# Introducing the Global Village

Linking Identity, Reputation, and Communication
MPR4 Research Project Report

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**MPR**

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**MPR4 Research Project Report**

# Liechtenstein:
# Introducing the Global Village

## Linking Reputation, Identity, and Communication

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# i.    Acknowledgements

Throughout this project, we have come to know many great individuals, who have shared with us both their personal and professional insights and helped make this report what it is.

We are greatly indebted to our project coaches:

## ii.   Project Team Mission and Vision

**Team Mission**

Striving to establish a framework for Liechtenstein to effectively manage its reputation. This presents a unique learning opportunity to put our joint expertise and knowledge into practice. Our work as a team will be guided by these principles: openness, fairness, focused approach, innovation, and practice orientation.

**Team Vision**

Enable Liechtenstein to take the lead in shaping its reputation.

## iii.    Executive Summary

In recent years, Liechtenstein has been the target of a considerable amount of negative press coverage, which the people of Liechtenstein have perceived as largely undeserved. This development has supported the people's rising fear that their country's reputation might be suffering, and given momentum to a growing awareness that Liechtenstein's reputation must be managed actively through systematic reputation management efforts. Against this background, a team of five students enrolled in the Master of Public Relations (MPR) program of the Department of Communication Sciences of the University of Lugano has been mandated by the government of Liechtenstein to provide a framework which enables Liechtenstein to actively manage its reputation.

**Main Reputation Capital: Beauty and Business**

The MPR project team carried out research which helped identify the country's reputation capital. This was found to lie in Liechtenstein's physical appeal and its attractive business environment, with the country's landscape being its biggest asset, both internally and externally. Liechtenstein was also found to offer a good infrastructure and attractive fiscal policy, which benefit both its industry and its financial sector. While foreign respondents are aware of the country's strong financial sector, Liechtenstein's highly developed manufacturing industry is not well known internationally.

**Three Issues Found: Finance, Leadership, Familiarity**

The research conducted also pinpointed three issues Liechtenstein is faced with. First, there are negative conceptions concerning Liechtenstein's financial sector and the country as a tax haven. A second issue concerns the country's leadership appeal, both inside and outside Liechtenstein. The country's leaders are not perceived as being charismatic or communicating an appealing vision for the country. An additional finding is the relatively low familiarity with Liechtenstein, as compared, for example, with Luxemburg or Monaco, two countries similar in size and having a comparable offering. This finding is of importance in that people tend to regard a country more favorably the higher their familiarity with it.

**Liechtenstein's Uniqueness: Natural and Sophisticated**

With a view to devising a strategy for branding Liechtenstein, it was necessary also to determine the country's uniqueness and its desired perception. For this purpose, a focus group on Liechtenstein's identity was held with expert participants. A synthesis of the survey conducted in Liechtenstein and the expert focus group showed that Liechtenstein's uniqueness lies in the polarity of "naturalness" and "sophistication." On the one hand, the Liechtenstein people have their feet firmly on the ground, are uncomplicated, practical, and unpretentious, and the country boasts an unspoiled landscape; on the other hand, Liechtenstein has a highly specialized, high-tech industrial sector, and has become a leading

financial center in addition to an attractive and successful business location, with well-educated, open-minded people.

**Leveraging Liechtenstein's Uniqueness: Pursuing a Dual Strategy**
In accordance with the bipolar identity of Liechtenstein and its people, the study suggests a dual strategy for tackling the three issues at hand by leveraging the country's uniqueness and its core competences.

The first emphasis of this dual strategy is on promoting Liechtenstein as a center of competence for highly sophisticated products and services in the financial sector, with an attractive fiscal policy, well-educated residents, and a good infrastructure. However, to be successful in the long run, the financial sector has to commit itself to assuming ethical responsibilities. In addition, this part of the dual strategy focuses on communicating and reinforcing Liechtenstein's high level of integration with the global community and compliance with international laws.

The second emphasis is on Liechtenstein as an oasis of unspoiled landscape and personal touch. It emphasizes Liechtenstein's individual character due to its size and natural assets, which counterbalance the rationale of Liechtenstein as a financial center. While physical products can be replicated easily by competitors, both the country's appealing environment and the personal touch endemic to this small place are unique.

**Principal Recommendation: Establish a National PR Agency**
Reputation management has to be institutionalized at the national level to sustain efforts over time and ensure coherent messaging. Only with a dedicated permanent organization in charge of setting umbrella communication standards and coordinating the country's communication activities, can Liechtenstein achieve maximum impact.

One of the first tasks for the new organization must be to establish a coherent messaging concept which builds on the unique qualities of Liechtenstein. This must include introducing a catchy strapline which captures the country's core values. In addition, Liechtenstein's uniqueness and core values must be visualized in the form of a logo.

**Additional Recommendations: Education, Tourism, and the Media**
Further recommendations include more general measures, such as setting up an early warning system to detect emerging issues and developing a new Internet concept to provide an appropriate Web presence and information platform, as well as specific measures in the field of education, tourism, and the media. Examples here include developing teaching materials about Liechtenstein for international use, assessing and strengthening the country's tourism offering, and engaging in relationship management with Liechtenstein correspondents of leading international newspapers.

**The Study's Backbone: Detailed Scientific Research**

The basis for these recommendations are a state-of-the-art scientific approach and thorough and in-depth collection of data and information. In order to assess where Liechtenstein stands relative to its environment and suggest appropriate measures within the scope of a reputation management framework, detailed research was conducted. The most comprehensive survey was a reputation audit, which provided a coherent picture of Liechtenstein's reputation in relation to five competitive countries in six countries of strategic importance to Liechtenstein. In collaboration with Prof. Charles Fombrun, Executive Director of the Reputation Institute, the project team adapted his established instrument for measuring corporate reputations to meet the needs of this study. Some 6,700 respondents shared their perception of Liechtenstein and its competitive set. To be able to determine congruence between the external and internal perceptions, the same questionnaire was administered to a sample of Liechtenstein residents. In addition, the project team examined the Liechtenstein Government's communication output and the press coverage of Liechtenstein.

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# 1. Introduction

## 1.1 Project Scope—Mandate and Research Questions

In the past, Liechtenstein's communications activities were based upon publicity and special events. Changes in the environment have influenced Liechtenstein's communication approach. The government is moving towards actively managing the country's reputation. Against this background, the MPR4 project team was given the mandate to identify the factors affecting Liechtenstein's reputation and prepare a plan, or handbook, for managing that reputation in coherence with the country's identity.

Specifically, the project team focused on the following questions:

- What is Liechtenstein's identity?
- What elements of reputation management apply to a country?
- What are the relevant issues, and who are the relevant issue-related stakeholders?
- How would Liechtenstein like to be perceived?
- What positive aspects of Liechtenstein's existing reputation (reputation capital) can be used as a foundation for further reputation development?
- What strategy supports—in coherence with the Liechtenstein identity—establishing and maintaining that reputation?

## 1.2 Premise, Goals, and Approach

In satisfying this mandate, the project team has been guided by the following premise:

Effective management of a country's reputation has to take into consideration how the country is perceived both externally and internally. Our project, therefore, centered on the key concepts of reputation, identity, and communication. A theoretical discussion of these and further concepts can be found in the appendices.

Our main goal was to prepare a client handbook for actively managing Liechtenstein's reputation.

In order to achieve this goal, the project team conducted preliminary and detailed research including an extensive literature review, both quantitative and qualitative research elements, and best practice analysis.

## 2. Situation Analysis

### 2.1 General Overview

The Principality of Liechtenstein is located in the center of Europe, between Switzerland and Austria. Covering an area of merely 160 km², Liechtenstein is the fourth smallest state in Europe. Since historical times, Liechtenstein has consisted of two parts, the Lordships of Schellenberg and Vaduz, both of which were bought in 1699 and 1712, respectively, by Prince Johann Adam Andreas of Liechtenstein, the head of a wealthy Austrian dynasty.

According to the Constitution of 1921, Liechtenstein is a "constitutional hereditary monarchy on a democratic and parliamentary basis, with the authority of the state vested in the Ruling Prince and in the people." This dualism between the Ruling Prince and the people is the main feature of the structure of the state. Political power is shared between an elected parliament and the Ruling Prince.

Today, Liechtenstein's population amounts to 33,500 inhabitants (2001), 34.3% of whom are foreigners, mainly Swiss and Austrians. According to the Department of Technology and Statistics, the population growth ranged between 1.4 and 2% over the last decade.

Due to their customs treaty, Liechtenstein and Switzerland represent a common economic area. The borders between the two countries are open while the border between Liechtenstein and Austria is secured by Swiss customs officers.

Tourism has been an important economic factor in Liechtenstein during the past half century, although its importance has been declining for some time now. Recognizing its value, Liechtenstein has undertaken efforts to strengthen tourism in the last few years. With the strapline "Princely Moments," Liechtenstein Tourism has been focusing on Vaduz as the country's capital with its cultural offerings, as well as Malbun and the surrounding alpine region for its sports and recreational facilities.

In 1995, Liechtenstein joined the European Economic Area (EEA), which grants the country access to the European Single Market. Its liberal economic and tax systems make Liechtenstein an attractive business location. The Liechtenstein economy provides some 28,800 jobs (2001), out of which approx. 45% are taken by cross-border commuters. The labor market has seen a positive trend despite a difficult world economy. Liechtenstein has one of the highest per-capita incomes in the world. It has a high-tech manufacturing industry and a significant financial services sector.

Recently, Liechtenstein's financial services sector has come under increasing international pressure from the European Union and the OECD. Media attention started when the German news magazine *Der Spiegel* (Mascolo, 1999) published a report which accused Liechtenstein in general, and the financial industry in particular, of systematically supporting money

laundering and cooperating with organized crime. This article triggered a large amount of negative media coverage. In addition, the OECD's Financial Action Task Force on Money Laundering (FATF) included Liechtenstein on its list of non-cooperative countries and territories, from which Liechtenstein was removed in June 2001. Inside Liechtenstein, these developments gave rise to major debates and have led to various law adjustments and organizational changes within the administration.

This year, the European Union began to step up pressure within the EU to introduce an automatic exchange of information on bank accounts held by EU residents to achieve greater transparency on tax matters. However, Luxemburg and Austria said they would only agree to such terms if financial centers outside the EU, in particular the United States, Switzerland, and Liechtenstein, were subjected to equivalent measures. The outcome of the current negotiations between Brussels and Switzerland, especially in terms of whether Switzerland can uphold its banking secrecy, may well lead the way for Liechtenstein's financial sector, too.

Another current issue is linked to a proposal by the Ruling Prince, Hans Adam II, for amendments to the constitution whereby he seeks to redistribute political power between the Ruling Prince and the people. This has given rise to heated discussions among the people. In August 2002, the Ruling Prince formally submitted his proposal for public vote. In fact, he has stated to move to Austria in case his proposal should be rejected. Recently, a counterproposal was submitted by a committee of opponents. A vote on both proposals is likely to take place in March 2003.


## 2.2 Liechtenstein's Strategic Position

As a small country without its own military, Liechtenstein depends on good relations with its neighbors, which it nurtures through diplomatic contacts. Up to World War I, Liechtenstein formed a customs union with Austria and kept very close ties with its eastern neighbor. After the collapse of the monarchy in Austria, Liechtenstein turned towards its western neighbor and, in 1924, signed a customs treaty with Switzerland, which is still the basis for a close relationship between the two countries. Furthermore, since 1919, Switzerland has represented the interests of Liechtenstein in all countries where Liechtenstein does not have its own representation.

Over the past few decades, Liechtenstein has pursued a strategy of reinforcing its autonomy through strong integration with international organizations. This seemingly paradoxical strategy has been considered an important tool in securing and maintaining Liechtenstein's independence and has proven an absolute necessity (Längle in Jansen, 2001). It has guided the country's foreign policy and led Liechtenstein to join several international organizations, the most important of which are the International Court of Justice in The Hague (1950), the

OSCE (1975), the Council of Europe (1978), the United Nations (1990), EFTA (1991), and the EEA and the WTO (1995).

At the same time, direct diplomatic contacts have been intensified. Today, Liechtenstein has direct diplomatic representations in Berne, Vienna, Strasbourg, Brussels, New York, Geneva, and, since September 2002, in Washington. Non-residential ambassadors are accredited for the Holy See and Berlin. However, the government is considering whether to upgrade diplomatic contacts with Germany and set up a residential embassy in Berlin in the near future.

According to Dr. Ernst Walch, the Minister of Foreign Affairs, a priority of Liechtenstein's foreign policy is to strengthen and secure national sovereignty (E. Walch, personal communication, July 15, 2002). In addition, Liechtenstein's foreign policy focuses on the protection of privacy rights and on social matters such as development aid. In a more regional context, Liechtenstein's foreign policy seeks to support the country's economy and position Liechtenstein as an active, reliable, and constructive partner. These main fields are mirrored in the government program for 2001 to 2005, where the government defines its goals as follows:

- Sustainability:      Care for future generations
- Autonomy:           Preserve identity and sovereignty
- Prosperity:          Stimulate the national economy
- Welfare:             Solidarity and assistance
- Efficiency:          Lead an efficient administration
- Legal security:      Protect freedom and legal rights
- Compatibility:       Provide solutions that "fit" Liechtenstein and are accepted by the people.

Recently, the concept of public diplomacy has gained in importance for Liechtenstein. In traditional diplomacy, embassy officials represent the government in a host country primarily by maintaining relations and conducting business with the officials of the host government. Public diplomacy, on the other hand, embraces a broader view by including dialogue with many diverse non-governmental elements of a society such as individual citizens, interest groups, institutions, the media, etc.

## 2.3   Stakeholders

In order to achieve its goals, Liechtenstein must be concerned with its perception by stakeholder groups. According to Johnson and Scholes (2002), "Stakeholders are those individuals or groups who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends" (p. 206). For the Liechtenstein Government, we have defined the stakeholders as follows:

## Internal Stakeholders

| National Level | Community Level | Economy | Population (Groups/Individuals) |
|---|---|---|---|
| – Members of Parliament<br>– Ruling Prince<br>– Members of the Government<br>– Political parties (FBP, FL, VU)<br>– "Stiftung Image Liechtenstein"<br>– Department of Public Relations<br>– Department of Foreign Affairs (incl. embassies) | – Community mayors<br>– Community councils<br>– Communal tourist offices ("Verkehrsvereine")<br>– Associations ("Vereine") | – Liechtenstein Chamber of Industry and Commerce (LIHK)<br>– Liechtenstein Chamber of Small and Medium-Sized businesses (GWK)<br>– Liechtenstein Labor Association<br>– Liechtenstein Banking Association<br>– "Liechtenstein Tourism"<br>– Liechtenstein Association of Trustees<br>– Liechtenstein Association of Insurances | – Liechtenstein passport holders<br>– Foreign residents<br>– Foreign commuters<br>– Liechtenstein Association for Environmental Matters (LGU)<br>– Roman Catholic Church<br>– "Kulturbeirat" (cultural advisory body to the government)<br>– "Sportkommission" (advisory body to the government on sports-related matters)<br>– Historical Society of Liechtenstein<br>– Liechtenstein Institute |

Exhibit 2.3–1

## External Stakeholders

| Individual Countries | Supranational Organizations | Others |
|---|---|---|
| – Neighboring countries (Switzerland, Austria)<br>– The most influential countries of the EU (Germany, France, UK, Italy, Belgium)<br>– (Smaller) countries or territories with a similar offering (incl. Monaco, Switzerland, Luxemburg, Channel Islands, Singapore)<br>– USA | – European Union<br>– EU Ministers for Economic Affairs and Finance (Ecofin)<br>– Organization for Economic Cooperation and Development (OECD) and its Financial Action Task Force (FATF)<br>– European Economic Area (EEA)<br>– European Free Trade Association (EFTA)<br>– Council of Europe (CoE)<br>– United Nations Organization (UNO)<br>– World Trade Organization (WTO) | – Correspondents for Liechtenstein in the international press<br>– News agencies<br>– Neighboring regions (St. Gallen, Vorarlberg, Grisons) |

Exhibit 2.3–2

The key stakeholders will be specified later.

## 2.4    State of Knowledge regarding Key Concepts

### 2.4.1    Liechtenstein's Image

For a small country like Liechtenstein, awareness of the country's image and external expectations are important for its actions. In 1977, the Liechtenstein Academic Society had commissioned a research study entitled "The External Image of Liechtenstein" (Institut für Demoskopie Allensbach, 1977). The study looked into the image, or reputation, of Liechtenstein in seven countries. It identified a positive but not well-defined image and laid the foundation for discussion for the following two decades.

An extended version of the same study including 21 respondent countries was done in 1999 by the same institution, and the results were compared with the 1977 study (Institut für Demoskopie Allensbach, 1999). The main findings were as follows:

− Overall, familiarity with Liechtenstein had slightly improved from 1977 to 1999.
− The traditional images of the country were generally fading, namely "Liechtenstein as a tourist destination," "stamps," and the "princely art collection."
− On the other hand, both "principality" and "financial center" were mentioned more frequently in 1999 than they were two decades earlier.
− The external images of Liechtenstein were defined in 1999 as: "independent country"; "principality"; "leisure activities"; "modern, open-minded country"; "tax haven"; "rich country"; "underdeveloped appendage to Switzerland."
− Liechtenstein's industry was not well known.
− The Germans saw Liechtenstein as less modern and less attractive than Luxemburg.

The Allensbach Institute summarized that even though the image of a tax haven had been growing, the overall perception of Liechtenstein was still dominated by an image of a charming, fairy-tale principality with a beautiful landscape. This is where the authors of the study allocated the unique values of Liechtenstein in an increasingly globalized world. They even went one step further and proposed a strategy of concentrating on the four image elements "prince and principality," "financial center," "attractive tourist destination," and "culture" to reinforce the positive perception of Liechtenstein.

### 2.4.2    Liechtenstein's Identity

Several books and articles have been published in the past few years, with special focus on Liechtenstein's self-perception and identity. Generally, they looked into the peculiarities of Liechtenstein as a small European country. Kellenberger (1996) used Liechtenstein as a case in point when examining cultural aspects and their influence on identity.

Längle (1998) chose a broader perspective and specified the factors supporting the development of identity. For Liechtenstein, she defined the following identity-shaping factors: language (dialect), monarchy, history, tradition, economy, mentality, art/music, and culture. In addition, when analyzing these factors, she found two diverging trends in Liechtenstein: On the one hand, there was a tendency to revitalize traditional values and emphasize the factors mentioned above in order to strengthen the national identity; on the other hand, there was a trend towards rejection of historically and nationally defined values in combination with the search for new forms of a collective identity.

In 2001, the Liechtenstein Academic Society dedicated its 50th anniversary publication to Liechtenstein's identity and published a collection of articles written by people with various backgrounds (Jansen, 2001). The articles were concerned with Liechtenstein's politics, economy, press, language, literature, environmental affairs, architecture, history, religion, art, music, integration of foreigners as well as outside perspectives. Interestingly, five out of 19 articles were written by Liechtensteiners living abroad.

### 2.4.3 Liechtenstein's Communication Strategy and Activities

Some of the first efforts to systematize the government's communication activities date back to an internal government report of 1981, which evaluated "the possibilities to improve the representation of Liechtenstein abroad" (Arbeitsgruppe für die Liechtenstein-Darstellung im Ausland, 1981). The report was largely an interpretation of the Allensbach study of 1977 (Institut für Demoskopie Allensbach, 1977) and proposed measures accordingly. Among other improvements, it proposed the creation of a press department, which was implemented without delay. Other suggestions, such as the creation of a department of public relations, were not followed.

Over the following years, various reports presented communication strategies for Liechtenstein. Many of them checked into the possibilities of how Liechtenstein should present itself abroad. In general, public relations was equated with aligning government publications and coordinating representation of the country during exhibitions such as Expo Lausanne (1964), Olma (1993), World Expo Hannover (2000), and Expo '02 in Biel (2002).

A turning point was reached after the publication of the above-mentioned report in the *Spiegel* news magazine in November 1999 (Mascolo, 1999). The accusations made and subsequent media coverage led to major debates within Liechtenstein. Internal discussions about Liechtenstein's reputation and its future strategy are ongoing. Ever since, awareness has been high that the country must shape its communications more actively.

