

Corporate Agenda-Setting

Media coverage and corporate reputation

Accounting scandals such as the Enron debacle or governance scandals like Volkswagen's have put higher pressure on the companies' corporate reputation. Since then, journalists and – going by the agenda-setting theory – the public have been watching them more closely. The adaptation of that theory to business and company coverage has only played a minor role, although **Media Tenor** analyses on the interdependency of analyst quotes on the one hand and share price movements on the other do suggest a correlation. The following analysis looks at the effects of media coverage on company images and shows that even a weak media presence can jeopardize corporate reputation.

Research focus so far: Politics

The initial agenda-setting research, the so-called Chapel-Hill-study by McCombs and Shaw (1972), pointed to a relationship between the salience of topics in TV news and among undecided voters. Numerous studies went on to document the effects of media coverage on the perceived salience of topics. Later on, the authors themselves pointed out that agenda-setting is not limited to topics and objects, but also relates to certain attributes of topics, events or persons (the so-called second level of agenda-setting). McCombs and Yu (2005) also assume that there is a third level of agenda-setting, by which the media transport a positive or negative tenor of important topics and attributes to audiences and readers.

In addition, the theory was extended to other cognitive concepts such as priming and framing. Both approaches relate to the fact that the mass media, by selecting and emphasizing, direct the recipients' attention towards certain topics or objects. Media priming is the process by which selected "mass mediated information make certain knowledge units, which are available in the recipient's memory, temporarily more easily accessible", therefore predisposing them for the reception or interpretation of subsequent information (cf. Peter, 2002). According to the framing concept, the underlining and topical framing of information provokes processes of interpretation and evaluation in the recipient. (cf. Schenk, 2002).

Communicating a "corporate agenda" pays off

Despite an intensive elaboration and extension of the agenda-setting theory, most of the existing

research focuses on political topics and events. Considering this limitation, the question remains to what extent agenda-setting can be applied to other contexts, for example the corporate environment.

Carroll and McCombs created a theoretical framework for applying the concept to the world of business. According to them, the theory's operational definitions for objects and attributes need to be adapted. They suggested the following five key theoretical propositions for the agenda-setting effects of business news coverage on corporate reputation (cf. Carroll, McCombs 2003):

1. The amount of news coverage that a firm receives in the news media is positively related to the public's awareness of the firm.
2. The amount of news coverage devoted to particular attributes of a firm is positively related to the proportion of the public who define the firm by those attributes.
3. The more positive that media coverage is for a particular attribute, the more positively will members of the public perceive that attribute. Conversely, the more negative that media coverage is for a particular attribute, the more negatively will members of the public perceive that attribute.
4. The agenda of substantive and affective attributes associated with a firm in business news coverage, especially those attributes specifically linked with a firm, primes the public's attitude and opinion about the firm.
5. Organized efforts to communicate a corporate agenda will result in a significant degree of correspondence between the attribute agenda of the firm and the news media.

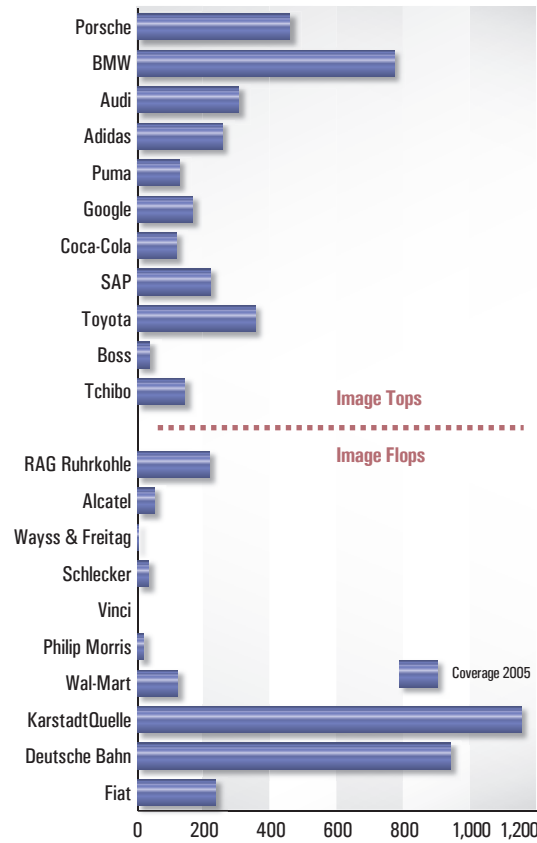
The authors understood these propositions as guiding principles for empirical analyses of the media's agenda-setting function for corporate reputation. They are the starting point for this study.

