Internal Elements Influencing the Corporate Brand Equity of Small Firms

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Abstract

The purpose of this study is to clarify what internal elements influence corporate brand equity especially in small enterprises. Although research on corporate branding suggests that internal aspects impact corporate brand equity, they have not been specified in the context. The paper uses a case study to elaborate on stakeholder-based corporate brand equity (CBE) and thus provides an empirically grounded framework of internal elements influencing the CBE. As an outcome, the research reveals seven internal elements that influence corporate brand equity; the name, the actions of the organisation, its personnel, its managers, corporate core values, organisational culture, and its product and/or service.

Keywords: corporate branding, stakeholder-based corporate brand equity, case study

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Introduction

Brand equity (BE) is in the heart of branding research. However, definitions of BE are varied, and depend on, for example, the scientific field in the question (e.g. Winters, 1991). Brand equity is defined as buyers' willingness to pay a price premium for their preferred brand (Hutton, 1997) or as something that is beyond the objective reality of the product (Keller, 1993). Furthermore, the financial roots of the concept of equity (referring to capital or shareholder's equity) bring in definitions that reduce BE to only the 'extra' cash flow brand is able to produce to the company (see e.g. Simon and Sullivan, 1993).

Most studies on brand equity focus on consumer goods and products (e.g. Aaker, 1991; Keller, 1993). Despite the growing interest in corporate branding (see Ahonen, 2008; Balmer and Gray, 2003), literature on corporate brand equity (CBE) is still scarce. Keller's (2000) work is one of the few attempts to study CBE in the consumer markets. In business-to-business (B2B) markets, CBE has been studied by equally few. The works of Juntunen *et al*., (forthcoming), Kuhn, Alpert and Pope (2008), and van Riel, de Mortanges and Streukens (2005) are notable exceptions.

In addition, studies on corporate branding dedicated to small firms are almost non-existing. However, large and small firms do differ in their operations, size and amount of resources (Abimbola and Kocak, 2007) and recent work by Ojasalo, Nätti and Olkkonen (2008) suggests that corporate brand building activities in B2C and B2B organizations are indeed different. Thus this study focuses on CBE of a small firm in a B2B markets.

A lack of clear conceptualization of BE results in a situation where the components of BE remain fuzzy. In other words, we lack knowledge on what constitutes or influences brand equity. According to Keller (2000), corporate brand equity can be, rather broadly, defined as the sum of the results formed by *any action* made under the corporation and its brand. Keller (2000, 115, 118-120) states that CBE builds on corporate associations and image about the corporate brand, which can be seen as external from the company. Similarly, Aaker (1996) sees that product brand equity consists of the following components; brand loyalty, brand awareness, perceived quality, and other proprietary brand assets. Thus, every intangible association of the stakeholders may improve and influence CBE. The current view does not highlight the actions (see the definition by Keller, 2000) and the company internal actors and elements that influence CBE. However, corporate branding literature suggests that several internal aspects of a company have an impact on corporate brand equity (e.g. Abimbola and Vallaster, 2007; Balmer and Gray, 2003; Balmer and Liao, 2007; Davies and Chun, 2002; Harris and de Chernatony 2001).

To the best knowledge of the authors, research has not yet specified the internal elements. Therefore, the aim of this study is to clarify what corporate internal issues influence CBE especially in small business setting. The aim is fulfilled by performing a qualitative single case study that grounds the theory development efforts of this paper empirically. The paper continues by building a framework of the internal elements influencing corporate brand equity. After that, the methodology is described, followed by the empirical grounding (i.e. the analysis of empirical data), conclusions and suggestions for further studies.

Theoretical foundations

The literature on brands presents a variety of definitions and meanings for the brand valuation concepts of brand equity, customer-based-brand-equity and brand value (e.g. Wood, 2000; Mackay, 2001; Keller, 2003) with reference originally to product brands (Aaker, 1991; Keller, 1993).