In a first step, the government evaluated the possibility of cooperating with professional public relations firms. One report suggesting communication measures was submitted by German-based Salaction. It suggested organizational changes but focused mostly on a wide selection

of activities to increase positive publicity for Liechtenstein. Even though the report was an important step, it was also criticized for not properly considering Liechtenstein's uniqueness and core values. The government concluded that key competencies had to be available internally. This and other considerations led to the creation of the Department of Public Relations in August 2001. The aims of the department are to develop, implement, and coordinate measures for a strong and sustainable reputation of Liechtenstein; to advise the government on PR-related issues; and to build and leverage international networks.

In March 2002, the government created the foundation "Stiftung Image Liechtenstein," to implement and promote any measures leading to improve and strengthen the image of Liechtenstein both internally and externally. It is composed of representatives of the most influential institutions in Liechtenstein. In its report of October 2002, the foundation advised the government to establish a permanent organization in charge of coordinating the country's communication activities (Image Liechtenstein, 2002). It proposed an independent agency structure with three full-time positions and an estimated annual budget of some two million Swiss francs. These proposals are likely to be discussed in parliament in early 2003.

## 2.5    Conclusions Drawn from the Situation Analysis

Due to the country's strategy of reinforcing its autonomy through membership in international organizations, Liechtenstein today is well embedded in the international community. The customs treaty with Switzerland and membership in the EEA guarantee Liechtenstein's economy access to both the Swiss and the European single markets. However, the country's financial sector has come under increasing international pressure over the past years. This experience has given momentum to a growing awareness that Liechtenstein's reputation has to be managed actively through systematic coordination of the country's communication activities.

# 3.    Methodology

## 3.1    Research Approach—Adapting the Concept of Reputation from Company to Country

The field of identity and reputation research is very much focused on companies and a corporate logic. We argue that there are many similarities between a country—in particular such a small country as Liechtenstein—and a company:

– Liechtenstein's 33,500 inhabitants correspond to a large company's staff;
– A country has an offering;
– A country exists and operates within a competitive set;
– A country is dependent on resources and supportive behavior;
– A country has to follow a financial logic;
– A country has to appeal to an audience;
– A country's *raison d'être* is similar to that of a company;
– To a great extent, the government's function can be compared to that of the general management of a company;
– A country has a vision and a strategic concept (Kotler, 1997, p. 5);
– The significance of social responsibility is even greater for a country than it is for a company.

However, there are also some clear differences between a country and a company:

– Unlike a company, a country is not generally free to choose its internal audience;
– Its identity can hardly be modified in a top-down approach (Kotler, 1997, p. 117);
– In a democracy, voters or parliament elect the government;
– The government's room for maneuver is limited as it is held accountable to its electorate;
– Its messaging is different from that of a company because a government cannot generally select its internal audience;
– The country's constitution is binding.

This discussion has led us to the conclusion that research tools built for measuring corporate reputation can also be used for measuring the reputation of a country. As a matter of fact, this view is supported by Olins' observation that countries and companies "are becoming more like each other" (1999, p. 1). However, in order to overcome the limitations mentioned above, an adapted research tool is needed which allows for incorporating the particularities of a country.

### 3.1.1 Selection of Research Approach

Both academics and practitioners in the reputation-identity field propose research methods linked to their specific school of thinking. Among them are the renowned thinkers Charles J. Fombrun and James E. Grunig. While Fombrun suggests using quantitative measurement methods, Grunig advocates applying qualitative methods such as focus groups and in-depth interviews. Both measurement methods offer advantages as well as disadvantages and are, ideally, combined to cross-fertilize each other. The project team has decided to follow Fombrun's approach, while at the same time paying particular attention to relationships, as propagated by Grunig. In fact, both Grunig and Fombrun explained in an MPR study session in Memphis in August 2002 that their approaches were not contradictory but complementary.

Following Fombrun's methodology offers the following advantages for this project:

- Fombrun is the leading thinker in the field of reputation management;
- He is Executive Director of the Reputation Institute, a non-profit organization dedicated to advancing knowledge about reputation management, measurement, and valuation, and whose members sponsor research on reputation theory;
- His approach is established in the world of consulting and its validity proven (Royal Dutch/Shell case; Groenland, 2002);
- His method uses a particularly large sample, which allows sophisticated quantitative data analysis;
- His approach comprises all relevant reputation dimensions, according to Jeffries-Fox Associates (2000);
- His method allows for benchmarking due to the inclusion of a competitive set;
- Feasibility, in monetary and time terms, of conducting primary research with a large sample and covering a broad geographic area;
- Comparability of results over time.

## 3.2 Fombrun's Three-Stage Model

The overall focus of this research project is on reputation as an umbrella concept. We, therefore, decided to use Fombrun's three-stage model for managing reputation (1996). Stage one consists of a diagnostic review of the organization's current identity and reputation and serves to identify possible gaps. Stage two is centered on a discussion of the organization's strategic position in the industry through scenario planning, trend analysis, and competitive analysis, and serves to determine the desired future state. Finally, stage three focuses on implementation measures for managing the transition towards the desired future state (p. 207).

Exhibit 3.2–1; adapted from Fombrun (1996)

For the present research project, the three-stage model was applied as follows:

### 3.2.1  Stage One—Diagnosing the Current State

The findings derived from the first stage paint the big picture of where Liechtenstein stands relative to its environment. This analysis of the status quo represents the backbone of the reputation management framework developed for Liechtenstein. The findings regarding the current state can be found in Chapter 4. We conclude this stage by describing the key issues Liechtenstein is faced with and the issue-related stakeholders.

| Fombrun's Reputational Audit | Our Adapted Country Approach |
|---|---|
| Identity Analysis | – Identity Audit<br>– Expert Focus Group<br>– Communication Audit |
| Image Analysis | – Reputation Audit: Liechtenstein and its competitive set<br>– Media Audit |
| Coherence Analysis | – Gap Analysis: identity-reputation interface<br>– Analysis: Communication and Media Audit |

Exhibit 3.2–2

### 3.2.2  Stage Two—Designing the Future State

In stage two, as presented in Chapter 5, we describe Liechtenstein's strategic position and outline the strategic options available. To ensure that the solution we put forth be both viable and acceptable to the country and its people, we drew heavily on the insights gained from both the situation analysis and the research components of stage one, and further enriched this information with discussions of global trends and possible scenarios. More specifically, we considered the government's strategic intent, the country's competitive arena, and the Liechtenstein identity—its uniqueness and core values, core competences, self-perception, and the way the Liechtenstein people would like to be perceived.

### 3.2.3 Stage Three—Managing the Transition

In Chapter 6, we give a detailed description of the strategy proposed for Liechtenstein within the scope of a reputation management framework, along with practical implementation measures recommended to the client for managing the transition from the current to the desired future state as outlined in stage two.

## 3.3 Stakeholders and Stakeholder Expectations

As mentioned earlier, we define stakeholders according to Johnson and Scholes (2002) as "those groups or individuals who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends" (p. 206). Stakeholder groups are formed by individuals with similar interests and expectations. Depending on the issues at hand, individuals may belong to more than one stakeholder group. Because stakeholders have different and often even conflicting views, it is normal for conflict to arise to some extent and that in most situations a compromise will need to be reached.

In addition, Johnson and Scholes (2002) describe stakeholder mapping to identify stakeholder expectations and power to help understand political priorities. Stakeholder mapping determines both the level of interest and the level of power of stakeholders with regard to a particular issue. The map indicates the type of relationship that an organization typically establishes with these stakeholder groups. It becomes evident that the acceptability of any strategy adopted is crucial to "key players" (D).

|        |      | Level of Interest      |                        |
|--------|------|------------------------|------------------------|
|        |      | Low                    | High                   |
| **Power** | Low  | A<br>Minimal Effort    | B<br>Keep Informed     |
|        | High | C<br>Keep Satisfied    | D<br>Key Players       |

Exhibit 3.3–1; from Johnson and Scholes (2002)

## 3.4 Nation Branding

As described above, the concept of reputation was chosen to guide this study. Unfortunately, there is only limited research available to date into this relatively new concept. It is, therefore, vital also to draw on the frameworks for branding and, in particular, nation branding. In addition, proven implementation procedures as proposed by such thinkers as Olins (1999) and Kotler and Gertner (2002) can be adopted.

According to Porter (1990), the framework for understanding a company's sources of competitive advantage can be extended to the level of nations. The brand definition is then taken to describe the country's competitive positioning, that is, its offering based on the

strengths of its geographical location and economy, culture, education, attractiveness as a tourist destination, and the export of produce and products. Culture and physical appeal play an essential role of enriching a country's brand image as inconvertible and irreplaceable USP (Anholt, 2002), and link the country's past with the present.

For nation branding to be successful, "the country's brand should be rooted in reality" (Gilmore, 2002) and reflect the people's identity. The image of a country, as projected to the world at large, will also have an effect on the population of the country itself: Just as corporate branding campaigns, if done properly, can have a dramatic effect on the morale, team spirit, and sense of purpose of employees, "so a proper national branding campaign can unite a nation in a common sense of purpose and national pride" (Anholt, 2002). When the people can recognize themselves, they are willing to participate in the strategy.

According to Lodge (2002), "A country's brand is thus considerably more than icons and imagery. It is evidence of the collective will to offer and deliver a competitively attractive proposition." To be effective, the image must be "close to reality, believable, simple, appealing, and distinctive" (Kotler & Gertner, 2002).

Olins (1999) proposed a seven-step plan for branding a country (p. 23/24) and recommended that the whole branding process be rolled out without attracting too much attention before first achievements can be reported. See appendices A and B for a detailed description of Olins' plan and an extensive discussion of methodology.
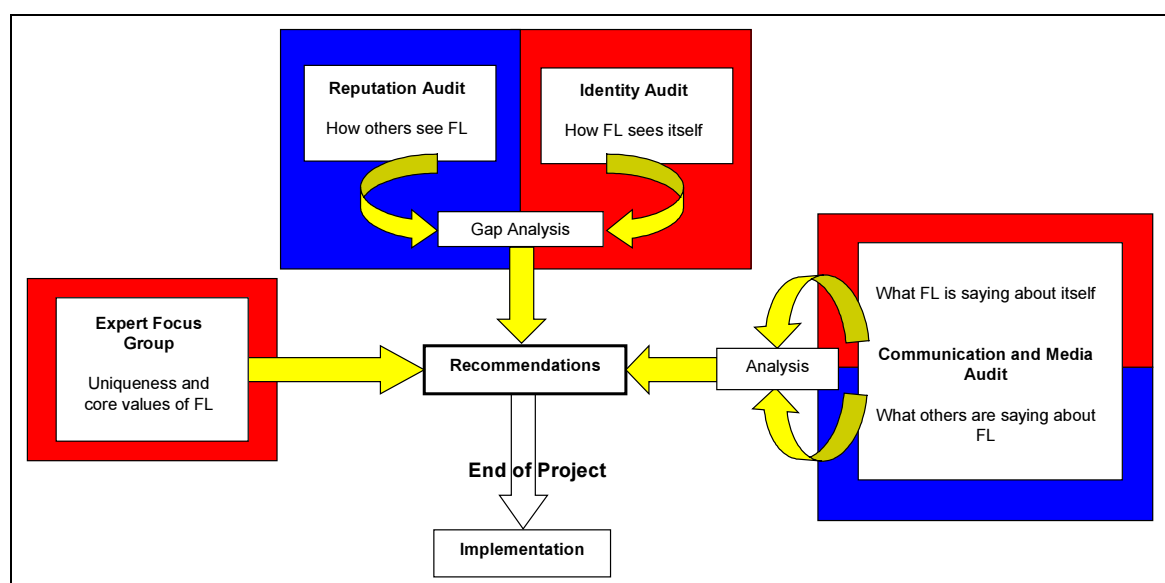
## 3.5 Framework of Research Components



Exhibit 3.5–1

The model above shows how the primary research components of this project are interlinked. Embedded in this framework are both external (blue) and internal (red) elements. This approach sheds light on the interface between reputation and identity. Here, communication plays a vital role as it should enhance coherence between the two.

## 3.6 Reputation Audit

### 3.6.1 Design of the Reputation Audit Instrument

The survey instrument used is a modified version of Fombrun's Reputation Quotient (RQ) for measuring corporate reputation. The RQ is composed of 20 attributes, which can be grouped in six dimensions for data analysis purposes. The project team has adapted this original RQ to make it suitable for measuring a country's reputation. We will refer to this new tool as Country Reputation Index (CRI).

**Questionnaire Design**

| Original Dimensions | Original Instrument: Reputation Quotient (RQ) | Adapted Instrument: Country Reputation Index (CRI) | Adapted Dimensions |
|---|---|---|---|
| Emotional Appeal | – Have a good feeling about the company.<br>– Admire and respect the company.<br>– Trust the company a great deal. | – I respect [COUNTRY].<br>– I like [COUNTRY].<br>– I trust [COUNTRY]. | Emotional Appeal |
| Products & Services | – Stands behind its products and services.<br>– Develops innovative products and services.<br>– Offers high quality products and services.<br>– Offers products and services that are a good value for the money. | – [COUNTRY] is a beautiful place.<br>– [COUNTRY] has well-educated residents.<br>– [COUNTRY] has a good infrastructure of roads, housing, services, health care, and communications. | Physical Appeal |
| Financial Performance | – Has a strong record of profitability.<br>– Looks like a low-risk investment.<br>– Looks like a company with strong prospects for future growth.<br>– Tends to outperform its competitors. | – [COUNTRY] is an inviting place to do business.<br>– [COUNTRY] has a well-developed industrial sector.<br>– [COUNTRY] is a low tax country.<br>– [COUNTRY] is a safe place in which to invest. | Financial Appeal |
| Vision & Leadership | – Has excellent leadership.<br>– Has a clear vision for its future.<br>– Recognizes and takes advantage of market opportunities. | – [COUNTRY] has charismatic leaders.<br>– [COUNTRY] communicates an appealing vision of the country.<br>– [COUNTRY] is well-managed.<br>– [COUNTRY] upholds international laws. | Leadership Appeal |
| Workplace Environment | – Is well-managed.<br>– Looks like a good company to work for.<br>– Looks like a company that would have good employees. | – [COUNTRY] is socially and culturally diverse.<br>– [COUNTRY] has a rich historical past.<br>– [COUNTRY] offers enjoyable entertainment activities. | Cultural Appeal |
| Social Responsibility | – Supports good causes.<br>– Is an environmentally responsible company.<br>– Maintains high standards in the way it treats people. | – [COUNTRY] supports good causes.<br>– [COUNTRY] is a responsible member of the global community<br>– [COUNTRY] supports responsible environmental policies. | Social Appeal |

Exhibit 3.6–1

### 3.6.2   The Competitive Set

Like companies, countries are in competition with each other. Today, nations increasingly compete with one another in three commercial areas: inward investment, tourism, and export of goods and services. Success or failure in these areas can accurately be charted, and competitive edge is closely linked with questions of reputation, image, identity, as well as marketing and branding (Olins, 1999, p. 5).

The Reputation Audit, therefore, was conducted not only for Liechtenstein but also for five countries of strategic importance to Liechtenstein. Together, these countries form the "competitive set," which was defined as a selection of small states in Europe which have an offering similar to that of Liechtenstein. Specifically, the following countries were selected for this study: Belgium, Channel Islands (UK), Luxemburg, Monaco, and Switzerland. Please note that, for the sake of simplicity, we may refer to the Channel Islands as a country in this report.

Respondents were first asked to indicate their degree of familiarity with the six countries of the competitive set.

### 3.6.3   Overall Survey Specifications

| Countries | Austria, France, Germany, Switzerland, UK, US |
|---|---|
| Project scope | Measuring the reputation of six countries or territories: Belgium, Channel Islands, Liechtenstein, Luxemburg, Monaco, Switzerland |
| Target group | General public |
| Net sample size | 6,739 respondents |
| Questionnaire | 22 questions per country rated; 10-point scale |
| Time | July 18 through mid-August 2002 |

Exhibit 3.6–2

We selected the "general public" as our target group for this survey because of the client's interest in getting a "big picture" overview.

Only those respondents who said to be "somewhat familiar" or "very familiar" with a country qualified to participate in the survey and share their perception of Liechtenstein and/or other countries of the competitive set. Before the actual 20 questions of the CRI questionnaire were posed, respondents were asked to rate the overall reputation of the country to be rated.

To enhance the quality of the survey, we added an open-ended question at the end, asking respondents what the country rated could do to improve its reputation, if it should wish to do so. This gave us the opportunity to gather information that goes beyond the standardized framework. Please consult the appendices for detailed survey specifications including an analysis of strengths and limitations.

The Reputation Audit delivered two sorts of information: On the one hand, it provided mean ratings for the individual reputation items, from which the countries' reputation capital could be identified; on the other hand, it pinpointed the items having the strongest influence on the countries' overall reputation score and hence driving overall reputation ("drivers of reputation"). To determine the latter, Fombrun uses linear regression (C. Fombrun, personal communication, July 30, 2002). He first runs a regression analysis for each country within the competitive set. This statistical method will reveal the driving variables to be leveraged in order to improve the overall reputation of a particular country in the respondent countries. Fombrun then runs a "pooled regression," which introduces dummy variables to control for respondent countries' "specific effects" (e.g. the French trait of being more critical). In this second model, he looks at the data gathered as if there were a single model of reputation for the entire competitive set. The "generic" drivers revealed by this second model should be leveraged if the country rated wants to improve its reputation vis-à-vis the other countries of the competitive set in a country which has not participated in the Reputation Audit and which may not be familiar with the country rated.

## 3.7    Identity Audit

### 3.7.1    Discussion of Literature

To Fombrun (1996), identity is "the backbone of reputation" (p. 111). He said that, "To focus on a company's reputation is to determine how it deals with all of its constituents; it is to focus on a company's character or identity" (p. 111). "The term identity is probably best used to describe the self-concept of the company's internal constituents—its managers and employees. It summarizes how the company thinks of itself, how it would like to be seen on the outside. Identity is, therefore, closely aligned with notions of corporate character, personality, and culture" (p. 277).

This is exemplified by the findings from a study conducted by the "World's Most Admired Company" (WoMAC) team at Royal Dutch/Shell. This team concluded that, "Companies with the most resilient reputation appeared to follow an identity-centered model of reputation building, rather than the reactive, impression-management view of the world" (Fombrun & Rindova in Schultz et al., 2000).

Fombrun and Rindova argued that by following such an approach, a firm achieves transparency. By transparency, they mean "a state in which the internal identity of the firm reflects positively the expectations of key stakeholders and the beliefs of these stakeholders about the firm reflect accurately the internally held identity." In their article, Fombrun and Rindova referred to various researchers who had demonstrated that organization members experience events that have a negative effect on the organization's reputation also as being threatening to the organization's identity (Dutton & Dukerich, 1991), such as affecting beliefs

about what is core, distinctive, and enduring in their organizations (Albert & Whetten, 1985). According to the client, many Liechtensteiners have experienced this in the context of the accusations made against Liechtenstein's financial sector.

### 3.7.2   Corporate vs Organizational Identity

There are two different schools dealing with the concept of identity. According to Hatch and Schultz in Schultz et al. (2000), "The roots of corporate identity are primarily found in consultancy practice and the field of marketing, whereas organizational identity traces its heritage within the field of organization studies" (p. 12).

The concept of corporate identity refers to how an organization expresses and differentiates itself in relation to its stakeholders (Alvesson, 1990; Olins, 1995; van Riel & Balmer, 1997). According to Olins (1995), corporate identity can project four things: "who you are, what you do, how you do it, and where you want to go" (p. 3). Organizational identity was defined by Albert and Whetten (1985) as the organization's "central, distinctive, and enduring aspects."

Increasingly, the two schools overlap, applying the same concepts but using different terminology. However, there is still a clear distinction between the two as they use different focal points: "Corporate identity" is *per se* a more restricted concept than "organizational identity" since the terms of "corporation" or "company" designate specific types of organization. "Organization," on the other hand, is a broader concept.

As our comparison of companies and countries has revealed, a country cannot be treated as a company in every respect but requires a more open framework. The concept of corporate identity is less valid in a country context because, to a great extent, a country cannot choose or dismiss its internal audience; it has a different power structure; its core purpose is more differentiated than that of a company; its environment is much more diversified than a marketplace. A country also has a broader set of obligations towards a more diversified set of stakeholders. This is supported by Kotler (1997) who said that a nation "can be thought of as running a business and […] benefit from adopting a strategic market management approach. This is not to ignore the much greater cultural and political complexity of running a nation" (p. ix). The bottom line is that for a country's identity, prominence must be given to the notion of organizational identity. This is reflected in the design of the survey tool (see appendices).