Product and customer loyalty counts

Analyzing the effects of news coverage on corporate reputation, one must also consider additional factors that influence this relationship. One example are stakeholders, those who maintain a direct contact to the company and often have first-hand experiences with it through purchasing products, customer or supplier relationships or as employees. In particular, brand strength and product loyalty are considered to set the company reputation in a particularly good light. Moreover, media coverage, in its effects on corporate image, always competes with other forms of communica-

All companies with a very good reputation received positive coverage prior to the poll.

1 Media presence of the image tops and flops



Number of reports

Source: Media Tenor 04/01 – 09/30/2005

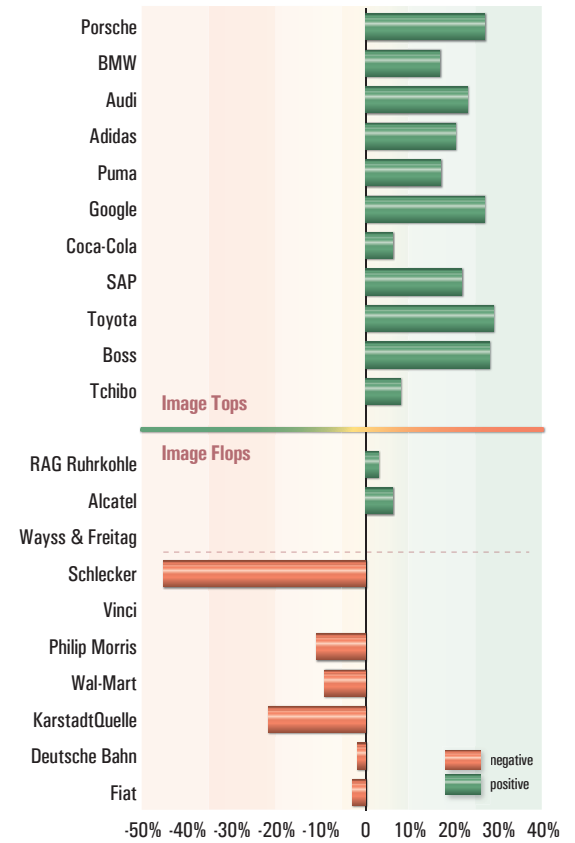
Basis: 14,822 reports in 15 media

tion such as advertising – be it for products or a company’s image. However, the content and quality of customer contacts, products and advertising differ significantly from media content, in that the former can be directly controlled by the company itself and are less susceptible to sudden changes.

Methodology

In order to examine the question whether the agenda-setting approach can be applied to the reputation management of companies, the polling data of the “2006 image profile”, published by the German business magazine **Manager Magazin**, were correlated with **Media Tenor** data. For the “2006 image profile”, a representative sample of 2,501 board members, managing directors and senior employees were interviewed by the market research institutes TNS Infratest and BIK Marplan from September until October 2005. They were asked to assess the reputation of a total of 177 companies on a scale from 0 (very good) to

2 Balance of media assessment of the image tops and flops



Balance of assessments

Source: Media Tenor 04/01 – 09/30/2005

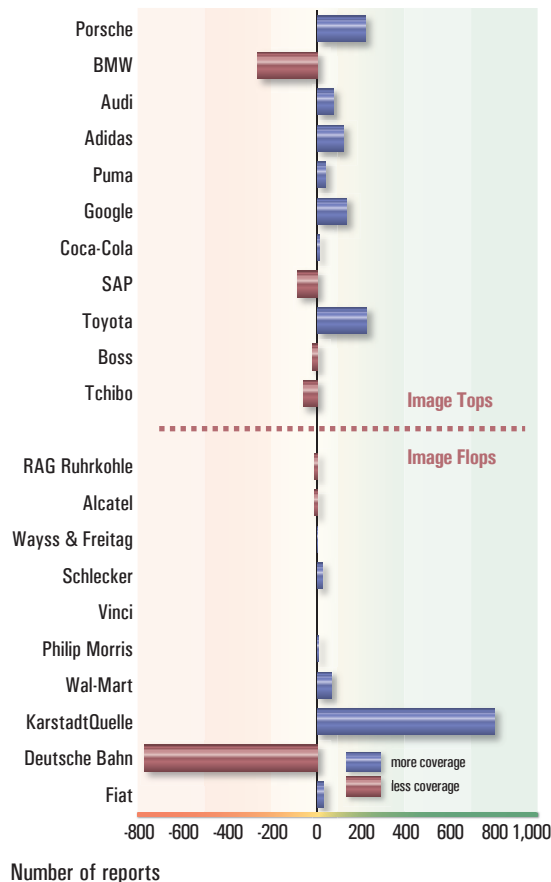
Basis: 14,822 reports in 15 media

10 (very bad). Furthermore, the data of the “2004 image profile”, collected between September and October 2003, were available.

