Towards a new model of corporate brand equity

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Abstract

The purpose of the paper is to provide an integrated conceptual framework showing how corporate brand equity is generated. It integrates a number of previous studies which have focused upon specific aspects of brand equity and integrates these within a comprehensive model. It is based upon a review of the corporate branding, consumer psychology and strategy literature. The result is the construction of a number of sub-models and an overall proposed framework which integrates internal and external determinants of consumer-based corporate brand equity and combines these within a comprehensive integrative framework. The model encompasses internal, company-determined, variables, a Stimulus-Organism-Response model, the stakeholder cognitive perception process, a number of mediating variables such as corporate performance, industry sector and internationality, and the resulting impact upon corporate reputation and brand equity. As a conceptual paper, further work will be required for empirical validation, although it does have management implications by means of its integrative nature. The originality of the work is that it is both comprehensive and it puts forward an integrative model which goes beyond previous work which has focused upon specific aspects of corporate brand value. It also analyses the links between the different constructs and the directions of causality or influence.

Keywords

Corporate brand equity; corporate brand models; corporate branding; brand conceptual framework; brand management

1 Introduction

Brands are increasingly recognised as a key asset accounting for over 60% of corporate value. Increasing attention has been focused upon the corporate brand and a number of studies have considered different aspects of how corporate brand equity is created. Some
research has treated the internal, company-driven elements, others have focused upon the consumer perception process and others have considered external mediating factors. In this article we propose an integrated model to analyse how corporate brand equity is generated. The major contribution is to provide a conceptual framework which is both comprehensive and which integrates existing work within a coherent model.

2 Brand and corporate brand definitions
The American Marketing Association defines a brand as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors” and there are countless other such definitions. Unfortunately, there is no accepted definition of ‘brand value’ – for some this is equated with financial value, for others consumer metrics, and for others a combination of the two. Other terms are used such as brand equity (again for some a consumer measure for others financial), brand knowledge, brand association, brand contribution, etc. For the purposes of this paper we will use the term ‘brand value’ in its widest sense to accommodate all such possible measures, and the term “brand equity” to refer to consumer perceived equity.

Although the bulk of the branding literature focuses upon product branding, more recently there has been greater attention given to corporate branding, (Balmer, 2001a&b, Balmer and Greyser, 2003, Kapferer, 2009, de Chernatony and McDonald, 2003, Aaker, 2004). A corporate brand should give a clear picture and should personify the values of the company (de Chernatony and McDonald, 2003). Organisational characteristics such as values, culture, people and skills form a source of competitive advantage, which is difficult to copy, (Aaker, 2004, de Chernatony and McDonald, 2003). Kapferer (2009) argues that companies use the corporate brand as a tool to create and defend their reputation, to advocate a socially responsible position, and to target the labour market, especially in financial markets or business-to-business markets. The corporate brand can be used to build recognition and credibility, which in turn, can encourage relationship building (de Chernatony and McDonald, 2003), and is an important factor for international brands (de Chernatony, Halliburton & Bernath, 1995). Corporate brands focus upon multiple stakeholders, which makes their management more complex (Stuart and Jones, 2004, Baker and Balmer, 1997, Melewar and Jenkins, 2002, Kapferer, 2009, Esch et al, 2006). Corporate branding is now
increasingly manifested through digital channels (Halliburton and Ziegfeld, 2009). Thus, a number of authors have concluded that corporate branding is of higher strategic importance relative to product branding, (Ind and Riondino, 2001). Various models or frameworks have been proposed for corporate brand identity, (Melewar and Jenkins, 2002, Melewar and Saunders, 1998, Gregory and Wiechmann, 2001, Staudte and Schmidt, 2004).

3 Methodology
We first of all conducted a review of the corporate branding, consumer psychology and the strategy literatures. We then constructed frameworks to analyse the internal and external determinants of consumer-based corporate brand equity and combined these within a proposed integrative comprehensive framework.

4 A proposed framework for the generation of corporate brand equity
We propose a framework which incorporates internal (company) factors, external (consumer) factors and mediating factors. This distinction allows us to incorporate the company’s desired positioning and brand architecture with the consumer and stakeholder perception process as well as with mediating variables.