### 3.7.3   Design of the Identity Audit Instrument

As proposed by Fombrun, this audit looks at the self-concept, or self-perception, of the people of Liechtenstein. The same questionnaire (German-language version) as developed for the Reputation Audit was used for the Identity Audit to ensure comparability of the collected data.

To gain information on the acceptance within Liechtenstein of measures to improve the country's reputation and to determine how the people of Liechtenstein would like to be perceived, we added an open-ended question at the end of the questionnaire on how Liechtenstein could improve its reputation, if it should wish to do so. In addition, we asked respondents what they believed were the overall reputation ratings of their country abroad.

### 3.7.4  Overall Survey Specifications

| | |
|---|---|
| **Country** | Liechtenstein |
| **Project scope** | Measuring the identity of Liechtenstein (self-perception) |
| **Target group** | General public |
| **Sampling method** | Convenience sample of the Liechtenstein population |
| **Net sample size** | 156 respondents |
| **Questionnaire** | 23 questions; 10-point scale |
| **Time** | August 5 through August 30, 2002 |

Exhibit 3.7–1

Please consult the appendices for detailed survey specifications including an analysis of strengths and limitations.

## 3.8    Expert Focus Group

In order to determine the uniqueness of Liechtenstein and its people, it was necessary to complement the Identity Audit—whose focus was on the self-perception of the people—with extra research.

The project team selected five participants of varying backgrounds who all had, in one way or another, studied the identity of Liechtenstein and its people. Expert participants of the focus group were Brigitte Haas, Alicia Längle, Isolde Marxer, Dr. Wilfried Marxer, and Paul Vogt. Refer to the appendices for experts' biographies and track records.

## 3.9    Communication and Media Audit

As stated above, communication is the link between reputation and identity. It was, therefore, important for us to complement the data collected in the Reputation and Identity Audits with insights gained from studying the media coverage of the country and the Liechtenstein Government's communication output. Theoretical knowledge in this field was gained from the following theories.

### 3.9.1   Agenda Setting

Agenda-setting theory gained popularity in the 1970s in the social sciences (Sutherland & Galloway, 1981). The authors argued that the mass media had a strong influence on the topics discussed in public—they set the agenda. Iyengar and Kinder (1987) even claimed that

issues receiving most prominent media attention were likely to be perceived as the country's most important problem areas. Research also shows strong evidence of intermedia agenda setting. Protess and McCombs (1991) found that the news agenda of the local media was likely to be influenced by the stories covered in leading newspapers. Breen (1997), for example, showed how a single negative event might trigger a series of subsequent stories in other media.

### 3.9.2  Newsworthiness

News values guide the media in their selection of topics. As Russ-Mohl (2002) mentioned, news values can be categorized according to seven dimensions: time, proximity, status, dynamics, valence, identification, and illustration. Each of these dimensions comprises a number of aspects which guide the editor's choice of topics. The more of these aspects a certain topic covers, the more likely it becomes that the media will report about it.

| Time | Proximity | Status | Dynamics | Valence | Identification | Illustration |
|---|---|---|---|---|---|---|
| – topicality<br>– duration<br>– continuity | – geographi-<br>cal<br>– political<br>– cultural<br>– affecting<br>the audi-<br>ence | – power/<br>influence<br>– prominence<br>[sic] | – surprise<br>– structure<br>(complexity,<br>actors, and<br>interests<br>involved)<br>– intensity | – negativism<br>– positivism | – personality<br>– ethno-<br>centricity<br>– sensation/<br>emotion | – availability<br>of visuals |

Exhibit 3.9–1; from Russ-Mohl (2002)

### 3.9.3  Design of the Communication and Media Audit

The Communication and Media Audit was designed so as to determine the coherence—or possible gap—between the external and internal views. For this reason, two sets of documents were compared: the press coverage of Liechtenstein on the one hand, and the press releases issued by the Liechtenstein Government—as the "official voice" of Liechtenstein—on the other. More specifically, we examined the frequency of occurrence of specific terms derived from the six reputation dimensions incorporated in the Country Reputation Index (CRI), and the distribution patterns over time across the two sets of documents.

### 3.9.4  Overall Audit Specifications

| Sets of documents reviewed | The integral set of press releases issued by the Press Department of the Liechtenstein Government ("Presse- und Informationsamt") (total of 1,283 documents) |
|---|---|
| | Mainly Swiss German-language newspapers (see appendices for details) (total of 5,547 articles) |
| Time period covered | January 2000 – May 2001 |
| Software used | Dtsearch, V5.25, Build 5.55 |
| Publication language | German |

Exhibit 3.9–2

The list of German terms devised by the project team was used to formulate the database search queries. Since the Liechtenstein Government communicates almost exclusively in German, only German-language newspapers were considered so as to be able to look for the exact same terms in both sets of documents.

Please consult the appendices for detailed audit specifications including a complete list of all executed search queries.

# 4. Diagnosing the Current State

## 4.1 How the Others See Liechtenstein

### 4.1.1 Familiarity with Liechtenstein

39% of a total of 6,739 respondents across all respondent countries indicated that they were "somewhat" or "very familiar" with Liechtenstein and, hence, qualified to participate in the survey. Within the competitive set, this is the second lowest rating.

Liechtenstein is best known by its neighboring countries, Switzerland and Austria, followed by the US, UK, Germany, and finally France. Surprisingly, US respondents indicated a higher level of familiarity with Liechtenstein than did their European counterparts in Germany, the UK, and France. This high level of familiarity may be partially explained by the survey results for the entire competitive set: US respondents generally tended to indicate rather high levels of familiarity.

The finding that the British indicate roughly the same level of familiarity with Liechtenstein as the Germans comes as a surprise, given that Germany is much closer to Liechtenstein in terms of geography and language. This lack of familiarity of the Germans with Liechtenstein may be due to the fact that Germany now also comprises the former German Democratic Republic (GDR), which was more eastward oriented and, therefore, less familiar with Liechtenstein.



Exhibit 4.1–1

Compared with the other countries of the competitive set, Liechtenstein is among the least known. The degree of familiarity of respondents with Liechtenstein is actually lower only for

the Channel Islands, a dependency of the British Crown. Within the competitive set, Switzerland is the best known country.



Exhibit 4.1–2

## 4.1.2 Liechtenstein's Overall Reputation

On a scale from 1 (least favorable/"bad") to 10 (most favorable/"good"), Liechtenstein's "overall reputation" across all respondent countries stands at 7.16, with a standard deviation of 2.01 (see Exhibit 4.1–4). This indicates that Liechtenstein, on average, seems to enjoy considerable reputation capital with the general public in the respondent countries.

As Exhibit 4.1–3 shows, Liechtenstein scored the highest reputation rating in Austria, followed by the US. At the other end, French respondents rated Liechtenstein's overall reputation rather low, with an overall mean of only 5.66. In fact, this is the lowest rating given by any respondent country to any country within the competitive set.

When looking at the competitive set (Exhibit 4.1–4), Switzerland gets the highest overall reputation rating. The ratings of Monaco, Luxemburg, and the Channel Islands are all similarly high. Liechtenstein gets the second lowest rating at 7.16. Belgium lags behind substantially, with an overall reputation rating of no more than 6.78.

**Liechtenstein's Overall Reputation (Means; "1"="Bad", "10"="Good")**

| Country | Value |
|---|---|
| United States | 7.72 |
| Great Britain | 6.75 |
| France | 5.66 |
| Germany | 7.04 |
| Switzerland | 7.06 |
| Austria | 7.96 |

Exhibit 4.1–3



**Overall Reputation (Means; "1"="Bad", "10"="Good")**

| Country | Value |
|---|---|
| Switzerland | 7.84 |
| Belgium | 6.78 |
| Monaco | 7.44 |
| Luxemburg | 7.44 |
| The Channel Islands | 7.40 |
| Liechtenstein | 7.16 |

Exhibit 4.1–4

### 4.1.3   Liechtenstein's Mean Ratings for the 20 Items of the CRI

The following chart depicts the mean ratings for Liechtenstein for the 20 items of the Country Reputation Index (CRI) questionnaire, sorted from highest to lowest and for all respondent countries combined.

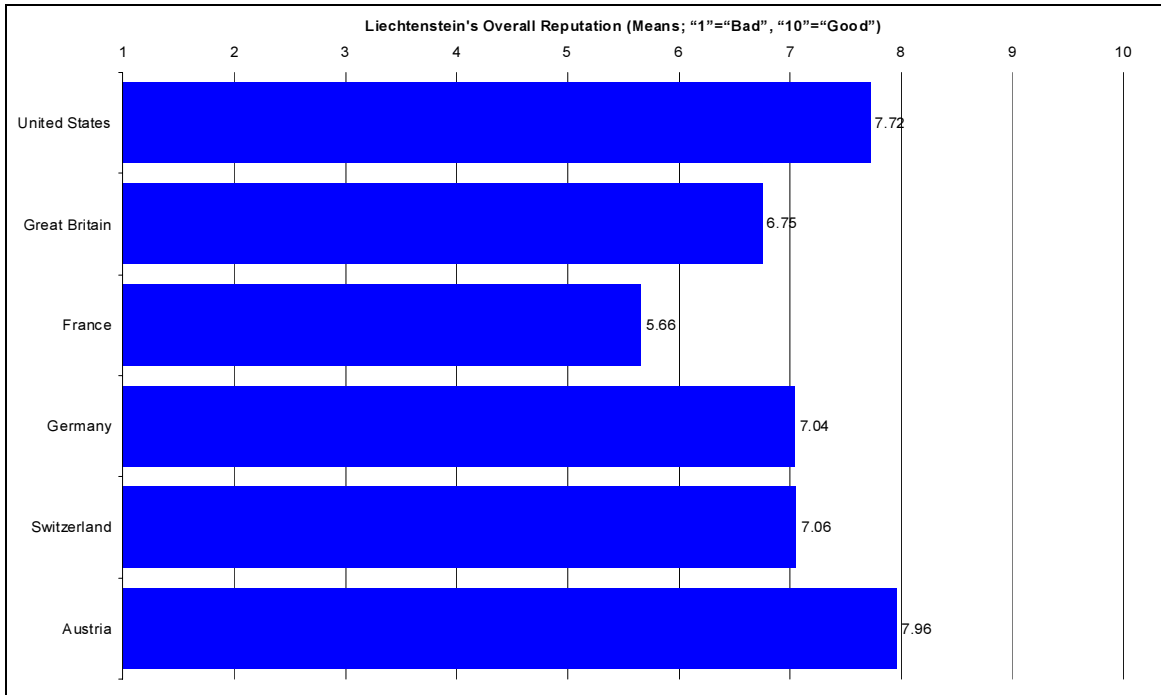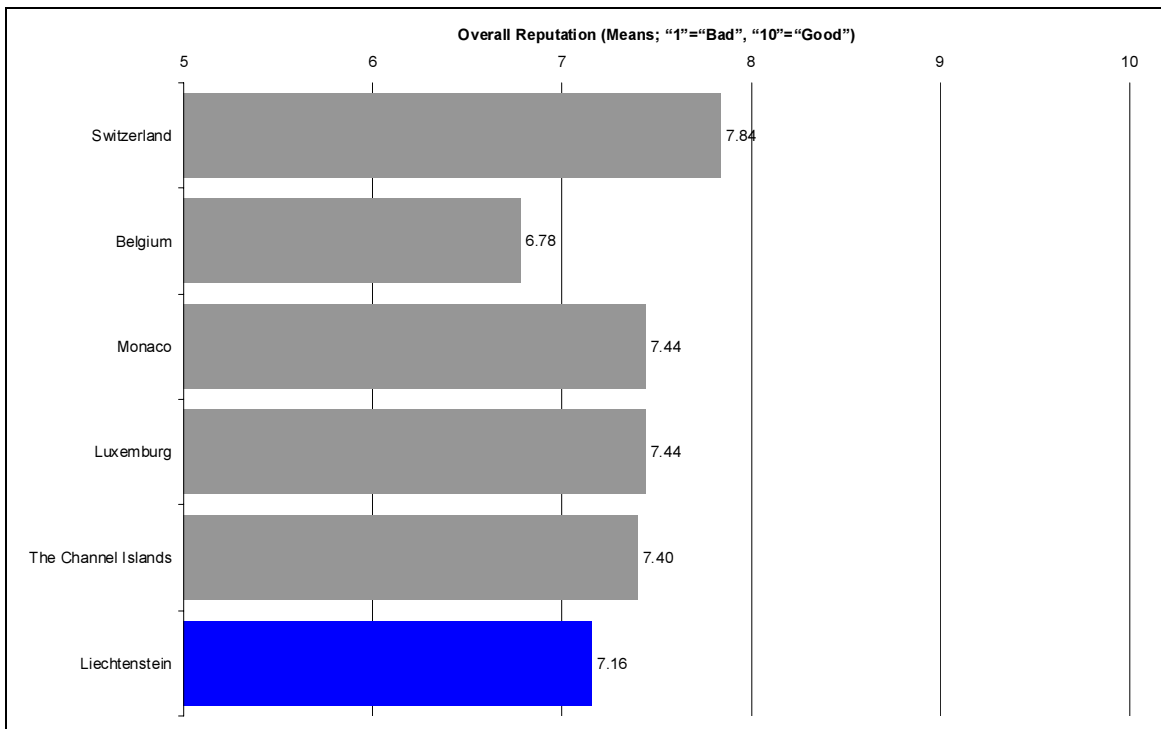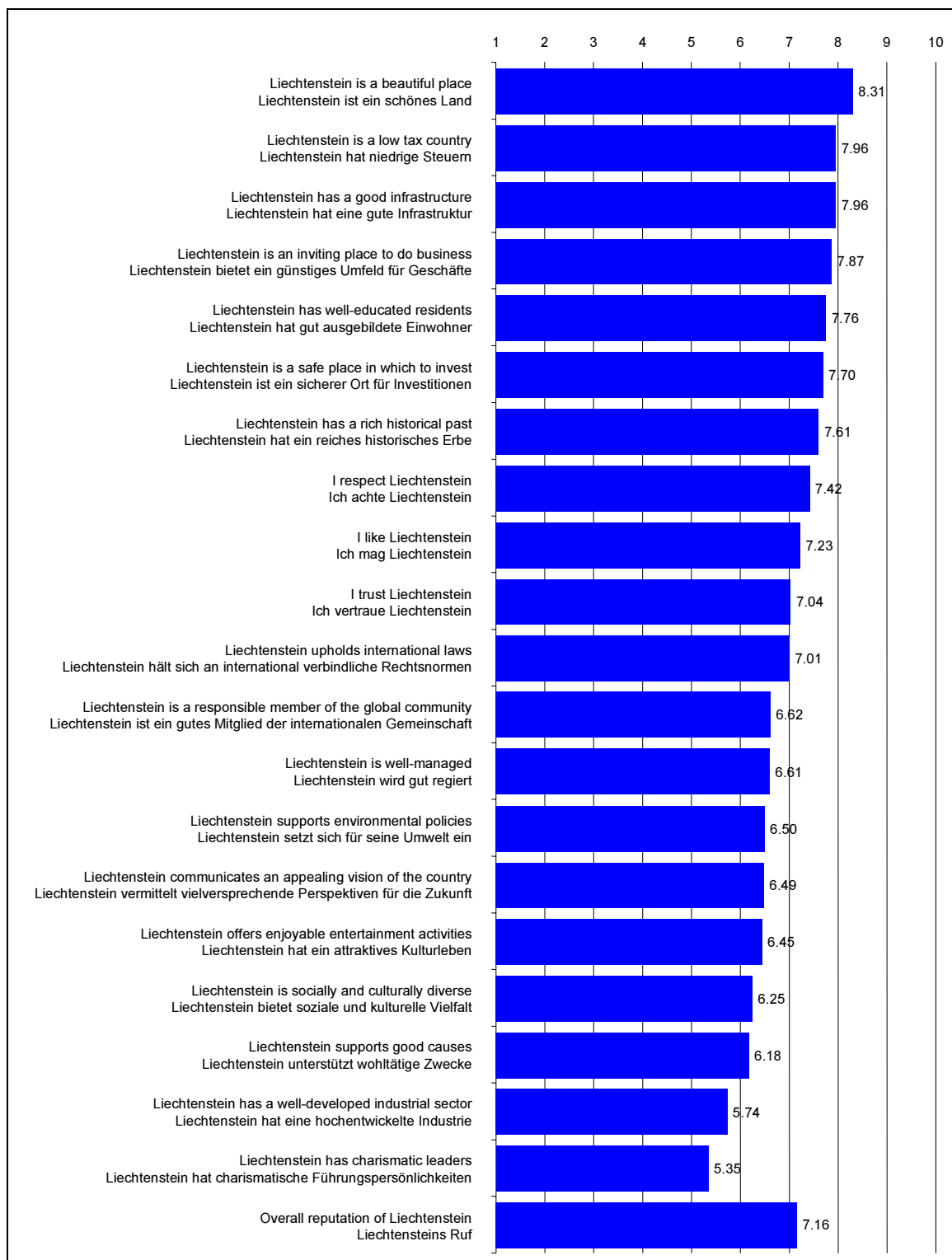| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Liechtenstein is a beautiful place / Liechtenstein ist ein schönes Land | | | | | | | | | | 8.31 |
| Liechtenstein is a low tax country / Liechtenstein hat niedrige Steuern | | | | | | | | | | 7.96 |
| Liechtenstein has a good infrastructure / Liechtenstein hat eine gute Infrastruktur | | | | | | | | | | 7.96 |
| Liechtenstein is an inviting place to do business / Liechtenstein bietet ein günstiges Umfeld für Geschäfte | | | | | | | | | | 7.87 |
| Liechtenstein has well-educated residents / Liechtenstein hat gut ausgebildete Einwohner | | | | | | | | | | 7.76 |
| Liechtenstein is a safe place in which to invest / Liechtenstein ist ein sicherer Ort für Investitionen | | | | | | | | | | 7.70 |
| Liechtenstein has a rich historical past / Liechtenstein hat ein reiches historisches Erbe | | | | | | | | | | 7.61 |
| I respect Liechtenstein / Ich achte Liechtenstein | | | | | | | | | | 7.42 |
| I like Liechtenstein / Ich mag Liechtenstein | | | | | | | | | | 7.23 |
| I trust Liechtenstein / Ich vertraue Liechtenstein | | | | | | | | | | 7.04 |
| Liechtenstein upholds international laws / Liechtenstein hält sich an international verbindliche Rechtsnormen | | | | | | | | | | 7.01 |
| Liechtenstein is a responsible member of the global community / Liechtenstein ist ein gutes Mitglied der internationalen Gemeinschaft | | | | | | | | | | 6.62 |
| Liechtenstein is well-managed / Liechtenstein wird gut regiert | | | | | | | | | | 6.61 |
| Liechtenstein supports environmental policies / Liechtenstein setzt sich für seine Umwelt ein | | | | | | | | | | 6.50 |
| Liechtenstein communicates an appealing vision of the country / Liechtenstein vermittelt vielversprechende Perspektiven für die Zukunft | | | | | | | | | | 6.49 |
| Liechtenstein offers enjoyable entertainment activities / Liechtenstein hat ein attraktives Kulturleben | | | | | | | | | | 6.45 |
| Liechtenstein is socially and culturally diverse / Liechtenstein bietet soziale und kulturelle Vielfalt | | | | | | | | | | 6.25 |
| Liechtenstein supports good causes / Liechtenstein unterstützt wohltätige Zwecke | | | | | | | | | | 6.18 |
| Liechtenstein has a well-developed industrial sector / Liechtenstein hat eine hochentwickelte Industrie | | | | | | | | | | 5.74 |
| Liechtenstein has charismatic leaders / Liechtenstein hat charismatische Führungspersönlichkeiten | | | | | | | | | | 5.35 |
| Overall reputation of Liechtenstein / Liechtensteins Ruf | | | | | | | | | | 7.16 |

Exhibit 4.1–5

## Physical Appeal

The country's physical appeal is expressed by the ratings for the items "beautiful place," "good infrastructure," and "well-educated residents." With a mean score of 8.31, "beautiful place" obtained the highest mean rating. With a mean of 7.96, the second highest rating was given to the country's infrastructure. Liechtenstein is also perceived as having well-educated residents; this item received the fifth highest rating.

