Surviving Enron: the real value of branding

Recent corporate scandals have prompted no little soul-searching in the business community. **RITA CLIFTON** prefers a wry smile

HOW SHOULD one react to the current climate of exposés, moral outrage and requests for honesty in big business practice?

Should we laugh, cry, cheer, shrug? Overall, I think I favour a wry smile on the surface, with a steady determination to feel optimistic underneath.

A wry smile because so many prevailing attitudes in the business world have conspired to bring us to this point. Despite all the ethical rhetoric, the compelling business case for 'double bottom lines' and the recognition of the need for broader measures of national wellbeing (illustrated by such examples as the government's 'quality of life' indicators), people running quoted businesses will in the end focus on what they are really measured and rewarded by: profit and shareholder return. Not a problem in itself, but if they can't generate fast and big enough results by the sustainable route (i.e. customer loyalty, innovation and organic growth), there is a strong temptation to engineer the numbers to get those results.

As a business nation we have even, perhaps unwittingly, tended to encourage this problem.

It starts from the top. Despite being interested in broader indicators, the government is proudest of economic growth and GDP. The management route to the top of so many companies is accounting and financial, rather than through business generation and marketing skills. We value the technical expertise of financial and legal advisers (and encourage the propagation of their impenetrable 'internal language') over and above creative industries, and way in excess of those in public duty.

A wry smile also seems appropriate in view of the sensational treatment by some parts of the media of the latest corporate accounting scandals and its similarity with the lampooning of new corporate names and corporate identities over the past couple of years. The extent of the accounting issue dwarfs 'rebranding' exercises in financial terms, even using the mischievously inflated figures quoted for name changes in the press. A major renaming project would have several noughts after the decimal point in percentage comparison with Enron's 'missing' billions .

Rita Clifton is Chair of Interbrand

I am not going to be an apologist for bad decisions and poor business timing on the introduction of new corporate names. Rather, I will emphasise that good and real 'brand' activity generates real (as opposed to manipulated) value for customers. It is unfortunate that name changes and superficial cosmetic packaging exercises have been termed 'rebranding' in media coverage. As anyone in a good business knows, branding should be the central organising principle to give a business the strongest sustainable competitive advantage throughout everything it does – from the particular way quality products are developed, to a unique style of customer service, to distinctive communication and to corporate behaviour in the round.

This good brand practice has little to do with desperate 'rebadging' exercises, which will never make a bad or confused business better.

A good brand is not only the most valuable and sustainable corporate asset, it is also the best protection investors and the community at large can have against corporate malpractice, as well as the pressure point for positive change. Again, if the brand is a company's most important and enduring economic asset, any company in its right mind is going to want to maintain and build that asset. If that is the carrot, then the stick is seeing how worthless the once proud names of Andersen and Enron have become.

Ironically, all this is a source of optimism. Shocks to the business and human system have a habit of reminding us of basic truths. The most reliable way of making money legally is by building a brand and corporate reputation that meet and exceed their audiences' demands. The quickest way to destroy this money is to destroy brand trust. In an all-seeing digital world, and in a word-processed media environment where the ghosts of past mistakes are never laid to rest, there is no long term hiding place – real or virtual – for corporate wrongdoing any more.

The mention of 'media environment' gives a last excuse for a wry smile. Media brands face great financial strains at the moment, and the pressure to sell newspapers, airtime and channels of all kinds is intense. Who is going to guard *The Guardian* and its media colleagues? The rather maligned, but ultimately the hero of the piece, brand itself, and the reputation that it needs to protect with its own stakeholders. ❦