7-13-2006

Strategy and Risk: New Relationships among Governance, Brand and Leadership

Nicholas Imparato
University of San Francisco, imparato@usfca.edu

Follow this and additional works at: http://repository.usfca.edu/ml

Recommended Citation
http://repository.usfca.edu/ml/5

This Conference Proceeding is brought to you for free and open access by the School of Management at USF Scholarship: a digital repository @ Gleeson Library | Geschke Center. It has been accepted for inclusion in Marketing (Formerly Marketing and Law) by an authorized administrator of USF Scholarship: a digital repository @ Gleeson Library | Geschke Center. For more information, please contact repository@usfca.edu.
Strategy and Risk: New Relationships among Governance, Brand and Leadership

Corporate Responsibility and Global Business Conference: Implications for Corporate and Marketing Strategy
London Business School
July 13, 2006

Nicholas Imparato

Professor, University of San Francisco
Research Fellow, Hoover Institution, Stanford University
A competitive product or a competitive strategy is not the same thing as a competitive organization.
THE RISE OF INTANGIBLE ASSETS

Kenton, Christopher, “Value Beyond the Balance Sheet,” Businessweek, February 1, 2005

© Nicholas Imparato, 2006. All rights reserved
## Financial Statement Reporting Brand Value

### Microsoft

- Goodwill reported
- Brand not reported\(^1\)
- Current Market Cap: \$260B\(^2\)
- Current Brand Value: \$60B\(^3\)

### PepsiCo

- Goodwill reported
- Brand reported\(^4\)
- Current Market Cap: \$95B\(^5\)
- Current Brand Value: \$12B\(^3,6\)

---

1. Microsoft 2005 Annual Report
4. PepsiCo 2004 Annual Report
6. Pepsi Brand

Adapted from “Brand and the Non-market,” Rachel Kolenda, Steve Lindheim and George DeVries, MBA Program, USF, 2005.

© Nicholas Imparato, 2006. All rights reserved
Brand Valuation Drivers

Adapted from "Brand and the Non-market," Rachel Kolenda, Steve Lindheim and George DeVries, MBA Program, USF, 2005.
Why Companies Left


Adapted from “Brand and the Non-market,” Rachel Kolenda, Steve Lindheim and George DeVries, MBA Program, USF, 2005.

© Nicholas Imparato, 2006. All rights reserved
Capital Markets

Yesterday

Today

Equity Markets

Institutional Investors

Equity Markets

Institutional Investors
Corporate Discipline

The Firm

Government

Civil Society

Markets
Gmail Complaint Co-signatories

- Australian Privacy Foundation
- Grayson Barber, Privacy Advocate
- Bits of Freedom (Netherlands)
- British Columbia Civil Liberties Association (Canada)
- Calegislación
- CASPIAN (Consumers Against Supermarket Privacy Invasion)
- Consumer Action
- Consumer Federation of America
- Consumer Federation of California
- Consumer Task Force for Automotive Issues
- Electronic Privacy Information Center
- Federación de Consumidores en Acción (FACUA) (Spain)
- Foundation for Information Policy Research (United Kingdom)
- Mari Frank, Esq., Author of Identity Theft Survival Kit
- Simson L. Garfinkel, Author of Database Nation
- Edward Hasbrouck, Author and Consumer Advocate
- Massachusetts Consumer Assistance Council
- Massachusetts Consumers' Coalition
- National Association of Consumer Agency Administrators (NACAA)
- National Consumers League
- PrivacyActivism
- Privacy International (United Kingdom)
- Privacy Rights Now Coalition
- Privacy Times
- Private Citizen, Inc.
- Privaterra (Canada)
- Public Information Research, Inc.
- Utility Consumers' Action Network


Adapted from “NGO’s and the Non-Market,” Monette Kaylani and Greg Pedersen, MBA Program, USF, 2005.
Sitting in a 3.8-metre sea kayak and watching a four-metre great white approach you is a fairly tense experience.
Cost of Security Breaches

- Nearly 20% of victims terminated their relationships with the company immediately
- 40% were considering terminating
- 5% hired lawyers to seek legal recourse

