

## **Corporate Personality:** **What are you like?**

Dectech has been applying psychological research to the investigation of whether companies, like people, have personalities. We find that they do and that the two main components of corporate personality are honesty and creativity.

The corporate personalities of various British companies are reported, including some conspicuous findings on the untrustworthiness of the media and football clubs.

We also show that corporate personality predicts some important financial performance indicators, including profitability, growth and share performance.

A century of psychological research has shown that people have measurable personalities that can be used to predict their behaviour. Furthermore, there is also evidence that animals have personalities too. For example, Pavlov<sup>b</sup> observed that his dogs reacted differently to experiments in ways that reminded him of the old Greek humours (i.e. phlegmatic, sanguine, and so on). So an interesting next question would seem to be “do other living things, like companies, have personalities?” In other words, is there such a thing as an innovative utilities company or an introverted car dealership?

The answers to these questions are discussed in this brief. Like human personality, corporate personality should tell us something about how customers, suppliers, shareholders and employees anticipate a company will behave towards them and therefore how they themselves will treat that company. As such, corporate personality is a potentially deep-seated and commercially significant attribute that executives ought to be measuring and managing.

**The Corporate Four**

Today’s leading measure of human personality is the Five Factor Model<sup>b</sup>, which was first developed using carefully constructed adjective checklists. The idea is that whilst languages typically contain tens of thousands of adjectives, in practice each adjective actually represents some unique blend of a much smaller set of underlying characteristics. For humans, there appear to be five such personality attributes<sup>c</sup>. We have applied the same measurement approach to companies and using the same experimental methodology identified the four-factor model shown in Figure 1.

The first dimension, Honest, is a kind of good and evil division. Adjectives that epitomise this dimension include whether a company is fair, helpful, caring, friendly, supportive and so on. So, perhaps to the surprise of screenwriters, journalists, and anti-globalisation activists alike, our first finding is that people do feel that some multinationals are actually truthful and helpful.

Figure 1. Corporate Personality

Honest	Innovative	Prestigious	Powerful
35%	22%	20%	11%
Fair	Energetic	Luxurious	Dominant
Helpful	Fresh	High-Status	Established
Caring	Original	Formal	Popular

Similarly, the table lists some of the other adjectives that help characterise the remaining dimensions. The second dimension, Innovative, is an energy level attribute describing a company’s metabolic rate and

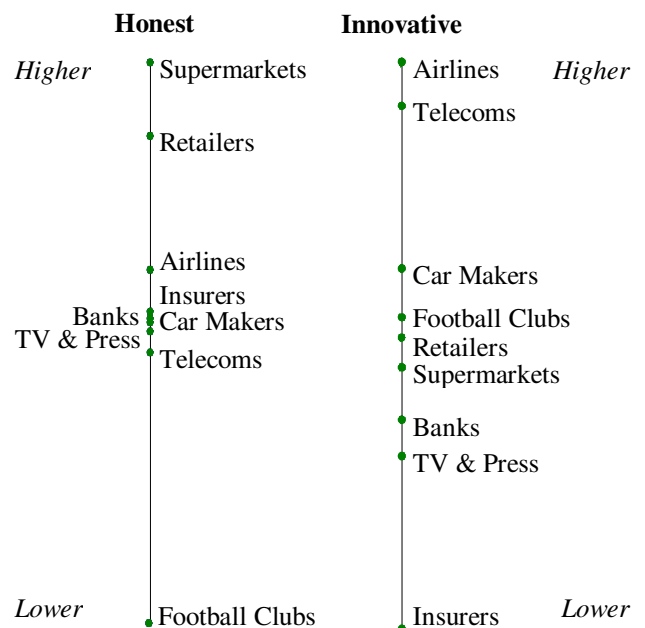
creativity. Then, Prestigious charts the perceived social significance of being associated with the company. Finally, Powerful roughly relates to market share. Together, these characteristics capture around 88% of the perceived differences between companies. The importance of the individual factors are shown in Figure 1. For example, the Honest dimension accounts for 35% of the variance and is therefore the principal attribute used to judge companies.

So, in line with the analogous research on human personality, all the other adjectives that people apply to businesses basically represent different mixtures of these four underlying factors. For example, a “rude” company would be one that occupied the negative end of the Honest spectrum. Likewise, a “fashionable” business would be one that combined positive scores for both Innovation and Prestige.

**The Beautiful Game is Ugly**

Having developed a technique for measuring how companies are perceived, we then applied it to 65 household names in Britain, drawing from nine different industries and surveying about 1,000 randomly selected people. The average industry scores for the two main factors are shown in Figure 2.

