

Reputation and the Corporate Brand

Paul A. Argenti

The Tuck School of Business, USA

Bob Druckenmiller

Porter Novelli International, USA

ABSTRACT

Organizations increasingly recognize the importance of corporate reputation to achieve business goals and stay competitive. In recent years, companies as large and prominent as Arthur Andersen and Bridgestone/Firestone learned hard lessons about how quickly a damaged reputation can harm employee and customer loyalty, threatening a company's financial well being and even its viability. Public confidence in business is low, and public scrutiny of business is high. The proliferation of media and information of the past two decades, the demands of investors for increased transparency, and the growing attention paid to social responsibility all speak for a greater focus on the part of organizations to building and maintaining strong reputations. Although factors contribute to an organization's reputation, this report presents the best current thinking on the corporate brand as it relates to reputation from the viewpoints of a leading academic and a senior practitioner of corporate communication. The discussion is prefaced with some definitions of key terms in the corporate identity/brand/reputation lexicon. Then a closer look is taken at corporate branding and why more companies are focusing on carefully managing this effort. Finally, corporate branding is related to corporate reputation and the authors discuss the implications of this relationship for businesses.

SOME DEFINITIONS

Although the terms corporate branding, corporate reputation, and reputation man-

agement have become 'buzzwords' in business circles, they can often mean different things to different people. For clarity, the authors' own definitions are provided in Table 1.

To further clarify the definition of corporate branding, the American Marketing Association defines *brand* as a 'name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition'. Thus, a company engages in *corporate branding* when it markets the *company itself* as a brand. The 'goods and services' in this case would be part of the company's identity as defined above. Finally, *corporate brand equity* exists when constituencies hold strong, favorable, and unique associations about the corporate brand in memory (Keller, 2002).

A company's corporate brand provides consumers with expectations of what the company will deliver (a 'corporate brand promise' similar to the 'brand promise' of product brands). Accenture's logo, for example, is the company name with a 'greater than' symbol above the 't' that is meant to connote the firm's goal of pointing the way forward and exceeding clients' expectations (Guy, 2000). Certainly names and logos are only two elements of corporate branding; typically, companies use corporate advertising as another key channel for reinforcing the corporate brand.

Table 1: Definitions of Key Terms

<i>Term</i>	<i>Definition</i>	<i>Question</i>
Identity	Consists of a company's defining attributes, such as its people, products, and services.	Who are you?
Corporate brand	A brand that spans an entire company (which can also have disparate underlying product brands). Conveys expectations of what the company will deliver in terms of products, services, and customer experience. Can be aspirational.	Who do you say you are and want to be?
Image	A reflection of an organization's identity and its corporate brand. The organization as seen from the viewpoint of one constituency. Depending on which constituency is involved (customers, investors, employees, etc), an organization can have many different images.	What do constituencies think of who you are and who you tell them you are?
Reputation	The collective representation of multiple constituencies' images of a company, built up over time and based on a company's identity programs, its performance and how constituencies have perceived its behavior.	What do all constituencies think of who you tell them you are and what you have done?

In terms of distinctions among the concepts discussed, a company can define and communicate its identity and corporate brand, but its image and reputation result from *constituency impressions* of a company's behavior and are less within the company's direct control. Some argue that reputation is such an amorphous concept that a company cannot really 'manage' it at all. The authors maintain that a company in fact can do so, and that strong management of a corporate brand is an important part of that process.

WHY CARE ABOUT CORPORATE BRANDING?

Corporate branding, like corporate reputation, has come into the business spotlight in recent years — in fact, 2001 marked the debut of *Business Week* and Interbrand's ranking of the 'Best Global Brands', which used a valuation methodology to assign

dollar values to this important 'intangible asset' of some of the largest global companies.

Last year the authors teamed up with an ICCO (International Communications Consultancy Organization) panel in San Francisco that focused on corporate branding. In preparation for the ICCO panel discussions, Porter Novelli queried 700 corporate communications professionals on their views of the importance of corporate brand management (Harris, 2001), and conducted in-depth telephone interviews with those responsible for directing communications at 16 of the top global brands (*Business Week*, 2001). To understand what is driving the corporate branding trend, Porter Novelli asked them: 'Do you believe that in the future your organization will need to place greater emphasis on managing its corporate or company name as if it were a brand?'

