

MAIO&CO

“SOULBRANDINGSM: A POWER TOOL FOR CONSCIOUS LEADERSHIP”

Executive Summary and Script of Speech by Elsie Maio
Delivered at the *Symposium on Leadership and Consciousness in Business*,
Sponsored by IMD Alumni Group of UK and
Produced by Deborah Henderson
25 May 2002, London

I EXECUTIVE SUMMARY FOR SYMPOSIUM WEBSITE POSTING

Just as increased consciousness seems to enhance personal effectiveness, so too are corporate integrity and other humanistic values becoming more explicit drivers in business. In the commercial context, brand is the vehicle well suited to manage, measure, and leverage the power of such intangible assets as values and the human capital of engaged stakeholders. In this respect, conscious leaders have access to a potent management tool: the power of their corporate brand system to inspire, set the bar among peers, and accelerate high performance in a manner that enhances both profitability and the greater good.

1 New business opportunities are arising from social pressures to manage the impact of business on humanity.

- Evolving requirements of civil society are spawning a set of best practices that in fact enhance corporate performance*
- Empowered stakeholders can be value-enhancing assets when engaged with respect and a spirit of genuine co-creation*

2 These opportunities are available to companies that balance their emphasis on financial results with an emphasis on social results.

- There's nowhere to hide; no way to fake the behaviors being called for*
- There's no way to legislate, regulate, talk your way into such leadership behaviors on a consistent basis*
- Such transformation requires that companies authentically embrace higher, social values at a cellular level*

MAIO&CO

3 *The Corporate Brand is the powertool at hand to complement CEO leadership in this inside-out transformation to capture the new opportunities.*

- Both the leadership and the brand play complementary roles: as beacon; model; inspiration.

- The systems and investments already in place for managing Brand adapt readily to the requirements of the new, empowered stakeholder community, as illustrated in a five-step process.

II SCRIPT OF SPEECH

INTRODUCTION

Thank you, Debbie. These lovely round tangerines that you've given us as refreshment for the afternoon remind me of another, well-known symposium, one that dates back all the way to Fifth Century Athens. In that famous Dialogue titled, "The Symposium," Plato recounted his teacher Socrates' discourse on the nature of love.

[EXHIBIT]

As I recall that particular *Dialogue*, Plato has Socrates talk about the quest for love between humans as a longing that springs from a rift with our original nature.

Socrates, self-effacing as usual, describes this origin of our species as roly-poly beings, not unlike these tangerines we're holding, but these beings sported four legs and four arms. They perambulated by rolling around, somewhat willy nilly. When they incurred the Gods' wrath on one particular occasion, the Olympians split them in two as punishment. They became the quadripeds we are now, with two arms, two legs, each longing for unity with its "other half." One aspect of love, as Socrates describes it in that earlier gathering of enquiring minds at the Athenian Symposium, is this drive toward wholeness. Integration of the self.

© Maio and Company, Inc. SMSoulbranding, soulbrand are service marks of Maio and Company, Inc. 1997-2002.

2

MAIO&CO

In many ways, a similar dynamic is driving change in the corporate arena today. It is the drive to integrate a fuller sense of authenticity, of humanity into corporate behavior.

This could be characterized as a drive toward greater consciousness, and the IMD Alumni Group and Deborah Henderson in particular are to be commended for their timeliness and courage in setting that as the topic for today's Symposium. They have shown leadership themselves in placing consciousness on the agenda of today's business leaders.

The role of business leaders in this conscious transformation is key. As with any other transition, leadership can serve first as a beacon for the direction of change, second, as a model for paradigm-breaking behavior, and finally, as a source of ongoing inspiration.

Certainly now, as in other times of uncertainty, the trusted, recognizable and familiar human face has great appeal. The Economist (of 4 May 2002, p11) even ascribes "the cult of the all powerful chief executive...[to the] fact that investors found themselves lost in the maths of e-business... Investors reverted to familiar faces and seductive speeches. In their search for winners, it was easier to follow the jockeys than the form."

[EXHIBIT]

This role of the corporate leader is not unlike the role of the corporate brand. As signals of familiarity and approachability, they are both expressions of the corporate persona. But the brand actually can have a much bigger impact than the CEO. To begin, it almost always endures CEO tenure, (especially these days!). And, by its abstract nature, the brand can magnify the impact of the leader's vision by giving it a more universal appeal.

The corporate brand can embody the new ideal in a manner that allows stakeholders personally to identify with it and what it stands for: This personal identification with the brand platform is the basis for the most successful long-

MAIO&CO

term partnership with strategic stakeholders such as employees and customer communities.

