain management confidence in our plans, and that required a new leader who could galvanize the company. After a thorough search, we were delighted when Stefan Jacoby, the highly regarded Chief Executive of Volkswagen Group of America, accepted the position of Volvo Cars President and Chief Executive.

We also appointed a board of directors to help steer Volvo Cars' strategy, of which Hans-Olov Olsson will be Vice-Chairman, acting as my deputy. The board will combine a rich mixture of Western and Chinese business expertise, ensuring we deliver on our promises.

GEELY HOLDING GROUP

As one of the 10 largest companies in the Chinese automobile industry, Geely Holding Group has grown rapidly since its entry into the auto market in 1997. With more than Rmb30bn ($4.5bn) total asset value, Geely has been one of the top 500 Chinese enterprises for the past six years.

The Group's headquarters is in Hangzhou, the capital city of Zhejiang Province. With eight manufacturing bases in Linhai, Ningbo, Luqiao, Shanghai, Lanzhou, Jinan, Chengdu and Xiangtan, annual production capacity is expected to reach 600,000 vehicles in 2011. More than 15,000 people are employed by the Group, including 2,000 technicians.

There are around 1.2m Geely cars on the road globally. It has exported more than 100,000 cars outside China and is among the few Chinese carmakers that exports. The Group also has operations in Ukraine, Russia and Indonesia.

Geely produces more than 30 models, all of which conform to European Emission Standard III; some to Standard IV. The Group has a nationwide sales and marketing network which includes nearly 900 dealers and 1,000 service stations. A call-center provides a round-the-clock service to customers.

Some 50,000 students are enrolled in Beijing Geely College, Sanya College of Hainan University and Zhejiang Automobile Vocational Technology College, all set up by the Group. Every year, nearly 10,000 students graduate and start to work in China's auto industry.

At each step of this process, we had to proceed with caution. Geely had to ensure its negotiating position and messages were consistent and fair. We could not afford to jeopardize the deal by losing trust with any of the constituents whose support we needed.

So we did what Volvo Cars is famous for: we paid attention to detail; we approached the deal with care and integrity; and we adopted a safety-first attitude in what we did and said.

Now that we have completed the transaction, the hard work begins. We are embarking on a long journey to put our words into action. When it comes to building Volvo Cars for the next generation, I will never forget that it is a matter of trust.

Tim Burt from London, **Annette Brodin Rampe** and **Anders Fogel** from Stockholm together with **Cai Jinqing** from Beijing led a global Brunswick team to support this transaction for 12 months.

ANALYZING THE UNION
HOW BRUSSELS-BASED JOURNALISTS REPORT 'THE EUROPE STORY'

BY LINUS TURNER AND ELVIRA EILERT PIGNAL, BRUNSWICK, BRUSSELS

Brussels is not just home to civil servants and members of the European Parliament; the EU's de facto capital also houses one of the world's largest press corps.

After the EU expanded to 27 countries in 2007, there were said to be 1,300 accredited journalists working in the city, more than in any other single location. Since then, cost pressures have trimmed that number to just under 900, slightly fewer than in Washington, DC.

But the real numbers are hard to track. Newspaper correspondents, wire services, online-only media offices and TV and radio journalists are being supplemented by a growing number of freelancers, bloggers and other commentators. "It's clear that the traditional media have been feeling the pinch and are having their thunder slightly stolen by online media," says Michael Mann, spokesman for Maroš Šefčovič, Commission Vice-President for Inter-Institutional Affairs and Administration.

In spite of the size of the Brussels press corps, most of its journalists are generalists and most media outlets are represented by small offices or individuals. Agence Europe's *Daily Bulletin* and the weekly *European Voice*, owned by *The Economist*, are the most significant print publications devoted entirely to institutional and political issues.

They face competition from online media, including *EurActiv*, which covers most policy areas, and specialist outlets such as *MLex*, which began by concentrating on competition issues but has expanded into financial services, energy and environment. Despite cutting back in recent years, the wire services have larger offices, with journalists able to specialize and gain sector expertise.

The largest of the international dailies, the *Financial Times*, has a staff of four. "It's still an accepted fact that the *FT* is the journal of record here," says Mann. "It's a vital business newspaper on an international front and more widely read, because it's in English."

But most journalists cover a wide range of sectors – if not all of them – on their own, as well as EU institutional issues, which leaves them thinly spread. The result is that only the biggest stories get broad coverage in the national newspapers of each member state. And when Brussels

correspondents for those titles get to write on a topic with wider implications – the EU's response to the banking crisis, for example – they have to compete for space with specialists back home. Brussels journalists, therefore, often concentrate on "internal" issues – institutional and treaty changes, European elections or activities at the Commission – which may exacerbate the perception that the EU is inward looking and fails to connect with its citizens.

Meanwhile, the Commission's communication with reporters has become formalized, with set-piece briefings and a centrally controlled team of spokespeople – partly a reaction against internal squabbles that often made their way into the press. "Overall, we have a closer relationship with journalists than you would in London, Paris or other member state capitals," says Chantal Hughes, spokesperson for Commissioner Michel Barnier.

Working with the media is imperative for businesses trying to get their message across to EU policymakers and other influential parties. So how do they navigate this difficult territory?

First, it is important to establish exactly who a company is trying to reach and which media are best suited to carry their message. The media in each member state report on European issues in different ways – some factually, while others are critical of bureaucracy or perceived heavy-handedness. Of course, it is also useful to know the background of journalists before their Brussels posting. Most importantly, though, European issues and the policymaking process are often complicated and difficult for outsiders to penetrate; the most effective communications campaigns will be those that can incorporate key messages into a simplified account of the issues.

EU business stories, particularly in national newspapers, have long focused on competition issues – state aid cases and Commission investigations into mergers, cartels or market abuse. This has changed recently though, with interest shifting to other areas of regulation that have a broader impact on industry, which include climate change, consumer protection, security of energy supply and pan-European rules to ensure financial stability, including measures to limit bankers' bonuses.

Because the trend is for the official flow of news to become controlled and standardized, journalists are interested in alternative stories and new angles on existing ones, sometimes based on gossip and rumor. In pitching a story, businesses must be conscious of the need for an EU perspective on the issue, or provide genuine insight into the implications of EU policy.

Because of the EU legislative process, Brussels journalists follow issues for long periods. "One issue they face is their editor determining that a Brussels story is 'today,' when in fact, there are multiple key moments in legislative drafting, such as proposal, adoption, debate, votes, and so on," says Hughes. One tactic is to arrange background briefings, which allow you to raise a policy issue informally with a correspondent. Whilst not always leading to an article, building these relationships can help to deepen understanding of the issues and ensure journalists turn to those spokespeople when news breaks.

It is worth remembering that many EU stories in member state newspapers will have a double byline, with reporting from a sector specialist as well as a Brussels correspondent. Pitching a story in Brussels should, therefore, be considered as another way to get an issue in the press. Equally, by not briefing in Brussels, there is a risk that only half of the journalistic team will pick up on your messages.

It is perhaps worth treating the EU media in the same way as Brussels policymakers. This means investing resources in building long-term relationships and offering more background and detail without expecting immediate results. Ultimately though, the impact of balanced and fair media coverage can be crucial in averting damaging regulatory change or improving a commercial operating environment.

MOST JOURNALISTS COVER A WIDE RANGE OF SECTORS – IF NOT ALL OF THEM – ON THEIR OWN, AS WELL AS EU INSTITUTIONAL ISSUES, WHICH LEAVES THEM THINLY SPREAD

Linus Turner is a Director in Brunswick's Brussels office with a background in policy and communications in both Brussels and London.

Elvira Eilert Pignal is also a Director in Brunswick's Brussels office. She focuses on EU regulatory and public affairs, particularly in financial services.

Joshua Chaffin
— FINANCIAL TIMES

The European Union is a sprawling political and regulatory animal, both interesting and challenging to cover

IF A COMPANY HAS GOOD COMMUNICATIONS SUPPORT – ADVISORS WHO KNOW THEIR STUFF, AND CAN BE TRUSTED AS HONEST BROKERS – THEN THAT CAN BE ENORMOUSLY HELPFUL IN SORTING THROUGH THE MESS

The Brussels press corps strikes me as unique in its collegiality. Journalists here certainly compete – but not in the same way that they might in the US or Britain, where it seems that reporters sometimes relish professional combat.

Everybody here wants a scoop. But a key difference is that you have a press pool comprised of at least 27 different nationalities, each serving their own readers. Because, for example, German and French journalists are generally writing for different markets, they may be more willing to share insights and swap notes. This can be immensely helpful to round out a story – especially since the European Union is such a sprawling political and regulatory animal, with so many different facets to cover.

That variety makes the EU both interesting and challenging to write about. On a given day, a correspondent might have to look at everything from chemicals, food and financial regulation, to foreign policy and trade stories. Not only is the subject matter vast, but each issue tends to have its own complex history. (This burden only seems to be growing heavier for most correspondents as publications continue to tighten their budgets.)

This presents an opportunity for communications professionals. If a company has good communications support – advisors who know their stuff, and can be trusted as honest brokers – then that can be enormously helpful in sorting through the mess. The flipside is dealing with people who are not very good and don't know what they are doing. That just further clouds the picture.

Communications professionals should understand that many Brussels journalists need to clear an extra hurdle for their stories to make it into the paper. They have to report a political or regulatory story with a sharpened angle or some added flair to make it attractive to their editors. Also, while many readers accept that the EU is significant and that decisions made in Brussels affect their business, they may not be familiar with its processes, institutions or key players.

That is one difference from Washington, DC, where I reported before. Another is that it seemed generally clearer to me what the main focus of a debate was in Washington on a given day. In Brussels, it can be more diffuse.

Generally speaking, I find Brussels to be more subtle than Washington. It is less overtly political, and less obviously driven by money. The one currency it truly craves is popular legitimacy.

Financial Times
The *Financial Times* is one of the world's leading international business newspapers. Although its headquaters is in London, 110 of the FT's 475 journalists are based outside the UK. There are four international editions of the paper, including a European edition. *www.ft.com*

Tiffany Yuan
— 21st Century Business Herald

Although Europe is China's biggest trading partner, many of the country's market-orientated media are silent on the EU

'What exactly is going on in Europe?' That is the question most frequently asked by our readers. Although Europe is China's biggest trading partner, to my surprise, most readers, even the elite, know more about its culture, history and tourist attractions than its political and business institutions. The Chinese always say Europe does not understand China. My feeling is that the reverse is also true.

European issues do feature in the mainstream, state-owned Chinese media and wire services. However, China's relatively independent and market-oriented media are generally silent on European issues, compared with the attention paid to the US. This is significant, as these media sources are important for providing people with objective, relevant and thoughtful analysis. The *21st Century Business Herald* was the first non state-owned media outlet to appoint a Brussels correspondent.

In contrast to capital cities such as Paris, London, Berlin or even Rome, Brussels is more like a stage – it is where the European Union powers compete to control the actors, or institutions. In this sense, Brussels is the perfect place to draw an overall picture of Europe.

The EU is a continuing political experiment – there is no textbook or manual to consult and often no precedent. I found it difficult to understand the EU decision-making process, as it is influenced by so many interacting powers. However, this process is the most interesting aspect of Brussels.

It is also one of the most important things I try to explain to readers, especially when covering issues with a direct Chinese interest. I try to explain how the final decision was made and who holds the decisive power. Trade disputes are a good example. Trade issues often involve Chinese small and medium-sized enterprises, which may not be familiar with international laws. I try to explain how they might have input into an EU decision, who they might approach and the best way to do this.

Our readers in China usually have easy access to English language news. This means we are not only competing with Chinese wire services, but also foreign and English language ones. My reporting from Brussels is for my paper's daily edition, so I definitely do not aim to compete with foreign media and wires in terms of speed and volume. Our competitive advantage lies in our ability to provide a backdrop to the narratives of the European political process and an in-depth analysis of the issues.

BRUSSELS IS LIKE A STAGE – IT IS WHERE THE EUROPEAN UNION POWERS COMPETE TO CONTROL THE ACTORS, OR INSTITUTIONS

21st Century Business Herald
The *21st Century Business Herald* is an influential financial and economic daily newspaper, headquartered in Guangzhou, southern China. Published in the Chinese language, it has a daily circulation of more than 762,000 and some 2.6m readers. www.*en.21cbh.com*

Peppi Kiviniemi

— Dow Jones Newswires

Both reporting style and pace of life changes once you're based in Brussels

IN THIS TOWN POLITICS IS EVERYWHERE, AND IT IS HARD TO COVER A STORY WITHOUT UNDERSTANDING THE VARIOUS MOTIVATIONS BEHIND DECISIONS

I've worked as a competition reporter for *Dow Jones* in Brussels for a little over three years, covering topics ranging from cartels and monopolies to regulatory issues affecting mergers and sales agreements. Before Brussels, I wrote about the bond markets in London, also for *Dow Jones*.

While the company stayed the same, the move to the center of the European Union has had a big impact on the style of reporting, as well as the pace of life.

In Brussels, the news flow tends to start slightly later in the day but continues way beyond market closure. Although *Dow Jones* concentrates on financial stories, in this town politics is everywhere, and it is hard to cover a story without understanding the various motivations behind decisions.

The news agenda is run by politicians, civil servants, lobbyists and lawyers, most of whom famously enjoy long lunches and a good gossip. If you don't know the latest political twists and turns, you'll have little to talk about with the most casual contacts.

For a competition reporter, the European Commission is the main source of news, as cartels, abuses of dominant positions, and state aid cases are decided by Commission officials. The Commission tends to sit tight on upcoming decisions, but it has spawned a large industry of lobbyists and member state officials, who obligingly deliver Chinese whispers to the circling press corps.

Most of our news is edited in London by the beat editors, and stories that also look suitable for *The Wall Street Journal* get flagged in the process. Because Brussels is a hybrid bureau where *Dow Jones Newswires* reporters also write directly for the *Journal*, story ideas are often discussed in advance and coverage shared out between reporters.

In general, antitrust stories are in demand for both the newspaper and the newswires, as they tend to feature prominent companies and allegations that they are harming consumers by price fixing or displaying monopolistic behavior. The US edition of the *Journal* prefers stories with a strong US angle or some resonance for readers. Regulatory stories can be a harder sell, needing a clear industry emphasis. That said, in the current environment of financial services crackdown, stories about new regulatory developments often end up in the paper too.

Dow Jones Newswires

Dow Jones Newswires and *The Wall Street Journal* are both owned by the New York-based Dow Jones & Company. The wires provide global stock market and business news. The *WSJ* is a leading international business newspaper. *www.dowjones.com, online.wsj.com*

Reinhard Hönighaus

— Financial Times Deutschland

Technical topics and alarmist tactics there may be, but the Brussels beat is an attractive one

As a Brussels correspondent, you have to cover multiple topics, often very technical in their nature. European Union policy stories often need to be translated into clear and simple facts and analysis that are intelligible to *FT Deutschland*'s target readers, who are mainly business and policy decision-makers. I have to judge whether something that happens in Brussels is a story that would interest them, which isn't always the case when the European Commission makes a formal proposal or when a European Parliament committee votes on a legal text.

Of course, the different European institutions try to influence their media exposure, particularly the Commission, with its tightly controlled midday media briefings. Ideally, I am looking to get a story earlier than this, perhaps writing about a draft proposal that I can put into context with comments from market players.

In contrast, the European Parliament can be unwieldy, with multiple press releases on the same day from MEPs in the same political group. But it's also the most transparent institution, which makes covering the Parliament worthwhile. I even quite like going to Strasbourg, the official seat of the Parliament, for plenary sessions – because you have access to a lot of people in a short space of time.

I'm quite often taken aback by the lobbying strategies of corporations or trade associations. The usual tone is alarmist: energy-intensive industries trying to fend off auctioning in emissions trading walk around town, talking about the 'total deindustrialization in Europe.' Or bankers scare regulators by predicting that stronger capital requirements will lead to a '3 per cent GDP contraction and a loss of 10m jobs.'

Scaremongering destroys credibility even when there are legitimate concerns. My impression is that those who engage positively with EU policy goals are much more influential. The hedge fund industry has experienced a steep learning curve in this regard. When the Commission first came up with its plans for regulating them, hedge fund managers were brash enough to tell policymakers not to 'politicize' their business. Nowadays, the Alternative Investment Management Association tries to be a good European citizen; for example, by publicly supporting the regulation of over-the-counter derivatives, saying the benefits will outweigh increased costs.

Overall, with its Brussels bureau, *FT Deutschland* provides a different perspective for German readers. Because decisions taken in Brussels are important, our EU stories often hit the front page – that's the beauty of reporting from here. Topics like climate change and, following the financial crisis, complex financial regulation, are at the top of the agenda, and the Brussels beat is therefore an attractive one.

MY IMPRESSION IS THAT THOSE WHO ENGAGE POSITIVELY WITH EU POLICY GOALS ARE MUCH MORE INFLUENTIAL

FT Deutschland
Now independent from the *Financial Times*, *FT Deutschland* is a German-language business paper based in Hamburg. Its website is Germany's second largest online business news source; its Brussels bureau has three journalists. *www.ftd.de*

BLOGGING IN BRUSSELS
WHAT EUROPEAN COMMUNICATORS ARE LEARNING FROM WASHINGTON, DC

BY LANE HUDSON AND ANTHONY APPLEWHAITE, BRUNSWICK, WASHINGTON, DC
AND LEFTERIS COROYANNAKIS, BRUNSWICK, BRUSSELS

Political blogging has quickly become ingrained in Washington, DC's media culture. Some US political bloggers have achieved a level of influence, visibility and editorial quality on par with their traditional mainstream print counterparts. Now it is catching on in Brussels.

In the past decade, blogging has given anyone with a computer the potential to control a news cycle. With minimal barriers to entry, there are many influential voices in DC's blogging ecosystem, and the key challenge of navigating the blogosphere is understanding how, when and with whom to engage.

American bloggers include those in traditional media organizations as well as independent voices. Blogging originated outside of traditional journalism, but the lines have blurred, particularly with the emergence of mainstream media bloggers. With more people getting their news online, journalists must increase output to 'feed the beast.' Online readers are hungry for something new and news organizations are hungry for more page views, so bloggers have a constant need for fresh information and sources, providing businesses with a new opportunity to communicate.

Today it is much easier to get coverage of company news than it ever was, and an editor may not even see an item before a blogger posts it online. Publications such as *The Wall Street Journal*, *Forbes* magazine, *The Washington Post* and the *Financial Times* are accepting a wider range of content.

With more channels of communication, readers want quality news fast and preferably in real time. Given these pressures, journalists are asking for information on Twitter and Facebook. Others use subscription services such as 'Help a Reporter Out.' This creates an opportunity for communications professionals to become valued sources and to place news items. This is already happening in the US, where media and business professionals follow journalists on Twitter and 'befriend' them on Facebook.

As the culture of political blogging in Brussels matures, we will see the same trends. Brussels already has a lively blogosphere and some blogging journalists have carved out a reputation as great sources of insider information, shedding light on decision-making dynamics that evolve behind closed doors. Jean Quatremer of *Libération* is one of the best known.

It is significant that those bloggers with most credibility in Brussels work for established, traditional media and focus on complex regulatory and institutional developments for a specialized audience. And the EU blogosphere is transient – several well-read blogs have disappeared as fast as they appeared. These are probably among the reasons why a more ingrained EU blogging culture has yet to emerge.

But, if the ever-improving quality, consistency and sectoral diversification of EU blogging is anything to go by, this will change. Some European institutions are already warming to social media, and those that do not currently acknowledge bloggers, including those who operate independently of traditional media, may soon have to take notice.

Lane Hudson is a Director in Brunswick's Washington, DC office and has been profiled as a *Time* magazine Person of the Year for his political blogging.

Anthony Applewhaite JD is an Associate in Brunswick's Washington, DC office. He is a licensed lawyer and specialises in litigation, crisis, regulatory and new media.

Lefteris Coroyannakis is an Executive in Brunswick's Brussels office. He specializes in EU and international trade law and policy.

FACE TIME RATHER THAN FACEBOOK STILL DRIVES INVESTMENT DECISIONS

— Amanda Duckworth, Brandon Borrman and Jason Golz
Brunswick, San Francisco

— Andrew Gunn, Brunswick Research, London

- This is the second annual Brunswick Digital Media Survey.
- An online survey by Brunswick Research of 401 buy-side investors and sell-side analysts in Europe and the US.
- Research conducted during July and August 2010.

In July 2008, eBay became one of the first examples of a publicly traded company using Twitter as a way to reach investors.

Led by Richard Brewer-Hay, the company's lead blogger, and its IR team, eBay delivered a play-by-play account of the management's second quarter 2008 conference call with analysts and investors via Twitter. The corporate blogger believed the value added would be found in his ability to extract key kernels of information from management's prepared remarks and the live question and answer session with analysts.

Several months later, Brewer-Hay took part in a panel discussion with Brunswick, focusing on the value of social media as a tool for investor relations. Brunswick's Digital Media Survey for 2009 had found information direct from companies was the most influential factor for institutional investors when making investment decisions. Participants discussed whether that category included company-sponsored blogs and Twitter feeds.

This conversation prompted our team to repeat the survey in 2010 to see what, if anything, had changed regarding investors' use of digital media. Were investors and analysts tapping digital media more often to help make investment decisions?

The power of direct interaction

Consistent with our findings in 2009, in our latest survey a full 50 per cent of respondents said direct interaction with management is the most influential source of information from companies when making an investment decision or recommendation. Only 1 per cent said a company's digital media presence was the most influential source, one percentage point fewer than those who pointed to the influence of a company's website.

The picture did not radically change when participants were asked to name the top three most influential information sources. Digital media presence again remained at the bottom of the list, with 1 per cent of those surveyed placing it in the top three, while a company's website was in the top three with 12 per cent of respondents.

In fact, traditional methods of investor communications dominated the response to our question. News releases, presentations and regulatory filings were in the top three of at least half of all survey participants. Conference calls and webcasts were picked by 62 per cent and, perhaps unsurprisingly given its frequent appearance in the top spot, management interaction was in the top three with 73 per cent of responses.

