

# Internal Branding

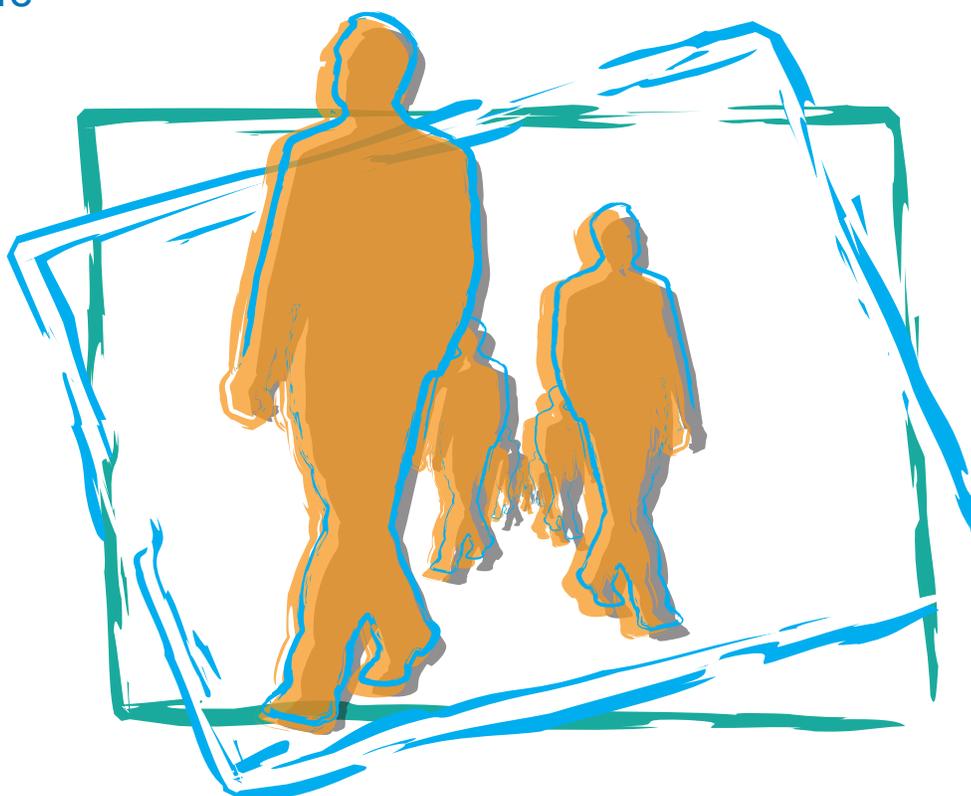
## A Human Resources Perspective

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This is the third in a series of research initiatives sponsored by  
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## **1. EXECUTIVE SUMMARY**

### **BACKGROUND**

This is the third in a series of research initiatives, sponsored by the CMA Branding and Strategic Planning Council, devoted to studying best practices for internal branding.

The first initiative was an online survey with 475 respondents across industries that examined how organizations view and implement internal branding practices. The results were subsequently published by the CMA in 2006.

The second paper was published in 2007 by the CMA entitled “Internal Branding Best Practices Study”. This applied key results from the prior year’s online survey and added a qualitative perspective by including material collected from in-depth interviews with marketing professionals from a diverse selection of companies. It became clear from this additional research that internal branding is a truly cross-functional concern and not just the prerogative of the marketing department. One of the other constituents most often involved is human resources.

This paper is the result of a third piece of research undertaken from February to May 2008 in the form of in-depth interviews with human resource professionals from over a dozen companies. Participating organizations are recognized in the acknowledgments at the front of this paper.

### **SUMMARY OF FINDINGS**

Internal branding is a multi-disciplinary practice requiring cross-functional teams for both program design and institutionalization. It is a key factor in business and brand success because it is the bridge between business strategy and implementation.

A substantial component of the bridge is the employee. It is necessary to understand what is important to employees, i.e., the drivers of employees’ engagement: pride/confidence, reward/recognition, and consistency. It is also necessary to understand the methodologies for developing and sustaining internal branding initiatives.