Ponemon Institute Survey of 51,000 victims, sponsored by White & Case LLS 2005

Adapted from “Brand and the Non-market,” Rachel Kolenda, Steve Lindheim and George DeVries, MBA Program, USF, 2005.
Highlights of Program and Current Study Methodology

- Phase 1: In-depth interviews with prominent CEOs, thought leaders (principal investigator)

- Phase 2: 300 interviews by experienced brand valuation firm (CoreBrand)

- Corporate Branding Index®, Unique database of 1200 companies across 47 industries, 12,000 interviews per year

- Proprietary algorithm measuring brand equity, incorporating economic and financial performance data as well as image surveys

- 15 years of data
Highlights of Program and Current Study Methodology (cont.)

- Brand strength reflects perceptions of reputation, management and investment potential (Corporate Branding Index®)

- 40 sample firms, 3 sectors: Finance (21), Retail (8) and Healthcare (19)

- Subject of interest: relationships among true believers/strong endorsers

- Phases 3-4: Further interviews and survey samples with new protocols, data analyses
## Industry/Sector Analyses: True Believers/Strong Endorsers

### Brand Strength (Image)

<table>
<thead>
<tr>
<th>Industry/Sector</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>35.2</td>
</tr>
<tr>
<td>Finance</td>
<td>26.2</td>
</tr>
<tr>
<td>Retail</td>
<td>70.3</td>
</tr>
<tr>
<td>Healthcare</td>
<td>26.9</td>
</tr>
</tbody>
</table>
Industry/Sector Analyses: True Believers/Strong Endorsers

Protecting customer information

<table>
<thead>
<tr>
<th>Industry/Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>50.9</td>
</tr>
<tr>
<td>Finance</td>
<td>54.9</td>
</tr>
<tr>
<td>Retail</td>
<td>52.2</td>
</tr>
<tr>
<td>Healthcare</td>
<td>42.5</td>
</tr>
</tbody>
</table>
Industry/Sector Analyses: True Believers/Strong Endorsers

Align privacy and IT with business objectives

<table>
<thead>
<tr>
<th>Industry/Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>40.1</td>
</tr>
<tr>
<td>Finance</td>
<td>43.0</td>
</tr>
<tr>
<td>Retail</td>
<td>32.8</td>
</tr>
<tr>
<td>Healthcare</td>
<td>38.7</td>
</tr>
</tbody>
</table>
Relationship Between Brand Strength and Customer Privacy

True Believers/Strong Endorser relationships between protection of customer information and each of the image components of brand strength (aggregate sample):

- Overall reputation: .72
- Quality of management: .80
- Investment potential: .71
True Believers/Strong Endorsers Relationships

Perception that the firm does a good job in balancing the needs of various stakeholders correlates with each image component of brand strength:

- Overall reputation: 0.50
- Quality of management: 0.50
- Investment potential: 0.63
Profit

\[ \text{ROE} = \frac{\text{Net Income}}{\text{Assets}} \times \text{Leverage} \]
Self Perpetuating Cycle of Innovation and Investment

- Growing consumer buzz
- Heightened dependency
- Passionate enthusiasts

- Stronger investor reaction
- Venture financing
- Enabling technologies proliferate
- Appetite for disruptive technology increases

- Explosive growth in new products and services
- Non-market response
- Corporate resilience
Governance and Leadership: Data Governance Illustration

- Adopt new security technologies, quicker
- Defend assumption of corporate liability
- Advocate tax policy for security investment
- Accommodate competing interests
- Advance international cooperation

(and always, walk the talk, as in security policy versus social engineering)
History punishes those who come late.

Russian Proverb
Thank you!
Contact Information

Nicholas Imparato PhD.
Professor
School of Business and Management
2130 Fulton Street
San Francisco, CA 94117-1045
415-422-6740
imparato@usfca.edu

Nicholas Imparato PhD.
Research Fellow
Hoover Institution
Stanford University
Stanford, CA 94305-6010
650-322-7508
imparato@hoover.stanford.edu