The Corporate brand as a valuable resource and initiator of business relationships

Nikolina Koporcic
School of Business and Economics
Åbo Akademi University
Turku, Finland

Tel. 041-491-1520
Email: nikolina.koporcic@abo.fi

ABSTRACT

The purpose of this paper is to scrutinize the role and importance of corporate brands in the pre-relationship stage of business relationships and to challenge the idea where valuable resources exist just and only as a result of interactions in already established relationships. It focuses on a corporate brand as a powerful tool which attracts potential partners and leads to initiation of a business relationship and differentiation from competitors. Potential relationships are based on mutual attractiveness and belief that one partner will fulfill the promise of the other and vice versa. This belief is defined as a trust, which is often a result of a reputation that corporate brands have in a network of business actors.

In order to sustain competitive advantage of a company, the corporate brand is seen as a firm´s Golden touch, which adds a value to the company and makes it notable to a greater extent. At the same time, corporate brand is understood as a valuable resource even before interaction occurs, and explained as a missing link in the IMP theory. As a result, the IMP approach is adopted and adapted in a paper and the new theoretical model together with the propositions about the nature of resources created. Hence, the conceptual paper is contributing to the knowledge of corporate brands and business relationships with novel managerial and practitioner implications.

Keywords: C*orporate brand, business relationships, reputation, resources, interaction.*

INTRODUCTION

Corporate brands can be defined as an outcome of creating and sustaining jointly beneficial relationships between the firm, its existing and potential business partners and employees (Schultz, 2007).Over the time, companies are building their identities and reputation on the market, i.e. in the network where companies are embedded. In this situation, attractiveness of a brand can be accomplished through the corporate brand reputation (Leek & Christodoulides, 2012). As some researchers agreed, corporate brands are important facilitators and moderators of business relationships, but at the same time every company and every relationship is somehow dependent on other companies in the network, in order to achieve goals and survive on the market (Motion, Leitch & Brodie 2003, Bengtsson & Servais, 2005). These business relationships are important both for strengthening a company´s position in the network and for dealing with existing and potential competitors (Håkansson & Snehota 1989).

Understanding the value corporate brands have for business relationships and revealing their potential as a resource in the pre-relationship stage (Ford, 1980) is found necessary and seen as a challenge in two areas of research. First, the paper focuses on the Resource based view (Barney, 2001) with a perspective on corporate brands as firm´s valuable resources. Secondly, business relationships are presented through the IMP approach (Håkansson, Ford, Gadde, Snehota & Waluszewski 2009) with a focus on a corporate brand importance for the pre-relationship stage (Ford 1980). As the result of overlapping issues from these two streams of literature the conceptual model together with propositions are created with the aim to find interplay and establish a bridge between corporate brands and relationships. Through propositions paper provides the answer on what kind of resources corporate brands are from the interactive perspective. Conclusions are presented at the end, together with implications and future research suggestions.

LITERATURE REVIEW

Corporate brands as a resource

Going back in the past to a Greek mythology, the remarkable message was given through the story of the King Midas who had ability to turn everything into the gold, only by the touch of his hand. His *Golden touch* (i.e. Midas touch) became synonymous for adding and creating a value and making something notable to a greater extent (Palmer 2002). Thus, corporate brands seem to be invested with the Golden touch, by having benefits regarding: communication of the brand´s values and promises, differentiation from competitors on the market, and enhancement of attractiveness and loyalty in the eyes of stakeholders (Balmer 2001, Balmer & Grey 2003).

However, the research on corporate brands and their value for the company didn´t receive much attention from practitioners and academics in the past, albeit many benefits for both buyer and supplier in this area of research (Lynch & de Chernatony 2007, van Riel, de Mortanges & Streukens 2005, Leek & Christodoulides 2011). From the start, brands were inseparably and mainly studied on business-to-consumer (B2C) level, where they were associated with a specific product of a company, with the end goal of attracting loyal consumers (Farquhar 1989, Aaker 1996). Eventually, brands started to be discussed in industrial markets and some research has been done regarding a question: Should business-to-business (B2B) companies brand at the product level in the same way as B2C companies, or should it be on a corporate level instead? From the research made by Baumgarth (2010), it has been found that 31% of companies are concentrated on a corporate brand strategy, while 47% of them are combining corporate and other levels of branding (Leek & Christodoulides 2011). Finally, as Aspara and Tikanen (2008) highlighted, corporate brands are more important in industrial markets than product brands, and as such, special attention should be given to them.