The root from which all brand initiatives spring is the set of values associated with the brand. Best practice companies devote a lot of energy developing and promulgating their brand values.

Implementing and sustaining internal brand initiatives requires the application of a wide variety of techniques. A key to implementation is encouraging appropriate employee behaviours; therefore human resources plays a strong role in ensuring effective implementation.

In the future, internal branding will become both increasingly important and more all-encompassing.

## **2. WHAT IS INTERNAL BRANDING? THE DEFINITION**

Internal Branding is the set of strategic processes that align and empower employees to deliver the appropriate customer experience in a consistent fashion.<sup>1</sup>

## **3. WHY IS INTERNAL BRANDING IMPORTANT?**

The more we have studied internal branding the more convinced we have become of the crucial role internal branding plays in the successful implementation of business strategy. A company's most powerful means of delivering a defined brand experience is through the intermediation of its employees and by effectively delivering on the brand promise. Only in this way can business strategy successfully be executed, enabling business plans to be achieved. Or put more succinctly - ignore internal branding and you are likely to imperil your business.

Given that brand has moved towards being a customer experience concept, the ability of employees to deliver that experience has become increasingly salient. The importance of the role of employees in service and service-related industries is immutable.

It is initially counter intuitive that, at a time when technology and virtual communication would appear to be creating greater impediments to direct human contact between business and customer, that when those contacts do occur, they are of increasing importance to both sides. This is a notable point in our findings.

This is not restricted to the realm of business-to-customer; it is just as relevant in the realm of business-to-business. One of the primary reasons given by a steel company for its ability to continue to make money while the majority of its competitors went bankrupt is because its employees from the shop floor up to senior management clearly understood and were able to deliver on the brand promise.

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<sup>1</sup> For a more complete discussion of definitions see 'Internal Branding Best Practice Study' CMA 2007

Furthermore, it is not just management that recognizes the importance of internal branding. In 2006's quantitative survey, over 70% of marketers not involved in internal branding said "Yes" to the question "Is internal branding important to you as an employee?", with a remaining 25% saying "Sometimes".

As we stated in our previous paper, "The successful implementation of internal branding can build a bridge between strategy and execution". The most important component of that bridge is employees; hence the importance of the human resources perspective.

#### **4. IF EMPLOYEES ARE IMPORTANT TO INTERNAL BRANDING, WHAT IS IMPORTANT TO EMPLOYEES IN THIS CONTEXT?**

From our discussion with human resource professionals it became apparent that three elements are fundamental to the success of an employee internal branding strategy and implementation. These are:

- (a) *Pride/confidence* - Engendering and sustaining pride/ confidence in the company.
- (b) *Reward/recognition* - Having appropriate employee reward and recognition systems connected to the brand promise.
- (c) *Consistency* - Consistency in practice of supporting human resources programs and processes over time.

These three can be grouped together into the loosely defined concept of employee engagement (often measured by myriad attributes in employee satisfaction surveys). All the best practice companies in our research had a methodology for estimating employee engagement and considered it a critical component of continued successful business implementation.

#### **5. HOW ARE PRIDE /CONFIDENCE IN THE COMPANY ENGENDERED?**

##### **5.1 The Importance of Values**

The centrepiece of brand from which everything else stems is the set of values with which it is associated. Without exception, all of the companies that participated in this research emphasized the paramount importance of the role that values played in their internal brand.

In order to illustrate the nature of these 'values', a list of values taken from half a dozen of our respondents is provided below. (The number in parentheses represents the number of respondents who referred to that particular value.)

Client passion  
Creativity  
Accountability (x 2)  
Enthusiasm (x 2)  
Excellence (x 2)  
Caring  
Team work (x 3)  
Service (x 3)  
Quality  
Innovation  
Integrity (x 5)  
Spirit  
Insight  
Respect (x 2)  
Commitment  
Responsibility  
Diversity

It is immediately apparent that the subject of brand values is not as straightforward as might initially be thought. In particular some of these values can only be comfortably applied to internal branding; 'team work', or 'diversity' while others have a greater application to the external brand promise, i.e., 'service' or 'responsibility' as examples.