When reviewing the current literature, one can quickly notice that brand equity is a concept which has seldom been clarified in the field of corporate world, and only a few notions have been presented (e.g. Kuhn *et al*. 2008; van Riel *et al.*, 2005). Furthermore, the concept seems rather narrowly defined. According to Keller (2000), every brand element at every level of the brand hierarchy, i.e. brand architecture of the company, be it either a product or service, may increase corporate brand equity by creating awareness and building strong, unique and favourable mental associations. Keller (2000, p. 115) defines corporate brand equity as "*the differential response by consumers, customers, employees, other firms or any relevant constituency to the words, actions, communications, products or services provided by an identified corporate brand entity*".

As our aim is to clarify what *internal* issues influence CBE, we have reviewed the current literature in order to reveal what the so called "any action" (Keller, 2000) consists of. The elements found in our review are illustrated in Figure 1 and discussed next in more details. The elements consist of the name of the company, actions of the company, personnel and the manager or owner, core values, the organisational culture, and company products/services. Since the corporate branding literature emphasizes the importance and the role of all stakeholders (see, e.g. Gregory, 2007), we also consider CBE from the stakeholder perspective.

Place Figure 1 here.

Figure 1. Company internal elements influencing CBE

Activities and the *name* of the organisation are the base for the perceptions of and associations related to the organisation and corporate brand and they are usually the first elements of the organisation visible to external audience. Kollmann and Suckow (2007) have argued that in corporate brand equity building the brand name has even more meaning than in product branding. This is due to the wider audience as well as the need for the brand name to deliver consistent information about the brand. According to them brand name is the driver for building brand equity. Similarly, Muzellec and Lambkin (2006, 807) stress that, "the name is the anchor for brand equity". Every action of the corporation includes the internal and external communication of the company (Stuart 1999). Positive corporate brand equity is built up by promoting the corporate brand for a targeted and/or relevant audience (Keller, 2000).

The *personnel* of the organisation have a central role in branding, since they are the ones who communicate the brand to outsiders. They also enact core values to stakeholders, and in so doing, have a great effect on the stakeholders' perceptions of the corporate brand. Not only has the planned communication an effect on brand equity but also on the unplanned communication and behaviour of the personnel in its entirety. Davies and Chun (2002) note that stakeholders may form their perceptions about the corporate image through employee behavior.Thus, the perceptions the personnel have about of the brand should be coherent and consistent in order to increase corporate brand equity (Hatch and Schultz, 2003; Keller, 2000.)

The *manager or owner* of the organisation also has a central role influencing the corporate brand equity, since the manager has the responsibility for the brand and its management. The manager can also be seen as the face of the corporate brand. He/she is usually the one in tight contact with stakeholders and is part of visible aspects of the corporate brand to outsiders. (Abimbola and Vallaster, 2007; Balmer and Gray, 2003; Berthon *et al.,* 2008; Gilmore *et al.,* 2001; Keller, 2000; Krake, 2005; Leitch and Richardson, 2003).

Urde (2003) highlights the role of *core values* in corporate branding by saying that the factors that link core values with the corporate brand are pivotal for corporate brand equity building and thus the goal should be to define unique and useful core values which are difficult for competitors to imitate. The whole business, including brand and marketing management, can be based on core values, or on unique organisational values (Knox *et al*., 2000, 139).

Organizational *culture***,** for its part, evolves from elements such as the behavior and communication inside the organization. It describes the way the people in the organization act and how they are supposed to perform. It is also about practicing the values of the organization. Organizational culture should support the meaning of the corporate brand to be able to increase corporate brand equity. (Hatch and Schultz, 2003; Rode and Vallaster, 2005). Muzellec and Lambkin (2006) have noted that the sources of corporate brand equity may not only constitute the corporate brand, but also other layers of brand hierarchy. The corporate brand should represent the *products or services* of the firm and it should positively influence its corporate brand equity.

