Island Branding, Identity, and Economic Self-Discovery: A Simulation Model

Michel Leseure

Abstract

This paper argues that challenges faced when implementing a nation brand can be better understood and visualised through a simulation approach. A conceptual model of the collective learning process triggered by branding is formulated and its properties are investigated through a Monte Carlo simulation. The implications of the model are illustrated through two different branding projects in the Isle of Man: the *Freedom to Flourish* brand and the development of the *Isle of Man International Tax Personality*. The paper shows that a successful nation branding project depends more on an effective management and support of a set of social dynamics processes rather than on formulating a brand statement accurately in the first place.

Keywords

Nation branding, economic self-discovery, simulation, islands, social dynamics.

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Introduction

Finding a place within the modern global economy is a challenge for an island: cultural distance, physical distance, size, economic vulnerability are all potential hurdles to an island's future economic viability (Briguglio *et al*., 2010; Baldacchino, 2010a, 2006; Briguglio, 1995). This realisation has led many islands to invest in strategy formulation exercises in order to increase their economic competitiveness. Nearly always in the last decade these economic and growth programmes have included nation branding projects.

Country branding has a long history in international business research and can be traced back the discussion of 'Country-of-Origin' effects (Tan and Farley, 1987). Country branding was initially concerned with product-country associations, i.e. the fact that a product could be perceived to be better not through the virtue of its own brand but also through its association with its country of origin. Papadopoulos and Heslop (2002) conclude a 40 years review of the country branding literature by stating that '*country brands have built-in equity that individuals in various target markets develop over their lifetimes. In some cases, such as those of Germany and Japan, this equity represents an asset of enormous value'*.

Genuine Jersey is an example, at an island level, of such a product-country brand: through adopting a strict code of values and quality indicators, *Genuine Jersey* has created value by increasing the willingness of customers to pay for island products labelled as authentic (Johnson, 2012). Customers can be islanders willing to pay more to proudly support their local economy or visitors willing to pay more to return home with a unique memorabilia of their stay on the island.

The branding process, though, did not stop with such product-country associations. It eventually evolved to the branding of places (Grovers and Go, 2009). This moved product-country branding to well defined target audiences towards service-country branding to more heterogeneous target audiences. Finally, a further step in the generalisation of the scope of branding processes is nation branding (Fan, 2010), a marketing exercise which involves a larger set of diverse stakeholders (including all of a nation's citizens) and a wider set of branding dimensions. This paper is concerned with this level of scope where marketing processes, originally developed and tested for more clearly defined provisions (products or services), become 'branding for economic purposes' programmes. Leseure (2010) links nation branding for economic purposes to the concept of economic self-discovery (Haussman and Rodrik, 2003), i.e. the ability of a nation to discover and learn what it is good at. In other words, nation branding can be used as a mechanism by governments to create a social dynamics process where all citizens will engage in a critical evaluation of the relation between national identity with economic performance.

Although this theory is seducing, it is not without its critics. Papadopoulos and Heslop (2002) explain that country branding can fail because country brands statements are correct but are too broad and are not actionable. Developing a nation brand is an ambitious exercise in public diplomacy as the number of stakeholders with possibly conflicting views on national identity can 'backfire' and result in social tension or exclusion (Jansen, 2008). Grydehøj (2008) warns of the risk of 'branding from above', i.e. the risk of treating nation branding as a classical 'top down' branding exercise, and provides the example of the Shetland archipelago where the branding process failed to be aligned with Shetlanders' beliefs, and this despite conscious efforts to take into account the population's view at the outset of the project. MacKrell (2013) reaches similar conclusions for the Isle of Man's *Freedom to Flourish* brand. Finally, concerns have been raised in the nation branding literature regarding the risk of nation branding being undemocratic processes (Aronczyk, 2008; Jansen, 2008) as they tend to favour certain privileged ingroups at the expense of excluded outgroups.

Between 2002 and 2012, nearly all island jurisdictions have engaged in some forms of nation branding and as a result, island branding has become a small but active stream of research. Why have islands systematically embraced the idea of nation branding for economic purposes? One argument is that countries that engage in country branding usually do so when they realise that their reputation is an impediment to economic affairs (Papadopoulos and Heslop, 2002), i.e. one considers nation branding when in economic trouble. Another argument is that islands possess something unique, the 'island lure' (Baldacchino, 2010b), a unique intangible underlying country of origin equity, which should be released through a branding process for the sake of economic benefits. Although successful examples exist (e.g. the product-country *Genuine Jersey* brand; Johnson, 2012) the literature reveals that most island branding initiatives have been ill-fated and have either resulted in generic brands all claiming to represent difference and uniqueness despite being fairly identical to one another (Leseure, 2010; Grydehøj, 2008) or partial rejection on the part of the local populations (MacKrell, 2013; Grydehøj, 2008).

In the light of this evidence, it would therefore appear that the criticisms of nation branding are well founded. Does this means that the positive view of island branding as economic self-discovery is either theoretically flawed or impractical? To answer this question, we first need to explore the relationship between the concepts of economic self-discovery and island branding.

