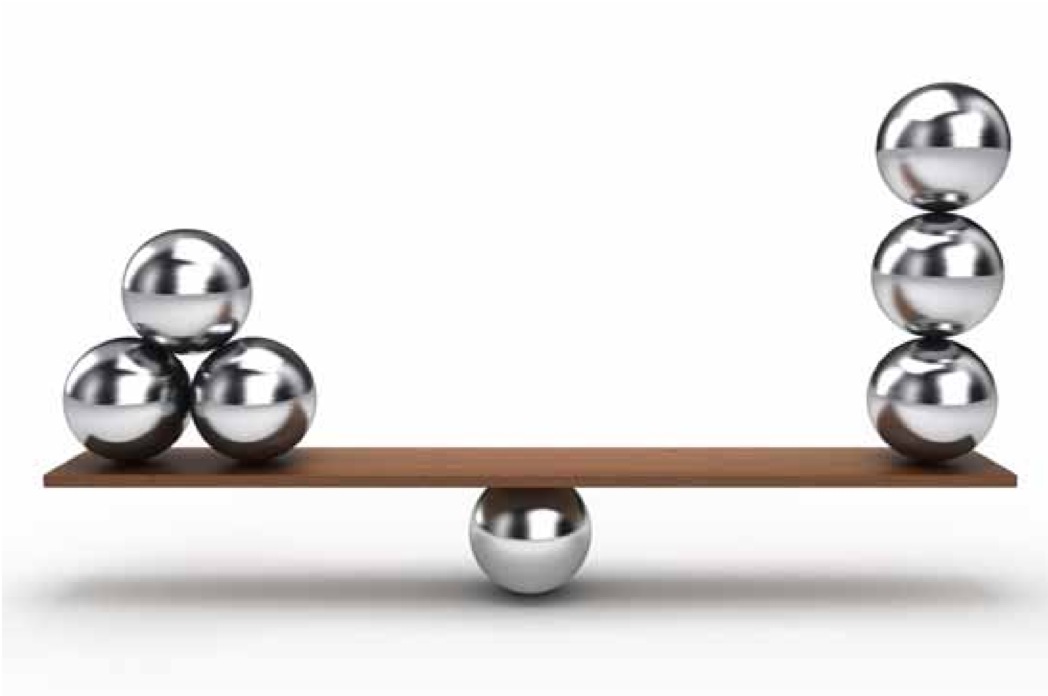
The reputational balancing act

Corporate citizenship contributes to multi-brand management



Managing corporate citizenship as a factor that contributes to corporate reputation can be a complicated task for global companies operating in multiple markets and diverse cultures with technology enabling instantaneous communication.

At the same time, a firm's value may be based more than ever on intangibles including corporate reputation and brand equity. This means that if a firm doesn't closely manage its reputational assets, more value may be at risk. A recent study found that companies with high relative brand value and high relative corporate reputation ratings have significantly higher market-to-book ratios than companies with low relative brand value and low relative corporate reputation ratings.[1]

Achieving this can be even more complex when a company is managing multiple sub-brands as company assets. The Walt Disney Company is a global firm that integrates corporate citizenship in management of its reputation across multiple brands. "The public knows Mickey Mouse and Disney and Disneyland but may not realize there are five business units that fall under the Disney brand,'' says Nicole Rustad, Corporate Citizenship program director with The Walt Disney Company who manages global CSR efforts for Disney Online Studios. Those five business units are: Media Networks, Parks and Resorts, The Walt Disney Studios, Disney Consumer Products, and Disney Interactive.

Beyond the iconic Walt Disney brand, the company's brands also include ESPN, ABC, Disney Channel, Pixar, Marvel, and a number of other smaller brands. Add the management of brand icons of well-known Disney characters such as Mickey Mouse, Donald Duck, Winnie the Pooh, and now even Iron Man, and you might start to picture the reputation manager as the young wizard in Fantasia.

"It does make it a little more interesting when you are looking at brand reputation," remarks Rustad. While Disney is the largest media entertainment company in the world, she notes, connecting with families through a variety of entertainment experiences is at the heart of the firm across all lines of business. Even with that common thread, there can be competing interests.

"People (managing individual Disney brand properties) may not be thinking about the larger Disney brand because it is their job to advance that brand property," explains Rustad. "It poses some interesting challenges for our company as a whole."