All three survey items describing the Physical Appeal dimension scored very high overall. This shows that Liechtenstein's reputation capital lies mainly in its physical appeal, with the country's landscape being a major asset. Liechtenstein's infrastructure and well-educated residents are other key assets. Here, Liechtenstein may benefit from its geographic proximity to Switzerland and Austria in that respondents less familiar with Liechtenstein might associate similar attributes with Liechtenstein as with its neighbors.

**Financial Appeal**

The four items "inviting place for business," "low tax country," "safe place to invest," and "well-developed industrial sector," describe the country's financial appeal. The three items relating to Liechtenstein's financial sector and business location rated among the highest. Liechtenstein's industrial sector, which is not well known in the respondent countries, on the other hand, scored the second lowest rating with a mean of only 5.74.

The notion of Liechtenstein as a good place for investments, especially in terms of being a financial center and having an attractive fiscal policy, seems to be on top of respondents' minds. Even though it has been pointed out in earlier studies that Liechtenstein's manufacturing industry is not well known, the ratings for this item were still remarkably low. Obviously, Liechtenstein is considered mainly a strong financial center and is perceived as having only a minor manufacturing industry. This interpretation is supported especially by French respondents' ratings.

**Emotional Appeal**

The items forming this dimension were "respect," "liking," and "trust." The ratings for all three ranged between 7.04 and 7.42, and thus were similar to Liechtenstein's overall reputation score. These items are rather generic in character. There was one striking finding to be noted: The French rated "liking" low at only 4.40.

**Cultural Appeal**

This dimension comprises the items "socially and culturally diverse," "rich historical past," and "enjoyable entertainment activities." While Liechtenstein is perceived as having a rich historical past, it is not believed to offer enjoyable entertainment activities and have a diverse culture. The reason the rating of Liechtenstein's historical past stands out among the three items may be that the country is known to be a principality.

**Social Appeal**

This dimension is made up of "supports good causes," "responsible member of the global community," and "responsible environmental policies." Compared with the other 17 items, the

ratings for this dimension are situated in the lower half, with Liechtenstein supporting good causes getting the third lowest mean at only 6.18.

Going more into depth, the results show striking differences in the ratings of the items "supports good causes" and "responsible member of the global community" by respondent country: France stands out with the low ratings of 4.40 and 4.20, respectively, while especially the US rates these items considerably higher (see also Section 4.1.1).

**Leadership Appeal**

This dimension comprises the four items "charismatic leaders," "communicates an appealing vision," "well-managed", and "upholds international laws." All four items were rated below average, with "charismatic leaders" getting the lowest mean score (5.35)—which is even lower than the mid-range rating of 5.50 on the given 10-point scale. These survey items did not explicitly refer to a specific person or function; instead, they describe the country's overall leadership appeal—or lack thereof.

The mean ratings for "charismatic leaders" are strikingly different by respondent country. Switzerland and Austria gave this item a rating of around 6.00, while both France and the UK rated it lower at only about 3.50. Here, a general pattern could be identified: The ratings for this item tended to be higher with increasing respondent age, as well as with female respondents.
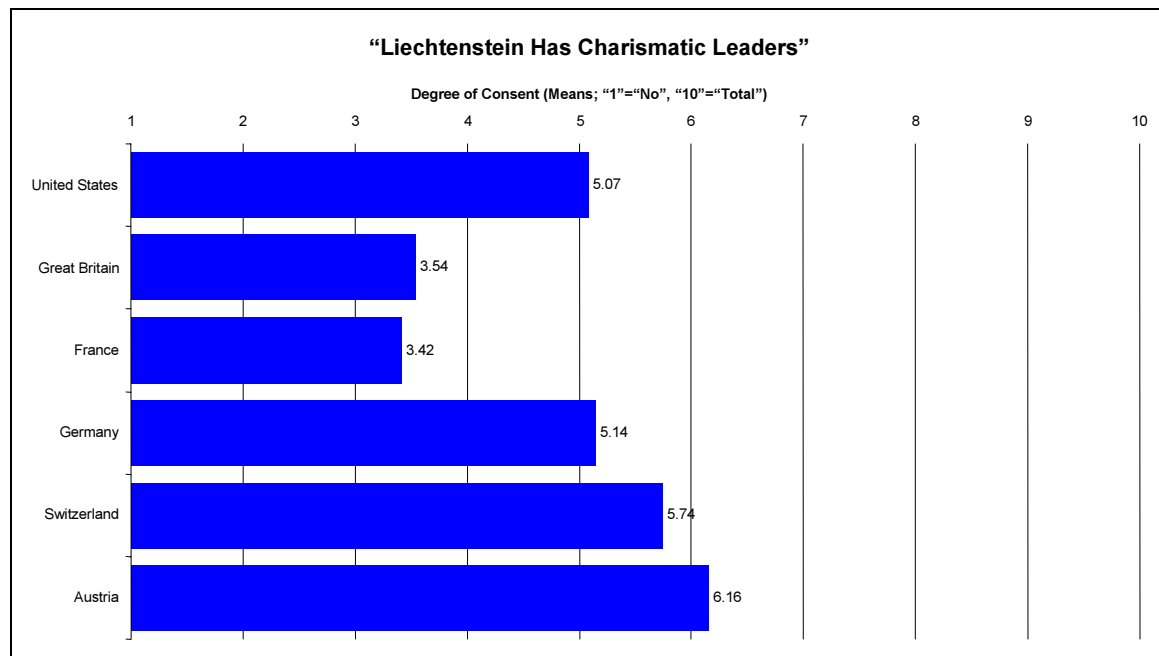


**"Liechtenstein Has Charismatic Leaders"**

Degree of Consent (Means; "1"="No", "10"="Total")

| Country | Rating |
|---|---|
| United States | 5.07 |
| Great Britain | 3.54 |
| France | 3.42 |
| Germany | 5.14 |
| Switzerland | 5.74 |
| Austria | 6.16 |

Exhibit 4.1–6

**Collective Results**

It is worthwhile noting here that when looking at significant differences across the 20 items of the CRI, a clear majority of the differences found relate to the country rating Liechtenstein,

rather than other social or demographic characteristics such as age, gender, income, or level of education. However, clearly, the ratings tended to be generally higher with increasing respondent age and with female respondents. The US ratings were among the highest, while the ratings by the French tended to be the lowest.

For example, the mean ratings by Austria, Switzerland, and the US for "beautiful place" were considerably higher than those by the UK, France, and Germany. The ratings by Austria, Switzerland, and the US were higher with increasing respondent age.

### 4.1.4 Foreign Respondents' Recommendations on How Liechtenstein Should Improve Its Reputation

The answers to the open-ended question—"What would you recommend that Liechtenstein do to improve its reputation?"—show that Swiss respondents are well aware of the current issues Liechtenstein is facing, while the US and the UK have only little background knowledge, which may explain why they suggest using a rather generic publicity approach.

| Clusters of Proposals | AT | CH | DE | FR | GB | US | Total |
|---|---|---|---|---|---|---|---|
| Abolition of banking secrecy, money laundering, and tax haven ("mailbox companies") | 13 | 161 | 29 | 23 | 10 | 11 | 247 |
| Information, promotion, and advertising—publicity | 14 | 24 | 28 | 11 | 55 | 103 | 235 |
| Abolition of monarchy | 2 | 79 | 1 | | | 1 | 83 |
| Uphold international laws and actively engage in the international community—openness, transparency | 12 | 33 | 10 | 5 | 3 | 12 | 75 |
| Change monarchy, attitude of the Ruling Prince, reduce political influence | 2 | 53 | 1 | | | | 56 |
| Promote tourism—it's a beautiful place | 4 | 5 | 9 | 5 | 11 | 9 | 43 |
| Don't change; keep your identity and independence—treatment by the media and the EU is unfair | 4 | 12 | 5 | | 1 | 16 | 38 |
| Do marketing and branding—assume a higher profile, promote uniqueness | 1 | 6 | 6 | 2 | 11 | 12 | 38 |
| Constitutional debate—seek harmonization between citizens, the government, and the Ruling Prince | 1 | 29 | | | | | 30 |
| Strengthen the democratic government | | 25 | 2 | | | | 27 |
| Reduce influence of church and bishop—dictatorship | | 17 | | | | | 17 |
| More EU and less CH | 10 | | 5 | | 2 | | 17 |
| Create something unique—cultural or sports event | 1 | 3 | 2 | 5 | | 3 | 14 |
| Improve foreign policy activities—get more involved | | 5 | | 1 | | 6 | 12 |
| Sponsoring and programs—do social good | 3 | 3 | 1 | | 1 | 2 | 10 |
| Not EU, but rather more CH | | 8 | 1 | | 1 | | 10 |
| Be open to immigration—lower barriers | | 2 | 2 | | 2 | 3 | 9 |
| Citizens are often conceited and disagreeable | | 6 | | | | | 6 |
| Promote and strengthen financial capabilities | | | | | | 3 | 3 |
| Communicate and inform openly about issues—vision of the country | | 2 | | | 1 | | 3 |
| Care for the environment | | 2 | | | 1 | | 3 |
| Provide more information in French—brochures, Web site, etc. | | 2 | | 1 | | | 3 |
| Keep the monarchy | | 2 | | | | | 2 |
| Engage less at international level | | 1 | | | | 1 | 2 |

Exhibit 4.1–7

The constitutional debate is only perceived as an issue by Switzerland but not by Austria or Germany. The Swiss are fairly critical of the Ruling Prince while neither Austrian nor German respondents pick up the notion of Liechtenstein' monarchy. The proximity of the Swiss to Liechtenstein is further underscored by the Swiss mentioning the topic of the Catholic Church, around Archbishop of Vaduz Wolfgang Haas, which is not picked up by the remaining respondent countries.

The French suggest building up a positive image via promotion of cultural events which have a European appeal and which demonstrate Liechtenstein's identification with Europe.

### 4.1.5 Drivers of Liechtenstein's Reputation

The items exerting the greatest influence on Liechtenstein's reputation, i.e. the so-called "drivers of reputation," were determined by means of linear regression analysis. As the items "liking," "respect", and "trust" (Emotional Appeal) correlated highly with the overall reputation score, they were all combined into a single dependent variable termed "regard" and the original 20 items reduced to 17 independent variables, or predictors. For the sake of comprehensibility, we will refer to the driving variables as "drivers of reputation," rather than "drivers of regard." The higher the regression coefficient, the greater the influence of this particular item (variable) on Liechtenstein's reputation.

| Rank | Reputation Item | Regression Coefficient (Beta) |
|------|-----------------|-------------------------------|
| 1. | Beautiful place | 0.228 |
| 2. | Upholds international laws | 0.216 |
| 3. | Well-managed | 0.148 |
| 4. | Responsible member of global community | 0.144 |
| 5. | Supports good causes | 0.128 |
| 6. | Communicates an appealing vision | 0.122 |
| 7. | Well-educated residents | 0.115 |
| 8. | Safe place in which to invest | 0.075 |
| 9. | Supports responsible environmental policies | -0.069 |
| 10. | Well-developed industrial sector | 0.052 |

Exhibit 4.1–8

### 4.1.6 Drivers of Reputation by Performance Rating

The following chart depicts the drivers of reputation in relation to the mean ratings for Liechtenstein, across all six respondent countries. The chart is divided into four sections by two separators: the line between significant and non-significant drivers on the one hand, and the line representing the mean rating of all 17 reputation items (excluding Emotional Appeal). Items getting above-average ratings can be found in the upper half; those rated below average appear in the lower half. The items having a strong influence on Liechtenstein's overall reputation can be found on the right with items exerting only limited influence appearing on the left. The dotted blue line shows the mean rating for "overall reputation."
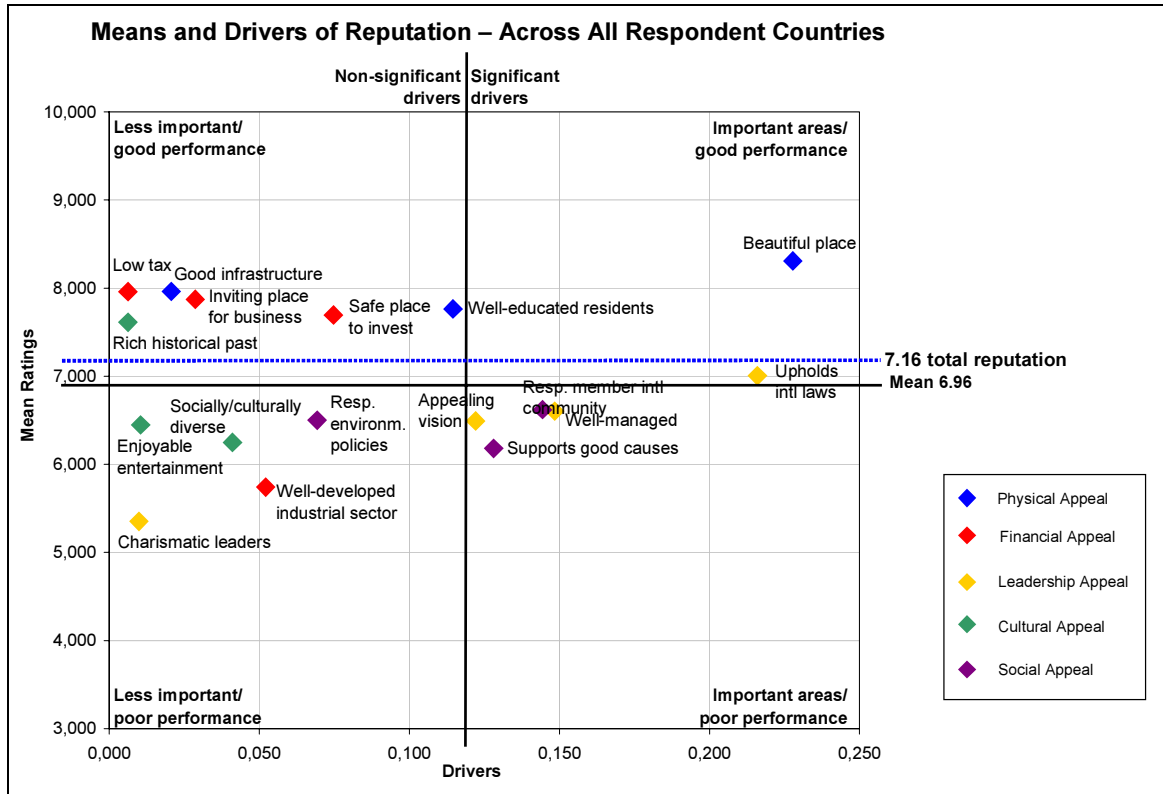
**Means and Drivers of Reputation – Across All Respondent Countries**

Exhibit 4.1–9

This chart shows clearly that Liechtenstein's reputation capital lies mainly in its physical appeal. The items "beautiful place," "well-educated residents," and "good infrastructure" obtained above-average ratings. In addition, "beautiful place" and, to a lesser extent, "well-educated residents" strongly influence Liechtenstein's overall reputation.

An additional asset for Liechtenstein lies in its financial appeal, where three out of four items were rated well above average. However, these items' influence on the country's overall reputation is limited.

The items forming the Cultural Appeal dimension show scope for improvement. Then again, this dimension drives the country's overall reputation only marginally.

The country should be concerned with its Leadership Appeal and Social Appeal dimensions. Except for a single one, all items belonging in these dimensions were rated below average. In addition, several of these items, including "upholds international laws," are drivers of the country's reputation. Other influential items to note are "well-managed," "responsible member of the global community," "supports good causes," and "communicates an appealing vision." A discussion of selected key items follows. See appendices for similar charts by respondent country.

### 4.1.7  A Closer Look at Selected Drivers of Reputation

The three charts below show the mean ratings by respondent country for important items which drive reputation but were poorly rated. Most striking is the finding that the French rated Liechtenstein considerably lower than any other respondent country. The ratings by the British were comparatively low, too. The highest ratings for these items were given to Liechtenstein by Austria and the US, followed by Switzerland and Germany.
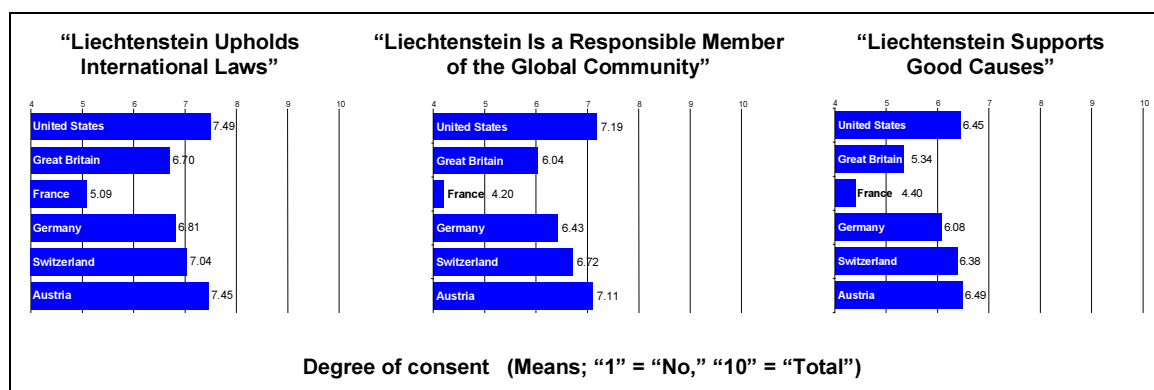


Exhibit 4.1–10

Within the competitive set, for two of the three items, Belgium, Luxemburg, and Switzerland were rated substantially better than Liechtenstein, the Channel Islands, and Monaco. It seems that countries which are larger in size and/or more closely associated with the EU (EU members Belgium and Luxemburg) are perceived as being more responsible and better integrated into the international legal system than smaller states.
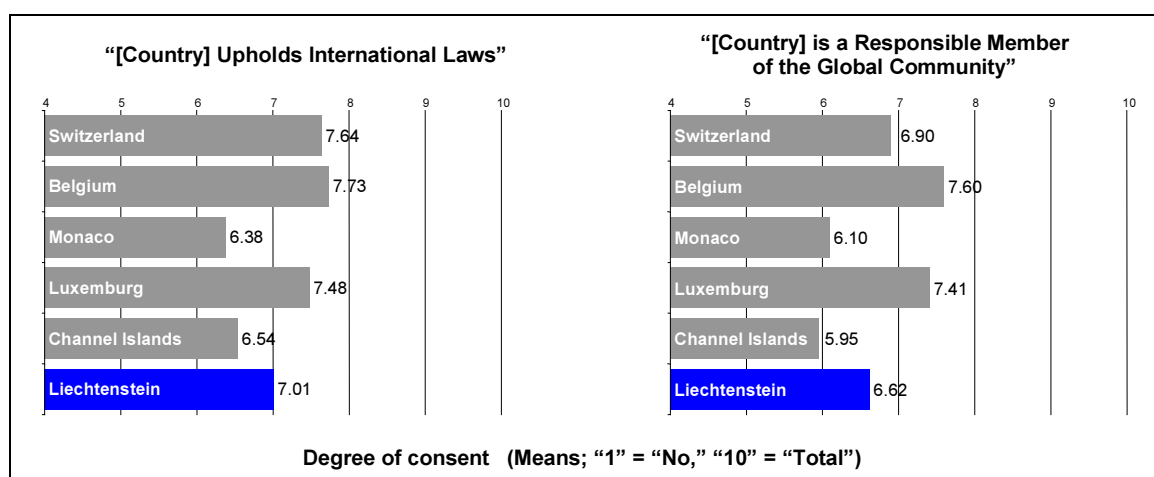


Exhibit 4.1–11

### 4.1.8  Comparison of Strengths within the Competitive Set

By comparing the other five countries of the competitive set (Switzerland, Monaco, Luxemburg, Belgium, and the Channel Islands) with Liechtenstein, the following strengths can be identified (see charts in the appendices):

– Belgium's strengths in relation to Liechtenstein are its industrial sector, its social and cultural diversity, and its integration with the international community.

