Part One

THE BASICS

1

WHAT IS CORPORATE BRANDING?

Before British Airways was privatized in 1987, and for some time thereafter, people in Britain joked that "BA," the company's familiar acronym, really stood for "Bloody Awful."[1] The joke reflected what were then widely shared images of the airline as operationally incompetent and as indifferent to customers. However, by the early 1990s conditions at BA had improved considerably. Through severe downsizing and corporate-wide customer service training, Colin Marshall, who was CEO at the time, turned a stodgy, military-style bureaucracy into a profitable, respected, and highly competitive enterprise.

The change took shape after lengthy preparations that included repositioning the company around the idea of "the world's favorite airline." The word *favorite* symbolized the new attention to customers that was to characterize the company's transition to private enterprise. Over the years, BA conducted dozens of change programs aimed at developing a service-minded culture. These programs considerably improved BA's image with its customers, allowing the airline to overcome its former reputation for incompetence and indifference.

Even as BA's reputation for service improved, however, it faced new pressures from the ever-demanding, rapidly globalizing marketplace the airline industry serves. By the mid-1990s, marketing research showed that BA's customer base was shifting: only 40 percent of its passengers were British, and these numbers were falling. An alliance frenzy in the airline industry created another pressure. Along with incessant talk about globalization throughout the business world, and under the then new leadership of CEO Robert Ayling, BA made its move.

The first step was to address BA's strategic vision of being "the world's favorite airline." Ayling and his managers did not see the need for an entirely new vision; instead, they shifted the emphasis from being the "world's *favorite* airline" to being the "*world's* favorite airline." Although this in itself may not seem like a major change, implementing this transition led BA to realize it needed to address its market in a less rigidly national tone of voice. To engage its global market more fully, BA decided to incorporate a diversity of national origins and styles into a bold new visual identity for its corporate brand.

The most immediate and controversial aspect of the new visual identity—the tail fins of its fleet of aircraft—were to be decorated with patterns taken from contemporary, original folk art that BA commissioned from artists around the world. A different design was planned for each airplane, making the fleet into a flying art gallery that visually celebrated the world's diversity while it carried BA's message around the globe. To further avoid nationalistic associations, the British flag that had long marked the planes as BA's property was replaced by a design called a "speedmark."

The speedmark, which looks like a twisted ribbon that is blue on one side and red on the other, was conceived as a contemporary symbol that retained the colors of the Union Jack without actually displaying the national flag. According to a company spokesperson at the time, the new airplane livery was "a creative expression of a company, which, both in the letter and the spirit, regards the whole world as its customer."[2]

Using work from artists in different countries to decorate the tail fins of an airline fleet was a radically new way to express strategic vision. In place of a single symbol, style, or color palette, BA's tail-fin displays embraced and emphasized diversity. This idea carried over into other areas of communication. For example, the annual report for 1996–97 was illustrated, both on the cover and throughout, with photographs of BA staff from many ethnic backgrounds. The same message was implied in television commercials that showed people on different continents being reunited with family members from overseas.

But trouble was already brewing. The new look of the repainted fleet did not run very deep in the organization. It didn't even run deep in the airplanes themselves, where British accents, manners, styles of dress, and other expressions of traditional Britishness continued to reign. For example, members of BA staff were expected to maneuver large and heavy traditional metal tea and coffee pots. This was awkward, clumsy, and hazardous, but conformed to a notion of old-world style and correctness promoted by traditionalists as synonymous with being British. Thus there was built-in dissonance between the revamped exteriors of the airplanes, with their message of inclusive diversity, and the interior—where an aggressively deferential service culture, along with the silver tea service, symbolically signaled the continued dominance of traditional Britishness within the company culture. Strategy and culture were at odds, both symbolically and attitudinally.

