The formation of corporate identity in the boundaries of an MNC: Case

of a Nordic business-to-business company

Author:

Johanna Raitis, Researcher, M.Sc. (Econ. & Bus. Adm.)

International Business, Turku School of Economics

Johanna.raitis@tse.fi

Tel. +358 2 4814 192; fax +358 2 2814 280

Turku School of Economics, Rehtorinpellonkatu 3, 20500 TURKU, FINLAND

The formation of corporate identity in the boundaries of an MNC: Case of a Nordic business-to-business company

Abstract

This <u>working paper</u> discusses the formation of corporate identity in the boundaries of an MNC. Particularly, the aim of this study is to enhance the understanding of corporate identity formation by investigating the role of employee-customer relationship as a major constituter in the process. In other words, the researcher suggests that nowadays, corporate identity is constructed and developed in the boundaries of an organization as a result of ever deeper and wider involvement of employees with their external counterparts.

Key words: Corporate identity, corporate identity formation, employee-customer relationship, identification

Introduction

The importance of corporate identity in today's business environment has been widely agreed upon by scholars and practitioners. The number of identity studies has increased among the academicians (Balmer & Wilson, 1998; Balmer, 2001; Cornelissen & Harris, 2001), and managers too have come to realize that strong corporate identity can serve their company in many fundamental ways (see e.g. Melewar & Karaosmanoglu, 2006, pp. 847; Balmer, 2008, pp. 886). Yet, despite their indisputable importance, identities are not fully understood (Balmer, 2008, pp. 882), and their theoretical foundation remains somewhat underdeveloped (He & Balmer, 2007, pp. 766) resulting in a lack of clarity in terms of identity definition and management (Melewar & Karaosmanoglu, 2006, pp. 847).

The motivation for this study derives from the recent shifts of focus in the field of corporate identity research. According to He and Balmer (2007, 767) the focus of the field has moved: (1) from peripheral elements to central elements; (2) from tactical to more strategic approach and; (3) from external focus to internal focus to holistic focus. Initially, the purpose of this research was to study the internal aspects of corporate identity and corporate identity management. However, while focusing on the internal perspective, a clear connection was discovered between the internal-external stakeholder relationships and the corporate identity formation. As follows, the study intends to enhance the understanding of corporate identity formation by investigating the role of employee-customer relationship as one of the key constituters in the identity formation process.

Despite of the growing literature dealing with corporate identity, there has been a lack of empirical studies that address the research topic in question. The viewpoint on corporate identity, being influenced by stakeholder relations, internal or external, is not, however, entirely new in the field of identity research.

The central themes in corporate identity research today

Current research on corporate identity emphasizes the deeper notions and unique characteristics of a company (van Riel & Balmer, 1997; Hatch & Schultz, 1997; Moigneon, 1999; Balmer, 2008) and contradicts the former focus on companies' aspired perceptions (Markwick & Fill, 1997) via means of communication and visual cues (Abratt, 1989; Marguelis 1977). Today, it is commonly agreed that image cannot differ from reality (Olins 1978; Hatch & Schultz, 2008; Bouchikhi et al., 1998; Rindova & Schultz, 1998). As a result, corporate identity is fundamentally concerned with "what organization is" (Cornelissen, Haslam & Balmer, 2007) focusing on the substantive elements (He & Balmer, 2007, 771) that shape the behaviours of organizations' members (van Riel & Balmer, 1997, 341; Moigneon & Ramanantsoa, 1997, 387). He and Balmer (2007, 771) characterize corporate identity no more, no less as "the source and essence of a company", and this way position the concept firmly into the strategic sphere of managerial interest. The new orientation would

require managers to take into account the overall performance of an organization, including internal and external, as well as financial and social dimensions of the corporation (He & Balmer, 2007, 772-773).