- Luxemburg is perceived as better managed, socially and culturally diverse, and well integrated into the international community.
- Monaco is famous for its leadership appeal—most of all its charismatic leaders—and for enjoyable entertainment activities.
- Switzerland benefits from its well-developed industrial sector, its cultural and social diversity, and its support for environmental policies.
- The Channel Islands were rated lower for 15 out of 20 items, compared with Liechtenstein; however, respondents rated the overall reputation of the Channel Islands higher than Liechtenstein's overall reputation.
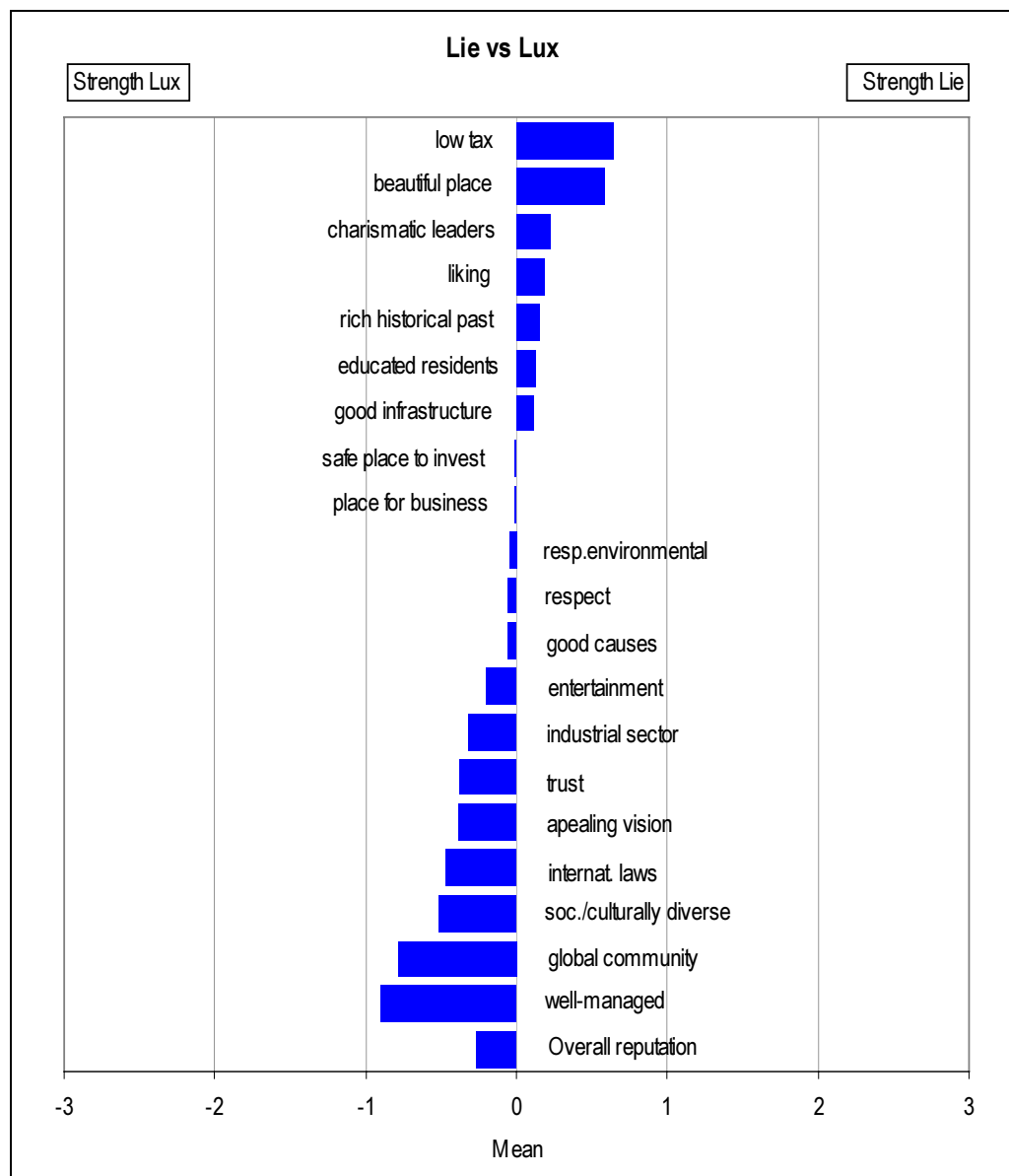


Exhibit 4.1–12; comparison of strengths Liechtenstein vs Luxemburg

## 4.2 How Liechtenstein Sees Itself

In the Identity Audit, the highest mean ratings were given by the Liechtenstein people to the items "well-developed industrial sector," "low tax," "beautiful place," and "liking", while "charismatic leaders," "well-managed," and "communicates an appealing vision"—all of which belong in the Leadership Appeal dimension—scored the lowest marks. In addition, the Liechtenstein respondents believed their country's overall reputation abroad to be a mere 5.72. For details, see Exhibit 4.4–1, Gap Analysis—Reputation vs Identity.

The two highest scoring items, which relate to taxation and industry, belong in the Financial Appeal dimension. In addition, the people rated "beautiful place" very high, which describes the country's physical appeal.

### 4.2.1 Liechtenstein Residents' Recommendations on How Liechtenstein Should Improve Its Reputation

When asked what they would recommend that Liechtenstein do if the country should seek to improve its reputation, a majority of Liechtenstein respondents said it should step up its image-promoting activities and highlight the country's diverse offering via the media, events, or information campaigns. Furthermore, they recommended that the constitutional debate be brought to an end as quickly as possible. In addition, respondents said Liechtenstein should implement a socially and environmentally responsible policy. The people also wished the country to be proactive and more visionary with regard to political issues.
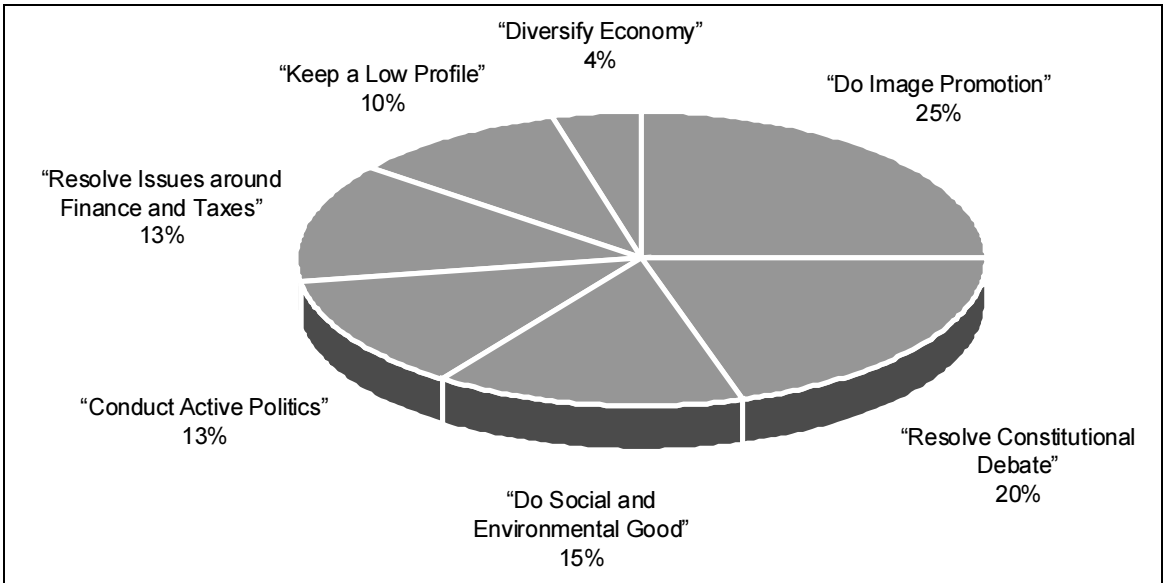


Exhibit 4.2–1

Furthermore, change in the financial sector was frequently mentioned as an important point as the media primarily report on this topic. Overall, these statements also express how the Liechtenstein people would like to be perceived. The detailed answers to the open-ended question can be found in the appendices.

## 4.3    Liechtenstein's Uniqueness

In order to determine Liechtenstein's uniqueness, the project team had invited five experts to discuss the Liechtenstein identity in a special focus group. From the discussion with and among the experts, the team produced a short statement which describes the most salient traits of the Liechtenstein identity. In a Delphi approach, the following "identity profile" was agreed by the team and by four out of five experts. See appendices for the German original and a detailed description of the process.

***Thoughts on the Liechtenstein Identity***

*Liechtenstein is small, so the government and social structure is almost an informal affair. People know each other and are on familiar terms – almost too much sometimes. This close-knit environment has produced a richly diverse fellowship culture.*

*A lack of long-winded procedures and red tape make many things simpler than elsewhere. The people of Liechtenstein have their feet firmly on the ground, are uncomplicated, extremely practical and unpretentious.*

*The possibility of taking an active part in the country's government and economy is taken as read. Individuals have every opportunity to develop professionally and socially—there is simply less competition. You are someone in Liechtenstein, and this self-awareness nourishes a feeling of being part of an exclusive society.*

*On the other hand, the country's clear, transparent organization also encourages the formation of a diversity of links and networks and leads to increased social control. Co-existence in a small space makes harmony a necessity, even essential at times. This in turn can lead to a pressure to conform, which transforms the feeling of closeness into something more akin to confinement.*

*Anyone who lives in a small community is always aware of the limits, both literally and metaphorically. Just as crossing the border is part of everyday life, overcoming other limits is also part of the general (everyday) experience. A small country like Liechtenstein relies on good cross-border relations in particular. Liechtenstein's foreign integration policy, its membership of international organizations and participation in the European Economic Area (EEA) are examples of a cross-border policy that strengthens Liechtenstein's independence and sovereignty at the same time.*

*The awareness of the common history, which also includes the transformation of an economically poor country into a prosperous, modern nation, is particularly marked in Liechtenstein. Together with the language, history has endowed the country with its identity and defines it in relation to the outside world at the same time. The important role of the Ruling Prince and the Royal House is also based on historic experience.*

*One particular feature that has helped to mould the self-awareness of the people of Liechtenstein is the landscape. They are rooted in it and it binds them to their place of origin.*

From a synthesis of this identity profile, extensive discussion with the experts, the findings from the other research components, as well as the situation analysis, the project team recognized that Liechtenstein's uniqueness lies in the two polar notions of "naturalness" and "sophistication," which characterize the Liechtenstein identity.

"Naturalness" captures the idea that the Liechtenstein people are on familiar terms with each other, have their feet firmly on the ground, and are uncomplicated, practical and unpretentious. They have not forgotten their common "simple" roots and that, not so long ago, they were much worse off than they are today. In addition, they are clearly influenced by the natural, unspoiled landscape surrounding them.

"Sophistication," on the other hand, expresses the notion that Liechtenstein has a highly specialized, high-tech industrial sector and has become a leading financial center and an attractive place for business. Liechtenstein today is a very prosperous country. Its people feel part of an exclusive society, which has achieved a lot by continuously being forced to cross borders. Even though small in size, Liechtenstein has been able to maintain its independence and sovereignty through a sophisticated policy of international cooperation and integration. Furthermore, the country's history as a monarchy adds to this "sophistication" and a feeling of exclusiveness.

## 4.4    Gap Analysis—Reputation vs Identity

The chart below compares the mean ratings for Liechtenstein for all 20 items, as well as Liechtenstein's overall reputation, as obtained in the Reputation and Identity Audits. The means are sorted from highest to lowest, based on the internal ratings.

Generally, the self-perception ratings were higher than the external ratings of Liechtenstein. Strikingly, however, the Liechtenstein people believe that foreign countries rate Liechtenstein's overall reputation much lower than is actually the case.

The item "beautiful place" obtained the highest ratings by external respondents and scored the third highest rating by internal respondents. High ratings were also given by both internal and external respondents to the items describing Liechtenstein's business location and fiscal framework (i.e. "low tax," "good infrastructure," "inviting place for business," and "safe place in which to invest").

At the other end of the scale, the Leadership Appeal items "charismatic leaders," "well-managed," and "communicates an appealing vision" scored the lowest ratings overall, both

internally and externally. In fact, the internal ratings were even lower than those given by external respondents.
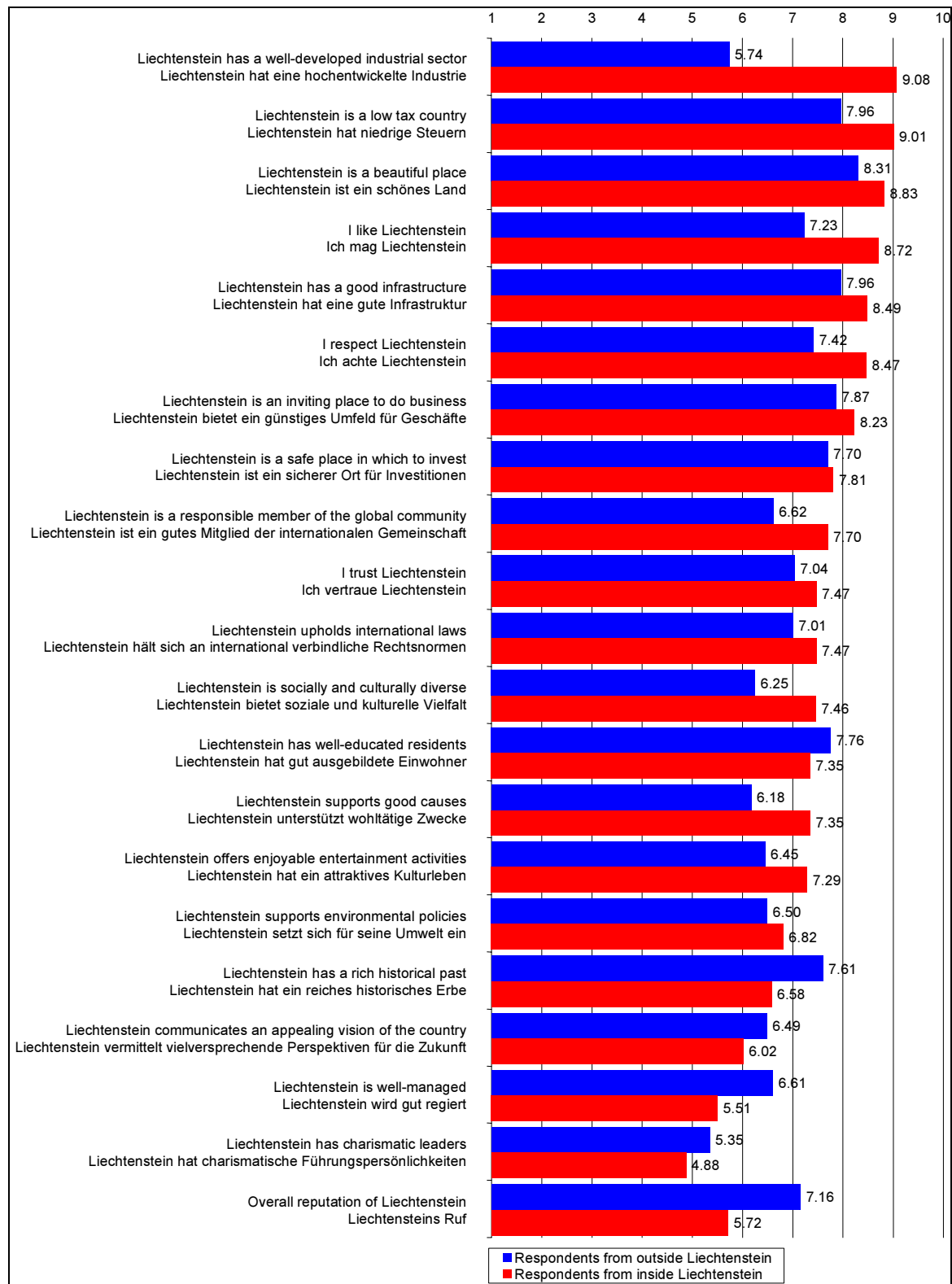


Exhibit 4.4–1

The largest discrepancy between the internal and external perceptions is found in the ratings for Liechtenstein's industrial sector: The average rating by Liechtenstein respondents is more than three points higher than the external mean rating. Obviously, external respondents did

not know that Liechtenstein has a highly sophisticated industrial sector. This is not surprising, however, because the big, internationally operating companies based in Liechtenstein do not brand themselves as Liechtenstein companies and their products are generally not labeled "made in Liechtenstein." Another item showing a large gap between the external and internal ratings is "supports good causes."

## 4.5 What Liechtenstein Is Saying about Itself and What Others Are Saying about Liechtenstein

The Communication and Media Audit provides an overview of the communication activities by the Liechtenstein Government and the coverage of Liechtenstein by the printed media. Due to its design, the audit yields only big-picture patterns. A causal relationship between any single message sent forth by the government and its respective coverage in the printed media cannot be established.

### 4.5.1 How the Press Covered Liechtenstein—Coverage vs Circulation

Exhibit 4.5-1 shows the absolute number of occurrences of the terms defined during the period of observation (see appendices for a complete list of search terms and newspaper titles). *Neue Zürcher Zeitung (NZZ)* covered Liechtenstein most intensely, outnumbering *St. Galler Tagblatt* and *Basler Zeitung* by approximately one third. All three newspapers are among the nine Swiss newspapers with the largest circulation. Coverage by the largest-circulation daily newspaper *Blick* was relatively low. This may be due to the fact that tabloids such as *Blick* apply different criteria of newsworthiness than do quality papers such as *NZZ*.

The low coverage by *Südostschweiz*, which is distributed in the area bordering Liechtenstein, comes as a surprise. This finding may partly be explained by the search method chosen, since our database queries retrieved only articles containing the word "Liechtenstein." Given the newspaper's geographical proximity with Liechtenstein, we may assume that *Südostschweiz* does not use the word "Liechtenstein" in all of its articles relating to the neighboring state, but rather uses more specific words such as "Vaduz" or "Triesen," which is why these articles could not be identified by the search method applied.
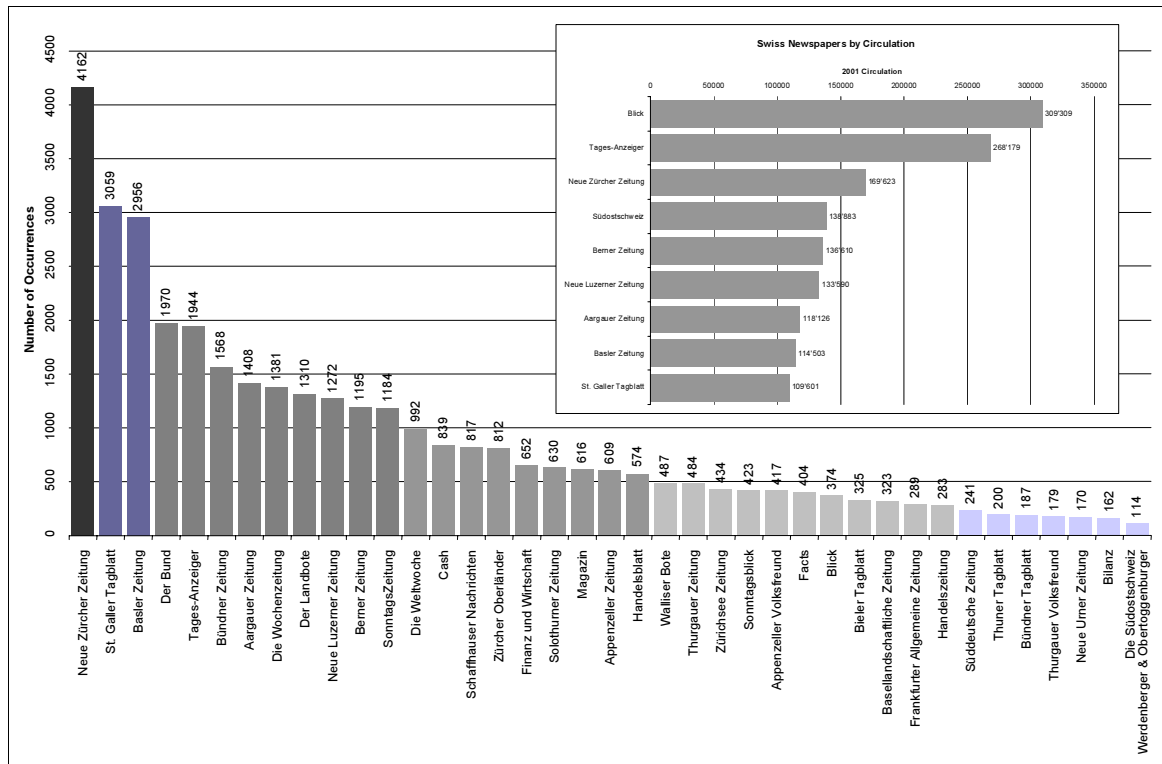
Exhibit 4.5–1

## 4.5.2 Topics Covered by Neue Zürcher Zeitung, SonntagsZeitung, and Blick

*Neue Zürcher Zeitung*, *SonntagsZeitung*, and *Blick* were then chosen for closer examination of the topics covered as these newspapers are typical exponents of the three main types of newspaper in Switzerland—the quality press (*NZZ*), Sunday papers (*SonntagsZeitung*), and tabloids (*Blick*). From studying how these three newspapers report on Liechtenstein, we obtain a fairly representative picture of how the country was covered by Swiss newspapers in general.

| Neue Zürcher Zeitung (32 different topics) | | SonntagsZeitung (21 different topics) | | Blick (20 different topics) | |
|------|------------------|------|---------------|------|-------------|
| Rank | Topic | Rank | Topic | Rank | Topic |
| 1 | Geldwäsch* | 1 | Geldwäsch* | 1 | Geldwäsch* |
| 2 | Treuhand* | 2 | Finanzpl* | 2 | Fürst |
| 3 | Finanzpl* | 3 | Treuhand* | 3 | Treuhand* |
| 4 | Finanzdienstleist* | 4 | Stiftung | 4 | Vermögen* |
| 5 | Fürst | 5 | Vermögen* | 5 | Finanzpl* |
| 6–29 | … | 6–18 | … | 6–17 | … |
| 30 | Kinder | 19 | Innovation | 18 | Steuerflucht |
| 31 | Mafia | 20 | Finanzzentr* | 19 | Stiftung |
| 32 | Kulturförd* | 21 | Kriminalität* | 20 | Tourismus |

Exhibit 4.5–2

*NZZ* outnumbered both *SonntagsZeitung* and *Blick* by one third regarding the number of topics covered. Not surprisingly, however, the "hot" topics made it in the headlines of all three

newspapers—three out of the top five are even identical. All of these relate to Liechtenstein as a financial center.

