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A brand of enlightenment

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> The ideals of human perfectibility and of achievement are authentic antidotes to the existential anxiety of guilt. What is true for an individual is also true for our institutions. This understanding of existential guilt will ultimately lead us to measure all institutions – such as a business, the family, education, the law, commerce and politics – by the degree to which they support the development of human potential.
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> (Koestenbaum and Block, 2001: 314)

The Age of Enlightenment was a period of unprecedented growth in terms of freedom, knowledge, toleration and commerce. Its champions, such as Bentham, Locke and Smith, believed in the idea of human potential and progress, and changed the way we think about the world. The enlightenment created the modern age, but the pursuit of happiness it espoused and our sense of well-being are no longer so certain. In the 21st century it is no longer axiomatic that increased wealth means a better life. What progress now means is not so clear. Research shows that the correlation between wealth and happiness begins to disappear once people reach incomes of above $10,000 GDP per head. Equally there is no absolute correlation between income and life expectancy. For example, African American men, although many times wealthier than the men of one of the poorest states in India, Kerala, have a lower chance of reaching old age. As the Nobel prize winning economist Amartya Sen says (2000: 14), 'The usefulness of wealth lies in the things that it allows us to do – the substantive freedoms it helps us to achieve. But this relation is neither exclusive (since there are significant influences on our lives other than wealth) nor uniform (since the impact on our lives varies with other influences).' If wealth and with it consumption can no longer guarantee our happiness, the question remains as to whether it can make our lives richer through enhancing our freedom. And can the much criticized world of brands make a real contribution to this? The challenge here is to rethink the way brands work and to reorient them clearly towards people.

In the era of Adam Smith and Daniel Defoe business became central to the modern world. For the first (and perhaps the last) time it received a positive press. Since then the business world, while of intriguing interest, has come to be seen negatively. Writers such as Thackeray, Dickens, EM Forster and DH Lawrence portrayed the businessman as cold, cynical and manipulative. A character such as Gerald Critch in *Women in Love* typifies the business tycoon of literature. He is efficient and ruthless, driven by a desire to succeed and willing to trample over the interests of his employees. He is a self-centred man in thrall to machines and systems. He believes that his will-power can overcome all obstacles. Yet he is unable to develop true relationships. It is telling that Lawrence, who uses warmth and cold symbolically to express life-giving power and spiritual death, lets Gerald die in the Alpine snow. Gerald is a metaphor for the overweening ambition and pride of every fictional business character from Orson Welles's Citizen Kane to Gordon Gekko in *Wall Street*. It is as if the desire to control and manipulate is inherent in the business psyche and is untempered by any depth of self-knowledge.

The idea of the brand is central to much of the criticism of business. This is because the brand is where the organization most overtly interacts with people and creates the opportunity for manipulation. The writer Naomi Klein's argument in the seminal book *No Logo* is that the overly powerful organization does indeed exploit its customers by restricting competition, charging higher prices and hiding the truth of the means of production. These are valid criticisms and deserve attention. However, before we accept this view completely we should also recognize that brands can increase choice, enhance freedom and provide enjoyment. This suggests there is nothing inherently wrong with the concept of branding itself, but that managers and employees in an organization can act with good or bad intent. To encourage the former and discourage the latter, managers need to understand that it is in their business interests to promote the good. This will never deliver perfection, but it can begin to change the image of the brand at large and put the brand back where it belongs – on the side of the individual. Thus, this book does not aim to refute the negative image of business in general and brands in particular. Nor does it seek to attack business. Rather it recognizes that business can be a force for evil, but it can also be a force for good. Brands can enrich people's lives or manipulate them. Employees can find fulfilment at work or entrapment. The task is to create a culture and system where the focus is more consistently focused on the positive.

WHAT IS A BRAND?

A brand is something that is owned by buyers and other stakeholders.[1] This is an idea that is sometimes difficult to grasp, but it indicates that the power in a relationship between an individual and an organization is not necessarily where we think it is. The argument is this: just as capital is a concept, so is a brand. Although a brand is related to a physical product or service it is itself immaterial. It is a transforming idea that converts the tangible into something of value. The key question is how does it manage this transformation? It does so by delivering something of value. Thus a brand only exists in a buyer's mind and it is the buyer who has the power to begin, sustain or terminate a relationship with it. This fact creates an immediate problem of measuring the value of a brand because the company does not control the life of the brand – the customer does. Brand value is determined by an understanding of likely future performance and predicted cash flows. However, these are defined in large part by an extrapolation of past customer acquisition and loyalty.[2] And as the example of Arthur Andersen demonstrates customer loyalty can disappear in an instant.