Island Learning

March (1991) describes exploration as being associated with activities such as "*search, variation, risk taking, experimentation, play, flexibility, discovery, and innovation*". Exploitation is associated with activities such as "*refinement, choice, production, efficiency, selection, implementation, execution*". The process of economic adaptation implies a need to learn, at the island level, which economic activities to develop, invest in, utilise, or terminate. Economic actors on islands have to balance activities dealing with the exploration of new ideas with the exploitation of known processes and business models. March (1991) demonstrates that because adaptive processes refine exploitation more rapidly than innovation, they can help organisations to become very effective in the short-run but do so at the cost of compromising or "self-destructing" long run economic prospects.

A central question in this paper is how do islands learn about what they are good at and which sectors they should invest in? Thus, a critical question for island economy scholars should be how islands fare with the execution of explorative and exploitative processes in the conduct of their economic affair. Consistently with March's (1991) concern about over-reliance on exploitation, the question above includes asking whether or not island economies are at risk of suffering from focusing on exploitation at the expense of exploration?

When trying to avoid the evolutionary "dead-end" that this scenario would create, only exploration activities can help an island to move away from known configurations and develop viable economic configurations for the future. When studying island entrepreneurship (a mechanism for exploration), Baldacchino (2005a, 2005b) highlights the importance of strong island brands. Similarly, the topic of this paper is to study the mutual dependency between branding and learning at an island level. A review of the collective learning and branding literature suggests that four important dimensions should be considered:

- the distinction between learning *from* the brand and learning *by* the brand;
- the distinction between brand and identity;
- the importance of political processes; and
- the importance of psychological defences.

Brands and Learning

It is thanks to a strong brand that customers, investors, and entrepreneurs make economic decisions consistent with the overall strategy of an island (*learning from the brand*) in a behavioural process akin to conditioning. Conversely, it is through the cumulative process of investing in activities that "one is good at" that island brands can be created and built upon (*learning by the brand*).

Through a brand diagnostic tool, Leseure (2010) shows how island officials display a tendency to exploit known islands business models rather than explore new ones when promoting an island for touristic purposes. Moreover, through a simulation of island learning based on March's (1991) model, Leseure (2010) shows how diluted brands block the potential for the discovery of relevant but non-branded dimensions. Brands which are accurately featuring salient characteristics of an island but are not overly prescriptive, conversely, leave room for exploration and permit economic self-discovery. In other words, in the branding attempt to set island identity lies both a strength (the ability to unite and guide behaviour) and a weakness (the risk of incurring cognitive dissonance between the brand and reality).

Brand and Identity

An island brand is the initial brand specification set by a party with the power to do so. Typically, in the case of an island, this party will be the local government. Island identity, in contrast, is an aggregation of collective beliefs. Whereas an island brand is a specification at a point in time, an island identity is a dynamic, evolving entity. Its underlying values may or may not be aligned with the brand, and may or may not be internally consistent. March's (1991) collective learning model provides the capability to simulate over time how stakeholders react to a brand, and how their identity beliefs evolve.

The Importance of Political Processes

Rodrigues and Child (2008) note that a vast majority of authors adopt a definition of identity as something central and enduring. Rodriguez and Child argue that one of the limitations of the identity literature is to treat as apolitical what is in actual fact a politically charged topic (2008). Dissent, conflicting views, coalitions, the use of rhetoric, and references to overriding national identity values are a few examples of issues which will necessarily intervene within the elaboration of an island brand. Instead of appreciating fully these rich dynamics of political processes at play, a traditional marketing approach to branding prefers to smooth edges and to formulate a politically neutral or flexible, and therefore potentially vague, brand.

Rodrigues and Child (2008) highlight the importance of mobilisation, the extent to which a party will fight for a brand. Mobilisation can be material: for example, a government may offer interest-free commercial loans to entrepreneurs in order to stimulate a country brand based on innovation and creativity. Thus, by observing if a party allocates budgets and effectively supports certain ventures, one can measure the degree of mobilisation for a brand. Mobilisation can also be ideational: in this case, a practice or idea is not supported financially or materially but through positive feedback, career prospects, opportunities, recognition, etc. Mobilisation, however, can also be a strong opposing view to the brand, in which case it is more accurately described as counter-mobilisation.

Rodrigues and Child (2008) also show that legitimacy is an important variable during the development of an identity. Ideas and values promoted by influential parties are more likely to be adopted by followers and less likely to be challenged. Accounting for legitimacy can simply be done by considering different stakeholders with different decisional weights and mobilisation factors.

Psychological Defences

The collective learning literature acknowledges the fact that learning is affected by identity, which is often a constraint that blocks organisations from changing due to individual and organisational self defences. This psychodynamic perspective is described extensively by Brown and Starkey (2000) who discuss five (out of a potential list of fifty) defence identity mechanisms that can block learning:

- Denial is the immediate rejection of an idea and the refusal to even consider it.
- Rationalisation is the artificial and incorrect reconciliation of two conflicting views in order to avoid having to modify one’s identity.
- Idealisation is the process of over-valuing and augmenting a value or idea to the extent that it cannot possibly be challenged.
- Fantasy is the pursuit of substitutive satisfactions in contexts where seeking satisfaction is premature or impossible.

- Finally symbolisation is the use of symbols to encourage individuals to maintain their self-esteem and conceal unconscious thoughts. For example, oil companies advertising themselves as "green" companies can be said to adopt a symbol encouraging employees to adopt this identity and not to investigate deeper.

