

## In Practice

# A New CI and Rebranding Experience using the SK Brand Management System

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### ABSTRACT

*This paper makes use of the experiences of SK to examine how a corporation's philosophy and culture influence corporate identity (CI), and how CI and corporate reputation influence brand identity (BI). The author will also take a close look at how a Brand Management System (BMS) can be developed on the basis of CI and BI, and whether a BMS can be used for efficient governance within a new paradigm. Corporate Reputation Review (2006) 9, 271–280. doi:10.1057/palgrave.crr.1550030*

**KEYWORDS:** *SK; brand identity; corporate identity; corporate reputation; brand management system*

### INTRODUCTION

Corporate entities currently exist in relation to various stakeholders. In the past, market-based competitive contexts like the pursuit of profit took precedence over everything else. But today, the political, regulatory and social arenas in non-market-based contexts have been heightened. In these contexts, a stakeholder is any individual or group who can affect or is affected by the goals, strategies or achievements of the corporate entity and is very important to corporate activities.<sup>1,2</sup>

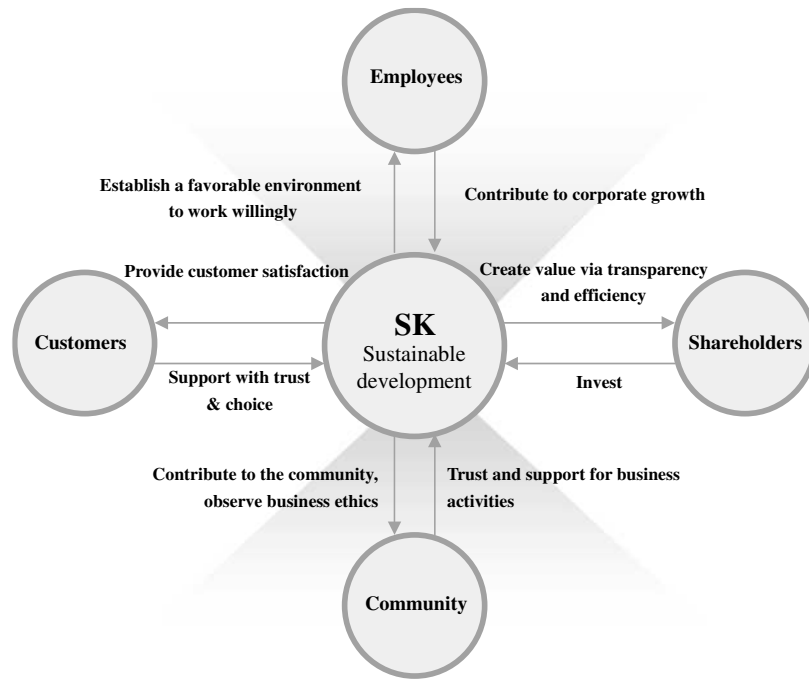
As outlined in Figure 1, from the viewpoint of labor management relations, SK employees assert their rights as stakeholders

in the company via special concerns for their working conditions, wages, personnel management issues and general welfare. Companies with poor labor management relations will not be able to survive and grow.

We also need to examine issues related to shareholders. There are several types of shareholders: major and minor shareholders, as well as a variety of foreign investors. Major shareholders insist upon transparent and ethical management and payment of dividends, and also sitting on boards of directors and attending shareholder meetings. In extreme cases, they may even threaten the rights of management. They also have a direct influence on share price fluctuations, often causing inflated market valuations or sudden price corrections.

We also need to consider the perspective of customers who purchase the company's goods and services. Today's customers expect a company to help them realize their goals and dreams. They not only seek to satisfy their needs in the market, but also want more benefits, a better image and a good reputation.

Not only government organizations but also NGOs require a high level of social contribution, as well as transparency and ethics, from enterprises. Or they strive to realize their goals in the name of social justice by means of promulgating various



**Figure 1:** Relation between SK and the stakeholders

regulations. However, since enterprises move according to market principles, some degree of friction cannot be avoided. Accordingly, enterprises must act to share happiness with all members of society. Those who are unable to adjust themselves to this requirement cannot survive.

Therefore, in a complex and competitive global environment, there is a greater need to communicate ceaselessly with all the various stakeholders and adopt a long-term differentiated strategy to respond to corporate management challenges. Corporate management activity is considered a branding activity to the stakeholders, so establishing a correct corporate identity (CI) is imperative. The stakeholders recognize the entire corporate entity as a brand, thus CI is not simply an image of the management, but a sum total of all corporate management activities. The centerpiece of CI is the corporate culture.