With the help of qualitative content analysis, **Media Tenor** studied the media image of those companies by analyzing the amount of coverage as well as the assessment of each company. The analysis sample included coverage on all companies in the politics and business sections of 15 opinion forming German media from April 1st until September 30th 2003 and 2005. It thus comprised media coverage of the six months previous to and during the interviews.

Subsequently, the ten corporations with the best and worst reputation in the “2006 image profiles”, as well as those with the strongest image gain and loss compared to the “2004 image profiles”, were analyzed. The hypothesis was that agenda-setting effects would be particularly striking in this case.

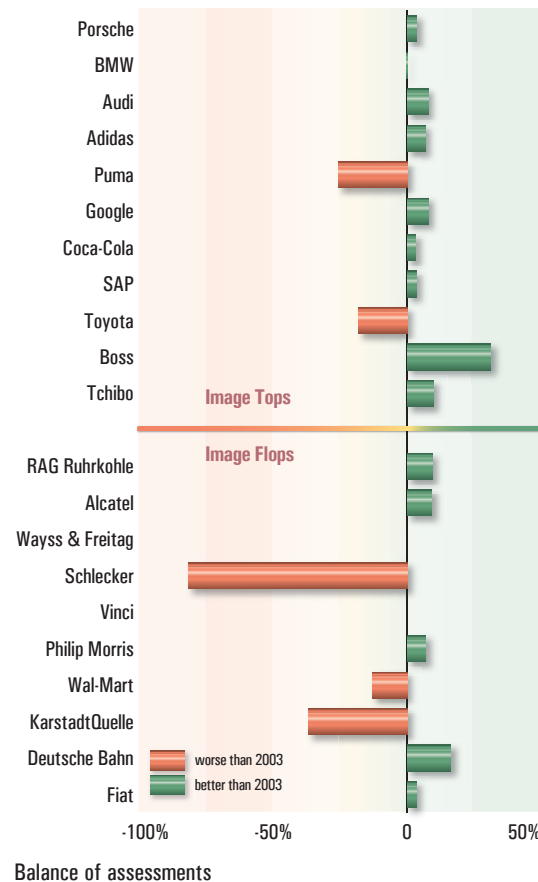
3 Changes in media presence of the image tops and flops



Source: Media Tenor
04/01 – 09/30/2003/2005

Basis: 25,070 reports
in 15 media

4 Changes in media assessment of the image tops and flops



Source: Media Tenor
04/01 – 09/30/2003/2005

Basis: 25,070 reports
in 15 media

After a significant increase of media criticism, KarstadtQuelle loses heavily in the image ranking.

All image champions receive positive coverage. A first look at the top-10 companies (graph 1) with the best images illustrates that four out of ten are automobile manufacturers. BMW, Porsche, Audi and Toyota are not only among the first in the image ranking. Within the top-10 ranking, these corporations are also those with the strongest coverage. With less than 130 news stories, the media presence of Puma, Coca Cola or Boss was lower. Yet those are popular, strong product brands that generate close primary contacts to the customer. The media reported on all ten companies with a positive balance of assessments (graph 2). The high level of coverage on most of the top corporations increased the public's awareness and facilitated the perception of the positive evaluations transported by the media.