Figure 2. Average Industry Personalities



There are many interesting observations to make about this graph, but we ration ourselves to two. Firstly, warming to an earlier theme, we enjoyed the irony that despite all the media criticism of the alledged predatory practices of British retailers, it is actually the media that people don’t trust. As an industry, television stations and the press rank third from the bottom on the Honest dimension, whilst Supermarkets and Retailers take the top two slots. We should point

out that this observation relates to averages. Clearly, the media includes several highly trusted institutions, such as the BBC. But then there are others, who are seen by people as unreliable and misleading, and they bring down the average.

Secondly, perhaps the most striking part of Figure 2 (no pun intended) is that Football Clubs are seen as so sinister. Not only is Honest the most important dimension, but the gap between Football Clubs and the other industries is the widest one observed anywhere. Presumably this is being caused by shifty club dealings and disreputable player behaviour, but the magnitude of the gap is still astonishing.

Even though gate receipts contribute a shrinking proportion of revenues, surely clubs cannot afford to take their fan-bases for granted? As such the sport must be being damaged by having such an unfriendly image. Whoever wins the Premiership this Season should temper their satisfaction with the knowledge that the whole league is losing out to Alton Towers and the Odeon. It seems like it is time to modernise more than the stadiums.

**“And Britain’s Most Loved Company Is...”**

Moving on to the details underneath the industry averages, Figure 3 provides some business level results. It lists the top ten rated companies for the two main personality dimensions.

Figure 3. Britain’s Top Ten

Ranking	Honest	Innovative
1 <sup>st</sup>	Boots	Amazon
2 <sup>nd</sup>	Amazon	Easyjet
3 <sup>rd</sup>	BBC	Sky
4 <sup>th</sup>	John Lewis	Virgin Atlantic
5 <sup>th</sup>	M&S	Orange
6 <sup>th</sup>	Tesco	Tesco
7 <sup>th</sup>	Asda	Egg
8 <sup>th</sup>	Superdrug	Virgin Mobile
9 <sup>th</sup>	Woolworths	Ryan Air
10 <sup>th</sup>	WH Smiths	Vodafone

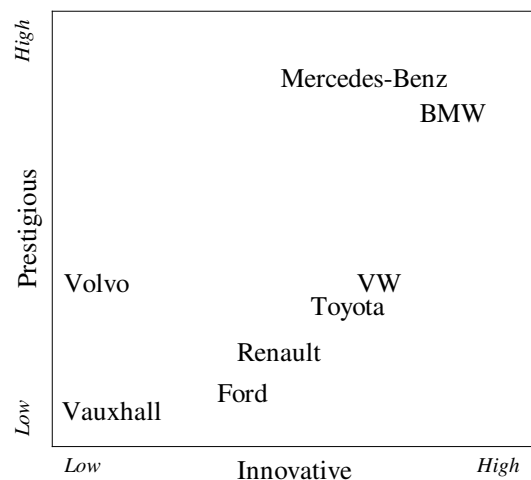
The figure shows that the friendliest company in our sample is Boots. Seen as somewhat sleepy and not particularly prestigious, our familiarity with the firm and the often private nature of our dealings with them combine to give Boots a special status nevertheless.

The figure also highlights the unique achievements of Amazon, which manages to rate highly as both Honest and Innovative. This is an impressive result that also refutes the notion that people won’t trust a web-based firm that lacks the backing of a High Street presence. Since the remaining list of Honest companies reads like a Who’s Who of the High Street, we should

certainly conclude that people are more inclined to trust those companies that they can physically see. But Amazon clearly shows that this is not an insurmountable problem.

Hence it is wrong to assume that corporate personality is largely the result of industry level attributes such as High Street residence or involvement in a new technology. The direct evidence for this is that there are substantial personality variations within industries. This is illustrated by Figure 4, which plots the Prestigious and Innovative scores of eight Car Manufacturers.

Figure 4. Perception of Car Makers



The figure shows how there are substantial differences between them. For example, Mercedes Benz and BMW lead the industry, being seen as both luxurious and well designed. Then, Volkswagen is perceived as matching Mercedes’ creativity, but being associated with a much more mainstream social image. Next, Volvo has a similar social significance to Volkswagen, but is considered to be a less creative and dynamic firm. “Boxy, but good” indeed<sup>d</sup>.

**Interesting, But Does It Work?**

Having reviewed these results an obvious question is, how useful and reliable are they? Do these underlying factors have any real world significance? There are two reasons for believing that these factors are made of substance and that these results warrant management attention.