4.1 Internal determinants
The core element here is the corporate values that play an important role in formulating the corporate mission, vision and hence corporate strategy. Corporate values also influence the corporate culture and the corporate brand personality and manifest themselves in corporate behaviour, which in turn impacts upon the corporate identity. See Figure 1.

Firstly, corporate values contribute intrinsically to brand equity, they help to harmonise actions, (de Chernatony, 2002), and they play an important role in formulating the corporate mission, which demonstrates the purpose and focus of a company’s objectives and provides the basis for establishing the corporate vision. Corporate vision is the future-oriented
guideline by which the organisation sets the goals and objectives it wants to achieve in the future (Grant, 2005). The corporate strategy is then selected in order to deliver the corporate vision within the particular market and competitive environment in order to achieve a sustained competitive advantage (Lechner and Muller-Stewens, 2005). The interaction between the corporate strategy and the prior elements of values, mission and vision determines the unique philosophy of the business. These determinants can either be formulated by the top hierarchy within the company or on a more collective or consensus basis across the organisation, depending upon the corporate or national culture (Simoes et al., 2005).

Secondly both corporate values and corporate mission influence the corporate culture to a significant degree (de Chernatony, 1999). Corporate culture can be seen as shared values, norms, attitudes, beliefs, ideals and organisational work habits, which not only characterise the behaviour and self-conception of the staff but also the company as a whole. The corporate culture can thus be understood as a social control mechanism that plays an important role for communication and motivation and hence influences the staff’s behaviour. In order to avoid inconsistent behaviour that might be negatively perceived by stakeholders, corporate values and corporate culture should be strongly aligned (de Chernatony, 2001; Dowling, 1994).

Thirdly, corporate values affect the corporate brand personality. This is a key element that relates to the beliefs and attitudes within the organisation (Balmer, 2001). Consequently corporate identity can be seen as a subset of specific value-constellations that shows what a company represents and describes the human characteristics that are related to the firm (Davies et al., 2003). In more explicit cases the corporate personality can be characterised by the company founder’s personality, (e.g. Richard Branson and Virgin or Steve Jobs and Apple), (Balmer and Greyser, 2002).

As already indicated, corporate strategy, culture and personality are the key drivers of corporate behaviour, (Herrmann, 2005). This can be especially significant when dealing with problems as well as with the perceived consistency of service. In order to maintain such consistency again it is essential that corporate behaviour is aligned with the values, mission and vision (Diller, 2001; Bruhn and Homburg, 2004).

Lastly, corporate behaviour has a direct impact upon the corporate identity, which can cover a broad and complex area across disciplines. The marketing discipline (corporate identity)
and the organisational discipline (organisational identity) share a related interest. While corporate identity essentially responds to the question “what the company represents” and therefore deals with the internal and external communication of the company’s unique character, organisational identity addresses the issue of “who is the company” and thus pays greater attention to internal perception and values (Balmer, 2001; Brockdorff, 2003). A company is therefore characterised by its corporate identity, by bundling specific attributes and embodying them within the staff’s minds (Aaker and Joachimsthaler, 2009). However external representations such as the name, logo and visuals also contribute to the corporate identity (Dowling, 1994). Thus there is a balance to be achieved between internal and external stakeholders. For internal stakeholders, corporate identity supports identification and commitment to the company and for external stakeholders' identification of the company’s uniqueness (Bruhn and Homburg, 2004). Corporate identity also plays an important role in the choice of brand architecture determining whether a product brand or a corporate brand architecture is selected (Herrmann, 2005). Brand architecture refers to the brand portfolio, either a ‘House of Brand’ strategy (such as P&G), a ‘Branded House’ (such as Unilever), or a fully corporate brand (such as Virgin or Sony). Branding decisions may be made at different levels of the hierarchy – with product brands typically assigned to middle management, whereas the corporate brand strategy is determined by top management. Hence leadership is critical in establishing a strong corporate identity, which should be embodied in staff attitudes and behaviour, especially in the case of service brands (Balmer, 2001a and 2004). Accordingly, the corporate brand strategy should be in the line with the overall corporate strategy.