SK interacts with the stakeholders (see Figure 1) who get the impression that the

result of corporate management is a brand *per se*. The core of a brand is based on its associated CI, that is, its corporate culture. Thus, establishing a correct CI based on corporate culture can present a highly desirable impression to the stakeholders. In this respect, SK had many problems, as stakeholders would habitually get the wrong impression from its many and varied activities. The following discussion details the development and implementation of CI and SK brand management systems as group management systems.

**SK INTRODUCTION AND BACKGROUND FOR INTRODUCING A NEW CI STRATEGY**

SK started out as a small textile company in the city of Suwon in 1953. The original name was Sunkyong Textiles Ltd. Subsequently, SK went through four stages of development, first starting out as a producer of polyester textiles, and then expanding into the energy industry and petrochemical industries in the 1980s, and then into the

rapidly developing telecommunications industry in the 1990s. In 1994, it transformed itself into the Sunkyong Group, which was an umbrella name for Sunkyong in its entirety, including everything it was involved in from textiles and fibers, energy and chemicals (Yukong Oil Ltd) to telecommunications (Korea Mobile Telecom Ltd.).

However, the name Sunkyong presented many problems. Firstly, as a brand name, it had only a local image and was known quite differently in different markets (Korean → Sunkyong, Japanese → Senkyo, Chinese → Senjing, English → Sunk young). Secondly, as Sunkyong was strongly identified with textiles and fibers, it had difficulty being identified with the images of its leading businesses (energy/chemicals and telecommunications). Thirdly, the Sunkyong Group had already invented a management system in 1979 called the SKMS (Sunkyong Management System), applied it to Yukong Oil Ltd. and Korea Mobile Telecom Ltd., and maintained a very homogeneous corporate culture. So it desperately needed a unified group name to maximize inter-industry synergies. Accordingly, in 1997, the company adopted 'SK' as its group CI based on SKMS, which existed as the foundation for its strong conglomerate-wide culture.

The new CI (SK) badly needed to break with its previous associations as a textiles and

fiber manufacturer and to transform itself into a global brand encompassing energy, petrochemicals and cutting-edge telecommunications – the key industries of the nation.

Regardless of its entity, SK was ranked as the ninth company with various stakeholders. SK, its new CI, went beyond this past image, and has been evaluated and recognized as the company specialized in national foundation industries such as energy, petrochemicals and telecommunications (see Figure 2).

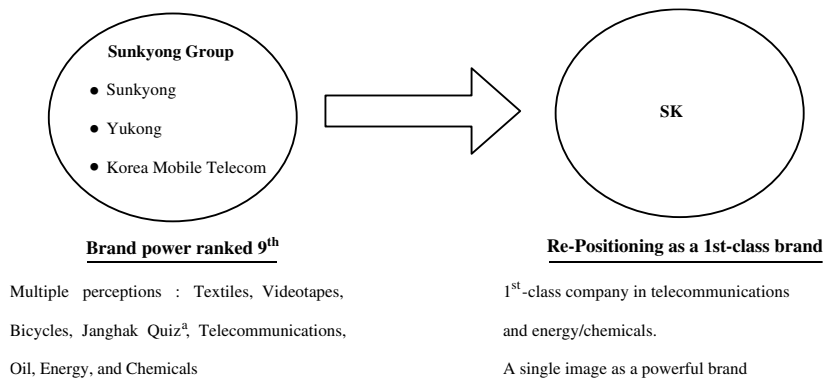
## THE PROCESS OF ESTABLISHING A NEW CI

### The Starting Point

The process of successfully establishing a new CI can be said to be the result of thorough and sophisticated analysis. It consisted not only of the ideals of the CEO and SK's history and the spirit of its foundation, but also a strategic vision that met the expectations of the corporate culture, the brand and the stakeholders. Generally speaking, it can be described by a five-step roadmap.