A client company of mine invoked this power of the corporate brand in another time of deep transition, to great success. When Lou Gerstner stepped into the void at IBM in the early 1990s, an early priority was to tour the company campuses, to meet the people. Employees were eager to hear his message, to learn his priorities and agenda. One of his first calls to action on that tour was to exhort employees to remember, “We are all IBM.”

He was calling them to the higher idea, aspiration, and community that the corporate brand represented. That was a starting point in turning the company around: to cohere the gaggle of disparate divisions around its brand identity, its positive sense of self. To point to that common, higher ideal that unified hundreds of thousands around the world. Just as it reflected the coherent expectation of its brand’s customers.

So brand can have a halo effect in accelerating the integration of people, their aspirations, and their organization.

PRESSURE FOR MORE HUMANE CORPORATE BEHAVIORS

In fact, evidence is growing that the aspirations and expectations of employees, indeed society in general, increasingly hinge upon corporate authenticity, a sense of humanity and a set of particular values.

We have been noticing this evolving trend since 1997, which seems to be accelerating. (In fact, a working title for my book is “SoulBrandingSM: Riding the Coming Tsunami of Social Responsibility”).

We believe that branding is an important tool you can use to accelerate the process of integrating human values and business performance.

[EXHIBIT]

MAIO&CO

In a business environment where there's nowhere to hide from scrutiny, one's true corporate stripes come to light quickly. Whether it's Enron's manipulations; the tobacco industry's cover-ups; Monsanto's failure to get adequate permission of its stakeholders for promoting genetically modified foods; The so-called Kathy Lee Syndrome in the US or other notorious exposés such as Naomi Klein's book, *No Logo*, here, of the abuses to human rights of the world's branded companies -- you can't hide anymore.

Informed, communicative consumers, the media, NGOs, the public – will shine the light and reveal the underlying values and hypocrisies of the corporate self. And when such hypocrisy sticks onto the brand image, it lingers like an albatross on morale and corporate performance.

[EXHIBIT]

On the other hand, when they are seen as co-creative inputs, civil society's demands point the way to corporate advantage. Calls for a greater sense of humanity in corporate behavior, for example, are in turn aligning best management practices around what one of the great pioneers in this arena has coined "the triple bottom line." That brilliant discoverer is John Elkington, the Chair of SustainAbility Ltd., who will be speak from this podium right after me this afternoon.

[EXHIBIT]

Many quarters of society are mounting pressure for a change in the corporate soul. The great global animal of business has scaled the discrete borders of politics and government; and it is being called to task for the fallout that national jurisdictions such as politics and national government can't reach. In other case, lifestyle trends push for a corporate response.

For example,
-- civil society calls for equity in balancing disproportionate compensation gaps between the highest and lowest-paid employees;

MAIO&CO

- in consumer society, as defined by Paul Ray in the States, emerging segments buy and make other decisions based on values;
- in the investment community SRI and investor advocacy have grown so rapidly over the past ten years that they now account for 12% of all investable dollars in the US;
- calls for:
 - global standards on environmental and social impacts of business activities;
 - openness in reporting, even legislated in the United States, by Regulation FD, for example, and by British regulation passed last year requiring fund managers formally to report the degree to which they considered social responsibility in making investment decisions;
- increasing bars on environmental performance are reflected even in the financial markets – this week for example, the *FTSE4Good Index* strengthened its environmental standards for companies included in its list;
- in science, too, evolving theories of complexity and chaordic systems point to the benefits of flatter, more participative decision processes;
- best business practices emerge to support greater equality, teamwork, transparency, empowerment, and even, compassion ...

[EXHIBIT]

It is fascinating to observe how emerging trends in different sectors, such as in finance and in science, are merging into a jigsaw puzzle of complementary trends:

For Example, Added Business Value Of Diversity

One example is the now common acceptance of the significant, added value achieved by a diversity of inputs and grassroots participation in decision processes. At this point in time, where human and intellectual capital drive value, we can see the economic benefits of inclusiveness more clearly.

Richer Creative Inputs and Self-Organizing Problem Solving

The science has been telling us about better quality of solutions that emerge from diverse, broad inputs. Here's a personal example of how I learned about

© Maio and Company, Inc. SMSoulbranding, soulbrand are service marks of Maio and Company, Inc. 1997-2002.

MAIO&CO

science's role: I had the good fortune of spending the past two years in Santa Fe, New Mexico. Complementing the invisible-adobe landscape and decorative chili pepper wreaths or ristras, the area is populated with creative, often scientific innovation associated with the well-funded national research labs there. The Santa Fe Institute, also, is a local source of innovative thinking, most notably on complexity theory.