However, while buyers have the power, they are also swayed by their own needs and desires. These will be both functionally and emotionally determined and can be met by the acquisition of relevant products. This need is partly to do with the intrinsic value of the product but mostly to do with the transformational quality of the brand concept. We are willing to pay extra to an organization for this because of the perception of added value. This is an issue of trust. We buy Puma shoes, Diesel jeans and Apple computers because we trust the authenticity of these brands. We believe from past experience and from the reputation of these products that they will fulfil our brand needs. This creates a position of vulnerability. We rarely have complete knowledge of a product and its performance, so we have to trust that the product we bought last time will confer the same benefits if we buy it again. If the brand is trustworthy it reduces anxiety and doubt. It makes our decision making easier and safer. As Alan Mitchell, one of the contributors to this book, notes, 'Brand is a specific tool by which we make real markets work: a tool which real people use to navigate their way to real value exchange. The reason why brands have become so important is because they are so good at helping to create efficient exchange.'

We see this exchange and trust-building process at work all the time. For example, imagine a piece of software advertised by an entirely unknown name – we would be much more cautious about buying it than if it comes from a name we know, such as Adobe. There is still no guarantee that it will meet our expectations, but we can be reassured that what we know of the company's reputation means it should perform to certain standards and that if it does not there is recourse to compensation. However, this building of trust is not instantaneous – it takes time. We deconstruct the messages that we receive. We read newspapers, talk to our friends, look in shop windows and observe others. If these messages are consistent we may be willing to try a product. If the experience of use is consistent and the after-sales service is good we may repeat-purchase it and become a brand enthusiast and advocate. We would then expect the performance of the product to be broadly consistent with our last experience – we begin to trust the brand and to become willing to allow the company to try to build a relationship with us. Nonetheless the freedom to choose to accept this relationship or not is ours.

Brands that enhance our sense of well-being and freedom further our sense of self. They can enhance our higher needs for esteem, socialization and self-actualization. These are people-centric brands that help us to obtain value. Brands can also disappoint. They can manipulate our beliefs, they can be meretricious and they can try to limit freedom of choice. These are seller-centric brands that operate from the perspective of the brand builder. That they act in this way may be expedient, but it does not build long-term value for the brand and it undermines the very reason we pay for the reassurance of brands: trust.

EXPEDIENCE, EXAGGERATION AND EXECUTION

Most organizations know that keeping the long-term trust of the customer is central to their success and many companies do deliver. Yet there are also surprising failures and these can have a profound impact on customers, employees and shareholders. There will of course always be mistakes and errors of judgement but in some cases the roots go deeper to the nature of business and its role in society. These factors can be clustered into three broad areas: expedience, exaggeration and execution.

Expedience

'The dominant values in most businesses and public sector organizations are expedience and efficiency. They value what works, often at the expense of what has meaning and what a wider view of social responsibility might entail' (Koestenbaum and Block, 2001: 276). The commonly held view of business – especially in the Anglo-American corporate world – is that it exists to serve the interests of shareholders. Although this viewpoint is debatable and much of the rest of the world adheres to a more balanced view based on stakeholder capitalism, the reality is that the United States alone accounts for 40 per cent of the world's economic activity. The clear accountability for chief executives in the US model is to provide the best possible returns for the owners of the business. Ideally this should be a long-term position. It is always possible to boost short-term performance by expediency – downsizing, re-engineering, accounting procedures – but these often do little for sustainability. As Lou Gerstner, the former CEO of IBM, observes, there is an obsession among security analysts with the next quarter's performance and with revenue. The danger in this is that 'a preoccupation with revenue can also lead to maximizing short-term results at the expense of long-term competitive position' (Gerstner, 2002: 269). This pressure to perform, not only among chief executives but at all levels, and the fixation with short-term numbers are the fundamental source of distortions. The impact of this on a brand varies. Short-term thinkers who are interested in fast returns and their next career move will tend to be expedient in their management of a brand, while managers with a long-term focus will see things in terms of the development of the brand and its relationships with customers. As an illustration of alternative ways of thinking, take the relative positions of two healthcare companies.