#### Step 1 *Where are we now? (History and Capabilities)*

*A holistic identification of recent trends in the brand. A comprehensive market research project.*



**Figure 2:** Re-positioning strategy of the SK



**Step 2** *What are we here for? (Competitive Context)*

*In-depth analysis of the Brand.*

**Step 3** *Where do we go from here?*

*Development of the brand domain, brand vision and culture.*

**Step 4** *How do we get there?*

*Presenting a brand vision for life in communications, training, and look and feel (Look and Feel, Brand structure, sub-brands and brand promise program).*

**Step 5** *Have we reached there?*

*Evaluation of results against goals (tracking and recent business data).*

**The Research Process**

SK hired the consulting firm of Siegel and Gale (New York, USA) to carry out a comprehensive qualitative market research project targeted at both company personnel and customers. Its steps were:

- PR briefings in New York and Seoul.
- Analysis of market research data translated into English (done by Gallup Korea).
- Review of a wide array of visual materials to examine how the SK group was publicizing the parent company and its affiliates.
- Interviews with 37 executives of the SK group in the US, Korea and other countries.
- Review of printed materials of the SK group and its affiliated companies.

**Workshops and Interview**

A ‘Creative Workshop’ was organized to foster harmony among the diverse stakeholders

(employees). It was an intensive training session intended to have participants embrace each other by means of consumers and ‘wedge shoes’, which helps form a strong connection between the brand and consumers. It was called a ‘can meeting’. After the two-day workshop, the group PR officials and brand managers of the affiliated companies had a few more ‘can meetings’ and interviews in New York and Seoul to set the strategic direction for the brand.

The reason this meeting was held was to determine brand consultants’ responsibilities, and also for the entire team working to shape the future of the brand to have a strategic understanding of it and take part in promoting it. The entire team (CI committee) included not only Siegel and Gale, but also individuals selected from all the diverse areas of the SK group. Personal interviews were conducted with top managers and the participants realized that they shared a common goal. This greatly facilitated and helped develop a holistic strategy that anyone could easily accept.

**NEW CI AND STRATEGY FOR LAUNCHING IT**

**3-Step CI Launching Strategy**

To create a new and powerful image and maximize the effectiveness of its new corporate name, ‘SK’, the company, adopted a three-step strategy. The company decided not to change from ‘Sunkyong’ to ‘SK’ at once. The renaming was to be done in phases with the goal of positioning the overall image of SK as a future-oriented, strong and ambitious enterprise by placing ‘Korea Mobile Telecom Ltd.’, a leader in telecommunications and ‘Yukong Oil Ltd’, a first-class energy/chemicals company into the foreground.

In the first step, Korea Mobile Telecom Ltd., which was widely perceived as a cutting-edge organization, was renamed SK Telecom in March 1997. The promise of this

first SK Brand was 'Until the customer says OK'. In other words, it was not simply a superficial change of the corporate name, colors and logo, but it was an important move intended to convey the message of a 'promise to the customer'. In general, the quality and performance of the product is important in the manufacturing industry, but in a non-manufacturing industry such as telecommunications it is most important to provide customers with differentiated and attractive experiences and better solutions so that they are recognized as a means of improving their quality of life. This change was done not simply as an advertising or PR ploy, but was intended to convey a change of attitude among all employees, and signify a change in the goal of corporate management. All sectors of the organization were to invest all their efforts toward these changes. This is what is referred to as the 'SK Telecom experience'. This experience is the 'value' provided by the organization to everyone within and outside of the organization on the basis of its strategic vision of telecommunications. The internal experience is the corporate culture based on SKMS, the management system of the group; and the external experience is the brand experience, that is, delivering on the promise to the customers, thereby increasing trust in the brand. Customers of SK Telecom should have a good experience in all their communication activities with SK – what SK says and does, and the services and promises of SK Telecom. Through this experience, customers were to understand the will and efforts of the company, trust the company and end up experiencing a good image and reputation of the company. In actuality, shortly after launching, SK Telecom presented the top 10 complaints of consumers and openly promised to resolve them, and made good on this promise. To fulfill this promise, the entire organization and all employees worked 24 hours a day under a common goal and vision, and, as a new member of the group, SK Telecom

played a leading role in creating the new image of the group. As a result, Korea Mobile Telecom Ltd. naturally transformed itself into a member of the SK group (identity) and contributed to enabling the SK brand to cultivate its image of being a cutting-edge enterprise.

In the second step, in October of the same year, five companies affiliated with Yukong Oil Ltd. changed their visual identity (VI) to 'SK'. Their presence naturally integrated the cutting-edge image of a non-manufacturer with that of a big and imposing manufacturer. They widely publicized their contributions to the petrochemical industry, the fundamental raw materials for the nation's energy and export industries, by means of effective advertising and PR, and engaged in intensive communications activities for three months. By dint of the promise to the customer ('Until the customer says OK'), they provided solutions to customer complaints, thereby successfully transforming their image anew.