In answer to this question, 64 per cent of the respondents said ‘yes’, 30 per cent said they were already doing so, and only 6 per cent felt that this was not necessary. In terms of patterns within different market segments, business-to-business companies said they were more likely to place greater emphasis on managing their name as if it were a brand and, to some degree, so did healthcare companies. Technology and consumer companies were slightly more likely to say they were already doing so. Non-profit organizations were more likely to respond ‘no’.

WHAT FACTORS ARE BEHIND THIS TREND TOWARD VIEWING CORPORATIONS MORE LIKE BRANDS?

Changing Dynamics of Product Marketing

Based on discussions with senior communications professionals at 20 of the ‘Best Global Brands’, the changing dynamics of product marketing seem to make the corporate brand more important for companies. For example, given the need to introduce new products faster and often in new categories, many find themselves having to build and borrow equity from the parent brand to provide credibility for a new introduction.

Wrigley found this to be the case when introducing new chewing gum products that were not simple line extensions of popular existing products. Motorola discovered that it needed more corporate brand equity so that it could ‘move it around’ to more promising product categories when the market shifted, rather than being perceived as a company associated with just one product category — a plight shared by many technology companies whose corporate brand is tied closely to one product or product category. Gillette made the observation that technological

innovation begs for the greater long-term consistency of a corporate brand.

Broadening Sales Channels

Beyond the product itself, selling channels have also broadened and changed, bringing into play a greater diversity of audiences for whom different attributes of a corporate brand are important — as is the case for Pfizer. As Pfizer and other pharmaceutical companies find themselves negotiating directly with hospital and state formularies on carrying their drugs, corporate brands, and what they stand for, become increasingly important. At Pfizer, the corporate advertising theme, ‘Life is our life’s work’, is designed to build corporate brand equity in support of marketing efforts directed at a broad range of audiences, including consumers.

Diversified Communication Channels

Because more employees and small retail investors (who are also customers) often own company stock, they are more likely to read the business pages and be influenced by the financial news. This also has implications for the corporate brand: it must be reflected consistently across all of these constituencies, including analysts. In fact, communications professionals interviewed said that they find themselves ‘marketing’ more to analysts than ever before, tying business strategy to the broader brand positioning of a corporation.

Mergers and Other Structural Changes

Mergers and acquisitions, which continue to be prevalent across many industries, call for clear definition of what the combined corporate brand is and what it represents, both internally and externally. For example, when British Petroleum merged with Amoco and then ARCO, it rebranded itself as BP and launched an internal branding campaign simultaneous with an exter-

nal program. Proclaiming that the merged entity was going ‘beyond petroleum’, the campaign reinforced the rebirth of an oil company into an energy company with an open, collaborative, ‘new economy’ culture. Employees of the three companies that merged to become BP now had a solid corporate brand to relate to and convey to external constituencies.

Increased Global Activism

Naomi Klein, author of the anti-globalist bible ‘No Logo’ (1999) and her followers believe that powerful global brands, most of which are based in the USA, have become the engines of capitalism that are responsible for a broad range of travesties against the environment and human rights around the world. Thus, large, highly visible companies that may have a traditional focus on product brands need to assess whether their corporate brands address some of these concerns. For instance, pressure from human rights activists over working conditions in many of its Asian production facilities has led Nike to place more emphasis on corporate social responsibility and the corporate brand as distinct from the Nike product brand.

Despite these compelling arguments for investing in corporate brands, not all of the companies spoken with felt it was entirely necessary. Some companies, particularly those that produce consumer goods, focus more on maintaining strong product brands than investing equally in developing and nurturing a corporate brand. Kellogg’s, for instance, currently places the emphasis entirely on the product, conceding, however, ‘that could all change if we were to go through any significant mergers or acquisitions that would dilute Kellogg’s positioning as a corporate brand and call for clarification’.

Some companies that have strong product brands still invest in a corporate brand, but find that it is much more diffi-

cult to do for a variety of reasons. In many organizations, the sheer breadth of product categories makes finding a common corporate brand positioning difficult. Additionally, the internal barriers of corporate politics and organizational structures can sometimes make the coordination of key messages across all divisions and departments a significant challenge. Finally, there are a limited number of qualified managers who have the breadth of experience and expertise to facilitate the development of a corporate brand across all the communications disciplines, including advertising, public relations, promotion, philanthropy, and internal communications.

While creating and managing corporate brands are challenging endeavors, it will be seen in the next section that they are vital to a strong reputation.

WHAT DOES THE CORPORATE BRAND MEAN FOR CORPORATE REPUTATION?