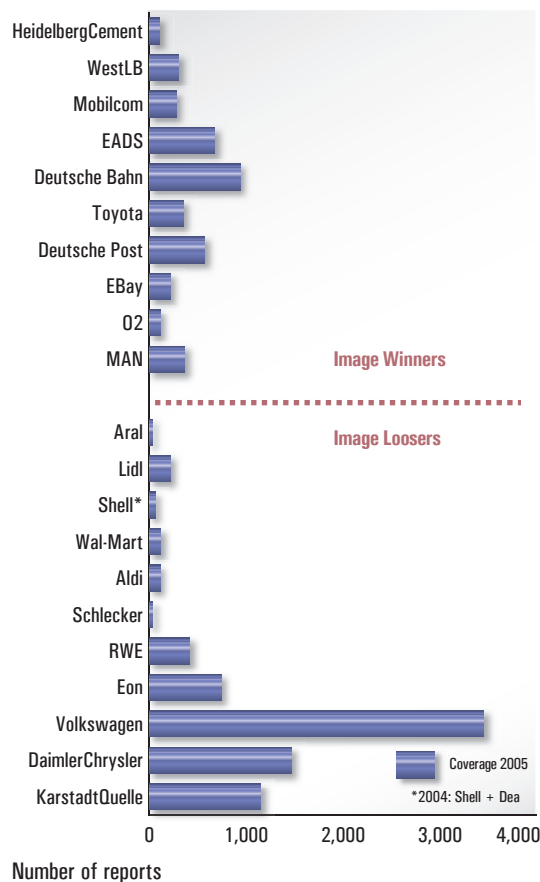
On the other side of the spectrum, media presence of the companies with the worst images varies much more strongly. On the one hand, the

interviewees were "primed" on KarstadtQuelle through a multitude of articles on restructuring (1,150 news stories) or on problems that Deutsche Bahn had with its pricing system (936 news stories). The accompanying criticism was more easily accessible to the interviewees later on and led to the worst reputations in the image ranking. On the other hand, some of these "image losers", such as the construction firms Wayss & Freitag or Vinci, were hardly present in the opinion forming media throughout the six months of analysis. Aside from a generally bad reputation for the construction sector, their weak image can also be explained with a basic reservation against "unknown" objects. In order to improve the company's image, one would have to increase public awareness by expanding media presence as a whole.

Contrary to the negative polling results, the media gave Ruhrkohle AG as well as Alcatel a slight positive assessment. In the case of Ruhrkohle

5 Media presence of the image winners and losers

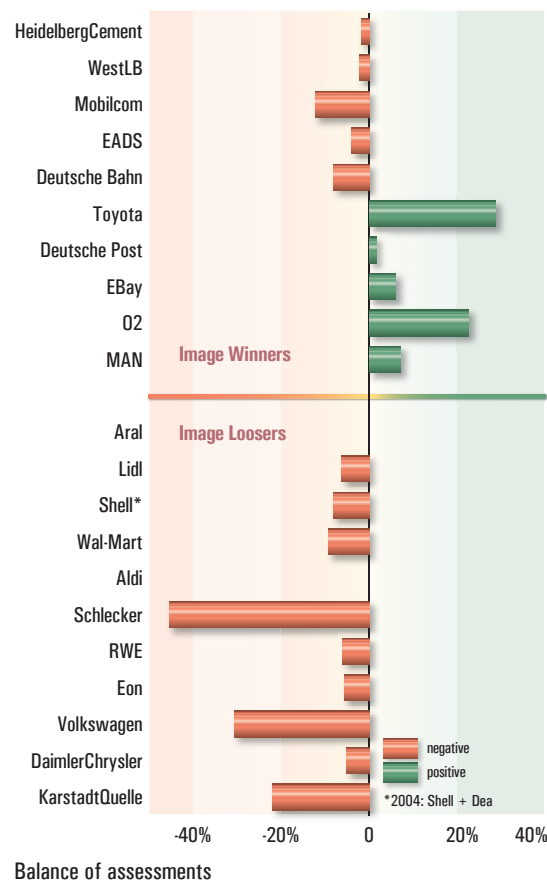
Drastic image losses correlate strongly with negative coverage, but also with a lack of media presence.



Source: Media Tenor 04/01 – 09/30/2005

Basis: 14,822 reports in 15 media

6 Media assessment of the image winners and losers



Source: Media Tenor 04/01 – 09/30/2005

Basis: 14,822 reports in 15 media

AG, this was primarily a result of the IPO coverage. As to Alcatel, a lack of priming seems to have been the problem: Because of the comparatively low media presence, recipients did not perceive the positive messages.