However, based on economic theory named the Resource-based view (RBV) of the company, resources are tangible and intangible assets which a company is using in order to select and perform its strategies (Barney 2001). In order to achieve sustainable competitive advantage on the market, resources should be valuable, rare, in-imitable and non-substitutable, referred to as VRIN-attributes. Following this criteria, corporate brands can be evaluated and described as:

a. *Valuable*: A corporate brand is one of the most valuable resources of the company. It is added upon entry to a relationship but valuable even before business interactions occur. It causes attractiveness in the eyes of future partners, evokes trust and loyalty in the company, and gives a promise in costs, time and risk efficiency.
b. *Rare*: A corporate brand should be unique and its origin specific. It should have a history behind which describes the company and makes it more attractive. If a corporate brand is not unique, it´s not valuable, and as such it can´t achieve competitive advantage on the market.
c. In-imitable: A corporate brand differentiates company from other companies by combining its tangible and intangible assets. It has its brand name, logo, and all other significant characteristics, legally protected. Besides these tangible aspects, a corporate brand is having intangible substances which are impossible to define and copy. These combinations are resulting into value creation that is providing competitive advantage on the market. The value creation is not an outcome of combinations and interactions between different resources, but the combination of tangible and intangible components from the inside of a corporate brand itself.
d. Non-substitutable: Many products can be copied or competitors can provide similar products with improved characteristics. And that is a way how companies can compete on the market and try to gain bigger market share than their competitors. The same situation is with brands. Corporate brands are harder to imitate, but they still need to strive for the better, and improve constantly. Thus, it is necessary to continuously invest in the tangible and intangible factors that create value, and try to differentiate company from its competitors.

However, in order for the corporate brand to be a valuable resource and the Golden touch of the company, these VRIN-attributes are not enough. The corporate brand should also be considered as a resource with long durability (Balmer & Gray 2003). This is based on the fact that corporate brand exists as long as company does, in comparison with product brands that can be short-term and replaceable. Precisely this long-lasting value, with sustainable advantage on the market should be supplemented with “Inappropriability”, as Balmer & Gray (2003) call it, which means that value which corporate brand have cannot be lost or “spent” in interaction with other companies. However, this attribute is more connected with intangible aspects of a corporate brand, such as reputation and identity. Therefore, it can be concluded that a corporate brand is the result of its history, it has a long durability and is stable in existence. But at the same time it is dynamic, because of its reputation on the market that evolves and changes over time.

Taking the Balmer´s (2008) empirical research about the British Monarchy as an example, it is clearly demonstrated and visible that the corporate brand is a valuable and strategic asset that company is using to improve its well-being and survival on the market. Likewise, for many years now, other academics (e.g. Aaker 1991, Kotler & Keller 2009, Morgan & Hunt 1994) also accepted corporate brands as critical and main resources for generating sustainable competitive advantage of a company.

Importance of a corporate brand for the business relationship

Business relationships in industrial markets received a lot of attention by now and research has been done in both academia and practice (e.g. Ford 1980, Håkansson et al. 2009, Gadde et al. 2012). These relationships are dynamic and quite often long-term and complex phenomena (Johansson 1989). In fact, the IMP approach has taken business relationships and networks into the forefront of business marketing research where buyer-supplier interactions are the central development function for both efficiency and innovativeness of each company and economy in total (Håkansson & Waluszewski 2013).

Building and developing a business relationship takes a lot of effort as well as resources (Håkansson et al. 2009). Therefore, business relationship development process is often identified through different stages or phases, such as e.g.: pre-relationship stage, early stage, development stage, long-term stage, and final stage (Ford 1980). The focus of a paper is on the pre-relationship stage, having in mind that: “We know much about established relationships, and a little about how they end. But we know very little about how relationships are initiated.” (Holmen, Roos, Kallevåg, Raesfeld, Boer, & Pedersen 2005, p. 6).