These defences can be countered by creating a context conducive to exploration. Brown and Starkey (2000) highlight the importance of the willingness to explore and openness to debate between stakeholders in this respect.

Methodology

Island economic self-discovery supported through a nation branding is, according to the previous section, theoretically possible. To understand why such an initiative would succeed or fail requires looking into the exact mechanisms and processes through which reflections, debates and learning take place. These mechanisms are often overlooked within the branding literature as it focuses on marketing frameworks that fail to account for the socio-technical systems at stake (McKrell, 2013). Consistently with Erdem and Sun (2002), this paper argues that a simulation approach is ideal to study branding processes and to address the above challenges. A simulation approach allows the investigator to focus on the complex and collective forms of interactions that take place within a segmented, and potentially fragmented, set of stakeholders involved in identity construction. Marney and Tarbet (2000) explain that as a methodology a simulation approach permits the examination that a multiple set of micro-level processes (e.g. learning about the brand through a social encounter, shaping a new brand when leading by example) have on macro-level results (the acceptance or rejection of a brand).

Through a simulation model of island learning, it is possible to simulate what happens to a brand when it is released to an island's population whilst taking into account the different factors discussed in the previous section (propensity to explore, political processes, etc.). This model is used to simulate real-life branding cases (the Isle of Man *Freedom to Flourish* and the *Isle of Man International Tax Personality*). The simulation results are used to discuss whether or not economic self-discovery through branding is possible and to explore the socio-dynamics issues that are involved.

Simulation Model Development

The purpose of this section is to formalise a simulation model of collective learning based on March's (1991) initial formulation but extended in order to accommodate the political and identity variables discussed in the previous section.

A network of economic actors made up of *n* individuals, or groups of individuals, (denoted by indice *i*) have beliefs regarding an external reality. This external reality is independent of beliefs about it and actors attempt, through learning processes, to discover which beliefs are more useful to them. Consistently with March (1991) this external reality is assumed to have *m* dimensions and is represented by an ordained set of binary values. Thus, external reality is an m-tuple $\{r_j\}_{j=1..m}$, with each r_j value indicating that a characteristic is useful/productive ($r_j = 1$) or useless/unproductive ($r_j = 0$).

Let us consider for example a country concerned about the impact that university graduates possessing mathematical skills have on competitiveness. An r-value of 0 would indicate that holding such skills will have no impact on the competitiveness of the country whereas a value of

1 would suggest that producing mathematics graduate will improve the competitiveness of the country.

It is likely that readers of this journal would agree with the view that '1' is more likely to be the external reality than '0' in the example above, but it would be presumptuous to state that such a view is a universal one. It is important to appreciate that it is not within the scope of this paper to debate the nature of the external reality (the factors generating economic competitiveness) for islands. The focus of this paper is instead on the ability of the economic actors to discover the external reality through collective learning (i.e. the process of economic self-discovery).

An official branding campaign plays a role in this process. It is represented by the official island brand, $\{c_j\}_{, j=1..m}$ and is defined by government officials or another group of individuals in power. Although an official brand could match the best values $\{r_j\}$, the simulation focuses on the not-so-ideal (but more realistic) case where some branding suggestions do not match the reality set (in other words, the discovery of a better brand is possible). Once a brand code $\{c_j\}$ is released to individuals, they collectively have the capacity to change this code. Thus, $\{c_j\}$ initially represents a formulated brand and, once released and interacted with, it represents a collective identity.

Each individual will have their own beliefs regarding the identity dimensions. These beliefs are recorded in matrix $\{b_{i,j}\}_{, i=1..n, j=1..m}$. Individuals' beliefs evolve and are not necessarily aligned with the official code $\{c_j\}$ at each point in time: instead individual have the opportunity to change their belief to the official view but they can also change the official view.

This two-way interaction with the code (i.e. the brand) is consistently with March (1991). Collective learning is broken down into two steps that are iterated many times. A learning iteration starts with *learning from the code*: at this stage, individuals are given a chance to update their beliefs so they match the collectively agreed-upon brand (for the first iteration) or identity (for further iterations). Each individual's *i* belief regarding dimension *j*, $b_{i,j}$, is compared with the brand value c_j. If $b_{i,j} = c_j$, the individual keeps his/her belief. If, however, the individual's belief is different than the brand value, the simulation generates a random number. If this number is less than a threshold value p_1, then the individual's belief is updated to c_j. p_1 is a variable measuring exploitative tendency in society: high values show a marked preference for following a brand recommendation instead of crafting a unique strategy for economic success.

The second step within an iteration is *learning by the code*. The simulation surveys all individual beliefs and flags the individual(s) with the highest match with the reality values $\{r_j\}$. We assume that these economic actors, having discovered a successful economic strategy, will be noted in society for their success and thus, that their views will have gained legitimacy. We take these entrepreneurs' average beliefs, and for each dimension *j*, allow a chance p_2 of the collective brand code $\{c_j\}$ to be updated to the average belief. p_2 is a variable measuring exploration capabilities in society: high values highlight a natural tendency to explore alternatives and to innovate.

