

Corporate identity – A Process of Strategic Interpretation in an MNC

KTM Tuula-Riitta Markkasen kansainvälisen liiketoiminnan alaan kuuluva väitöskirja *Corporate Identity – A Process of Strategic Interpretation in an MNC* tarkastettiin 22.1.1999 Helsingin kauppakorkeakoulussa. Vastaväittäjänä oli KTT Jyrki Ahola Lappeenrannan teknillisestä korkeakoulusta ja kustoksena toimi professori Reijo Luostarinen.

Corporate identity is an ill-defined concept. It has attracted growing interest among both scholars and practitioners in the recent years. But it is still hard to find a holistic view of corporate identity and its management because of the multi-disciplinary nature of identity; it is positioned somewhere between strategic management, marketing, communication, performance management, human resources, and design management. All disciplines tackle the question of identity inside their own paradigms, which leads to overlapping definitions and conceptual chaos.

This research deals with the concepts and management process of corporate identity. The area is said to be growing in importance in global markets and acting as a differentiating factor between companies. The ability to create a sense of corporate strategic direction and the organizational skills and capabilities required is said to be of crucial importance in future competition. A coherent identity means that the organizations knows and understands what it is and stands for, and rising interest in the topic is, therefore, understandable.

The research concerns thus a dynamic process of influencing organizational behaviour and how the organization is perceived. Corporate identity is a contemporary phenomenon within a real-life context: considerable resources, both money and time are devoted to it, but the results of these investments have been difficult to assess in terms of business success. The concept of identity, which should primarily mean exact sameness, has been largely reduced to the visual identification of the company, such as the logo or communication material. Even though often considered 'a boardroom issue', corporate identity is not clearly defined nor positioned on the conceptual map of the discipline of management.

Two objectives were therefore set for the research.

The theoretical objective was to explore the concept of identity in literature. The research wanted to reveal its content, context and managerial approach in the different disciplines where it was handled. The final objective was to define corporate identity as belonging to the discipline of strategic management.

The empirical objective was to understand the managerial process of building and maintaining a coherent identity in a multinational corporation, and build a model describing the elements and interrelationships of such a process. The strategy process was studied in Ahlstrom Corporation. A longitudinal, embedded single case study was made exploring both the corporate and business group level. Many means of gathering data were used: interviews, management workshops, personnel group discussions, internal and participant observation and documentation.

The results are presented here concerning first the concept of identity. Both the concept and context of corporate identity and its management were studied in the literature review which entered, in addition to identity, image and design management, also the areas of communication, internal marketing, performance management and strategic management.

Even in the literature specialized in identity, image and design management corporate identity is defined in various ways, ranging from a holistic strategic concern to the narrow approach of graphic design. The most obvious connotation involved visual signage such as logos and graphic recognizability and external communications in general. However, during the research period, extensive development towards an analytical and holistic approach has taken place both in the academic world and in the publications of practitioners.

The area of internal marketing was more concerned about building a sense of identity for a company. Internal marketing is, however, a discipline which cannot be clearly defined and which has objectives overlapping with, for example, the function

of human resources. The main contribution of the discipline for this research was the analysis of organizational competence development to meet the changing needs of the markets.

Communication was said to provide information and to influence internal relationships. Models of total or corporate communication are presented. Communication seems, however, to keep to its traditional definition, entailing the notion of functionality and strong liaison with the media. This directs the interest to actions and implies that the strategic direction is understood and mutually accepted by management. It also emphasizes communication more as a specialized task for professionals rather than a managerial process of interpretation. A holistic discussion of the meaning of internal communication in influencing transformation processes and identity has, however, recently been initiated.

In performance management literature, the importance of an internal sense of direction was emphasized strongly. Claims were presented for managerial consensus of the strategic cornerstones of the business and for better internal communication in creating understanding of what the company is and stands for. A way of interpreting information, instead of traditional communication, was described e.g. as a process of gathering, interpreting and sharing knowledge beyond functions or other organizational boundaries. A frame for the internal interpretation of strategic knowledge, proposed in this research, was based on a performance management model.

The objective of one sense of direction in a corporation was also presented in the area of strategic management, and the word 'identity' was used in a holistic way to describe the substance reflected to images. The context to identity development was seen against the competitiveness of companies in the future when networks and the need for flexibility in the markets imply new organizational skills and understanding. The discipline of strategic management also helped to analyse the corporate and competitive levels of identity, a subject that was not much discussed in the literature but which is crucially important. The concept of strategy process was also discussed in this part of the literature review.

A managerial and process gap existed in all literature areas reviewed. A strategic objective was set for identity; it would create a sense of direction for the corporation and thus enhance the business and conduct the image. Material was, however, mostly found on functional projects of communication or internal marketing, spread throughout the organization and coordinated more to the functional than to the corporate objectives. Models could be found for studying what the identity or image was like, or how a specific communication program was built, but there was much less discussion of how the process of building and maintaining identity is managed.