As reported in the summer of 2002 (Koerner, 2002), the British drug company GlaxoSmithKline was basking in the success of its new anti-anxiety drug, Paxil. From its approval by the US Food and Drug Administration in April 2001 it had become the number two SSRI (selective serotonin reuptake inhibitors) drug – widely used in the treatment of mental disorders. The disorder it was treating was general anxiety disorder (GAD) – something that US news reports estimated affected more than 10 million people in the United States. GAD, according to the press and television features, 'left sufferers paralysed with irrational fears' (Koerner, 2002). Actually, Paxil had been around since 1993 as an anti-depression drug, but had made little headway against better-known competitors. The solution was to tap into people's social problems and reposition Paxil as an anti-anxiety drug. SmithKline, as it then was, found in *The Diagnostic and Statistical Manual of Mental Disorders* a rare condition known as social anxiety disorder, a debilitating form of shyness. As entries in the *Manual* tend to act as a proof of a disease for the FDA and because the drug already existed, there wasn't the same long process to market as a new drug. As the trade journal *PR News* put it, the goal was now to 'position social anxiety disorder as a severe condition' (Koerner, 2002). To this end SmithKline began a campaign to market the disease. It began with a poster campaign that bore the insignia of a group called The Social Anxiety Disorder Coalition and its three non-profit members. However, this wasn't a grass-roots body but rather something constructed by SmithKline Beecham. The other advantage of a campaign promoting a disease rather than a cure is that companies don't have to detail the side effects of the drugs. In addition to the poster campaign there was a series of TV, radio and press releases claiming that social anxiety disorder affected one in eight people in the United States. Eloquent patients talked about their problems, and members of the medical profession (some paid consultants to SmithKline Beecham) talked up the disease. The consulting firm Decision Resources predicted that the 'anxiety market' would expand to at least $3 billion by 2009.

In another market sector this story might not be so uncomfortable. We might imagine a baking product being repositioned from one type of ingredient usage to another. The idea of promoting disease, especially one that targets vulnerable people, seems less palatable, because unless it is genuine it feels expedient. It is seller-centric.

Contrast this example with Baxter International (Hammonds, 2002). One of Baxter's products was a dialysis filter that was made by a company acquired by Baxter in 2000 called Althin Medical AB. In the summer of 2001 patients in Madrid and Valencia who were undergoing dialysis treatment using equipment that featured the Althin filter died. It wasn't clear as to the source of the problem, but the filters were a common link. Baxter recalled the products in Spain and instituted an investigation, but there was no evidence of product failure. Then similar deaths occurred in Croatia. Baxter announced a global recall and then put together a team of 27 people from different disciplines to try to locate the problem – they found nothing, but then a quality engineer in the Swedish plant noticed a few bubbles on the recalled filters. When the filters leaked they were injected with a solution to locate the problem. The solution was non-toxic, but the toxicologists theorized that it gasified when heated to body temperature, causing a fatal embolism. There were still doubts about this and it didn't explain why the problem had not occurred before. Still, this presented Baxter with a dilemma – how to act appropriately. The company has a series of values – respect, responsiveness, results – that it uses to define its actions. First of all, Harry Kraemer Jr, the Chairman and CEO of Baxter, apologized and then the company shut down Althin, taking a charge to earnings of $189 million. The company notified other rival manufacturers and over the next few months reviewed its procedures to prevent repeats in another area of the business. Additionally Kraemer recommended that his performance bonus be cut by 40 per cent and that top executives take a 20 per cent cut. As Keith Hammonds, writing in *Fast Company*, observes about the dip in the stock, but its rapid recovery:

> The Message to CEOs: Investors like honesty, including public apologies. (Kraemer visited New York to apologize in person to the president of Croatia). So, it turns out, do employees. Kraemer was flooded with emails and phone messages from appreciative workers… To him, there is nothing extraordinary about what Baxter has done. This is simply how organizations and their people should behave.
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> (Hammonds, 2002)

The Baxter case demonstrates the willingness of managers to think long-term about the responsibility of the organization to the people who use its products. As Larry Elliot and Richard Schroth note, 'creating the culture with the right orientation requires leadership from the top and work by the entire company. You do not turn it on and off. Your culture is either based on candor or honesty or it is not' (Elliot and Schroth, 2002: 111).