The pervasive culture of traditional Britishness within BA presented some immediate problems for the airline. For many who reside outside Britain, BA's cultural traditions were a reminder that Britain was once a formidable colonial power. In June 1997, CEO Ayling acknowledged this when he told the *Yorkshire Post:* "We want to show a modern Britain rather than an imperial Britain." But it was not necessarily associations with colonization that were objectionable. Apparently the passengers targeted by the airline's desire to secure a global image simply did not appreciate the British style of service. In July 1997, the *Financial Times* reported that Ayling had told shareholders "there were elements of 'Britishness' that were standing in the way," and he was quoted as saying, "We are seen to be slightly aloof."[3]

Meanwhile, at home, the new designs provoked anger and hostility from traditionalists. To the delight of the news media that captured her gesture on videotape, Margaret "Maggie" Thatcher, former British Prime Minister and arch conservative, twisted her handkerchief around the tail fin of a model BA airplane to hide one of the new designs. This clip was seen repeatedly throughout Britain for many months, rallying conservative business class passengers around demands that the Union Jack not be removed from BA's planes.

At the time, Britain was engaged in an extended political debate over the values of Britishness, and the new Labour Party and its recently elected Prime Minister, Tony Blair, showed much interest in finding fresh ways of articulating those values. This concern, to use a popular media catchphrase of the day, involved rebranding Britain as "Cool Britannia." It is likely that this political discussion influenced strategic thinking inside BA. However, while BA's vision seemed to lie with a New Britain, resistance by the Old Britain continued.

Pressure to conform to traditional British style does not fully describe the resistance to change that BA experienced during this period. Immediately following the launch of the new look for the fleet, the U.K. cabin crew union held a seventy-two-hour strike over a new pay scheme and the outsourcing of catering services. Part of BA's effort to be globally competitive involved substantial cost reductions aimed at competing with U.S. rivals. But cost reductions are always difficult internally, and the reaction of the cabin crews at the precise moment of the launch showed that employees were not positively engaged by the new vision nor fully involved in the campaign to promote it. The strikers emphasized the contradictions found between cutting costs internally while spending millions on corporate rebranding.

While the multiracial and multicultural nature of BA has remained an important theme of its communications, the radicalism of its new look came to be regarded by the company as less than successful. This evaluation led to announcements in 1998 that the full series of tail fin designs would never be implemented. Although reasons for this decision were not spelled out clearly, Ayling suggested that resistance among the lucrative and conservative British business class passengers caused BA to cut back on its tail-fin program. The media and many employees at the time believed that the costs of the program were simply too high. Regardless of the logic used, BA, it seems, lost its corporate nerve. It also lost Bob Ayling, who in early 2000 was replaced as CEO by Rod Eddington.

Under Eddington's leadership, BA remained concerned to communicate a sense of belonging to the world and being made up of representatives from many different parts of it. The retreat from repainting the tail fins did not alter the corporation's resolve to have a global image, and for many years the look of BA remained caught between traditionalism and the global diversity of those planes whose tail fins still sported colorful and non-British images. Until the company was again able to afford repainting its fleet, the aircraft that sported the folk-art tail fins stood as testimony to BA's mismanagement of its rebranding effort.

Although today all BA airplanes again wear identical livery, the company, now under the leadership of its youngest CEO ever, William "Willie" Walsh, shows no clear signs of having overcome its problems with connecting its global vision to its many internal and external stakeholders. In fact, BA seems so bogged down in other crises at the moment that *Guardian* reporter Jane Martinson referred to the company as "the world's once-favourite airline."[4]

Where Corporate Brands Differ from Product Brands

BA's rebranding problems were complicated. Before taking a more disciplined look at what went wrong, it's worth considering what a corporate brand is—and is not. First and foremost, branding an enterprise is not the same thing as branding a product. And, although corporate and product brands share some similarities, assumptions about product branding can sometimes leave the wrong impression of what corporate branding entails.

It can be easy to confuse corporate with product brands due to similarities in their use of imagery. For example, Nike's swoosh and the golden crest on a packet of Marlboros are both graphic symbols bound together with a familiar name and associated with various emotions, ideas, and memories. And both have become significant in popular culture, partly as the result of all manner of marketing, communication, and sales efforts. Yet these similarities mask important differences. Nike is a corporate brand that symbolically integrates the wide-ranging activities of an enterprise that not only provides consumers with sporting goods but also influences how sports are played and shapes the identities of those who play them. Marlboro, even given its global iconic stature and enormous equity, is but one of many products in the Philip Morris empire.