Finally, Merrilees (2007) has noted that by efficiently and coherently *communicating* the brand to all its *stakeholder* groups the organization is able to maximise brand equity. According to Rode and Vallaster (2005) the name, the logo and the slogan of the organization are part of corporate design. In addition to these visual signs, according to Abimbola and Vallaster (2007), every interaction with the stakeholders influences brand equity and increases it as the more positive the experience, the stronger the brand is and the more positive a reputation the organization has.

In conclusion, we assume that these elements all influence the corporate brand equity which we specify here as a stakeholder-based corporate brand equity for highlighting the contribution of all stakeholders. Indeed, there are relationships between these elements. However, the dynamics of the elements are not in the scope of this study (c.f. Rios and Riquelme, 2008).

Methodology

The qualitative research method has been justified to give a desired level of insight into the world of SMEs (Krake, 2005) as it allows small organizations to be viewed in their entirety, and it provides the researcher with the possibility to get close to participants and to penetrate their realities and interpret their perceptions (Shaw, 1999). The study uses the logic of abduction where the theory is developed over time according to what is discovered through empirical fieldwork, as well as through analysis and interpretation (Dubois and Gadde, 2002).

The case study method was chosen as it produces detailed information about the phenomenon. In a case study a contemporary phenomenon within its real-life context can be investigated. It is also seen as particularly suitable to new research areas, or research areas for which the existing theory seems unsuitable (see e.g. Yin, 2003, 13; Eisenhardt, 1989). A single case study was chosen for the study since the phenomenon required investigation from two aspects: to explore the thoughts and opinions inside and outside the organization.

The case company in this research is a small organization concentrating on environmental technology. The case company employs four people, has offices in two cities, and the turnover of the organization in the year of study is around 300,000 Euros. Data from the case company were collected by conducting three interviews, two of which were done in the case company and the third with a customer. The interviewees were chosen with discretionary logic to represent the different viewpoints of the organization and its stakeholders. The customer was chosen for the study on the grounds that it was one of the biggest customers and had already been working with the organization for several years. The thematic interviews were pursuing free discussion and in this way the knowledge accumulated about the phenomenon was also deepened with the interviewees' own opinions and thoughts. All the interviews were recorded for later transcription. In addition, some basic information about the organization was revealed during the conversations with the chairman of the board of the case company. The brochures and Internet pages of the organization were used as secondary data sources.

Findings

The empirical analysis supported the theoretical framework. The empirical research revealed seven internal elements that may influence corporate brand equity. These are, as in the theoretical framework, the name and the actions of the organisation, personnel, manager, corporate core values and organisational culture, and product and/or services of the organization. Furthermore, the framework emphasises the role of communications and especially the stakeholder perspective related to corporate brand equity. First the specific characteristics of the SME context are discussed and then the internal elements influencing corporate brand equity are described.

The case company and its customer had different understanding of the existence of the corporate brand within the company. The brand is only familiar with customers. It seems that it is not understood or realised that the brand can exist within the customers. Customers on the other hand recognize that the organization has a brand. However, it is recognized in the organization that the aim is to build a picture of the organization in the minds of the existing and potential customers.

As has been previously noted (see e.g. Abimbola and Vallaster, 2007; Ahonen, 2008), the study confirms the possible lack of resources in small firms. This seems to be the case with branding, too, as smaller organizations may not be able to use the full potential of branding due to a lack of resources concerning time, money and amount of personnel. It has also been noted that brand architecture may not be separable in SMEs (see e.g. Ojasalo, Nätti and Olkkonen, 2008), which was also supported in this study as the product and/or services are clearly linked to the corporate brand. The line between product and corporate brands seems to be unclear in small firms.

> *"Each and every element and component made inside these walls, they all influence the picture. Or reputation, whatever you want to call it." (Managing Director)*

What is notable in the small firm contexts, is that while the corporate brand literature describes corporate branding as a systematically planned and executed process (Einwiller and Will, 2002), in the case company, on the contrary, corporate branding is not fully understood and taken advantage of. Similarly, according to this study, building the corporate brand does not systematically involve the whole organization (c.f e.g. Bergstrom, Blumenthal and Crothers, 2002), as for instance the personnel do not seem to be fully aware of the corporate brand and its elements such as core values or principles of working (organizational culture).