As a first stage of relationship development, the pre-relationship stage is a time during which companies are recognizing each other and engaging into partner screening (Warsta, Lappi & Seppänen 2001; Ford 1980), but where at the same time no bilateral interaction of any type occurs (Andersen 2001, Dwyer et al. 1987). This stage could also be called the searching phase, because it´s characterized by searching for new business partners. Companies are collecting the information on the possible choices, evaluating them and trying to recognize the most beneficial ones. It can be described as unilateral process (Andersen 2001) that happens before any formal agreement (Wackman, Salmon & Salmon 1987). At this stage there is no commitment between the companies (Ford 1980), i.e. there is no direct interactions between potential partners.

In the situation of uncertainty in business decisions, a company can lower the risk by evaluating the potential partner through its reputation in the network or through endorsement from existing trustful partners (Bengtsson & Servais 2005). The reputation often cause an attractiveness between the potential partners, and gives a notion of trust. Trust, however, can be defined as a belief that one (potential) partner will fulfill the promise of the other one and vice versa (Halinen 1997). Therefore, it can be concluded that the corporate brand "may be a prerequisite for firm to engage in a relationship" (Bengtsson & Servais 2005, p. 708).

Table 1. Characteristics of corporate brands

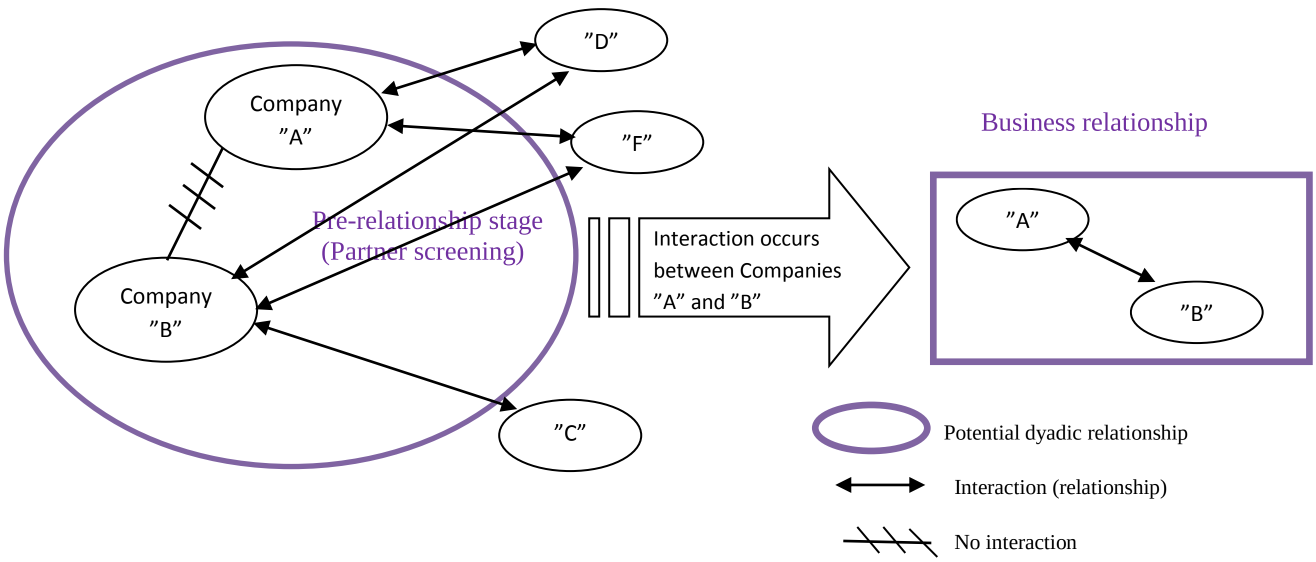
Authors (years)	Corporate brand	As a resource	Initiator of a relationship
Halinen (1997)	Attractiveness, trust		+
Barney (2001)	Valuable, rare, in-imitable, non-substitutable	+	
Palmer (2002), Balmer & Grey (2003)	Golden touch of the company	+	+
Balmer & Grey (2003)	Durability, inappropriability, stable in existence	+	
Bengtsson & Servais (2005)	Risk reduction through reputation and endorsement	+	+
Balmer (2008)	Valuable and strategic asset	+	+