Because the development of an island identity is a political matter, it is essential to account for the mobilisation of the different stakeholders. A mobilisation variable $\{m_{i,j}\}$ for each individual and each branding dimension is used. This variable can take values between +1 (full mobilisation) and -1 (full counter-mobilisation).

Mobilisation for the brand/identity affects learning through the p_1 and p_2 learning parameters and P_1 and P_2 represents the adjusted learning parameters. If mobilisation is high for an issue *j*, then all parties within an economy will be willing to adopt the brand and engage in exploitation.

Exploration, which looks for alternative ideas, is discouraged by high mobilisation. This is captured in the two equations shown below:

$$P_1^{i,j} = p_1 \times \left(\frac{m_{i,j} + 1}{2}\right)$$

$$P_2^{i,j} = p_2 \times \left(\frac{1 - m_{i,j}}{2}\right)$$

In order to further account for the psychodynamic aspects of identity construction, a defence factor is required. As the initial brand statement is an official "government" brand, defence factors are only applied to the government as a stakeholder. Thus, a set of m $\{d_j\}$ values is used to indicate the extent to which a government will be highly defensive of the brand. Defence values range from 0 (non defensive position) to 1 (very defensive position). The adjusted learning parameters become:

$$P_1^{i,j} = p_1 \times \left(\frac{m_{i,j} + 1}{2}\right) \times d_j$$

$$P_2^{i,j} = p_2 \times \left(\frac{1 - m_{i,j}}{2}\right) \times (1 - d_j)\ if\ m_{i,j} \geq 0$$

$$P_2^{i,j} = p_2 \times \left(\frac{1 - m_{i,j}}{2}\right)\ if\ m_{i,j} < 0$$

The equations above show that high defences result in favouring exploitation whereas exploration is penalised (p_2 becomes 0 if d_j=1). In the case where a party is counter-mobilised against an issue, though, defences are considered to have no impact.

As the government that initially introduces a brand is likely to defend it, the impact of defence factors can be countered by a willingness to explore $\{W_i\}$ and openness to debate $\{Op_i\}$. The willingness to explore is assumed to be a simple linear function from 0 (no willingness to explore at all) to 1 (a very strong willingness to explore). In the case of the openness variable, it is assumed to be a progressively accelerating condition that is better represented by a sigmoid function:

$$Openness(j) = \frac{1}{1 + e^{-Op_j}}$$

Op_j is a real number representing openness. Very negative values, e.g. -10, are used to indicate a complete reluctance to engage in dialogue. It results in an openness score close to 0. Large positive values indicate openness to dialogue and result in a score of 1.

These last two variables are incorporated in the model as follows:

$$P_1^{i,j} = p_1 \times \left(\frac{m_{i,j} \times \left(\frac{1}{1 + e^{-Op_j}}\right) + 1}{2} \right) \times \left(\frac{1}{1 + w_j} \times \left(1 - d_j\right) \right)$$

$$P_2^{i,j} = p_2 \times \left(\frac{1 - m_{i,j} \times \frac{1}{1 + e^{-Op_j}}}{2} \right) \times \left(\frac{w_j + w_j \times \left(1 - d_j\right)}{2} \right) \; if \; m_{i,j} \geq 0$$

$$P_2^{i,j} = p_2 \times \left(\frac{1 - m_{i,j} \times \frac{1}{1 + e^{-Op_j}}}{2} \right) \times \left(w_j\right) \; if \; m_{i,j} < 0$$

These equations show that openness to dialogue is considered to moderate mobilisation. If a government is very closed to dialogue around a policy issue, it is likely that controversy will surround the implementation of this policy and that even the best material and ideational supports will not be enough to sustain the initiative.

Willingness to explore is used to directly counter the impact of the defence factor. Note that the willingness factor directly affects p_2 (exploration) positively, whereas high willingness scores tend to decrease exploitation tendencies.

In order to run this model as a simulation, all that is needed is two randomly generated numbers p_t and p_l (for exploitation and exploration respectively) which are respectively compared with the adjusted forms of p_1 and p_2 at each iteration. This means that the model can be operated as Monte Carlo simulation, as initially done by March (1991). A Monte Carlo simulation is a computational algorithm where variables with unknown probability distributions are randomly simulated (through the generation of a random number) in order to study their impacts on the behaviour or properties of a system after many iterations. In the model described above, p_t and p_e are randomly generated to simulate the real-life interactions of economic actors in an island economy. If $p_t < p_1$ at one iteration, we simulate the case of an actor adopting and accepting the brand and modifying his or her economic behaviour accordingly. If $p_l < p_2$, we simulate the case where a number of successful entrepreneurs have managed to influence societal beliefs as the island identity changes to recognise and promote new success stories.

Method

March's (1991) simulation was originally applied to a set of m=30 reality dimensions and n=50 individuals to study an artificial case of organisational learning over 80 iterations. Island learning is obviously different in scale than organisational learning for 50 employees. As the reality dimensions are interdependent in the simulation algorithm when *learning from the code* takes place, the simulation results and the stochastic fluctuations reported will be quantitatively sensitive to different values of *m*. Similarly, the quantitative results and stochastic fluctuations are sensitive to *n*: for example a small group can come with less variety in views, and thus the probability to discover reality is decreased. Sensitivity to *m* and *n* would matter if the objective were to study the speed of learning the best identity for economic purposes. March (1991) points out however that the qualitative results of the simulation (i.e. can the best identity be discovered?) is insensitive to the values and *m* and *n*. It is the number of iterations performed that is important to consider when one to investigate economic self-discovery capability. Through a process of trial and errors with draft simulations runs, it was established that in order to see a convergence of identity towards a stable state, 100 iterations were sufficient.