### 4.5.3 Topics Communicated by the Government vs Topics Reported by the Media

The following terms ("topics") were found in both sets of documents during the period of observation. They are listed by their frequency of occurrence.

| Government: Topics Communicated | | | Printed Media: Topics Reported | | |
|---|---|---|---|---|---|
| Rank | Topic | Occurrences | Rank | Topic | Occurrences |
| 1 | Geldwäsch* | 418 | 1 | Geldwäsch* | 7369 |
| 2 | Kinder | 296 | 2 | Finanzpl* | 4551 |
| 3 | Bank | 223 | 3 | Treuhand* | 4024 |
| 4 | Demokratie | 186 | 4 | Vermögen* | 2059 |
| 5 | FATF | 156 | 5 | Fürst | 1857 |
| 6 | Verfassung* | 148 | 6 | Stiftung | 1643 |
| 7 | Fürst | 145 | 7 | Finanzdienstleist* | 1451 |
| 8 | organisiert* Verbrech* | 143 | 8 | FATF | 1407 |
| 9 | Finanzdienstleistungs* | 117 | 9 | Schloss | 1325 |
| 10 | Finanzplatz | 117 | 10 | schwarze Liste | 1275 |

Exhibit 4.5–3

This table shows that many similarities exist in terms of content covered. Both the government and the media mainly reported on topics that were "hot" during the period of observation, that is, money laundering, tax haven, tax evasion, pressure exerted on Liechtenstein by the FATF and foreign governments, etc.

On the other hand, the terms the project team had derived from the Social Responsibility dimension hardly made it in the headlines. In fact, "Kinder" was the only term yielding any search results. However, there was a striking difference in how the media and the government picked it up: "Kinder" ranked second on the government's "agenda," while the media virtually ignored the topic with only 19 occurrences. It seems that the topic of social responsibility is not considered newsworthy by the press as it does not fulfill the relevant criteria in terms of the newspapers' news values.

### 4.5.4 "Hot" Topics

The findings presented above show that, during the period of observation, two major topics clearly dominated both the governmental press releases as well as the news coverage of Liechtenstein in the printed press:

− Liechtenstein's financial sector as an alleged center for money laundering and a safe haven for tax evaders;
− the debate triggered by the Ruling Prince in an attempt to amend the current constitution.

### 4.5.5  Regularity and Frequency of Press Coverage

Liechtenstein's Press Department issued press releases regularly throughout the whole period of observation. This regularity, however, was not found with the media. Of the newspapers selected for further analysis (4.5.2.), only *Neue Zürcher Zeitung* reported consistently and regularly on Liechtenstein, while both *Blick* and *SonntagsZeitung* reported very selectively, both in terms of the amount of coverage as well as its distribution over time.

If the Press Department wants to achieve a similarly high frequency and regular coverage with other newspapers, it may want to use *NZZ* as a benchmark and check its relationship with the relevant journalists to enable a best practice analysis.

## 4.6  Preliminary Conclusions—Relevant Issues

From the situation analysis and the findings of our analysis of Liechtenstein's current state, we can conclude that Liechtenstein is faced with three main issues.

The first issue concerns Liechtenstein's *financial sector*. Although Liechtenstein has responded to attacks against its financial sector as an alleged center of money laundering and a safe haven for tax evaders with both communication and structural measures, the negative conception abroad has persisted to some extent. In addition, the fact that Liechtenstein is well integrated with the international community is not well known to many people. Given the importance of the financial sector for Liechtenstein's national economy, this is an important issue, especially now that the EU is stepping up pressure on the so-called "offshore financial centers" both inside and outside the EU. Internally, the Liechtenstein people believe that there is still scope for improvement as regards the financial sector and accusations made against it.

The second issue has formed around the country's *leadership appeal*, both inside and outside Liechtenstein. Inside Liechtenstein, the country's leaders are perceived as lacking charisma and as not communicating an appealing vision for the country. The problem has become more aggravated there given the as yet unresolved constitutional debate, especially so because the monarchy is an important trait of the Liechtenstein identity. Outside Liechtenstein, the country's leadership is also not perceived very positively. In particular, the Ruling Prince suffers from a fairly negative image in Switzerland.

Unfortunately, the reputation items "responsible member of the global community," "upholds international laws," "well-managed," and "communicates an appealing vision" are important drivers of Liechtenstein's reputation.

The third issue is not a problem of negative conceptions as the first two, but it is the comparatively *low familiarity* of Liechtenstein abroad. Despite its highly specialized industry

and leading financial sector, Liechtenstein is not well known compared with the other countries of the competitive set. On the positive side, however, with those who are familiar with Liechtenstein, it enjoys considerable reputation capital, mainly in terms of its physical and financial appeal.

## 4.7    Defining the Issue-Related Stakeholders

For any issue, it is crucial to identify the relevant stakeholders as well as both their level of power and their level of interest. For the two "conception issues" at hand, we have defined the stakeholders as follows:

**Issue I: "Financial Sector"**

| | | **Level of Interest** | |
|---|---|---|---|
| | | **Low** | **High** |
| **Power** | **Low** | A) Minimal Effort<br>– Neighboring regions, SG<br>– UNO<br>– WTO | B) Keep Informed<br>– Dept. of Public Relations<br>– Switzerland<br>– Austria<br>– Liechtenstein inhabitants<br>– Liechtenstein Tourism<br>– "Stiftung Image Liechtenstein"<br>– Dept. of Foreign Affairs<br>– Members of Parliament<br>– Smaller countries |
| | **High** | C) Keep Satisfied<br>– Media: news agencies, correspondents of international press | D) Key Players<br>– Ruling Prince<br>– Liechtenstein Government<br>– Liechtenstein financial sector; Banking Association, Association of Trustees<br>– FATF<br>– EU; Ecofin, Germany, France |

Exhibit 4.7–1

**Issue II: "Leadership Appeal"**

| | | Level of Interest | |
|---|---|---|---|
| | | **Low** | **High** |
| **Power** | **Low** | **A) Minimal Effort**<br>– Neighboring regions, SG<br>– UNO<br>– WTO<br>– Liechtenstein Tourism<br>– Austria<br>– Smaller countries | **B) Keep Informed**<br>– Dept. of Public Relations<br>– Switzerland<br>– Liechtenstein passport holders<br>– "Stiftung Image Liechtenstein"<br>– Dept. of Foreign Affairs<br>– Members of Parliament |
| | **High** | **C) Keep Satisfied**<br>– Media: news agencies, correspondents of international press | **D) Key Players**<br>– Ruling Prince<br>– Liechtenstein Government<br>– FATF<br>– EU; Ecofin, Germany, France<br>– Liechtenstein financial sector; Banking Association, Association of Trustees |

Exhibit 4.7–2

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# 5.   Designing the Future State

Liechtenstein's "future state" describes where the country should position itself and explains the factors which determine its positioning.

## 5.1   Positioning Liechtenstein

Liechtenstein's strategic intent is to achieve a position in which the country is well equipped to keep the status of a sovereign state that is well respected around the globe.

### 5.1.1   Goals and Objectives

Liechtenstein's overriding goal is to manage its reputation actively by projecting to the world Liechtenstein's identity which is characterized by highly sophisticated attributes on the one hand and a high degree of naturalness on the other. More specifically, the following objectives can be defined for Liechtenstein:

− Increase the level of familiarity primarily in the stakeholder countries;
− Tackle the leadership issue;
− Further improve the financial sector and its perception through structural and communication-based measures.

### 5.1.2   Strategic Capability: Unique Resources and Core Competences

The country's unique resources are its people and scenery. Liechtenstein has a beautiful and unspoiled landscape which is the country's asset as an attractive tourist destination. The unique combination of a rural structure with the achievements of a highly industrialized nation gives Liechtenstein its particular note.

Liechtenstein's well-educated and flexible people as well as the country's highly specialized companies and products can be considered as Liechtenstein's own unique property. The labor force's skills and knowledge are highly advanced and contribute to the country's high performance. The financial sector represents Liechtenstein's most salient core business. It is based on a high level of know-how which has grown over time in an encouraging business environment. The high complexity of the financial business and the supportive legal conditions make it difficult for competitors to copy these strengths.

Furthermore, Liechtenstein is the "home base" (notion coined by Porter, 1990) for many globally exporting companies. According to Porter (1990), "The home base is the nation in which the essential competitive advantages of the enterprise are created and sustained. It is where a firm's strategy is set" (p. 19). Liechtenstein with its skilled and well-educated labor force and its good infrastructure offers attractive conditions. Many companies serving the global market profit from these conditions. They mainly serve highly specialized niche markets, which include diverse precision instruments, dental products, food, etc.

These competences and resources can be considered as robust. They are the source of competitive advantage and represent Liechtenstein's strategic capability. They have the potential to be valued by stakeholders in- and outside of Liechtenstein.

### 5.1.3 Core Purpose and Expectations

As a country, Liechtenstein has to provide its population with attractive living conditions and care for its long-term existence as a sovereign state, which can be considered Liechtenstein's core purpose. For any strategy to be successful, the agreement of the people of Liechtenstein is indispensable.

In addition, the beliefs and values of the Ruling Prince, the government of Liechtenstein, and the country's economic sector have to be respected as these are internal key players. Furthermore, the powerful organizations of Ecofin, FATF, and the EU—with special attention to be paid to Germany and France—must be taken into account.

## 5.2 Environment

When choosing a strategy, possible developments of internal and external factors have to be considered and projected in scenarios which require suitable strategies. Beside the current issues, prospective issues which might come up in the future should also be considered. An overview of important macro trends which may affect Liechtenstein follows.

### 5.2.1 Trends

The globalization of social and economic processes and structures seems to be unstoppable. The increasing division of labor is changing worldwide processes and structures of economic activity (Graf, 2000).
*For small countries, it is essential to occupy a niche (Kotler, 1997, p. 85).*

"The relationship between companies and countries is getting closer. They compete, they overlap, they swap places" (Olins, 1999, p. 1).
*The "marketplace" is on the move and creates additional challenges for countries.*

The nation state will survive but will be firmly embedded in international networks (police, judiciary, etc.) (Graf, 2000).
*Cooperation and networking between countries will become mandatory.*

The EU—which will be joined by the countries of eastern Europe and Russia—will become the most important trading block/organization (Graf, 2000).
*For countries outside this organization, life will become more difficult.*

Knowledge will be key for economic competitiveness (Graf, 2000).

*There will be "a war for talent" (Horx, 2001).*

The economy will only function when values of tolerance, openness, and cooperation are developed (Horx, 2001).

*The next economy is built on people with an open mind and a high degree of flexibility.*

The old issues of great intensity—a social safety net, a respect for diverse rights, a competitive economy, and a less intrusive government—have not died, but they are not as divisive as they once were (2002 Ten-year forecast, 2002).

*Changing living conditions require changing political systems.*

### 5.2.2  Competitor Analysis

Drawing on Kotler's (1997) classification of nations into eight strategic groups, using two strategic dimensions—the level of wealth and the degree of industrialization—, Liechtenstein can be classified as an "industrial nicher" (p.85), i.e. it belongs to a group of smaller industrial nations which have a small domestic market and must face competitive threats both from larger industrial countries and from newly industrialized countries. Among others, Kotler classified Belgium, Luxemburg, and Switzerland as "industrial nichers," while grouping the US, Germany, France, and the UK in the "industrial giant" segment, which possesses the highest economic power.
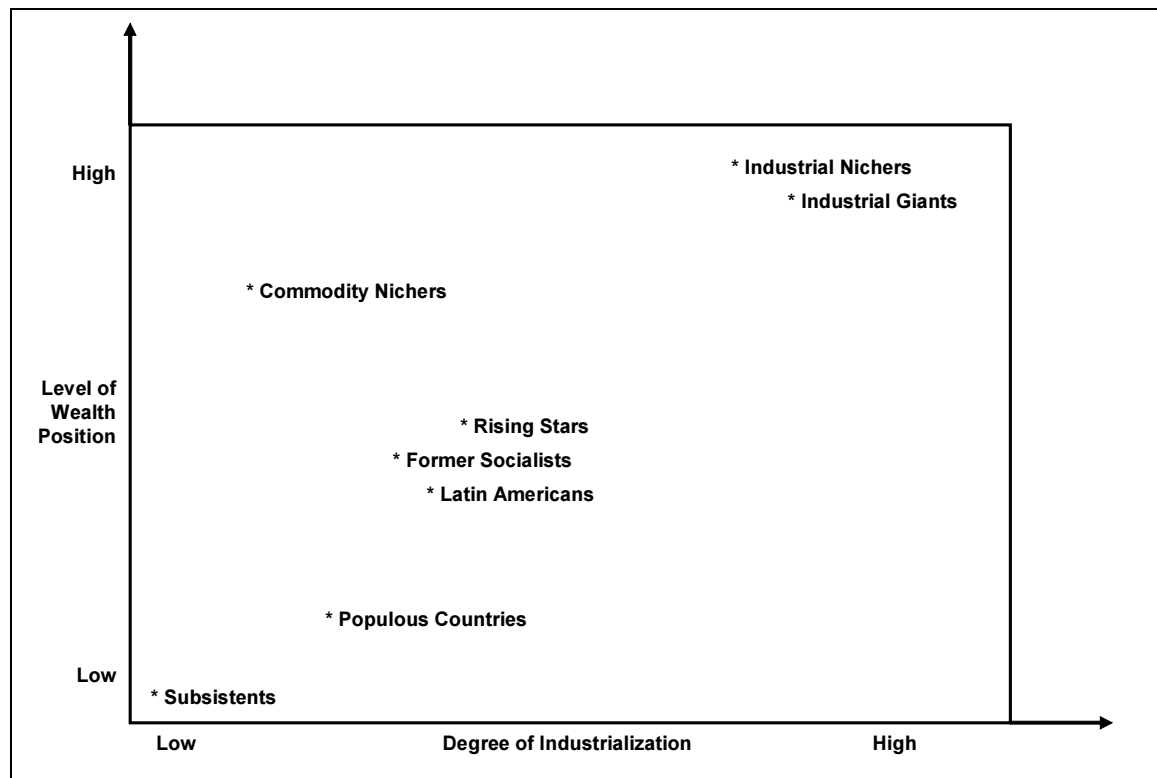


Exhibit 5.2–1; from Kotler (1997)

These countries act in a highly competitive arena. Their strategies are not known to us. However, a comparison within the competitive set allows for benchmarking on key attributes (see Section 4.1.8).

According to Olins (1999), countries will increasingly have to compete with multinational organizations which will continue to gain power and influence. For being successful in this highly competitive arena, the players have to make an effort to be noticed by their environment (p. 1-3); in line with Worcester's[1] statement that "familiarity breeds favorability," the strategy adopted has to take into account the lower familiarity of Liechtenstein relative to the countries of the competitive set. According to the above quote, familiarity with a given country may be an indicator of the degree of attention a country receives, and countries people are familiar with tend to receive a better reputation rating than countries people are less familiar with. Getting the attention of key stakeholders is thus a prerequisite for any measures to be successful.

### 5.2.3   Possible Scenarios

**Scenario 1: No Essential Change in the Environment**

The political and economical environment will basically stay the same. The EU will continue being the political and economical driving force in Europe. There will also be space for countries that do not want to join this organization, although they will be under pressure.

**Scenario 2: EU as Dominating Organization**

The EU will become very powerful so that membership will be inescapable. The driving forces within the EU—Germany and France—will take measures allowing them to extend their frameworks of regulations to all member states. This will have an impact on the different economies and force the countries to bring their "businesses" in line with the mainstream.

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[1] Prof. Robert Worcester of City University and Market and Opinion Research International (MORI) was one of the pioneers investigating this relationship.

## 5.3 Strategic Options for Liechtenstein

The following section presents possible options for Liechtenstein's future direction. They consider the issues found in our research.

**"Independence" Option**

The most prominent option is not to change the path taken and to stay outside the EU as a neutral partner. Because Liechtenstein's closest ally, Switzerland, is still following this policy for the time being, Liechtenstein has a strong partner with common interests, in particular as regards the preservation of the current legal framework for their financial centers. This option focuses on the close relationship Liechtenstein has built over decades and which is characterized by a high degree of trust between the two countries. Investing in keeping very close ties is key. There is some uncertainty involved, however, as the Swiss Government has announced plans for Switzerland to join the EU at some point. The trust strategy will then have to be reconsidered.

**"EU Membership" Option**

However, Liechtenstein could also strengthen its position by heading in a radically different direction and apply for EU membership. This would enable Liechtenstein to counteract some disadvantages stemming from having only little influence with a key stakeholder decision-making body of growing importance. Furthermore, it can be assumed that the country would increase its familiarity and recognition. This strategy would be in line with Liechtenstein's past policy of reinforcing autonomy through integration and active membership in international organizations.

**"Less Financial Sector" Option**

With regard to the accusations made against Liechtenstein's financial sector, another scenario points to the possibility that Liechtenstein, together with Switzerland, could be forced to accept measures unfavorable to its financial services sector, thus weakening Liechtenstein's financial situation. The country would then have to stress other elements of its overall offering. Considerations regarding this scenario should be taken at any rate because the probability of this scenario coming true to some extent is high.

**"Explicit Financial Sector" Option**

Another option would be to explicitly position Liechtenstein's financial services as one of the country's core businesses. Being less discreet, more active marketing in this respect would be necessary. However, a branding initiative should only be implemented if the country's

financial sector has a clear position internationally and is less vulnerable than has been the case over the last few years.

Depending on the situation and considering different time frames, a combination of the options pictured above is also possible. A strategic option addressing the leadership issue is not mentioned here. This issue is highly political and goes far beyond our offered framework which focuses primarily on communication measures.

The "Independence" option seems to be the most likely to be chosen by Liechtenstein as it is in line with the government's strategic objectives. On a political level, there seems to be a broad consensus that most benefits can be reaped by keeping the status quo, that is keeping close ties with Switzerland and being a member of the EEA, but staying outside the political body of the EU. The government does not consider EU membership a viable option for Liechtenstein in the near future. This view is supported by the government program, which stresses the country's sovereignty and the preservation of its identity and uniqueness.

## 5.4    SWOT Analysis

The SWOT analysis summarizes the key issues derived from the environmental analysis and the country's strategic capability that are most likely to impact on strategy development.

