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The Board's Role in Brand Oversight

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By Jim DeLoach

Branding is the process by which a company establishes a significant and differentiated presence in the marketplace that attracts and retains loyal, long-term customers. A strong brand has a significant impact on the company's shareholder value. As such, the board should dedicate some time to oversight of the brand's reputation and stability.

Several thoughts on the board's governance and oversight of the company's branding and brand management follow that are based on my firm's experience and a recent NACD Dallas chapter roundtable discussion I facilitated in September involving active directors and marketing executives.

- **Understand the brand and brand portfolio**. While the board's governance role is rarely involved in the intricacies of managing or communicating the brand, directors should understand the company's positioning and related brand promise. This baseline understanding is the price of entry into any conversation about a company's branding. For example, what expectations does the brand inspire in current and prospective customers that differentiate the company's offerings from competitors' offerings? Does the company deliver on that brand promise in every customer interaction? Most importantly, how does management know this vital alignment exists? Consider brand implications from other aspects of the business, too: employee relations, supplier interactions, quality processes, research and development, and advertising.

- **Ask management where and when they would value input**. Does the board clearly understand the type of interaction management would like to have with respect to the brand management process? Executives and directors should have a mutual objective: engage in dialogue in the right way and at the right time, and focus on the issues that most demand board oversight.
- **Think strategically about branding and brand management**. Brand discussions are tied inextricably to discussions about strategy and markets. Therefore, the board's focus should be directed to strategic oversight rather than to the tactical, day-to-day nuances of managing the brand or brand portfolio. For example, one company conducts a two-day strategy retreat where directors and senior management focus on important questions about what the future looks like, the pain points that present opportunities, what the company is doing to face the future confidently, and the adjustments necessary to the strategy. Debates about strategic direction incorporate discussions about the company's markets, key differentiators, and brands.
- **Measure the contribution of branding to shareholder value.** The level of investment in the company's brands, the return on those investments, and the process for monitoring each brand's performance are worthwhile topics on the board's agenda. How is the company measuring the return on investment (ROI) and sustaining and increasing the contribution of branding to shareholder value? ROI can be difficult to measure because customer loyalty, which helps to promote stable cash flow over time, is an integral component. That said, the math underlying the cost of winning new customers versus that of retaining existing customers is not difficult to understand. Neither is the contribution of effective brand management to reducing the volatility associated with future growth expectations and economic downturns.
- **Be involved in discussions about new branding opportunities and building value from acquired brands.** How does management decide whether to build or buy a brand to diversify the brand portfolio? This conversation can evolve into a mergers and acquisitions (M&A)-type dialogue that, if the transaction is significant, should take on all characteristics of board M&A oversight spanning the pre-acquisition, acquisition, and post-acquisition integration phases of the process. If the company is acquisitive, the board should understand the possible strategic contribution of acquired brands when approving the company's strategic plan. The board may also want to become familiar with the M&A pipeline and the potential targets in management's line of sight. If brand acquisitions are an integral part of the strategy, directors need to ensure that the management team includes individuals with the requisite skills to execute transactions and integrate acquired brands into the company's portfolio.
- **Oversee the management of how risks impact branding.** There are many risks to consider with respect to brand image. Risk management is an important skill from a branding standpoint because severe unmitigated risks can erode the value of a brand if there are persistent headlines about a high-profile crisis (e.g., data breaches, pervasive quality failures, corruption violations, litigation, and egregious financial restatements). In addition, when there is a re-branding with a new "look and feel" to the brand, a thorough search related to the proposed

brand name, word marks, logos, tag lines, and other intellectual property (IP) should be conducted to ensure the new brand is unique and does not infringe on another company's rights. As the initial years of using a new brand are a period in which opposition can be raised, an effective search process is a prudent investment to undertake before the company spends heavily on the roll out and advertising campaigns. Once a branding architecture is established and protected by trademark, there is a need to monitor and protect the brand from other users to avoid dilution.

- **Periodically evaluate the board's experience and diversity**. Directors with a background in marketing and/or experience with brand-driven organizations are more likely to be comfortable inquiring and raising issues about management's branding process. Even though industry experience helps, this is an area where perspectives outside the industry may contribute even more value. As in other realms of oversight, the more diverse the board members' experience and backgrounds, the healthier the debate leading to a more robust branding strategy.

An important closing comment: The board can help temper the propensity of an aggressive management team to develop or acquire new additions to the brand portfolio. Management must have the capacity to manage new and acquired brands to deliver to ROI expectations. The board can help management frame a realistic portfolio diversification strategy. Then, it's up to management to execute.

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