There was a mixed response to this dichotomy amongst the companies we interviewed. Some explicitly acknowledged it, and had two separate lists of values; one for application internally and one associated with the public corporate brand. Others deliberately chose values that had both internal and external application so that they could have just one list and yet others tended to 'fudge' the issue by including both types in one list and relying on appropriate interpretation.

Most companies' lists of values were short; almost all had fewer than six encapsulating words.

It is clear that it is not just the words themselves that are important but also the meaning and nuances ascribed to them in the context of the company. For example 'responsible' in one context means "we obey the law" and in another means "we will ensure our customer uses our products in a careful manner". In a third it means "we must make a sound profit for our stockholders". Furthermore, for the international companies in our research, there were translations that were adapted to fit the local environments.

The manner in which the values are developed is key. Amongst our respondents there was a strong degree of agreement as to how values should be developed. All subscribed to the view that the process was extensive, expensive and time consuming! Overall, some four or five stages to the process can be identified and those involved in the core development team include not only the very senior management but also good cross-functional representation. Most of our respondents used the services of an outside consultant as either a facilitator or an expert in the process.

## **6. HOW ARE THE VALUES DEVELOPED?**

***The first stage (the quest for meaning)***: Generally involves a large amount of analysis and research. Competitive analysis, external research or best practices, re-visiting internal research, mapping employees' experiences, focus groups with employees and on occasion with clients, non-clients and suppliers too. In many cases local teams represented different geographic functions and specialties. The questions being asked in all these inquiries are deceptively simple:

- "Who are we?"
- "What do we do?"
- "How do we operate?"
- "What do we want to be when we are successful?"
- "How are we different from our competition?"

Clarity of response to these questions is crucial and difficult to achieve.

***The second stage (placement relative to the ideal)***: Involves the development of key drivers and metrics and the identification of gaps between best practices and internal practices. Often this stage is also interactive with different attributes and interpretations being taken back to constituent groups for applicability and accuracy testing.

**The third stage (relationship to the brand and corporation):** Develops and aligns the values into themes, putting them through the corporate brand filter. The thorny question of should they be the same, the same but a little different, or different from the values associated with the corporate brand is tackled here.

**The fourth stage (prioritization & communication):** The final polishing and the development of concrete behaviour to be associated with the values, the on-going communication messaging and channels, the implementation of measurement process, the rollout plan.

**The fifth stage (going forward):** The development of maintenance programs and ways to keep the values fresh and relevant – more of this in the next section (7).

## **6.1 Motivation in general**

Although the values alone do not make the internal brand, all aspects of employees' engagement needs to be addressed, including work environment and climate; growth and learning; relationship to immediate supervisor; the senior leadership, recognition and compensation, etc. These are not addressed here being broader human resources topics, except to the extent that they directly influence internal branding.

## **6.2 Senior leadership**

There was unanimity amongst all respondents that without the direct and intimate involvement of the President/CEO in the development of the internal brand the initiative would be unlikely meet with much success. Simultaneously, the requirement for cross-functional involvement needs to be recognized.

## **6.3 Budget**

Most internal branding initiatives, both in terms of development or maintenance, came from some other budget; general human resources, marketing or public relations. Thus resources were often carved from other initiatives. All respondents said a “nice to have” would be a dedicated and secure “internal branding” budget.

## **6.4 Advertising**

Some of our respondents use their own external advertising as a means for engendering pride and confidence in the company, i.e., external advertising is deliberately created to appeal to the work force within the company, so that the employee can identify with the values being espoused.

## **7. HOW TO SUSTAIN PRIDE AND CONFIDENCE**

As in our previous work<sup>2</sup> we found that companies were challenged by the need to keep internal branding initiatives fresh and relevant. Even companies where internal branding has been a way of life for over thirty years still faced this challenge. From this most recent set of interviews it would appear that many of the initiatives put in place to maintain the vibrancy of the internal brand have been initiated from human resources.