Based on the literature analysis and the empirical data, a conceptual framework was developed to reach the theoretical objective of the study: to define corporate identity as a strategic management topic. This frame reveals the basic building blocks of corporate identity and the relationships between them.

The picture reveals the competitive core as the focal point for coordination of all activities. It entails the vision, core competencies and the related core values. These are to be articulated and interpreted to make the roots of competitiveness understandable.

The competitive core acts as an input to a strategic interpretation process, which turns these basic cornerstones into an existing identity. The articulation is, however, not enough to make them part of everyday performance. An executive interpretation is also needed.

If interpreted, corporate identity directs the total performance of the company, which is perceived by the stakeholders. Intentional communication or design management are important supporting tools in influencing these perceptions, but they are, however, internal processes among others and directed by the same business drivers as other processes.

Corporate identity cannot be managed functionally nor externally; it is a question of skilful leadership which entails communication as an inseparable part of managerial work.

The empirical objective of this research was to study the strategy process behind a coherent identity. The case company, Ahlstrom Corporation, has used corporate identity logically to support its transformation and internationalization processes. The research started when the corporation was formed into four business groups. Both the identity development of the

corporation and its interpretation in the more independent business groups could be studied.

The theoretical framework was developed in a pilot study.

In this research, it was followed both in data collection and analysis. This framework described the four major elements of an identity process as 1) the identity strategy, 2) internal interpretation, 3) external interpretation and 4) feedback as well as specific dimensions for all elements.

The first topics proposed as dimensions in the identity strategy are the articulation and executive interpretation of the competitive core, according to the conceptual definition. In the task of strategic interpretation, the management plays a crucial role; a lot of research shows that even though communicated, the vision and strategic are not shared by all executives and managers. Often this is due to a lack of interpretation into business reality.

Secondly, the type of identity is discussed in the identity strategy in terms of the basic nature and structure of the company. A type of identity that will serve the business best is chosen among different alternatives, all working well if logically justified to fit the company's competitiveness.

Thirdly, a common interpretation process was found to be important in implementing the identity strategy in business groups, divisions and units. This would mean that a model of operation, showing the position and means of identity building, would be used in all business groups.

And fourthly, the analysis and development of the management's communication skills and practices in all business levels was proposed as a dimension of identity strategy.

The internal interpretation of identity strategy was the second element of a corporate identity process. It was analysed with respect to the ability of the process to interpret the value and prerequisites of the strategic corner stones. A simple framework was developed for this task.

The third element of the identity process, the image, is created by the stakeholder himself. The company can influence the image by excellent performance. It must also evidence the excellence by signalling it consistently to all audiences, especially to customers. Communication, marketing, PR all enforce the value provided by the corporation and its units. The most important part of image is, however, performance in general, all supporting functions being part of that performance.

The fourth element of the process was the measurement of identity. During the executive articulation and interpretation of the competitive core, the most important variables can be analysed and a measurement system developed. Identity and image are often, however, measured functionally and are not necessarily linked to the measurement of the corporation's performance.

The figure describes the proposed process framework for identity management, which has been developed stage by stage during this research. It shows the four main elements of an identity management process and sheds light on the dimensions of each element. The figure shows a continuous process.

The strategy is drafted on corporate level where its usefulness and relevance in business groups are analysed by the executives. The interpretation takes place in business groups and their units. When interpreting the value and benefit of a corporate identity for a business group, its own elements of identity, related to its own markets and products are combined and intertwined with the corporate ones. The corporate and business group identities may have different emphases; however, they will support rather than contradict each other.

The research was made on an emerging and rapidly developing area of academic and practitioner interest. Much development has taken place since the research started. This research provides conceptual clarity on the area of identity and has developed a strategy process view to identity management which emphasizes the role of leaders and leadership.

This research has discussed the crucial role of performance in building corporate identity and image, giving less emphasis to intentional communication. It has also critically discussed the reasons for communication to be considered interpretation rather than a delivery of a message.

Because of the extensive research area, some questions were left open. Identity-related measurement is an interesting research topic from the managerial point of view if linked to the performance measurement of the company. Further research could also clarify whether the process elements would stay the same in corporations and companies in different fields of operation and especially whether the company features would influence the dimensions of the process elements.

In the area of intentional communication, the researcher has raised the question of more efficient co-operation between designers and the management of the company. The concept of design management could be linked to strategic interpretation, but further research is needed to reveal how this co-operation could be conducted so as to support identity building as a whole.

Finally, the increasing interest among scholars and practitioners in identity building as a holistic process is welcomed. The role of leadership and management is crucial to building an identity for an organization. More management research is needed to remove the stamp of 'visual identity' and functional communication from the concept of identity. Corporate identity would, thus, become an integral part of the discipline of strategic management. According to many scholars, this kind of research will emerge during the next years.