Finally, on 1 January, 1998, SK held a ceremony to announce the group CI, officially changing all companies affiliated to Sunkyong into SK. This, in a nutshell, is the 'SK Experience'. The promise to the customer of the integrated SK Group was 'Customer Satisfaction'. The 'Until the customer is happy. OK, SK!' campaign lasted for two years afterwards.

### **'OK! SK' Campaign Strategy**

As a communications strategy to overcome the newness of the SK brand and the difficulty of pronunciation (four syllables, aspirated) in the early stage of CI introduction, a strategy was needed that would take into consideration the increased contacts with consumers. In addition, as a strategy to declare the will to pursue the CI change and the accompanying internal change (MI and BI='customer-centric management'), and translate this will into action, the 'OK! SK' campaign strategy was adopted.



Through these efforts, SK was able to overcome the limitations of the corporate advertising campaign slogan, and was able to apply it to its management philosophy and principles, thereby firmly establishing it as an SK value and the management goal of customer satisfaction. In addition, SK made efforts to build its Brand Management System with a view to continually reinforce its brand power.

As a result, in the Gallup image survey of 2001, SK was successful in completely shedding its image as a textile manufacturer prior to the CI change and transforming itself into a group with a global leadership vision as a telecommunications + energy and chemicals group. Internally, it is an expression of the CI of a company having the driving force necessary to converge the willpower of all employees toward achieving corporate goals (ie, a strong corporate culture); while, externally, it acquired a favorable corporate reputation as a trusted top brand.

This powerful brand is not only a key intangible asset that influences shareholder value, but also a symbolic asset that attracts the brightest people and best business partners, thus helping the organization grow by promoting strategic alliances and increasing the customer base, and thereby enhancing the overall market value of the organization (Fombrun and Van Riel, 2004). The brand experience, as a critical factor in creating customer loyalty, is also an important element of corporate strategy in the global market (Aaker, 1991). A good corporate image and reputation is the result of the integration of a strong brand with the corporate culture. In other words, the CI makes for a strong brand and corporate culture, which in turn fosters a positive image and reputation and increases trust among the shareholders, customers, employees and the entire society, thereby resulting in a virtuous circle that encourages good corporate behavior and continued growth (Whetten and Mackey, 2002).

## **BMS and The SK Group Management System**

### *Mission of BMS*

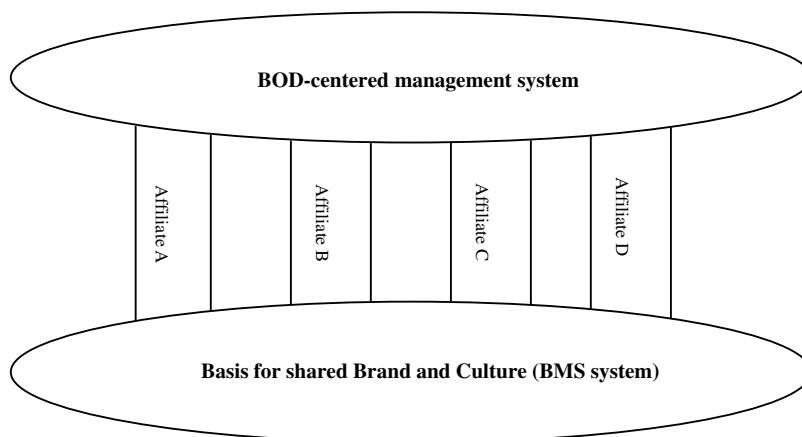
By promoting the brand image of individual companies and sharing with customers, a group management system that is capable of networking affiliated companies efficiently can be implemented.

In other words, the BMS (Brand Management System) will lead to a CI, which in turn creates a positive corporate reputation and a group management system (experimentation with a new type of governance).

### *Relationship to the SK management system*

Today's brand power means corporate power. It is all the more true in an age of globalization in which only corporations with high brand recognition can survive. The main problem is that corporate governance results in the decline of entrepreneurship. In particular, government regulation of ownership/management makes enterprises vulnerable to foreign capital M&A attempts. Now conglomerates cannot defend their rights of management by means of equity ownership alone.

To adapt itself to these new changes, SK is attempting a new type of governance that recognizes the Board of Directors-centered management systems of the individual affiliated companies on the basis of a shared brand image and culture. This is an expression of the self-confidence that has resulted from seven years of CI strategy, CI campaigning and BMS system-building since 1997. The core of the group management system is not one-man control by the group chairman, but a federation of CEOs of diverse affiliated companies that reinforces the role of the group CEO conference and has promoted its position to that of the top decision-making organization. This system includes the group communications center and various committees for decision making,



**Figure 3:** Relationship between management of affiliates and group management

which are chaired by key CEOs of the affiliated companies. Accordingly, in this system, the CEO of each affiliated company will manage with the BOD at the center, and the group will exist as a federation, sharing a brand and culture.