Exaggeration

If we want to sell something like a house or a car to someone we tend to overstate virtues and underplay any failings or limitations. Equally when marketers promote brands there is a tendency to exaggerate. In simple terms the goal is to project an image that taps into people's perceived values and lifestyles. For the individual, the process of considering brands is a cathartic process that helps them define their own identity. However, this is not static – the transformational potential of brands means that a person's sense of identity is forever changing in tune with received messages. There is a sense of illusion here. While the language of brand promotion can overstate, we are willing recipients of the half-truth. As Camus's character Meursault in *L'Étranger* demonstrates, an individual who tells the truth is a rare and difficult person. We allow ourselves to be deceived by the language of marketing because in part it suits us to do so. The existentialist philosopher Peter Koestenbaum points out that we have to accept this untruth and illusion for a sense of well-being. It is simply too uncomfortable to accept the reality of ourselves. The implications of this can be negative. Just as the character J in *Three Men in a Boat* convinced himself he had everything in the medical dictionary from A to Z, apart from housemaid's knee, by simply equating the symptoms he read about with his own feelings, so we have the potential to convince ourselves that we are afflicted by SAD or a similar illness. On the other side we can convince ourselves to do good. A brand can make us better people.

Take the example of Future Forests. This company has a very simple idea: to save the planet by planting one tree at a time. Global warming is a concept that is so large that most people feel they can do little to tackle it, but Future Forests has focused in on people's sense of individual responsibility and targeted its brand accordingly. It enables people (and companies) to understand their individual contribution to global warming through the amount of CO_2, carbon dioxide, they produce (from turning on their TV sets, running their cars, going on holiday etc) and then to understand how they can cut their emissions down, and then compensate for them by paying to have trees planted (which absorb CO_2) or fund climate-friendly technologies like wind power (which balance out CO_2 emissions). So, for example, individuals can choose to 'neutralize' the 1 tonne of CO_2 from driving their car, by planting five trees per year in a long-term forest of their choice with Future Forests (CarbonNeutral driving). This gives customers a positive sense of empowerment. Future Forests argues that forestry is a very efficient way to absorb CO_2 emissions. Avis Europe, which is one of their biggest customers, notes that the involvement in tree planting has led its people to consider the whole issue of environmentalism more carefully. Future Forests' co-founder Sue Welland says:

> Our position on that is that you can't plant your way out of global warming. But if you're trying to engage people, you have to find the thinnest edge, which is something that people really understand and is tangible. People don't understand the language [of global warming] and can't find the attachment points. We got rid of all the nebulous stuff and brought it down to bite size, easily understandable chunks. A tree is a symbol. It's a way into people. It's a gateway experience.[3]

One of the impressive aspects of Future Forests' brand is its belief in transparency. Guided by its brand values, it puts all corporate information it can on its Web site. The language is informative – pointing out the issues and providing the opportunity for the solution. The approach to the media is the same: provide substantive information and keep the organization open to the outside. As a virtual company, Future Forests feels this integrity is vital to building the trust of all its audiences.

Execution

Organizations are not inherently evil. We are the individuals who populate these organizations and we can make good or bad decisions. The way we act is defined at least in part by the broader influence of society (which in turn is influenced by business). If the world accepts and perhaps praises power, unbridled greed and exploitation, then we should not be so surprised if some individuals behave in a limited way. Alternatively if we are serious about individual responsibility, environmentalism and the alleviation of global poverty, then individuals are more likely to think about the broader accountability of their decisions. This is not to argue that every decision a business makes needs to consider global poverty, but awareness of the issue adjusts the mindset of the decision maker. The difficulty for modern organizations is that devolution of decisions and the empowerment of individuals has reduced control. Overall this is a good thing for both business and the individual, but it does create executional problems, especially if employees are not united by a common and positive set of values. Just think about the impact of Nick Leeson's decisions on the long-established Barings Bank brand.