> *"Yes, assumptions, they are not told in that way. It is not said that you should say "sir" to every customer. Just normal behaviour norms." (Employee)*

All in all it seems that the small firms especially with regard to corporate branding, seems clearly different from the larger organizations.

Based on the empirical analysis, the *name* and the *actions* of the organization influence in the background more and in a way that the effects on corporate brand equity emerge through them. The name of the organization is the visualisation of the corporate brand and it is first of all connected to the corporate brand. Through the name the corporate brand speaks about the organization and its operations.

> *"The name tells already what, in that house, in that organization is done." (Managing Director)*

The actions of the organization have a somewhat similar role as the name, since they reveal everything and anything about the company to outsiders. It can have multiple different meanings depending on who sees the actions, and if they are judged as positive or negative. In this way the actions of the organization together with the name are part of the basis of the corporate brand equity.

> *"I don't see it so that it is some separate things, but all those actions which are made and anyone can see apart from those working in the organization. That is then that building…" (Managing Director)*

Due to the central role of the *managing director* it can be said that he has a great impact on corporate brand equity. He is mostly visible to outsiders as well as he is who communicates about the corporate brand inside the organization, and he is also seen as the *personification* of the brand. The corporate brand is also his responsibility.

> *"How in practice at everyday level, what messages are being sent and in what we are present and how we appear and, yes, it is sort of my responsibility, mostly." (Managing Director)*

> *"..., that he is, like it sort of feels like it is a one man's company in that way, that it is. Quite clearly." (Customer)*

The personnel are also seen to be visible to outsiders and in this way influence the corporate brand equity. With their *communication* and actions they also communicate about the corporate brand.

> *"Speaking, behavior, going on in the world, clothing, car deals, everything that someone walking out there can see with their eyes, hear with their ears and smell with their nose" (Managing Director)*

Since this communication and behaviour is based on corporate *core values,* which are not written or well defined but still exist in the organization, they are also part of the corporate brand equity. As for the *organizational culture* the core values are tied to the organization, and thus organizational culture is also part of the corporate brand equity.

> *"Well, if you think about such fancy values which are written in the board and being thought out in a seminar for two days, so there is none." (Managing Director)*

> *"Values. Okay, I guess there are and what I think they are is like some trustworthiness, easiness, well maybe certainty is part of trustworthiness…" (Employee)*

> *"It has built up, through our ways of working. We have tried to do business, and business cannot be done without certain things such as quality, price, time of delivery and the behaviour of personnel in shape. So we have in this way started and this way the reputation or the brand builds up…" (Managing Director)*

The products and services concretely tell about the company, and are also extremely visible to customers and other stakeholders. Thus, they are also part of the corporate brand equity.

> *"…those do not matter a thing if the product is not in good shape. It is the one which sells; it shapes up the final picture and the reputation in the eyes of customers out there." (Managing Director)*

The empirical research revealed that *stakeholders* and their image of the corporate brand are of great importance for the corporate brand. They have a meaningful role in the existence and development of the corporate brand equity through their co-operation and its effects on the corporate brand, such as giving feedback, which influences the brand, and communicating and informing others about the corporate brand. The co-operation influences the way the company functions and into what kind of organization it develops. Thus the impact of stakeholders is deep indeed. It seems that the company has tight and lasting relationships especially to its customers and thus their impact on the corporate brand equity is also constant.

> *"…development work has been done together in a way that we have told our experiences and they have then developed their product or product selection according to customer needs." (Customer)*

> *"…maybe exceptional (relationship) also in a way that we don't develop and try these kind of novel things with other device producers but with Case Company (Customer)*

Based on the empirical research it seems that the presented framework is suitable for depicting internal issues that influence the corporate brand equity in the context of small enterprise. The analysis of the embodiment of different issues influencing the corporate brand equity is summed up in a table (see appendix 1). The table includes the categorisation of the analysis. Indeed, all these issues influence the corporate brand equity, together with stakeholders.

