

Managing the Brand for Outstanding Performance

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Managing the Brand for Outstanding Performance Written by Peter Hutton from BrandEnergy ResearchBrand management is changing.

Increasingly it is recognised that managing the brand and managing the business are the same thing. The key to outstanding business performance is attaining a company-wide customer focus that evolves as the customers'™ needs and tastes evolve, developing a corporate culture that focuses all the delivery and support functions on meeting customers'™ needs.

This requires managers to adopt a highly integrated way of thinking in which goals, systems, information and performance indicators are shared buy all the functions of the business, rather than isolated in the traditional departmental silos of marketing, HR, finance, IT and production.

Since Henry Ford, each of these silos have struggled to produce their own models of what drives business performance. They have largely failed because they have confined their focus to the variables that relate only to their areas of responsibility.

Attempts to link these different areas are hampered by silo-based mindframes and lack of consistency of data categorisations, such as work units, timeframes or revenue streams, across the different functions. The first step to addressing this is to recognise that there is a problem.

The next is to redefine the business in terms that all functions can buy in to.

This was the starting point for Kaplan and Norton's™ ground-breaking work on the Balanced Business Scorecard.Â Businesses were under performing, particularly relative to Japanese competitors, while staff in different functions were frustrated at the apparent inability of, predominantly finance-trained, top management to recognise the potential value locked up in the assets they were responsible for. IT was generally seen as something that could only save costs by increasing efficiency, not something that could create additional value in its own right. Staff were all too often seen as a cost to be cut rather than a critical source of revenue growth.

The key step change in management developed by Kaplan and Norton was not what most would associate them with - "Key Performance Indicators (KPIs)" - but the far more profound realisation that most businesses are highly dysfunctional. The different functions pursue quite different, and often conflicting, strategies which significantly constrains the effectiveness of the business. The real value of the Balanced Business Scorecard approach is in the process by which these conflicting strategies are made explicit, examined openly and redefined in such a way that everyone can buy in to them.

Out of this comes a much more holistic view of the business and one which more accurately reflects the way in which businesses really work.

What is needed are new measures, diagnostics and KPIs that enable managers to manage the business as a whole, rather than different facets of it, as if they have no relationship to each other.

And this is the main focus of research agency BrandEnergy Research, recently launched by Peter Hutton, ex-deputy managing director of MORI. Having spent the last 29 years researching the views of different business stakeholders, he was struck by the fact that businesses with high scores among one stakeholder group, like customers, tend also to have high scores among other stakeholder groups, like employees, investors and the media.

The highest employee job satisfaction score MORI has ever recorded in a consumer goods company, was for Allied Domecq, which owns a large number of high-energy brands which can command a significant premium over less energised brands in the market.

The concept of Brand Energy was born out of an association with organisational energy consultants, Stanton Marris, and leading management consultants, Accenture, not least with William Gordon, co-author of the book Brand Manners. Both organisations set out to identify and manage the intangibles that drive value creation, Stanton Marris by identifying the blockages to energy utilisation within organisations, Accenture across a wider stakeholder base. The concept is designed to convey the idea that ultimately all organisations need to aspire to maximise the amount of positive feelings and activity across their stakeholder base towards both their products and services and towards themselves as corporate entities.

Traditionally the Chief Executive has been faced with having to take an overview of all the different business functions: marketing, HR, IT, finance, etc and make sense of how effectively they are working together. But most of the information he has to work with relates to each function independently. Moreover, most of it is about outcomes, not drivers.

What drives business performance is a multitude of individual actions not least by customers, staff, and suppliers, but influenced by others such as investors and the media. These in turn are affected by how these groups think and feel about the business's products and services and the business behind them – the brand behind the brand.

The focus of Brand Energy research is to understand how these different stakeholders work together as a system and, in particular, the issues that need to be addressed to remove the blockages which are stopping the system working to its optimum.

The shift towards a more holistic view of what a brand is has made companies realise the critical nature of the internal culture of the business in enabling it to deliver its brand values to the market. In leading companies the HR and marketing functions are increasingly working together to find ways of ensuring a consistency between the internal culture and what the marketers are trying to deliver to the customer.

Brand Energy may provide the simple key to the very complex problem of integrating the different functions of the business and unlocking their full potential.

{mospagebreak title=Brand Energy Defined}

In essence, Brand Energy is about how effectively a business harnesses its internal assets to deliver value to its customers. This is reflected in the degree to which staff, and then, critically, other business stakeholders, are energised by their association and involvement with the brand.