The onus therefore must be on the organization to define clearly its brand values and to encourage individuals to act in accordance with them. Only then will people at all levels make decisions that are not narrowly defined but take into account the full responsibilities of a business. An interesting example of this is the brand Nike. Nike is a challenging brand and part of its power and appeal to customers has been its willingness to support the cause of athletes by running campaigning advertisements and attacking the International Olympic Committee. This is a brand built on irreverence. However, this positive impression has been tempered in recent times by the company's record in managing its employment policies, especially in the developing world. Nike has long manufactured in the Far East but, because it subcontracts work to local factory owners, it disassociated itself from the exploitative conditions of its factories and the use of child labour. It failed to see the connections between its brand, which espouses honesty, competitiveness and teamwork, and the idea of children working in sweatshop conditions. As Nelson Farris of Nike says, 'One of the biggest mistakes we made was to think we don't own the factories, so that's their problem. That's when we recognized we were more powerful than we realized and, as a consequence, people expected more of us. Employees were embarrassed and disenchanted and confused. The media had sweatshops and child labour in every sentence.'[4]

To its credit Nike has moved to independent and open auditing of its global employment record, but the failure to recognize the connectedness of decisions was the primary cause of the criticism of the brand.

FINDING THE SOLUTIONS

The subsequent chapters of this book will explore from the perspective of various authors the problems that brands face, but more importantly they will offer solutions to improving the role and the performance of brands. This book is not just a critique of the world of brands, but rather a set of ideas as to how brands and branding can contribute to progress. The solutions fall into a number of broad categories: self-correction, persuasion and pressure, democracy and transparency, and legislation.

Self-correction

Adam Smith's championing of free markets was his reaction against the power of vested interests in 18th-century Britain: 'people of the same trade seldom meet together, but the conversation ends in a conspiracy against the public, or in some diversion to raise prices'. He believed that freedom equated to a greater degree of fairness for people. However, he was not in favour of free markets in all circumstances. He also recognized that certain aspects of society, including the need to provide well-funded public education, should be legislated for and supported by the state. On the whole we should recognize that free markets are a good thing and that many of the problems that exist for developing nations are not the result of too much freedom, but vestiges of government interference, such as agricultural subsidies in the European Union and trade barriers under one guise or another. One of the great virtues of free markets is their ability for self-correction. Nowhere is this clearer than the influence of buyers on brands. Consumers do not always adjust their buying behaviour because of the positive or negative actions of companies, but their attitudes are swayed by them and businesses are concerned about the impact of public perception on their reputations and brands. This type of failing can simply be because the brand in its pursuit of growth or profitability forgets the primacy of customers. (Research by Gallup (2002) reveals that employees believe that only 66 per cent of company leaders are trying to do what is best for their customers, and even fewer – only 44 per cent – believe corporate leaders are trying to do what is best for their employees.)

This lack of consumer orientation has been obvious in the case of McDonald's. Its first ever quarterly loss of $343.8 million in 2003 was clearly due to its focus on its real estate and franchise revenues and its lack of interest in customers. There has been a failure to generate genuine new products and there has been a record number of complaints (including complaints about the way complaints are handled). *Fortune* magazine reports (Grainger, 2003) that, on the University of Michigan's American Customer Satisfaction Index, McDonald's has ranked at the bottom of the fast food industry since 1994 and that it sits in 2002 below all airlines and also the Internal Revenue Service. The only source of growth has been new outlets. There has been a downward spiral of lack of innovation, disappointed franchisees and disengaged employees, customer complaints, reduced revenues and poorer shareholders – the company lost $20 billion in market capitalization in 2002. McDonald's has now realized, perhaps belatedly, that the customer is the real source of value.

