

# Value of corporate heritage brand as a national heritage: Influence on the firm's financial value

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## **Value of corporate heritage brand as a national heritage: Influence on the firm's financial value**

### **Abstract:**

Past research has found that the heritage association of corporate brand produced benefits at the level of brand performing in a product market. However, its benefit at the firm level has been less addressed, particularly with respect to the increase in the firm value in a financial term. The present study is aimed to show that the corporate heritage brand contributes to firm's financial value, by addressing the value of corporate heritage brand as a constituent of national heritage and the role of the value added to the corporate as a source of firm resource. The present study shows that the corporate brand equipped with a long corporate history is valued as a national heritage in society, particularly when the corporate brand maintains continuity across the temporal span, and that firm age moderates the positive influence of the value added to the corporate brand on firm's financial value.

*Keywords: corporate heritage, corporate brand, firm value*

*Track: Product and brand management*

## **1. Introduction**

When a corporate brand is associated with heritage elements as a core component of brand identity, it is referred to as corporate heritage brand (Urde, Greyser, and Balmer, 2007). The corporate heritage brand enables the firm to develop rich relationship with clients due to their cognitive appraisals of and emotional attachments to the brand (Brown, Kozinets, and Sherry, 2003; Hudson & Balmer, 2013) and affords bilateral trust between the brand and clients (Aaker, 2004; Hudson & Balmer, 2013). The corporate heritage brand often outperforms against competitors in the product market and overcomes a market crisis facing the industry due to the rich relationship with clients (Wiedmann, Hennigs, Schmidt, and Wuestefeld, 2011; Wuestefeld, Hennigs, Schmidt, and Wiedmann, 2012).

Although the corporate heritage brand's benefit at the brand level has been well addressed, its benefit on the firm value in a financial term has been little examined. The corporate heritage brand's contribution to firm's financial value depends on the valuation of diverse stakeholders beyond clients as well as on the firm's management of the value added to the corporate brand as firm resource. Among diverse stakeholders, of most importance are consumers, who are ultimately scarce resources driving the firms' future cash flows and influencing firms' financial performances (Srivastava, Shervani, and Fahey, 1998). Clients' valuations of the corporate heritage brand may spill over to valuations of diverse stakeholders including consumers. However, as multifaceted meanings of corporate heritage convey different messages to diverse stakeholders (Balmer, 2013), it is questionable whether clients' valuations extend to members of society. It is also disputable whether values added to the corporate brand increases firms' financial value. Consumer-based brand equity stemming from brand associations can increase firm's financial value (Srinivasan & Hanssens, 2009). However, when firms endeavor to sustain competitive advantage by capitalizing history-dependent resources, they are often faced with organizational resistance against the effort to accommodate to environmental changes (Oliver, 1997). A past study showed that a parent brand's heritage did not help the spin-off's stock performance (Bhat & Burg, 2011).

The present study's goal is to examine the role of corporate heritage brand as a source of firm resource and its contribution to firm's financial value. The study contributes to the literature of corporate heritage, lacking a study on the influence of corporate heritage brand to the firm value, as well as to the literature of firm valuation which has not revealed the financial contribution of corporate heritage brand as an economic asset. In the present study, we take a broader concept of corporate heritage brand by emphasizing its value as a

constituent of national heritage which is cherished by members of society. Based on the broadened conception, we propose that corporate brand's long history coupled with temporal continuity enhances its value as a national heritage. By drawing on the resource-based theory (Barney, 1991; Peteraf, 1993), we argue that the value added to the corporate brand serves as a source of firm resource. We then refer to the institutional view of resource-based theory (DiMaggio & Powell, 1983; Oliver, 1992) and propose that the value of corporate brand has a stronger influence on firm's financial value, particularly for firms being captivated less by institutionalized features (e.g., younger firm vs. older firms).

## **2. Theoretical Development**

When a corporate brand is associated with heritage elements including product features, people, and places that are inscribed in the personal and collective memory along the corporate history, it is transformed into the corporate heritage brand (Dion & Mazzalovo, 2016). While corporate brand is endowed with cultural meanings due to the corporate history, the cultural meanings are valued by current consumers when the brand maintains its continuity across temporal spans to be relevant to the present context (Urde et al., 2007). The heritage-based value of corporate brand is not limited to brand-loyal clients but extends to consumers as members of society when it is accessible and appreciated in society. McDonald (2011) suggested that heritage objects and places gain their cultural values in society not only due to indigenous people but also by others who have access to the heritage and become involved in heritage-related activities due to the heritage marketing

The Venice charter for the conservation and restoration of monuments and sites (1964) termed heritage as ancient monuments imbued with a message from the past that remain as living witnesses of an ages-old tradition. Extending the Venice charter, the Krakow charter (2000) gave a broader definition of heritage: "Heritage is that complex of man's works in which a community recognizes its particular and specific values and with which it identifies." According to the broadened view of heritage, intangible properties of human organization such as corporate brands can be a constituent of national heritage to the extent that they convey a message that is meaningful to society in the present context by transcending the temporal span (Vecco, 2010).

