Chapter 3
Corporate Communications in Theoretical Perspective: Stakeholders, Identity and Reputation

Central themes

- Three concepts form the cornerstones of corporate communications: stakeholders, identity and reputation.
- Understanding stakeholder management facilitates the ability of organizations to manage within the current business environment.
- An organization needs to attend to a rich variety of claims and interests of stakeholder groups in the environment, yet at all times needs to profile a coherent corporate identity of itself to each and every one of these groups.
- Corporate identity involves the self-representation of an organization through communications, products and services, and employee behaviour. It is based on the basic, distinct and enduring values of an organization that guide its operations and that, when figuring in communications, set it apart from rival organizations in the eyes of important stakeholder groups.
- The ways in which stakeholder groups regard and value the organization is defined as corporate reputation. Ideally, from a corporate perspective, such a corporate reputation is in line with the communicated corporate identity and thus broadly consistent with the way in which the organization wants itself to be understood.

3.1 Introduction

The previous two chapters have circumscribed the field of corporate communications, its historical antecedents and its uptake in the contemporary world of organizations. The present chapter follows on from these chapters and provides a theoretical extension of the strategic management perspective on corporate communications that was introduced in these first two chapters. Three theoretical cornerstones are presented in this chapter – the concepts of stakeholder, identity and reputation – that together provide the groundwork for the strategic management view of corporate communications. Each of these concepts is central to the theory and practice of corporate communications. The theoretical overview presented in this chapter is therefore also a necessary hurdle that needs to be overcome before the reader is able to delve into the

more detailed discussions of strategic and organizational issues around corporate communications practice in the remainder of the book.

Stakeholders and strategic management

The chapter starts by outlining how stakeholder management is now central to the corporate strategies, operations and communications of many, if not all, contemporary organizations. Organizations, it seems, have increasingly realized that now more than ever they need to attend to a whole range of stakeholder groups successfully for their own as well as for society's sake, and in order to avoid certain stakeholder groups causing a stir or raising issues that are potentially damaging to their reputations. This chapter is about this centrality of stakeholder management to the strategic management of the organization, and the role of corporate communications within it. The nature of stakeholder management is outlined together with its impact on the ways in which organizations are run.

A stakeholder model of strategic management, as was already suggested in Chapter 2, requires a broader and management oriented communications function in comparison to the craft and tactical approaches that have gone before. Corporate communications has arisen as this strategic management function and is equipped with the relevant concepts and tools for gaining acceptance of the organization and its operations with important stakeholder groups. The central concepts of corporate identity and reputation management are presented as one important way in which corporate communications, and the practitioners working within it, can guide organizations in their dealings with various stakeholders and harness the strategic interests of the organization at large.

3.2 Understanding stakeholder management and corporate communications

The previous chapter briefly mentioned how a broader stakeholder conception of the environment permeated the business world in the early 1990s. This stakeholder perspective is the result of a powerful restructuring trend that swayed through the business world in the 1980s and 1990s, and effectively established the view that every organization is dependent upon a number of stake-holding constituents instead of just a rather select group of financial investors or customers alone.[1] Heightened competition, greater societal claims for 'corporate citizenship', and pressures from the side of governments and the international community continue to suggest to corporations that the stakeholder perspective is the preferred option, if not the standard, for doing business in the first decade of the new millennium and beyond. A raft of stakeholder initiatives and schemes at the industry, national and transnational levels has arisen to this effect – including Green Papers of the European Union (Promoting a European Framework for Corporate Social Responsibility 2001, Partnership for a New Organization of Work 1997), UK Business and Society Report 2002 (Department of Trade and Industry 2002), UN World Summit for Sustainable Development (Johannesburg 2002), UN Global Compact (2004), the Global