Conclusions

This study aimed to identify the sources of corporate brand equity by providing the framework of internal issues that influence the CBE. The study revealed internal elements with an impact on the corporate brand equity in small firms, which as such, have not been previously connected to corporate brand equity, or to brand equity at all. These are the name and the actions of the organization, personnel, manager, corporate core values, organizational culture and the product and/or services of the company. The empirical research supported the conclusions made in the theoretical part of the study and also confirmed the importance of the stakeholder perspective related to corporate brands. The role of these internal elements is important in the organization as through them the company is able to influence its corporate brand equity. The elements are connected to each other in multiple ways. For example, feedback may relate to stakeholders or, on the other hand, to products and services. Furthermore, in the small firm, the corporate core values and the organizational culture are not connected very easily to the brand, even though their importance is acknowledged, yet not very clearly.

The study confirms the existing notions about the topic. For example, what seems notable concerning corporate branding in general, in the case of small enterprises may not be evident. The fact that has already been theoretically grounded (see e.g. Gilmore, Carson and Grant, 2001), namely that branding in SMEs is often an informal process, seems to hold true. In this case branding is not even noticed in the organization as happening, and still, from customer's perspective, the company has corporate brand equity. It has also been noted in previous theoretical assumptions that SMEs may not realise to be capable of having a brand (see e.g. Merrilees, 2007; Krake, 2005).

Even though the elements of corporate brand equity as such have not been linked to corporate brand equity before, they have been studied previously in the area of corporate branding and branding in SMEs. The study clearly supports the important role of personnel, as has been noted before in the literature concerning corporate branding and branding in SMEs (see e.g. de Chernatony and Cottam, 2008; Balmer and Gray, 2003; Ojasalo *et al.*, 2008). Similarly, the role of the manager as a key person of SMEs has been noted before (see e.g. Abimbola and Vallaster, 2007), as well as the impact of stakeholders on corporate branding (see e.g. Leitch and Richardson, 2003). Thus, the study confirms this and emphasises the meaning of personnel, manager and stakeholders even more especially with regard to corporate brand equity. The significance of the link between the personal values of the personnel and the brand values of the organization (Harris and de Chernatony, 2001) is also supported by the study. Moreover, the characteristics of the manager are indeed emphasized in the study, as has been noted by Watson, Hogarth-Scott and Wilson (1998).

Concerning brand equity and its multiple definitions, the study clearly supports the idea of the link brand equity has with the brand's name and symbol (see e.g. Aaker, 1996, 216). Previously the literature has connected brand equity to the product or service (ibid.), and this can also be seen valid for corporate brand equity. Keller (2000, 115) has defined corporate brand equity as the sum of results formed by any action made under the corporation, which has indeed been confirmed by the study. The study confirms that previous findings of brand equity assets (see e.g. Aaker, 1996) can be also connected to corporate brand equity, even though brand equity assets may not be fully similar in the context of product and corporate brands.

The main ***theoretical contribution*** of this study is the constituting of the framework of internal issues influencing the corporate brand equity in small firms. Corporate brand equity as such has not been previously researched in the SME context.

For ***managers*** the study offers several implications. Through understanding and being aware of the issues influencing the corporate brand equity, managers are able to take advantage of the corporate brand and increase corporate brand equity by influencing the operations of their organizations. Managers should not only concentrate on sales, but to pay concern to marketing, communication and branding. Managers should also be advised to think about corporate brand more and even to internalise it as part of the business operations in the company. Based on this study it can also be said that the communication about organizations and their corporate brands could be made clearer, for example, by making sure that the message sent to outsiders is well-defined and congruent and that everyone is sending the same message. Furthermore, the vision, mission and core values should be clarified in the company to make certain the message sent outside the organisation would also be clear. It is important for the managers to make sure the personnel actually understand the core values and principles of the work, as well as the goals of the organisation.