The concept of *brand architecture*, which explains how multiple product brands owned by a single company relate to one another, helps some people understand the relationship between a product and a corporate brand. For example, product brands may operate independently, the way Procter & Gamble's stable of product brands do (Tide, Ivory, Pampers, Crest, Duracell, Gillette, and so on), or be grouped into brand families like General Motors' Chevrolet, Buick, Pontiac, GMC Truck, Saturn, Hummer, Saab, and Cadillac.

But notice that the GMC Truck brand incorporates the General Motors acronym (GM). In this sense the GMC Truck brand is like Nestlé KitKat or Apple iPod. These are all cases of endorsed product brands, where the company name adds weight to the product brand, or in some rare cases, the other way around (for example, the cachet Jaguar and Aston Martin briefly lent to the Ford brand). Endorsement begins to reveal the company behind the brand, but not until a company brands all of its products under one name using a singular style like Virgin, BMW, or McDonald's is there potential for a corporate brand.

We say *potential* because unity of logo, name, and house style is only one aspect of a corporate brand. Corporate branding involves a great deal more. Points of difference include the scope and scale of the branding effort, where the brand identity originates, the audience targeted, the placement of responsibility for the

Table 1.1. How Corporate and Product Brands Differ.

	Product Brand	*Corporate Brand*
Scope and scale	One product or service, or a group of closely related products	The entire enterprise, which includes the corporation and all its stakeholders
Origins of brand identity	Advertisers' imagination informed by market research	The company's heritage, the values and beliefs that members of the enterprise hold in common
Target audience	Customers	Multiple stakeholders (includes employees and managers as well as customers, investors, NGOs, partners, and politicians)
Responsibility	Product brand manager and staff, Advertising and Sales departments	CEO or executive team, typically from Marketing, Corporate Communication, Human Resources, Strategy, and sometimes Design or Development departments
Planning horizon	Life of product	Life of company

brand's performance, and the extent of the planning horizon (see Table 1.1).[5]

Product brands typically lavish all their attention on customers and consumers, whereas corporate brands address all the company's stakeholders—not only customers and consumers but also investors, suppliers, distributors, partners, governments, and local, national, and international community groups, as well as employees—in other words, the entire enterprise.

In short, branding the enterprise means involving everyone who is important to the company. The leaders of BA, for example, thought about the changing demographics of the company's customer base but failed to consider how the British public would respond to its brand renewal effort, or even how its own employees might react. In effect, BA treated its brand like a marketing problem when it was really an enterprise problem.

Another difference between product and corporate brands is that product brands gain market share through short-lived advertising campaigns invented by marketers. Sometimes these are effective and memorable (for example, the Budweiser frogs), but corporate brands express enduring ambitions and the values and beliefs of all connected with the enterprise. This is how they embody the interests and earn lasting trust among their stakeholders. BA would have been well advised to think about the past (the company's iconic role in the British heritage) and to relate that past to its future, rather than jettisoning it in favor of the image of a New Britain that Tony Blair's government was promoting at the time. A corporate brand cannot focus only on the future; it must connect with what it has meant to its stakeholders throughout its history. Unlike a product brand, which lives and dies with its product, a corporate brand accompanies the firm for life.

Thus a corporate brand targets all stakeholders, inside and out. It influences organizational activities from top to bottom, and it infuses everything the company is, says, and does, now and forever. Heading up such an enterprise-wide and potentially integrative effort must be company leaders. The top team is not there to provide window-dressing; its members individually and collectively make the corporate brand focal within the organization's culture and inspire creative thinking that keeps the brand alive for all stakeholders. Under Colin Marshall, BA had this kind of leadership, but lost it when Robert Ayling failed to grasp the difference between product and corporate branding. Ayling's missteps led to a failure of such proportions that the BA brand has yet to fully recover its lost ground.

When Corporate Brands Work

Whenever you encounter a successful corporate brand, standing behind that brand you will find coherence between what the company's top managers want to accomplish in the future (their strategic *vision*), what has always been known or believed by company employees (lodged in its *culture*), and what its external stakeholders expect or desire from the company (their *images* of it). The basic principle of the Vision-Culture-Image (VCI) Alignment Model—that the greater the coherence of vision, culture, and images, the stronger the brand—is the central message of this book (see Figure 1.1).