The key for companies hoping to manage a reputation supported by multiple brands is to have the people behind those brands recognize they are partners rather than competitors.

Jennifer Silberman, vice president of Corporate Responsibility at Hilton Worldwide, shares the challenges Rustad faces at Disney. She manages reputation for a global company operating in 90 countries with more than 3,900 properties, over 300,000 team members, and 10 consumer brands. Hilton Worldwide has a 93-year history but is less than four years old as a privately held corporate entity. It encompasses Hilton International, Hilton hotels outside the United States; Hilton Hotels Corp., Hilton hotels in the U.S.; and a number of other hotel brands including DoubleTree, Embassy Suites, and Hampton.

"The reputation of those brands is built on everything from product and quality, to guest experience, service, innovation, and most importantly the team members," says Silberman. "As we think about reputation and what it promises to our guests it's really about how our team members personify, and how they deliver the brand and the culture of the organization that they work for."

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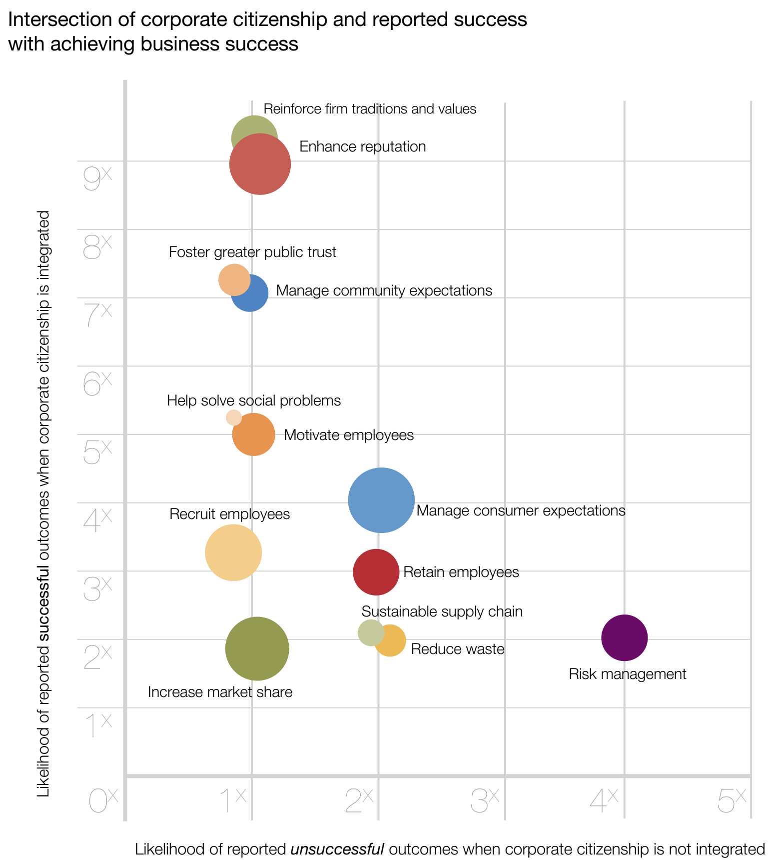
From an overall reputational standpoint, Silberman explains, Hilton Worldwide looks at how that fits together under a corporate responsibility strategy. "We build a corporate framework that is developed for the enterprise but then is extended to all of our guests and for an external audience through our brands and through our customer loyalty program, Hilton Honors," she says. "There's a lot of work that we are doing right now in trying to have all of those things come together." Hilton Worldwide must balance how it manages issues and how it manages reputational impact among its various stakeholders, between the corporate framework and the reputation and image of its various brands.

Silberman notes that being in the hospitality business gives Hilton Worldwide an advantage in getting employees to engage and contribute to the good reputation of the brand. "Our team members are wired to serve," she remarks.

Silberman recognizes the challenge presented to managers of individual brands in operating under an



Source: Boston College Center for Corporate Citizenship, The State of Corporate CItizenship 2012

overarching corporate brand: "They've each got their own unique value proposition or brand purpose that they communicate every day to their guest segment and their customers. Our employees all see citizenship as an extension of their unique brands."