### 5.4.1   Swot Matrix

From the situation analysis, our research findings, and strategic analysis, the following SWOT matrix results:

| Strengths | W[2] | Opportunities | W |
|---|:---:|---|:---:|
| – Membership in international organizations | + | – Liechtenstein has a good reputation in Austria | ++ |
| – Physical appeal as a beautiful place with a good infrastructure and well-educated residents | ++ | – Liechtenstein has a good reputation in the United States | ++ |
| – Small and "graspable" | ++ | – Prince has a good reputation in AT | + |
| – Supportive business environment ("low tax," "safe place in which to invest," "well-developed industrial sector") | ++ | – Tendency of senior citizens to give Liechtenstein higher ratings | o |
| – Positive demographic trend (age pyramid) with many young residents | o | – Attractiveness of unique political system | o |
| – Active participation of the population in society and politics | + | – Nobility and monarchy sell | + |
| – People have high self-esteem and are open-minded, flexible, and adaptable in an international context | + | – Globalisation provides opportunities for countries with high-tech and highly specialized industries | o |
| – Prince as identification factor | ++ | | |
| – Rich cultural life | o | | |
| **Weaknesses** | **W** | **Threats** | **W** |
| – Lack of foreign knowledge about Liechtenstein's level of integration within the global community | - | – Poor reputation in France ("upholds international laws," "supports good causes," "responsible member of the global community") | - |
| – Lack of knowledge about Liechtenstein's industrial sector | -- | – Discrimination and possible sanctions by EU against non-members ("upholds international laws," "responsible member of global community") | - |
| – Lack of charismatic leaders | -- | – Tendency of younger citizens to give Liechtenstein lower ratings | o |
| – Little appealing vision | - | – Political system is perceived as anachronistic | o |
| – Low level of familiarity with Liechtenstein within competitive set | -- | – Globalization–population growth and increased settlement pressure | o |
| – Pressure to conform (small society) | - | – EU pressure on lifting banking secrecy | -- |
| – Undecided constitutional debate | - | – Prejudice from media issues | - |

Exhibit 5.4–1

## 5.4.2 SWOT Description

The SWOT matrix has been analyzed following the procedure to:

–   match strengths and opportunities;

–   convert weaknesses to strengths;

–   convert threats to opportunities;

–   minimize, if not avoid, weaknesses and threats.

This analysis highlights the following aspects:

---

[2]   W stands for weighting of the items in terms of their respective importance and urgency.

1. Liechtenstein has physical appeal. This offers opportunities in two respects: First, in the US and Austria—where Liechtenstein enjoys considerable reputation capital—this asset could be leveraged. Second, physical appeal may be used to increase familiarity and offset the weakness of Liechtenstein's comparatively low level of familiarity within the competitive set.

2. In addition, Liechtenstein offers an attractive business environment with a good infrastructure and low taxes from which its industry and financial sector benefit. Liechtenstein residents are well educated, open-minded, and flexible. They are used to traveling and can adapt to other environments. If Liechtenstein can maintain its strong economic growth and control settlement pressure, globalization is a major opportunity for Liechtenstein.

3. Although Liechtenstein is considered as having a good business environment, its highly developed manufacturing industry is not well known. Promoting the country's companies could help increase familiarity with Liechtenstein and improve the perception of the country as being strongly integrated with the global economy. The fact that Liechtenstein's industrial sector comprises mainly "clean," technologically advanced industries is in line with the country's perception as an unspoiled land.

4. Pressure from the EU on Liechtenstein's financial sector may threaten the country's financial position. Moreover, Liechtenstein enjoys a relatively poor reputation in France, a major influential within the EU, and there is a lack of knowledge about the country's level of integration with the global community. Active relationship management with the EU and increased focus on reputation management in France may counter these threats and weaknesses.

5. Liechtenstein's leadership appeal is rather weak, although there is potential in the unique political system which could be especially exploited in Austria. This issue is very unstable and cannot be tackled for as long as the constitutional debate remains unresolved. Therefore, activities should focus on the "financial sector" and "low familiarity" issues, which will also have a positive impact on leadership appeal as they will signal that the country is actively managing its reputation.

# 6.    Managing the Transition

This third stage contains a detailed description of the selected strategy and recommendations on how Liechtenstein can translate this strategy into action.

## 6.1    Strategic Thrust

Based on the combined findings of this study, our recommended strategy for Liechtenstein is to "strengthen the strengths" and to build on existing reputation capital, that is, leverage its physical appeal and its appeal as an attractive business location (financial appeal). Although this strategy focuses on external issues, it is firmly embedded in the country's identity.

## 6.2    Dual Strategy

In accordance with the bipolarity of Liechtenstein and its people, a dual strategy should be adopted which builds on the country's uniqueness and exploits its core competences.

### 6.2.1    First Aspect:  Liechtenstein as a Center of Competence for Highly Sophisticated Products and Services in the Financial Sector

Liechtenstein has a successful financial sector and is well known for its high-quality financial products and services. However, pressure from the EU has made it clear that if the financial sector wants to be successful in the long run, it has to assume ethical responsibilities in its offering. The exclusive application of economical measures as a benchmark for success will not suffice. Additional factors such as low taxes, well-educated residents, and a good infrastructure can be used to complement the international perception of the country with offerings of excellent quality. It is essential to communicate and reinforce Liechtenstein's high level of integration with the global community and compliance with international laws.

This builds on existing reputation capital that Liechtenstein enjoys as an attractive location for business and investment. It tackles the "financial sector" issue directly while indirectly influencing the leadership perception in a positive way. In order to undertake the issue regarding Liechtenstein's financial sector, we suggest the following procedure:

- Create awareness in Liechtenstein that the financial sector can only be sustained if best practice is applied;
- Create a culture that guarantees the highest ethical standards in Liechtenstein's financial industry;
- Promote excellence in Liechtenstein's financial sector internationally.

By following this procedure, Liechtenstein as a whole, and the financial sector in particular, will gain credibility, and it can be assumed that this will also help improve the perception of Liechtenstein as a responsible member of the global community and a well-managed country.

At the same time, relationship management is needed in the political arena. Relationship management with EU member states on the one hand and Switzerland as an ally on the other will prepare the ground for a positive perception of Liechtenstein via communication about the achievements in the financial sector.

### 6.2.2 Second Aspect: Liechtenstein as an Oasis of Unspoiled Landscape and Personal Touch

This second aspect emphasizes Liechtenstein's personal touch as a small country and its natural assets to counterbalance the rationale of Liechtenstein as a financial center. The country's landscape is a highly valued asset, both internally and externally. While competitors can replicate the products, both the country's appealing environment and the personal contacts inherited in a small place are unique.

This strategy approach will help increase familiarity with Liechtenstein and indirectly influence the country's reputation positively. To do so, it is important to

− secure an excellent infrastructure for tourism;
− brand Liechtenstein as an attractive tourist destination.

## 6.3 Strategy Selection

The main success criteria which can be used to evaluate strategies are suitability, acceptability, and feasibility.

**Suitability**

The dual strategy builds on the country's unique unspoiled landscape and exploits the opportunities to become an attractive tourist destination. At the same time, it strengthens Liechtenstein's core business and addresses the expectations of its key stakeholders.

**Acceptability**

This strategy will not have unanticipated negative surprises. Liechtenstein runs no risk as the financial sector is already core and the preconditions for building a flourishing tourist industry are set.

**Feasibility**

The strategic capabilities are favorable as the country's resources the strategy builds on are robust.

## 6.4 Backup Strategy: Liechtenstein's Industrial Production of High-Quality Products

As a backup for the "financial sector" strategy, we recommend promoting the country's diversified manufacturing industry. Liechtenstein's highly developed industry exports its products worldwide and is well regarded among the people in Liechtenstein.

To be able to implement this strategy at any time and to sustain this crucial asset, it is important to:

– sustain an environment that encourages the country's industry to make further investments;

– maintain the highest quality standards;

– support "clean" industries that do not contradict the image of Liechtenstein as an unspoiled tourist destination but underline the country's good infrastructure and highly skilled labor.

The backup strategy addresses favorably the future trends of the relevance of knowledge and specialization in the economy; it builds on an advanced sector of the country which is only perceived as such by the Liechtenstein people. This strategy relies on unique resources and reinforces the country's strengths.


## 6.5 Leveraging the Drivers of Reputation

Section 4.1.5 presented the drivers of reputation, i.e. the items having the greatest influence on Liechtenstein's overall reputation. By following the dual strategy, Liechtenstein can leverage these factors, as shown below.

The "supports good causes" driver will not be activated in the recommended strategy. Even though social issues could be identified as having considerable influence on overall reputation, it is difficult to successfully apply the criteria of newsworthiness to them. As seen from the Communication and Media Audit, the social action Liechtenstein takes is generally not reflected in the media.

As Issue II ("leadership appeal") is highly political and has to be tackled with great caution, the drivers "well-managed" and "communicates an appealing vision" will not be activated. We assume that they will, however, be influenced positively via activation of the drivers for Issue I ("financial sector"). Part of the issue is expected to fade after the public vote on amending the constitution scheduled for March 2003.
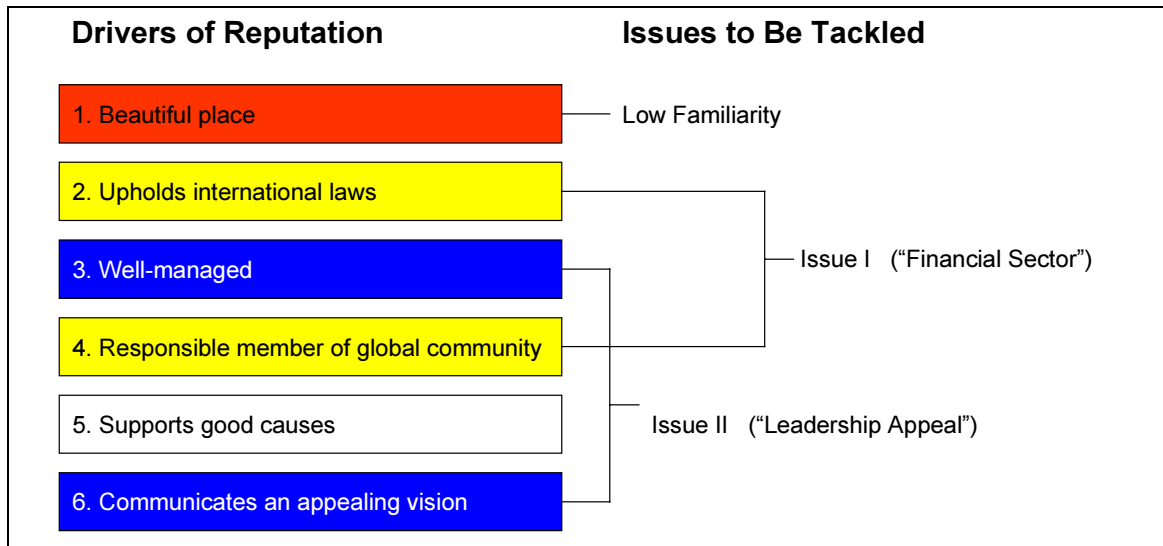
Exhibit 6.5–1

## 6.6    Reality-Perception Matrix

In order to be able to offer valuable recommendations, it is important to determine to what extent the three aspects of reputation, communication, and identity are congruent and to distinguish between communication and structural measures.
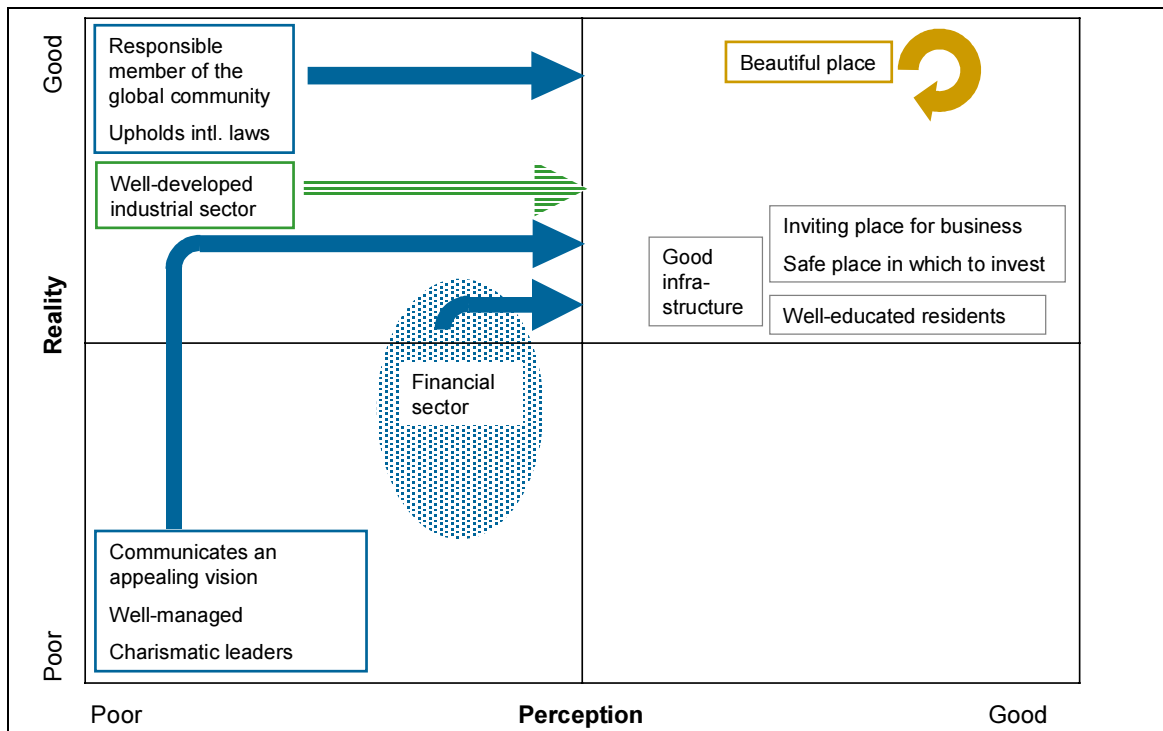


Exhibit 6.6–1

The reality-perception matrix above presents the main issues as identified through our research. The arrows explain the direction of action to be taken, where the aim is to have all items in the upper right-hand corner. This movement has to be in line with the country's identity.

"Communicates an appealing vision", "well-managed," and "charismatic leaders," concern the "leadership appeal" issue; they are tackled via the cluster formed by "responsible member of the global community," "upholds international laws," and "financial sector."

There is no use in merely improving the perception of the leadership cluster by moving it to the lower right-hand corner through powerful communication measures. In the sense of risk management, it is necessary to first work on the "reality" and then take appropriate communication measures.

The two items "well-developed industrial sector" and "responsible member of the global community" are better perceived by the people in Liechtenstein than by external respondents.

## 6.7 General Recommendations

Before any specific measures can be taken as per the defined strategy, it is necessary to prepare the ground with recommendations of a more general nature.

### 6.7.1 Setting up a National PR Agency

To ensure coherent, consistent messaging and sustain reputation management efforts over time, a well-coordinated approach is needed. This calls for institutionalizing the reputation management framework and entrusting a dedicated permanent organization with the task of coordinating efforts at the national level.

We suggest that the parliament of Liechtenstein create the institutional structures necessary to guarantee continuous fulfillment of all tasks linked with reputation management and to define the core messages to be communicated. We recommend adopting a structure which consists of two bodies: a supervisory board ("Stiftungsrat") and an agency ("Geschäftsstelle"), similar to the way "Liechtenstein Tourism" or "Presence Switzerland" are organized.

The supervisory board should incorporate all key stakeholders who influence the decision making process in Liechtenstein. We envisage that "Stiftung Image Liechtenstein" should be entrusted with the supervising role because it has experience and is well equipped for this task. However, we recommend that the organization be slightly extended to incorporate representatives from foreign policy, culture, and sports. In addition, representatives bringing in ideas from Liechtenstein's youth and the country's associations ("Vereine") may be included as well.

The board's responsibilities should include, among others:

- the overall supervision of the agency;
- the definition of strategies and umbrella concepts to be implemented;
- the approval of the annual budget.

The agency, on the other hand, should be the executing body for all operational matters. Regarding the agency's daily work, it should report to the supervisory board, rather than to the government or parliament, in order to secure greater independence. Nevertheless, it will be important for the agency to contact the government regularly, to meet and collaborate closely with the entire administration, and most importantly, with the Department of Public Relations, the Press Department, as well as the Department of Foreign Affairs. The agency should be staffed so as to become a competence center for the awareness and perception of Liechtenstein abroad, and will act as an interface between the country's internal and external stakeholders.

### 6.7.2   Coherent Messaging Concept

To date, Liechtenstein does not have a coherent messaging concept. The strategy suggested for Liechtenstein must be accompanied by a powerful and simple message which captures Liechtenstein's unique qualities. The country's uniqueness, as derived from the Expert Focus Group, lies in the tension between the two polar notions of "sophistication" and "naturalness."

As said earlier, "sophistication" captures the idea of Liechtenstein being highly industrialized and representing an inviting place for business with attractive workplaces, as well as it having well-educated people, a good infrastructure, and an industrial sector which successfully operates in niche markets for highly specialized products and services.

Then again, Liechtenstein radiates "naturalness": Its people have their feet firmly on the ground, are uncomplicated, practical, and unpretentious; they have a strong sense of community and are firmly rooted in the small country's unspoiled landscape.

**Core Values**

These two polar notions translate into four core values which are "relevant, durable, communicable, and hold saliency" (Morgan, Pritchard, & Piggott, 2002):

- Expertise
- Authenticity
- Community
- Openness

It is on these core values that Liechtenstein should center its communications in positioning the country.

**Strapline**

Building on Olins' seven-step plan for branding a country, briefly introduced earlier, all groups and individuals communicating about Liechtenstein both internally and externally should use

one single strapline expressing the central idea of Liechtenstein's uniqueness. We synthesized the unique qualities of the Liechtenstein identity into the following strapline:

**"Liechtenstein—The Global Village"**

While clearly rendering the tension in Liechtenstein's bipolar identity, this strapline is also easily recognizable and attractive in that it modifies the meaning of the common catchphrase "global village."

