Should You Name Your Company After Yourself?

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When entrepreneurs start a business, they often grapple with whether to use their name in their company's name. It's one of the most important and visible decisions they may make; it also seems a highly subjective one. So, should you do it? According to two recent research papers, the right answer may be: It depends.

The two papers, one by academics at the University of Oklahoma and the other from Duke's Fuqua School of Business come to opposite conclusions on how eponymous firms perform relative to those that use names other than their founders'. One says eponymous firms generate a three-percentage-point-higher return on assets than those with other types of names. The other paper says founder-named firms are 8% less valuable than their counterparts, and founder-named-and-managed firms are 21% less valuable.

Why the difference? One reason could be that the reports use different measures of firm performance. Return on assets indicates how efficient management is at using assets to generate earnings. Value is defined in the other paper according to the Tobin's q ratio, which indicates the market value of a company's assets. The former is considered an accounting-based measurement and depends largely on how capital-intense the company is. The latter is a market-based measurement, which may be better for evaluating firm performance in the long run, but can be influenced by accounting methods.

The papers also use different data sets. The paper that showed a positive correlation between an eponymous firm name and financial results looked at a data set of 1.8 million European firms (for over 6 million firm-years of data, from 2002 to 2012). The other paper uses a sample of roughly 8,000 firm-years of data from U.S. family firms (from 1993 to 2009). It could be that eponymous firms are more valued in Europe, or that family firms are somehow different from all eponymous firms, or that something has changed since 2009.

But what most interested me was the difference between how the two papers explained their findings. The team behind the first paper believes that eponymy creates a stronger association between the entrepreneur and their firm — and that it increases the benefit or risk to the founder's reputation, so they are more driven to succeed.

The writers of the second paper, the one that found a negative correlation, agree that eponymy results in firms being more concerned about protecting founders' reputations, but they also test the endowment effects hypothesis, which suggests that the possessor of an object places a higher value on its *current personal use* than on its *potential market exchange*. The endowment effect helps explain, for example, why someone trying to sell a used coffee mug asks a higher price for it than a buyer is willing to pay; just owning the mug makes you think it's more valuable. In the case of an eponymous firm, the founder may be more likely to view their companies in terms of personal use value, as opposed to investor-oriented, market-exchange value. As such, they don't maximize the value of the firm as much as those who seem less personally invested.

So, what's an entrepreneur to make of these findings?

First, think about the customer. An eponymous name makes a firm seem more personal or familial to customers. That's a benefit if personal service or a family feeling is an important brand attribute, but it can detract from firm appeal if customers want to do business with a company of global scale and a more professional character. An eponymous name can also set expectations that customers will be doing business directly with the founder. Depending on the business model, an entrepreneur may or may not want to give that impression.

Also think about the competitive context. Every company must establish strong differentiation, and a distinctive name can help distinguish a firm. Most companies in an industry sector tend to adopt a similar naming convention: Banks have traditionally been named after their founders, as have law firms; tech startups usually use invented words as names; restaurant chains tend toward descriptive or evocative names. An entrepreneur should consider breaking with convention and using a different naming approach, eponymous or not, to support their brand differentiation. The paper that found a correlation between eponymous firm names and superior performance suggests that if you have an unusual name, you'll see an even greater effect in using it to name your firm.

Next, consider the long term. An eponymous name is usually a limiting factor in future ownership and management options — or at least a confounding one. If a founder wants to sell the business, take on a partner, or cede day-to-day management of the firm, an eponymous name influences the company's appeal among potential buyers, partners, and managers. In some cases, the founder's name is so reputable that it attracts future stakeholders, but more often an eponymous name limits the new guard's ability to signal their involvement.

Finally, remember endowment effects: If you really want to maximize the value of your firm, you'll have to be objective about it. At least one academic paper suggests that might be harder if it's named after you.

Bottom line, the decision of whether to use the founder's name remains subjective. And as with all brand naming decisions, it matters less which name an entrepreneur chooses than what actions they take to make it mean something that's relevant and compelling.