I had the pleasure of a conversation with a noted scientist, Norman Johnson, out there who lectures on the benefits of complex systems on the quality of decision processes. What that means to me as a layperson is that a lot of people are putting their opinions together. Norm says this somewhat chaotic appearing process proves to yield results far superior to expert opinions on a predictable basis.

Deeper Talent Pools

As an extension of this strand of complexity or chaos theory, it is interesting how the notion of diversity of talent pools has taken hold so broadly in best practices in the workplace.

--Diversity policy, obviously, is seen to broaden the pool of talent. And the sources of innovation.

--Interestingly, the participation of broad groups may wind up displacing the expert accounting monitors, too.

The thousands of employees in corporate structures currently are being touted as the next source of integrity in governance. Marjorie Kelly, Publisher of *Business Ethics* magazine, this week (20 May 2002) called for democratizing corporate boards with employees; also this week, *FORTUNE* magazine (27 May 2002, p. 58) recommends "turning employees into corporate governors..regular employees, not executives, not directors, not shareholders, have most to lose when a company fails..."

Adding a little kick to that enticement, *FORTUNE* goes on to say that "corporate America has a choice: It can implement these controls itself. Or it can wait for

MAIO&CO

regulators and politicians to impose them. Which sounds better to you?" (27 May 2002, p.58)

Stiffening Ethics Before Regulation

A true warning but perhaps too late. Even the rating companies, such as Standard and Poor's, is stiffening its own ethics. Last week, it announced it would begin deducting the expense of stock options from its calculations of companies' core earnings, (*New York Times*, May 19, 2002) Addressing the pressures for equity, authenticity, and accountability in one sentence, Gretchen Morgenson in the *New York Times Market Watch* column says, "...investors are more intent than ever on exposing the titanic transfers of shareholder wealth to executives and employees that options represent at many companies."

And these higher standards of transparency are an opportunity for the conscious leader to take a stand for integrity, openness and courage if his or her company is to get ahead of the credibility curve. Or to appear to be led to the truth docket kicking and screaming his Mercurial rights to privacy.

BALANCED LIFESTYLE

In terms of balanced lifestyle pressures, a market segment has been sized at 50 million adults, 25% of the US population, and approximately 30% of European adult population, whose behaviors map those of values-based decision makers. These so-called "Cultural Creatives" are seen to be driving the rapid growth of the market for wellness and sustainable products and services in the US. They are seen to be driving the fast growth of the LOHAS, or Lifestyles of Health and Sustainability Market in the States.

"Personal power" and "relationship" are two of the priorities of the new consumer, Harvey Hartman says in his book, *Marketing in the Soul Age*, published just last year. Accordingly, the quest for balanced, holistic lifestyle is credibly served by a corporation that itself embraces the value of *empowering* people.

MAIO&CO

This empowerment can take many forms, of course. For example, transparency in reporting financial results to employees is suggested as a policy for socially responsible businesses in the BSR Guidelines. And in the case of Harley Davidson, customer empowerment meant its own resurrection: This one-time downtrodden manufacturer of big fat motorcycles has transformed itself into a magnetic brand field. It did so by giving those looking for *authenticity and empowerment* a chance to cohere around their particular brand promise through the various Harley Davidson sponsored communities – on line, or for those affluent weekenders in leather togs, on the road.

PAYOFFS HINGE ON CONSISTENCY AND AUTHENTICITY

So in addition to the obvious payoffs of diversity of talent pool, avoidance of regulatory penalties, trust and confidence of key stakeholders such as employees, customers and shareholders, how can we convey the impacts of such soul-value-behaviors on traditional measures?

-- Optimized decision-making that simultaneously reduces risks and enhances trust bond with stakeholders. (Service recovery of yore)
E.g., J&J, and Odwalla.

-- Lower labor costs, greater labor motivation. E.g. companies with SR product lines

-- Lower costs of capital.

Case: Our client, a North American mining company, wanted to list on NYSE. *Institutional Investor* All-Star securities analyst gave environmental, social and business leadership as three-part criteria for preference...

So these are some of the traditional payoffs for integrating social consciousness and best practice in corporate behaviors. To achieve them requires that the motives behind them be seen as authentic and consistent.

Why?

© Maio and Company, Inc. SMSoulbranding, soulbrand are service marks of Maio and Company, Inc. 1997-2002.

MAIO&CO

Because image is cumulative. And so consistency, integrity, is key to credibility, trust and ultimately loyalty.