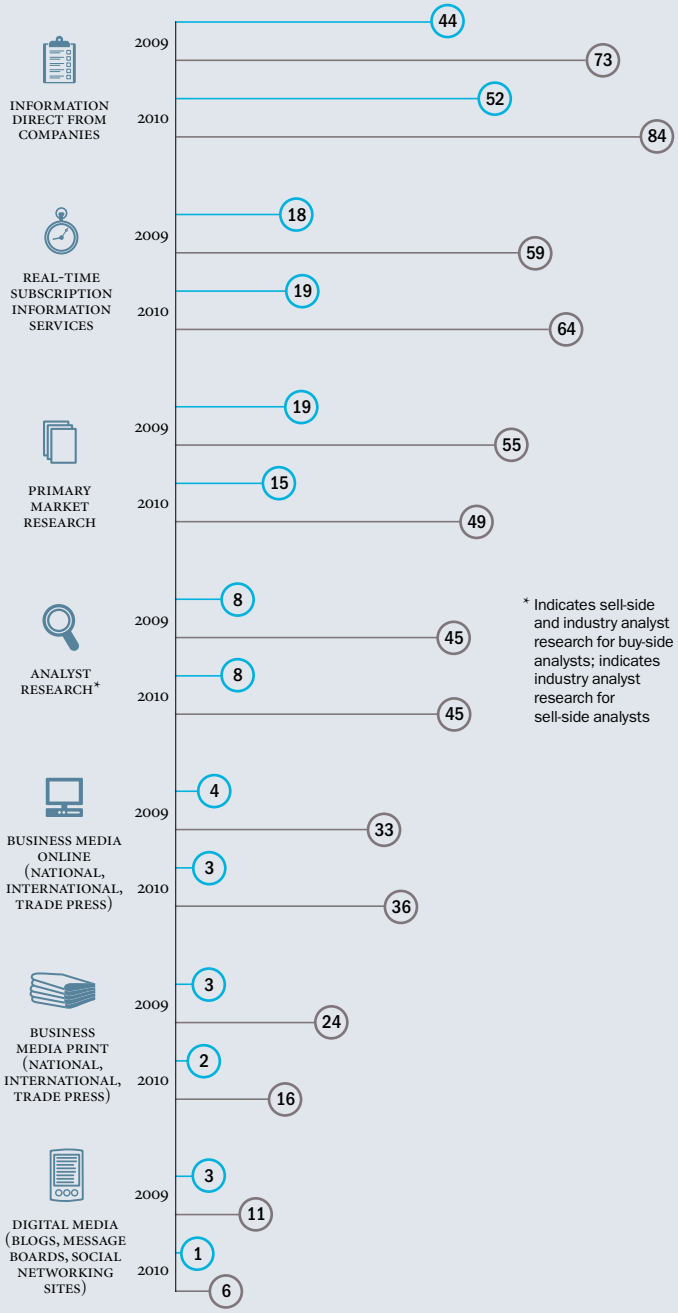
Consistency of influence

The answers to this question were consistent with the results of the overall survey, which saw little major change from the 2009 results. Information direct from companies remains the dominant source of influential information. If anything, it has increased in importance, with 52 per cent indicating it as the single most influential source against 44 per cent in 2009, and 84 per cent including it in their top three, up from 73 per cent the prior year. Real time subscription services, such as Bloomberg and Reuters, also saw a statistically significant increase, with 64 per cent placing them in the top three, up 5 per cent in 12 months.

On the other hand, the influence of print media on investment decisions continues to decrease, perhaps replaced, in part, by the growing influence of real-time subscription services. In 2010, print media saw an 8 per cent drop, with only 16 per cent of respondents naming it as a top three source of influential information. Digital media, too, saw a decrease in its apparent influence on investment decisions, appearing in the top three of only 6 per cent of those surveyed, down from 11 per cent in 2009.

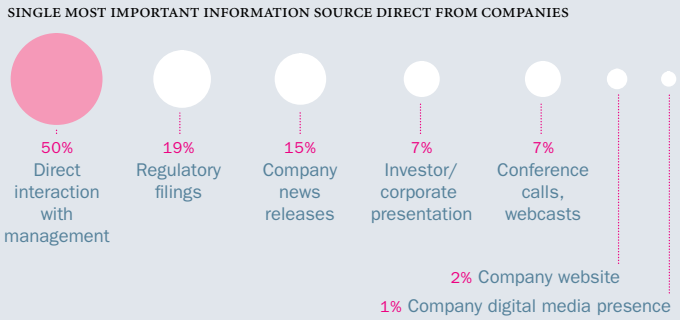
INFLUENCE OF INFORMATION SOURCES ON INVESTMENT DECISIONS

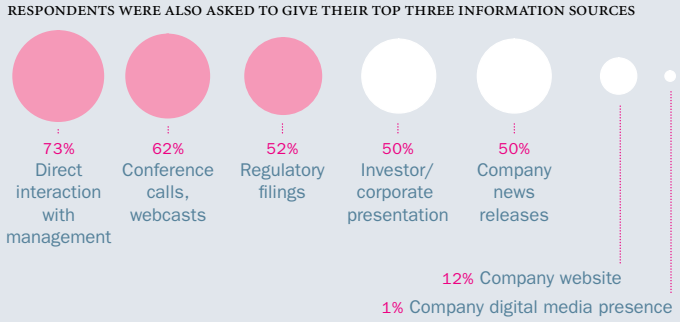
Respondents identified information direct from companies as the most influential factor in their investment decisions. This has increased in importance since last year. Real time subscription services and primary market research are the next most influential sources



INFLUENCE OF INFORMATION FROM COMPANIES

In terms of information from companies, direct interaction with management was identified as the most influential. Regulatory filings, company news releases and conference calls are of secondary importance





RESPONDENTS IDENTIFY INFORMATION DIRECT FROM COMPANIES AS THE MOST INFLUENTIAL FACTOR IN THEIR INVESTMENT DECISIONS. THIS HAS INCREASED IN IMPORTANCE SINCE LAST YEAR

A unique role for digital media

Interestingly, while digital sources may not yet have a significant direct effect on investment decisions, they are becoming increasingly important as sources of information that lead to further research. As with last year, blogs continue to lead the charge: 52 per cent of respondents have read a blog post that has led them to further investigate an issue, up 5 per cent from 2009. There was a similar three-percentage-point increase in the number of those who were prompted to further investigation by a posting on a social media site, such as Facebook. The only category to see a decrease was message boards, dropping from 39 per cent to 31 per cent, but this is likely explained, in part, by the inclusion of a new category in this year's survey: micro-blogging services such as Twitter, where posts prompted 11 per cent of respondents to do additional research.

Lessons for application

If anything, the findings from the 2010 survey amplify the implications of 2009's. The influence of communications direct from companies on the investment community should not be underestimated.

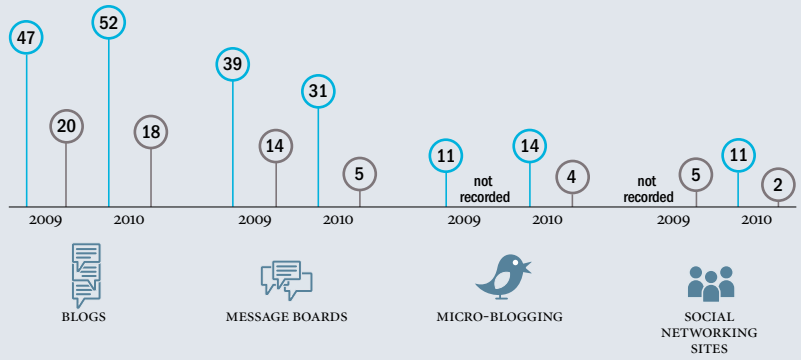
While the apparently limited influence of digital media controlled by companies may give pause for thought, we do not believe it should dissuade investment of time and resources in new channels of communication. In fact, the participants in the survey bear this out. A full 60 per cent believe it will play an increasingly important role in investment decisions in the future. The increasing reliance on digital media as sources for information that leads to further research is likely to be the proverbial "tip of the iceberg."

Familiarity with new channels will continue to develop over time, and companies will be able to trade upon the trust and understanding they have built with the investment community to engage in new conversations in new ways through digital channels. Though the transition will take time, we believe innovative approaches, such as those undertaken by Brewer-Hay at eBay, will become the rule rather than the exception.

Amanda Duckworth is a Partner and **Brandon Borrman** and **Jason Golz CFA** are Directors in Brunswick's San Francisco office. **Andrew Gunn** is a Director in Brunswick's London office and a member of Brunswick Research, the firm's opinion research practice.

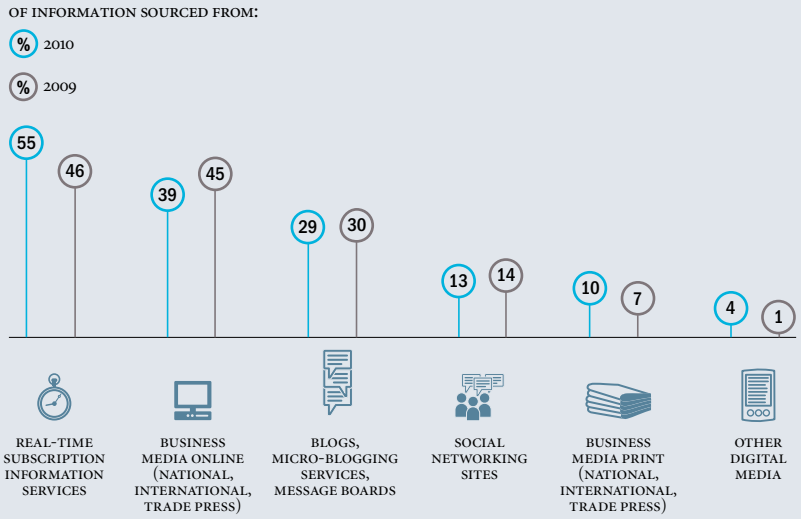
DIGITAL MEDIA – INVESTMENT DECISIONS

Blogs have become increasingly influential over the past year, in terms of prompting investors and analysts, to investigate an issue. Message boards have declined in importance in this aspect, as has their influence on investment decisions



CHANGING IMPORTANCE OF INFORMATION SOURCES

Real time subscription information services were cited by more than half of respondents as having become more important in their work over the past year. Online business media has also become more important, but to a lesser extent than in 2009



BRUNSWICK RESEARCH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MOBILIZE EVERYTHING
AT&T'S RANDALL STEPHENSON TALKS TO THE *BRUNSWICK REVIEW* ABOUT STRATEGY, TECHNOLOGY AND TRUST

AT&T is the world's largest telecommunications company with 2009 revenues topping $123bn. Randall Stephenson became Chairman and CEO in 2007, following a career with the company that included executive positions in operations, finance, marketing and the international business.

Under his leadership over the past three years, AT&T has led the US wireless industry in mobile broadband expansion, and the company has built on its position as a premier provider of communications services to enterprises around the globe.

The *Brunswick Review* sat down with Stephenson at his Dallas headquarters to get his perspective on the communications industry and his approach to managing change.

Shortly after Stephenson became CEO, some people were surprised when he said that AT&T would be known as a wireless company. Why did he make that statement? "There were a couple of reasons," he says. "Mobility was where the growth was, where our future was going to be. So, it was really important internally, because for the most part we didn't see ourselves as a wireless company at the time. When you think about how we grew up as a company, most of our people had a history in wired communications.

"At that point, in 2007, SBC had just completed the acquisition of its former parent, AT&T Corp., which gave us a global internet protocol (IP) backbone and a global base of enterprise customers – tremendous assets. So, it was natural that our perspective was grounded in wireline. But we had also combined our wireless business with BellSouth's to give us national scale and, looking ahead, mobility was going to be the driver for the industry. At the same time, we were beginning the process of rebranding our wireless business to AT&T. So, it was also important to help establish mobility at the center of the AT&T brand."

Looking back, the transition to mobile broadband happened faster than anyone expected. "You know, I got pushback at the time I made that wireless statement, from employees and from some shareholders. But when you look at the explosion in mobile broadband adoption and usage we've seen over the past three years, all the devices that have come out and the growth in mobile apps, the pace of innovation is just amazing. I think it's fair to say people have underestimated the growth in mobile broadband every step of the way."

The press has called mobile broadband a "revolution," and Stephenson has said it "changes

everything." How? "If you look at the history of mobile communications, when we mobilize a function, its value and its usage have jumped. It started in the 1980s, when we built out the first cellular networks and we mobilized voice. What we saw was that overall voice usage actually grew. I think a lot of people thought minutes would just migrate, they expected a shift from fixed-line to mobile, and we saw some of that. But the even bigger change was that total voice usage grew."

And mobility was the key? "Yes, and we saw the same phenomenon when we mobilized e-mail. In the 1990s, fixed-line e-mail gave us a big jump in business productivity, led by companies like AOL. Then along came mobile e-mail – do you remember your first BlackBerry? – and overall e-mail usage and texting exploded. Now we're seeing the same kind of transformation in all kinds of mobile data and video, as people use their wireless devices to connect to the internet, link to social networking sites and access business applications. We've learned that if you give customers mobile capabilities they will consume them – and thirst for more.

"Usage has grown dramatically. Over a three-year period starting in 2007, AT&T saw wireless data traffic on our network increase by 5,000 per cent. That's an amazing number. Imagine what 5,000 per cent growth would look like in terms of airport passengers or traffic on a major highway, and you get a sense of the scale of what we're talking about."

Where does Stephenson think we are in terms of mobile broadband growth? "We're just getting started. And we haven't even talked about a whole new category of wireless-enabled devices – things like vending machines, shipping pallets, dog collars, utility meters – you name it. We're moving to a world where everything we interact with can be connected wirelessly to improve productivity and make it easier to use. We call these 'connected devices.' We have more than 8m of them on our network already, and it's a category that's growing rapidly."

So, given these changes, and this new world, how would he describe AT&T's strategy? "In two words: mobilize everything. We now have the technology to give customers access to everything they have on their desktops at home or in the office through their mobile devices – applications, data, e-mail, video, everything – and do it seamlessly. That's where we're headed and where you see huge amounts of innovation. Again, when you mobilize a communications service, value and usage go up. We've seen that in smartphones and now in tablets for consumers, and we think there's also a large opportunity to mobilize business services. We're using mobile applications to build solutions for specific industries and individual companies. Across virtually every industry, businesses are looking to get more productive and speed up their processes and their decision-making."

HOW WOULD STEPHENSON DESCRIBE AT&T'S STRATEGY? "IN TWO WORDS: MOBILIZE EVERYTHING"

What's required for a company like AT&T to succeed in this new world? "Three things," says Stephenson. "First, it takes conviction. You can't be timid. Second, it takes a lot of capital. Looking back over the past three years, we've kept capital investment levels strong, with a growing percentage for mobile broadband capabilities. On top of that, we invested $9bn to add spectrum. In the wireless

business, spectrum equals capacity. The spectrum we've acquired is ready for use as we build out LTE, the next generation of wireless networks, with greatly increased speeds."

And third? "It's also important to have the right kind of alliances. In an industry moving this fast, technology and product relationships are very important. At our scale, I think there is a limit to the number of major alliances a company like ours can manage effectively. You have to pick well and work hard at it. I believe we've done that."

AT&T has also been aggressive in developing Wi-Fi. Stephenson explains: "It has proven to be an important alternative technology. Wi-Fi uses unlicensed airwaves to provide increased capacity in concentrated areas – places such as dense business districts and stadiums where thousands and thousands of people are using devices to send photos and watch videos. In these situations, usage explodes, so Wi-Fi provides extra capacity and a better customer experience. In 2008, we acquired a small company called Wayport. It gave us a big boost in Wi-Fi, and we've built on that. We now have more than 23,000 hotspots across the US. More and more devices are Wi-Fi capable. Customers increasingly expect Wi-Fi options in restaurants, hotels, all sorts of public venues."

This transformation in AT&T has taken place during an economic downturn. What impact has that had, and what approach has he and his management team taken to managing through the recession? Stephenson cites lessons he learned from three major downturns. "The first was the peso collapse in Mexico in the mid-1990s; I was in Mexico City working as part of the management group supporting our investment in Telmex at the time. Then, a decade ago, we had the dotcom bust – I was our company's CFO at the time. And now

AT&T milestones

1876
Alexander Graham Bell invents the telephone. With two backers he founds the company that will become AT&T.

1878
The first telephone exchange opens in the US in New Haven, Connecticut, using a manual switchboard under license from Bell.

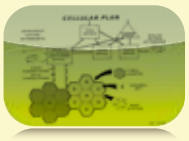
1885
American Telephone and Telegraph Company (AT&T), incorporated as a wholly owned subsidiary of American Bell Telephone Company, is chartered to build and operate the original long-distance network connecting local exchanges. AT&T opens its first line, between New York and Philadelphia. Initial capacity: one call.

1915
Opens the first transcontinental telephone line between New York and San Francisco.

1925
Establishes Bell Telephone Laboratories as its research and development subsidiary.

1927
Launches a transatlantic telephone service, initially with London, via radio. The initial capacity is one call at a time, at a cost of $75 for three minutes, more than $900 in today's terms.

1946
Begins offering mobile telephone service. With a single antenna serving a region, only between 12 and 20 simultaneous calls can be made in an entire metropolitan area.



1947
Develops the concept of cellular telephony. The technology to realize the concept does not yet exist.

1963
Introduces a commercial touch-tone service, featuring telephones with buttons instead of dials.

we're working through the aftermath of the 2008 financial crisis.

"I take a couple of lessons from these situations. The first is to act fast and be decisive in getting ahead of your cost structure. Early in 2008 we were among the first to speak publicly about what we were seeing in the economy. It's not always what people want to hear, but it's important to get ahead of trends.

"The second is about investment. It was clear to us that the opportunities in the world of mobile broadband were substantial. So we've invested consistently right through the recession. We've grown earnings, kept cash flow strong, increased the dividend, and reduced debt. At the same time, our key growth areas for the future – mobile broadband, our U-verse TV service and our most advanced business products – have all performed well. We're well positioned to come out of the downturn a stronger company than when we went in."

As technology changes, presumably there's also the challenge of adapting AT&T's culture. Stephenson agrees. "It's some of the most important work we've done over the past few years.

"Think about our history. My predecessor, Ed Whitacre, did a great job of acquiring and assembling a terrific set of operational assets, and each of the companies had its own culture, its own personality and ways of doing things. It was clear to me that for those assets to perform at their optimal level, we needed to blend into a single identity and culture – a consistent way of thinking about things, a consistent style of execution. We intend to be 'One AT&T.'"

Stephenson says that such cultural change takes a great deal of work. "I use the analogy of a very large ship. When you set something as big as our company in motion, it tends to keep going in the direction it is headed. So, we've really worked hard at it. We developed a new management training program that regularly brings people together from across the company. We have an extensive leadership development program. And we've put a lot of effort into communicating across the company and at all levels. We have more face-to-face meetings and we use video and intranet webcasts."

"...TRUST HELPS YOU MOVE QUICKLY; IT INCREASES YOUR SPEED. WHEN IT'S ABSENT, YOU CAN SEE IT — MORE CHECKS, CONTROLS AND PROCESSES. THAT'S BUREAUCRACY"

Stephenson has said that two of the most important qualities for a management team are trust and speed – but how do those two values co-exist? "We have a close-knit senior executive team. We know each other, spend time together, work together and, as a result, we have confidence in one another. There's trust that the next person will do the right thing, and there's trust in each other's ability to execute and play their position. That kind of trust helps you move quickly; it increases your speed. When it's absent, you can see it – more checks, controls and processes. That's bureaucracy. Building a team where there's a high level of trust is really important."

As the interview comes to a close, we ask Stephenson about the sort of questions he is asked by young managers who are just getting started at AT&T. "They're interested in all sorts of things – our strategy, market plans, all the things we've discussed today. The most important thing I tell them is that we are looking to develop leaders.

"Companies like ours succeed when they have good leaders throughout the business. Leaders are

people who get things done, and that takes courage. Leaders build teams and lift them up, and inspire others to collaborate and innovate. And above all, leaders never miss in terms of integrity. These things are always important, and they're really important for this company, in an industry where things are moving so fast."

Randall Stephenson was named Chairman and CEO of AT&T in 2007. Under his leadership, AT&T has led the US wireless industry in mobile broadband expansion and is the world's largest telecommunications company, with 2009 revenues topping $123bn. Prior to his current position, Stephenson held key executive positions with the company including Chief Operating Officer, Chief Financial Officer, Head of Consumer Marketing, and Director of Finance in Mexico City, overseeing the company's stake in Teléfonos de México. Born in Oklahoma City, Oklahoma in 1960, Stephenson has a BS from the University of Central Oklahoma and a MBA from the University of Oklahoma. He began his career in his native state with Southwestern Bell Telephone in 1982. Stephenson serves on the board of directors of Emerson Electric and is a National Executive Board Member of the Boy Scouts of America.

Michael Buckley, Partner in Brunswick's San Francisco office, together with **Sarah Lubman**, Partner, and **Ashley Zandy**, Associate, both from Brunswick, New York, were in conversation with Randall Stephenson.

1968
Introduces 9-1-1 as a nationwide emergency number.

1971
Researchers at Bell Labs create the Unix computer operating system, which is designed to be hardware independent. It eventually becomes the underlying language of the internet.

1983
Launches the nation's first commercial cellular telephone service in metropolitan Chicago.

1984
The company is split into a much smaller AT&T – with its long-distance telephone, manufacturing, and research and development operations – and seven regional Bell operating companies, including SBC.

2005
In an industry-transforming merger, SBC acquires its former parent AT&T Corp. and renames itself AT&T Inc., creating the industry's premier communications and networking company.

2006
Launches AT&T U-verse, the world's first large-scale IPTV – television via internet and broadband – system.

2007
Joins with Apple to launch the iPhone in the US, ushering in a new era of mobile broadband and mobile computing services.