Traditionally, the focus of corporate identity has been on external stakeholder groups (i.e. customers) and the corporate personnel have been given more of a supportive role in corporate identity management (see e.g. Kennedy 1977; Dowling 1986; Abratt 1989). The importance of employees has been, however, accentuated as the move to information age and services business required more value based decisions by staff, and their involvement in customer relationship building (de Chernatony, 1999, pp. 159). More recently, Hatch and Schultz (2008) have argued that companies are entering an era of stakeholder capitalism that is changing the balance of power within companies. Today, the internal and external stakeholders make ever stronger claims on companies and their influence affects the identities of the firms that they relate to (Hatch & Schultz, 2008, pp. 206). In fact, the ultimate owners of corporate identities are no longer senior managers, but they are customers, employees and other key stakeholder groups (Balmer et al., 2009, pp. 18). In such an environment, the alignment of the corporate vision, culture and image (Hatch & Schultz, 2001) becomes imperative and the distinction of the external and internal parts of an organization becomes ever more artificial. These changes make it harder to maintain the difference between internal and external orientations (Bouchikhi et al., 1998, pp. 53) and force us to acknowledge that the idea of "them" and "us" is no longer valid.

The formation of corporate identity in the boundaries of an organization

Empirical research on corporate identity construction in the boundaries of an organization is almost non-existing. Nevertheless, the research topic has been touched upon from various viewpoints that the researcher will present in the following.

Many researchers have stressed that internal stakeholders have high sensitivity to the outsiders' views of the organization (Dutton, Dukerich & Harquail, 1994, pp. 248; Stuart, 2002, pp. 36; Alvesson & Empson, 2007, pp. 6). The external perceptions are considered to

reflect on how the members define themselves (Dutton et al., 1994, pp. 256; Alvesson & Empson, 2007, pp. 6) based on listening to feedback, interpreting clues and inclining to wishful thinking (Alvesson & Empson, 2007, pp. 6). The external perceptions consequently affect the identity construction (Alvesson & Empson, 2007, pp. 6) and the more contact a member has with an organization in terms of intensity and duration, the greater the attractiveness of the perceived (organizational) identity and the stronger the (organizational) identification (Dutton et al., 1994, pp. 248). From this it follows that identity should be seen as an evolving, changing notion, developing over time in interaction with internal and external parties (Gioia & Thomas, 1998, pp. 45). Members' attachment to an organization is fundamentally tied to what the organization means to them and what they think it means to others (Dutton et al., 1994, pp. 260). Thus, a central question in aligning culture and image for managers is to consider: "Do our employees care what stakeholders think of the company?" (Stuart, 2001, pp. 132).

The discussion on corporate identity construction in the boundaries of an organization requires further investigation also on the role of identification in the process. In general, identification is concerned with people aligning their personal values (Ind, 2007, pp. 35), goals (Stuart, 1999, pp. 154), identity (Scott et al., 1998, pp. 304), image (Scott & Lane, 2000, pp. 48), attributes (Dutton et al., 1994, pp. 239), culture (Balmer, 2008, pp. 891) or defining essence (Ashforth et al., 2008, pp. 329) with those of the organization. Although, He and Balmer (2007, pp. 769) state that identification deals with the consequence of identity, instead of identity itself, this study proposes that identification can actually affect the identity itself. Alvesson and Empson (2007, pp. 14) for example, have distinguished between organization-driven individuals and individual-driven organizations, where in the former, individuals construct their identity through organizational identification and in the latter, organizational identity is contingent upon the individuals that work there. Alternatively, identity can be seen as an action-led process or a perception of a thing (Ravasi & van Rekom, 2003, pp. 129). In practice, however, elements of both means are at play in identity construction (Alvesson & Empson, 2007, pp. 14). In any case, identification matters

because it is a process by which people come to define themselves and provide the basis for thinking of themselves in a positive light (Ashforth et al., 2008, pp. 334-335).