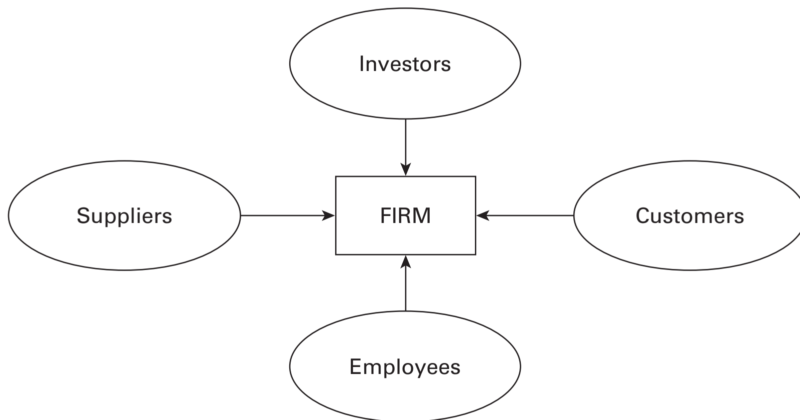

Figure 3.1 Input–output model of strategic management

Reporting Initiative (1997), the World Bank's Business Partners for Development, and the OECD Guidelines for Multinational Companies (2003) – all emphasizing the wider responsibilities of organizations to *all* of their stakeholders, and indeed society at large, that stretches beyond financial performance alone. The Social Economic Council, a government think-tank and advisory body in the Netherlands, illustrates this 'wider' responsibility by stating that an organization 'has a visible role in society that extends beyond the core business and legal requirements, and that leads to added value to the organization as well as the society at large'.[2]

The stakeholder model of strategic management

Conceptually, the widespread adoption of the stakeholder perspective in business marks a move away from the *neo-classical economic theory* of the firm to a *socio-economic theory*, within which the stakeholder perspective is embedded. A neo-classical economic theory of the firm prescribes that the purpose of organizations is to make profits in their accountability to themselves and shareholders, and that only in doing so can business contribute to wealth for itself as well as society at large.[3] The socio-economic theory suggests in contrast that the notion of accountability in fact looms larger: to other groups outside shareholders, for the continuity of the organization and the welfare of society. This distinction between a conventional neo-classical 'input–output' perspective and a stakeholder conception of strategic management is highlighted by the contrasting models displayed in Figures 3.1 and 3.2.[4] In Figure 3.1, the firm is the spill of the economy, where investors, suppliers and employees are depicted as contributing inputs, which the 'black box' of the firm transforms into outputs for the benefit of customers. Each contributor of inputs is rewarded with appropriate compensation and, as a result of competition throughout the system, the bulk of the benefits will go to the customers. It is important to note that within the input–output model power lies with the firm, upon which the other parties are dependent, and that the interest of these other groups and their relationship to the

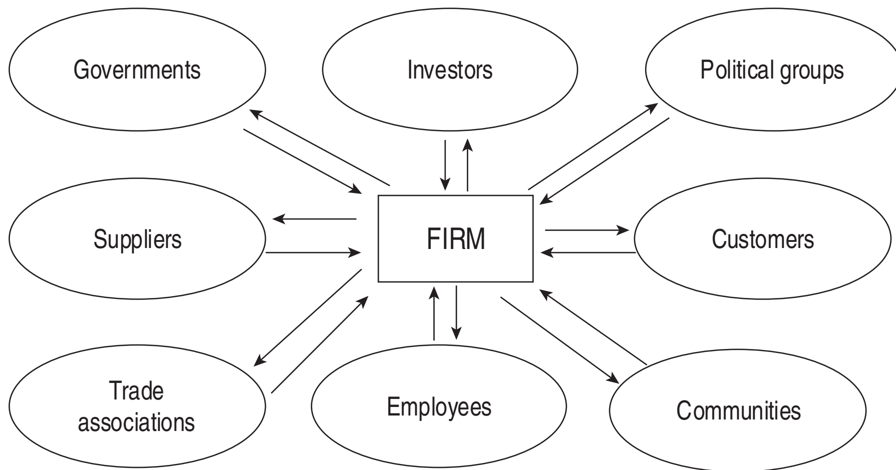

Figure 3.2 Stakeholder model of strategic management

firm is merely financial. The stakeholder model (Figure 3.2) contrasts explicitly with the input–output model in all its variations. Stakeholder management assumes that all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and there is no prima facie priority of one set of interests and benefits over another. Hence, the arrows between the firm and its stakeholder constituents run in both directions. All those groups which have a legitimate stake in the organization, whether purely financial, market-based or otherwise are recognized, and the relationship of the organization with these groups is not linear but one of interdependency. In other words, instead of considering organizations as immune to government or public opinion, the stakeholder management model recognizes the mutual dependencies between organizations and various *stake-holding* groups – groups that are themselves affected by the operations of the organization, but can equally affect the organization, its operations and performance.

The picture that emerges from all this is a far more complex and dynamic one than the input–output model of strategic management that preceded it. More persons and groups with legitimate interests in the organization are recognized and accounted for, and these individuals and groups all need to be considered, addressed and/or accommodated by the organization to bolster its financial performance and secure continued acceptance of its operations. One further significant feat of the stakeholder model of strategic management is that it suggests that an organization needs to be found 'legitimate' by both 'market' and 'non-market' stake-holding groups, the notion of legitimacy stretching further than financial accountability to include accountability for the firm's performance in social (social responsibility, community involvement, labour relations record, etc.) and ecological (e.g. the reduction of harmful waste and residues, the development of ecologically friendly production processes, etc.) terms.