### **7.1 Employee intake**

Prior to the commencement of employment, some human resource departments have instigated an interview process whereby prospective employees are measured against their ability to align themselves with the brand values. Specific skills and attitudes are tested as part of the recruitment process in order to improve the chances that future employees will be able to deliver on the brand promise and client experience determined by the business strategy. One company goes as far as recruiting most employees as part-time casual initially in order to enable human resources to evaluate their suitability for the corporate culture before they become full-time.

### **7.2 Orientation**

The prevalence of having new employees go through orientation programs is increasing and this is often due to a desire to introduce them directly to internal brand values and behavioural expectations.

Furthermore, these orientation programs are becoming more formal and in-depth rather than the normal floating between departments. One of our respondents has a full two day off-site program for all employees included in their orientation program. Another has a full one-year orientation program for all employees from the shop floor up and yet another has a series of web-based training modules specifically on brand values that have to be completed by all new entrants.

### **7.3 Training**

Apart from training programs specifically designed around imparting internal brand values and desired behaviours, the companies we interviewed included an element of brand application in all their training courses even if the course is meant as a pure product training course.

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<sup>2</sup> Some of the material in sections 7, 8 & 9 is also covered in tabular form in our previous paper: *Internal Branding, Best Practices*, "Section 6 – Internal Branding Techniques & Tools."

## **7.4 Structural Alignment**

Several of our respondents re-distributed the allocation of resources within the company to make them more aligned to the declared brand values. For example, one respondent who had a strong “customer service” value cut a large number of head-office and administrative positions and reallocated them to the front line and store front positions. Another two companies re-structured their compensation and career path tracks to encourage promotions from the existing employee pool. The purpose of these shifts was to increase the sustainability of the internal brand values and behaviours and inculcate them more intensely into the corporate culture. Appreciation of the power and benefit of consistency over time is manifest to them.

## **8. IMPLEMENTATION: REQUIRES IDENTIFYING, RECOGNIZING AND REWARDING THE DESIRED BRAND BEHAVIOURS**

### **8.1 Behaviour identification**

All our respondents had some form of description of the desired behaviours necessary to deliver the brand that were in direct alignment with the brand values. However, these varied considerably in descriptive style, detail and length. For example one list included the following “Hand raiser not finger pointer”, “Radiator not drain”, “We not me”. Whereas others had the more formal “Everyone must be considered an individual”, “We must constantly strive to reduce our costs” and “We act in an efficient and pragmatic way”.

All agreed that the behaviours had to be absolutely clear and preferably simple. One company that had a high immigrant intake in the workforce even used pictures by way of explanation.

Some had their behaviours limited to customer treatment protocols designed to deliver a consistent quality customer experience, while others had more general descriptions of behaviours which could be applied to relationships both internally and externally.

There was uniform agreement that one of the most effective ways of communicating the desired behaviours was through stories, whether they were case studies displayed in videos or print or communicating the circumstances around a particular award. Stories provided tangible evidence and context for behaviours that could be easily illustrated and remembered. Also mentioned was the need for a multitude of communication tactics in order to consider the internal constituents’ ages and ethnic backgrounds.

## **8.2 Recognizing and celebrating the right behaviours**

Most of our respondents have a formal system of recognising behaviours that demonstrate the brand values. These take the form of an internal nomination process where usually the brand value being demonstrated has to be identified. This is often a tiered process whereby an initial small award is given and recognised in the local group of employees that is then entered into a quarterly bigger award, which in turn is eligible to be entered into the annual award. The top award, usually given a name like 'The Chairman's Club', is awarded to those employees who consistently or significantly demonstrated behaviours aligned with the brand. Again, stories play a pivotal role here and the aspirational draw is a powerful motivator.

Leading edge organizations are now not only focusing on the end results of the behaviour, i.e., the *what*, but also the *how*; is the thinking and process involved in achieving the result aligned with the values too? For example, good customer service at the expense of mistreating other employees is not acceptable.