2008
Data compiled by leading independent wireless research firms show that AT&T is the nation's fastest 3G network.

2009
U-verse reaches 2m customers.

2010
Launches the AT&T U-verse Mobile App, allowing subscribers to download and watch TV on their iPhone.

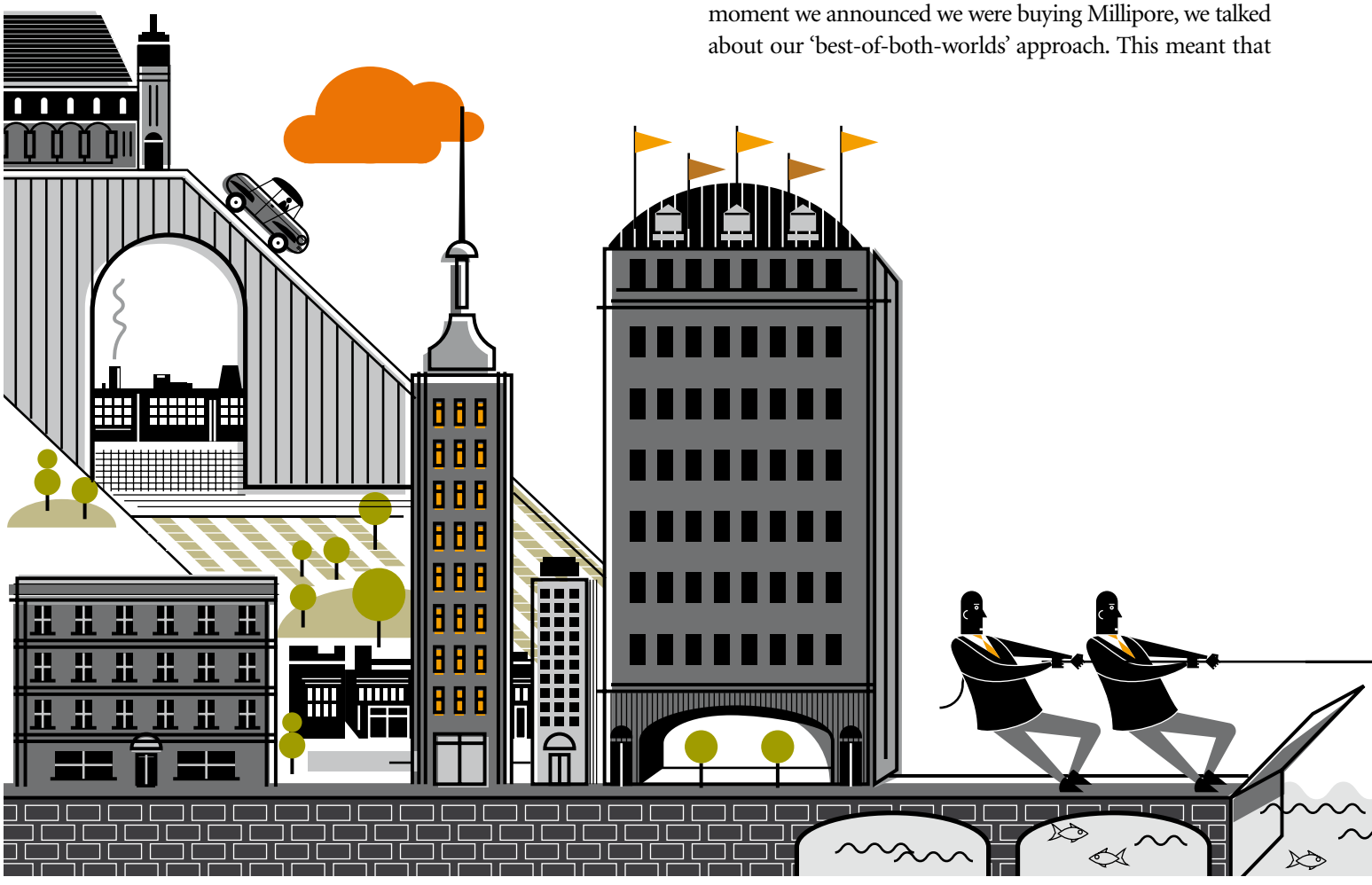
AFTER THE DEAL THE DELICATE ART OF BRINGING TWO COMPANIES TOGETHER

by Gemma Hart and Cindy Leggett-Flynn, Brunswick, New York

To an outsider, the global employee webcast from Merck KGaA's headquarters on the close of the acquisition of Millipore Corporation would have looked like just another run-of-the-mill corporate announcement. To a Merck employee, however, two minor details signified a major cultural shift.

The Chairman of the German chemical and pharmaceutical company, Dr Karl-Ludwig Kley, appeared on stage at the July meeting in Darmstadt, Germany without a tie, and his fellow presenters called him Karl rather than Dr Kley. For Merck staff, this informality was surprising. For Millipore, the Billerica, Massachusetts-based life sciences company, it was welcoming and reassuring. As with many cross-border mergers, Millipore employees had been anxious about the culture at their new German parent, so the tie loosening was an important step in addressing their concerns. Dr Kley then spent the hour after the "town hall" meeting taking questions from German employees.

As Steffen Grimminger, head of the integration communications workstream for the merger, said: "From the moment we announced we were buying Millipore, we talked about our 'best-of-both-worlds' approach. This meant that



as we moved through the integration, we would weigh the merits of each company's approach equally, and choose the best. It was important that our Chairman embraced this concept so visibly and really walked the walk."

Merck and Millipore realized that no detail goes unnoticed when integrating two companies. Indeed, the process of bringing together two organizations inherently creates enormous uncertainty across key stakeholder groups. Employees, customers, shareholders, partners, public officials and regulators all want answers, at every stage of the process, to the same question: "*What does this mean for me?*"

Smart leaders leave this question unanswered at their peril. Customers concerned about disruptions in service may turn to a rival; employees anxious about their role in the new business may accept a job with a competitor. It is therefore vital to find the balance between being open to new ideas and providing the reassurance of "business as usual." Thoughtful communications are critical to this balance.

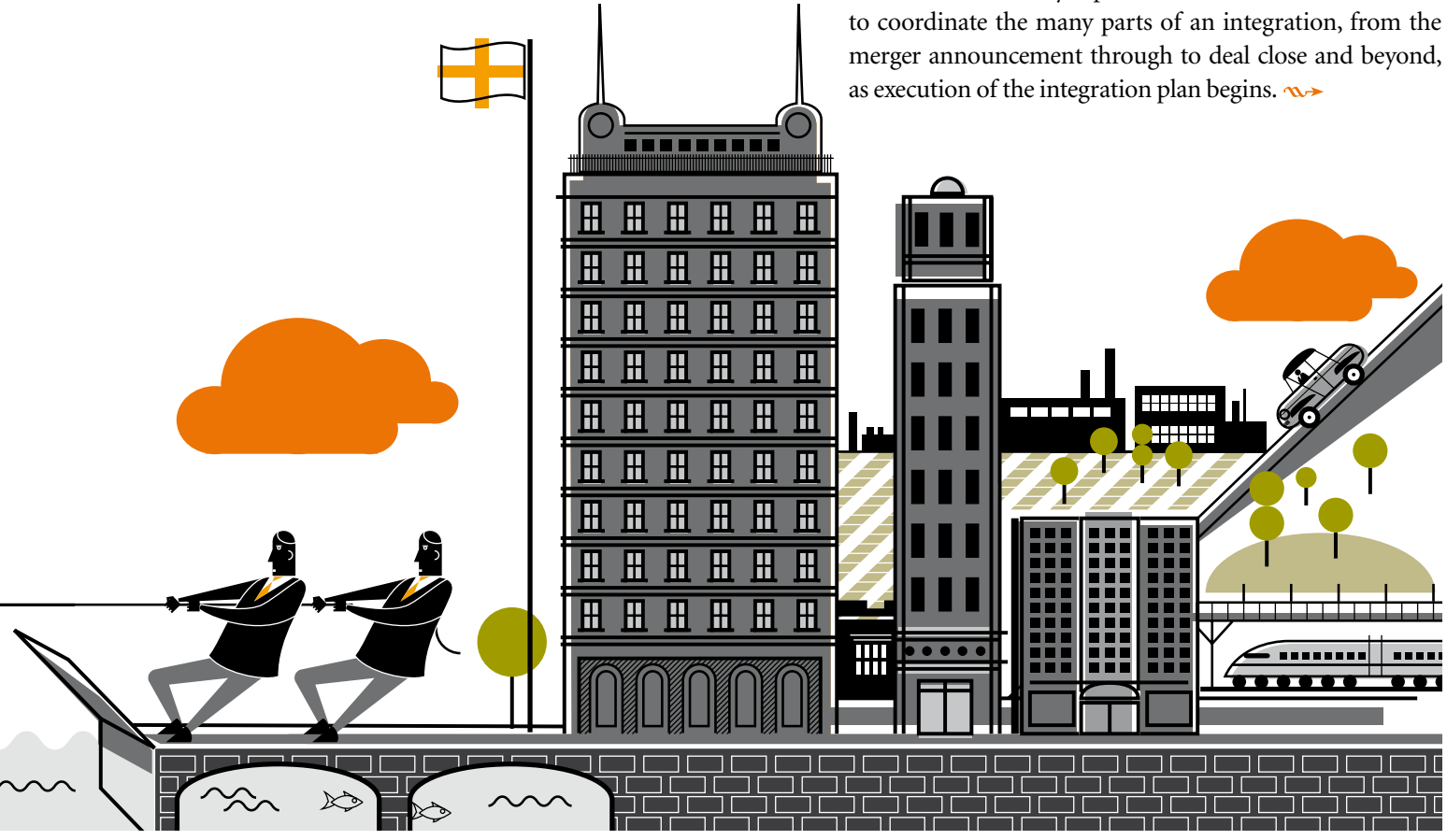
The following principles will ensure that communications can support your business goals during integration.

IT'S A SMALL WORLD, SMALLER THAN YOU THINK

Effective integration communication requires in-depth stakeholder analysis and tailored messaging to explain the deal rationale and business strategy of the combined company in a way that addresses the specific concerns of each audience. At the same time, any communications, both external and internal, must also be consistent and mutually reinforcing, wherever they are received around the world.

Your employees will read any statements made to the media, your shareholders will "channel check" via suppliers, and your customers will question your sales representatives. One of the first steps in developing an integration communications plan is to craft a high-level messaging framework that can be adjusted for all key audiences.

Disclosing important decisions with an eye to all audiences sounds like common sense but can be hard to execute because integration teams are typically organized by function or workstream, and do not always have the time or opportunity to collaborate. We have witnessed more than one CEO disclosing synergy numbers for the first time to the media, creating instant panic among employees. It takes a strong communications team, with a seat at the table when key operational decisions are made, to coordinate the many parts of an integration, from the merger announcement through to deal close and beyond, as execution of the integration plan begins.



MIND THE GAP

Although many audiences interpret the announcement of an agreement to merge as the start of the combined entity, there is always a time lag between an announcement and the formal close. During this period, both companies continue to operate independently while they gain approvals for their combination. When Mars announced its planned acquisition of Wrigley in 2008, the regulatory and antitrust approvals took only five months, a relatively short time for a big deal. But when SIRIUS Satellite Radio merged with XM Satellite Radio, the deal was so complex it took 17 months.

Before the close, "no comment" is often the starting point of many in-house and external legal advisors who are rightly concerned about jeopardizing the merger by violating legal requirements or irritating regulators. But the flurry of communications around the announcement raises expectations that more information will be forthcoming. A lack of follow-up communications creates a vacuum that will be filled by misinformation and mistrust.

When brewing group InBev announced its planned acquisition of Anheuser-Busch (A-B) in July 2008, it moved quickly to address anticipated concerns over cost-cutting and job losses, foreign ownership, and brand and cultural differences. From announcement day onwards, InBev communicated its commitment to A-B employees and the core A-B heritage, the company's name and its US headquarters. InBev also emphasized its strong integration record and its experience working with various cultures.

Yet the company also recognized that changes were inevitable and that employees needed to understand what, why and how they would be made. Although there was initial opposition to the deal, the company was able to demonstrate its ability to realize the benefits. Sharing the information you have with stakeholders, and listening to their concerns, will also allow your legal and deal team to focus on their priority – getting the deal done.

EMPLOYEES ARE YOUR BEST AMBASSADORS

Your staff play a critical role in the success of a merger, yet can often be an afterthought. Worse, some companies consider generic letters or e-mails from the C-suite as sufficient. According to a 2007 study in the *Journal of Change Management*, 40 per cent of employees want to hear change communications from their manager, compared with only 6 per cent who want to hear from the very top.

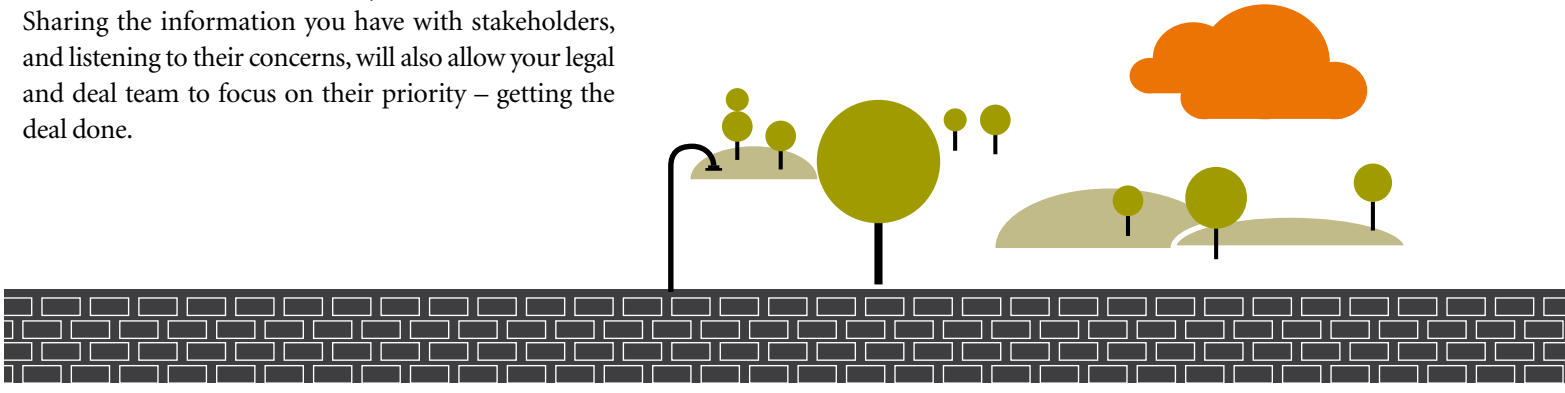
Companies that fall back on an arm's length approach may see a high level of disengagement and disruption that allows competitors to poach top staff.

The prospect of communicating with tens of thousands of employees can be daunting, but the time and effort can be mitigated by equipping front line managers to communicate with their teams, and by using digital tools. Dedicated internal websites provide an information hub that can be used to educate staff on a company's history, culture and brands, and introduce them to key personnel. You can also create a forum for employees to post comments and questions, generating valuable feedback.

"I DON'T KNOW" IS AN ACCEPTABLE ANSWER

While online tools are useful, they cannot replace face-to-face communications. Given employees' overwhelming preference to hear about change from supervisors rather than the C-suite, front line managers must have up-to-date material to enable them to answer questions and hold useful discussions.

Bringing together two companies takes time, and there will be occasions where there is nothing new to report. Managers must still keep lines of communication open, listen to concerns and make their teams feel part of the process. While most of us hate saying "I don't know" – especially managers, who are used to having answers – sometimes it is an appropriate response.



CONTEXT IS KEY

Legal accuracy is paramount in communications, but messages must be delivered in accessible language and in an appropriate context for the target audience. The communications team can play an important role in discerning how someone without in-depth knowledge of the transaction will react.

Some types of communication are required for legal and regulatory reasons during business integration, but simply adhering to the letter of the law can backfire. For example, when Pfizer bought Pharmacia in 2003, it was required by the federal Worker Adjustment Retraining and Notification (WARN) Act, to send a memo to government officials advising them of "mass layoffs" in the Kalamazoo, Michigan community – a term that is defined by the WARN Act as affecting at least 500 employees, although that context wasn't provided in the memo.

The memo caused a furor. Pfizer leaders had to travel to the area to give further information and context for the company's plans, which included keeping a key R&D center open. In remarks to local public officials and workers, Pfizer acknowledged that the memo created a lot of uncertainty, and called it an "unfortunate accident" for which it apologized and took full responsibility.

When Jeff Kindler became Pfizer Chairman and CEO in 2006, he used lessons learned from earlier mergers by taking a different approach to the company's acquisition of Wyeth, announced in January 2009. Pfizer quickly developed a comprehensive plan to announce and implement integration decisions, including those related to sites and jobs. Two weeks before the close of the deal, Pfizer gave employees context for its planned approach, including anticipated timing and key objectives for site decisions.

THINK ABOUT THE JOURNEY, NOT JUST THE DESTINATION

While companies can't implement most decisions until the deal closes, planning and coordination can begin beforehand, along with such operational decisions as naming senior leadership, the high-level structure of the combined organization and the location of its headquarters. Explaining key milestones gives you a roadmap to demonstrate your progress, and can help lay strong foundations for the combination of the two companies.

Pfizer announced the senior leadership team and organizational structure of the merged company six months before completing the Wyeth acquisition. This allowed the communications team to informally introduce the new heads of R&D and the business units to employees, and demonstrated the "best of the best" approach that brought together senior managers from both organizations.

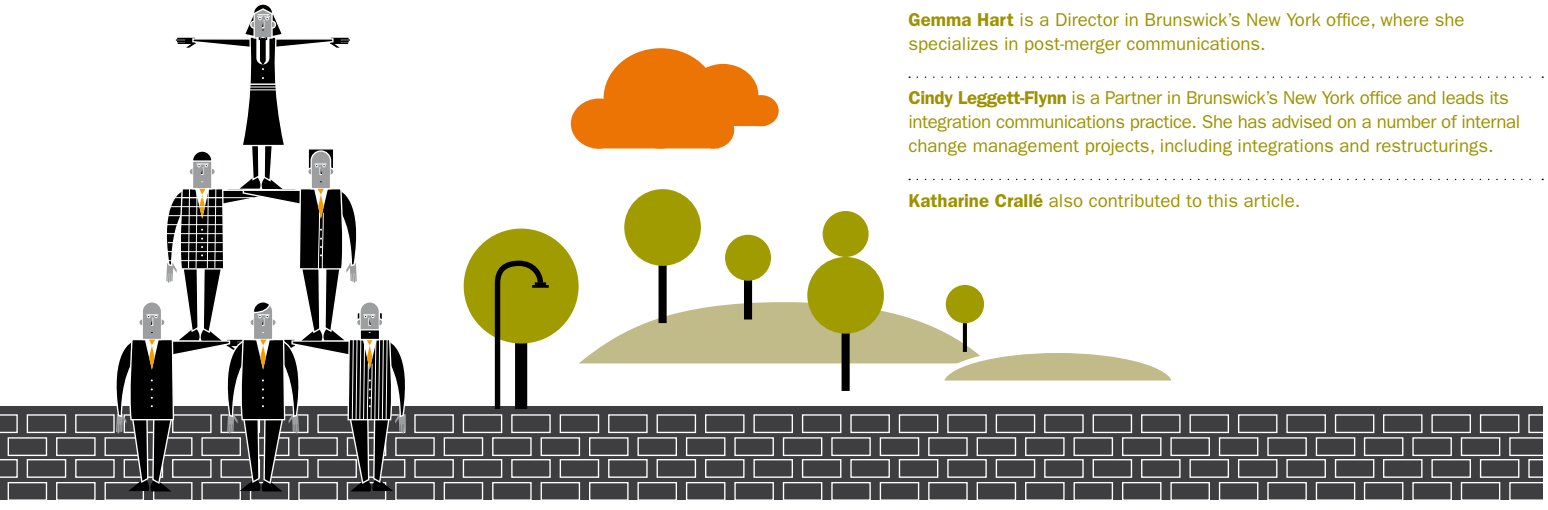
The biggest integration milestone, for internal and external audiences, is the formal close of the transaction, often billed as "Day One." For the media and government officials, it is an opportunity to reiterate the benefits of the combination and the prospects of the combined business. For internal audiences you need to strike a balanced tone, as many staff will feel anxious until operational decisions are executed and they are confident they will still have a role.

When managed carefully, integrations can provide a valuable opportunity to reframe relationships with business partners, re-engage with employees, and continue to deliver on business objectives – despite the uncertainty and disruptions normally associated with the process. Frank D'Amelio, CFO of Pfizer, says: "If you look at communications purely as a function and how it's accounted for, it's an expense. However, good communications can undoubtedly have a positive financial impact on the company."

Gemma Hart is a Director in Brunswick's New York office, where she specializes in post-merger communications.

Cindy Leggett-Flynn is a Partner in Brunswick's New York office and leads its integration communications practice. She has advised on a number of internal change management projects, including integrations and restructurings.

Katharine Crallé also contributed to this article.



THE CULTURAL WORLD AFTER THE CRUNCH
THE OUTLOOK FOR ARTS SPONSORSHIP

by Helen Scott Lidgett, Managing Partner
and Rebecca Blackwood, Director, Brunswick arts

The cultural world has been preparing for the impact of the global downturn. Most arts organizations expect the economic climate to have a significant effect on corporate support. Those that have been lucky enough to enjoy state funding in the past have also been anticipating a tightening of the public purse as demands for a new era of government austerity are heeded.

For arts lovers, worries abound about how this will affect the quality, variety, value and scale of cultural endeavor.

But what has really happened? Is it as bad as everyone fears? Has there been a significant change in how the arts are funded worldwide? Are sponsors demanding something new? Is there a common, global experience of change?

Brunswick Arts asked a cross-section of arts organizations and sponsors to discuss how cultural funding has changed, and the challenges and opportunities that presents.

1.

1. *LSO St Luke's, the UBS and LSO Music Education Centre*. UBS Soundscapes is an award-winning Arts & Business partnership with the London Symphony Orchestra
Image by Kevin Leighton

Colin Tweedy
Chairman, Comité Européen pour le Rapprochement de l'Economie et de la Culture, and Chief Executive, Arts & Business

THE BAD NEWS, AND THE GOOD

In continental Europe, the arts are overwhelmingly supported by the state and are suffering dramatic funding cuts. In most cases businesses are not in a position to come to their rescue. In Italy, technically in its fourth recession in a decade, the state funding body, the Fondo Unico per lo Spettacolo, has been forced to cut funding by a third. Many theaters and opera houses are expected to close as a result.

Britain used to be seen as having the worst of both worlds: not enough private giving compared to the US – home of the free market and private-sector funding – and not enough public funding compared to continental Europe. In the event, its mixed funding model will allow most of the arts sector to weather the storm.

Although government cuts will be harsh, business sponsorship and individual philanthropy, at around £655m ($1bn), will remain a growth sector for the medium to long term.

The good news is that, we believe, as long as the world does not experience a double-dip recession, private-sector funding of culture will grow earlier and faster than any state funding.

The Middle East, particularly the Gulf states, is using culture as a tool for tourism and urban planning. Though growth has slowed, as it has in China, there is still optimism that the worst is over, and businesses are becoming aware of the value the arts can bring to marketing and brand reputation.

Meanwhile, UBS and Deutsche Bank, two major sponsors, have maintained their partnerships. And Bank of America Merrill Lynch is storming ahead as a cultural sponsor, making a big impact globally, proving there is hope and opportunity after the crash.

Colin Tweedy is Chairman of the Comité Européen pour le Rapprochement de l'Economie et de la Culture, a European network of organizations working in the arts. He is also Chief Executive of Arts & Business, a not-for-profit organization that encourages private-sector partnerships with culture.

2. *Golden Dragon – White Eagle*, a largely state-funded exhibition of treasures from the Chinese Imperial Palace in Beijing alongside works of art from the Staatliche Kunstsammlungen Dresden, in the Residenzschloss (Royal Palace) in Dresden
Image by H.J. Krumnow

3. *Deloitte Ignite*, attracting young professionals to the Royal Opera House, London
Image by Richard Hubert Smith

2.

3.

Professor Dr Martin Roth

Director General, Staatliche Kunstsammlungen Dresden

CRISIS? WHAT CRISIS?

Crisis? What crisis? This was more or less the attitude of German museums when we learned that, in America, the Getty Trust had lost a big part of its endowment, while the demise of Lehman Brothers had seriously affected the income of museums like The Metropolitan in New York. When analyzed proportionally – state support versus private and corporate support – it is very clear who sponsors the Staatliche Kunstsammlungen Dresden. The Dresden Art Collections are a treasure of the state.