True, organizations have always, even before the widespread adoption of the stakeholder philosophy in the early 1990s, dealt with so-called 'non-market' groups

or publics (see also Chapter 2). However, before stakeholder management, such non-market groups were seen as necessary to communicate with only because of their indirect or more direct capacity to block markets within the context of the input–output model,[5] or their ability to condition or affect customer relationships and sales. Igor Ansoff, an eminent strategy professor, illustrated this feat of the input–output model, in his 1960 *Corporate Strategy* book in which he made a distinction between economic or market objectives and social or non-market objectives; with the latter objectives being a secondary, modifying and constraining influence on the former.[6] The stakeholder concept, in contrast, provides a drastically different view of the nature of the relationship of an organization with such non-market parties as governments, communities and special interest groups. These non-market groups are first of all credited as forces that need to be reckoned with; and the relationship of the organization with these non-market groups, as well as with market groups, is characterized by institutional meaning. In this institutional or socio-economic view, an organization is seen as being part of a larger social system that includes market and non-market parties, and as dependent upon that system's support for its continued existence. Organizational goals and activities must in this sense be found *legitimate* and valued by all parties in the larger social system, where every market or non-market stakeholder has to be treated by the organization 'as an end in itself, and not as a means to some other end'.[7]

Accountability of the organization towards all stake-holding groups stretches, as mentioned, further than financial performance alone into the social and ecological realms, and is captured with the roomier concept of *legitimacy*. This notion of legitimacy derives from norms and values of each of the stakeholder groups depicted in Figure 3.2 about what each deems acceptable and favoured of an organization. Having a *reputation* as a financially solid organization with a proven social and ecological track record (particularly in such areas as labour conditions, environmental performance and promotion of human rights) normally provides sufficient ground to be found legitimate by most, if not all, stakeholder groups. Framing accountability through the concept of legitimacy also means that organizations engage with stakeholders not just for *instrumental* reasons where it leads to increases in revenues and reductions in costs and risks (as transactions are triggered from stakeholders or as a reputational buffer is created for crises or potentially damaging litigation) but also for *normative* reasons. Instrumental justification points to evidence of the connection between stakeholder management and corporate performance. Normative justification appeals to underlying concepts such as individual or group 'rights', 'social contracts', morality, and so on.[8] From this normative perspective, stakeholders are persons or groups with legitimate interests in aspects of corporate activity; and they are identified by this interest, whether the corporation has any direct economic interest in them or not. The interests of all stakeholders are in effect seen as of some intrinsic value in this view. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners.

Instrumental or normative motives for engaging with stakeholders, however, often converge in practice, as social and economic objectives are not mutually exclusive[9] and as 'doing good' with one stakeholder group delivers reputational returns and easily carries over and impacts on the views of other stakeholder groups. So, while

certain initiatives and communications towards stakeholder groups may have been started for normative, even altruistic reasons – to be a 'good corporate citizen' as an end in itself, so to speak – the gains that this delivers in terms of employee morale, reputation, and so on, are often considerable and clearly of instrumental value to the organization. Kotter and Heskett specifically observed that such highly successful companies as Hewlett-Packard (HP) and Wal-Mart, although very diverse in other ways, share a stakeholder perspective: 'almost all [their] managers care strongly about people who have a stake in the business – customers, employees, stockholders, suppliers, etc.'[10] As HP's former chairman and CEO Lewis Platt once noted, many companies consider their shareholders to be far more important than their customers and employees, but he suggested that by doing so they loose their employee's support and the quality of their customer service also declines. Kotter and Heskett also observed that although HP and Wal-Mart had originally adopted a stakeholder philosophy for both instrumental and normative reasons, this philosophy has turned out instrumental and successful overall.

The nature of stakes and stake-holding

Having sketched some of the background to stakeholder management, it is helpful to devote a bit more space to discussing the concepts of 'stake' and 'stakeholding'. The standard definition of a stakeholder is the one provided by Freeman, where *a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's purpose and objectives*.[11] A stake, which is central to this definition and to the notion of stake-holding in general, can be described as 'an interest or a share in an undertaking, [that] can range from simply an interest in an undertaking at one extreme to a legal claim of ownership at the other extreme'.[12] The content of stakes that are held by different persons and groups is varied, and depends on the specific interests of these individuals or groups in the organization. Special interest groups and NGOs which demand ever higher levels of 'corporate social responsibility' from an organization, for example, in such instances exercise their societal stake in the organization, which at any one time may coincide with investors who for their part apply relentless pressure on that same organization to maximize short-term profits. Stakes of different individuals and groups may thus be at odds with one another, putting pressure on the organization and demanding it to balance stakeholder interests.