I have defined it as:

“The energy that flows throughout the system that links businesses and all their stakeholders and which is manifested in the way these stakeholders think, feel and behave towards the business and its products or services”

The same energy that is manifested internally among employees (the Employee Brand) is also manifested externally among customers (the Customer or Consumer Brand), potential employees (the Employer Brand) and a range of stakeholders who relate principally to the business rather than to its products or services, (the Supplier Brand, the Corporate Brand and the Investor Brand).

One measure of “Brand Energy” is advocacy – the propensity of customers to recommend a product or service to someone else, without being asked. At its advocacy peak in the mid-1990s, Marks & Spencer could count on nearly one in six people in Britain spontaneously recommending it to others – over six million unpaid marketers!

First Direct has, by far, the highest proportion of its customers recommending it to others of any financial services firm in Britain, which is why it has been able to grow rapidly with very little high profile advertising.

Customers who are very energised by your brand are far more likely to buy more from you. Analysis by MORI Financial Services revealed that people who take out mortgages are half again - 49% - more likely to do so through their main current account bank if they are “very satisfied” with that bank, than if they are less than “very satisfied”.

MORI research in a number of sectors has found a significant positive correlation between employee satisfaction scores by, for example, bank branch or hotel, and customer satisfaction at the same branches and hotels.

When companies suffer a major setback this has repercussions throughout their different brands. When British Gas's restructuring caused a significant failing of its core boiler maintenance services in the winter of 1994/5, a major loss of confidence ensued, whipped up by the simultaneous announcement of a 75% pay increase for its chief executive. The brand lost energy among customers, opinion leaders and employees, which was reflected in findings from surveys at the time.

When BAA was privatised in 1987, its aggressive focus on shareholder value at first delighted investors, but the cost cutting and loss of customer focus caused an outcry in the press, aggravated customers, de-motivated staff and led to a loss of shareholder confidence and a slump in the share price. A reformulation of the values of the business around the idea of “serving customers profitably” restored confidence all round and re-energised the brand.

Creating a highly energised brand is extraordinarily difficult and is often built up over many years or even decades. Once attained, however, it is also extraordinarily difficult to maintain.

{mospagebreak title=Balanced Business Scorecard}

Many companies are handicapped by being highly dysfunctional. Those that recognise this and do something about it, perhaps through adopting the Balanced Business Scorecard approach, can achieve extraordinary results.

Before its demise, Arthur Andersen achieved phenomenal growth by the appointment of senior partners with a particular skill for client development. These “rainmakers” were given the space and time – normally several years - to grow accounts with major companies. All consultants, from whichever practice area, and all the back-end support staff, knew that what these “rainmakers” asked for they were to get.

The result was a very well integrated business, focused on ensuring that its best prospects got the best service. And because they got the best service they bought more and more of their business services from Arthur Andersen.

First Direct was not the first company to provide telephone banking in Britain, but it has undoubtedly been the most successful. One key to its success was to operate it as a totally separate business, with a totally different brand identity, from its parent company, the Midland Bank (now HSBC) which then suffered a relatively lacklustre image. This meant it could focus on delivering everything its customers wanted without the baggage of having to be a High Street banker.

The key to success is to recognise that much of the real equity of the business nowadays resides in the business’s intangible assets, normally built up painstakingly over many years. These are embodied in the values, knowledge and experience of your staff and the relationships they have built up with your other stakeholders.

But this equity is extraordinarily fragile. While it takes years to build up, it can be destroyed in a very short period of time. Enron and Arthur Andersen are extreme examples but most businesses could point to their own less dramatic experiences, but with no less profound lessons.

Sometimes change is gradual as companies take customers or staff for granted. Sometimes it is more sudden, often triggered by a change of top management.

It is no surprise that share prices often take a sharp turn on the announcement of a change of leadership. The biggest mistakes of new management are often to adopt a view of the business which fails to fully embrace the needs of the end-customer and a failure to listen sufficiently to those at the client-facing end of the business.

One company that managed to get it right during the 1990s was Hewlett Packard. At the height of the IT boom, it was having to replace 20% of its entire range of products and services every year – in other words, it had to completely reinvent itself every five years! It could only do this by continually anticipating and responding to clients’ rapidly changing needs, and by listening to the people at the front-end of the business who were closely involved with delivering value to those clients. Nokia epitomises this approach today.

It was able to do this because it had developed a unique set of values, which made everyone extremely comfortable with the idea of continual change and client responsiveness.

By contrast, when Lou Gerstner joined IBM in March, he found a company that “had stopped listening to the outside world”. In an interview with the Sunday Times in December of last year he said: “It was amazing. We could go for hours meetings and nobody would talk about a customer. I’d never been to a meeting before where we did not start with a customer!”