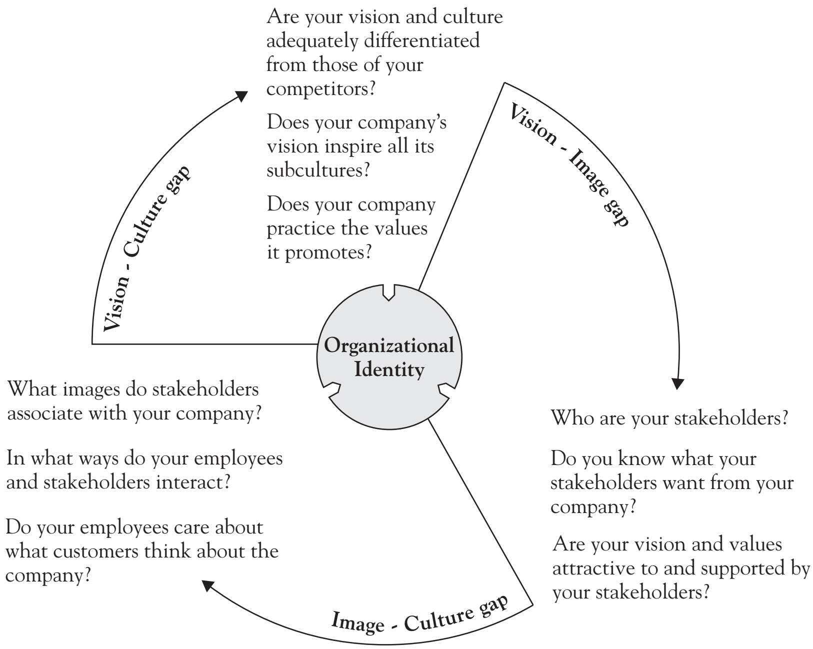
Figure 1.1. The VCI Alignment Model.

Conversely, misalignments (or gaps) between vision, culture, and images indicate an underperforming corporate brand (see Figure 1.2).

Think of strategic vision, organizational culture, and stakeholder images as pieces of a jigsaw puzzle. Spread out on the table, the pieces are incoherent. Put into place, they form an integrated, expressive, and satisfying whole that builds strong corporate reputations while integrating organizational behavior behind delivery of the brand promise to all the stakeholders who make up the enterprise. If you are wondering whether your corporate brand

Figure 1.2. VCI misalignment causes gaps between vision, culture, and images.

Figure 1.3. Questions to ask yourself about the VCI alignment of your corporate brand.



Source: Based on M. J. Hatch and M. Schultz, "Are the Strategic Stars Aligned for Your Corporate Brand?" *Harvard Business Review,* February 2001, pp. 128–134.

suffers from any VCI misalignments, answering the questions in Figure 1.3 should give you some initial indications.

If they are to be worthy of their stakeholders' enduring trust, corporate brands need to be managed effectively throughout the life of the company, not just during brand launch. And when you consider what needs to be managed—alignment in all the interfaces between corporate vision, organizational culture, and stakeholder images—it is clear why corporate brands come to be valued as strategic assets. The combination of vision, culture, and images represents in one way or another everything the organization is, says, and does.

How British Airways Failed Its Corporate Brand

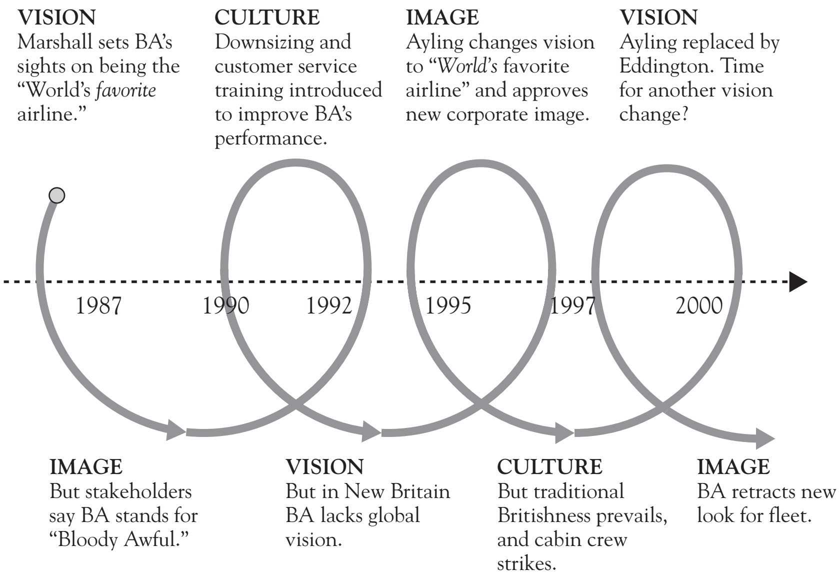
At the time of the launch of their first repainted aircraft, BA leaders surely felt they had done everything right: their vision was global, their culture was service-oriented, and their image as "the world's favorite airline" was ready for expansion to "the undisputed leader in world travel." Yet, even though BA had vision, culture, and desired image in good shape, these three essential elements of its corporate rebranding program lacked alignment.