The ***limitations*** of this study deal with the generalisation of the findings of the study. Since the study was conducted in a small B2B company, the findings as such can only be analytically generalised to describe other cases in the small firms within the industry or in other fields of businesses. ***In the future*** the research topic could be continued in multiple ways to deepen the understanding about the phenomenon for example by using a multiple case study, or by continuing the study in a different context or different areas of business. It would be important to create measures of describing corporate brand equity particularly. The current measures developed for product branding may not be appropriate for measuring corporate brand equity with quantitative methods. In addition, the relationships between the central concepts i.e. the internal elements of corporate brand equity should be further examined. Finally, the identified elements could be used for developing a corporate brand equity scale for small firms in B2B markets.

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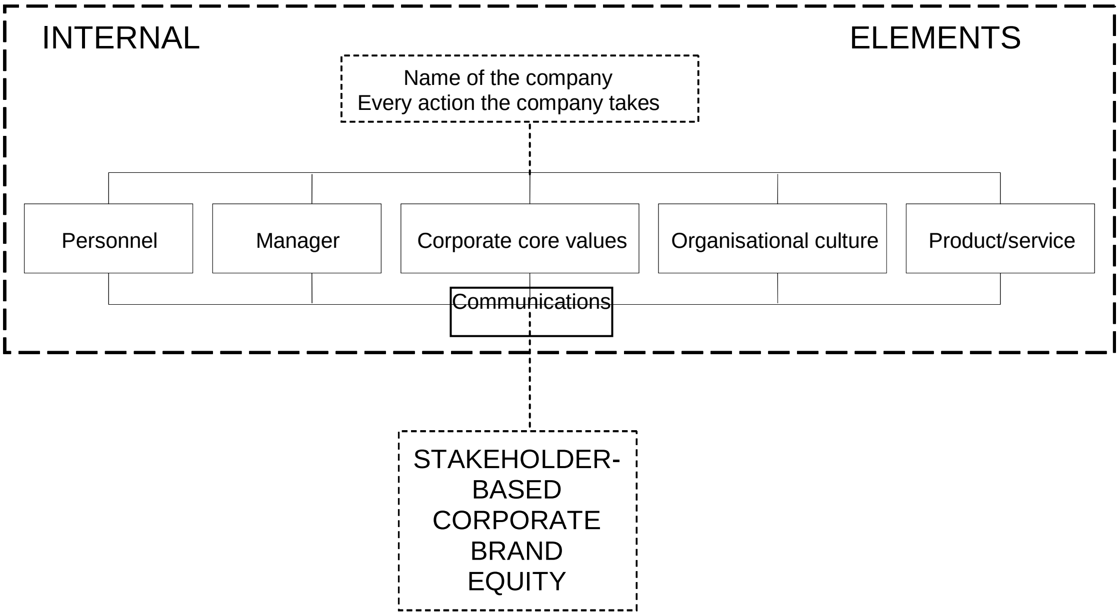
Appendix 1 Embodiment of the elements in the Case company