We are, of course, fortunate to have received financial support from third parties, including our most committed long-term partners, Sparkassen-Finanzgruppe and Lange & Söhne, and the Volkswagen Gläserne Manufaktur, with whom we have been working on our 450th anniversary celebrations. These cases, however, fall under the heading 'surplus' rather than 'substance'; they are situated in the periphery and not in the deep core of our efforts and work.

But, for us, private and corporate sponsorship will not become more prominent. The risks of state funding receding can be balanced by sponsorship and support from the corporate sector, but not the other way around.

Professor Dr Martin Roth has been Director General of the Staatliche Kunstsammlungen Dresden since 2001.

Tony Hall

Chief Executive, Royal Opera House, London

ENTERPRISING SOLUTIONS, HOLISTIC PARTNERSHIPS

We expected things to be tough, so we drew up contingency plans early on, as we plan up to five or more years in advance. We decided not to change our artistic programming. Instead, we reviewed spending and looked to expand our income streams to maintain our commitment to the high quality of the work on our stages.

Fortunately, ticket sales have held up well, but we have had to look for new sources of revenue. That's why we created ROH Enterprises in the summer of 2009, which encompasses all our commercial interests, including licensing, cinema distribution and restaurants.

Securing new corporate sponsorship has been tougher, but we have drawn support from new sectors and continue to work toward long-term relationships. These provide more security and the opportunity for creative partnerships.

Like the corporate sponsor, we are looking for a holistic approach to our partnerships. Our sponsors are interested in branding and entertaining opportunities, access to the artists and creative teams, networking with other sponsors and stakeholders, cross-promotional opportunities and public relations. They may also be interested in employee involvement, or training from our corporate professional development program HouseWork.

A good example is Deloitte, which sponsors *Ignite*, a three-day contemporary arts festival that opens the season every year. We needed to attract young professionals who were under-represented in our audiences, as did Deloitte. Employee involvement in the partnership is crucial: Deloitte employees volunteer to work at the arts festival. In return, they go on backstage tours of the opera house, get information about our programs and attend performances. They have also started their own ballet group at Deloitte.

Where you have a really good fit, such as in our partnerships with Deloitte, Rolex and Van Cleef & Arpels, who sponsored Balanchine's ballet *Jewels* in 2007, the possibilities for a successful relationship are exciting.

Tony Hall is Chief Executive of the Royal Opera House, Covent Garden, in London. He was appointed Chairman of the UK Cultural Olympiad Board in July 2009, with responsibility for cultural events in the run-up to the London 2012 Games.

4. *Stephen Dillane* in The Bridge Project's *As You Like It*
Image by Joan Marcus

5. *Christian Camargo,* also in The Bridge Project's *As You Like It*
Image by Joan Marcus

4.

5.

Rena M. DeSisto

Global Arts and Heritage Executive, Bank of America Merrill Lynch

THROUGH CULTURE, YOU BREAK DOWN BARRIERS

We are approaching our support of the arts differently now because we are a different company after combining with Merrill Lynch, as opposed to doing things differently because of cuts in arts funding. Our support has always been robust and has not wavered. Since merging Bank of America and Merrill Lynch, we are now doing business in 100 countries, we have 300,000 employees from all around the world, and it is important for us to be active in more markets. Our arts program is a very powerful way to convey our commitment to those markets and play a meaningful role in breaking down barriers through greater cultural awareness.

One example would be The Bridge Project, a partnership between The Old Vic theater in London and the Brooklyn Academy of Music in New York. Two years of transnational theater productions have already taken place, and there will be a third year in 2012. This was initially a Bank of America sponsorship, but with the international touring of productions to places such as Paris, Madrid and Hong Kong, we have also been able to use it as a brand-builder for Bank of America Merrill Lynch, a new brand to some.

The partner organization is aware that we have particular constituencies to satisfy – shareholders, clients, employees, and so on – and has created a superb client entertainment platform, as well as an opportunity for our employees. We have also gained an advocate for our company and for the business financing of the arts in Kevin Spacey, Artistic Director of The Old Vic, who will himself appear in The Bridge Project's 2012 production of Richard III.

Another significant international sponsorship that we have just signed is with the Chicago Symphony Orchestra. We are the new global sponsor of what is probably America's finest orchestra. A combination of factors made this an ideal choice: Chicago is very important to us as a company, the orchestra will be travelling around the world in 2011-12, and acclaimed conductor Riccardo Muti has become their Musical Director. A special moment in time to align our brand with another that stands for excellence and international outreach.

We are also very much engaged in environmental issues, and our sponsorship program represents this as well; for example, our partnership with London's Science Museum on an exhibition which explains the science of climate change.

Our criteria for sponsorship have not needed to become more stringent in the current economic climate for the simple reason that they have always been stringent. We have always been aware that we have shareholders and clients to whom we are responsible, so our program is built on a foundation of sound business practices combined with corporate social responsibility.

"We're delighted that Bank of America Merrill Lynch has come on board for another season as our sponsor and I applaud their continued support for our work"

Kevin Spacey, Artistic Director of The Old Vic theater, partners in The Bridge Project, sponsored by Bank of America Merrill Lynch
Image by Hugo Glendinning

When we sponsor an exhibition, for example *The Cult of Beauty* at the Victoria & Albert Museum, also in London, we feature prominently in a venue that stands for world class cultural values over a period of several months; we can gain traction for our company with centers of influence, prospects and clients; we can offer benefits to our employees; and our support also ultimately accrues to the benefit of all its visitors, as well as the museum and the community itself.

In short, we are building something powerful through a thoughtful approach to helping our company succeed while, at the same time, helping cultural institutions remain healthy and vibrant. And that is good for everyone.

Rena M. DeSisto is Head of Marketing and Corporate Affairs for Europe, the Middle East and Africa; and Global Arts and Heritage Executive at Bank of America Merrill Lynch.

6. The New Museum of Contemporary Art, New York, whose building opened in 2007 with the support of corporate sponsorship, foundations, government and individual patrons. In a time of cutbacks, many individual supporters have become more generous
Image by Dean Kaufman

6.

Lisa Phillips

Director, New Museum of Contemporary Art, New York

THE BENEFITS OF EFFICIENCY

Everyone has been hit hard. Patterns of spending and giving have been altered. Endowments have shrunk, and foundations are distributing less. Many corporations just stopped funding for a while. Governments are in debt.

After austerity and cutbacks, we are now gradually planning for modest growth. There is greater uncertainty in all sectors, but this also draws people to art, as they place more importance on spiritual and transformative experiences.

We cut back wherever we could without affecting our core programming. We have tightened our procedures and staffing and, in many ways, this is a benefit. The downturn forced everyone to find greater efficiencies and not settle for less than the very best performance. Standards have risen, and there is greater permission to test out new things that may work for a new age and to break out of formulaic habits.

Things are actually better. Our community has rallied. Individuals who believe in contemporary art and the mission of the museum never wavered. In fact, they have been more generous and supportive. This has been very heartening.

In the US, we have very little government support for the arts. This should change. We always find a way to make it work, but culture is generally seen as a 'frill' and not essential. Consequently, market forces play a large role, as success is tied to making money. Stronger government support would help to create a more level playing field and also send an important signal to the public that art and artists are valued in our society.

Lisa Phillips has been Director of the New Museum of Contemporary Art since 1999. From its beginnings in 1977 as a one-room office on Hudson Street to the inauguration of its dedicated building on the Bowery, designed by Pritzker Prize-winning architects SANAA in 2007, the New Museum continues to be a hub of new art and new ideas.

7. *Enel contemporanea 2009: Frontier*, an installation by Doug Aitken on the Tiber island in Rome. Enel has donated the work as part of its partnership with MACRO (Museo d'Arte Contemporanea di Roma)
Image by Doug Aitken Studio

7.

Gianluca Comin

Executive Vice-President, External Relations, Enel

MORE FOCUS, BUT ENEL IS STILL POWERING THE ARTS

We have had to focus our sponsorship choices in recent times, but continue to support high-profile international partners, and long-term projects tailored to the company's needs and values: care for the environment, commitment to research, modernity and innovation. We also seek the active involvement of the company in entire projects.

Culture is a strategic asset for our business and a factor of competitiveness in the market. The activities developed at a local level are particularly useful in strengthening ties with communities and creating institutional synergies. The investment in culture as an act of social responsibility is also considered an important performance indicator of our company.

Enel Contemporanea, a public art project that began in 2007, uses international artists to stimulate public awareness of a single issue: the use of energy from 'sustainable' and 'renewable' sources.

Another original program, *Centrale Aperta*, includes opening power plants to the public. Thousands of people attend free cultural events at our facilities, and at the same time, get to know our company's history and technological heritage.

Looking forward, in Italy we really need a simpler regulatory system that might contain more tax incentives for this kind of cultural support.

Gianluca Comin is responsible for institutional relations in Italy and internationally for Enel, Italy's largest power company. He is also President of the Italian Federation of Public Relations and sits on the board of Civita, a non-profit organization dedicated to promoting culture.

STATE OF PLAY
ARTS FUNDING IN EUROPE AND THE ROLE OF SPONSORSHIP

Maria Finders, Director, Europe
Brunswick Arts, Paris

Culture does not exist in a vacuum, as the inhabitants of the Basque city of Bilbao in Spain can testify. The city, which decided in the 1990s to spend $228.3m on a modern art museum plus $3bn in urban development, now attracts about 800,000 tourists a year, up from fewer than 100,000 before. While Bilbao will not recoup its entire investment until 2014, the project has created more than 900 full-time jobs and pours about $40m annually into the Basque treasury.

The project's success, focused around the striking Guggenheim Museum Bilbao, is primarily due to strong public-private partnerships, in recognition of which it won the first Lee Kuan Yew World City Prize this year.

What some call the "Bilbao Effect" can be found in other European cities, such as Metz in France, where a new Pompidou Centre has opened, boosting the local economy by 40 per cent. Meanwhile other cities and cultural institutions across Europe are looking at how public and private funding can be combined to achieve cultural innovation and economic growth. Strategies vary across continental Europe, since there are significant regional and national differences to the ways the arts are funded.

In many countries, for example, public support of the arts is considered as essential as education in preserving national heritage and creating sustainable economic growth. That is the case in Germany, home to Haus der Kunst, the House of Art, in Munich. "We are mainly state-funded, and quite generously so by the state of Bavaria," says Chris Dercon, the art museum's Director. "But we have substantial and almost-embedded local sponsors – for example, the Schörghuber Gruppe [real estate, investments] has been on board since 1992. They like what we do, so they maintain their support."

The museum often mounts exhibits of cutting-edge art, something he understands many sponsors may consider too risky. "In some cases, we prefer not to work with sponsors, as this is the way we stay independent in terms of our content and programming," he explains.

In Sweden, corporate sponsors have to be extra-committed, as they get no tax relief for supporting the arts. But Katarina Swanström, Head of Corporate Sponsorship at the Moderna Museet in Stockholm, says this does not seem to deter them.

"In 2008, the Moderna Museet celebrated its 50th anniversary. Instead of a crisis year, it was a year of all-time high attendance figures and successful fundraising," she says. "Of course, it was not easy to recruit new sponsors during the fall of 2008, but many existing sponsors signed new long-term contracts. Sponsors want to be associated with Sweden's leading art museum and a strong brand. They also want visibility to a large and vital target group in a prestigious venue."

France, on the other hand, has a complex series of laws that provide tax relief to corporate or private supporters of the arts. There, many companies choose to work closely with public authorities when planning long-term commitments, rather than with institutions whose programming and management often change.

One imaginative example is a stained glass project between energy company GDF (now GDF Suez) and the public heritage authorities. Valérie Vigouroux, Director of Communications for GDF Suez, explains: "Glass for us represents clean energy, as a stained glass window comes to life only when sunlight is shining through it. We also like being behind something that will be around for centuries to come." The scope of the project ranges from preservation work to commissioning new pieces, like the installation planned for Reims Cathedral by German artist Imi Knoebel.

In Britain, Charles Saumarez Smith, Secretary and Chief Executive of the Royal Academy of Arts, says it has become tougher to get corporate support for big exhibitions. "Some big City of London companies that used to sponsor exhibitions do not currently want to be seen by employees as spending money in this way," he says. "But others remain committed. We have developed especially good relations with BNY Mellon, BNP Paribas and JTI, because they have remained loyal to the RA through the recession. I really appreciate this."

Looking forward, he continues: "We have had to be more versatile in putting together sponsorship packages. For Citibank I have talked to their private clients in Moscow, Warsaw, Dubai and Abu Dhabi and described our work to them. The sponsorship Citibank gave to sculptor Anish Kapoor felt like a new model, because it was not about building corporate profile, but instead about developing long-term client relationships."

Corporate sponsorship of the arts, whether instead of or in addition to state funding, has become much more sophisticated in recent years, and in the current economic climate such sophistication is more important than ever. Every project will be different, of course, but there are some general rules that all arts sponsors will benefit from considering:

The know-how of sponsorship

- Know what you want from sponsorship.
- Know who your customers are now, and who you want them to be in the future.
- Understand and build relationships in the partnership.
- Remember that emotion gives rise to defining memories. Do not be afraid to make "emotional" choices; you only get one chance to make a first impression.
- Be prepared to spend enough to get the benefits you want.
- Think quality first, quantity second.

Bear in mind

- Sponsoring art events is not necessarily expensive.
- Art is the ultimate emotional branding.
- However, art is not for everyone.

What to expect from a sponsorship

- Increased visibility for your brand. This may include being mentioned in ads; event catalogues and programs; signage at the event; and on gift bags and other items given away at events.
- The chance to offer your clients the unique experience of attending shows, exhibitions or special events.
- Energized employees who gain new pride from their company's involvement in cultural events.

Brunswick Arts was set up in 2001 to provide strategic communications advice to arts organizations, corporates, charities and the not-for-profit sector. It has teams in London, Basel, Berlin, Paris, Stockholm, Beijing, Dubai and New York.

ANATOMY OF AN ANNOUNCEMENT
IT'S TIME TO EXPAND YOUR NETWORK

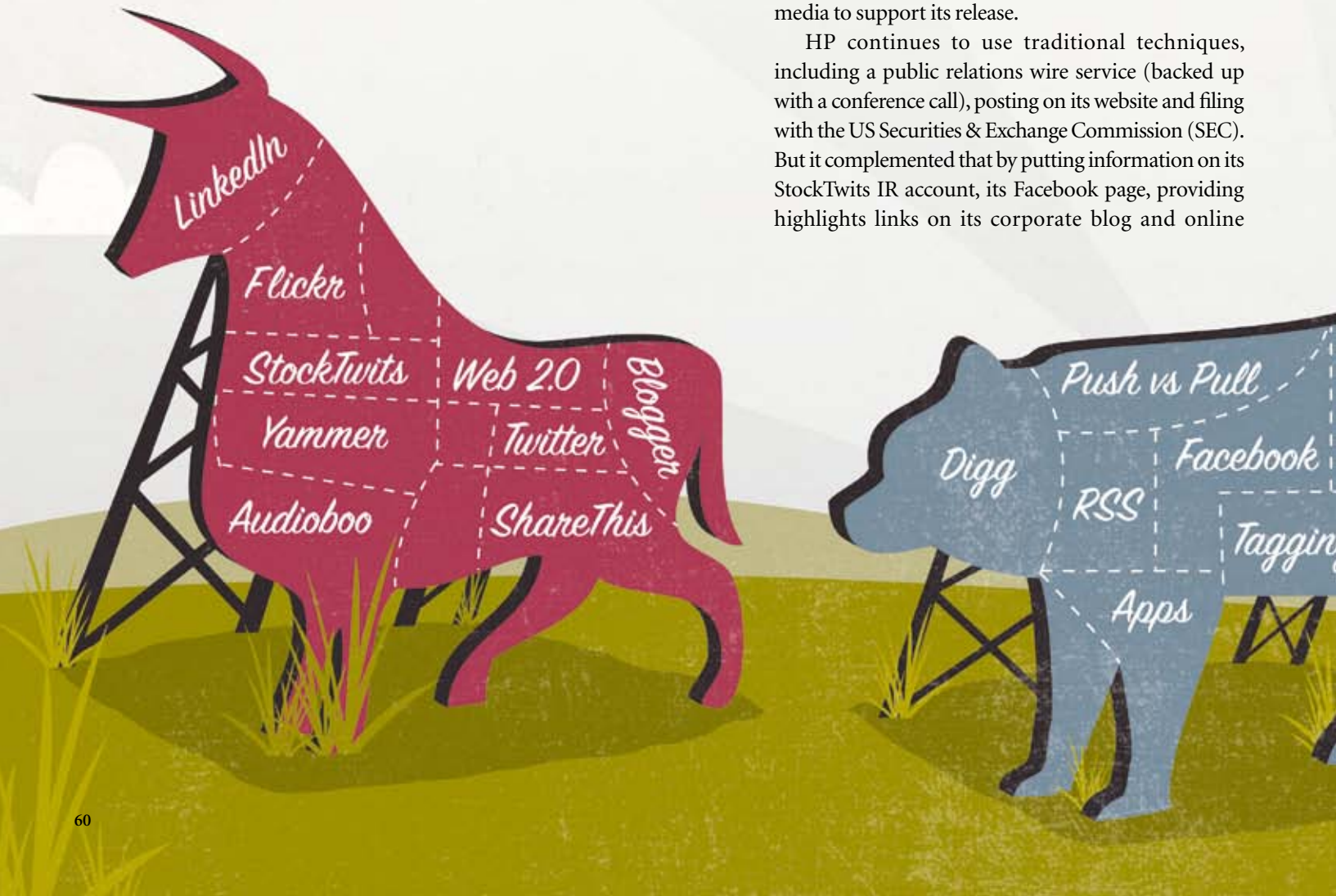
NEWSWIRES AND IR WEBSITES ARE STILL IMPORTANT, BUT IN THE SOCIAL MEDIA AGE THERE IS MORE TO ANNOUNCING YOUR FINANCIAL NEWS, WRITES RICHARD CARPENTER OF MERCHANT

The way companies send out financial news is going through radical change, and if you were one of the investor communications professionals keeping your head down and ignoring the revolution, now is the time for a rethink.

It is not just social media that is changing the way companies release earnings and other news, it is the wider online revolution. The "social" aspect has led to many new ways in which companies can disseminate information and avoid the risk of selective or slow disclosure. But information can also be tagged and labeled in a way that makes it far easier for companies to share financials (see panel on XBRL tagging system on page 63). These new techniques – if they can still be seen as new – are affecting long-established ways of releasing information and, in some cases, threatening the existence of practices and industries that traditionally supported the flow of financial information.

How are companies responding to this changing landscape? Take Hewlett Packard, which reported its third-quarter earnings in August using social media to support its release.

HP continues to use traditional techniques, including a public relations wire service (backed up with a conference call), posting on its website and filing with the US Securities & Exchange Commission (SEC). But it complemented that by putting information on its StockTwits IR account, its Facebook page, providing highlights links on its corporate blog and online



newsroom, and posting the presentation slides on SlideShare. If you wanted video content, that wasn't overlooked either, with access via HP corporate sites or YouTube.

"Our goal is to make information about HP as easy to access as possible," says Ethan Bauley, Managing Editor at HP corporate news. "The biggest challenge is one of the most mundane, which is synchronizing distribution among multiple channels. There really aren't any tools that can simultaneously cross-post content to a wire service, Twitter, StockTwits, Facebook and YouTube. HP's financial information is consistently among the most popular content we publish to our blog, Twitter profile and Facebook page, often outperforming marketing or product messages."

> "THE BIGGEST LESSON I'VE LEARNED IS THAT A COMPANY MUST HAVE ALL ITS INFORMATION AVAILABLE TO ALL SHAREHOLDERS ON ANY PLATFORM THEY WANT TO VIEW IT"
>
> *Rhonda Bennetto, TVI Pacific*

Crucially, a few days in advance, HP alerted audiences about how it would use social media as part of the announcement, thereby preparing followers on Twitter to be ready for the news and prepared to re-tweet or share information. This is the perfect way to use the new technology – social media allows rapid dissemination to thousands of followers – as part of an "announcement dashboard."

HP is not alone, but it is among the leaders alongside Syngenta and Cisco which are developing similar practices, with Cisco devoting a YouTube page to earnings-related videos (www.youtube.com/user/ciscoearnings). There are some great synopses of these and other new practices on IR Web Report (www.irwebreport.com).

Social media also allows users to highlight key information, such as nuggets about earnings news. This is what an analyst might do in terms of stripping out key stories but not always with such a high level of understanding. As long as you can sort the wheat from the chaff, the online audience will help sift through pages of earnings releases almost as one – like ants tearing up a leaf – and then distribute to a wider group than would be the case with an analyst's note.

The downside is that social media can lead to legal concerns. If, for example, you highlight only one element of a release and then tweet that with a link to the wider release, are you open to a charge of selective disclosure? Equally, could such a charge be brought if you send out your earnings only over the web using social media and shy away from traditional outlets, such as the PR wires?

On this point, a regulatory shift is beginning that might make life easier and several companies are experimenting in this new environment. Some bodies with regulatory powers, such as the New York Stock Exchange and Nasdaq, have ended their requirement for some overseas companies to use paid-for PR wire services, allowing companies to send their news out via SEC filings and their own website postings. Of course, they could also supplement that with the social media strategies above.

What is changing is the notion that releases have to be "pushed" out to individuals using traditional methods. Nowadays, technological solutions

USEFUL TOOLS

StockTwits – *www.stocktwits.com* – microblogging site for investors, gaining a lot of fans in the US.

SlideShare – *www.slideshare.net* – allows users to upload and share slide presentations, publicly or privately.

Twitter – *www.twitter.com* – microblogging site where you share your news in fewer than 140 characters.

Bit.ly – *www.bit.ly* – it shortens URLs, which is why it's used so much on Twitter.

Flickr – *www.flickr.com* – the world's largest picture management and sharing application.

YouTube – *www.youtube.com* – worth investigating if you don't have your own corporate page.

IR Web Report – *www.irwebreport.com* – good up-to-date guide to trends and practices in online investor communications.

mean people can choose to "pull" in the information they want from a range of sources, either using a feed they subscribe to into their own newsreader or via, say, Twitter.

This change is likely to have more of a dramatic impact in the US, where the paid-for PR wire service has been more of the landscape than in other markets, but the idea is the same wherever you are. Companies can effectively "push" their news out themselves via online distribution, and as long as it is done in a timely, effective manner, the web will take the strain.

But what exactly does "effective" mean here? Obviously, if you are a fairly obscure small-cap company, simply placing your earnings release on your website and waiting for the world to come and view it is unlikely to be an effective means of distribution. However, if you send that same release to a regulatory filing system, such as the SEC's EDGAR (Electronic Data Gathering Analysis and Retrieval) and also use social media channels, then you might find the news distribution is more effective than traditional PR wires.