### 4.2 External determinants – SOR model

Corporate communications, employees as stimulus carriers and third party communication are the three major ‘stimulus’ components within the proposed framework. Balmer and Gray (2000) refer to this as “total corporate communications”, comprising primary, secondary and tertiary communication from the communications function itself, from the organisation and its employees, and from third parties via word of mouth. The perceptual process has received extensive attention from marketers and psychologists. This includes activation and involvement and the cognitive information processing dimensions and the affective
processes of association and attitude formation. These processes are summarised within the framework under the ‘organism’ element of the SOR model. The responses to these processes are strong corporate brand awareness and positive brand associations across the stakeholder group. Strong corporate brands enjoy high top-of-mind awareness, important for brand choice (Keller, 2007). They also embody positive brand associations or image. In contrast to the corporate identity (company determined within the framework), the corporate image is the short-term stakeholder-specific perceptions (Fombrun, 2001, Brockdorff, 2003). The long-term corporate reputation therefore comprises the sum of the short-term stakeholder-specific corporate images. These all comprise the ‘response’ element within the SOR model. See Figure 2.

4.3 External determinants – SOR model – ‘Stimulus’

The stimulus component of the SOR model comprises corporate communications, employees as stimulus carriers and third party communications. As a word of caution, some authors have highlighted a potential area of conflict for corporate brand management if these three are not in alignment and well managed (De Chernatony, 2001; Stuart and Kerr, 1999). However, if well aligned this can result in a positive perception of corporate identity such as quality, competence, trustworthiness, attractiveness, reliability, credibility and responsibility (Blackston, 2000).

**Corporate communications**

Corporate communications plays a key role in the many different areas of contact with multiple stakeholders, a role of coordination and integration. The objective is to create an integrated approach and a coherent brand architecture for the corporate brand and to ensure a consistent presentation of the organisation (Stuart and Kerr, 1999; Bruhn and Homburg, 2004).
The corporate identity is transmitted by corporate communications, corporate design and corporate behaviour. As a consequence, the relationship between the corporate identity, brand architecture and corporate brand positioning are communicated to both internal and external stakeholders via traditional communication tools such as advertising, PR and sponsorship and by newer digital methods. As regards external stakeholders, the key concerns include reliability for customers, credibility for suppliers and investors and responsibility for the general public, whereas internal stakeholders pay particular attention to trustworthiness (Fombrun, 1996).

**Management and staff as information carriers or advocates**

Although their importance can be underestimated, employees are valuable representatives of the corporate identity and thus information carriers and even advocates of the brand, especially for those with direct contact with external stakeholders, (Simoes et al, 2005). In order to communicate the corporate brand to the external environment in a consistent way, internal communication plays an important role (Tomczak and Kernstock, 2004). Burmann and Zeplin (2006) point to “organisational citizenship behaviour” which can be transferred to the corporate brand. The driving factor is the appreciation of and commitment to the corporate identity and, by implication, an employee’s psychological engagement to the corporate brand. This can involve active participation and internalisation of corporate identity but may also have a positive effect on employee motivation, attitudes and behaviour (Burmann and Zeplin, 2006). Hence corporate brand communication is embodied by the staff. This may be achieved by internal communication, by in-house role models, or by carefully selecting staff who share corporate values and culture (Burmann and Zeplin, 2006; Aaker, 2004; Kitchen and Laurence, 2003).

In addition, managers, especially senior managers or founders, are important communicators as they transmit the corporate values, culture, and corporate identity to internal and external stakeholders such as investors, media, analysts and the general public (Aaker, 2004; Kitchen and Laurence, 2003). Managers can therefore embody the corporate identity leading to a relevant, long-term, differentiated and consistent positioning (Aaker and Joachimstaler, 2009) - famous examples are Bill Gates, Microsoft or Jack Welch, General Electric.

**Third party communications**
In addition to the company’s own staff, a wide range of third parties can also contribute to brand communications. Customers are perhaps the most obvious group, where referrals, or indeed advocacy can be amongst the most persuasive communications, as evidenced in the ‘net promoter’ concept. A recent study by Forrester Research found that ‘email from people you know’ showed the highest level of trust followed by consumer product ratings or reviews (Forrester Research, 2008). Clearly the increase in social networking and consumer communities or tribes has encouraged this. Other third parties may also contribute to the total communications effort – these include suppliers, independent reviewers, influencers, trade associations, journalists, and indeed many others, Public Relations can be seen as the effort to influence some of this third party communications.

4.4 External determinants – SOR model – ‘Organism’

Corporate brand perception process

After having described the stimulus, we now outline the cognitive perception process. In this context, the corporate brand embodies compacted information ‘chunks’ which can help to reduce the overall information-overload (Meffert et al, 2005; Baumgarth, 2004). See Figure 3.

