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Boards Should Guide Branding

Intangible assets, such as brands, drive value creation. It’s time more companies brought them into the boardroom.

The primary objective of boards is to build and sustain shareholder value, and deliver competitive returns to shareholders. One of the most effective ways to achieve this is to build brands with strong brand equity. Brand equity is the reputational asset that any successful business builds in the minds of customers and other stakeholders. Strong brand equity is also one of the main reasons why the market capitalisation of a company often exceeds its book value.

As I noted in my **last post**, many Asian companies traditionally focused on asset-intensive industries. But it has been demonstrated that the most profitable Asian companies focus on intangibles such as human capital, exploiting network effects, and creating synergies based on brands or reputation, rather than investing in tangible assets.

Intangible assets, such as brands, play a significant role in value creation and can become an important driver of shareholder value for many more Asian companies than they do today. On the New York Stock Exchange and NASDAQ, for example, intangible assets are known to account for 50–75 percent of the market capitalisation of the listed companies, where the majority is accounted for by their brands.

The role of the boardroom

A strong brand is characterised by a unique brand promise (the customer focus) and an outstanding brand delivery (the organisational system and performance behind the promise). The brand promise and the brand delivery must be consistently balanced in order to build and sustain strong brand equity. The modern brand-driven organisation is characterised by three distinct characteristics which set it apart from less brand-focused organisations:

- The right boardroom *mindset* towards and *beliefs* about branding led by the CEO
- The right *skill sets* to build and manage brands, such as sophisticated marketing and brand capabilities and global experiences among the top management team including the Chief Marketing Officer (CMO) as the driving strategic force
- The right allocation of *organisational and financial resources* to achieve the various business objectives and build sustainable brand equity

It is important to note that the marketing function and discipline has come under increasing pressure to demonstrate financial results. Boardrooms must recognise this development and act accordingly.

The first change is related to the *role* of marketing.

As marketing is increasingly taking place along the entire value chain, marketing is not the responsibility of the marketing function alone. Instead, everyone in the organisation is involved. This requires a more cross-functional orientation of marketing, with a solid understanding of all the elements in the value chain including skills within engineering, purchasing, manufacturing, logistics, finance and accounting. This might require an upgrade of skill sets and ongoing training of the marketing personnel.

The second change required is related to the *outcome* of marketing. For the marketing function to become an integrated part of the boardroom agenda, the key issue for the future is to focus on demonstrating the financial consequences of marketing expenditures.

Finally the boardroom should recognise the critical importance of resource management in building strong brands. Therefore, the last cornerstone of successful Asian branding refers to organisational and financial resources, their allocation and management. The more everyone throughout an organisation can be trained and involved in delivering on the brand promise, the more efficient and competitive the brand strategy will become.

Asian cultures have always valued the long-term aspects in almost any aspect of life. Asian boardrooms should use this unique strength to influence them in creating more successful brands - but it requires a different mindset in the boardroom.

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