The two case studies which are used to run simulations are two different branding exercises that took place in the Isle of Man: the *Freedom to Flourish* entrepreneurial brand and the development of the *Isle of Man International Tax Personality*. The first case is based on the promotion of four key values said to significantly contribute to the ability of the island to improve its economic competitiveness (these are described in more details later in the case study section). The second case, the *Isle of Man International Tax Personality*, can coincidentally be summarised in 4 dimensions. Thus, for the two simulations to be performed, m=4.

The determination of *n* is different than the initial formulation by March (1991) as a nation branding exercise will typically target a fragmented society rather than a more uniform set of employees. As the qualitative results are insensitive to *n*, we set *n*=20 to reduce computational load but breakdown these 20 individuals, or groups of individuals, into 4 categories: government officials, the Manx core population (defined as individuals born Manx or born of Manx parents), other residents (work immigrants working in the Isle of Man with a Manx work permit), and outsiders (parties linked to the Isle of Man through trade or diplomacy and in a position to influence identity construction). Each category is likely to have different views of the brand at the outset of the collective learning process. By changing the number of individuals in each category, it is possible to assign weights to the voice of each of these four categories. The choice of these 4 categories was made to provide an accurate picture of the stakeholders in the case of the Isle of Man: its population is made up of 50% Manx and 50% other work residents, and Manx vs. non-Manx divergences of opinions is a common feature of Manx public life and debates. As the branding of the Isle of Man also targets wealthy outside investors whose economic decisions strongly affect the island, the simulation was designed to give these individuals an important voice, despite the fact that there are demographically a very small number. The same argument applied to government officials and thus the n=20 individuals are divided into 4 equal groups in order to simulate the interaction between these 4 equally influential voices.

In order to run these simulations, all variables and parameters values are based on a realistic assessment of the branding experiences of the Isle of Man. The definition of the numerical values (e.g. a party's openness or defence of the brand) required are either derived from observations (and are therefore estimates) or from empirical work performed about perceptions of Isle of Man brands (McKrell, 2013). The reality quadruples are decisions made by the author for the sake of providing a realistic illustration. As explained earlier on, the simulation purpose is not to debate whether these reality values are accurate but to assess the ability of a group to collectively learn them. Therefore, neither their indicative meaning nor the assumed values affect the conclusions reached from running the simulation.

Case Studies

Freedom to Flourish

The *Freedom to Flourish* brand is the result of a government initiative with the aim of formulating a high level brand statement derived from the unique identity of the Isle of Man. As such, it is a typical example of a marketing approach which is informed by national identity considerations. The freedom to flourish brand is described as the island's competitive identity in a government publication entitled *Economic and Social Development through the Enhancement of the National Identity of the Isle of Man*. The key values making up the brand are :

Independent thinking

- *We will develop our distinctive culture and heritage and encourage greater use of the Manx language.*
- *We value our independence as a country, and aim to enhance it.*
- *We will carve our own path, pragmatically, with agile and imaginative legislation, and skilful negotiation with other countries and organisations.*
- *We value people as individuals, and celebrate their differences.*
- *We have a great heritage of creativity and innovation, and will ensure this continues.*

Resilience

- *We will be courageous in bad times, and avoid complacency in good times.*

- *We will be resourceful in adapting to change and developing new opportunities.*
- *The Three Legs of Man symbolises our resilience.*
- *We will protect our environment and natural beauty.*

Resourcefulness

- *We will be receptive to good ideas.*
- *We will work together across a wide range of interest groups.*
- *We will encourage co-operation between public and private sector.*

Community loyalty (helping others flourish)

- *We will buy Manx products and services wherever possible*
- *We will do our best to promote the Isle of Man and its values to the outside world*
- *We will celebrate the Island's successes and give everyone the opportunity to share in them*
- *We will welcome visitors and new residents alike to the Island*

(Key values from Isle of Man Government, 2006, pp. 23/24)

Table 1 displays the simulation parameters and results. The top row shows that the assumed reality quadruple is (0,1,1,0) meaning that resilience and resourcefulness are assumed to be national identity traits consistent with the economic history of the island and traits that would indeed improve economic competitiveness and entrepreneurial spirit in the Isle of Man. The two nil values are here to indicate that the independent thinking and the community loyalty are more controversial as they contain protectionist and possibly self-serving socially excluding messages that not fit well an island economy whose survivals depends on working within a global economy. This hypothetical reality quadruple is used to underline potentially controversial elements of the brand, as for example the ideas that the use of the Manx language will stimulate economic growth, that imaginative legislation may be perceived by many as controversial legislation, or that the track record of the island may be more about exploitation than exploration. The question behind the simulation is, given the parameters, what will be the resulting collective identity after several learning iterations?