The Table 1. presents a short list of the corporate brand characteristics based on two perspectives: the RBV perspective where corporate brand is considered as a valuable resource, and the IMP approach with the focus on the importance of corporate brands for the pre-relationship stage of a business relationship.

THE CONCEPTUALIZATION: CORPORATE BRAND IMPORTANCE FOR A BUSINESS RELATIONSHIP

The fundamental purpose for a buyer and supplier company engaging in a relationship is to create value, trust and commitment while working together, which can be achieved through branding from the start. One of the major benefits of branding is differentiation from competitors (Kotler & Keller 2009) and that could be one of the reasons why business companies are engaging in relationships (Aaker 1991). In the pre-relationship stage, when companies are searching for new partners, reputation is of a high importance. The example could be that a buyer is collecting information about supplier by communicating with supplier´s business partners (Andersen 2001). In this situation, the corporate brand can have an impact on potential relationship by providing a trust in a company based on its reputation in a network. Over period of time the interaction can occur and actual relationship can evolve. Nevertheless, the selling company will engage into activities which purpose is to create a positive corporate image and reputation of the company in the eyes of potential buyers and other companies in the network (Bengtsson & Servais 2005). As a result, the corporate brand can be looked upon as a valuable and desirable resource and a risk reduction mechanism in the pre-relationship stage, and therefore defined as an initiator of business relationships (Fig 1).

Fig. 1: The Corporate Brand as an initiation of a business relationship



This conceptual model is a simplified concept focused on a Company “A” and “B”, where the Company “A” owns a strong corporate brand. A brand is valuable through its identity and reputation even when companies don’t have any previous business experience with each other (Leek & Christodoulides 2011). At the same time, it can have an impact on potential relationship by providing a trust in a company based on its reputation in the network. That reputation is attracting the Company "B" even before interaction occurs, in the pre-relationship stage (Ford 1980). At this stage, information about the Company "A" can be obtained through already existing relationships with companies "D" and "F". Eventually, after the partner screening is accomplished, companies "A" and "B" are starting to interact and the corporate brand can be seen both as a reason for interaction and a valuable resource for the future relationship. As a result and the end goal, a business relationship is formed with the process of interaction connecting the companies.

Concurrently, it is important to return to the IMP approach. Although the IMP interactive approach combines many disciplines, starting from resource-dependence and social-exchange theory, through transaction cost economics and political-economy framework, the importance of a single resource is presented as irrelevant = "passive and without value", unless there is an interaction where resources are combined and value is created (Håkansson, et al. 2009, p. 65). In the pre-relationship stage, however, resources of two involved companies are standing on their own. There is no interaction involved, so based on the IMP approach these resources cannot be valuable. Therefore, the question arises: What kind of resources corporate brands are from the interactive perspective? To answer on that, a paper is presenting and reviewing "Propositions about the Nature of Resources" from the Business in Networks book (Håkansson et al. 2009, p. 69-71) as follows:

1. *"The value of a resource is dependent on connections to other resources."* The new proposition would be: The value of a corporate brand in the pre-relationship stage of business relationship is dependent on a corporate reputation in the network and direct and indirect connections with other companies. But the corporate brand is valuable as a resource even before the initial interaction between buyer and supplier occurs.

2. *"A resource changes and develops characteristics over time."* The new proposition would be: The corporate brand changes and develops its identity, image and reputation over time and it is a product of corporate history. But the corporate brand is stable in existence in a sense that it can´t be lost, ´spent´ or totally changed in interaction with other companies.

3. *"Every resource is embedded in a multidimensional context."* The new proposition would be: The corporate brand is embedded in a multidimensional context of interrelated and interdependent business relationships of a network. The longer the history of a corporate brand is, the higher the number of other companies it has been interacted with.