Study design

The study is conducted as a qualitative research with one multinational case company. Qualitative research method was applied as it is particularly suited to gaining holistic understanding (e.g. Miles and Huberman, 1994), capturing contextual factors (e.g. Marschan-Piekkari et al., 2004), and discovering new variables and relationships (e.g. Shah and Corley, 2006). For capturing the rich, real-world context (Eisenhardt & Graebner, 2007, 25) with the aim of sharpening the existing theory base (Siggelkow, 2007, 21) a case approach was applied. The single-case approach of this study is explicable by the unlimited access granted by the case company to its units all around the world. An unlimited access to an organization is rare and thus, immensely valuable from a scientific point of view (cf. Yin, 2003). Therefore, a multiple case approach was considered unnecessary as the aim was to take advantage of the situation to the full with the objective of truly catching the complexity of the single-case (Stake, 1995). Thus, the single-case was expected to serve as a powerful example on its own (Siggelkow, 2007, 20) with potential to contribute to the theoretical development in the field (Eisenhardt & Graebner, 2007, 30).

The case company in this study is a large, high-technology engineering group with advanced B2B products. The company employs more than 14.000 people around the world with operations in North America, South America, Europe, Australia, and Africa and in the emerging market region of Asia. As a result of multiple acquisitions the company has the most extensive product portfolio in the market and a world-leading position in the selected areas.

For collecting the data face-to-face interview method was applied due to its flexibility and capability to produce in-depth data (e.g. King, 1994; Eisenhardt & Graebner, 2007. 28). In total 220 semi-structured face-to-face interviews were conducted. For capturing the holistic aspect of the case company (Yin, 2003) the interviews took place in ten countries: Chile,

Mexico, Peru, Argentina, Brazil, Australia, France, Germany, USA and Canada with respondents representing different departments, organizational levels, professional groups, both sexes and different age groups. The diversity of the informants will undoubtedly reduce the interview data bias and eliminate any attempts to distort the authenticity of the data by image-conscious management (Eisenhardt & Graebner, 2007, 28). All the interviews were conducted in English except in South-America where an external interpret was used if the interviewee wished so. All the interviews were tape recorded and transcribed to the full. The interview process started in November 2006 and was finished in November 2007.

The findings: the principal schools of thought by Balmer (2008) and the proposed new research strand to the field of corporate identity research

Balmer (2008) has introduced five principal schools of thought that currently characterize corporate identity research. The first research strand is "corporate identity", where the emphasis is on expressing the quintessence and distinctiveness of the corporation (Balmer, 2008, pp. 888). The second strand "corporate identification" refers to the outward-bound symbolic communication encapsulating the corporation's values, standards, purpose and distinctiveness (Balmer, 2008, pp. 889). The difference between the third and fourth research strand is that the former, "stakeholder identification", focuses on identification with corporation per se and the latter, "corporate cultural identification" on the identification to the corporate culture. The distinction being that where "identification with corporation" is formed based on perceptions of the corporation, the "identification to corporate culture" is emotional or cultural in nature. (Balmer, 2008, pp. 890-891.) The fifth research strand "envisioned identities and identification" refers to beliefs about how others see the organization or distinctive parts of it. The envisioned category has multiple applications and it is believed to be highly important since perception can eventually translate into behaviour (Balmer, 2008, pp. 892). (Figure 1)

