

Chapter 1: Introduction

1.1. Rationale

Much attention has been devoted recently to corporate brands, corporate images and corporate reputations, the focal point of serious managerial, academic, and consultancy concerns. Managers believe corporate brands are more important today than ever. According to a survey in Europe, Asia and North America, almost 90 percent of chief executive officers (CEOs) believe that a company's reputation is somewhat more important today than it was five years ago, and two-thirds of them agree that it is much more important today (Hill & Knowlton, 2003). The same survey suggests that a company's image is a priority for corporate executives today. Almost two-thirds of CEOs said they were taking personal responsibility for the protection and enhancement of corporate image. Very few placed responsibility on the board of directors (14%) or on corporate communication executives (12%).

Corporate brands have also recently been the focus of much academic interest. Ever since the publication of the seminal article by advertising executive King (1991) which argued for the benefits of positioning organisations as 'brands' in the minds of actual and potential customers, research activity on corporate brand management has grown, both in Europe and North America (Ind, 1998). There is indeed increased reference in literature to the notion of 'the corporate brand' (Balmer, 1998; Balmer and Gray, 2003; Knox and Bickerton, 2003). Also indicative of this development is the launch of the *Corporate Reputation Review* journal in 1997, an integrative outlet for research and practice on a company's image and reputation (Fombrun and van Riel, 1997).

Corporate brands are also a main concern for consultants today. More and more corporate identity advisers are now focusing on corporate brand management (Deekeling, 2003). Also graphic design firms and advertising agencies consider themselves 'branding specialists' (Balmer and Gray, 2003; Spaeth, 2003b). As the website of a leading corporate identity consultant candidly explains, 'by the mid-1990s it had become clear to Wolff Olins that brand could be used not only for product, but for the corporate whole', which led this identity specialist 'to focus on being a brand consultancy' (Wolff Olins, 2004).

Corporate brand management has thus become a priority for many companies, who go to great lengths to build their corporate brands. Companies turn particularly to communication to build their reputations and enhance their corporate images. Indeed, over 98 percent of German opinion leaders consider corporate

communication to be important or very important in shaping a company's image (Capital, 2002). Communication managers have taken this on board and currently channel most of their efforts in building the corporate brand. Almost two-thirds of corporate communication executives of Fortune 1000 companies said that they manage the image and reputation of their companies and almost half of them consider corporate brand management their most important function (Corporate Communication Institute, 2002).

As such, there has been a growing interest in corporate communication in recent years. Corporate communication has become increasingly important for both North American and European companies. In the US, corporate communication managers are seen as fully-fledged strategic advisers to senior management (Troy, 1993). Indeed, 43 percent of corporate communication executives of Fortune 1000 companies report to the CEO (Corporate Communication Institute, 2002). In Germany, 95 percent of senior executives consider corporate communication to be important or very important to the corporate strategy (Capital, 2002). Growing importance of corporate communication is also reflected in the budgets of corporate communication departments. Spending has been increasing for some years and is expected to increase by almost 4 percent annually over the next five years, while spending on marketing communication is expected to shrink (Mercer Management Consulting, 2003). And, while layoffs and budget reductions have been customary in other functional areas due to the global economic downturn of the early 2000s, only one in five corporate communication departments has scaled back staff levels and one in three has suffered budget cuts (Corporate Communication Institute, 2002).

Corporate communication has also recently been the focus of much academic attention. Research on corporate communication, despite being fragmented, is now as abundant as marketing communication research — and it is increasing (van Riel, 1995, p. 14). Partly as a result, the *Corporate Communications* journal was founded in 1996 to cover the growing amount of pure and applied research in public relations, public affairs, and corporate communication (Emerald, 2004).

Companies are increasingly trying to inform and persuade their constituencies directly, using corporate advertising and ad-like communication activities. Indeed, companies, accustomed to informing consumers, investors, employees, community members and any other main constituencies indirectly, primarily via the press and other third parties (e.g. financial analysts and governmental officials), increasingly target their constituencies employing corporate advertising and the like.