Often the worst thing that can happen in a service business is that new management is appointed, often with a finance or consulting background, but without real customer sensitivity, or any direct understanding of the nature of the underlying equity of the business they are joining.

When Railtrack was privatised in 1996, a new Board was appointed which included not a single engineer, despite the fact that the core equity of the business was its engineering capability.

Part of Marks & Spencer’s problems in the late 1990s has been attributed to its move away from its core values of consistent quality, boosting profits by buying from cheaper sources. On the re-bounce it tried to move into the high-priced, high fashion end of the market before realising its real equity lay in holding the middle “quality at a reasonable price” segment of the market.

The impact of such management changes is first felt internally. Look out for customer responsiveness and entrepreneurial values being eased out and replaced by tightly controlled processes driven by command and control type structures; strategic planning being replaced by budgeting; strategic goals being replaced by financial targets. The business priority switches from delivering more, and better, value to clients to boosting short-term sales; from supporting “rainmakers” to reducing costs. As in IBM, internal meetings spend more and more time on back-end processes and less and less on what creates value for clients.

{mospagebreak title=KPIs Become Linked}

Another symptom is that KPIs become linked, often totally unrealistically, to individual, rather than organisational, reward. In some cases they become instruments of senior management control, rather than, as they are intended to be, live

information for helping managers focus together on identifying the issues that need to be addressed to help the organisation reach its intended goals.

It is common for staff to play the KPI game, focusing on ensuring the targets (on which they are rewarded) are met rather than ensuring the core purpose of the business is realised. One Train Operating Company used to regularly turn its trains round several stops before the end of the line in order to ensure it met its punctuality targets!

In the service sector, a shift of leadership from a front-end focus (client serving) to a back-end focus (support functions) can be catastrophic. It is no surprise that the most successful retailers are those that are run by people who have spent a lifetime focusing on the needs of customers. But there is no shortage of managers whose own agendas and narrow perspectives will serve to distract the business from its primary goals.

Marks & Spencer became a national institution, and a benchmark for the retail industry, through the example of constant customer focus set by its top management over many decades. In 1956, following 'Operation Simplification' - a drastic streamlining of the business in 1956, Lord Marks wrote:

"Both the executives and the merchandisers of the department should probe into the goods in the stores with seeing eyes and a critical mind...To depend on statistics is to asphyxiate the dynamic spirit of the business"

The modern day equivalent is Tesco's, led by lifelong retailer Terry Leahy and guided by staff feedback and a programme of local focus groups, fed back to local store staff, to ensure they remain attuned to changing customer sensitivities.

A shift from client-focused management to non-client focused management, is normally manifested in a change of focus from the long-term objective of building sustainable revenue streams, to simply meeting short term sales targets; from constantly looking at ways of helping clients to reach their business goals, to instituting more and more administrative processes designed to reduce cost and increase efficiency (they generally do neither); from recruiting staff to build the business of the future to not replacing staff to boost short term profitability; from building the confidence of staff through trust, empowerment and support to undermining the confidence of staff through mistrust, dis-empowerment and control. All the real equity of service-only businesses such as advertising agencies, PR companies, legal firms or management consultancies are in their staff. When key client-facing staff leave, the equity of the business walks out of the door. If the prevailing management frame is back end focused, this can be seized on by management as an opportunity to cut cost, rather than recognised as the threat to future revenues that it really is.

As sales stagnate, blame is heaped upon those remaining for under-performing and a sales drive is instigated to address the problem, supported by more back-end controls and processes. This fails because of the business now has less of the equity it needs to deliver value expertise, client relationships, knowledge.

A Brand Energy survey tracked before and after the new management is likely to reveal declined energy levels, a feeling of not being supported or listened to, loss of confidence in senior management and a sense that the business and their department has no clear direction, although many of the hygiene factors which depend largely on back-end processes - would score highly.

If this situation continues the loss of internal brand energy would start to affect the other brands of the business.

In this case energy levels, and growth, would be restored when management recognised the need to have a strategy that focused on delivering increasing value to clients but which also recognised the imperative of constantly building up the intangible equity of the business. Among other things, this is achieved by involving and supporting staff more, encouraging entrepreneurial initiatives and a learning culture and recruitment policy designed to support the growth objectives.

Successful entrepreneurs like, Lord Marks, knew intuitively how to involve all the internal functions and the internal and external stakeholders of the business in delivering a long-term customer focused growth strategy. Management theory now recognises this in a new holistic way of thinking and working.

Under the umbrella of Brand Energy, BrandEnergy Research has engaged with this new management thinking and compiled the research tools to deliver the strategic and tactical measures, and the diagnostics, needed to enable management to unlock the real energies and potential of their organisations.

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