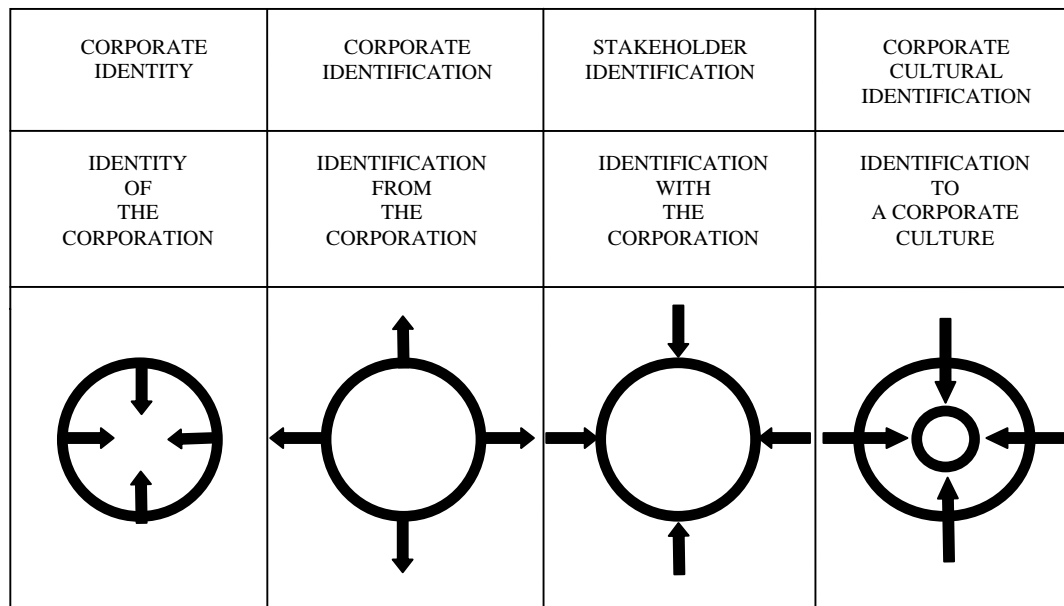| CORPORATE IDENTITY	CORPORATE IDENTIFICATION	STAKEHOLDER IDENTIFICATION	CORPORATE CULTURAL IDENTIFICATION
IDENTITY OF THE CORPORATION	IDENTIFICATION FROM THE CORPORATION	IDENTIFICATION WITH THE CORPORATION	IDENTIFICATION TO A CORPORATE CULTURE

Figure 1   The principal schools of thought relating to identity and identification (excluding envisioned identities) (Balmer, 2008).

According to Balmer (2008, pp. 891) the outsourcing and service support activities prevalent in businesses today have caused the "hollowing out of the corporate shell" meaning that identification occurs at the level of corporate brand rather than at the corporate identity. As a consequence, Balmer (2008, pp. 891) argues that stakeholder brand identification becomes increasingly more meaningful and employee identification with the corporate identity less so. The researcher agrees that identification is likely to occur at the level of corporate brand where the internal-external relationship would serve as the primary influencer (see also Bhattacharya & Sen, 2003). Furthermore, since organizational members' relationships with different stakeholders is seen to influence corporate identity construction (Balmer, 2008, pp. 888; Alvesson & Empson, 2007, pp. 14; Scott & Lane, 2000, pp. 43) it would seem logical to assert that corporate identity in a customer-driven organization is constructed or developed within significant internal-external relationships based on real value creation between employees and customers.

Thus, the proposed research focus "corporate identity creation in the boundaries of an organization" suggests that nowadays, corporate identity is constructed and developed at least partly in the boundaries of an organization as a result of ever deeper and wider involvement of employees with their external counterparts. (Figure 2)


```
┌─────────────────────────────────────┐
│   CORPORATE IDENTITY CREATION IN THE │
│   BOUNDARIES OF AN ORGANIZATION      │
├─────────────────────────────────────┤
│         IDENTIFICATION TO            │
│   THE INTERNAL-EXTERNAL RELATION     │
├─────────────────────────────────────┤
│                                     │
└─────────────────────────────────────┘
```
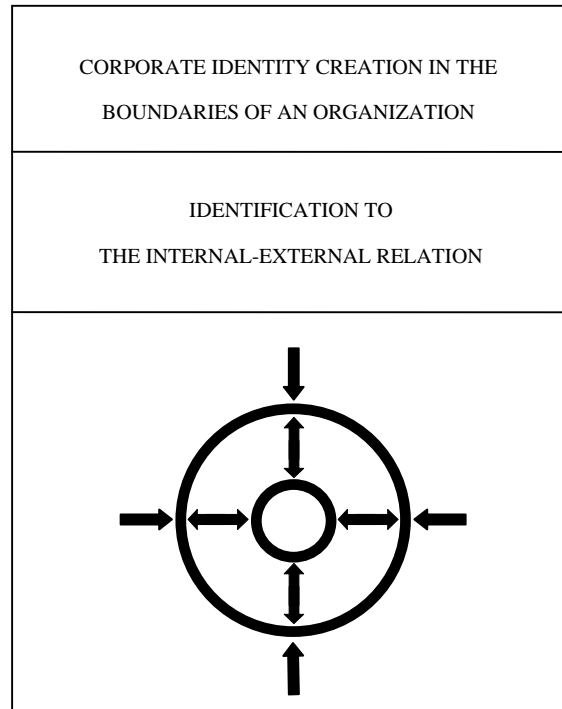
Figure 2   The proposed research strand to the field of corporate identity studies

Based on the model (Figure 2) identity formation can be seen to occur through meaningful encounters between the members of different stakeholder groups at all levels of an organization. Consequently, stakeholders' identification to their relationships is suggested to be one of the major factors in the corporate identity formation.