## **8.3 Rewarding the right behaviours**

Almost all of our respondents have the brand values and associated behaviours embedded in their employee performance evaluation systems. In the more sophisticated organizations this was in the form of part of a balanced score card approach.

In one organisation all employees' performance review criteria are linked to the achievement of the internal brand values and thus all their salaries and raises are tied to their commitment and recognition of the internal brand.

Another organisation expressed a more cautious view that linking too much compensation to internal brand behaviours exposed employees to the possibility of being 'punished' for non-compliance which might be counter-productive.

## **8.4 Nothing works better than example**

Everyone agreed that it is vital for senior management to 'walk the talk' and demonstrate the behaviours associated with the brand values. However, as our 2006 survey found, only 22% strongly agree with the statement "management 'walks the talk' with respect to brand values". There is room for improvement!

## **9. MEASUREMENT**

We looked at two aspects of measurement: the resources devoted to internal branding and the return on those resources; and, the measures of how effective internal brand initiatives are in changing behaviour and the customer impact.

## **9.1 Measuring the resources devoted to internal branding**

Not one of our respondents directly measured the dollar value of resources devoted to internal branding. As noted earlier, most would prefer a dedicated budget rather than having to carve off slices of other budgets, as is the present practice.

All agreed that the process of developing internal brand values is expensive and at the same time there is a strong gut-feeling that the payback in business terms is considerable. However, isolating the returns directly attributable to internal branding is considered by most organizations as a non-starter.

## **9.2 Measurement of the effects of internal branding initiatives**

The whole question of the best method for evaluating employee engagement is a hot topic and too big a subject to be tackled here.

All participants use some form of employee survey to measure the effects of their internal branding initiatives. Some ask very explicitly linked questions such as “Are you aware of the values?”, “Did you understand the values?”, “Can you implement the values into your daily activity?”, “How?” Some also use a survey to evaluate senior management’s compliance: “Do managers follow the corporate values?” They take corrective actions for those who score poorly.

Some companies have undertaken research to establish the qualities and values that exist in comparable high performing organisations and then track these in their own employee opinion survey.

Most use some attribute of desirability as an employer either in external rankings of “best employers”, or in the form of monitoring their position in internal questionnaires as a key metric.

One organization monitors how often their values are directly associated with their name in external media, i.e., every time the company name appears in the media, the surrounding text is searched to see if any of their brand values are also mentioned or linked.

## CONCLUSION

Internal branding is truly a cross-functional practice. Having now spoken to human resource professionals we can confirm that internal branding is not just the purview of marketing departments. However, it is not unexpected that there is some specialization. The marketing executives we spoke to tend to be more involved in the development of brand strategy particularly as it relates to the business. For example, they are more deeply immersed in questions relating to customer experience, corporate image, business development and design, and collateral materials that support brand values. Human resource professionals tend to be more concerned with tactics and implementation. They are mostly immersed in matters of compensation, employee attributes and behaviours and recruitment. Success requires both!

## THE FUTURE

We see three trends becoming stronger in the immediate future:

- (i) ***More walk the talk:*** As employees who have grown up with internal branding as a way of life and understand its importance enter the ranks of senior management, the large gap between senior managers actually walking the talk and not, will be resolved.

There is also a proliferation in the number of stories surrounding senior management walking the talk, often as iconic figures, and successful companies.

- (ii) ***Suffusion into all parts of the company:*** As those involved in internal branding have increasing success with front-line employees and directly with customer experience, they will begin to extend their expertise and methods back into the corporation and involve those employees who do not have direct customer experience but have influence nonetheless. The non-front-line employees will become a bigger part of internal branding.
- (iii) ***Social Responsibility*** A Bank of Nova Scotia study discovered that 61% of Canadians would change their job if their employer demonstrated poor corporate social responsibility practices. This is an indicator of our third trend for the future: internal branding values are going to become increasingly influential. Furthermore, they will have to include a stronger sensitivity to environmental and social responsibility concerns as well as community involvement.

## **AUTHOR BIOGRAPHIES**

**Sharon Groom** is a Partner at McMillan LLP in Toronto where her practice focuses on Intellectual Property, and Advertising and Marketing law.