Firstly, these findings agree with related work conducted independently by other researchers. For example, a similar study in the United States reported five corporate personality factors closely matching our own<sup>e</sup>. Particularly, their two main factors, “Boy Scout” and “Innovativeness”, are identical to our first two factors, give or take some transatlantic sentimentality.

Likewise well-established work on the subject of meaning by Charles Osgood<sup>f</sup> nearly half a century ago identifies three dimensions that characterise adjectives more generally. They are Evaluation (e.g. good-bad), Activity (e.g. fast-slow), and Potency (e.g. powerful-powerless). These map well onto our first, second and fourth factors. Taken together, these two sets of results corroborate our findings and substantiate their robustness. Furthermore, they suggest that the dimensions we've identified tap into something fundamental and permanent about the relationship between people and organisations.

The second reason for believing that these factors are important is that they are associated with other quantitative corporate characteristics. For example, we took the financial information of the companies we evaluated and looked to see if there were any intuitive relationships with corporate personality.

Sure enough, we found that Prestigious was associated with both size (e.g. Sales,  $R^2=32\%$ ) and profitability (e.g. Return on Sales,  $R^2=12\%$ ) and was therefore strongly related to profitability ( $R^2=56\%$ ). Similarly, the Innovative dimension was positively related to various growth measures (e.g. Sales Growth,  $R^2=27\%$ ). Finally, despite these other relationships, the factor most closely associated with Total Shareholder Return was Honest ( $R^2=21\%$ ), with the more trustworthy companies generating higher long-term returns for investors<sup>g</sup>. As before, the close relationship between the factors and external corporate attributes reinforces their significance and usefulness.

### Conclusion

It might be suggested that corporate personality is perhaps not such a new idea since ad agencies have been studying the relationship between brands and adjectives for some years. However, the personality measure described in this brief differs from this previous work in two important ways.

Firstly, corporate personality is aimed at measuring how organisations, rather than brands, are perceived. As such, it has far wider commercial implications than simple product positioning. Secondly, it is a complete and reductive framework, rather than a one-off observation. In other words, it tells you most of what there is to know about a company using just a few, intuitive dimensions.

Hence, we hope that this brief has established the following facts about corporate personality --it is new, it is real, and it is commercially important. The remaining question is, what can a Chief Executive do about it?

The longer answer is that this will involve marketing and HR. Clearly the way that a company presents

itself to the public is going to influence how it is perceived. However, it is unlikely that marketing alone will change people's perceptions permanently. For that to happen, people will need to see new products coupled with approachable staff. Inevitably this will require recruiting the right types of people and rewarding the right types of behaviour.

Thus, managing corporate personality is going to involve developing and delivering on a corporate cultural vision. As such, companies will need to be careful to avoid a corporate nightmare, where their vision actually pushes them in a negative or irrelevant direction. Furthermore, companies will need to be wary of the corporate hallucination, where many pious noises are made but no actual changes are generated. The corporate personality approach outlined here provides a useful tool for avoiding such pitfalls and checking progress.

Meanwhile, the shorter answer to the question is that we don't exactly know yet, but are working on it. Well, we're nothing if not honest.

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### References and Footnotes

- a. Pavlov, I. P. (1927). *Conditioned Reflexes*. Oxford, England: Oxford University Press.
- b. The theory dates back to Allport and Odbert's work in 1936, but the actual Five Factor Model was subsequently developed by Norman. See Norman, W. T. (1963) Toward an adequate taxonomy of personality attribute. *Journal of Abnormal and Social Psychology*, 66, pp 574-583. Meanwhile, apologies to Myers-Briggs fans. For reasons we don't have space to discuss here, Myers-Briggs isn't widely used by academics.
- c. The dimensions of the five-factor model of human personality can be remembered using the acronym OCEAN. This stands for Openness, Conscientiousness, Extroversion, Agreeableness and Neuroticism.
- d. Dudley Moore's strapline for Volvo in *Crazy People*, a film about advertising agents.
- e. Slaughter, J. E., Zickar, M. J., Highhouse, S., & Mohr, D. C. (2004) Personality trait inferences about organizations: Development of a measure and assessment of construct validity. *Journal of Applied Psychology* 89(1) pp: 85-103.
- f. Osgood, C. E., Suci, G. J., & Tannenbaum, P. H. (1957). *The Measurement of Meaning*. Chicago: University of Illinois Press.
- g. There is of course an issue of causality here which could go either way. On this point we firstly feel that it is, for example, unlikely that higher shareholder returns would cause companies to be seen as honest. Secondly, it would seem reckless for managers to make this assumption and ignore the possibility of exerting active control over their business' personality as a potentially major driver of long term performance.