H1: Longevity of corporate brand history has a stronger influence on the corporate brand's value as a national heritage when the corporate brand maintains its temporal continuity more strongly.

Cultural meanings associated with brands are ready for consumers to employ in their self-construction processes with the aid of marketing activities, which encode cultural meanings inherent in the culturally constituted world into the brand (McCracken 1986). Compared to contemporary brands, corporate heritage brands evoke former epochs as well as former selves, binding consumers to their past selves and to others sharing the brand (Brown, Kozinets, and Sherry, 2003, p. 20). Hudson and Balmer (2013) articulated the role of corporate heritage brand in the client's self-identification process with respect to projected heritage, which refers to the heritage that is reconstructed or mystified through contemplation or fictitious imagination.

Authentic experience plays an important role for the consumer in drawing meanings from an object and appropriating them in the identity projects within the contemporary consumption context (Leigh, Peters, and Shelton, 2006). An authentic brand emerges when consumers appropriate meanings of indexical or iconic cues that are inherent in or associated with the brand in revealing their true selves (Beverland, Lindgeen, and Vink, 2008; Leigh et al., 2006). Among brand cues on which consumers draw for an authentic experience, brand heritage rooted in the historic and traditional cues that are blended with modern cues plays a critical role in establishing a sense of authenticity (Beverland et al., 2008; Morhart, Malä, Guévremont, Girardin, and Grohmann, 2015). That is, the corporate heritage brand is valued by consumers in society due to the meanings that its authenticity conveys, particularly when those meanings are supported by the contemporary consumer culture.

H2: Authenticity of corporate brand mediates the moderating effect of temporal continuity on the relationship between longevity of the corporate brand's history and the value as a national heritage.

The resource-based theory suggests that firms are heterogeneous in resources that can create valuable outputs, and the firm's heterogeneity in acquiring and deploying resources accounts for differences in competitive advantage and firm performance (Barney, 1991). The resource-based competitive advantage is sustained when the firm resource is rare and imperfectly imitable by rivals and when it does not allow perfect substitutes (Peteraf, 1993; Srivastava et al., 1998). Researchers suggest that a firm's cultural identity serves as a resource constituent that produces a sustainable competitive advantage when the cultural identity is valuable, rare, and imperfectly imitable by competitors (Fiol, 1991). Heritage associations of corporate brand demand a longer time period than most product-related brand associations and are rarely imitated by the contemporary corporate brand (Hudson and Balmer 2013; Peteraf 1993). Thus, the heritage-based value added to the corporate brand has potential to

serve as a source of firm resource to sustain competitive advantage.

According to the resource-based theory, sustainability of competitive advantage depends on not only resources the firm possesses but also the firm's management of those resources (Sirmon, Hitt, Ireland, and Gilbert, 2011). An institutional view of resource-based theory suggests that organizations' competitive advantages are sustained by conforming to internally institutionalized features such as the organization's predominant rules, norms, and traditions (DiMaggio & Powell, 1983). However, the sustainability of competitive advantage is also influenced by deinstitutionalization, which refers to disconformity with institutionalized features, which are taken for granted by organization members (Oliver, 1992). That is, the resource-based competitive advantage is sustained for firms that escape institutional isolating mechanism, which refers to the tendency of organizational members to be captivated by the organization's habits, routines, and tradition, to resist against institutional features (Oliver, 1991; 1997). While organizations' failure to align resources with environmental demands has a detrimental effect on the resource-based competitive advantage and firm's financial performance (Powell 1992), traditional competencies embedded in the history-dependent resource are often perpetuated without question, inhibiting accommodation to the environmental demand (Oliver, 1997).

Accommodation to changes demanded by the environment is often related with firm age. Although firm age have a positive effect on organizational predictability and reliability (March, 1991), from a view of organizational ecology, firm age is a liability in adjusting the taken-for-granted knowledge and experience to fit with environmental changes (Amburgey, Kelly, and Barnett, 1993; Barron, West, and Hannan, 1994). It is more likely that older firms are trapped with the richness of heritage-related routines and paradoxically exacerbate the decline in accommodating to changes demanded by the environment (Sørensen & Stuart, 2000). Younger firms are less captivated by their institutional activities and practices rooted in habits, routines, and traditions and are more flexible and reactive to environmental demand (Anderson & Eshima, 2013).