Equally, companies can also forget their broader societal role. Research by Tom Brown and Peter Dacin, who conducted three studies into the nature of corporate associations, found that 'all three studies demonstrate that negative CSR [corporate social responsibility] associations can have a detrimental effect on overall product evaluations, whereas positive CSR associations can enhance the product evaluations' (Brown and Dacin, 1997). Similarly research commissioned by BT and The Future Foundation (1998) into 'The Responsible Organization' concluded that 'our research among consumers confirms the positive impact good corporate citizenship has on corporate reputation and consumer trust'. This is something that Shell realized to its cost over its Brent Spar platform. This North Sea oil platform had reached the end of its useful life and the company decided to sink it. This may or may not have been the best environmental decision, but the dangers of pollution were seized upon by Greenpeace, which campaigned vociferously against the idea. As a result of their actions, Shell, which historically had been seen as a good corporate citizen, found that its status as a socially responsible organization among consumers declined by 10 percentage points.

As Simon Anholt has pointed out in his book *Brand New Justice*, the other key driver towards self-correction is the need for big companies to find new buyers. Many businesses have begun to recognize that the pool of customers in established markets is limited. This has led to a stagnation of demand and the search for new geographical opportunities. Although this can lead to companies seeing developing countries as just another sales outlet and an opportunity for margin enhancement, a more enlightened view is that a market that only consists of perhaps a third of the world's population is not truly global. This is driving brands to focus on sustainable development, not as an act of altruism, but because their long-term growth depends on these new consumers: 'they [big companies] need consumers who are wealthy enough to buy their products, have enough free time to enjoy them, are educated enough to consume advertising messages and evaluate products and brands, and live in countries where there is the liberty to make money and spend it' (Anholt, 2003: 160). As an example of this approach, Anholt cites Hewlett-Packard's e-inclusion programme, which works with companies, NGOs (non-governmental organizations) and governments to improve the facilities, health, education and infrastructure in developing markets.

Persuasion and pressure

One interesting long-term effect of the Brent Spar case was to change Shell's perception of its role in the world. Shell has embraced the idea of sustainability, and its ex-Chairman Mark Moody-Stuart has headed Business Action for Sustainable Development (BASD). One of the key changes has been that some NGOs have moved from a stance of hostility towards business to working with business organizations to encourage change. The power of NGOs has also grown inexorably. For example, in the UK, 48 per cent of the population has worked formally for a voluntary organization in the last year and 74 per cent either formally or informally. Internationally the number of NGOs has grown from 6,000 in 1990 to 40,000 in 2002, and membership of such high-profile NGOs as the World Wide Fund for Nature (World Wildlife Fund in the United States) increased from 570,000 in 1985 to 5,000,000 in 2002. As *The Economist* (1999) says, 'Over the past decade, NGOs and their memberships have grown hugely… Democratisation and technological progress have revolutionised the way citizens can unite to express their disquiet.' This pressure impacts on different audiences in different ways. Shareholders want to see good corporate behaviour because of the risks to the business of unethical behaviour. Governments, under pressure from their electorates, want business organizations to fill the void they have left by retreating from public areas. And employees prefer to work for organizations that are seen to act positively. This is not simply to suggest that businesses should set up corporate social responsibility departments. Rather CSR and the idea of sustainable business need to be incorporated into their operations.

An example of this is the Dutch bank, ABN AMRO, which in consultation with NGOs is redefining existing and developing new policies on lending. It has started a programme of micro-loans to small businesses in developing countries, which provides small loans to individuals and small companies that do not have good access to the banking market. In the case of project finance for mining businesses and for forestry, the company adheres to principles that insist the projects it funds take account of environmental and social issues. This also has value to the bank's clients because they are facing similar sustainability issues. It is equally true that many clients are working with the same NGOs. As Paul Mudde, SVP in charge of sustainable development at the bank, says, 'sustainability is not charity. The essence of sustainability is to integrate economic, social and environmental criteria in the key business processes of the organization. It is based on a triple bottom-line concept of three Ps, which stand for people, planet and profit.' The power of a bank such as ABN AMRO and equally major brand manufacturers and retailers is that by sticking to their own principles of good behaviour they can define the standards that suppliers should adhere to. At the same time a level playing field with competitors is important. This is one of the considerations when ABN AMRO actively seeks cooperation with other institutions on sustainability. All these initiatives spread the principles of good governance and sustainability inexorably into all corners of the business world. When, for example, the Swedish retailer H&M insists on acceptance of unions in suppliers' businesses and their freedom to strike, on clear standards of child labour and sensible standards of health and safety, it not only has a direct impact on over 900 companies in Europe and Asia, it also sets a standard for retailers and suppliers to follow.