### 6.7.3   Create a Logo for Liechtenstein

It is recommended that this strapline then be articulated visually. It is essential that a logo is developed which can be used by all interested institutions in all areas, i.e. not only in tourist ads, but also for signage at embassies representing Liechtenstein, etc. It is important to be aware that the creation of a logo should not be implemented in a top-down approach, but the Liechtenstein people should be involved from the beginning.

| | |
|---|---|
| **Overall objectives** | Create a visual symbol (logo) representing Liechtenstein. The logo should be "informal," i.e. different from the official national symbols. |
| **Target publics** | All organizations in Liechtenstein |
| **Activities/measures** | Organization by "Stiftung Image Liechtenstein" of the platform required for creating a national logo:<br><br>1. 6 to 12 months preparation period<br>(prepare documents regarding the guidelines for the tendering procedure, define terms of logo usage, answer potential legal questions, etc.)<br><br>2. Artists, designers, or any other interested groups or individuals are eligible to participate in the tender (3 months).<br><br>3. Selection of the logo in accordance with the agreed guidelines (criteria) |
| **SMART objectives** | Have a national logo ready, and tested both inside and outside Liechtenstein, within 18 months. |
| **Monitoring/evaluation** | – Check throughout the process whether the timeline is being kept.<br><br>– Test the logo within Liechtenstein before using it abroad.<br><br>– Early monitoring regarding logo usage: How many institutions are using the logo? How frequently is it used? Is the logo used in connection with the desired values? |

### 6.7.4   New Internet Concept—Dynamic Web Content System

Today, the Internet portal "liechtenstein.li" does not provide dynamic information. We suggest redesigning the portal and introducing a dynamic Web content system to be able to communicate news and important developments without delay. Because of their changing content, the dynamic Web pages will be more attractive to the user and visited more frequently than is the case now. It is essential for such a modern and highly developed country as Liechtenstein to present itself with a Web site that provides up-to-date information and whose content reflects the country's multi-faceted identity and core competences. It should be ensured that content can be generated in a decentralized manner, by the respective governmental (departments, public foundations, embassies, etc.) and private

sources (newspapers, companies, tourism, etc.). It must be ensured that daily news is provided and generated automatically.

| Overall objectives | Introduce a new concept for the Internet portal "liechtenstein.li" to allow dynamic Web content and create a modern image of Liechtenstein. |
| --- | --- |
| Target publics | All Internet users |
| Activities/measures | Realize the new Internet concept by way of an international public tender. |
| SMART objectives | – Develop an appropriate Internet concept within 6 months. |
| | – Evaluate and select Web content management software within another 3 months. |
| | – Parallel to the measures mentioned above, set up the infrastructure to maintain and ensure high quality content for a dynamic Web presence. |
| | – The new Web system should be fully implemented within one year and made public accordingly. |
| Monitoring/evaluation | Evaluate usage of the Internet portal to further adjust the site to the specific target groups:<br>- What kind of people use the site?<br>- What do they typically do and how do they use the site?<br>- Do visitors return? |

### 6.7.5 Setup of an Early Warning System for Emerging Issues

The Press Department currently has contracts with media monitoring agencies collecting articles published in major newspapers. According to the Press Department, these agencies are requested to search for the terms "Liechtenstein," "Geldwäsche" (money laundering), and "Steuern" (taxes). However, the wealth of information contained in these press clippings is not being evaluated systematically. We suggest setting up an evaluation system to systematically analyze all information received as part of a formal issues management framework.

| Overall objectives | – Set up a formal procedure for systematically analyzing media content, which will assist the Liechtenstein Government and other internal stakeholders in their decision making processes. |
| --- | --- |
| Target publics | – Government ministers and other internal key stakeholders |
| | – Press Department |
| Activities/measures | – Introduce an analysis tool as an early warning system for identifying emerging issues early. The tool should, at a minimum, capture the number of articles published regarding individual search terms, include an evaluation of each article (content), capture information about the newspaper publishing the article and about the prominence of each article (i.e. the section of the newspaper in which the article was published). |
| | – Conduct monthly analysis of the data collected, along with visual presentations of the most important findings. |
| SMART objectives | – Implement an evaluation tool for analyzing newspaper content—within one month. |
| Monitoring/evaluation | – Test-run the evaluation tool for six months and provide monthly analysis of data. Collect feedback from all working with the analyzed content. |
| | – Then adjust the tool according to the feedback, if necessary. |
| | – Review the tool and the search terms used on a regular basis. If further adjustments to the tools are necessary, ensure that a historical comparison of data is possible. |

## 6.8 Recommendations to Increase Familiarity with Liechtenstein

Liechtenstein already hosts a variety of events and exhibitions which attract an international audience and are ideally suited to draw attention to Liechtenstein as a country with a diverse offering. It is vital that these events be maintained at their current level and frequency and supported from the top as they represent an adequate platform to communicate the country's core messages. The existing events generally have an international or even global appeal and attract specialized audiences. Examples:

- "LiGiTa"—a guitar event lasting several days;
- The "Kunstmuseum Liechtenstein"—the national art museum, with its unique architecture and high-profile exhibitions; or
- the "TaK"—a theater based in Schaan, with a large regional audience.

The opening of the newly restored "Palais Liechtenstein" in Vienna or the "U17 European Soccer Championship" in 2003, to be held in Liechtenstein, are other events ideally suited to promote the country.

In addition to promoting events and exhibitions, we recommend that Liechtenstein adopts specific measures in the fields of education, tourism, and the media.

### 6.8.1 Develop Teaching Materials about Liechtenstein

In order to increase, and then sustain, the knowledge about the country abroad, Liechtenstein has to have a greater presence with today's youth. We recommend that teaching units be developed in cooperation with a university program for teacher education in the respective country to guarantee that the unit will fit with the local curriculum and be accepted and utilized. The teaching unit should be offered to interested schools free of charge.

| | |
|---|---|
| **Overall objectives** | Increase the familiarity with, and knowledge about, Liechtenstein abroad. |
| **Target publics** | Secondary school teachers and their students in: |
| | – Priority 1: Germany, France, Great Britain |
| | – Priority 2: other EU countries, the US |
| **Activities/measures** | – Develop appropriate teaching units about Liechtenstein for use in the target countries, specifically aimed at the 12 to 16 age group. |
| | – The teaching unit should include a "competition" where school classes can win a trip to Liechtenstein. |
| **SMART objectives** | – Year 1: Develop a teaching unit tailor-made for the German school system. |
| | – Year 2: Collect feedback and adjust the unit, if necessary. |
| | – Year 3: Translate and adapt the unit for the French school system. |
| | – Year 4: Translate and adapt the unit for the British school system. |
| **Monitoring/evaluation** | – Collect feedback through the "competition," where the classes which completed the unit will present their knowledge. |
| | – Conduct a survey in the schools one year after the unit was held:<br>- Which schools and teachers are using the unit, and how often?<br>- Which of them are not and why?<br>- Determine the strengths and weaknesses of the unit. |

### 6.8.2 Develop an Internet Game about Liechtenstein

Children and adults today learn while playing computer games. We suggest developing a computer game that can be downloaded from the Internet free of charge. The overall aim of such a game would be to make people aware of the diversity inherent in such a small country as Liechtenstein. A more specific aim of the game could be to learn "how a country works," where players have to raise taxes, keep voters happy, create departments, and negotiate both with their neighbors and international organizations. Players can participate in an online contest. Those achieving the highest scores will be invited to visit Liechtenstein.

| Overall objectives | – Increase knowledge with Liechtenstein both inside and outside Liechtenstein. |
| --- | --- |
| | – Make the young generation aware that Liechtenstein is a modern country. |
| Target publics | Children and adults who like to play computer games |
| Activities/measures | – Collaborate with a company developing computer games. The game should enable competition and possibly even allow for a fan club to develop. The game has to be promoted to the target audience. |
| SMART objectives | – Realize the Internet game within 10 months. |
| | – Hold a 10-winner contest within one year thereafter. |
| | – The participants with the 10 highest scores will be invited for a holiday trip to Liechtenstein. |
| Monitoring/evaluation | – How many players have downloaded the game and in which countries? |
| | – How many players have submitted their score? |
| | – If the game is successful, the process can be repeated and new versions of the game may be created. |

### 6.8.3 Assess the Tourism Offering

The beauty of Liechtenstein's nature is the country's main asset, and an intact environment is key in attracting tourists. It is important to be able to maintain a high level of quality. The strapline for Liechtenstein Tourism ("Princely Moments") has proven successful in the past and is highly visible. To ensure the high quality standards of the tourist industry over the long term, an assessment of its offering should be made and conducted regularly.

| Overall objectives | Secure the quality of Liechtenstein's tourism offering in the long term. |
| --- | --- |
| Target publics | Liechtenstein Tourism, parliament, and the government |
| Activities/measures | – Assess the current service quality of the Liechtenstein tourism network, as well as its maximum capacity. |
| | – Launch a long-term tourism excellence program. This must include educating tourism and hospitality staff about the country's bipolar identity. |
| | – Make sure parliament and the government own the idea of protecting the country's naturalness and environment. |
| SMART objectives | – Launch a tourism assessment program to analyze the country's offerings as well as the quality of the tourist industry within 3 months. |
| | – Launch a long-term excellence program within a year. |
| | – Realize a study to gather data for parliament and the government on the most important areas of Liechtenstein's naturalness and tourism within a year. |
| Monitoring/evaluation | Conduct regular surveys to assess tourist satisfaction. |

### 6.8.4  Maximize the Liechtenstein Experience for Stopover Visitors

Liechtenstein has a large number of visitors who only stay for a short period of time. We believe that these visitors are ideal targets for increasing familiarity with, and knowledge about, Liechtenstein worldwide. In a first step, we suggest realizing an architecturally outstanding "information pavilion," featuring local crafts and specialties, as well as restrooms, in Vaduz. The pavilion has to be designed in a way that will attract many stopover visitors, give a positive and lasting impression, and present a learning experience for visitors.

| | |
|---|---|
| **Overall objectives** | – Increase the benefits for Liechtenstein from stopover visitors. |
| | – People should remember Liechtenstein and talk about it back home. |
| **Target publics** | Stopover visitors from all over the world |
| **Activities/measures** | We suggest organizing an international contest among architects. The pavilion has to: |
| | – be "naturally sophisticated," |
| | – create a lasting impression for stopover visitors; |
| | – the people visiting the pavilion should learn something about Liechtenstein. |
| **SMART objectives** | – Have the funds necessary approved within one year. |
| | – The department of architecture of the Liechtenstein University of Applied Sciences should carry out a public tender inviting world famous architects to submit proposals. |
| | – Realize the winning project within another six months. |
| **Monitoring/evaluation** | Collect feedback from visitors to further improve their experience in Liechtenstein |

### 6.8.5  Provide Internet Portal in French

The vast amount of information about Liechtenstein is only available in German on the official Web site, with information being increasingly provided in English, too. For French native speakers, it is extremely difficult to find relevant information about Liechtenstein in their native tongue. The wealth of general information about the country currently available on the Internet portal "liechtenstein.li" in both German and English should be provided in French, too. This general information would give French-speaking people an excellent overview of Liechtenstein.

| | |
|---|---|
| **Overall objectives** | Increase knowledge about Liechtenstein in the francophone world. |
| **Target publics** | Internet users speaking French |
| **Activities/measures** | – Have the existing Internet portal translated into French. |
| | – Develop internal procedures to ensure that the Web site will be regularly updated with relevant information. |
| **SMART objectives** | Implement both measures within three months. |
| **Monitoring/evaluation** | See Section 6.7.4 |

### 6.8.6 Engage in Relationship Management with Liechtenstein Correspondents of Leading French Newspapers

The Communication and Media Audit has shown that newspapers in general report only on Liechtenstein's "hot" topics. In order to achieve a more balanced and more frequent press coverage in France, the Department of Public Relations should aim to establish a close relationship with journalists of leading French newspapers (in particular, *Le Monde*, *Le Figaro*, *Libération*). Example:

| Overall objectives | – Establish regular press coverage on Liechtenstein in France. |
| --- | --- |
| | – Increase the knowledge about Liechtenstein in the French-speaking world and particularly in France. |
| Target publics | Readers of *Le Monde* |
| Activities/measures | Establish close collaboration with a journalist of *Le Monde.* |
| SMART objectives | Establish collaboration with a journalist within one year. |
| Monitoring/evaluation | Analyze how *Le Monde* reports on Liechtenstein (frequency, content evaluation of the articles, etc.) previous to such collaboration and regularly thereon. |

### 6.8.7 Hold a Journalism Contest

Media students from different universities in Germany, France, the UK, and the US should be invited to spend one week in Liechtenstein. During this exchange program, they will have to file written proposals with their respective faculties on producing content (print, Web, or video footage) on a topic involving Liechtenstein. It is important that the students receive "credits" for their work and that the stay be part of their regular study program. The product of their work will be evaluated by a Liechtenstein jury and the winner will be awarded a prize.

| Overall objectives | Increase knowledge about Liechtenstein with future journalists. |
| --- | --- |
| Target publics | Media/journalism students in Germany, France, the UK, and the US |
| Activities/measures | – From each of the universities selected, two media students will be invited to Liechtenstein as part of their formal education. In Liechtenstein, they will have to propose content for a medium about Liechtenstein. The content has to somehow deal with Liechtenstein's "naturalness" and "sophistication." |
| | – The produced work will be evaluated and a winner selected. |
| SMART objectives | – Establish contacts with at least two universities in one of the countries mentioned within one year, and run the contest. |
| | – Establish contacts with ten more universities within ten years. |
| Monitoring/evaluation | – Evaluate the submissions with regard to their content and their quality |
| | – Collect feedback from the students to improve the contest and the learning experience for them |

## 6.9 Recommendations for Issue I—"Financial Sector"

As presented earlier, in order to tackle the issue concerning Liechtenstein's financial sector, both structural as well as communication measures will be necessary. It is important to be aware that for any communication measures to be successful in the long run, the "real" issues need to be resolved first. The financial services sector has to be very clear about its

position, i.e. to what extent compliance with international regulations and supervising regimes is necessary and beneficial, and to what extent assets and advantages over other banking centers need to be protected. It is of great importance that this position does not contradict the country's other offerings or communication goals. Only when all of these questions have been fully answered, should the chosen position be communicated heavily. Over the last few years, forums and discussion platforms have been established (for example, the First Liechtenstein Banking Forum in November 2002). These are essential means to communicate the country's quality offerings and inform interested audiences about Liechtenstein's compliance with international laws.

### 6.9.1   MBA Program Unit in Cooperation with Leading Universities

The Liechtenstein University of Applied Sciences already offers a postgraduate diploma program, as well as an executive MBA program. Both degrees are offered in collaboration with the Gloucestershire Business School (London-Birmingham-Bristol), the University of British Columbia (North America), the Shanghai Jiao Tong University (China), and the University of Applied Sciences Vorarlberg. We suggest creating at least one unit which will be taught in Liechtenstein by world-class faculty; this will be the flagship of the existing program. This unit can then also be offered to other MBA programs as a "field trip": Students can come to Liechtenstein to learn about this particular subject. This way the benefits for the country, and for Liechtenstein's financial sector in particular, can be maximized because a large number of future business executives will visit Liechtenstein and experience the country as a center of competence.

| Overall objectives | – Position Liechtenstein as a center of competence for a specific topic regarding financial services, e.g. compliance. |
| | – Bring international MBA students to Liechtenstein. |
| Target publics | MBA students from leading universities: |
| | – Priority 1: France |
| | – Priority 2: Germany, Great Britain |
| | – Priority 3: Other EU countries, the US, Switzerland |
| Activities/measures | Develop a seminar taught by an internationally acknowledged professor, held in Liechtenstein as part of various MBA programs. |
| SMART objectives | – Develop the unit as a partnership with INSEAD (Paris) within two years. |
| | – Increase the number of universities taking part in this MBA program cooperation each year by at least one. |
| | – Provide opportunities to students to learn about Liechtenstein and meet people. |
| Monitoring/evaluation | – Collect feedback from the partnership universities to improve the cooperation. |
| | – Collect feedback from the students coming to Liechtenstein on how to improve the quality of their stay and their learning experience about Liechtenstein. |

### 6.9.2 International Student Grant

In the context of the above-mentioned MBA program, we suggest introducing an international student grant, if possible for three students from Germany, France, and the UK. Since the program is an executive master, we suggest that the students could work in one of the country's banks to get hands-on experience at the same time as being enrolled in the program. The MBA program and the local students, on the other hand, would benefit from the international background of the foreign students.

| Overall objectives | Bring international MBA students—as future decision makers—to Liechtenstein. |
|---|---|
| Target publics | – MBA students from France, Germany, and the UK |
| | – The Liechtenstein University of Applied Sciences and its executive MBA program in particular |
| Activities/measures | Institutionalize three student grants to be awarded each year. |
| SMART objectives | Develop the student grant for the next course. |
| Monitoring/evaluation | Evaluate the success of the grant after the first course and adjust the grant accordingly. |

### 6.9.3 International Press Campaign

Liechtenstein should communicate regularly to the international community, in the relevant media, that both Liechtenstein's laws as well as its law enforcement institutions help ensure that the country's financial sector complies fully with international standards.

| Overall objectives | Increase awareness of Liechtenstein's regulation regime. |
|---|---|
| Target publics | – Readers of the financial press in Germany, France, and the UK |
| | – FATF; EU and Ecofin |
| Activities/measures | Get articles published in the international financial press and financial sections of leading newspapers. |
| SMART objectives | Publish at least one article every month in leading newspapers in these countries: Germany, France, and the UK. |
| Monitoring/evaluation | The impact of the news articles may be measured by way of a regular survey conducted among readers of the relevant newspapers. |

### 6.9.4 Assess Existing Financial Expert Meetings and Enhance Existing Events

As mentioned earlier, several financial forums and discussion platforms have been introduced over the past few years. Liechtenstein should try to grow one of these events so it will attract a European, if not international, audience. This would help raise the knowledge regarding Liechtenstein's financial sector and its high quality service internationally. Such an event would clearly benefit Liechtenstein in general and its financial sector in particular.

| Overall objectives | Increase awareness of Liechtenstein's regulation regime and the financial sector's high quality service. |
| --- | --- |
| Target publics | – International investors and decision makers in the financial sector |
| | – International organizations (EU and Ecofin; OECD and FATF) |
| Activities/measures | Turn one of the existing forums and discussion platforms into an event that attracts a European or even international audience. |
| SMART objectives | – Increase the number of international attendees by 20% annually. |
| | – Increase international media coverage of the event by 50% every year. |
| Monitoring/evaluation | – Conduct content analysis of the event news coverage in leading financial newspapers. |
| | – Conduct a survey with events attendees. |

### 6.9.5  Prize for Best Financial Institution—Best Practice in Global Responsibility

To raise awareness within the financial sector of the importance of complying with the relevant laws and regulations, we suggest that a special prize be created which will be awarded annually to a financial institution in Liechtenstein, or internationally, for global responsibility best practice.

| Overall objectives | Raise awareness of the need for sustainable (responsible) financial services practice within Liechtenstein. |
| --- | --- |
| Target publics | Financial institution decision makers in Liechtenstein |
| Activities/measures | Create a "Global Responsibility Prize" and award annually to a financial institution in Liechtenstein. |
| SMART objectives | Set up the board that will act as a jury and award the prize within six months. |
| Monitoring/evaluation | Collect feedback (survey format) from the financial institution that was awarded the prize: |
| | – What impact has the prize had on the organization? How was the award communicated to clients and other stakeholders of the organization? |

In order to achieve an even greater impact, a unit could be established which will implement and coordinate recommendations of particular interest to the financial sector. As the unit would primarily work for the benefit of the financial institutions in Liechtenstein, its activities could be funded mainly through private sources. Given its human resources and knowledge already available, we suggest that the Liechtenstein University of Applied Sciences be associated with this unit. More specifically, the new unit could assume responsibility for developing the above-mentioned MBA program, organizing the financial forum, awarding the "Global Responsibility Prize," etc.

## 6.10  Recommendations for Issue II—"Leadership Appeal"

In our research, the survey items concerning Liechtenstein's leadership appeal obtained low ratings with both internal and external respondents. To some extent, this may be due to the ongoing constitutional debate, which was heavily discussed during the time of the surveys. To enable Liechtenstein's leaders to concentrate on their daily work, it is essential that this conflict be resolved and antagonism which has built up over the past few months be countered.

Some voices prognosticate that the constitutional debate will be resolved once the public vote has been held. However, politicians and political parties will also be assessed on how well and how quickly the country can go "back to normal." Independent of the outcome of the vote, it will be a major challenge for the country's leaders to enable reconciliation between supporters of both proposals and to show to the "losers" how the voting outcome will lead the way for the country's future prosperity.

At an international level, active participation in international organizations will testify to the country's high level of international integration. Liechtenstein has interpreted its role in international organizations more and more actively over the past few decades, and we see it as important that Liechtenstein continues to present an independent position.

In addition, public diplomacy will gain in importance for Liechtenstein. The country's ambassadors must increasingly assume an active role in their host countries and fulfill not only their traditional role, but also present Liechtenstein's position to the public. Against this background, it will be essential that Liechtenstein's ambassadors be aware of their function as communicators on behalf of Liechtenstein. For the government, it is important to offer them professional communication training in order to enable them to seize opportunities and achieve their communication goals.


## 6.11  Epilogue

In conclusion, we believe that by following the strategy and implementing the measures recommended above, our client will be able to successfully manage Liechtenstein's reputation, while we, as a team, have achieved our vision of enabling our client to take the lead in shaping the country's reputation.

# 7.    References

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Notice

The sources cited in this report are documented according to the system and style guide developed by the American Psychological Association (APA).

For the sake of consistency, however, the project team agreed upon the following exceptions:

(1) Articles in periodicals are always documented as if they were available in their printed versions, even if they have been retrieved from electronic databases.

(2) For periodicals, volume, issue and pagination are always indicated where available. The respective abbreviations are: "Vol." (volume), "No." (issue), "pp." (pages) and "p." (page). If only the start page is available, the entry reads e.g. "p. 308 ff." If no pagination is available at all, the entry reads "no page(s) indicated."

(3) For periodicals, the month or season of publication are always indicated where available.

(4) If a publication cannot be precisely dated, the following conventions apply: (a) The missing year is indicated by an "x" instead of the last digit (e.g. "199x" means "between 1990 and 1999"). (b) If the year cannot be indicated at all, the entry reads "no year".

(5) If a standard Web browser requires a plug-in to display a document retrieved from the Internet (such as PDF documents), the expression "Downloaded (…) from [URL]" is used instead of "Retrieved (…) from [URL]."

For the complete guidelines as well as the comprehensive style guide, please refer to: Hacker, D. (2000). *A pocket style manual.* Boston: Bedford/St. Martin's.