Understanding the stakes of stakeholders and their priority thus offers strategic advantages to organizations in the current business climate over conceiving of an organization's environment as being composed of innumerable individuals and institutions, or as consisting of markets alone. Freeman was among the first to offer a classification for coming to terms with all those groups which hold a stake in the organization. In his classic 1984 book *Strategic Management: A Stakeholder Approach*, Freeman considered three groups of stakes: equity stakes, economic or market stakes, and influencer stakes. Equity stakes, in Freeman's terminology, are held by those who have some direct 'ownership' of the organization, such as stockholders, directors or minority interest owners. Economic or market stakes are held by those who have an economic interest, but not an ownership interest, in the organization, such as employees, customers, suppliers and

Table 3.1 Contractual and community stakeholders

Contractual stakeholders	Community stakeholders
Customers	Consumers
Employees	Regulators
Distributors	Government
Suppliers	Media
Shareholders	Local communities
Lenders	Pressure groups

competitors. And lastly influencer stakes are held by those who do not have either an ownership or economic interest in the actions of the organization, but who have interests as consumer advocates, environmental groups, trade organizations and government agencies. By considering these groups of stakes, Freeman specified the nature of stakes in terms of the interest of various groups in the organization – whether this interest was primarily economic or moral in nature – and whether this interest was bound in some form through a contract or (moral) obligation.

One way of looking at stakes is thus whether the interest of a person or group in an organization is primarily economic or moral in nature. Clarkson suggests in this respect to think of primary and secondary groups of stakeholders, with primary groups being those groups that are important for financial transactions and necessary for an organization to survive.[13] In short, in Clarkson's view, a primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern. Secondary stakeholder groups are defined as those which generally influence or affect, or are influenced or affected by, the corporation, but are not engaged in financial transactions with the corporation and are not essential for its survival in strict economic terms. Media and a wide range of special interest groups fall within the secondary group of stakeholders. They do, however, have a moral or normative interest in the organization and have the capacity to mobilize public opinion in favour of, or in opposition to, a corporation's performance, as demonstrated in the cases of the recall of Tylenol by Johnson & Johnson (favourable) and the Exxon Valdez oil spill (unfavourable).

A second way of viewing stakes is to consider whether or not stakeholder ties with an organization are established through some form of contract or formal agreement. Charkham talked about two broad classes of stakeholders in this respect: contractual and community stakeholders.[14] Contractual stakeholders are those groups which have some form of legal relationship with the firm. Community stakeholders involve those groups whose relationship with the firm is more diffuse but nonetheless real in terms of its impact. Put differently, while community stakeholders are not contractually bound to an organization, such groups as the government, regulatory agencies, trade associations, professional societies and the media are important in providing the authority for an organization to function, setting the general rules and regulations by which activities are carried out, and monitoring and publicly evaluating the conduct of business operations. Contractual groups, including customers, employees and suppliers, are formally and more directly tied to an organization, and the nature of their interest is often economic in providing or extracting resources from the firm (Table 3.1).

In sum, the notion of having a true and legitimate stake in an organization is rather 'inclusive' and ranges from economic to moral interests, and from formal, binding relationships as the basis of stake-holding to more diffuse and loose ties with the organization. This inclusiveness implies that organizations attend to all of their stakeholders, and communicate with them; a point that once again emphasizes the need for organizations to project a favourable image to all stakeholder groups in a coordinated manner through all of their public relations and marketing activities. One further way in which this inclusive nature of the stakeholder concept is shown is in corporate social responsibility (CSR) initiatives that have been adopted by many organizations in recent years. CSR can be defined as the adoption by an organization of 'the responsibilities for actions which do not have purely financial implications and which are demanded of an organization under some (implicit or explicit) identifiable contract'.[15] CSR includes philanthropy, community involvement, and ethical and environmentally friendly business practices. CSR falls neatly within the stakeholder philosophy of strategic management, and underlines that for the majority of organizations today the input–output model of strategic management has indeed become a relic of the past.