The left hand side column shows the initial beliefs of each stakeholder: for example, the government promotes a brand coded as (1 1 1 1), i.e. an unconditional acceptance of the four dimensions listed above. Note, however, that different stakeholders start with different beliefs, as for example other work residents who are strongly critical of the realism of the first 3 statements and neutral regarding the fourth one. It is also important to highlight that the reality quadruple (0,1,1,0) differs from the brand statement and from all other starting beliefs.

(((Insert table 1 around here)))

The third row in table 1 represents the government attitude towards their brand statement: the extent to which they are defensive of a brand statement, willing to explore alternative values, and open to dialogue. For example, table 1 shows that the Manx government is very defensive of the independent thinking value (d_1=1), not very willing to explore alternatives (w_1=0.1), and closed to dialogue (*Op1*=-10).

The central matrix displays the mobilisation coefficient, i.e. the support that different stakeholders are likely to provide to a value statement. Negative figures indicate counter-mobilisation. For example, the Manx core population is very keen to support independent thinking as a core value ($m_{2,1}$= 1) whilst the other residents are counter-mobilised ($m_{3,1}$=-1), fact which represents the Manx/non-Manx tensions discussed previously.

There are many parameters in table 1 and it is impossible, in the interest of space, to discuss all the decisions that were made. These decisions can however be summarised in terms of the learning blocks and psychodynamic defences that they create in the terminology of Brown and Starkey (2000). The *Freedom to Flourish* case illustrates the use of a brand for symbolisation purposes: the island is described as unique and original (statement 1), resourceful and resilient (statements 2 and 3), and kind and fair (4). This very positive message clashes with the fragmented and often cynically adversarial nature of Manx public and economic life. As a result, the brand attempts to rationalise conflicting dimensions as consistent (in statements 1 and 4) and idealise certain values (for example the promotion of the Manx language could be defended on cultural grounds but it is difficult to see its value in a brand designed to improve economic competitiveness). As a result of symbolisation, rationalisation, and idealisation the reaction of some stakeholders is denial as for example the outright rejection of statements of independent thinking by other residents ($b_{3,1}$= -1, $m_{3,1}$= -1).

The results at the bottom of table 1 show that the psychodynamic and political assimilation of the *Freedom to Flourish* brand is a difficult matter as the resulting collective identity never results in the discovery of the reality quadruple. The independent thinking value statement is systematically rejected, and this despite the government defence of this dimension (it is only accepted in some instances if the learning climate is assumed to very exploitative -p1=0.8- but this is not a stochastically stable result. Resilience and resourcefulness are systematically accepted as valid identity constructs, and this despite the initial resistance of some parties. Community loyalty is not rejected (when it should) due to government defence and the strong cumulative voice of stakeholders than this statement serves. This is an example of a rationalised brand value that can persist because of psychodynamic learning blocks. It is only if the willingness to explore options and the open to dialogue are increased that this reality dimension is discovered adequately.

This simulation illustrates the danger of “rationalised” brands, where the desire to finalise a best of breed brand statement may actually fuel controversy and block economic self-discovery. The results are well aligned with the real life *Freedom to Flourish* brand. McKrell (2013) provides a detailed case study of the elaboration and evolution of the brand and confirms that substantial rationalisation took place. She also documents through a survey negative perceptions of the government in relation to the development and management of the brand. An interview with one of the project managers in charge of the implementation of the brand revealed that a decision was made to lower the brand visibility as it was attracting considerable criticisms from many stakeholders.

The Isle of Man International Tax Personality

The Isle of Man economy is greatly dependent on its offshore finance sector. The offshore financial sector has been under threat for many years given the resolution of many developed economies and international institutions (United States, OECD, United Nations) to get rid of 'tax havens' (Hampton, 2002). There is much debate and controversy around the overall economic impact that tax havens have on non tax-havens. A common argument is that tax havens divert economic activity and have negative consequences on non tax-havens. This for example the view expressed in the European Parliament Report (2013) concluding that tax havens constrains the EU budget and undermines the fiscal recovery of EU Member States, with a particular concern for the unfair advantages of large companies engaging in tax-avoidance through transfer pricing mechanisms. Desai *et al*. (2006) challenge this commonly held view and demonstrate through modelling and empirical evidence that tax havens do not divert economic activity but in fact enhance activity in non-havens. Similar welfare effects of tax havens for non tax havens residents are reported by Hong and Smart (2007).

Beside transfer pricing, a key issue with tax havens is their possible involvement with money laundering activities and obstruction to the assessment of taxes by non-tax havens governments. The underlying concern here is about secrecy and willingness to collaborate with other tax authorities. Many countries and international organisations have prepared black lists of tax havens. An example is the FATF blacklist, prepared by the intergovernmental organisation Financial Action Task Force of the G7 member states. This list contains countries with significant strategic deficiencies and that pose a risk to the international financial system. As of June 2013, this list contains 14 countries. The OECD also maintains a black list of uncooperative countries ('the list of uncooperative tax havens'). Seven jurisdictions were initially included in the black list and all have taken actions to address the issues highlighted by the OECD. By 2009, all jurisdictions had been removed from the black list (OECD, 2014). The OECD also maintains a 'gray list' of jurisdictions of special interest that examines to what extent these jurisdictions comply with international tax regulations. The Isle of Man was initially listed on the OECD gray list and was removed from it in 2009 and moved to a 'white' list (Gravelle, 2013).