The role of the brand here is as a catalyst for changing attitudes and in the case of some people as a spur to action. For example, the Nobel Peace Prize, the leading peace prize brand (there are roughly 300 in the world), has a power that goes beyond the monetary awards it makes. Its value lies in its courage and independence. The Nobel Committee makes its sometimes contentious awards to people and organizations that it believes have furthered the cause of peace. Although it has never formally defined this term it is clearly on the side of human rights, arms control, disarmament and humanitarianism. As Geir Lundestad, the Secretary to the Norwegian Nobel Committee, says, 'The prize has many different functions. It's a loudspeaker for lesser-known laureates. It's a protective mechanism. And sometimes the prize can influence a political situation, such as it did in 1996 when we rewarded Bishop Belo and Jose Ramos-Horta for their struggle for East Timor's right of self-determination.'[5] Lundestad believes that people's expectations of the prize are greater than it can deliver. However, the positive impact of this is that it gives people hope and reminds them of the possibility of the peaceful resolution to problems. It helps to get peace issues on the agenda as it did by awarding the prize to Aung San Suu Kyi in 1991, which led to the UN condemning Burma's military regime. And it acts as an incentive for laureates to achieve more – as was clearly the case with the 2002 laureate, Jimmy Carter. It is the prize as a brand that gives it this transformational quality. It confers moral authority on its winners. If the prize did not enjoy widespread recognition, a reputation for integrity and impact on the emotional needs of people, it would not have this capacity.

More democracy and transparency

'What is the meaning of democracy, freedom, human dignity, standard of living, self realization, fulfillment? Is it a matter of goods, or of people? Of course it is a matter of people' (Schumacher, 1974).

In interactions between people and organizations there has to be a congruency between what is offered and what is delivered. This is the basis of trust. This idea of trust has to be driven by a relatively high degree of transparency. This enables the customer and other audiences to have faith in the delivery of brands. This of course is not an unquestioning relationship. Consumers will still demand certain standards of behaviour from companies and they will ask questions of brands that are seen to fall short of expected standards. As Amartya Sen (2000: 40) notes, 'Transparency guarantees (including the right to disclosure) can thus be an important category of instrumental freedom. These guarantees have a clear instrumental role in preventing corruption, financial irresponsibility and underhand dealings.'

The difficulty as previously noted is that pressures on businesspeople often discourage transparency. There is a tendency to ignore the unpalatable and hide the injurious. A pilot study by the One World Trust (Kovach, Neligan and Burall, 2003) into the behaviour of intergovernmental organizations (IGOs), transnational corporations (TNCs) and international NGOs suggests that it is not only business that fails in this regard. All of these types of organizations fail to provide participation and accountability to stakeholders. Although there is the opportunity to legislate to encourage transparency, it is more valuable to encourage a voluntary openness. Within organizations the biggest driver for greater participation and openness should be that it benefits effectiveness. Research by the communications group at Erasmus University in Rotterdam demonstrates that employee communication is a vital component in organizational identification. This posits that there are three factors in employee communication in terms of their impact on identification: the perceived quality of organizational messages; the perceived quality of the communication channels; the quality of the communication climate. However, of these communication climate appears to be the most important. Cees van Riel (1999) suggests that 'how an organisation communicates is more important than what is communicated. This stresses the importance of "soft" aspects in communication like openness, honesty and participation in decision making, resulting in the necessity for managers to pay serious attention to communication climate, specifically their own role in improving the climate.'

However, the reality of transparency in organizations is somewhat different. The most common situation is one of distrust. Research consistently shows that people do not feel that they fulfil their potential at work and that internal politics prevents effective communication. The employee may have the desire and the potential to become an active participant in the organization, but there are clear barriers to engagement. Manville and Ober (2003) write, 'the entire shape of the modern company reflects a fundamental distrust of its members'.