Stakeholder management and corporate social responsibility

The impetus for CSR came with a recognition of the need for business to deliver wider societal value beyond shareholder and market value alone, and has in recent years become more pertinent through expectations voiced by the international community, NGOs, pressure groups, as well as many market parties. At the European Summit in Lisbon (March 2000), the European Council made a special appeal to companies' sense of responsibility, and linked CSR closely to the Lisbon 2010 strategic goal for a knowledge-based and highly competitive, as well as socially inclusive, Europe. Internationally, the UN World Summit for Sustainable Development in Johannesburg in 2002 voiced the need for businesses to contribute to the building of equitable and sustainable societies, wherever they work. Recognizing the urgency of this responsibility, many CSR schemes and standards have in recent years been developed and suggested by major international agencies. These schemes and standards should not merely be seen as an effort to support or judge companies' licence to operate in countries all over the world; rather they mark the priority that is now given to finding new ways to take up larger development and societal goals and towards establishing a new role for business in the new millennium.

On top of the momentum that has gathered around CSR in the international community and public policy arenas, organizations often also consider CSR in an effort to boost their own reputations. With the media constantly reporting on their affairs, and because of the greater product homogeneity and competition in many markets, many organizations realized that doing business in a responsible and just manner offers strategic and reputational advantages. As with stakeholder engagement, CSR initiatives may in the first instance be started for either moral or instrumental reputational reasons, which is nonetheless very hard to clearly establish or infer given the 'significant difficulties in distinguishing whether business behavior is truly moral conduct or instrumental adoption of an appearance of moral conduct as reputational

strategy'.[16] Yet, despite the motives for engaging in it, CSR initiatives are nonetheless of instrumental value to the firm in that research has over and again found that these initiatives are related to reputational returns and an overall better financial performance.[17] Box 3.1 presents a case study of the Co-operative Bank in the United Kingdom, an organization that places CSR at the heart of its business operations and market strategy.

Box 3.1 Case study: the Co-operative Bank and corporate social responsibility

The Co-operative Bank PLC is a mid-size clearing bank operating in the United Kingdom. By the mid-1980s the enviroment and context of the Co-operative Bank had changed dramatically because of the financial service revolution where deregulation had removed barriers to entry (e.g. building societies), new technology had become the basis of competition and the consumer had become more sophisticated. In short, there was at that time an increase in competition both between the banks and within the financial sector as a whole within the UK. As a result, the major banks (including Barclays, NatWest and the Bank of Scotland) turned to a more selective positioning strategy, placing the Co-operative Bank PLC at a major competitive disadvantage because of the high awareness that these other banks enjoyed through size, high street presence and advertising expenditure. Hence, the Co-operative Bank PLC needed to find itself a niche or secure a long-term positioning strategy.

The Bank started a soul-searching exercise and reinterpreted the Co-operative philosophy that lies at its foundation. The Bank asked itself whether it can 'conduct its business in a socially and environmentally responsible manner while being consistently profitable at the same time' and concluded that it could. As the Bank's website now states: 'In fact we believe that, in the years to come, the only truly successful businesses will be those that achieve a sustainable balance between their own interests, and those of society and the natural world … The Co-operative Bank is seeking to achieve this balance'.

The Co-operative Bank PLC is indeed now well known within the financial and banking industry for its unique ethical positioning and CSR reporting that distinguishes it from its competitors. This ethical positioning strategy, according to some academic commentators, is not so much a moral affair but needs rather to 'be seen as a pragmatic response to the Bank's conundrum relating to its positioning strategy', where 'the Bank could promote itself as a proponent of people's capitalism, an ethical bank, in contrast to the images of the big banks tainted by association with Third World debt, South African involvement, city scandals and huge profits'.[18]

Whether its ethical policy is indeed based on more pragmatic and economic rather than purely moral reasons, the Bank's strategy has nevertheless been successful on many accounts. Since launching its ethical positioning in May 1992, the Bank has attracted large numbers of customers who do not wish their money to be used in ways that they object to ethically, as the Bank will not do business with certain organizations deemed 'unethical'. The Bank also generally believes that it has sharply positioned itself within an increasingly homogeneous financial services industry and estimates that around 15 to 18 per cent of annual profits is directly due to its responsible stance and behaviour. And Sustainability, a consultancy that evaluates CSR

reporting of organizations worldwide, ranked the Co-operative Bank as the absolute number one in 2002: as a true 'expert' in stakeholder engagement. The Bank was judged as an industry leader in setting CSR targets and being clear about how it has performed against previous ones; in having its social report independently verified; and in its discussion of financial exclusion that was seen as 'a good example of economic impacts well beyond the traditional understanding'.