When a jurisdiction depends heavily on the offshore finance sector, the controversy surrounding tax heavens mean that quality of governance and reputation are key for survival. The Isle of Man has actively managed its reputation as an independent tax jurisdiction and its collaboration with international tax authorities. As such, it is a perfect illustration of Dharmapala and Hines' (2006) conclusion, supported by empirical evidence, that better-governed countries are likely to become tax havens.

As part of its reclassification effort from the OECD 'gray' to the 'white' list, the Isle of Man has actively branded its tax identity and tax officials were asked to report and present their views on the development of the *Isle of Man International Tax Personality*. This personality is based on the principle that as a small island, its governance is more efficient than large countries and thus that it can legitimately afford lower tax rates. Lower tax rates in an offshore location are not necessarily an "avoidance" of rules; instead there are branded as a sovereign right to tax resident entities at levels which are suitable given local economic conditions. This is shown as the first identity dimension in table 2.

(((Insert table 2 around here)))

Table 2 also show the other three reality dimensions: a fair benchmark should be established to adequately compare tax competitiveness (statement 2), tax collaboration through international treaties is essential (statement 3), and the competitiveness of an island can be derived from genuine competence rather than solely from low tax rates (statement 4).

As the *Isle of Man International Tax Personality* is a very outward facing brand, we consider 4 stakeholders. The government promotes statements 1, 3, and 4 consistently with the tax haven literature whereas it rejects dialogue around the issue of fairness. International investors are initially neutral about all dimensions as their objective is optimal tax planning. International organisations are initially more interested in fairness and competence issues as well as treaties but are not convinced by the argument of effective governance as a source of competitive advantage. Finally, the general public tend to hold a negative view of tax havens despite typically little involvement with them.

Table 2 shows the example of an initially much more accurate brand than *Freedom to Flourish*. The only branding controversy is around the second statement related to fairness which is a debate that the government is not willing to engage in (d_2= 1, w_2=0.1, Op_2= -10). The underlying issue in this case study are opposing denials from different parties. On one hand, the Isle of Man government and investors refuse to consider fairness issues. On the other hand international organisations (representing coalitions of non tax havens) and the general public refuse to accept the governance effectiveness argument.

As the central issue in this simulation is the ability to discover statement 2 (fairness) it is good to illustrate the nature of the issue with an example. The competitiveness argument (statement 1) is that smaller jurisdictions are more efficient at governance and thus can afford lower tax rates that they can legitimately offer to international investors. The Isle of Man is surrounded by non tax haven countries that have adopted stringent and expensive regulations regarding the treatment of sewer water. As a sovereign entity, the Isle of Man simply discharges its sewers in the Irish Sea. Should the definition of effective governance between tax havens and non tax havens include criteria regarding the fairness of comparison? If so, Isle of Man would to have to adopt the same pollution control regulations than its neighbours, and its government budget may be significantly affected and its a share of its competitive advantage derived from 'effective' governance would be eroded.

Table 2 shows that the brand proposition and the combination of defence, willingness, and openness factors are such that acceptance of the tax brand as an identity is not challenged even in contexts where exploration is high. This finding can be interpreted by the fact that in table 2, the proposed brand is quite accurate, and thus, the government benefits from an expert status in terms of “hiding” the second variable.

When willingness is set to 1 and openness to +10, surprisingly exploitation gives better results than exploration. This can be simply explained: the government has only to accept one change in code for dimension 2 before the entire set of beliefs converges. When exploration is high, acceptance of this new belief is not systematic.

This contrasting set of results around the ability to discover the truth about statement 2 demonstrates that through the adequate use of psychodynamic defences, branding officials can promote messages that are in their interest: as such, nation branding can be said to share commonalities with propaganda.

Conclusion

Simulation has not been a conventional way of studying branding processes, with only one research paper (Erdem and Sun, 2002) using such an approach previously. The case study presented in this paper suggest that simulation is in fact a promising avenue to better understand the complex processes and stakeholders interactions involved in nation branding. This is a promising field for research, as this paper and its only predecessor (Erdem and Sun, 2002) are both based on simple Monte Carlo simulations. It is likely that more modern approaches such as agent-based simulation (Railsback *et al*., 2006) offer exciting opportunities to develop further the work presented in this paper.

Starting with a simulation of island learning used to study how individuals react to a brand statement and socially construct their own identities, this paper formulates a full model of identity learning where the formation of an identity is moderated by psychological defences, mobilisation, legitimacy, the willingness to explore, and openness to dialogue. This simulation model is used to run two simulations: The *Freedom to Flourish* entrepreneurial brand is an example of an idealised and rationalised branding project which was not successful and the *Isle of Man International Tax Personality* is an example of a more successful branding project and this, despite the existence of underlying controversies, with branding dynamics involving opposing denials of different dimensions of the brand amongst stakeholders.

Whereas previous research (Leseure, 2010) argued that the only impediment to island economic self-discovery through branding was the propensity of islands to overly rely on exploitation, the case studies used in this paper shows cases where even if the ability to explore is artificially simulated, economic self-discovery will still fail because of political and psychodynamic variables. Instead of conceptualising an island branding exercise as a marketing activity, policy makers should consider island branding as an exercise that goes beyond the mere definition of a static 'top down' brand statement and that involves the long term management of a collective process of identity construction that not will only result in economic betterment but also in more social cohesion. What matters is not to find the best brand statement (although this is clearly desirable!) but to avoid brands that are idealised and rationalised and that can only be promoted through strong defences and a lack of dialogue. In the worst case scenario, cynicism from all parties can built up over time and negate the value of an investment that was otherwise a valid public policy choice.