Each affiliate maximizes the overall synergy effect by sharing the same corporate management system based on a common brand and corporate culture while striving to achieve independent management goals, primarily through its boards of directors. The mechanism to make all this possible is the BMS (see Figure 3).

### Brand Management Organization

Group management is defined as a federation of enterprises sharing a brand and corporate culture. The CEO conference determines group governance as the top decision-making body, and the brand council is a group-level body exclusively in charge of BMS. This system is organized as shown in Figure 4.

### SK BMS Components

Basically, brand management is a series of management activities to establish the target image set (identity) to be presented to customers with a view to building strong assets, and making the current image as close as

possible to the CI through diverse corporate activities and coordination – ultimately creating a valued corporate reputation and securing customer loyalty.

### SK brand strategy

- *Establishment of the brand identity (BI):* The SK BI is intended to realize ‘customer satisfaction’. It defines the goal of management and the promise to customers that each SK affiliate must actualize for the sake of solidarity with all SK customers by seeking the happiness of customers and the sharing of SK corporate values. In other words, it is a promise that will present its affiliates with ways to realize customer happiness by concretizing ‘satisfaction’, SK’s ultimate value, in the consumption life of its customers, and enable customers to feel the substance of the happiness delivered by SK.
- *Development of SK BI:* A strong BI presents a basic management standard for the group management system linked to SK’s corporate culture and the SK management system (SKMS) that reflects the values and needs sought after by customers when they select products and/or services. Its components are shown below (see Figure 5).