Questions for reflection

1. What were, do you think, the motives for the Co-operative Bank to adopt its ethical positioning strategy and place it at the heart of all its business operations? Were these motives economic or rather moral in nature?
2. What aspects of the CSR strategy followed by the Co-operative Bank have led to its success and acclaim in the business world? And what, in general, are sound and just tactics in CSR behaviour and reporting?

For the above-mentioned reasons, many organizations have now started talking about the 'triple bottom line': people, planet and profits.[19] John Elkington introduced the term and suggested that firms need to develop and report on CSR activities, activities that include social (people) and ecological (planet) initiatives (see Box 3.2), to meet their responsibilities beyond the generation of profits and healthy financial accounts. 'People' stands for all social and labour issues both inside and outside the organization, including employee support and compensation, gender and ethnic balance of the workforce, reduction of corruption and fraud, and more general *codes de sanitaire*. 'Planet' refers to the responsibility of organizations to integrate ecological care into its business operations, such as the reduction of harmful waste and residues and the development of ecologically friendly production processes. 'Profit' involves the conventional bottom-line of manufacturing and selling products so as to generate financial returns for the organization and its shareholders. This latter category of responsibilities is often considered as a baseline or requisite before an organization can even start considering meeting its social (people) and ecological (planet) responsibilities. That is, these other responsibilities cannot be achieved in the absence of economic performance (i.e. goods and services, jobs and profitability) – a bankrupt firm will cease to operate.[20]

Box 3.2 Management brief: corporate social responsibility reporting[21]

The founders of Ben & Jerry's, the funky ice cream manufacturers now part of the Unilever group, believe that business should give something back to the community that supports it. But what makes Ben & Jerry's unique and from a CSR perspective interesting is that the company was one of the first organizations to acknowledge its

shortcomings publicly, going so far as to print them as part of the social assessment in its annual report to shareholders. A growing number of organizations have since followed suit, and are among the elite that now publish rather frank society or social reports that appear alongside financial reports and in which they systematically report upon their social and ecological performance over the past year.

Yet, at the same time, most of the large organizations around the world still report little, if anything, about their impact upon society. And, what is worse, many who have pledged to take CSR reporting on board often put out glossy reports that are more about style than substance, according to Sustainability, the consultancy that evaluates CSR reporting of organizations worldwide. A recent report from think-tank Demos strengthens these observations through its comments that companies view social responsibility as a PR exercise instead of a refocusing and reshuffling of their business operations. The Institute of Public Policy Research in the UK equally controversially revealed that only four out of ten company boards discuss social and environmental issues, routinely or occasionally, and that only a third of organizations have a board member with an environmental remit or with an interest in social issues.

So what appears to be at stake is that despite paying lip service to CSR, many organizations have not yet come round to developing and implementing fully fledged CSR initiatives within their business operations. This may be due to the fact that it is still early days, and that transparent standards and benchmarks of what constitutes social and ecological performance are lacking. As a result, many organizations fence with CSR, but take it rather easy and loosely when it comes down to implementing it in a substantial and comprehensive manner. In a recent article in the *Financial Times*, Schrage, an expert on social auditing, warned that these days may soon be over. On a worldwide scale, the public is demanding ever greater scrutiny and more evidence of CSR activities, and also governments are toughening their stance on what they endorse as good CSR reporting. Schrage writes: 'the message to multinational business – and to global regulators – is that social accountability demands the same kind of independent scrutiny as financial auditing'.

There are, however, difficulties with setting clear, unequivocal standards and with enforcing them, also because (transnational) authorities and institutions that would develop and guard such standards have not come forward yet. This of course plays into the hand of the current CSR malpractice and the 'anything goes' strategy. Schrage acknowledges these difficulties, yet advocates that 'just as the Securities and Exchange Commission and Financial Accounting Standards Board establish a framework in the US for public accountants to evaluate corporate financial performance, a new reporting system is needed for independent review of corporate social performance'. Such a system, when governments and industries are ready for it, will at least need clear social standards (in such areas as labour conditions, environmental performance and promotion of human rights), a professional corps of social auditors (independent of corporate control and accountable to the public), and safe harbours that limit legal liability (so as to encourage companies to open their businesses to social audits).

Until that day comes, and in order to be ahead of the pack, here are five guidelines for CSR reporting that according to Sustainability and others have proven successful:

1. An organization needs to show that it is serious about CSR by setting clear objectives for social and ecological performance annually, and by systematically reporting on the results achieved afterwards.