H3: The corporate brand's value as a constituent of national heritage has a greater influence on firm's financial value for younger (vs. older) firms.

### **3. Methods**

For testing H1 and H2, we conducted a survey by using corporate brands that Tenet Partners<sup>TM</sup> selected as 100 most powerful corporate brands in the U.S. based on its annual

survey about brand familiarity and favorableness. We initially employed the 100 corporate brands listed in 2016 and added four more that were included in 2014 or 2015 but not in 2016, resulting in 104 corporate brands. Established year ranged from 1799 to 2000, with only ten established after 1980. We recruited 434 American adults through the Amazon MTurk online survey system. Since it was unrealistic for an individual respondent to evaluate 104 corporate brands, the respondents rated four or five corporate brands. In the present study, the unit of analysis was a corporate brand, not an individual respondent. Thus, we obtained scores for each of 104 corporate brands by averaging the scores of respondents who rated the same corporate brands. Prior to averaging the respondents' ratings, we examined the degree of convergence in their ratings by using the Cronbach's alpha (Holbrook & Batra, 1987) and excluded 97 respondents who diverged from others.

Longevity of corporate history was measured by three items ("It has been a long time since this company was established," "This company is one of the oldest companies in the U.S.," and "This is a brand with history,"  $\alpha = .94$ ). Temporal continuity was measured by four items (e.g., "This is a timeless brand,"  $\alpha = .97$ ), and its median score was used in the following analyses. Authenticity was measured by a single item ("This is an authentic brand.>"). Value of corporate brand as a national heritage was measured by three items ("The brand is an institution," "The brand has a strong cultural meaning," and "The brand's products are part of our national treasures,"  $\alpha = .90$ ). We used 5-point scales.

Brand value as a national heritage was regressed on the longevity of brand history, temporal continuity (0: low,  $N = 52$  vs. 1: high,  $N = 52$ ), and their interaction term. Main effects of longevity of brand history and temporal continuity were significant ( $b = .23$ ,  $SE = .11$ ,  $p = .038$ ;  $b = -1.35$ ,  $SE = .65$ ,  $p = .045$ ). The interaction effect was significant in the positive direction ( $b = .45$ ,  $SE = .18$ ,  $p = .013$ ), indicating that the positive effect of longevity of brand history on the brand value as a national heritage was stronger for the corporate brands with a higher level of temporal continuity, supporting H1. For testing H2, we employed a bootstrapping analysis based on 5,000 bootstrap samples. When authenticity was regressed on the previous variables, only the interaction effect was significant (95% CI: .0081 ~ .5639). Longevity of brand history had a significant effect on authenticity for the higher level of temporal continuity (95% CI: .2356 ~ .6747), but not for the lower level of temporal continuity (95% CI: -.0011 ~ .3395). The indirect interaction effect between longevity of brand history and temporal continuity on the brand value as a national heritage through authenticity was greater for the higher (vs. lower) level of temporal continuity ( $b = .31$ ,  $SE = .08$ , 95% CI: .1662 ~ .4828 vs.  $b = .12$ ,  $SE = .06$ , 95% CI: .0081 ~ .2336). The difference in

the indirect interaction effects was significant (95% CI: .0288 ~ .3892). In sum, the findings indicate that the moderating effect of temporal continuity on the relationship between longevity of corporate history and brand value as a national heritage was mediated by authenticity, supporting H2.

For testing H3, we used 2015's Standard & Poor's Annual Compustat to obtain the firms' financial value. Among 104 corporate brands included in study one, 17 corporate brands were not available in the 2015's Standard & Poor's Annual Compustat. Thus, 87 firms were included in the following analysis. The firm's financial value was measured in terms of Tobin's q, has received a wide acceptance in the marketing literature as a forward-looking and cumulative measure of firm value (Srinivasan & Hanssens, 2009). Tobin's q was calculated in terms of  $[(\text{stock price} \times \text{the number of shares outstanding}) + \text{long-term debt}] / \text{total assets}$  at the end of the fiscal year (Rountree, Weston, and Allayannis, 2008). Firm age was obtained by subtracting the year of corporate foundation from 2017 and was log-transformed.