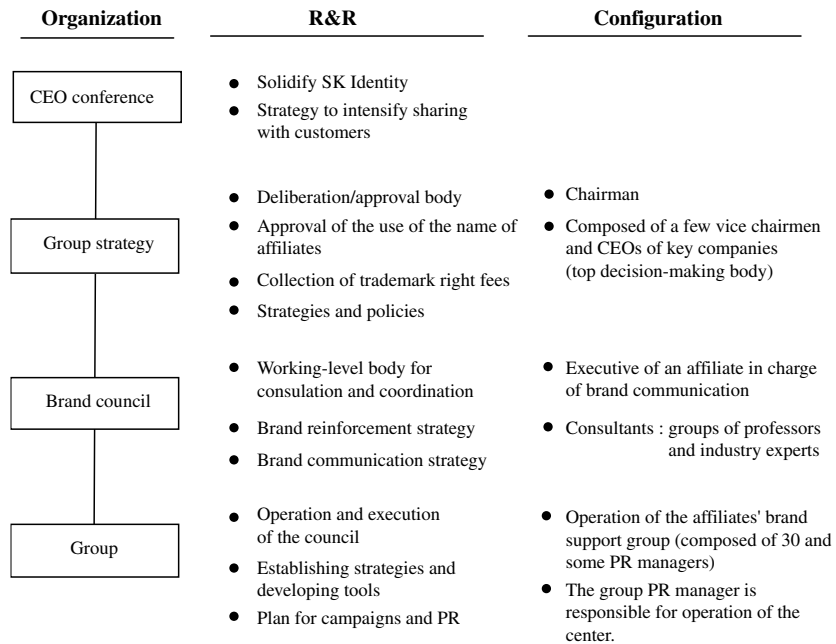


Figure 4: SK Group management organization for BMS

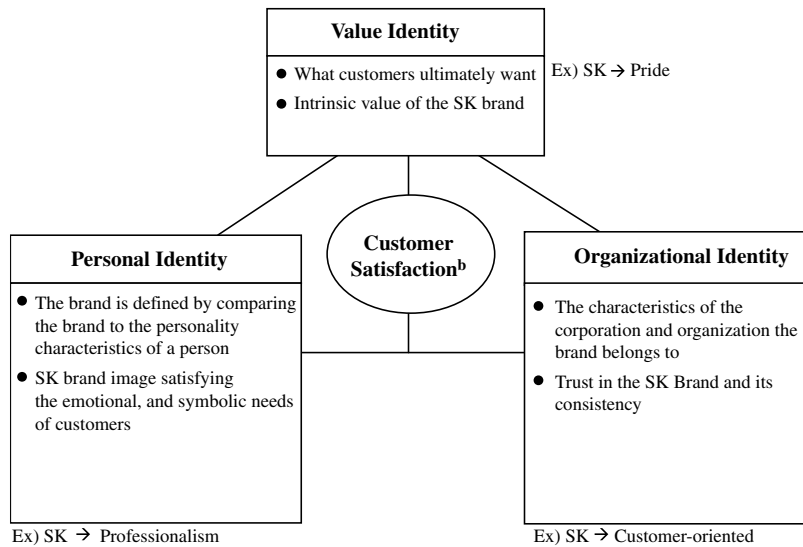


Figure 5: Development of SK BI

**Brand management policy**

- Brand name use policy
  - Newly defined as a network of not just equity-holders but companies sharing the SK brand and

corporate culture, it reflected the identity of the SK Group, and only those companies agreeing to this definition are to use the SK brand.

- It must be used only by those who are trusted and reputable with regard to the values of stakeholders and the pursuit of happiness on the basis of SK's management philosophy and management system; otherwise, its use must be prohibited.
- The advantages of the individual brands of SK affiliates are to be centralized in SK, and affiliates are to gain synergies through the SK Brand.

— Evaluation of Brand Performance

All affiliates are to be evaluated on the basis of how they put this brand promise into practice in their management activities. This is to be evaluated by customers in an objective manner and the results will be the basis for evaluating executives and setting of priorities for resource allocation. This will ultimately be a management controlled by the brand and the core idea of BMS that the group is guided by the brand and not by the size of its share of the corporate structure.

- Management of legal issues for protection of trademark rights.
- Training and rewards in relation to brand management
- Establishing and coordinating plans to strengthen the brand at the group level
- Establishing and executing brand communication policies through the council
- Common communications budgets will be allocated according to the percentage contribution to profits of individual affiliates and executed by the group communications center of the brand council. (Mitsubishi's communications center (PR center) has a similar system.)

## RESULTS OF THE SK EXPERIENCE

During the so-called 'IMF crisis', corporations made continued efforts to improve corporate governance and gain market confidence. They concentrated their efforts on solidifying their business structures and reinforcing their finances. However, as the global management environment became harsher, significant foreign capital was introduced and the rights of management were threatened as a result of M&As. Additionally, the policies of NGOs and a reform-oriented government required a higher level of ethical behavior and transparency. Enterprises were faced with more serious threats than ever before. Corporate image and legitimacy were not enough to ride out the crisis. It became quite clear that a strong brand image that can be consistently loved and supported by customers is a key requirement for survival in the intensely competitive global markets.

In addition to having a good corporate reputation, the reputation of the CEO has also become an important factor for the survival of a company. In the new CI paradigm, corporate culture and reputation, as experiential elements of SK Brand Management, are important conditions for corporate survival.

Armed with an integrated and strong SK brand, SK overcame the crisis brought about by the window-dressing settlements of SK affiliates in 2003, and its sales and profits increased a year later. The SK experience provides a good example of how a good reputation, based on an integrated and strong brand and a strong corporate culture, saved a company in crisis and allowed it to grow.

A tracking study of a recent corporate advertising campaign that communicated its new positioning found that public opinion was highly supportive of the SK Group (general public 85.2 per cent, opinion leaders 94 per cent, according to a 2006 Internal Gallup poll). Also, the campaign drew support and favorable responses from its



employees, and the company is growing quickly on the basis of a high level of loyalty to, and trust and pride in, the SK brand.

The CI established not simply a visual identity, but also a mindset and behavioral identity. Therefore, it was reflected in management principles, and helped build the brand management system, thereby establishing the BI. In other words, the *modus operandi* of the SK Group was a network sharing the brand and corporate culture, and the brand management organization was promoted to the group strategy committee on the basis of SK values, and a corporate management system for a strong brand image was introduced.

SK was the first company in the world to adopt the brand plus culture strategy, that is, the corporation as its brand strategy, not governance based on equity, and, through this it established its group governance. This experience of SK is expected to be adopted by many Korean companies and evaluated as

a test for a new type of corporate governance around the world.

#### NOTES

- 1 Janghak Quiz, TV program, which provides a full university scholarship for the grand prize winner to high school aged contestants, has been sponsored by SK for the past 30 years. It became a brand asset for SK.
- 2 That is, SK Identity places the greatest value on the happiness of its customers who choose the SK brand, provides them with a source for pride and gives them customer-oriented assurance and professional care. This is linked to the management philosophy, corporate view, values and culture of SK.

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