2. Targets should include issues that are relevant to stakeholders, and should be linked to benchmarks and standards (at the industry and policy levels) wherever possible.
3. Targets need to be progressive in bringing new aspirations and standards to bear upon business operations instead of a regurgitating of existing practices that may be seen as socially and ecologically viable.
4. Reporting needs to be an honest, transparent and full-scale self-assessment instead of a polishing of performance data.
5. Performance data need to be rigorously assessed and verified by credible auditors (accountants or consultants) wherever possible.

Up to this point, the discussion has been around the more general aspects of the stakeholder management model. The concept of stake-holding was outlined, and the discussion emphasized the interdependency between an organization and its stakeholders and in particular the need for an organization to be found *legitimate* by all of them. This stakeholder model provides the context within which organizations, and particularly the senior managers and communications practitioners who work within them, now work and manoeuvre. Important implications that follow from this model are that:

- A corporate image needs to be actively projected to all stakeholder groups, so that these groups upon which the organization is dependent accept and value the organization and its operations as *legitimate*. The input–output model (Figure 3.1), in comparison, never demanded organizations to readily profile themselves and stand out on both financial and societal issues; nor did it require the approval of parties other than customers and investors. Stakeholder management thus requires organizations to think about their business and the profile that they want to have with important stakeholder groups, and whether this profile is sufficient to be accepted and favoured. The conceptual machinery that organizations have at their disposal to address this issue involves the concepts of identity and reputation, to which the chapter turns next.
- Stakeholder management emphasizes the need for both marketing and public relations as 'equal management partners' for communicating with and building relationships with *all* the stakeholders of an organization, and for a managerial framework from where communication efforts can be balanced and coordinated.[22]

3.3 Understanding identity and corporate communications

The stakeholder model posits that the various stakeholders of the organization need to be identified and they must be addressed for the stake that they hold. In practice, this comes down to providing stakeholders with the type of information about the company's operations that they have an interest in. Financial investors and shareholders, for instance, will need to be served with financial information or cues

concerning the organization's strategy and operations (e.g. via annual reports, shareholder meetings, etc.), while existing and prospective customers need to be supplied with information about products and services (e.g. advertising, sales promotions, in-store communications). Each of these stakeholder groups, on the basis of the stake(s) that an individual holds in an organization, looks for and is interested in certain aspects of the company's operations. While the interests of stakeholders are intricately varied, and at times even at odds with one another (e.g. staff redundancies are a blow to the workforce, but may be favoured by shareholders and investors who have an interest in the financial strength and continuity of the firm), it is important that an organization provides each stakeholder group with specific information, yet at the same time projects a unified, clear and single corporate identity to all of them.

Stakeholder management and identity

The issue of identity takes shape and becomes salient in the context of a stakeholder management model of strategic management. An input–output model (Figure 3.1) of strategic management, where a corporation's strategies are wholly geared towards shareholder or customer capitalism, in comparison, obviously does not force an organization to think about itself, about the business it is in, and about what it wants to be known and appreciated for by all of its stakeholder groups beyond the financial community or customers alone. The notion of identity, in other words, is central to stakeholder management, as the following points from research and practice suggest:

- An individual may have more than one stakeholder role in relation to an organization, and ensuring that a consistent picture of the organization is sent out avoids potential pitfalls that may occur when conflicting messages are sent out. Employees, for instance, are often also consumers in the marketplace for the products of the company that they themselves work for. When companies fail to send out a consistent identity (and thus fail to match all their internal and external communications), it threatens employees' perceptions of the company's integrity: they are told one thing by management, but observe that a different message is being sent to the marketplace.
- A sense of identity, and the core values that underpin it, provide an anchor around which all activities and communications can be structured and carried out. Everything a company says, makes or does leaves an impression with stakeholders, or, put differently, 'communicates' in the broad sense of the word. Identity, when permeating all of the diverse behaviours, communications campaigns and products and services issued by the organization, facilitates the process of ensuring that consistent messages are being sent out.
- As a result of the distinctiveness that an identity gives, it also helps stakeholders find or recognize an organization. Identity, when consistently communicated, creates awareness, triggers recognition, and may also instil confidence among stakeholder groups, because these groups will have a clearer picture of the organization.[23]
- Inside the organization a strong identity can help raise motivation and morale among employees by establishing and perpetuating a 'we' feeling, and by allowing people to identify with their organizations.