Academic research on the use of social media in financial news distribution seems to support this view. Elizabeth Blankespoor, Hal White and Gregory Miller at the University of Michigan published a paper last year showing how the use of Twitter by some "early adopter" companies had helped news flow and liquidity in the stock, thereby reducing bid-ask spreads (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1657169). It was particularly noticeable for smaller cap companies where, you might argue, the need was greatest.

Certainly, some small caps that have jumped on that bandwagon have found it useful. Alberta-based mining group TVI Pacific has been an active supporter of social media in the past year and has had spectacular results. Rhonda Bennetto, TVI's Executive Director of Investor Relations, says traffic on its website has risen almost threefold in 10 months. Its Flickr photo views have risen from zero to 4,600; SlideShare views from zero to 3,000; YouTube views from 300 to 2,000; Twitter followers to 147; and Facebook followers to 170. The share price has almost doubled in nine months and trading volumes are up 400 per cent.

"The biggest lesson I've learned is that a company must have all its information available to all shareholders on any platform where they want to view it," says Bennetto. "Mostly retail shareholders visit our Facebook page, while institutional and buy-side investors tend to go to our website, so it's imperative that all information is mirrored on all sites. Often banks and other institutions are not allowed to use Facebook at the office, so you can't selectively have some information on Facebook and some on your website. This also eliminates any threat of a single point of failure of information – for instance, if Facebook were to shut its doors."

For many companies, radical changes in information dissemination are more about getting the online presence right rather than embracing social media per se. There is also a real legal concern about social media in many IR circles. For example, while many British-based investor relations officers admired the use of social media by firms such as Rio Tinto in its defense against BHP Billiton, still more have shut social media out of their IR programs. That has not stopped them from beefing up their online presence though, with many turning to video and

other rich media content to help bring their executive or operational stories alive.

One company that has really embraced the online communications angle is French cosmetics group L'Oréal. Thierry Prévot, Head of Financial Communications, says that investors' and analysts' requirements have changed radically in recent years – and that companies have to change their practices as a result. "They need more of the story of the company – the light and color of that story," he says.

That need prompted Prévot and colleagues to create a more interactive experience for people looking for information about their group. Their online annual report is just one example of this trend: www.loreal-finance.com/site/fr/contenu/rapport/rapport2009/index_en.html.

Packed full of video and interactive timelines, it illustrates the company's story and, crucially, its constituent parts can also be used many times in other ways to tell the story. "It's a virtual promenade enabling visitors to discover what L'Oréal has been doing in each of our zones; what our R&D department has been working on; the main financial results; and so on," says Prévot. "It's a kind of 3-D approach designed to make it as easy as possible for visitors to find the key information they require and to give a clear picture of how the group is structured."

What do all these trends mean for investor communications? In the short term, it means things get a whole lot more complicated. And possibly more expensive, too, as myriad channels – and the resources needed to monitor them – continue to pop up. In the longer term, however, it should mean that life becomes a lot easier and cheaper for investor communications. You will be able to control far more from your desktop and, in theory, interact more rapidly and directly with investors.

These online tools are not the be-all and end-all, they are additional channels. Do not believe any online whizz-kid who tells you otherwise. That said, investor communications professionals who put their heads in the sand could find themselves being left behind.

Richard Carpenter is Managing Partner of Merchant, the creative communications consultancy that specializes in corporate reporting. He is a board director and member of the Policy Committee of the UK Investor Relations Society.

XBRL: A JOLT FORWARD

Back in 2000, delegates at the UK's Investor Relations Society were treated to a presentation that predicted XBRL – or eXtensible Business Reporting Language – was about to radically change financial information dissemination.

Some 10 years later, there is still little evidence of the XBRL revolution but, you could argue, there has been a shift in its favor.

Essentially, XBRL is a means of tagging financial information so it can be used in different formats without having to re-key the information. You tag a number as, say, a revenue line, then that tag effectively drags the correct number into the right space whether used in a PowerPoint presentation, a press release, an online annual report or whatever. The system is most impressive when XBRL tags are used to drag comparison numbers from a range of companies into one spreadsheet.

It sounds magical, but the problem has been one of adoption. Companies have not used it because investors have not used it – and vice versa. Similarly, the idea all companies in all countries and all sectors can easily be compared is great but flounders when put into practice – despite the wide adoption of international financial reporting standards.

But the white light of hope for XBRL advocates, these days, is that the US Securities & Exchange Commission has mandated the use of XBRL in filing financial reports. Some other regulators, such as the British tax authorities, have also been taking the XBRL route. The regulatory kick has finally given XBRL a jolt forward.

It is not a perfect solution, however. Most companies are simply tagging their financial information at the end of having produced their numbers, rather than using it throughout the process. The danger is that just as XBRL is on the verge of truly wide adoption, it will become the "Betamax" of financial reporting, and a new, easier solution will take over. Keep watching the XBRL space, though.

INFOGRAPHICS SHOW AND TELL

BY MICHELANGELO BENDANDI, BRUNSWICK, LONDON

You know that a trend has been established when the parodies begin. On the opposite page you will find the *Big Graphic Blueprint,* created by Nathan Yau, which mocks the modern trend of supplying data in some sort of chart. Certainly infographics – presenting often complicated data in an illustrative way in order to attract attention and help understanding – are very trendy just now. But the process is not at all new.

Take for example the *Nightingale Rose Graph*, also shown opposite. It is named after its creator, Florence Nightingale, an English nurse who became famous during the Crimean War, when she looked after wounded soldiers. Nightingale was also a statistician and her graphic uses what are now commonly referred to as "polar diagrams." It uses a type of pie chart to show the causes of mortality in the army, and was sent in a report to Queen Victoria in 1858.

In the 1930s, the International System of Typographic Picture Education, Isotype, was developed by the Viennese social scientist and philosopher Otto Neurath and designer Gerd Arntz as a method for visual statistics. Neurath was the founding director of the Social and Economic Museum of Vienna, which promoted the idea that "to remember simplified pictures is better than to forget accurate pictures." Isotype symbols, some examples of which are shown opposite, have been hugely influential in the development of information graphics.

Business is no stranger to the chart and graph. But those pushing the boundaries of infographic design – normally outside the corporate world – are a multi-talented group, and are combining journalistic techniques with the visual logic of graphic design and the user-centric values of web interfaces. The results are impressive. Corporate communicators, who are often faced with the challenge of presenting complicated data to a busy audience suffering from information overload, should take note.

A good place to see the whimsical illustration of weighty matter is London-based magazine *Monocle* – where serious economic and global affairs journalism is often presented with hyper-stylish cartoon cuteness. *Monocle* Creative Director Richard Spencer Powell explains: "The balance is in part to add lightness to a magazine which is serious, to inject color and wit and express certain notions which cannot be done with photography. It's an editorial balancing act." On designing infographics, Spencer Powell believes that you have to have the technical skills but also a good graphic and editorial eye. "You have to be subtle, not flash. The information should be legible first and attractive second, not bombastic or distracting."

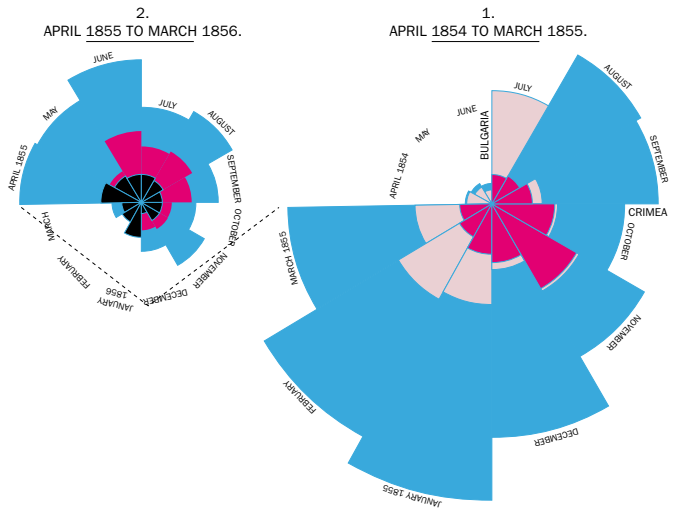
"Advertising has long known the power of simple, visual communication. Tight concepts, strong visuals and very short copy," says David McCandless, writer, designer and author of a psychedelic ode to the infographic, *Information is Beautiful*. Asked to describe what infographics are in one word, McCandless answers "portals," suggesting a gateway through which we can access data. This is perhaps where the influence of the web becomes apparent. Infographics provide, he says, "a way of accessing the flood of information we are drowning in," in the same way that good web apps do.

Similarly, the graphic user interface (GUI) of something like the iPhone helps people navigate a plethora of information. *Monocle*'s Spencer Powell continues: "Apple are the world's best information designers. Essentially they are digital librarians. All they have ever done is make a simple humanistic way to store and display information." A good infographic achieves something similar by applying visual navigation aids, such as proportion, form and color, to a data set. The goal is the holy grail of communications: something interesting.

TURN TO PAGE 68

Nightingale Rose Graph 1858

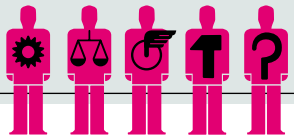
Diagram of the Causes of Mortality in the Army in the East



The Areas of the blue, red, & black wedges are each measured from the centre as the common vertex. The blue wedges measured from the centre of the circle represent area for area the deaths from Preventable or Mitigable Zymotic diseases, the red wedges measured from the centre the deaths from wounds, & the black wedges measured from the centre the deaths from all other causes.

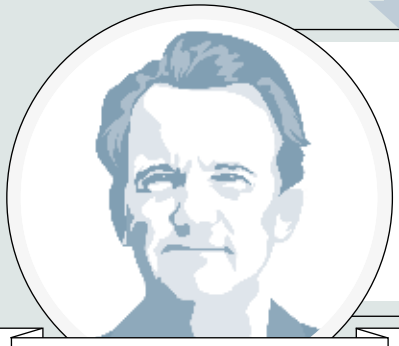
The black line across the red triangle in Nov. 1854 marks the boundary of the deaths from all other causes during the month. In October 1854, & April 1855, the black area coincides with the red, in January & February 1856, the blue coincides with the black. The entire areas may be compared by following the blue, the red, & the black lines enclosing them.

An early "infographic" published by Florence Nightingale. She is most famous for being a nurse, but in 1859 she became the first female member of the Royal Statistical Society and later, an honorary member of the American Statistical Association.



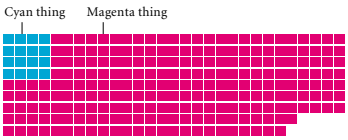
1930s: Isotype

Viennese social scientist Otto Neurath believed that for the proletariat to advance they needed knowledge of the world around them, not enshrined in opaque scientific language, but illustrated in straightforward images and with a clear structure. A fellow critic of social inequality, Gerd Arntz, developed the Isotype visual dictionary, designing more than 4,000 symbols.



2010: Edward Tufte

Edward Tufte is Professor Emeritus of Political Science, Statistics, and Computer Science at Yale University. A champion of "intense clarity" and campaigner against "pitch culture," Tufte has been appointed by President Obama to the Recovery Independent Advisory Panel to help make the *Recovery.gov* initiative accessible.



IMPORTANT BIG WORDS.

RANDOM STATISTIC
44

ANOTHER STATISTIC
901

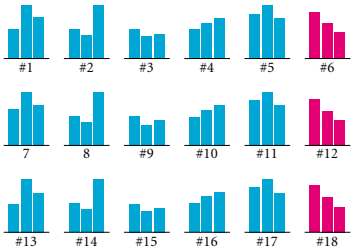
ONE MORE STATISTIC
101

ONE MORE STATISTIC
101

insert amusing illustration here.

OBSCENE NUMBER OF GRAPHS

some points of interest



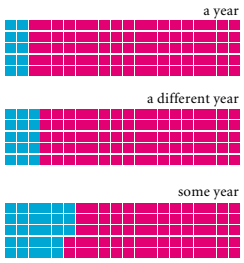
THIS IS ALSO IMPORTANT.

PERCENTAGES OF SOMETHING INTERESTING

10% a year

15% a different year

28% some year



insert amusing illustration here.

insert amusing illustration here.

insert amusing illustration here.

insert amusing illustration here.

insert amusing illustration here.

insert amusing illustration here.

REALLY BIG SHOCKING NUMBER

1,121,455,492

Big Graphic Blueprint

by Nathan Yau

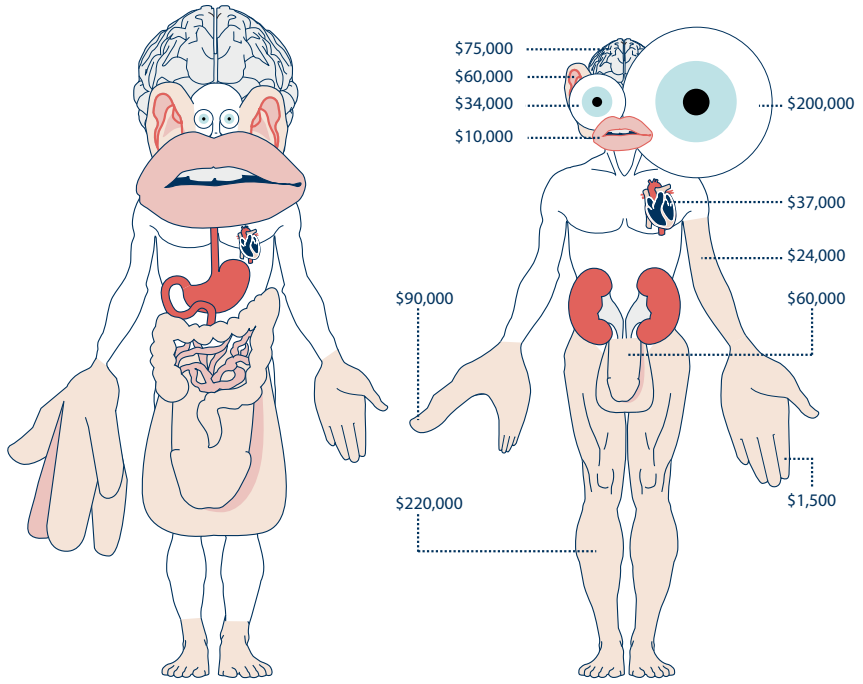
www.flowingdata.com

Books everyone should read

Source: Desert Island Discs, Pulitzer Prize, AskMetafilter.com, World Day Book Poll, Booker Prize, BBC Big Reads, Oprah's Book Club List and the author's own top five

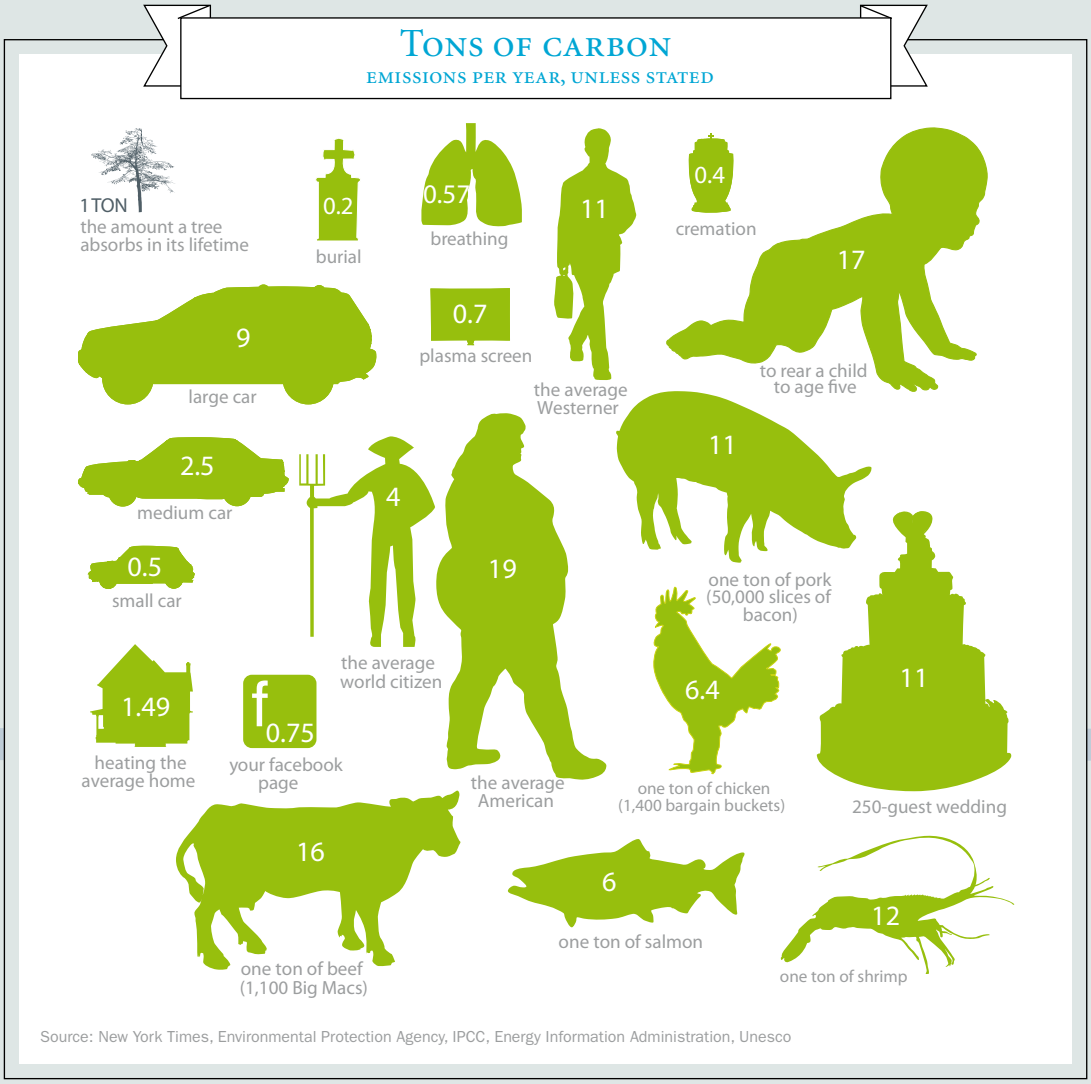
Books Everyone Should Read (word cloud)
The word cloud is a visualization of word frequency in text. The technique has become popular for visualizing the word content in anything from political speeches to songs. The social web's "tag cloud" uses the same principle and format to visualise popularity of topics by frequency of content metadata or "tags."

The human body by...



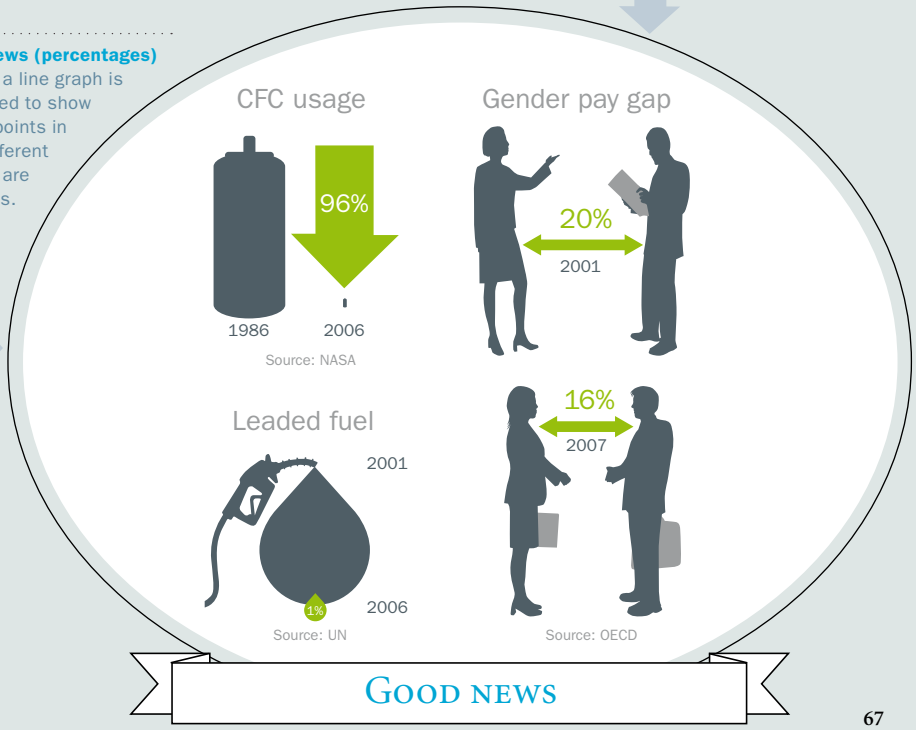
NERVE ENDINGS | INSURANCE VALUE

The Human Body By...(comparative scale)
According to Neurath's Isotype rules, for relations to be read exactly, they should not be represented by bigger or smaller symbols, but by more or fewer symbols, each symbol representing a specific amount. Sensible advice when consistency is essential and relations between numbers are exact and expressed in integers. Nevertheless, comparative scale is one of the most popular ways of illustrating percentages.



Tons of Carbon (a set of numbers)
A series of numbers typically bulleted or placed in a bar chart can easily be converted into a more attractive presentation such as this example, reminiscent of a school wall chart. Illustration not only makes the information memorable but increases its potential for viral circulation online.

Good News (percentages)
If all of the in-between data in a line graph is unnecessary, then the pie is often used to show a percentage change between two points in time. Can that be illustrated in a different way? Here arrows, gaps and scale are used as intuitive navigational aids.



Infographics on these pages courtesy of David McCandless
www.informationisbeautiful.net

Michelangelo Bendandi

Chris Connors, a former interface designer at Apple and currently developing the interface for start-up music service Beyond Oblivion, says: "Helping people put boundless data into a digestible format is not going to get less popular. If you eliminate the need for the brain to calculate, you accelerate understanding. Apple's Steve Jobs often uses simple charts with very little text to illustrate a key single point. The message is better communicated by the graphics. The challenge for chart and interface designers is the balance of utility and power – the risk is that you convey an idea simply and quickly but at the expense of some of the more detailed data, and the facility to drill down."

Why is effective visual communication essential? It boils down to:

- The copious amount of data that surrounds us.
- The prevalence of the internet – which is a pure information design medium.
- The growing visual and design literacy of the population – boosted by daily use of the web.
- The legal obligation for transparency – liberating even more data.

The desire for relief from information overload caused by all of the above increases the audience's appetite and demand for condensed visual information.

Infographics have a lot to offer corporate communicators – politicians too. President Obama is no exception. In March 2010, he appointed "the Da Vinci of data" and author of *The Visual Display of Quantitative Information,* Professor Edward Tufte, to the Recovery Independent Advisory Panel. The result? *www.recovery.gov,* "perhaps the clearest, richest interactive database ever produced by the American bureaucracy," according to *Newsweek*.