4. *"All changes of a resource create tensions."* The new proposition would be: All changes of a corporate brand identity and reputation in a business landscape will create positive or negative outcomes, both for focal company and its potential and actual business partners.

5. *"Interaction intensity influences the effects of a change in a resource."* The new proposition would be: Interactions between the companies and their intensity can influence the corporate brand reputation of the focal company in the network. The change in reputation can subsequently influence the corporate identity. Hence, it can result into better understanding and improved characteristics of the corporate brand.

6. *“The broadness of interaction influences the number of resources affected by a resource change.”* The new proposition would be: The broadness of business relationships and interactions between actors influence the corporate brand through its identity and reputation in the network.

CONCLUSIONS

Interactive business relationships in industrial markets received a lot of attention over the years through the IMP research. However, the selection of partners and reasons for initiation of relationships were neglected within this field. Therefore, the paper tried to include corporate brands into business relationships and challenge academics and practitioners to expand their perspectives. Following the RBV of the company, corporate brands are described as valuable, rare, in-imitable and non-substitutable, with added attributes such as durable, long-term, inappropriable and dynamic. All these characteristics are denoting corporate brands as valuable resources of a company before the interaction with the potential partner. Throughout of this, the IMP interactive approach is followed, focusing on the pre-relationship stage, which resulted into reviewed propositions about nature of resources, together with a new conceptual model that presents corporate brands as initiators of business relationships.

The paper is contributing to both branding and marketing literature. First, a corporate brand as a resource view is taken, were companies on the market are competing with each other and aiming for sustainable competitive advantage. As an advantage and valuable resource of the company they recognize the importance of corporate brands. As a gap in business marketing literature, market was presented as a clear competitive place where companies are working individually and competing with each other. Secondly, the IMP interactive approach is found to be adding to the marketing literature by introducing business relationships embedded in a network, where companies are interacting with each other in order to survive on the market. However, the IMP approach is having a gap as well, by presenting all resources as heterogeneous and without value unless interaction occurs. Out of this, it is possible to see missing links in each literature. Therefore, the research model is presented as a conceptual synchronization of the IMP interactive approach with the corporate brand perspective.

Theoretical and managerial implications

For researchers, the paper gives an understanding of corporate brands with a novel approach how to use them to deepen knowledge about business relationships. A new lens is added where the corporate brand is being a valuable resource embedded into the Company “A” even during the partner screening stage of a business relationship. As such, it can be used for attracting partners through its positive corporate reputation and resulting into initiating of a new relationship. Therefore, the paper is contributing to the IMP approach by adding a new perspective which provides a greater range of possibilities for future empirical research.

For practitioners, the paper emphasizes the importance of corporate brands while strategizing on industrial level. It gives an interpretation on how to understand business environment, and accordingly use strategies to accomplish company's goals. Until now, business and consumer levels were mostly mixed and unclear for practitioners, especially from the corporate brand´s point of view. Therefore, the paper gives better understanding of how the corporate brand should be understood and used for improving business, both from the buyer and supplier side.

Future research suggestions

This paper extends the current knowledge and gives a number of paths for the future research. Starting with the new model, it provides the initial point for the empirical research with a goal to examine this phenomenon in real business relationships. Further research will definitely be necessary in order to test novel six propositions about the nature of resources in business environment. They could also be presented as hypotheses and tested through qualitative or quantitative research.

Having in mind that secondary data was used for confirming theoretical findings, the need for further empirical research is inevitable for getting practical evidence. After the empirical research is done, conceptual model should be adjusted accordingly in order to provide more implications for researchers and practitioners. At the same time, it is important to go even further and see what is the role corporate brands play in development, as well as termination of business relationships? Is there a point in a relationship where the corporate brand stops being so important or even get some negative emotions associated with it? Therefore, are corporate brands important only in the early stage of relationship? Moreover, what kind of research would be the best for measuring their role in different phases of a business relationship? After all, the importance of corporate brands in business relationships is vast, but to a great extent undeveloped area of research.

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