Prior to joining McMillan, Sharon practiced in house with organizations such as Harlequin Enterprises Limited where she was Director of Legal Affairs and was responsible for managing a portfolio of over 2500 trade-marks worldwide, Thomas Cook Group where she was General Counsel for the Americas and Newbridge Networks Corporation.

Sharon is Co-Chair of McMillan's Intellectual Property and Technology Law Group as well as their Advertising and Marketing Group, and a member of the Canadian Marketing Association's Branding and Strategic Planning Committee.

Sharon is also an adjudicator for .ca domain name disputes. Sharon received her B. Music and LL.B from Queen's University and was called to the Bar in 1988.

**Patricia McQuillan** founded Brand Matters Inc® which is built on 20 successful years in brand management and market research including RBC Dominion Securities, TD Waterhouse and Kraft General Foods. Brand Matters is a leading brand consulting firm with a specialization in Business to Business brand optimization, market research and internal branding (employee alignment).

Patricia's experience includes an MBA in Marketing and Finance from Queen's University, the Canadian Securities Course and Partner, Director Officer qualifications and an Honours Economics Degree. During her corporate career she served as VP Marketing, RBC Dominion Securities leading the re-brand preceded by a term as VP Marketing, TD Waterhouse where she directed the marketing launch of the first on-line brokerage in Canada.

Earlier in her career, she led successive business turnarounds over a 6-year period as a Senior Brand Manager at Kraft and General Foods.

Today Patricia continues to lead Brand Matters as President and Founder. In addition she serves as a board member of the MS Society of Canada, Toronto Chapter and as a board member of the American Marketing Association. In addition, she is a member of the CMA Branding and Strategic Planning Council.

**Nina MacLaverly**, Retail Consultant and New Business Development for St. Joseph's, has spent over 35 years in the retail industry at Sears in a variety of functions, Sales Management, Inventory Control, Training, Buying and Marketing. Her extensive merchandising background, which includes women's & men's fashions, jewellery, hardware, and Vice President of the Home and Hardlines group has given her a deep understanding of consumers and the retail and catalogue business.

For over 20 years, Nina has been involved in the marketing and advertising function. Her marketing experience includes category marketing management, corporate promotional program management and brand advertising strategy. She was responsible for corporate brand advertising, retail and catalogue advertising and in-store marketing. As Group Vice President Consumer Marketing, Nina was also responsible for leading the cross functional Group Vice President team with respect to marketing strategy development.

Currently, Nina works as a part of the St Joseph Communications Advisory Board, providing retail expertise and strategy leadership for New Business Development. In addition to her St Joseph Communication responsibilities, Nina serves as a member of CMA's Branding and Strategic Planning Council.

**Hugh Oddie** is an independent consultant who applies his strong conceptual ability and unique perspective to develop actionable insights and solutions to complex issues. He has an innate ability to clarify intricate business challenges and position them in a holistic fashion, enabling clients to make significant progress towards reaching their goals. He creates new ways of looking at customer information to drive revenue generation; through business redesign, marketing strategies and analysis.

Mr. Oddie champions and manages unique forms of behavioural research, participating in primary research and developing the findings into effective strategies and tactics used by functional and business units. Clients include multinational institutions in Canada, the United States, Israel, Colombia, Chile, etc.

His earlier career experience in investment banking, which culminated at the board level, includes marketing international capital market issues and loan underwriting to governments and private sector customers in the Americas, Europe and the Pacific Rim.

Hugh Oddie was born and raised in Cambridge, England. Schooled at Eton College and Exeter University he earned an honours degree in Economic Theory and a postgraduate Certificate in Education. He taught Economics and English literature in England, Spain and Mexico prior to his banking and marketing career.

Mr. Oddie lives in Toronto, Canada, is a Past Master of the Honourable Company of Freemen of the City of London of North America, and is presently a member of the Branding and Strategic Planning Council of the Canadian Marketing Association. He writes, as yet to be published, poetry.