As the digital, mobile, touch-screen future is already upon us and attention spans evolve quickly to cope, companies need to develop a visual language to illustrate who, what, when and where they are. The ability to translate key corporate data into a visual, dynamic "about us" interface will define "leading" corporate communications.

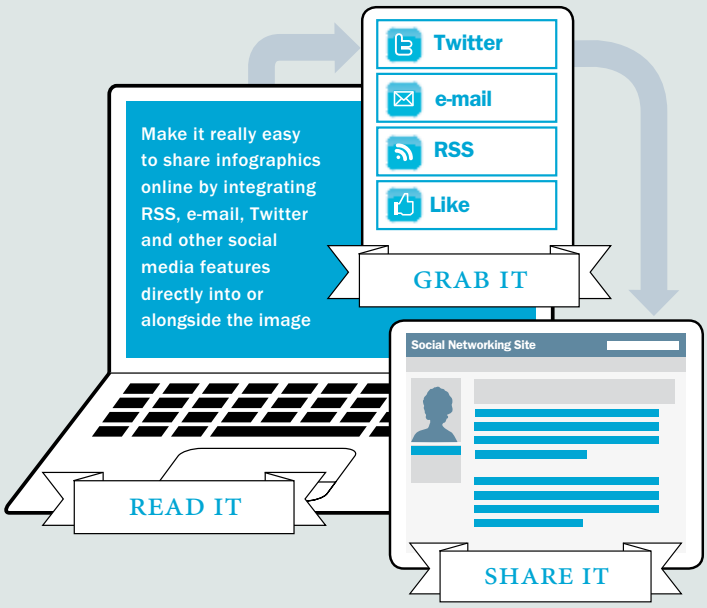
Michelangelo Bendandi is an Associate in Brunswick's London office and specializes in online communications.

READ IT! GRAB IT! SHARE IT!

by Rachelle Spero, Brunswick, New York

Creating compelling content – in a beautiful infographic for example – is only of value when it is seen by or shared with as many people as possible. As social media matures, it is no longer enough to post that infographic on your website and trust that your search engine optimization team will add the right magic to impact search results and reach your target audiences. Today social networking sites such as Facebook and Twitter are enabling a new, more sophisticated, human-led system of connecting, organizing and distributing data. As a result, companies now need to integrate social media features into their online content to facilitate sharing and increase distribution of valuable content across these networks.

For well over a decade people have been starting their online experience on their search engine of choice, such as Google or Microsoft's Bing. Companies selling products or services became wise to this behavior, and quickly invested billions of dollars on search engine optimization (SEO) and search engine marketing (SEM) techniques to help their online content compete for a premium spot on the first or second page of search results. These search strategies became so successful that companies would adjust their investment based



on the timing of a product launch or in the event of a crisis to manage reputation. The more money invested in specific keywords, the more likely a company's content will appear in the top pages of the search results. This massive growth of enterprise-generated web pages, optimized for search, is now diminishing the value of the search results, driving online users to social networks of "human search engines." Known as "curators of content," they gather, refine and serve up relevant information to their communities of interested readers, subscribers, followers or friends.

These curators of information are typically passionate consumers, former journalists or specialists on a particular subject, such as marketing, food, cars, health, technology or the environment. Curators invest their time, for free, aggregating, analyzing and editing the best sources of information on the web, and then share only the content that is most valuable to their specific audience within their social network. As a result, status updates on Facebook, tweets on Twitter or even e-mails with links to curated content are becoming the new entry points for many users accessing and connecting to relevant information online.

Google and Bing recognized this growing trend towards online users navigating the web through "shared media" on social networking sites and added social search features to their results. For example, Bing has a social search feature, and Google sources content from Twitter updates, Facebook fan pages, and blogs within a segment of its search engine. So now companies must not only think about optimizing content for search, but also facilitate the sharing of content across social networks.

Optimizing content for social media sharing is a technical process in which RSS, e-mail or other social media buttons are integrated into a webpage or offered alongside an article, video or other digital content to inspire users to instantaneously and systematically disperse the information via Facebook, Twitter and other social networking sites. These icons allow people to share links to articles, images and video on the web – adding to the impact on social search as well as the distribution across multiple social networking platforms.

Online publishers and news sites recognize the benefits of integrating social features such as the Facebook or Twitter buttons into their sites. First, it enables readers to instantly grab a link of the article and post it into their status update, which then broadcasts the article's headline to a potentially new audience of readers. Second, the shared links drive traffic from the curator's status update directly to the online news properties. Finally, these features offer a sophisticated way to track the most shared articles, and measure the most valuable content, based on the number of times it is shared via a tweet, status update, e-mail or RSS subscription.

In addition to enabling your content to be shared, it is also important to allow curators to extract individual elements. It's no longer acceptable to lock up an infographic in a 50-page PDF, or secure a video on a company website. Presenting information in a flexible way that allows curators to extract and share the elements that interest them will increase the probability of sharing. Don't be afraid to let people "mash-up" your information with content from other sources, or to annotate it with their own comments. For example, enable the user to edit the infographic, and to select the bit that is most relevant to their audience.

True, some people may still access your graphic directly on the company website, and many will still come across it through a Google search, but an increasing number of people will receive it through their social network of choice, most likely a Facebook or Twitter feed.

The benefits of optimizing content for social media sharing are clear in terms of increased distribution of information. In addition, the opportunity to track and – most useful of all – measure the number of clicks, shares, retweets and subscribers can determine the effectiveness of a company's communications investment.

SOCIAL MEDIA SPEAK

Friends, Followers and Connections are contacts on social networking sites whose profiles link to yours because of similar interests.

Mash-up is a web application that combines data from more than one source into a single integrated tool. An example is the use of cartographic data from Google Maps to add location information to real estate data, thereby creating a new and distinct web service that was not originally provided by either source.

Real Simple Syndication (RSS) is a format for distributing frequently updated content such as blog entries, status updates or podcasts in a standardized format. RSS enables publishers to automatically syndicate content to opt-in subscribers.

Social media is an umbrella term that defines the various activities that integrate technology, social interaction, and the construction of words, pictures, videos and audio on the internet.

Social media tags, such as Facebook's share button, enable online users to instantaneously endorse or spread content across social networking sites.

Rachelle Spero is a Director in Brunswick's New York office and specializes in digital and social media communications. She is also an adjunct Professor for New York University's Public Relations and Corporate Communications Graduate Program.

SOCIALLY RESPONSIBLE INVESTING PAYS DIVIDENDS

BY DOMINIC MCMULLAN AND OLIVER PHILLIPS, BRUNSWICK, NEW YORK

From climate change to human rights, big business is embracing a socially responsible agenda. We have come a long way from the days when a soft-spoken nun was shouted down when she raised these issues at annual meetings. Today, she is more likely to be taken to lunch by the Chairman

When Sister Patricia Daly rose to prominence as a shareholder activist in the 1990s, the mild-mannered Dominican nun was booed during annual meetings. Her attempts to change corporate behavior on issues such as pollution, climate change and human rights were ignored.

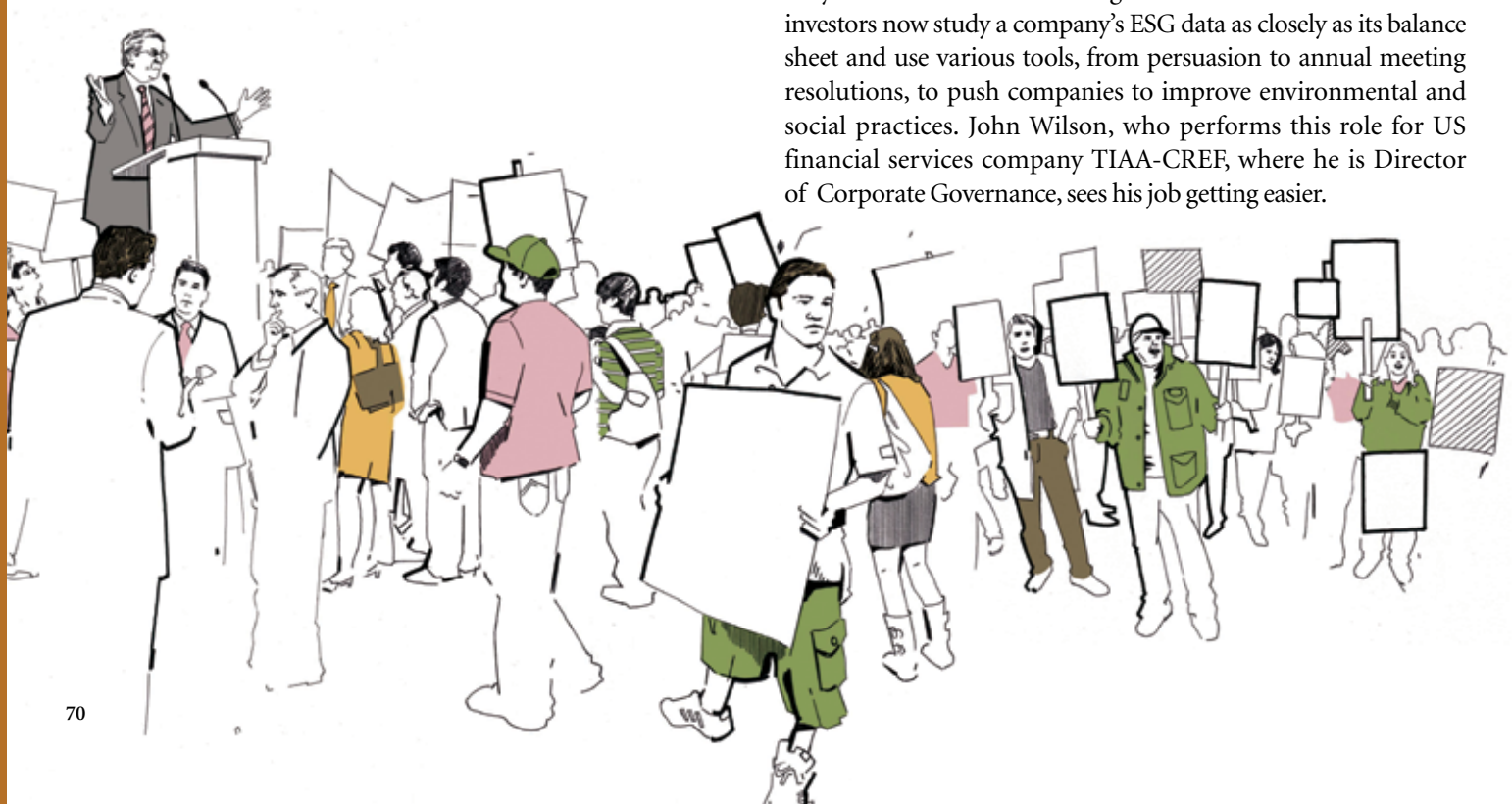
In the years since Sister Daly – who heads the New Jersey-based Tri-State Coalition for Responsible Investment – began cajoling companies to do the right thing, the landscape around her has changed considerably. For one, she finds she does a lot less cajoling. No longer an interloper at annual meetings, she is often invited to boardrooms for a one-on-one session with executives keen to convince her that their companies are on the right side of the issues she cares about.

"They now agree to meet at least every year, if not twice a year, going through updates of a broad agenda," says Daly. "And, in many cases, the CEO is part of that dialogue."

One Fortune 50 CEO who once yelled at Daly during an annual meeting invited her back to lunch to talk about how he could address climate change. His company is now an exemplar of environmental responsibility.

FROM ACTIVISM TO ENGAGEMENT

Sister Daly's Tri-State Coalition is among a growing group of shareholders assessing companies' environmental, social and corporate governance (ESG) performance on a par with their financial standing. Socially responsible investors, including the likes of Walden Asset Management and Calvert Investments, have built a reputation for excluding companies from their funds that do not meet ESG standards. Once viewed as being on the fringe, they now exert an increasing influence. Some institutional investors now study a company's ESG data as closely as its balance sheet and use various tools, from persuasion to annual meeting resolutions, to push companies to improve environmental and social practices. John Wilson, who performs this role for US financial services company TIAA-CREF, where he is Director of Corporate Governance, sees his job getting easier.



"I've been doing this a long time, and it used to be a real effort to get into a room with a company," he says. "Now they're calling us and saying: 'We want your input.' It's encouraging."

What's changed is a realization by companies that ESG performance can affect the bottom line as much as a series of bad quarters. "For large-cap companies, I think we're at a tipping point," says Tim Smith, Senior Vice-President of Walden. "We see more companies that understand that this can add value for them, rather than being forced into it reluctantly or with skepticism."

Sister Daly agrees that moral arguments do not move companies as effectively as a sound business case. She has seen a shift in corporate attitudes in this regard. They are willing to reassess opposition to change if they see that opposition posing a material risk to long-term financial success.

CLIMATE CHANGE

This focus on material risk has sharpened partly due to changes in government regulation. Last year's guidance from the US Securities and Exchange Commission made it harder for companies to exclude resolutions related to climate change from annual meetings and has had a dramatic impact. This year investors filed 101 resolutions with US and Canadian companies pressing them to assess the business risk of climate change, an increase of nearly 50 per cent on 2009.

Of those resolutions that went to a vote, the number gaining more than 30 per cent approval tripled over the same period. But the most telling statistic is the number of resolutions withdrawn before a vote, indicating agreement was reached before the annual meeting. That number quadrupled between 2005 and 2010.

DON'T TELL ME, SHOW ME

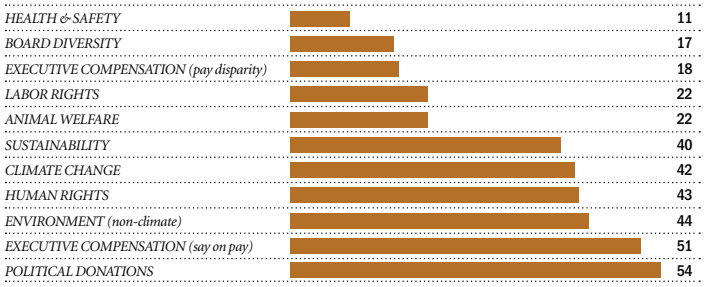
Even in a tough economy, there is consensus in boardrooms that a well-developed corporate responsibility platform is a strategic imperative. Many in the investment community have not only assimilated this view but argue that we are entering a second phase of corporate responsibility (CR) that is based on data, not rhetoric.

"There's an increasing lack of tolerance for companies that argue their case but can't demonstrate change," says Meg Brown, the Climate Change Analyst for Citi Investment Research and Analytics. "It's not the policies we need to know about. What we do need to know is what your emissions are, and how you plan to reduce them."

Over the following pages we hear from some leading experts on how corporate responsibility strategies are evolving as data eclipses policy in importance among socially responsible investors.

CARING ABOUT MORE THAN THE BOTTOM LINE

NON-FINANCIAL RESOLUTIONS SUBMITTED BY US SHAREHOLDERS, BY CATEGORY, 2010



Source: Proxy Preview 2010, As You Sow Foundation April 2010

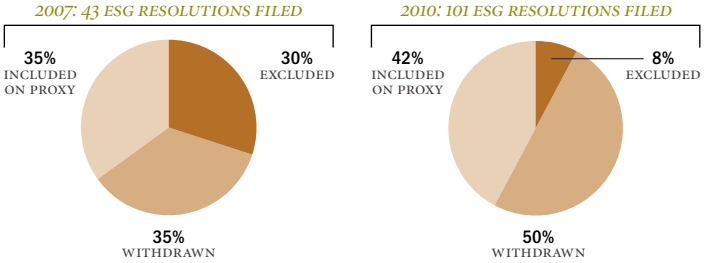
MORE TALK EQUALS MORE ACTION

PROGRESS OF US SHAREHOLDER ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) RESOLUTIONS – 2007 AND 2010

Proposals are often withdrawn when management addresses shareholders' concerns ahead of the annual meeting. Recently, there has been a steep decline in the percentage of resolutions that have made it on to the agenda, signaling increased dialogue between shareholders and management. In addition, more proposals have made their way to C-suite desks, demonstrated by the smaller number of resolutions excluded. This can be attributed to an easing by regulators of the requirements for inclusion of resolutions on proxy ballots.

"The only real win is withdrawn resolutions"

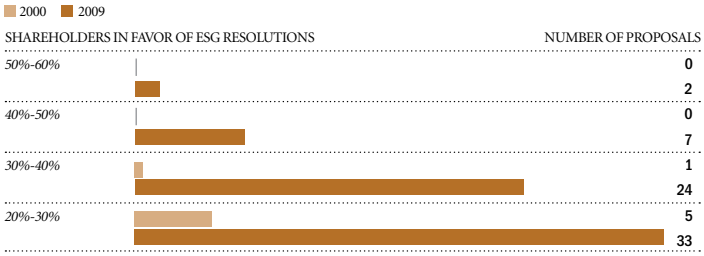
Laura Barry, Interfaith Center on Corporate Responsibility
interview with SocialFunds.net



Source: Investor Network on Climate Risk

ONE IN FIVE SHAREHOLDERS SAY AYE

MANAGEMENT CANNOT AFFORD TO IGNORE RESOLUTIONS THAT GARNER 20% OR MORE OF THE SHAREHOLDER VOTE



Source: Proxy Preview 2010, As You Sow Foundation, April 2010

Dominic McMullan is an Associate in Brunswick's New York office, having started with Brunswick in London. He advises on corporate positioning and issues management for clients in the energy sector, among others.

Oliver Phillips is a Partner in Brunswick's New York office, where he leads the firm's US corporate responsibility and sustainability practice.

Greg Faje and **Beau Allen** also contributed to this article.

Tim Smith
— Walden Asset Management

The genie is out of the bottle. Corporate responsibility issues will not go away, so companies should look to lead in this area

We like companies that are responsive; that is really important. We write a lot of letters to companies and sometimes never hear from them. After the third letter, we get a little frustrated, so we ask ourselves: how else can we get their attention? Finally, we file a shareholder resolution, and the company asks: 'Why did they do that?' And we say, well, we wrote to you three times!

One response I did appreciate, because of its authenticity, said: 'We've been working on this hard, we didn't have anything polished to show you, we felt we weren't ready to write back, we apologize, we should have done it, but let's talk because we don't disagree with you on the issue.' I thought: 'Forgiveness is in order there.'

Ideally, we appreciate an opportunity to speak with decision makers in the company. For example, if we are talking about environmental issues or the supply chain, then we want to talk to the people that work on those operations. However, it's not a game of how high up the ladder can we go; we want to talk to the people who really get the work done.

Now, if we write to a board member on an issue that their committee is responsible for, and they send the letter back through Investor Relations, then I think they are missing an opportunity to engage. If we write to the board, it is because we want to know about a board issue, not a management issue.

Ultimately, our goal is to try to change behavior, thinking and policies by dialogue, letters and exchanges of information. If we feel a company is asleep at the switch, or is recalcitrant, we will file shareholder resolutions and vigorously and publicly campaign for them to change, whether the issue is governance, executive compensation, the environment or a social issue. There are a lot of issues that companies need to be paying attention to. Some have not made the front pages yet but could quickly get there, such as chemicals in food or cosmetics.

Governance issues, from executive compensation to annual majority votes for directors, are getting big investor support. Companies need to pay attention to the trends here, too. These issues are getting huge visibility right now. Few companies want investors to have a say on executive compensation, but it is going to be the new reality soon.

My advice for companies is threefold. First, these are important abiding issues that are not going to go away. They deserve your thoughtful attention and responsiveness. Some companies really think the genie will go back in the bottle, but that is not going to happen.

Second, I would say that companies should strive to lead in this area. Leadership in sustainability and corporate responsibility issues protects and adds shareholder value. You just have to look at Goldman Sachs' *GS Sustain* project to see that in effect.

And third, I guess for all companies, it is really important to treat your shareholders with respect and seriously engage them on these issues. Remember, you and your shareholders – even those with CR priorities – still have the same ultimate objective, to be a profitable company. We would not have any money to invest, and would not have any clients, if we walked in the door and said 'we are a leader in responsible investing, but investing in this way will cost you this many basis points.'

We can only be credible if we are offering competitive, above-benchmark returns. Some investors have different priorities, but all have a fiduciary duty to protect shareholder value and beneficiaries' interest.

Tim Smith – Senior Vice-President, Walden Asset Management
Smith is a veteran campaigner and a leading authority on corporate responsibility and ESG investing. He chairs Walden's Research & Engagement Committee and previously served as Executive Director of the Interfaith Center on Corporate Responsibility for 24 years.

Paul Boykas
— PepsiCo

Sustainability reports will always have their limits – the key is to open a dialogue with socially responsible investors

In general, I think things are much less adversarial now. We clearly understand that many issues raised by socially responsible groups are important to the company's long-term success. At the same time there seems to be greater understanding on the part of socially responsible investors that companies face significant issues outside of sustainability and they are willing to set their requests in context.

For example, the United Nations' 'Human Right to Water' resolution was brought to us by a shareholder, NorthStar Asset Management. PepsiCo did not believe it made sense for a company to unilaterally guarantee a specific right. However, PepsiCo worked closely with the shareholder to reach an appropriate solution, by endorsing the UN resolution. We continue the dialogue with external parties. It is groundbreaking for PepsiCo and the food and beverage industry to support such efforts, and we continue working on the issue through other organizations such as the UN CEO Water Mandate.

Investors often ask questions in slightly different ways, so we put as much information in our sustainability report online as possible. Over the years we have been able to be more and more transparent. In this year's annual report, we set more than 40 goals under the 'Performance with Purpose' banner, which we will be reporting on. Investors often use other methods, beyond our own reporting, to obtain data. We often find that, in discussing specific data points, it becomes more of a dialogue so that investors understand how we have put together a certain metric and see a specific goal as strategic.

It is difficult to make a sustainability report the same as a financial report. If you look at our efforts within sustainability, although we try to tie them to financial impact and return on investment, the fact of the matter is that it is much more qualitative. Obviously, it is difficult for a set of numbers to show the full commitment of PepsiCo on sustainability. The dialogue is important because there is no doubt that, as a large consumer and products company, we should be informed by things going on in the external environment. We cannot and should not make decisions solely based on internal goals; we have to know the environment within which we operate.

Our Chairman makes a point of talking to the SRI community at our annual meeting and to shareholder proposers. There is no wall between management and shareholders. The idea that these concerned investors, who are owners of our company, want to contribute to make it better is something we appreciate, and we want to learn more from them.

The dialogue has been much more open than ever before on both sides and that has to be a good thing. Many times the SRI community and other external stakeholders understand the solution to issues is much more sustainable if it comes from a company's commitment rather than government regulation.

The dialogue with SRIs continues to be critically important for long-term success. Although quarterly financial reporting remains equally important, the fact is that long-term success requires the dialogue that helps you see around the corner to the next big issue, the next big hurdle or the next big opportunity.