That means integrating the core values into the organization at a cellular level. Business for Social Responsibility, the US membership organization that reads like a Who's Who of corporate globals, puts it this way,

"Ultimately, corporate social responsibility involves more than the sum of discrete efforts undertaken to determine workplace, ethics, environmental and other policies. Companies who operate in the most responsible way are driven by an explicit commitment to honor ethical values, create a culture in which responsible business decision-making occurs, and hold managers and employees accountable for their actions." *BSR Social Responsibility Starter Kit*, 1998, p. 49

[EXHIBIT]

This level of cellular integration has always been the hallmark of best brand management practice.

[EXHIBIT]

The ability to keep the promise is the heart of brand magic.

For, in the immortal words of the popular singing group of yore, Martha and the VanDella's, "There's nowhere to run to, baby. Nowhere to hide." Walking this wobbly line of promise and delivery is half the challenge in leveraging brand. The other half is getting the promise right, and aspirational enough to engage the heart and spirit. A case in point, is Nike. Its implied corporate promise of respect for and empowerment of the individual was embodied in its marketing campaigns around the "Just Do It" idea.

But when the corporation, not the running shoes, were found to contradict that implied promise, it was rather severely punished with a breach of confidence and loyalty.

MAIO&CO

Authenticity is essential, even just from the point of enlightened self-interest. For this reason, branding must become a true expression of the corporation's being. It was brought home to me again this past Wednesday evening, when my 11-year old niece expressed unusual interest in this speech as I was refining it.

[EXHIBIT]

Sophia announced that she herself had just written a column about misleading advertising practices in the tobacco industry! When they are a weekly assignment topic for fourth graders in a conservative suburb of New York City, the days of "compassionate predators" who are thinly veiled in philanthropic gestures, surely are numbered.

Thanks to the scrutiny and instant communications of the internet, the vigilant watchdogs and advocacy groups, increasingly aware civil society, advocating- , and now, increasingly skeptical-, investors – (thanks most recently to Enron, Andersen and company) – an authentic, open stance toward corporate responsibility is the only route toward mending the rupture in corporate trust short term, and capturing the long term benefits of a fulfilled talent pool, delighted customers and other engaged stakeholders.

CORPORATE BRAND AS POWERTOOL

Be careful what you say, for you will be held to it. But do say it. Frederick Reichhold in the business best seller, *Loyalty Rules: How Today's Leaders Build Lasting Relationships*, (HBS Press, 2001) puts it this way: "Actions speak louder than words, but together they are unbeatable."

[EXHIBIT]

And so again, we come around to branding as a vehicle to help "make material" the promise that your company represents. The promise of excellence in a commercial sense, and conscious of its responsibilities to humanity at the same time.

MAIO&CO

The Thread of Consistent Expression

The brand management process makes that promise material in the myriad points of contact with your stakeholders: through the nature of your products and services themselves, through the environment in which they are purchased, through the tone and manner of service personnel, through the systems that govern employee relations, and through the nature of its interactions with stakeholders.

Back to the companionable role of leadership and the corporate brand. Certainly,

1. Higher values behaviors can be modeled, of course. It's a key role for leaders.

And we have seen some good examples of modeling behavior leadership: for example,

--Sir John Browne of BP, has in his speeches and certain actions broken with precedent and stood alone in advancing the cause of the environment;
-- A rather dramatic example was the wholesale resignation of the Dutch government in acknowledgement of its predecessor's lapse in preventing atrocity in the Balkans.

--And perhaps, less visible, but certainly fundamental are efforts by leaders to gather their peers in action around an issue of social concern. For example, we understand that AVIS' CEO took a stand in rallying support among his peers for carbon-emissions reductions via a program with FutureForests' carbon-neutral initiative

--And perhaps most fundamental and challenging of modeling behavior, is exhibited by the innovative, holistic architect William McDonough. Bill has even dared to use the L word in the business world: designed with the rhetorical question in mind, "Who will love the children?"

[EXHIBIT]

MAIO&CO

These represent steps on the way toward full integration of a balanced social/economic agenda.

2. While such modeling is necessary, it is not enough to ensure consistent application. It runs the risk of appearing incident-driven, like a speech, or a philanthropic gesture or cause-related marketing campaign - on the lower levels on our pyramid here, but certainly "On the Way to SoulBrandingSM".

[--Consistent behaviors depend on the myriad decisions taken daily at every level by individuals in an organization. The systemic focus on enhancing the greater good or what John Elkington called the triple bottom line.

It's work like that being done by Michael Rennie in McKinsey to empower the front line employee to engage their higher selves in the joy of service that will meet the demands of civil society for excellence in product/service delivery AS WELL as their own personal fulfillment as human beings in the workplace. By the way, the McKinsey work is producing remarkable improvements in customer satisfaction, thus translating the conscious, fulfilled workforce into customer delight, and therefore into enhanced business performance.]