In their interactions with external audiences, companies also benefit from full disclosure. This recognizes the interdependency argument. A decision made in the interests of one audience such as shareholders or customers will have an impact on all other key audiences. Yet the balkanization of many organizations prevents these linkages being made. Consequently measurement systems tend to monitor parts of interactions rather than the whole. When the impacts on customers, employees, shareholders and other audiences are linked together it tends to encourage behaviour that is designed to deliver benefits for all. In this instance brands do not become narrowly focused and problems like Nike faced over its labour policies can be averted. However, changing this thinking is not easy. While we can argue that organizations should see the full range of their responsibilities – which is much easier if the focus is external – it is far harder in practice. One of the challenges faced by Lou Gerstner in taking over IBM was its inward-lookingness – a focus on internal politics rather than customers. Reflecting the environment that exists in many businesses, Daniel Ellsberg (2002: 53) in writing about his time as an adviser to the Lyndon Johnson government noted the prevailing philosophy as 'do what's good for your boss, the man who hired you; put that above what you think is best for the country, above giving the president or the secretary of defense your best advice if that would embarrass your boss'. Making the customer the focus of the organization and bringing the customer experience inside the business is one of the best antidotes against a narrow focus and myopic thinking. It also stimulates transparency, because if the customer is a partner rather than an audience there is less to hide.

Legislation

'Guidelines, rules and policies do not in themselves make us honest. They only mark the pathway we should follow' (Kraemer, 2002).

In the wake of corporate misdemeanours, especially in the United States, there has been a clamour for new legislation. The value of this would be to encourage a greater degree of transparency and to stimulate increased and better-informed choice. Shareholder influence on good brand behaviour is perhaps somewhat muted. One of the difficulties here is that shareholders do not always have sufficient knowledge to exert pressure. Partly this is a failure on the part of the shareholder to seek out the information, but the larger blame lies with the organization and its failure fully to disclose its activities. Legislation should, as the philosopher Karl Popper (2002: 134–39) argued for democratic institutions, prepare for the worst and hope for the best. Hoping for the best, however, requires us to be active participants. We should not disassociate ourselves as outsiders from the system and from corporations. As Marx pointed out, our responsibility extends to the system and for the institutions within it. As consumers, employees and shareholders we can bemoan the failings of business organizations yet we are still willing participants. If we are to be campaigners for change we have to use our power individually and collectively to encourage it. As Popper also wrote about institutions – they cannot improve themselves; the problem is one to be solved by people. This again hints at the importance of democracy and freedom. As businesses grow in power,[6] so does their accountability. They acquire larger roles that put them at the centre of our social worlds. They can use this power for good by promoting essential freedoms, such as Reebok instituting employee democracy in its factories in China, or for control, such as Microsoft campaigning against freedom of choice for schools in developing markets.[7]

SUMMARY

Popper in his book *The Open Society and its Enemies* argued that the two prevailing theories of the world could be defined in terms of open and closed societies. Closed societies are represented by totalitarian systems and espouse the idea that institutions are everything and the individual nothing. In contrast the open society puts the individual at its centre. It praises intellectual honesty and truth. It also lays down alongside the creed of freedom the point of responsibility: that we must all work to improve the world in which we live. The focus here is to argue for open organizations that encourage a similar freedom for people to choose. To do so businesses have to be transparent and willing to engage in a wider world than the narrow focus of shareholder returns. And they have to enable people to make free and informed choices about the brands that help them define their individuality. If brands opt for the closed world they do not have a long-term future.

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NOTES

1 As Tim Kitchin argues in Chapter 5, a brand is owned by all stakeholders not just by customers.
2 As Alan Mitchell notes in Chapter 3, the very idea of loyalty to an organization is absurd.
3 Interview with author, 2003.
4 Interview with author, 2000.
5 Interview with author, 2003.
6 There are an estimated 60,000 transnational corporations and, of the 100 largest economies in the world, 51 are corporates.
7 In Peru, Microsoft tried to enlist the US Ambassador in Lima to undermine unfavourable legislation that proposed open source software in schools and also contributed money to the Peruvian school system. And while Chief Executive Steve Ballmer stated in March 2002 that Microsoft wants to be a responsible leader, he was also copied in on an e-mail, according to the *International Herald Tribune*, from the then head of worldwide sales that explained that, if a government or educational deal looked doomed, discounts should be used to win the business (in possible contravention of EU law). It said, 'Under NO circumstances lose against Linux.' (Quoted in *Financial Times*, 16 May 2003, p 19.)