Paul Boykas – Vice-President for Global Public Policy, PepsiCo
A 20-year veteran of PepsiCo, Boykas now works with sustainability leaders and global business units to assure strategic engagement with external stakeholders on public policy issues and sustainability commitments. In 2007, PepsiCo launched *Performance with Purpose*, the company's mission to deliver sustainable growth by investing in a healthier future for the planet.

Meg Brown
— Citigroup

SRIs need to know about performance not policies – and how do you compare different companies on these issues?

Following the credit crunch there's a growing pressure on my clients – institutional investors – to be accountable for the decisions they are making. In Europe this is not limited to specialist funds, it is a trend across all leading investment houses. This, in turn, is putting pressure on companies to explain what they are doing about reducing social and environmental risks in order to attract investment. More detailed analysis is starting to show up about which companies are really changing their behavior and which are just talking about it. I think there's an increasing lack of tolerance for companies that argue their case but cannot demonstrate change.

Ever since investors stopped investing in South African companies because of the apartheid regime, socially responsible investors (SRIs) have been campaigning to get broader information from companies than just financial results. To date, it has worked well. However, one problem faced by companies is that some investors have not quite narrowed down or been able to quantify their key SRI issues, meaning that they are bombarded with questions on policies on a huge range of topics. I think companies are generally getting a lot better at helping investors to see which are the most important issues, though there will always be pressure on those organizations that omit information that their competitors disclose.

Another issue for companies is how to condense CR information into a presentable, understandable and comparable format. Disclosure itself is important, but what we're really looking for is tangible proof of improved performance in the areas of interest to SRIs, in a way that allows one company to be compared with another.

At Citi we publish fact sheets that act as a quick guide to comparing companies across peer groups on key issues such as CO_2 emissions and safety performance. We publish the facts and compare them across companies, so that investors can start their discussions from the same basis of what is reported and what is out there.

For example, our benchmarking fact sheets look at data points such as fatalities and injuries. Now, if you are the CEO of a mining company and you walk into a meeting with an investor, regardless of whether they are an SRI investor or not, if they are armed with your company's fatality performance you should be able to explain why your death rate is going up or down. If you are a utility company with fossil power generation and your investors have quantitative data on how your emissions liability compares with your peers, you need to be able to provide a credible explanation as to how that cost is being reduced.

Ultimately, it is important for the SRI community to start looking more at a company's performance on social and environmental issues rather than judging them on their policies and their communications. There must be a balance between talking about the policy and delivering on it. You would never talk to a CFO for half an hour in a one-on-one meeting about how committed he was to financial reporting, how many people he had in his accounting team and who he reports to. It is just not relevant. What you need to know is how much money the company made. SRI needs to become more like that; we need to focus on the fundamental social and environmental performance indicators and reward improvements, not greenwash.

HOW HAS YOUR SALES FORCE RESPONDED?

The brokers like a good story! They don't necessarily trade on it, but our research thesis and our ability to tell, and ultimately sell, a story is the perfect excuse for them to pick up the phone to their clients and sell our research. If you are a company with a recurring safety issue, then investors listen to things like that. It is naïve to think that just because you can't put that risk into a discounted cash flow model, it does not influence their investment decision. For example, we have had a mining company that wanted to do a road show in London. Mainstream investors were saying no to face-to-face meetings because the company's fatality rate was too high. Until safety performance was improved and it was clear that the relevant changes had been made and understood, they would not touch them as an investment.

Meg Brown – Climate and Sustainability Analyst, Citi Investment Research
Brown leads the sustainability research team at Citi, which delivers investment advice on social and environmental themes to equity investors.

John Wilson
— TIAA-CREF

In an ideal world, the concept of CR goes away, because such thinking simply becomes part of doing a good job

When I started, I would file a shareholder proposal, see what the vote was, and then I'd try again the following year. Companies started to talk to us as a way of avoiding the hassle.

But, slowly, some companies recognized that this was a valuable dialogue and that shareholders were not unreasonable. This gradual engagement went hand in hand with the recognition that there were real risks with environmental, social and corporate governance issues, and shareholders could often, because of their connections to the broader community (whether it be the NGO community or the broader investment community), highlight or help companies anticipate problems.

There are other trends: as companies become more interested and concerned with their branding and reputation, these issues have become more important. With the increase in information technology someone can take a picture on a phone in one part of the world and broadcast it globally a moment later. These things have combined to change the attitude about corporate social responsibility as a concept and about the value of engaging in dialogue with people critical of your practices.

Sometimes companies ask me: What is the most important issue? Is it recycling? Is it carbon emissions? Is it water? And my answer is: it is about a process within the company for making a determination. What I want to see is a governance process driven from the board level and from top management, and really ingrained into the culture of the firm.

At the same time, there must be goals and targets that are as quantifiable as possible, and transparency, so that you can say you've got plans – and these are the results. It is not enough just to have a policy. You have to show how it is implemented in real life.

The danger is that some of these issues are difficult to quantify. Carbon emissions are easy enough to count, but how do you measure a company's human rights record or how well it engages with community stakeholders? It will never be like accounting standards – it is never going to be a financial report.

Many of the laggards will assert that there couldn't possibly be anything wrong with what they are doing because they are people of higher integrity. There is this defensiveness, like they are being attacked personally. I ask them: 'How do you know that this is not happening if you're not measuring it, if you're not looking at it or counting it in any way?' They reply by saying: 'Because we have good people, and they would never do such a thing.'

Our goal is always not to be prescriptive, so I do not want to tell a company: 'This is how you must do it.' The ideal situation is that whatever strategy process is under way in the company, it should be led by the board, and corporate responsibility (CR), should be a part of it. In an ideal world, the concept of CR goes away, because it is not seen as being separate in any way from simply doing a good job managing a corporation.

My advice is: listen to your shareholders, particularly your large institutional shareholders, as well as other stakeholders. Obviously, they are here not to replace you or to usurp your natural prerogatives, but they should be perceived as an opportunity to inform your thinking and your understanding of where your corporation fits in the bigger picture.

John Wilson – Director of Corporate Governance, TIAA-CREF
Wilson is a long-time advocate of corporate governance and responsibility. Prior to joining TIAA-CREF he served as Director of Socially Responsible Investing for Christian Brothers Investment Services. He is Vice-President of the Board of the Leviticus 25:23 Alternative Loan Fund and a past Vice-Chair of the Interfaith Center on Corporate Responsibility. TIAA-CREF is a Fortune 100 financial services company that is the leading retirement system for people who work in the academic, research, medical and cultural fields.

His Highness Sheikh Zayed inspects building plans for the capital in 1968, three years before he united the emirates in 1971
Image by Raymond Depardon, Magnum

GREATER THAN THE SUM OF ITS PARTS

HARMONIZING AND CONSOLIDATING THE UAE'S MARKETS AND INFRASTRUCTURE WILL ENSURE THE UNITED ARAB EMIRATES RETAINS ITS POSITION AS THE GATEWAY TO THE REGION

BY RUPERT YOUNG, ALEX BLAKE-MILTON AND ASSHETON SPIEGELBERG IN THE UNITED ARAB EMIRATES

From the shacks of the pearl divers huddled beside the creek in Dubai to skyscrapers soaring from the scorching desert – in less than 40 years, the United Arab Emirates has transformed itself into the Arabian Gulf's powerhouse.

Today, these seven emirates, with Abu Dhabi as their capital, are increasingly recognizing the benefits of unity envisioned by the UAE's founding President, the late Sheikh Zayed bin Sultan Al Nahyan. The UAE is one of the world's foremost tourist destinations, a financial hub for the Middle East and a beacon of stability in a turbulent region. As the UAE's President and ruler of Abu Dhabi, Sheikh Khalifa bin Zayed Al Nahyan, said at the height of the economic crisis in March 2009: "We are members in one entity and parts in one strong, coherent body."

The UAE's growth was fuelled in the early 1960s by the discovery of oil and gas, but its rulers have long been planning for the day when the wells run dry. Already the country is thought to earn more from managing money, in the form of its sovereign wealth funds, than from hydrocarbons.

The emirate of Dubai, with only a tiny percentage of the country's oil and gas, initiated an ambitious plan to build a long-term, sustainable economy by encouraging the development of diversified industries. Foreign companies, particularly in the knowledge and services sectors, have been enticed to its economic free zones, such as the Dubai Multi Commodities Center and Dubai International Financial Center, encouraged by tax breaks and other incentives. With them came a building boom, leading to projects such as the Palm Jumeirah and the world's tallest tower, Burj Khalifa.

Cushioned by its ownership of more than 90 per cent of the UAE's energy reserves, Abu Dhabi was late in adopting diversification. But it too has opened economic free zones and developed impressive buildings, including the Yas Marina Circuit, home to the season's final Formula One race, and Capital Gate, the building that looks as if it has vertigo.

Following the economic downturn, the UAE, for so long the region's leader in economic growth, is lagging behind the recovery. Questions remain over its long-term economic model, especially around population growth and Sheikh Mohammed bin Rashid Al Maktoum's belief that "if you build it, people will come." The domestic credit squeeze looks likely to continue in the short term, as loan-to-deposit ratios remain over 100 per cent, and foreign direct investment fell 70 per cent in 2009, according to HSBC.

Meanwhile, competition from other Gulf markets is increasing. Many are developing their infrastructure and have good locations and political stability, and Qatar and Bahrain retain aspirations to challenge the status quo.

But the assets that made the UAE attractive in the first place – oil, political stability, highly developed infrastructure and ease of doing business – are still in place, and they remain positive indicators

for future trade and investment. Recognizing this advantage, Britain is stepping up its interest in the UAE. Priti Patel, treasurer of the UK's All Party Parliamentary Group to the UAE, says: "Our countries have a prosperous and cooperative relationship. Britain's long established economic and trading ties with the United Arab Emirates will go from strength to strength as the British government seeks to elevate links with the Gulf and boost relations that have not been maximized in recent years."

But more unity between the emirates themselves will be key in capitalizing on these new opportunities. Dubai is the region's hub with its well-developed infrastructure, while Abu Dhabi remains underpinned by its hydrocarbon wealth. But both emirates must grapple with economies of scale and a small domestic market. The population of the UAE is only just over 8m, about 80 per cent of whom are expatriates. As a result, there is a need for rationalization in some areas, as competing bodies vie for slices of a small pie.

"Future generations of Emiratis will recognize this period as the time in which their nation became united and came to prominence as a powerful and influential economy"

Francis Matthew
Gulf News

In the financial services sector, for example, there are three small securities exchanges serviced by 80 brokerages, and about 50 banks, of which 22 are local. Combining the Dubai Financial Market and Abu Dhabi Securities Exchange to create a greater liquidity pool would increase international equity portfolio inflows and might persuade Morgan Stanley Capital International (MSCI) to lift the UAE to "emerging market" status.

Sultan Sooud Al Qassemi, a prominent Emirati commentator, believes such a merger could create a regional powerhouse to dominate Middle East capital markets. "There is no doubt the new entity would have a good shot at taking over the number one position as the leading capital market in the Arab world," he said. "Trading volumes would also increase, as investors are currently deterred by the amount of paperwork needed to invest in companies listed on different exchanges." With no debt capital markets and limited bank lending, equity markets represent an important catalyst for recovery.

An integrated development strategy could accelerate the UAE's recovery. A focused approach would benefit the country as a whole, increasing market scale, spreading wealth to poorer emirates, and reducing costs as well as simplifying and streamlining the market.

In some areas this is happening. In April, the federal government announced plans to set up a Federal Credit Bureau, to collect credit information across the country, and a National Bureau of Statistics. In recent years, the Federal Customs Authority was established to align the customs authority of each of the seven emirates.

Tourism is now handled by the National Council for Tourism & Antiquities, which promotes the whole country. The hope is that this approach will showcase attractions outside the big cities, broadening the country's appeal and boosting tourism.

Federal economic regulation is also being tightened. In April, the Ministry of Finance issued a unified commercial licensing system for trademarks and registration across the UAE; revised federal company, industry and investment laws are expected before year-end; and an independent federal body in charge of safety standards for food and drugs is being established.

The UAE plans to set up a debt management office under the federal Ministry of Finance this year after the promulgation of a law on public debt. In the course of this reform, fiscal offices will also be set up in every emirate. The public debt law will limit each emirate's borrowing to 15 per cent of GDP; and total emirate and federal debt will not be allowed to exceed 60 per cent of the country's GDP.

Planners also need to ask tough questions about the UAE's airlines. Dubai's Emirates and Abu Dhabi's Etihad are both global flag carriers, but does one small country need two big airlines with similar aspirations flying to the same locations?

Centralization could also help reduce legal costs. Al Qassemi suggests that more emphasis on federal laws is needed to replace bewildering local legislation. "Dubai and Ras Al Khaimah are not part of the federal

judicial system implemented in the other five emirates," he says. "Dubai has two different local laws – there is the local law of the emirate of Dubai, and then there is separate legislation for companies registered in the Dubai International Financial Center. This is not the most efficient way of doing things in a small country."

Dubai is overhauling its rules for real estate development, known as strata law, but this will not be valid in Abu Dhabi, which is developing its own version. As a result, real estate businesses need to maintain offices in both jurisdictions, an extra expense.

In terms of infrastructure, the UAE has embarked on an ambitious rail program. An $11bn project is under way to build a 930-mile high-speed passenger and cargo railway network linking all seven emirates together. Its first phase will be a 170-mile freight line, from Abu Dhabi's Shah gas field with oil and gas facilities at Habshan to Ruwais on the Arabian Gulf, to transport granulated sulfur for export.

Al Qassemi believes a rail network linking all emirates would be a major step in uniting them. "Emiratis would like to see projects like this that bring the UAE closer together and that encourage alternative transport options and better communication." However, he adds, until the National Transport Authority is given the power to pull such strategic projects together, it will be a challenge to get the project implemented.

In addition to economic considerations, however, there is a major cultural issue facing the UAE and that is the preservation of its national identity. Francis Matthew, Editor At Large of *Gulf News*, the UAE's largest circulation English daily, explains: "The global financial crisis has brought Abu Dhabi and Dubai much closer together, and the long-term investment case remains intact and strong: service-based economies, young talent pool, a decade of heavy investment in infrastructure and a favorable geographic location. The UAE is still less than 40 years old, and already it is ranked by the International Monetary Fund as the world's eighth wealthiest country, with a per capita GDP of more than $46,000. The UAE has achieved a great deal since its formation. It is still a young country that continues to evolve and develop as the union of seven emirates.

The United Arab Emirates officially came into existence in 1971 when they gained independence from Britain. Previously, the seven independent emirates – Abu Dhabi, Dubai, Sharjah, Fujairah, Ajman, Ras Al Khaimah and Umm Al Quwain – strung along the Arabian Gulf coast had been known as the Trucial States after a 19th-century treaty signed with the British Empire.

Bahrain and Qatar were also part of the Trucial States, but their rulers decided to go it alone, rather than join the new federation.

Abu Dhabi and Dubai are the UAE's largest cities, with more than 3m residents out of a total population of just over 8m.

The ruler of Abu Dhabi is the President of the UAE, and the ruler of Dubai is the UAE Vice-President and Prime Minister.

The Federal Supreme Council is the highest body in the UAE government, consisting of the seven rulers who come together to discuss the broad direction of government.

The UAE has a shared constitution and single defense force; it is also united politically and diplomatically.

The UAE has a seat on the United Nations General Assembly and is a member of the Arab League. It has considerable influence in the region as a prominent advocate for a liberal Arabia that is open, globally-connected and tolerant.

If you are sitting in a traffic jam in one of the 1,025,169 cars registered in Dubai, you might like to ponder the fact that in 1968 there were reportedly only 13 gasoline-powered vehicles in the entire city.

"The federal government is keen to address the challenge of preserving national identity in a population so heavily skewed towards expatriates. Future generations of Emiratis will recognize this period as the time in which their nation became united and came to prominence as a powerful and influential economy."

Harmonizing and consolidating the UAE's markets in an increasingly global and competitive world with uniform legislation could attract greater foreign investment. This will ensure that the United Arab Emirates remains the gateway to the region.

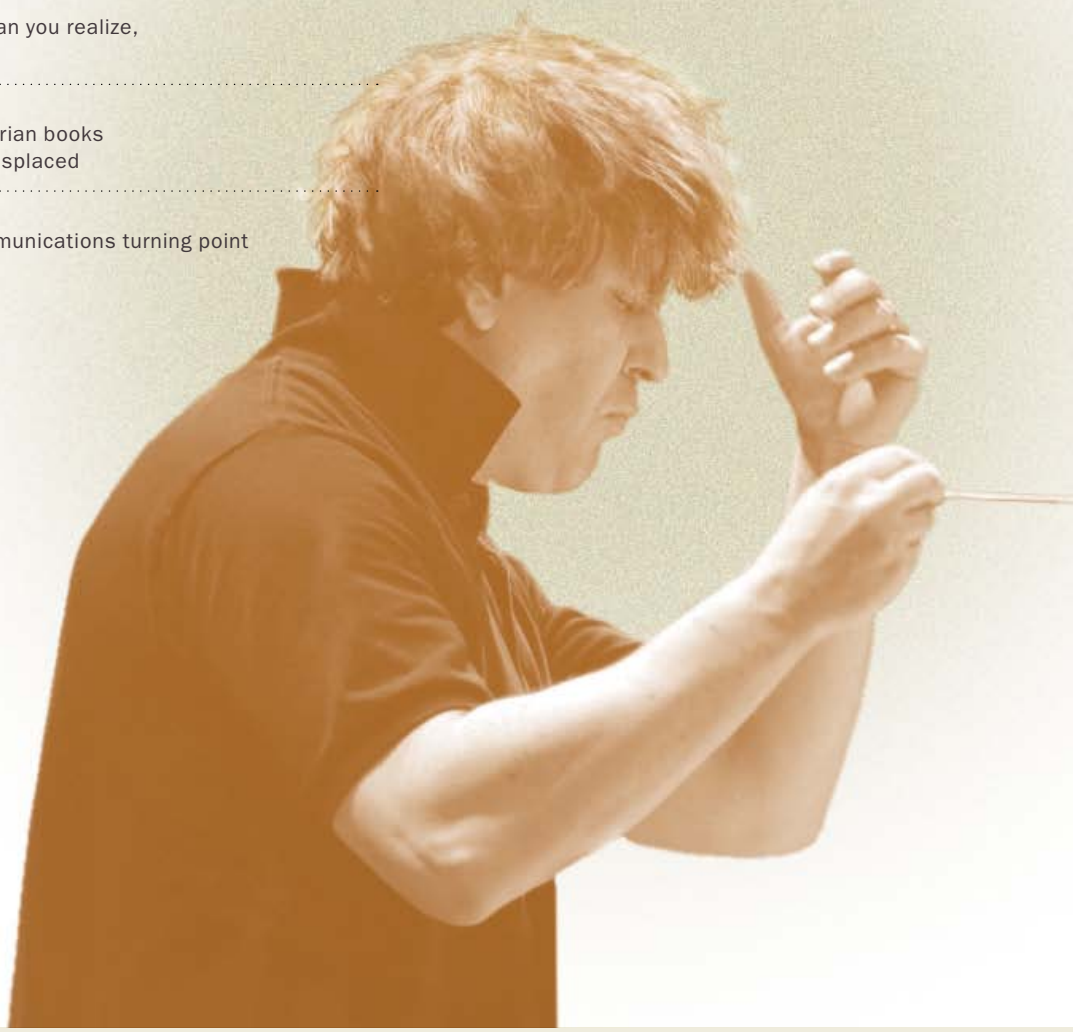
Rupert Young is a Partner in Brunswick's Dubai office which he set up in 2007, after spending 10 years with the firm in London.

Alex Blake-Milton is a Partner in Brunswick's Dubai office and launched the Abu Dhabi office nearly a year ago. He has held senior communications management positions in the oil industry and in banking.

Assheton Spiegelberg is an Associate in Brunswick's Dubai office, having started with Brunswick in London.

DIFFERENT TAKE

A section that focuses on more unusual challenges, personal dilemmas, culture... and a touch of humor



ORCHESTRAL MANEUVERS

MUSIC DIRECTOR OF THE ROYAL OPERA HOUSE, LONDON
ANTONIO PAPPANO TALKS TO BRUNSWICK'S JAMES OLLEY

"What I love about the word conductor is that it implies a certain electricity passing through. Music is basically air. It is given life somehow, whether it's the pull of a bow or it's a wind player blowing. Then I, in the center, take all this energy, all this air, and try to influence it, coax it – to produce something that is dramatic."

"The baton is a tool. Some conductors are brilliant at doing everything with the stick, and there are many ways to beat ... from march band to the most exotic, fluid ways of making music; from neat and tidy to very dramatic. I tend to be a little bit more pugilistic in my approach. It's just my body type. I'm kind of squat, and I get involved."

"The more I conduct, the more I have the feeling that just how I stand there, move my eyes, the expression on my face, my whole attitude has somehow become 10 times more important than how I wave my arms."

"The conductor is the most important person in an opera performance. Not for ego reasons, but because he's the person who can bring all the strands together, and yes, I'm taking the audience on a journey, because that's what they're there for. God knows what they've experienced during the day before they come to the theater in the evening."

"My job is not to steer a piece of music like a NASCAR driver, but to guide it."

"Musicians . . . have their own heart, their own expression, their own poetry. To have an attitude of love, of wonder – a state of wonder about the music; I think that's important because I think we're in a business where we're very privileged."

"Conducting is so easy, really. Anybody can get up in front of an orchestra and, somehow, they'll play. So, as a conductor, you have to be very good at what you do, because if anybody can do it, then what you produce has to be something that brings them to another level of understanding."

"When you start a piece of music, you set something into motion. Whether it be the Force of Destiny, which is bang, bang, bang, like a tremendous knocking on the door of fate… or the beginning of Aida – a gossamer, chromatic melody which is perfumed and from a far-away land. You set something in motion that will have a life of its own as it develops."

"I have a name: 'Maestro.' In Italian it means teacher. I think conductors do have to focus on educating an audience."

"Some composers are very explicit about what they want. But once the performance starts, you have to also be big enough to let it take shape itself."

"I don't think a conductor should come out and talk every time before a performance. Well actually, secretly, I do. Even if it's Beethoven's Fifth, if you could just say a couple of words about it, I would be kind of happy. I don't dare to at the moment. But I think it would make the concert-going experience so much more human and less ritualistic. I think just a little help, a mini-lesson right before. Five minutes is good."

"We have to package our message more succinctly, more clearly. We have to help the audiences understand the references of what they're going to see. What with computers, television, movies – all the distractions of today – we don't read as much. We're not as well read. I'm not talking about everybody, but in general. So, a Russian audience going to see a Russian opera, they will have read Pushkin, they will have read Tolstoy, Turgenev, Dostoyevsky. That's a given. At the turn of the century, of the 20th century, everyone would have been well read. So, if a composer makes a reference, that would resonate very, very strongly."

"I am as passionate about the words as I am about the music."