Element	**Embodiment of the element in the company**
Name of the organisation	- The name is a possible development target - The name is important and it is equated to the corporate brand - The name is seen as telling about the organisation - The name is a link between the organisation and outsiders - The name is seen as parallel to the organisation and its operation
Actions of the organisation	- Everything the organisation does can influence its image and the corporate brand as a whole - The image of the organisation is seen as made up of ways of action - Some actions can be influenced and controlled in the organisation, others not - It is seen important for example to be visible in right places, not to make mistakes and to keep the promises made to customers - Some actions are not even noticed in the organisation, such as employers behaviour and certain happenings with them, or joining as a part of a group - Everyone in the organisation is part of the actions - Actions which are visible to customers and other stakeholders are especially important concerning the corporate brand - Actions of the organisation are more or less linked to other components of corporate brand equity
Personnel	- Defined roles and remits in the personnel - On the other hand, personnel has a versatile role and everyone is doing everything - Convivial ambiance in the organisation, certain sense of solidarity - Permanency in the personnel is seen important - Personnel is wanted to be able to work in the field, understand technology and be able to work in extreme conditions - The personnel is wanted to be flexible, unprejudiced and eligible to learn - Guidelines and values of doing have to be taught to the personnel - Everyone is in contact with stakeholders/customers - Certain know-how and expertise influences who is in contact to whom - Relationships between personnel and stakeholders can develop more and more personal due to the continuous contacts - Behaviour, clothing, communication and working style of personnel influence the image of the organisation - Atmosphere among the personnel influences the whole picture about the organisation - The personnel may not always be aware of their important role concerning the corporate brand - The personnel is strongly linked to the organisation by the customer
Owner/manager	- The managing director has a central role and is responsible of the organisation in many ways - The managing director is seen not only as a manager, but also as part of the personnel - Managing director is the most visible person of the organisation - The corporate brand is in the responsibility of the managing director - The managing director is communicating about the corporate brand to stakeholders, outsiders and also to the personnel of the organisation - The managing director is seen as the face of the corporate brand and gives the brand a physical appearance - The corporate brand is personified to the managing director and his personality - Characteristics of the managing director are connected to the organisation - The managing director is seen as a strong person, enthusiastic about the products and believing in what the organisation is doing - The managing director is seen as carrying the business onwards - The managing director is seen as a distinctive feature of the organisation - The corporate brand is even seen as build upon the managing director

Corporate core values	- No written or clearly defined core values exist in the organisation - Corporate core values in the organisation are certain unwritten principles which are expressed to the personnel by the managing director - Core values are guidelines for everyday work - Core values are not well-established and it is not obvious in the organisation which are the core values - Core values are seen as to exist through the goals of business and are guiding the operations of business in the organisation - Without the core values the business is not working and there is no business - The core values includes such as being trustworthy, of good quality, quick in operations and having a deep, versatile know-how - These features of the business are according to the managing director constantly developed - The importance of core values is highly acknowledged in the organisation - Core values are related to the image and reputation of the organisation - The way of action and the working culture are specified through the core values - The personnel can relate to the core values - Core values are guiding the behaviour and communication of the personnel - Core values are not visible outside the organisation
Organisational culture	- Organisational culture is part of core values and their realisation in the organisation - Core values are guiding the organisational culture in the organisation - Organisational culture is also linked to the personnel as it is executing and living it - Organisational culture is how things are done in the organisation and it is linked to the corporate brand in this way - When there are no mistakes done, the reputation of the organisation can be good - Organisational culture includes features such as supplying the device in time, taking care of the customers and doing them even more than has been promised - The reputation is seen as build up through ways of operating - With hard work everyone can influence the reputation - It is seen important that the business is done the right way in the organisation - Part of doing things right is the principle of keeping it simple - The behaviour and doing of things right are guided by the managing director with simple guidelines - The guidelines include such as keeping what has been promised, doing a work of good quality and trying to work before problems arise - There are no certain official policies in the organisation about how things should be done, but instead it should be clear to everyone - The ways of working are also learned through working - It is kept important in the organisation that customers should be listened to, the organisational culture is customer oriented - There exists certain routines guiding the ways of working
Product/Service	- The quality and the price of the product with the maintenance service are the distinctive features of the organisation which differentiate it from others - Also the easiness and usability of the product are seen as distinctive features - The features in the organisation seen as important concerning the business operations are linked to product and service: price, quickness, the quality of service or maintenance and technical know-how - The organisation is seen as to have the corporate brand because of its unique products and service concepts - The product is seen as inevitable in order to have a corporate brand - The whole business is seen to build around a product - The image of the organisation is linked strongly to the products and services of the organisation - The image is seen as to consist of features such as delivery on time or functioning of the products - The co-operation with customers seems to be strongly connected to product development - Products and services are also related to corporate brand equity through other components of it

Figure1.


INTERNAL
ELEMENTS
Name of the company
Every action the company takes
Personnel
Manager
Corporate core values
Organisational culture
Product/service
Communications
STAKEHOLDER-BASED CORPORATE BRAND EQUITY