This framework requires that perception of external stimuli are activated via human drive forces such as emotions, motivations and attitudes that result in awareness raising and attention by the different stakeholders and which then trigger specific behaviours (Baumgarth, 2004; Meffert et al, 2005). Corporate communication can play an important role as a perception-screener or filter to influence stakeholder behaviour (Keller, and Lehmann, 2003). As emotions and hence motivations and attitudes strongly depend upon a specific culture, cultural conditions have to be taken into account when defining and
transmitting stakeholder-specific stimuli, especially by globally operating companies (Meffert et al., 2005; Krober-Riel and Weinberg, 2003).

This also depends upon the level of stakeholder involvement in the product category and is determined by influencing factors specific to the person, the context and the stimulus (Trommsdorff, 2004). This activation and involvement have a significant effect on the cognitive processes, the mental, rational process of absorbing (selective perception and evaluation), handling (thinking and knowledge) and saving (learning and memory) information. Cognition therefore can be understood as the processes by which an individual conceives his/her environment and controls behaviour accordingly (Trommsdorff, 2004; Krober-Riel and Weinberg, 2003).

When absorbing information, specific stimuli will be selected, organised and interpreted and result in selective perception of the information. As information is digested the perceived stimuli reach the sensory memory for a split second, to be transmitted to the short-time memory subsequently. Making use of different stimuli patterns, brand management is able to trigger higher attention levels, to overcome the sensory memory and reach the short-term memory. This represents the stakeholder’s active memory which decrypts, enhances, interprets and translates the stimuli into organised information leading to specific knowledge of the situation. By this means, the different stakeholders relate the transmitted information to their existing knowledge which evokes a stakeholder-specific association (Brockdorff, 2003; Krober-Riel and Weinberg, 2003). For this reason it is crucial for the perception of a corporate brand to communicate clear, stakeholder-specific messages. The previously organised information finally reaches the long-term memory. As a consequence the levels of knowledge and preferences will change, which can then cause a change in behaviour (Foscht and Swoboda, 2005; Krober-Riel and Weinberg, 2003).

So the objective of brand management is the long-term retention of positive knowledge and associations towards the corporate brand in the minds of stakeholders, given their perception process. Moreover, relevant and differentiated corporate brand associations have to be evoked in order to satisfy the stakeholder’s needs. This can be supported by effective corporate communication and stakeholder contact points. In addition corporate brand associations can have a distinctive value for different stakeholders (Aaker, 1992; Dacin and Brown, 2002). Therefore, associations have an impact upon stakeholder attitudes as well as on the corporate image, reputation and corporate brand equity as outlined below. Figure 10
4.5 External determinants – SOR model – ‘Response’

**Corporate reputation and corporate brand equity**

The outcome of the perception process is stakeholder response in terms of awareness and image and their consequent effect upon corporate reputation and hence brand equity. See Figure 4.

Awareness of the corporate brand can be defined as the stakeholder’s ability to identify the corporate brand, to bring it to mind and to allocate it to a specific business category (Brockdorff, 2003). Awareness may either be passive (aided) or active (unaided) awareness, (Homburg and Krohmer, 2006). The highest level of awareness is reached if a corporate brand is selected first within its category. Such corporate brands enjoy so-called top-of-mind awareness which is especially relevant for brand choice (Keller, 1997). Corporate brand management therefore has to establish strong brand awareness as a marketing objective as well as the choice of brand architecture since this is a necessary condition for the development of a strong image and reputation, the foundation of a corporate brand value. Corporate communication therefore enables the stakeholder to perceive the corporate identity, which is the basis of both corporate image and reputation (Aaker, 1992; Balmer and Gray, 2000).

As already indicated the image of a corporate brand is influenced by the stakeholder’s specific associations and depends on tangible characteristics such as the brand name, logo, visuals, etc., (Tomczak and Kernstock, 2004). Corporate image is based upon the communication of the corporate identity as determined by the company - it is a mental picture that a stakeholder holds individually at a certain point of time. In contrast to the corporate identity (company self-perception), the corporate image describes the short-term stakeholder-specific perceptions (Fombrun, 1996; Brockdorff, 2003). Ideally these two
images should be the same however this may often not be the case and so one goal of strategic brand management is to minimise this gap.