Next, the researcher will explore and analyse the data in more depth and empirically show that a link exists between the internal-external-relation and corporate identity formation. The findings presented in this working paper are based on initial analysis of the data.

References

Abratt, R. (1989) "A new approach to the corporate image management process", *Journal of Marketing Management*, 5/1, 63-76.

Alvesson, M. and Empson, L. (2007) "The construction of organizational identity: Comparative case studies of consulting firms", *Scandinavian Journal of Management*, 24, 1-16.

Ashforth, B.E., Harrison, S.H. and Corley, K.G. (2008), *Journal of Management*, 34/3, 325-374.

Balmer, J. (2001) "Corporate identity, corporate branding and corporate marketing. Seeing through the fog", *European Journal of Marketing*, Vol. 35, No. 3/4, pp. 248–291.

Balmer, J. (2008) "Identity based views of the corporation", *European Journal of Marketing*, 42/ (9/10), 879-906.

Balmer, J., Stuart, H. and Greyser, S. (2009) "Aligning Identity and Strategy: Corporate branding at British Airways in the late 20th century", *California Management Review*, 51/3, 6-23.

Balmer, J. and Wilson, A. (1998) "Corporate identity. There is more to it than meets the eye", *International Studies of Management and Organization*, Vol. 28, No. 3, pp. 12–31.

Bhattacharya, C. and Sen, S. (2003) "Consumer-Company Identification: A Framework for Understanding Consumers' Relationships with Companies", *Journal of Marketing*, 76/(April), 76-88.

Bouchikhi, H., Fiol, M., Gioia, D., Golden-Biddle, K., Hatch, M.J., Rao, H., Rindova, V. and Schultz, M. (1998), "The Identity of Organizations". In: D. Whetten and P. Godfrey (eds.), *Identity in Organizations,* California: SAGE Publications, pp. 33-80.

Cardador, M. and Pratt, M. (2006) "Identification Management and Its Bases: Bridging Management and Marketing Perspectives Through a Focus on Affiliation

Dimensions", *Journal of the Academy of Marketing Science*, 34/2, pp. 174-184.

Cornelissen, J. and Harris, P. (2001) "The corporate identity metaphor: perspectives, problems and prospects", *Journal of Marketing Management*, Vol. 17, No. 1/2, pp. 49–71.

Cornelissen, J. and Elving, W. (2003) "Managing corporate identity: an integrative framework of dimensions and determinants", *Corporate Communications*, 8/2, pp. 114-120.

Cornelissen, J., Haslam, S. and Balmer, J. (2007) "Social Identity, Organizational Identity and Corporate Identity: Towards an Integrated Understanding of Processes, Patternings and Products", *British Journal of Management*, 18, pp. 1-16.

de Chernatony, L. (1999) "Brand Management Through Narrowing the Gap Between Brand Identity and Brand Reputation", *Journal of Marketing Management*, 15, pp. 157-179.

Dowling, G. (1986) "Managing your corporate images", *Industrial Marketing Management*, 15, pp. 109-115.

Dutton, J., Dukerich, J. and Harquail, C. (1994) "Organizational Images and Member Identification", *Administrative Science Quarterly*, 39, pp. 239-263.

Eisenhardt, K. and Graebner, M. (2007) "Theory building from cases: opportunities and challenges", *Academy of Management Journal,* Vol. 50, No. 1, pp. 25-32.

Miles, M. and Huberman, A. (1994), Qualitative Data Analysis, Sage Publications, London.