First, BA's culture did not support its vision. Instead, employees, who were being subjected to another round of cost cutting at the time of the new brand launch, interpreted the expenditure of £60 million on tail-fin painting as a breach of faith. They expressed their anger with a strike symbolically timed to coincide with the unveiling of the first repainted tail fins, making public the rift between employees and their leaders.

Second, the images key stakeholders associated with BA were not in line with the airline's new global vision. BA's move to implement its global vision was met with formidable resistance on the part of British conservatives, who constituted the bulk of BA's lucrative business class passenger pool. For these passengers, on whom BA still depends for the greater part of its revenue stream, BA was an icon of British culture—and they were not ready to share it with the world.

And finally, BA experienced misalignment of its culture and the global expectations the company encouraged its key stakeholders to hold. This gap was symbolized by the juxtaposition of its global ambition and the British look and feel of its service. As the tail-fin program proceeded, it became obvious to passengers, if not to employees, that the airline might be global on the outside, but inside it was still terribly British. From the traditional silver tea service down to the properly stodgy uniforms of the cabin crew, little about the culture encountered inside the airplanes (or the company!) matched the global expectations encouraged by the proud display on the tail fins.

Figure 1.4. What happened when British Airways did not align its vision, culture, and images.



Although British Airways managed the elements of its corporate brand effectively, the company did not align them with one another. The elements BA put into place at different points in time are listed above the time line. Below the line are some of the problems BA's inattention to alignment caused.

Source: Based on M. J. Hatch and M. Schultz, "Bringing the Corporation into Corporate Branding," *European Journal of Marketing*, 2003, *37*(7/8), 1041–1064.

By doing things so badly during the period of its global brand launch, BA demonstrated the importance of aligning vision, culture, and images. The lesson the BA example teaches is that the *alignment* of vision, culture, and images determines the success of a corporate branding effort, not the elements themselves. Figure 1.4 traces the multiple upheavals BA endured and relates them to continuing misalignments in vision, culture, and images.

Why Southwest Gets Corporate Branding Right

BA continually failed to align its vision, culture, and images (VCI), thereby undermining its corporate brand. But are there success stories to support the principle of VCI alignment? We believe that although no company enjoys permanent immunity from misalignment, Southwest Airlines represents one that comes close. Even though it, too, has faced misalignment recently, this company gets VCI alignment in its bones.

By now everyone has heard how, as a small regional carrier, Southwest had to fight tooth and nail to get its tiny fleet of airplanes into the sky. But once in the air, by offering its passengers a cheap and efficient means of enjoying short-haul, low-cost, no-frills air transportation, it grew into one of the world's most valuable airlines, with a market capitalization almost as large as all other U.S. airlines combined.

Southwest built its brand on the back of a strong and productive relationship between management, workers, and unions. This relationship forged the airline's corporate culture, whose central belief is that if you take good care of your employees, they will take good care of your customers. What may be only an urban myth about Southwest nonetheless demonstrates the lengths to which the company's managers uphold this belief. The story tells of a customer who was abusive to an employee, and the company informed the guilty passenger by letter that their business would no longer be welcomed at Southwest! Can you imagine in this age of the-customer-is-always-right, a company siding with an employee over an instance of disrespect? Even if this never really happened, it is the sort of thing that stakeholders inside the company and out believe Southwest Airlines would do, and it represents a true corporate brand in action.