In answer to the question: ‘Is there a difference between reputation management and corporate brand management?’ many of the respondents surveyed said ‘yes’. John Owatta at IBM looks at brand management as a broader, more encompassing term that is aspirational in nature. For example, as IBM moves from a hardware company to focusing more on consulting services, the company must ask, ‘What are the new brand attributes that have to be emphasized and supported?’

Historically, public relations professionals have used the term reputation management to mean the effort that manages relations with all of a company’s key constituencies through the appropriate media. Brand management, on the other hand, carries an emphasis on marketing, with advertising as the lead discipline in a fully integrated communications program. These assessments seem to be in line with the earlier definitions.

HOW ARE THESE CONCEPTS RELATED?

Corporate Reputation is Strengthened When the Corporate Brand Promise is Kept

Virgin Group is a global brand that spans businesses as diverse as airlines, soft drinks, mobile phones, and publishing, to name only a few. According to the UK-based Business Superbrands Council, Virgin's core brand values include 'honesty, innovation, caring, value for money, and fun ... the public also associates it with friendliness and high quality'. (Milmo *et al.*, 2002). Richard Branson, Virgin's founder and chairman, believes that as long as his company can deliver on that brand promise in every business in which it has a product or a service to offer, it will continue to be successful. In an effort to ensure that it does deliver on that promise, the company continually solicits customer feedback on Virgin's products and services to optimize the customer experience.

When customers get what they expect from a company time and time again (ie the corporate brand promise is kept), reputation is strengthened. As one case in point, Virgin Atlantic Airways was ranked seventh in the Harris Interactive/Reputation Institute 2001 Airline RQ's list of foreign (non-US) airlines with the best reputations (Harris Interactive, 2002a). When one considers the diversity of Virgin's businesses versus the narrower focus of many of its competitors in the airline business, coupled with the fierce competition in that industry, this accomplishment appears even more significant.

As another case in point, many will recall Johnson & Johnson's renowned handling of the Tylenol cyanide contamination case of the early 1980s as a classic 'best practice' in crisis communications, but it also illustrates how keeping the corporate brand promise enhances corporate reputation. The company's handling of

the situation, in which seven people died after ingesting Tylenol capsules laced with cyanide, was characterized by a swift and coordinated response and a demonstration of concern for the public that only strengthened its trusted reputation as 'the caring company'. Not only did J&J immediately pull the product from store shelves nationwide, but thousands of the company's employees made over one million personal visits to hospitals, physicians and pharmacists around the nation to restore faith in the Tylenol name (Argenti and Forman, 2002). Within three months of the crisis, J&J had regained 95 per cent of its pre-crisis market share (Argenti and Forman, 2002). Twenty years later, in 2001, J&J was ranked first on the Harris Interactive/Reputation Institute RQ Gold survey of companies with the strongest reputations (Harris Interactive, 2002b).

Corporate Brands That Embody or Otherwise Incorporate Social Responsibility Can Enhance Reputation

Many of the same factors that influence reputation are becoming incorporated more frequently into corporate branding strategies. The most obvious example of this is corporate social responsibility (CSR). The issues surrounding globalization, as well as the events of September 11th, 2001 have raised companies' awareness of the need to examine their roles in addressing social responsibilities. As Wally Olins, co-founder of the corporate-identity firm of Wolff Olins, explained, 'brands of the future will have to signal something wholesome about the company behind the brand. The next big thing in brands is social responsibility' (*The Economist*, 2001).

Given the heightened attention paid to social responsibility by a variety of constituencies, there has been a significant increase in the number of annual reports on the theme of CSR. A recent survey by

PricewaterhouseCoopers of more than 1000 CEOs around the world found that 24 per cent of the companies surveyed produced a separate CSR report and 66 per cent covered the CSR activities in their annual reports. Most importantly, 69 per cent expressed the belief that CSR ‘is vital to the profitability of any company’ (Argenti and Forman, 2002).

This shift by companies toward placing more emphasis on socially responsible behavior is sometimes met with skepticism, and many CEOs have been hurt when their efforts are perceived as self-serving and commercially driven. CSR programs that connect with corporate vision and the corporate brand, however, are more likely to have positive reputational effects for companies.

The Body Shop serves as a good example of the latter. British founder Anita Roddick’s mantra of ‘profits with principle’ was a new and refreshing one within the arena of cosmetics and beauty products. At the Body Shop, minimalist, environmentally-friendly packaging replaced flashy labels, and product attributes were often described in an environmentally-conscious context. Roddick was committed to imbuing her business with a sense of purpose that was removed from profits, and everything about her products, packaging, and the stores themselves reinforced this.