Gioia, D. and Thomas, J. (1998), The Identity of Organizations. In: D. Whetten and P. Godfrey (eds.), *Identity in Organizations,* California: SAGE Publications, pp. 43-46.

Hatch, M.J. and Schultz, M. (1997) "Relations between organizational culture, identity and image", *European Journal of Marketing*, 31/(5/6), pp. 356-365.

Hatch, M.J. and Schultz, M. (2001) "Are the Strategic Stars Aligned for Your Corporate Brand?" *Harvard Business Review*, February, pp. 128-134.

Hatch, M.J. and Schultz, M. (2008), Taking brand initiative, Jossey-Bass, San Francisco.

He, H. and Balmer, J. (2007) "Identity studies: multiple perspectives and implications for corporate level marketing", *European Journal of Marketing*, 41/(7/8), pp. 765-785.

Ind, N. (2007), Living the Brand: How to transform every member of your organization into a brand champion, Kogan Page, London.

Kennedy, S. (1977) "Nurturing Corporate Images", *European Journal of Marketing*, 11/3, pp. 120-164.

Marschan-Piekkari, R., Welch, C., Penttinen, H. and Tahvanainen M. (2004), "Interviewing in the multinational corporation: challenges of the organizational context", in Marschan-Piekkari, R. and Welch, C. (Eds.), *Handbook of Qualitative Research Methods for International Business*, Edward Elgar Ltd., Cheltenham, UK, pp. 244–263.

Margulies, W. (1977) "Make the most of your corporate identity", *Harvard Business Review*, July-August, pp. 66-72.

Markwick, N. and Fill, C. (1997) "Towards a framework for managing corporate identity", *European Journal of Marketing*, 31 (5/6), pp. 396-409.

Melewar, T. C. and Karaosmanoglu, E. (2006) "Seven dimensions of corporate identity", *European Journal of Marketing*, 40/(7/8), pp. 846-869.

Miles, M. and Huberman, A. (1994), *Qualitative Data Analysis*, Sage Publications, California.

Moingeon, B. and Ramanantsoa, B. (1997) "Understanding corporate identity: the French school of thought", *European Journal of Marketing*, 31, (5/6), pp. 383-395.

Moigneon, B. (1999) "From Corporate Culture to Corporate Identity", *Corporate Reputation Review*, 2/4, pp. 352-360.

Olins, W. (2003) "Corporate Identity: The myth and the reality". In: J. Balmer and S. Greyser (eds.), *Revealing the corporation*, London: Routledge, pp. 55-65.

Ravasi, D. and van Rekom, J. (2003) "Key Issues in Organizational Identity and Identification Theory", *Corporate Reputation Review,* 6/ 2, pp. 118-132.

Rindova, V. and Majken, S. (1998) "Identity Within and identity Without, Lessons From Corporate and Organizational Identity". In: D. Whetten and P. Godfrey (eds.), *Identity in Organizations,* California: SAGE Publications, pp. 46-51.

Scott, S. and Lane, V. (2000) "A stakeholder approach to organizational identity", *Academy of Management Review*, 25/1, pp. 43-62.

Shah, S. and Corley, K.G. (2006) "Building better theory by bridging the quantitative-qualitative divide", *Journal of Management Studies*, Vol. 43, No. 8, pp. 1821–1835.

Siggelkow, N. (2007) "Persuasion with case studies", *Academy of Management Journal*, Vol. 50, No. 1, pp. 20-24.

Stake, R.E. (1995), *The Art of Case Study Research*, Sage Publications, California.

Stuart, H. (1999) "The Effect of Organizational Structure on Corporate Identity Management", *Corporate Reputation Review*, 2/ 2, pp. 151-164.

Stuart, H. (2002) "Employee Identification with the Corporate Identity", *International Studies of Management & Organization*, 32/ 3, pp. 28-44.

Van Riel, C. and Balmer, J. (1997) "Corporate identity: the concept, its measurement and management", *European Journal of Marketing,* 31/ (5-6), pp. 340-355.

Yin, R. (2003), *Case Study Research: Design and Methods*, Sage Publications, London.