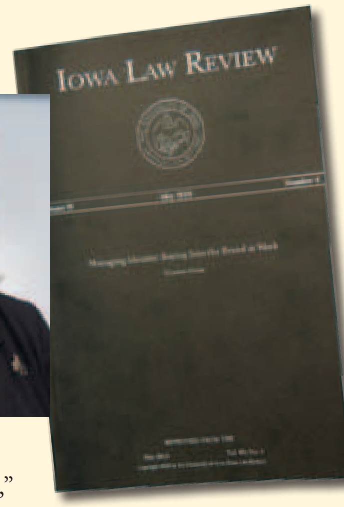
Managing Identity: Buying into the Brand at Work

THE CORPORATE BRAND is the most valuable asset that most modern businesses possess. Brands infuse a firm's products or services with cultural meaning, enhancing corporate profit margins in two important ways. First, brands create the opportunity for brand extensions—the expansion of production or service into a previously untapped but related customer base and market already created for the brand. Second, brands allow a firm to separate itself and its reputation from the people who make the products or provide the services, thus rendering workers fungible and facilitating outsourcing of production to lower-cost labor.… Small wonder, then, that businesses spend billions constructing brands and marketing them to consumers.

But promoting the corporate brand to consumers through advertising is only half the story for service businesses, where front-line workers are the primary point of contact with consumers and labor cannot be so easily separated from its output in the consumer's mind. In a service business, the front-line employee literally embodies the brand. In order to deliver on the brand promise made through advertising, service firms must ensure that workers internalize brand values and represent the brand effectively. Accordingly, management theorists and business consultants recommend that firms invest at least as much in internal marketing to employees—that is, selling the corporate brand inside the firm—as they do in external advertising campaigns directed at consumers. By managing employees' identities and aligning them with the firm's brand, employers can nurture an emotional attachment to the firm that yields a significant payoff in employee loyalty and productivity, and, ultimately, in customer satisfaction and loyalty.

Internal branding programs utilize a coordinated hiring, training, disciplinary, and reward structure to imprint brand values upon workers' identities and create an emotional connection with the firm so that the boundaries between employees' own interests and those of the firm begin to blur. The most effective branding programs secure a competitive advantage for the branded business by generating a sense of community and belonging that induces extraordinary effort and productivity on the job, furthers cohesion even among an increasingly diverse workforce, minimizes the need for surveillance and close supervision, and reduces employee turnover.



Once branded "from the inside out," workers will essentially manage themselves, instinctively making decisions as if they were owners rather than workers.

UNLIKE CONSUMER ADVERTISING or information communicated to shareholders, the content of internal branding programs aimed at workers is not directly regulated by law. Even where the employer makes blatantly fraudulent misrepresentations intended to induce greater effort or attachment to the firm, the law affords no remedy to workers who rely upon the firm's statements. The rationale for this seeming inconsistency at law is twofold: first, workers make only a transient investment of labor in the firm (rather than a more permanent investment of capital in the firm's products or the firm itself); and second, any investment made is the product of a freely chosen market exchange—workers are "free to quit" and can easily extricate themselves from the firm when the bargain is no longer advantageous. The law thus distinguishes between marketing efforts aimed at consumers and investors, who receive protection against fraud, and workers, who do not.

This dichotomous legal structure rests upon false premises. Workers are, in fact, investors in the firm. Workers invest psychologically in the firm; for most, work is simultaneously constitutive and economically necessary. Moreover, workers do not make this psychological investment unilaterally, free from employer influence. … Internal marketing … plays a significant role in promoting workers' psychological bond with the firm.

Furthermore, many workers invest more than their hearts and bodies in the firm—they invest their savings. A surprisingly

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high percentage of employees hold disproportionate amounts of company stock in undiversified 401(k) retirement accounts, despite media coverage attendant to the implosion of firms like Enron and WorldCom, where workers lost their jobs and their life savings simultaneously. In fact, workers have responded to the current recession by investing more, not less, in the companies that employ them, despite warnings that lack of diversification is particularly risky for those who have both human and financial capital invested in a single company. Here, too, the law has followed a hands-off course: although the Employee Retirement Income Security Act of 1974 ("ERISA") regulates the structure of employer-established retirement accounts, it imposes very few constraints on the offering of company stock to workers as an investment vehicle in individual accounts such as 401(k)s. Reasoning that employees freely choose how to invest their retirement accounts, the law refuses to protect employees from themselves.

THIS ARTICLE ARGUES that the law's assumptions about the voluntariness of workers' investment choices are questionable and its laissez-faire regulatory approach misguided, particularly where employers manipulate workers' psychological frameworks in ways that alter their perceptions of their own self-interest. Part II tells the story of the corporate embrace of new market norms of flexibility, efficiency, and mobility in lieu of the old norms of stability and paternalism vis-à-vis workers. Part III explains how employers are addressing the challenges the new model poses for employee loyalty and retention with internal branding programs and examines how these strategies intersect with the perennial struggle for control in the workplace. Employers simultaneously enhance employee attachment to the firm and obtain a powerful means of control over the labor force in two ways: by substituting a requirement of commitment to the firm's brand for the loyalty that traditionally arose from social norms of long-term job tenure and by adopting sophisticated new psychological branding techniques aimed at influencing employees' identity, rather than simply controlling their behavior.

Part III also discusses how internal branding programs operate, looking to programs at Southwest Airlines, Disney, and Robin Leidner's study of "Combined Insurance" for concrete illustrations; catalogues the advantages that employers reap from such programs; and discusses the reasons why employees do not resist them. Part IV analyzes the impact that identity-based brand management has on workers' psychological investments in the firm, particularly the formation of psychological contracts and the realignment of employees' identities with that of the firm.

Part IV discusses management practices at People Express Airlines to illustrate the interplay between identity-based brand-management programs and psychological and financial investment. Part V addresses the effect of internal branding programs on employees' predisposition to invest financially in the firm, both psychologically and financially. Part VI argues that firms that utilize identity-based brand-management programs to induce workers to make investments that transcend the wage bargain owe something in exchange, at least where the employees lack protection against discharge and thus resist the branding program only at their peril. Where at-will plaintiff-workers allege and prove that employers deliberately induced psychological or financial investment that transcends physical and mental labor, the law should give effect to the psychological contracts that workers form, either through enforcing implied contracts at common law or by strengthening employers' fiduciary-based liability under ERISA.

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