Tobin's q was regressed on the corporate brand's value as a national culture, firm age, and their interaction term, in addition to covariates: log-transformed value of sales amounts, log-transformed value of total assets, return on assets, and industry code. Due to the study's small sample size, we classified industries into two groups: one belonging to 2 or 3 of the 1-digit SIC code (Dummy = 1) and another including the rest of the firms (Dummy = 0). The effects of return on assets and total asset was significant ( $b = 14.24$ ,  $SE = 1.81$ ,  $t(79) = 7.88$ ,  $p < .001$ ;  $b = -.31$ ,  $SE = .12$ ,  $t(79) = 2.51$ ,  $p < .05$ ). The effects of sales amounts and industry were not significant ( $p > .20$ ). Main effects of the corporate brand's value and firm age were significant ( $b = 7.04$ ,  $SE = 2.38$ ,  $t(79) = 2.95$ ,  $p < .01$ ;  $b = 4.38$ ,  $SE = 1.60$ ,  $t(79) = 2.73$ ,  $p < .01$ ). However, the interaction effect was significant in the negative direction ( $b = -1.49$ ,  $SE = .52$ ,  $t(79) = 2.85$ ,  $p < .01$ ), indicating that the corporate brand's value as a national heritage had a stronger effect on the Tobin's q for younger firms and supports H3.

#### **4. Discussion**

The present study is in line with the past research on corporate heritage brand in the sense that the longevity coupled with the temporal continuity and relevance of corporate brand serves as core components of corporate heritage brand. However, the present study differs from the past research in conceiving the value of corporate heritage brand as a constituent of national heritage which is cherished and valued by members of society as consumers. Based on the broader conception, we expanded the value of corporate heritage brand as a source of



firm resource, which can be appropriated across products at the firm level and contribute to the firm's financial value beyond the brand level. The contribution of value added to the brand, as a market asset, to the firm's financial value has been supported by the past research (Srinivasan & Hanssens, 2009; Srivastava et al., 1998). However, the contribution of brand value rooted in the corporate history to the firm value in a financial term has been rarely investigated, although the resource-based theory suggests that firm's competitive advantage can be sustained due to the history-based resource (Fiol, 1991; Oliver, 1997). The present study provides a novel finding and fills the gap by showing that the value added to the corporate brand as a national heritage was related to the firm's financial value.

Some researchers may be reluctant to agree with us on the inclusion of firm age as a moderating variable, particularly in the sense that corporate heritage is based on the long corporate history. It is worth distinguishing the longevity of corporate brand history as a source of resource acquisition and firm age as a firm characteristic that creates a potential source of institutional captivation in allocating the resource by accommodating to environmental changes. We presumed that younger firms are less captivated by institutional feature and more adaptive to environmental changes. The presumption corresponds to the studies showing that younger firms were more flexible, fast, and reactive in adapting to the environmental demand than their older peers due to weaker pressure on younger firms to comply with institutionalized features (Anderson & Eshima, 2013). Nonetheless, our findings on the moderating effect of firm age should be interpreted cautiously because we did not examine the relationship between firm age and institutional captivation although the liability of firm age is not conclusive yet.

The present findings are not conclusive due to the characteristics of corporate brands we selected in the study. The selected corporate brands were very familiar ones to most consumers and were mostly owned by large firms. Thus, the present findings may not be generalized to the corporate brand equipped with a long history but is less familiar to consumers and is owned by smaller firms such as family firms. A past showed that family firms survived successfully for a long time period by leveraging their brand histories and traditions in spite of the lack of economies of scale (Micelotta & Raynard, 2011). The studies implied that smaller firms may find it easier to maintain the corporate brands' core identities endowed with corporate heritage while accommodating them to environmental changes. In a future study, large firms and small-and-medium sized firms should be compared in their capitalizations of corporate brands associated with the corporate heritage.

Firms can associate their corporate brands with corporate heritage by using various

marketing activities such as heritage positioning, heritage communication, and heritage store management (Aaker, 2004; Balmer, 2012; Wiedmann et al., 2011). However, the establishment of corporate heritage brand demands a successful communication aimed at conveying the cultural meaning inherent in the heritage association to the current consumers (Urde et al., 2007). Capitalizing on the corporate heritage brand to build it as an intangible asset is fostered by successful heritage stewardship which demands financial investment and cost at the firm-level (Balmer, 2012). That is, marketing efforts aimed to establish corporate heritage brand and develop it as a source of firm resource should be justified to the extent that the value added to the corporate brand increases the firm's financial value. The present findings provide a rationale for the financial investment and cost demanded for the marketing effort to establish corporate heritage brand and cultivate its relative advantage as a means of increasing the firm value in a financial term.

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