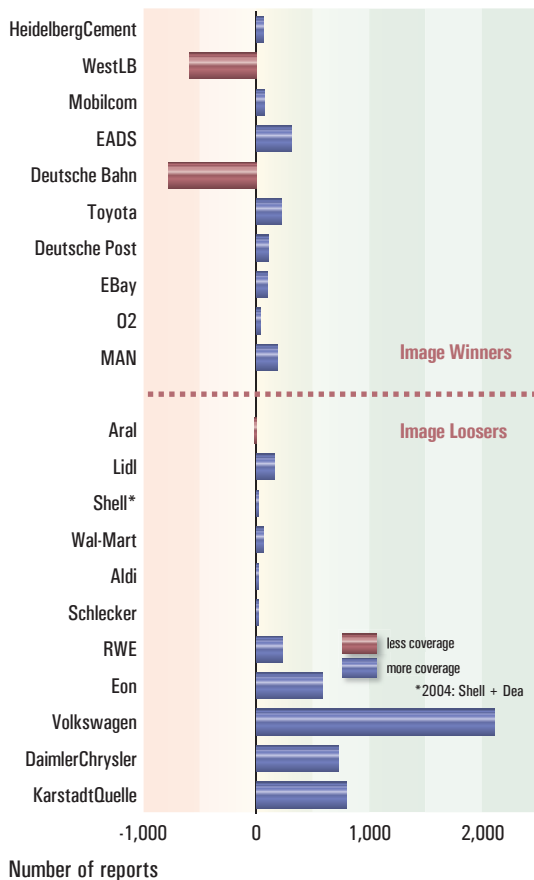
KarstadtQuelle in the media crossfire and a loser in the image ranking

But how did changes in coverage affect the polls on corporate reputation? A comparison of the media presence in the six months before the compilation of the “image profiles” in 2003 and 2005 gives an inconsistent image. Eight out of the ten companies with the best reputation had increased their share of positive media assessments (graph 3). Two of the top corporations, however, were portrayed more critically throughout the six months of analysis in 2005 than in 2003: Toyota and Puma saw a slight downward trend from a high level, so that the continued intensive and overall positive coverage, along with strong prod-

uct loyalty, prevented an image loss in the polls.

Changes in the intensity of media coverage, however, contributed to a weaker reputation for some companies. For example, the number of news stories on the crisis-ridden department store and mail-order business KarstadtQuelle tripled. On the basis of this strong media presence, the significantly worse tenor weighed heavily in public opinion: The corporation dropped 172 places in the Manager Magazin image ranking – the most severe image loss of all companies analyzed. The media presence of Deutsche Bahn was cut in half, resulting in a less negative media image and therefore having a very different effect than in the case of KarstadtQuelle. In 2005, contrary to the previous poll, the public was not exposed to intensive negative coverage, any more. Deutsche Bahn moved up five positions in the ranking, but its reputation remained negative. While moving out of the journalists’ main line of fire, it was not enough for a sustainable rehabilitation of the company’s reputation.

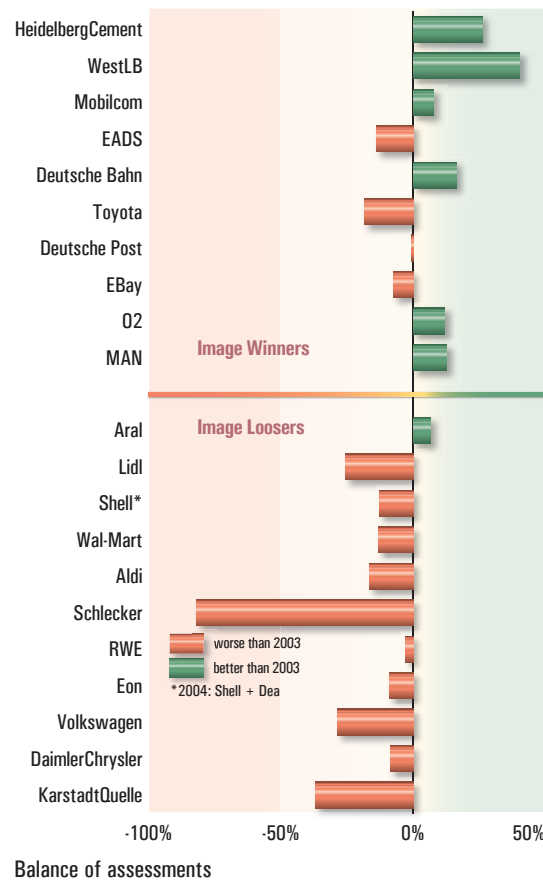
7 Changes in media presence of the image winners and losers



Source: Media Tenor 04/01 – 09/30/2003/2005

Basis: 25,070 reports in 15 media

8 Changes in media assessment of the image winners and losers



Source: Media Tenor 04/01 – 09/30/2003/2005

Basis: 25,070 reports in 15 media

Improved image through strong presence

What are the conditions for effectively changing corporate reputation? Media Tenor analyzed this question by looking at companies that had gained or lost most significantly in the “2006 image profiles” compared to the previous poll.