A Price Waterhouse report noted, ‘Some customers may be willing to pay \$3.00 for a bar of soap, knowing that some of the money is going to a worthy cause. Others will be turned off to a company that uses its profits to support such a bold political agenda’ (Argenti and Forman, 2002). But precisely because The Body Shop’s commitment to the environment was so integral to the ‘soul’ of the business itself, it was also very credible to consumers, which contributed to the company’s strong reputation.

When the Corporate Brand is an Individual, Unique Reputational Challenges Can Arise

Many corporate brands are closely associated with the individuals who founded or manage them. Anita Roddick’s concern for the environment manifested itself in The Body Shop’s business plan. Richard Branson is closely associated with the Virgin brand. It seems inevitable that strong business leaders’ own personalities help shape the ‘personalities’ of their companies’ brands, but in some cases, the individual virtually *becomes* the corporate brand, as in the case of Martha Stewart. In this situation, when personal reputation is impaired, the consequences for the corporate brand and reputation can be dire.

As the chief executive of Martha Stewart Living Omnimedia (MSLO), Stewart had been visibly connected with all of the businesses under the Omnimedia umbrella for years, lending her name, face, and voice to ventures including a line of housewares, a television show, a magazine, and a series of books on entertaining. For years, this formula worked, due in large part to Stewart’s own image and favorable personal reputation. However, in 2002, Stewart became embroiled in a highly public insider trading scandal that put her personal reputation under severe strain. It was not long before the effects of this personal crisis affected Stewart’s business enterprise.

One of the key reasons for this problem was that MSLO had no other source of corporate brand equity besides Martha herself. Had such a scandal hit The Body Shop, or Virgin, for example, the effect on corporate brand equity (in terms of impact on stock price, negative publicity etc) would probably have been far less than what was seen at MSLO.

KEY LESSONS

Now that one understands the interplay between a company’s corporate brand and

reputation, what are some practical takeaways from this discussion?

- 1 Companies should pay attention to corporate branding.** Strong corporate brands are important assets to companies, particularly in a business environment where consumers, investors and employees alike are overwhelmed with choices. As companies enter into new product lines and as selling channels broaden, a strong corporate brand can provide cohesiveness and lend credibility to new products and ventures.
- 2 Companies should focus on managing their corporate brand as a means of managing corporate reputation.** Developed and communicated clearly, a corporate brand can actually drive business decisions that keep a company on track with its strategic objectives. Since a corporate brand creates expectations in the minds of consumers as to what the company will deliver, meeting those expectations creates the image in the minds of consumers that a company desires, which, in turn, enhances overall reputation.
- 3 The rise of corporate brand management and reputation management provides opportunities.** Opportunities to connect the strategy and vision of a firm to its marketing and corporate communication functions can offer significant

financial gains both to public relations agencies and the companies they support. Those who master the art and science of these new and exciting areas can indeed make a remarkable difference for their companies in today's business environment.

REFERENCES

- Argenti, P. and Forman, J. (2002) 'The Power of Corporate Communication: Crafting the Voice and Image of Your Business', McGraw Hill, New York, NY.
- Business Week* (2001) 'Interbrand rankings', *Business Week*, August 6.
- Guy, S. (2000) 'Consultant to launch big effort to advertise its new identity', *Chicago Sun-Times*, November 16, 66.
- Harris Interactive website (2002a) http://www.harrisinteractive.com/pop_up/rq/airline.asp, accessed 13 December.
- Harris Interactive website (2002b) http://www.harrisinteractive.com/pop_up/rq/gold.asp, accessed December 13.
- Harris, T.L. (2001) 'Impulse Research', Public Relations Client Survey, September 12.
- Keller, K.L. (2002) 'Building and managing brand equity', from a presentation delivered at the 6th Annual Research Conference on Corporate Reputation, Identity, and Competitiveness, Boston, MA, May 24.
- Klein, N. (1999) 'No Logo: Taking Aim at the Brand Bullies', Picador, New York, NY.
- Milmo, D., Bjortomt, O., Byrne, C., Cozens, C. et al. (2002) 'Media Guardian 100: How we got there', *Guardian Unlimited* website: <http://media.guardian.co.uk/top100>, July 8, accessed December 13.
- The Economist* (2001) 'Who's wearing the trousers?', September 8, 27.