Q: What is the first piece of music that really spoke to you? There is a long pause as Pappano gives a concentrated look into the distance. Then he starts to sing the theme tune from *Match of the Day*, the long-running BBC television show for soccer-mad Brits.

"Performing is an exchange with the audience. I don't think it's true that musicians would rather be in a quiet room and perform chamber music. I think chamber musicians need to perform for an audience. There's an electricity when you play chamber music also, that they need to express. Something else comes out of musicians when they have to do it in front of people, and that exchange is so hugely important."

Q: Who is the greatest communicator in music? *"Tony Bennett. I saw him for the first time this summer at the Royal Albert Hall in London. He took the place apart. He had an old-fashioned sense of razzmatazz. He had heart."*

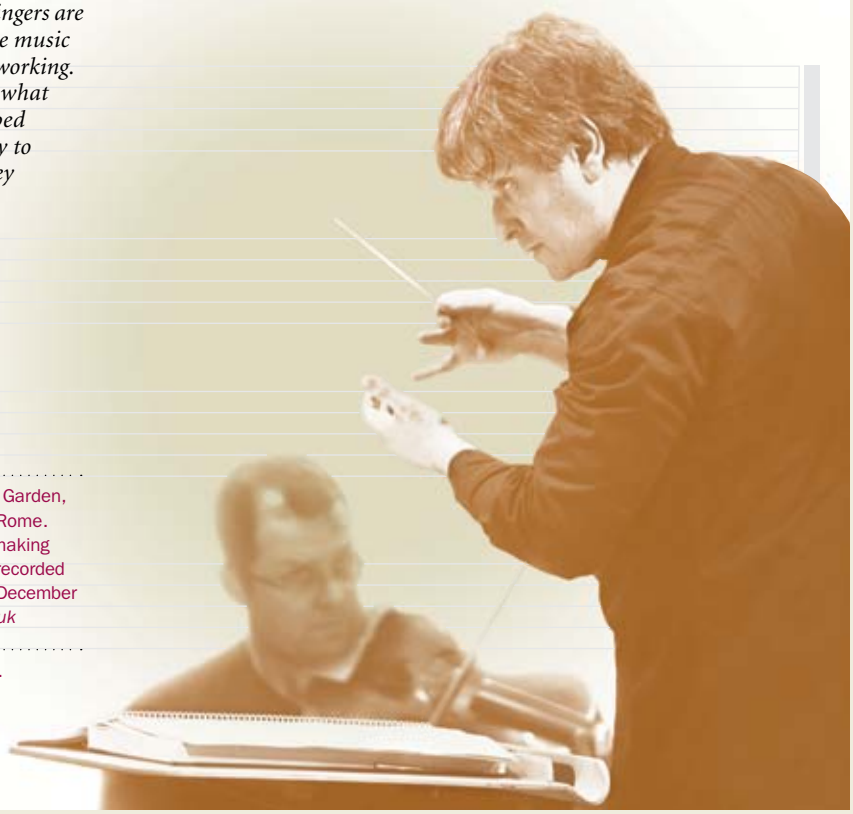
"Music is not alive unless it is played, and I believe that somebody needs to hear it on top of that."

"Another thing that's very important for conductors, is how you interact with the people who are giving money to your organization. It's been such a great pleasure to meet so many people who love, and who are loyal to, the [Royal Opera] House. And to be able to talk to them one-on-one and have them come to rehearsals. At Covent Garden now, we're letting more people into the inner workings of the House to see the process of how something is built. The level of fascination that has been expressed is really quite something."

"The more you conduct, the more you get a sense of – and the more your back gets a sense of – the atmosphere, and certainly, you get a sense of the mood of the room. I think audiences are as much a part of the performance as they choose to be, in a way. Some of them are more placid, some sit on their hands, some are not into it. Some are completely corporate and maybe not real music lovers, but they're there because they somehow have to be. But that's our challenge."

"I think people need theatricality in their lives. Too many lives are ho-hum."

"Donors don't come to every rehearsal. It's usually when the orchestra and the singers are together with no staging – just a pure music rehearsal. I'm very engaged there. I'm working. It's not just a play-through. They hear what I say and see how a performance is shaped from early on. When you're giving money to something it's good to know how that money is used to shape the performance."



Antonio Pappano is Music Director of both the Royal Opera House, Covent Garden, in London and the Orchestra dell'Accademia Nazionale di Santa Cecilia in Rome. Born in London, he studied piano, composition and conducting in the US, making his debut as an opera conductor at Den Norske Opera in Oslo in 1987. His recorded work is released by EMI Classics and has earned him numerous awards. In December 2008 he was made a Commendatore of the Republic of Italy. *www.roh.org.uk*

James Olley is a Director at Brunswick, London, and an amateur conductor.

FLOAT LIKE A BUTTERFLY, STING LIKE A BEE

BACK IN 1964, MUHAMMAD ALI GRASPED THE POWER OF GOOD COMMUNICATIONS WHEN HIS FAMOUS REMARK HELPED PROPEL HIM TO ICONIC STATUS. TODAY, SPORT'S GOVERNING BODIES ARE LEARNING TO DO THE SAME

BY TOM WILLIAMS AND ROB PINKER

Before his 1964 fight with Sonny Liston, Cassius Clay, the man who later became Muhammad Ali, was asked how he would approach the bout with the "unbeatable" world heavyweight champion. Clay famously responded: "Float like a butterfly, sting like a bee. Your hands can't hit what your eyes can't see." No one, except perhaps Ali himself, could have predicted that this remark would help propel him to near mythic status.

Clay was not the only sports figure who had a way with words. We all remember legends such as American football's Vince "we didn't lose the game, we just ran out of time" Lombardi, or soccer's Diego "the goal was scored… by the hand of God" Maradona. More recently, we have had others, such as sprinter Usain "I blew the world's mind" Bolt.

Instinctively, these masters of the soundbite all understood that they had a brand to manage and develop, and that through effective communications with the media they could do so while also contributing to their sport's marketability.

This new millennium has seen the ability of sporting individuals to manage the media develop even further. Soccer player David Beckham, for example, has built a global brand on good looks, a talented right foot, an excellent work ethic and impressive control of the media. Tiger Woods has done so through the sheer force of his talent.

Many soccer players have had to confront damaging reports about their private lives in recent times. Their approach has almost always been denial and refusal to comment. However, when Woods faced a similar situation, he chose to face the allegations with an admission of guilt and carefully controlled displays of contrition. Only time will tell which is the more successful strategy.

Although sports stars were quick to grasp the benefits of managing the media, the men with MBAs who are responsible for running and governing sport have been slower to see the correlation between strong control of the media and a more marketable product. It seems incredible that they took so long to wise up, especially given the symbiotic relationship between sport and the media.

But times are changing. Sport's governing bodies now recognize the importance of effective communications to engage fans, attract more corporate involvement and sponsorship, and protect the reputation of the sport itself.

The recent FIFA World Cup in South Africa was hailed as a resounding success (unless you were French, Italian or English). This was, in large measure, because the organizers realized that they not only had to get it right, but had to communicate that they were getting it right. What team South Africa and FIFA did so successfully during the World Cup was engage a whole nation in a sport.

Whether sporting bodies have become more attractive to corporations because they now understand how the media works, or the governing bodies have become more media friendly because corporations are more involved, is open to debate (we suspect it is the latter). What is irrefutable is the omnipresent nature of corporate branding at every big sporting event.

Of course, sponsorship would exist even if sporting bodies did not engage with the media. But organizers now understand that effective, professional communication makes you even more attractive to potential sponsors.

At last, governing bodies have realized that a sport's reputation is fragile and needs to be protected. Sport is not new to crisis but governing bodies are increasingly handling such occurrences professionally. To illustrate the point, we turn to an unusual choice: snooker. Snooker, for the uninitiated, is a game like pool, and second only to darts in terms of its level of inactivity. Until recently, this could also be said of its communication efforts.

Nevertheless, snooker's governing body reacted very professionally to recent allegations of match-fixing. They moved quickly and decisively, took control, set up an "integrity unit" to investigate the problem, and announced a date for completion of the investigation. Most importantly, they were open and honest with the media. This gave them an element of control over news coverage, and their handling of the crisis provides a case study in professional communications.

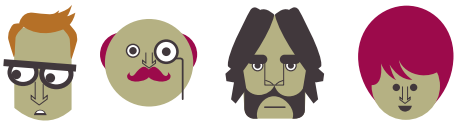
Governing bodies are making progress with the media, but they could do worse than turn to the "Louisville Lip" for further inspiration. As Ali said: "I figured that if I said it enough, I would convince the world that I really was the greatest."

The two British writers share an unhealthy addiction to sport. **Tom Williams** is an Associate in Brunswick's Washington, DC office. **Rob Pinker** is Managing Partner in Brunswick's Johannesburg office.

DEVIL IN THE DETAIL

YOUR RÉSUMÉ MAY REVEAL MORE THAN YOU REALIZE

BY WILL CARNWATH, BRUNSWICK, LONDON



Interviewing is an imperfect science, and many of the judgments we make are based on subtle factors that have as much to do with the background of the interviewer as of the applicant. One of the tools we use to streamline the interviewing process is the résumé or *curriculum vitae* (CV). With an increasingly qualified workforce chasing fewer jobs, the writing of a résumé has become a pressurized process, and the result, some would say, an art form.

Spurred by the belief that they have just seconds to catch the weary eye of the "gatekeeper" at an employer, candidates invest a great deal of effort in standing out from the crowd. They agonize over the length, the layout, even the font used. First impressions are crucial.

For the reviewer of a stack of résumés, the "interests and achievements" section can provide relief from the barrage of A-grades and positive rhetoric, and as such has more influence than perhaps it should. As a reviewer, one must therefore also consider whether the primary criterion is in fact qualifications or character. The irony is that while qualifications and work experience are relatively easy to verify, hobbies and interests, and all the positive attributes we may ascribe to them, are more difficult to check.

In this most important piece of personal marketing and communication, we must ultimately rely on trust. But that does not necessarily give the candidate an advantage. In providing this personal information, the job seeker can inadvertently reveal more about themselves than they intended. And not all of it appealing.

While we may all be tempted to exaggerate, some candidates actually opt for an entirely different tactic to stand out: the truly bizarre.

A survey among recruiters produced some memorable examples. To have been awarded "third place in the World Stone Skimming Championships" might impress your mother, but is it really relevant? Besides, aren't we only interested in winners? Similarly, claims to be interested in "bats" or "world cheeses" left headhunters stumped as to what positive attributes they might imply. That said, in both cases they admit to interviewing the candidate out of sheer curiosity. There was even an applicant who, seemingly without a trace of irony, stated: "BMW driver, steely blue eyes."

So, what should be included on a résumé, and what attributes may be ascribed to these endeavors? There is certainly a happy medium. Listing too many hobbies might suggest a lack of commitment to the serious stuff (or indeed a fertile imagination). Too few, or no interests at all, might make you appear one-dimensional, or worst of all – just dull.

The experiences chosen can also present risks. The fact that you have become proficient in an activity suggests that you consider it worthwhile, and that you are proud of it. The interviewer, depending on their background, may see your achievements differently.

If you read that a potential recruit had taught sailing and skiing, run for six days across the Sahara desert in the Marathon des Sables and raced in the Extreme Arctic Challenge, what would you think?* That they had willpower, tenacity and ambition? Probably. But to some interviewers, these achievements might signify a single-minded character who takes unnecessary risks, who is indifferent to pain, and is perhaps even slightly deranged.

So while we must trust that people are honest on their résumés, we must also guard against the temptation to stereotype, and recognize that the qualitative elements of a résumé are by definition subjective, and that the conclusions drawn from a CV will likely say as much about the reviewer as the candidate.

For the job applicant it's a difficult balance: to engage without alienating or scaring the person you are trying to impress. Once you secure an interview, your ability and enthusiasm to explain, or indeed justify, the unusual things on your résumé will be the true measure of your passion, commitment and drive – and you should get credit for it.

The ability to run a long way on sand has little to do with success in the communications industry. The ability to explain convincingly how it could be fun, however, is a different matter.

*Notwithstanding these achievements and their inclusion on his résumé, the author was recruited by Brunswick, London in 2009. He still works there.

WHAT ARE YOUR INTERESTS AND HOBBIES?

"SOCIALIZING WITH FRIENDS"	"PUNCHBAG FOR OWN CHILDREN"	"WEIGHTLIFTING, MAGIC, SWIMMING"	"AVID READER OF SCIENCE FICTION AND FANTASY"	"MURDER"
				

POSSIBLE INTERPRETATION

Drinks too much	Pragmatic	Drowning under weighty illusions	Overactive imagination	! (The word "mysteries" had accidentally been deleted)

FIGURES OF TRUST

ANTIQUARIAN BOOKS REMIND US OF THE RISKS OF TRUST MISPLACED

BY BARBARA SCALVINI

Dipping into the books on a shelf in an antiquarian bookshop reminds us that human beings have changed little over time. There is an endless supply of fraudsters and people who are only too willing to delude themselves.

In the 1630s, sober Dutch burghers fell prey to tulip mania, paying huge sums for rare bulbs from Turkey that produced the coveted striped blooms. Less than a century later, the English and the Dutch again were deceived by the promoters of a scheme to trade Britain's national debt for "investments" in South America. In France, John Law wrought similar magic with the Mississippi Company. But like Bernard Madoff's Ponzi scam victims, in the end the speculators found themselves holding worthless paper when the bubble burst, as all bubbles do.

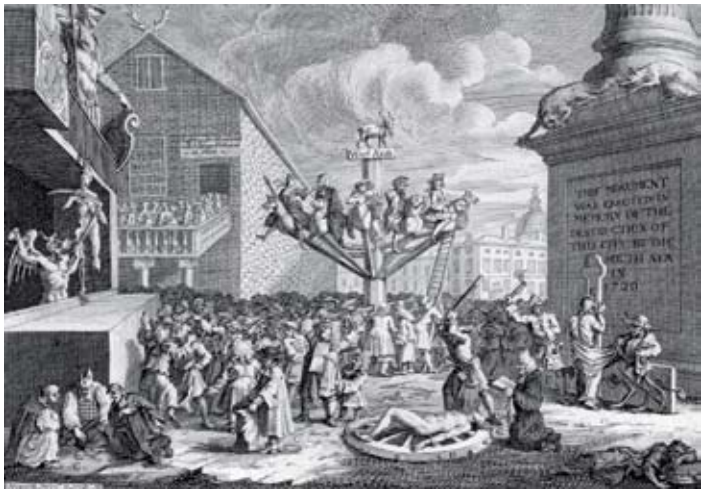
Their hopes and dreams are preserved in old books, caught in words and pictures that portray the uncertainties of their age. A crowd of allegories speaks of ambiguity, precariousness, duplicity, blurred edges between hope and despair, fact and fiction, reason and folly.

The creative power and fecundity of these early allegories challenged the English philosopher John Locke's view that figurative speech is misleading in its "inconstant" use of terms that "insinuate wrong ideas." To many of his contemporaries – and many who came after him – the dynamics of credit and trust defied rational arguments. Reliance and confidence lent themselves less to logic than to allegory.

No matter how many sophistications and financial, social and discursive tools we have developed over the past couple of centuries, these metaphors still offer a way of making sense of complexity. They also shape how we think of and deal with the thrill, fear, elation, disappointment, and unquenched need to trust others.

Long before the conscious creation of allegories to represent credit, a bond had formed between alchemy and wealth. If wealth depended on metal stock, and if alchemy could increase the amount of precious metal, then transmutation would be the answer for a wanting purse, and even for a stagnant nation. As early as 1317, the title of a papal decree against alchemists, *De Crimine Falsi* (crimes of falsehood), spells out the already solid connection between alchemy and money forgery. Pope John XXII's indictment of those who purported to perform "sophistic transmutation" of metals mirrors the fraudulent world in which riches were infinitely available, a world vividly evoked by Chaucer and Dante.

***Papiers Monoies* [France, early 19th century]**
This fine hand-colored print depicts paper banknotes issued as currency in France from 1790 to 1796 and essentially not worth the paper on which they were printed. Though supposedly underwritten by property confiscated from the Roman Catholic Church, they were issued pell-mell around the country and easy to forge. Here, they lie scattered, as though thrown down on a playing table. The viewer's eye is drawn to the bright red pips of a single playing card ominously half-appearing in a heap of equally hazardous gambling relics.



1.

2.

3.

1. *South Sea Scheme* [London, c. 1721]
William Hogarth's 1721 print offers an English take on the South Sea Bubble. In this busy London street scene, the witty goings-on are partially explained by an accompanying verse text. On the right-hand side is the bottom of the Monument, a famous London landmark, with the inscription: "This monument was erected in memory of the destruction of this city by the South Sea in 1720." Caricatures of chance permeate the image and in the center there is a fairground ride, worked by South Sea directors. The riders, from varying ranks of society, sit astride horses on a carousel, spinning through the air with a mixture of enjoyment and fear.

2. *The Modern Alchymist* [London, 1827]
William Allen, a wealthy Quaker philanthropist, anti-slavery campaigner and pharmacy amateur – still seen as being closely akin to alchemy – is the target of this print. It shows him distilling gold from the goose that laid the golden egg – the still is labeled "Matter o'Money." Other stills bearing the slogans "Slavery," "Virtue" and "Religion" bubble merrily. Allen went on to become the first president of the Royal Pharmaceutical Society and helped establish Allen & Hanburys, which today is part of GlaxoSmithKline.

3. *Genius of Bazaar* [London, May 29 1816]
This Regency print satirizes the appearance of "shopping centers" in Soho in central London, seen as bringing a whiff of sulphur to the area. The Genius of Bazaar is a demonic figure, brandishing a stick crowned with a jester's head and a plan for turning St Paul's Cathedral into a bazaar, as he leaps from the minarets of Turkey to the spires of London. Stuffed in his sash is a list of sites for future bazaars that could shake the foundations of society. They include the Houses of Parliament and Carlton House, residence of the Prince Regent. Despite the figure's demonic aspect, the bazaar was a charitable enterprise: widows and orphans of army officers could rent counter space to sell homemade items.

Punishable by death in England since 1403, the "multiplication of metals" persisted underground in its literal, cheap form of forgery and coin clipping, until Scotsman John Law, the arch-magus of finance, substituted a new alchemy: the ability to make money out of paper.

He had discovered, Law wrote in 1705, the philosopher's stone. The French monarchy secured his services, financial alchemy at last sitting next to crowned dignity. This public triumph and its ominous consequences were to be immortalized in Goethe's *Faust*. Called upon to heal the woes of the Emperor's ruinous finances, Faust and Mephistopheles introduce the monarch to the wonders of promissory notes, and shift the foundation of the empire from the tangible weight of gold to the immateriality of a promise. Enter trust and credit.

Enter, too, the English novelist Daniel Defoe's "coy lass" Lady Credit, "money's younger sister." She is desired and capricious, prodigal of favors in good times, prone to hysteria when things go wrong, scornful of care and attracted by indifference.

It is not always easy to understand whether Defoe's Lady embodies private or national credit. This duality allows a public issue to be read in the same terms as a private one, with the advantage of incorporating elements of irrationality and morality that may otherwise be perceived as alien to the machineries of an impersonal state.

Lady Credit… prodigal of favors in good times, prone to hysteria when things go wrong

The many variations Defoe invents for Lady Credit are surrounded by a multitude of other metaphors. Anxious to allay fears that public financial trust would be affected by turbulent changes in government, he evokes credit's power as something not wholly definable but effective, like the spirit of life – a phenomenon governed by nature. Credit is "the quickening *something*, call it what you will, that gives life to trade, gives being to the branches, and moisture to the root." It "is the oil of the wheel, the marrow in the bones, the blood in the veins, and the spirits in the heart of all the *negoce.*"

Like a vital organ, trust is a delicate something. It can be abused. It can be willfully turned into a collective insubstantial mirage. Enter chimera, the fire-breathing monster that is the embodiment of deception. The "French way of paying national debts" is a "*phantasme,*" Defoe warns, looking with awe to Law's growing schemes based exclusively on promises of unconfirmed security. His prophecy soon came true – and he guessed the outcome early enough to pull his assets out before the collapse. Law's schemes triggered the first memorable speculation-driven hyperinflation, the first delusory call for trust and the first shock of betrayal.

Charles Mackay's compelling 1841 book, *Extraordinary Popular Delusions and the Madness of Crowds*, cast the 17th century story of tulip mania as a speculative hysteria of unmatched enormity. Were we even to reject modern revisions of Mackay's account and wholly accept his inflated proportions, the mass tulip craze never stepped up to the level of public credit, never truly involved a notion of national or public trust, its manifestations remaining within the domain of private compulsion.

Dutch-born Bernard Mandeville in his 1705 allegory, *The Grumbling Hive*, confidently equates "Private vices, publick benefit." For decades, he carried out his investigation of social mechanisms founded on the premise that the road to collective wealth is paved with individuals pursuing their own private interest.

Adam Smith's now-ubiquitous metaphor of the "invisible hand" has come to epitomize the belief that no real form of public happiness can be achieved against the individual's gain and, conversely, "by acting according to the dictates of our moral faculties, we necessarily pursue the most effective means for promoting the happiness of mankind."

Read out of their intellectual context, Mandeville and Smith could appear to be describing or implying trust and credit as spontaneously working components in the utopian physiology of a perfectly healthy society. But the abundance and sophistication of contemporary imagery fill their pronouncements with complexity and pertinence.

Genially mirroring the ambiguous processes of trust and risk they were born to represent, this wealth of metaphors defies the wear and tear of circumstantial squabbles, as well as the generalizing platitudes of earnest simplicity. These figures still invigorate our reflection on trust granted, rewarded, misplaced or revoked, and our search for shared rules on which to found human exchange.

Barbara Scalvini is a rare books specialist at Bernard Quaritch, the London antiquarian bookshop established in 1847. Barbara's academic background in classics and early modern history developed into a passion for the history of printed books and manuscripts. She deals particularly with material on economics, philosophy, law and the history of ideas.

Image by ITN Source

CRITICAL MOMENT

SNAPSHOT OF A COMMUNICATIONS TURNING POINT
OCTOBER 9 1997

It promised to be a moment for British Airways staff to treasure when Margaret Thatcher approached their stand at the Conservative Party conference. Certainly it became one BA would never forget. The year was 1997 and the world's favorite airline, the UK national carrier, had replaced the red, white and blue Union flags on its aircraft's tailfins with "world images" designed to represent the countries of BA's global network.

The former Prime Minister was unimpressed. "It's absolutely ghastly… we fly the British flag, not these awful things," she said, speaking with a conviction that was once fashionable among politicians. In case anyone missed the point, she draped her handkerchief over the tail of the model jumbo painted in the new livery.

Television news captured and broadcast the moment to a fascinated nation. Newspapers printed screen shots with the joy that comes so naturally to journalists at the scene of corporate calamity. Never glad confident morning again: the jazzy designs seemed strangely diminished in the months that followed. In 2001 the airline returned to red, white and blue.

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