Hilton Worldwide's team members are at the core of its corporate citizenship. This means marketing may not always be the logical department within each brand to lead a cause strategy. At Hilton Worldwide, Silberman points out, a lead role may be taken by the culture team, which is part of a cross-functional team within the leadership of each brand. These culture teams work to train and engage team members in the hotels so they internalize and embody all of the characteristics of that brand. She describes this engagement as the "glue" that holds the brand together from a team member perspective and makes it relevant for them as they perform their jobs. "It's really the lifeblood of the hotels."

Silberman acknowledges the benefit of some customization of the global strategy to each individual brand. "You can develop a global strategy but we've got 3,900 hotels and the GM and team members at each hotel are passionate about needs and issues in that local community," she says. While the passion exists at each hotel, the resources, time or skills to vet potential partner NGOs, nonprofits, and community organizations may not. This is where Silberman steps in from the corporate level to work with existing partners and obtain recommendations on other organizations that match the company's corporate focus areas and are relevant to each sub-brand and each hotel's local community.

Managing an evolving brand portfolio

As has been the case with Hilton Worldwide, the complement of Disney brands has expanded through acquisition. Companies joining Disney's brand must be able to align with its family reputation.

An example of such a brand joining Disney is Club Penguin, a virtual world for kids envisioned as a sandbox in cyberspace that offers a safe place to play online. Rustad explains that reputation was "unbelievably important" when Club Penguin was formed in 2005. "If you're not authentic, kids are going to call you on that. Parents are not going to pay for that membership if you're not safe and creating a product that is going to be good for their children."

When acquired in 2007, Club Penguin went from being a small startup that had enjoyed great success on its own to working with an entire corporate team. Eager to bring its unique assets to Disney, Club Penguin found a terrific match. "Regardless of what Disney brand parents may interact with they expect more from us," Rustad comments.

High consumer expectations, Rustad adds, extend to every one of Disney's brands and are rooted in Walt Disney's personal concern for issues including nature, conservation, and global peace. "Our consumers are really expecting us to continue this legacy," she emphasizes.

Fit matters at all levels

Using corporate citizenship as an asset that can enhance reputation for a single corporate brand or across a family of brands, it is essential that the citizenship program align with the business objectives and core values of the company. Rustad stresses that a company must ask "Does it fit with who you are as a company and as a brand and what you're standing for?"

In the Center for Corporate Citizenship's 2012 State of Corporate Citizenship survey, findings suggest that

companies that align corporate citizenship with overall corporate strategy are nine times more likely to achieve reputation-related objectives.

Silberman concurs that it is important that corporate citizenship efforts make sense to consumers based on the brand identity, and that they be authentic, not just a demonstration geared toward burnishing reputation. "Consumers are savvy," she says. "If a program doesn't make sense, they will find what's under the hood and that will be the story."

A study reported recently in the Academy of Marketing Studies Journal supports Silberman's advice. Findings from the research suggest that a brand/cause relationship in which the brand and the cause are logically linked will be perceived by consumers to be a better fit and will be perceived more positively. Results further suggest that when a brand/cause relationship has a long history consumers will perceive greater commitment by the brand/firm and view them more positively.[2]

Staying attuned to consumer perceptions is critical to managing reputation whether for one brand or many sub-brands. Silberman works with Hilton's consumer insight team to infuse the programs and initiatives that she works on into market research to see how they resonate with Hilton's guests through individual brands and across the company. "When you are in a consumer products company," she remarks, "you constantly have to refresh and innovate as you're keeping up with the competition and managing increasing expectations."

Rustad agrees, noting that there is an ongoing process at each of Disney's lines of business to step back and take a fresh approach to how it manages corporate citizenship as an essential aspect of reputation. "You want to stay on target with your vision and mission as a company but it's important as times change to ensure you are staying ahead."

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[1] "Explaining variation in market to book ratios: Do corporate reputation ratings add explanatory power over and above brand values?" Journal of Finance and Accountancy, (2010), Philip Little, David Coffee, Roger Lirely, and Beverly Little

[2] "Successful Cause-Related Marketing Partnering as a Means to Aligning Corporate and Philanthropic Goals: An Empirical Study", Academy of Marketing Studies Journal, Vol. 15, No. 2, (2011) Michael L. Thomas, John P. Fraedrich, and Linda G. Mullen