The overall long-term corporate reputation is the accumulation of the short-term stakeholder-specific images. This reputation can be seen as the collective (emotional and rational) perceptions and evaluations by all the stakeholders (Fombrun, 1996). A positive corporate reputation may be evidenced for example by the corporate brand being appreciated as responsible, reliable, credible or trustworthy; by the staff’s commitment to the company; by positive tertiary communication; as well as by the satisfaction and loyalty of the staff and consumers (Aaker, 2004). The reputation is the result of a process where stakeholders evaluate all services of a company and it determines the long-term corporate brand equity generated by the organisation, (Brockdorff, 2003).

4.6 Mediating factors
In addition to these endogenous factors, three mediating variables are postulated – corporate performance; industry specific factors and internationality (Fombrun, 1996).

Influence of corporate performance
Previous studies suggest a number of qualitative and quantitative performance factors which affect corporate reputation positively or negatively. Positive qualitative factors include leadership, talent management, investment strengths, marketing intensity and CSR initiatives. Negative, or uncertain, qualitative factors include unrelated diversification (which may be perceived as unfocused or risky, (Grant, 2005)) and media presence (which may indicate operations in turbulent markets, for example the BP Mexican Gulf issue). Positive quantitative factors include market capitalisation, market share, rising share prices, equity use, return on assets and sustainability. Negative quantitative factors include volatility, risk assumptions and shareholder concentration (possibility of interference). In summary, reputation supports sustainable competitive advantage and is correlated to corporate performance mostly in a positive direction, (Carmeli and Tishler, 2005; Davies et al, 2003).

Influence of industry sector
Prior work suggests that industry sector can have an impact on corporate reputation, hence corporate brand equity (Schwalbach, 2001). To operate in a specific industry can positively influence the company’s reputation due to the fact that some industrial sectors are held in higher esteem (e.g. automotive industry in Germany), whereas others have a lower reputation (e.g. energy supply companies in Germany). The industry classification can have a consequent impact for companies clearly associated with specific industries (Schwalbach, 2001).

Influence of internationality
Internationality can also have an effect if a specific industry has a high rating in a specific country. This might reflect national competitive advantages but could also relate to cognitive processes, attitudes to internationality or to specific national perceptions and country of origin effects, including explicit references such as “made in…” or “made by…”, e.g. ‘made in Germany’ for automotive or engineering sectors, French luxury products or Italian design, (Schwalbach, 2001). Some financial brand valuations explicitly include internationality, including Interbrand for example. There is some counter evidence that in certain sectors, local brands may be preferred over global, (for example the European food sector – (Schuiling & Kapferer, 2004).

An integrative framework of corporate brand equity

Figure 4 therefore proposes an integrative framework for the creation of corporate brand value. It integrates the internal (company) and external (consumer) variables, the perceptual process, the S-O-R-model and the mediating factors. It also attempts to show the nature of the interactions between the different variables. The previous sections outlined the different determinants of corporate brand equity and their impact on the corporate brand value. By integrating work from a number of existing sources we have tried to systematise the different heterogeneous conceptions and relate them to each other within a structured framework.

5 Conclusions
Our review of the branding and other literature has enabled us to propose an integrative corporate brand value creation framework. We argue for the inclusion of internal (company) as well as external (consumer) variables as well as mediating factors.
The management implications are that there is still a need therefore to reconcile academic and practitioner models and to seek greater universality. This does implies the use of a comprehensive framework which incorporates company-determined constructs as well as consumer, and other stakeholder, measures.

6 Limitations and future research
The principal contribution of this paper is to provide a comprehensive theoretical framework for the generation of consumer brand equity. The next steps will require validation of the model and empirical testing with practitioners.
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Figure 1 – Internal Determinants of Corporate Brand equity
Figure 2 – External Determinants - S-O-R Model

The SOR-Model illustrating a corporate brand's external determinants:

**Stimulus**
- I. Corporate Communication
- II. Employees as information carriers
- III. 3rd party communication

**Organism**
- I. Appealing processes
- II. Cognitive processes

**Response**
- I. Short-term: Corporate Image
- II. Long-term: Corporate Reputation
Figure 3 – Cognitive Perception Process
Figure 4 – Integrative Model of Corporate Brand equity