Companies with the greatest reputation gain confirmed the propositions 2 and 4 by Carroll and McCombs (graph 5): None of these companies received less than 100 news stories, but six of them were covered with more than 300 stories throughout the period of analysis 2005. The media reported on half of the ten image champions with a positive tenor previous to the poll. Five of these companies received critical coverage in the months of analysis 2005. Still, four of those (HeidelbergCement, WestLB, Mobilcom and Deutsche Bahn) were reported on more positively than in 2003, which seemed to suffice for a slight image improvement (see graphs 6 and 8). Nevertheless, the interviewees continued to consider

their reputation as bad or average. The overall strong media presence of the winners, as well as their diverging assessment, points to the decisive importance of the criterion “volume of news coverage”: Media presence creates awareness, thus provoking changes in public opinion and image improvements.

Clear signs for image loss in the media

The lower half of graph 5 illustrates the extent to which a low media presence or intensive negative coverage results in the greatest image losses. None of these companies was covered positively previous to the poll. The Volkswagen Corporation is a drastic example. Among all companies analyzed, it received the greatest amount of coverage in the opinion forming German media. Compared to the previous period of analysis, the number of news stories tripled and the balance of negative to positive assessments worsened to minus 30%. The interviewees consequently associated VW with

corruption scandals, special perks for executives and favoritism. Thus the automobile corporation dropped 102 steps in the image ranking.

A similar dynamic was at work with DaimlerChrysler: Because the recipients had been heavily primed by a doubling of news coverage in 2005, a less pronounced change in the balance of assessments led to the enormous image drop of 118 places. While DaimlerChrysler still came in among the top-5 corporations of the 2003 poll, it was only attributed an average reputation in 2005.

All in all, the relationship between negative coverage and image losses is particularly strong, because negativism, more often than positive reporting, goes hand in hand with increased coverage. However, a lack of communication also has the potential of endangering corporate reputation, as is shown by the examples Aral and Schlecker. A company's media image is more volatile when presence is low, and low public awareness hampers the perception of other, for example positive attributes.

Conclusion

The study at hand illustrates the agenda-setting effects of news coverage on public opinion of companies. Although it did not measure the media's influence on the public's familiarity with certain companies (such data was not collected in the polls), it did show a clear effect on corporate reputation. Most of the cases analyzed confirmed the propositions 1 to 4 established by Carroll and McCombs. The influence of mediated topics and attributes could not be measured because of the lack of relevant surveys on public opinion. Yet the two aspects analyzed in this study, presence and assessment, have a noticeable effect on corporate reputations – even among the managers interviewed, who, after all, had a more direct access to primary information. The volume of information on companies (“primes”) influences the extent to which recipients are sensitized to the tenor of media coverage. Only companies that maintain strong relationships with their customers through highly popular products were able to revoke the media trend and defend their outstanding reputation in spite of a low presence.

A low media presence correlates strikingly often with a weak corporate reputation. It seems that barely visible companies provoke a certain reservation in public opinion. Accordingly, a broader media presence can contribute to an improved reputation, even if it is partly negative. The agenda-setting concept seems to suggest that active and

open communication is key to improving a tarnished company image and gaining credibility. san

Literature:

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McCombs, Maxwell; Shaw, Donald (1972): The agenda-setting function of mass media. In: *Public Opinion Quarterly*, Issue 36, p. 963-975.

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Schenk, Michael: *Medien-wirkungsforschung*. 2nd Edition. Tübingen: Mohr Siebeck.

„Imageprofile 2006“ in *Manager Magazin*, Volume 36, 2/2006, p. 64-83.

Basis:

Media: Die Welt, FAZ, Süddeutsche Zeitung, Frankfurter Rundschau, Bild, Focus, Spiegel, Zeit, ARD Tagesthemen, ARD Tagesschau, ZDF heute, ZDF heute journal, RTL aktuell, Sat.1 News, ProSieben Newstime

Time: 04/01–09/30/2003; 04/01–09/30/2005

Analysis: All reports about companies with at least 5 lines/seconds; overall 218,119 reports on companies and managers

Open questions:

What are the short- versus long-term effects of changes in media coverage on corporate reputation?

How would a sample of less specialized interviewees be affected by news coverage on companies?

To what extent does coverage on specific topics and image factors shape public opinion on companies?