How did Southwest develop customer loyalty at the same time that it enjoyed levels of enthusiastic employee commitment few companies before it ever achieved? As a new generation of managers takes over from beloved founder and longtime CEO Herb Kelleher, the story of this airline's rise to fame and fortune is worth examination. In all the ways BA failed to integrate its vision with its organizational culture and stakeholder images, Southwest has for the most part succeeded.

Let's start with culture. As carriers of culture, leaders cannot do much better than Kelleher has. Working tirelessly over his many years as Southwest's CEO, Kelleher was legendary for the hours put in as he traveled around the country visiting and working alongside his employees, sharing menial tasks, and partying with them after hours. As the result of his example, and of the concern taken to ensure cultural compatibility in recruiting, Southwest has become the prototypical work hard–play hard culture. And, as often as possible, work *is* play at this airline. People never take themselves too seriously except where getting the job done is concerned. Southwest's laid-back style is celebrated inside the company and out in story after story like the ones about the ways in which mundane aspects of air travel are handled, from the way flight crews joke with their passengers about the limited amount of space under the seat in front of them to the sincere playfulness with which service staff provide Southwest's signature no-frills peanuts.

Supported by a business model that delivers low-cost operations, Southwest offers its customers a seductive cocktail of modest prices and an entertaining service experience. Once the airline got off the ground, word of Southwest's unconventional approach to air travel spread quickly. Soon curious travelers became devoted passengers and the foundation for a strong corporate brand was laid in the alignment between employees who enjoyed delivering service and customers who clamored for the services those employees delivered. Internally, Southwest shared the benefits of its early success through a generous stock option program and the promise of secure employment. As Southwest succeeded, so did its hardworking and good-natured employees.

As Kelleher neared retirement, Southwest chose the people who would take his place from among the airline's many devoted managers. The culture was not threatened in the least by the advancement of people who had, for the most part, learned to manage at Kelleher's side, and the transition at first went smoothly.

Then 9/11 hit the airline industry hard, and, with so few passengers traveling over an extended period, keeping Southwest profitable severely challenged everyone in the company.

True to its cultural heritage, Southwest furloughed no one in the aftermath of 9/11, preferring to downsize its cash reserves rather than its employee base. Kelleher's long-established practice of saving for a rainy day paid off, allowing the company not just to weather this storm but to continue growing even while the same conditions forced its competitors to cut back. Many grateful employees chipped in, returning a portion of their paychecks to help keep their company going. When all was said and done, Southwest dominated the domestic U.S. air travel market. The strategy forged from Kelleher's leadership principles paid off and kept the image of the organization strong, not just among customers but also among investors and the public.

So long as the investors included company employees, things ran smoothly. But twenty-five years of continuous growth meant that some of Southwest's newer employees enjoyed fewer benefits of stock ownership than did those who had been there from the start. As the company's profits rose without their participation, a rift appeared between the company's original vision (as employee benefactor) and the reality employees experienced daily as members of a low-cost airline culture. Salaries, which had by now equaled or surpassed those of other airlines that had forced wage cuts on their employees, were not keeping up with the expectations set by Southwest's celebrated record of continuous profitability.

With continued good brand management, the divide between employees (especially managers) who shared in Southwest's good fortune and those who now contribute to it without the same high levels of profit sharing will lead the airline to reassess its employment practices, allowing the organization to return to its envied position based in alignment of the interests of its internal and external stakeholders with the strategic vision for the company's future. But no matter what can be said in criticism of this company today, for a very long time its brand rested on one of the best foundations of VCI alignment ever seen, and this enviable heritage can never be taken away.

What makes alignment of vision, culture, and images so essential to corporate brand building? What value does VCI alignment bring to the company? How do you know when you have misalignment? How does VCI alignment fit in with all the other business issues a company must confront? In Chapters Three and Four we present the background necessary to answer these questions. Then, in Part Two, we show how our CBI companies and other firms have tackled a variety of common business problems in VCI-aligning ways that built both better brands and stronger companies. But first, Chapter Two provides a further explanation of why corporate brands are valuable and brings consideration of symbolism front and center.