This approach, of empowering the culture of the company with a set of values and associated systems would seem the most powerful vehicle for integrating corporate and human spirit. Each individual becomes the leader for the values cause.

But we are up against some powerfully entrenched brand icons of a different order.

[EXHIBIT]

The record shows that our institutions thrive on teaching budding

MAIO&CO

professionals the practice of creative accounting, and hailing our smartest lawyers as “sharks”! Why even the God of Commerce is also the God of Thieves!

And even laudable codes of conduct; or popularized practices such as published environmental and social reporting; or public records of intent – Enron’s mission statement could be mistaken for that of any progressive, upstanding organization’s – are of limited impact without the spirit of social values behind them.

In short, in a double standard for business and personal activities, no manner of regulation will align the spirit with “right action.” Like water, it will bring its creativity to bear on getting round that obstacle, too.

This is another place where leadership must step in with another soulful value, courage, to set the new course. A course that integrates social and financial responsibility and is supported with systems that allow it to flourish.

One such system is already partially in place. It is the brand management system in your institution today.

[EXHIBIT]

With some attunements to the new agenda, your brand can complement the role of the leader and accelerate the integration of values and business behaviors.

In the interests of time, we’ll highlight two or three of these.

Let’s look at number 3 here. Embrace your share of mind and heart. It’s not uncommon to equate “brand” with brand mark or symbol.

[EXHIBIT]

Indeed, the qualities of a brand identity, especially when personified, magnetize

MAIO&CO

[EXHIBIT]

our experience of the thing we call “brand.”

But brand is the place in the heart where your stakeholder and a particular set of their aspirations engage. It is a space where you have the opportunity to consistently delight your customer, for example.

[EXHIBIT]

And, delighting the customer is the only thing that keeps her/him loyal. Even the satisfied customer is ambivalent in this world of supra-choice and customer-power.

I’m reminded of a private conversation I enjoyed with Roberto Goizueta the legendary CEO of the Coca Cola Company toward the end of his tenure, and in fact near the end of his life. “We underestimated the loyalty of our customers,” with the introduction of New Coke, he said. Even though the alternative product proved objectively in exhaustive tests to be a better product in terms of taste, the customer did not want what was objectively better – it wanted that trusted stable, emotional relationship it called its brand.

Of course, to keep that relationship healthy, the promise had to be kept, at all points of interaction. Where the customer bought the Coke, its temperature, its price, the presentation of that product, the look of the display case, the quality of the venue where it was sold.

That brings us to the next essential step in integrating the brand promise and

[EXHIBIT]

delivery: Aligning operations with values. The common, shared set of values at the core of the brand help to align behaviors in support of a consistent set of experiences for stakeholders.

MAIO&CO

Let's look at Number 5 now.

In many ways the brand sets an expectation in the stakeholder that is as powerful and amorphous as a magnetic field. In the space of that expectation can reside the most irrational and compelling loyalties and advocacy. And willingness to engage...

Because of its aspirational nature, the brand is the perfect vehicle for transmitting those values signals. We have used it time and again to build support for other, more purely commercial values. We have honed the art of calibrating promise and delivery to grow loyalty and delight. Let's use those skills now to integrate those roly poly beings that Plato talked about in the previous Symposium. To bring true integrity to our corporate institutions.

LEADERSHIP AND COURAGE NEEDED FROM ALL STAKEHOLDERS

NGOs too have an opportunity to jump the S-curve as we all slouch toward corporate responsibility. Their role is invaluable in keeping the pressure up to reform. But their wrath is so feared, that even good actions and reforms are hidden for fear of being exposed for attack.

The watchdog and advocate NGO communities could find a way to encourage the proper behavior and further the learning process without letting up the pressure. Dragging well-intentioned, or progressive companies through the coals without encouragement runs the risk of demoralizing them and others who would try to reform.

We started with the notion of integration of the whole, and we'll come round to it again here at the end.

MAIO&CO

3. And, consistently authentic, responsible behaviors spring from a shared set of higher, social values that include excellence in business performance.

So, enlightened self-interest meets the higher, social good in this new paradigm of the compassionate corporation. And to this end, leaders need to use their brands, their closest interface with their stakeholders, to both guide their companies' actions and to signal their higher values. Values that must now explicitly put economic priorities on a par with humanity's other needs.

So the stakes are doubly high today: corporations will be held accountable for the promises made by their product brands; and the buyer of your product may well be the influential buyer of your equities.

This is another reason why our company focuses on branding: it's a high leverage tool that can help change corporate behavior for the better. Because to make a brand promise is to be held to it.