All island brands reported to have failed partially or completely in the literature have all included at the beginning of their branding project numerous interviews and surveys about local perceptions of national identity. All these projects have been commissioned with the explicit promise by the branding consultants that the local population views would be taken into account. Yet, none of these projects delivered the expected benefits. This is because one's opinion about national identity and of the future of an island economy is only an initial input of the nation branding process. It is a necessary variable to start the branding process but not a sufficient variable to explain how the same individual will interact with the brand several months or years later, when the brand itself will have evolved. In other words, it is not the initial brand statement that really matters (as it can and will change), but it the social dynamics process of interaction that could make a nation branding exercise successful.

The model developed in this paper could be used by policy makers to focus more on the process and less on the brand by conducting scenario analyses of the different stakeholders both in terms of their beliefs and of how these beliefs will interact with a brand statement. This could result in the adoption of more flexible and robust brands that genuinely open the way for economic self-discovery.

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Stakeholders	**Identity/Branding Dimensions** **Ideal economic identity (0 1 1 0)**			
	Independent Thinking (1)	Resilience (2)	Resourcefulness (3)	Community Loyalty (4)
	$d_1= 1$ $w_1= 0.1$ $Op_1=-10$	$d_2=0.5$ $w_2=1$ $Op_2=+3$	$d_3=0.5$ $w_3=0.1$ $Op_3=+3$	$d_4=1$ $w_4=0.1$ $Op_4=-10$
Government (1 1 1 1)	$m_{1,1} = 0$	$m_{1,2} = 1$	$m_{1,3} = -1$	$m_{1,4} = 0$
Manx Core Population (1 0 0 1)	$m_{2,1} = 1$	$m_{2,2} = 0$	$m_{2,3} = 0$	$m_{2,4} = 0$
Other residents (-1 -1 -1 0)	$m_{3,1} = -1$	$m_{1,2} =1$	$m_{3.3} = 1$	$m_{3,4} =- 1$
Outsiders (-1 1 -1 1)	$m_{4,1} = 0$	$m_{4,2} = 0$	$m_{4,3} = 0$	$m_{4,4} = 1$
Resulting identity	$p_1= 0.5$; $p_2= 0.5$ yield **(-1 1 1 1)** and neighbouring values $p_1= 0.2$; $p_2= 0.8$ yield **(-0.7 0.8 0.8 1)** and neighbouring values $p_1= 0.8$; $p_2= 0.2$ yield **(-1 1 1 1)** and occasionally return **(1 1 1 1)**			
Resulting identity with willingness and dialogue	$p_1= 0.5$; $p_2= 0.5$ yield **(-1 0.5 0.8 0)** and neighbouring values $p_1= 0.2$; $p_2= 0.8$ yield **(-0.7 0.8 1 0.1)** and neighbouring values $p_1= 0.8$; $p_2= 0.2$ yield **(-1 1 1 0)** and neighbouring values (some rare occasions where convergence is not achieved)			

Table 1. The Freedom to Flourish Simulation.

Stakeholders	**Identity/Branding Dimensions** **Ideal economic identity (1 1 1 1)**			
	Tax as national competitive dimension (1)	Competing on tax competitiveness is subject to fairness considerations(2)	Collaboration through tax treaties is essential (3)	Competitive tax position can go hand in hand with business excellence (4)
	d_1= 0.5 w_1= 0.1 Op_1=-3	d_2=1 w_2=0.1 Op_2=-10	d_3=0 w_3=1 Op_3=+6	d_4=0.5 w_4=0.1 Op_4=-10
Government (1 -1 1 1)	$m_{1,1}$ =1	$m_{1,2}$ = -1	$m_{1,3}$ = 1	$m_{1,4}$ = -1
International Investors (0 0 0 0)	$m_{2,1}$ = 0	$M_{2,2}$ = -1	$m_{2,3}$ = -1	$m_{2,4}$ = 0
International organisations (0 1 1 1)	$m_{3,1}$ = -1	$m_{1,2}$ =1	$m_{3.3}$ = 1	$m_{3,4}$ =1
Media and the general public (0 0 1 0)	$m_{4,1}$ = -1	$m_{4,2}$ = 1	$m_{4,3}$ = 4	$m_{4,4}$ = 1
Resulting identity	p_1= 0.5; p_2= 0.5 yield **(1 -1 1 1)** p_1= 0.2; p_2= 0.8 yield **(1- 1 1 1)** p_1= 0.8; p_2= 0.2 yield **(1 -1 1 1)**			
Resulting identity with willingness and dialogue	p_1= 0.5; p_2= 0.5 yield **(1 1 1 1)** and converges systematically p_1= 0.2; p_2= 0.8 yield **(1 1 1 1)** and neighbouring values p_1= 0.8; p_2= 0.2 yield **(1 1 1 1)** and converges systematically			

Table 2. The Isle of Man International Tax Personality Simulation.