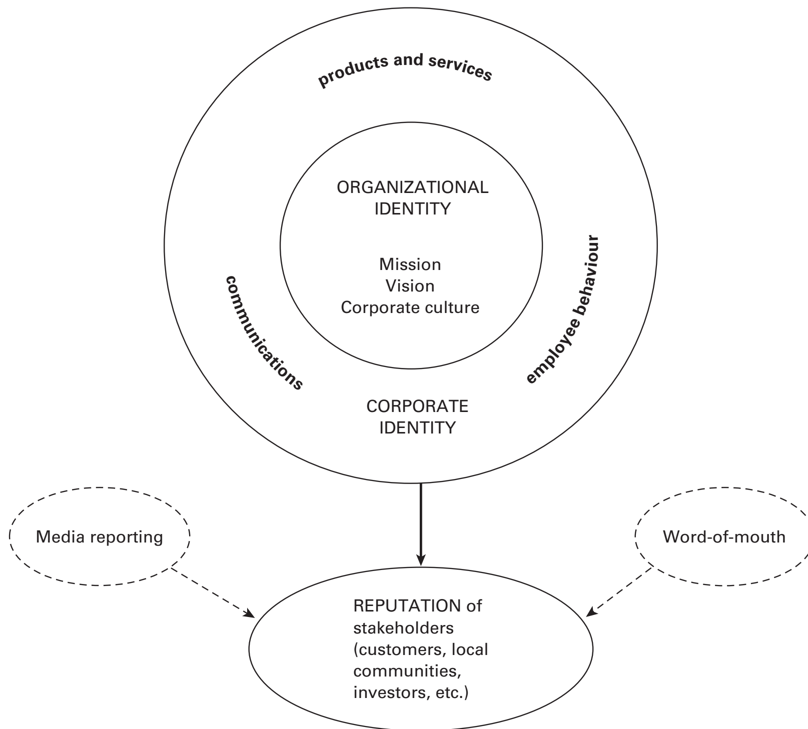

Figure 3.3 Identity, reputation and stakeholder management

The above-mentioned points underline that the concept of identity is paramount to organizations, the scope of their strategies, and how communications with stakeholders are managed. The spectrum of identity involves at one end deep-seated questions concerning what the organization is and what it stands for, often referred to as the organization's identity or *organizational identity*. At the other end, identity involves the act of expressing an image of the organization to stakeholders through all communications campaigns, employee behaviour and products and services. The management of all such communications and expressions towards stakeholders is conceptually referred to as *corporate identity*. Christensen and Cheney, two communications scholars, suggest that because of these two sides to identity – organizational identity and corporate identity – it 'includes under its head both the strict sense of an organization's name or identifying emblems (e.g. logos) and the much broader sense of a system's representations by/to itself and by/to others'.[24] Figure 3.3 displays these two concepts and their relationship to another central concept within corporate communications: the *reputation* that stakeholders have of an organization.

Figure 3.3 spells out that organizations need to be conscious of the corporate identity that they project to external stakeholders in order to achieve strong and favoured reputations, and that this corporate identity needs to be managed, as well as informed and guided, by the organizational identity: the organization's core values. Of course, reputations that stakeholders form of the organization are not only based

on the information and cues that are received from the organization itself, as other sources including word-of-mouth and media reporting have an impact as well. Figure 3.3 suggests nonetheless that successful companies realize and work from the position that their own communications, products and behaviour have a key impact on the reputations that stakeholders hold, and that their own corporate identity mix needs to be managed accordingly. In this process, organizations need to link the corporate identity – the picture of the organization that is presented to external stakeholders – to the organizational identity – the values that members of the organization themselves associate with the organization and ascribe to it. This idea is present in many academic and practitioner writings, where corporate identity is considered as the self-presentation or outward manifestation of an organization that is based on the company philosophy, strategy, culture and vision; in short, its organizational identity.[25] Making sure that the corporate identity is rooted in the organizational identity then not only offers a distinctive edge in the marketplace, but also ensures that the image that is projected is not cosmetic but authentic and actually carried and shared by members of the organization.

Organizational identity and corporate identity

Conceptually, corporate identity can thus be defined as the picture of the organization in terms of how this is presented to various audiences. Originally, corporate identity was associated with logos and the company house style (stationary etc.) of an organization, but has gradually been broadened to include all communications (e.g. advertising, events, sponsorship, press/publicity and promotions), and all the ways – including products and services and employee behaviour – through which a picture of the organization is communicated. Corporate identity is thus quite encompassing, and as a consequence, spirals out into different functional areas within the organization. Communications practitioners (including marketing communications professionals), while involved with senior management in the overall formulation of the corporate identity, often bear the direct responsibility only for corporate symbolism and communications, while product and brand managers are responsible for the positioning of products and services, and human resource staff and middle managers for the guidance to and monitoring of employee behaviour.

Organizational identity relates to how an organization's members perceive and understand the organization.[26] Organizational identity is often defined with the central questions of 'who we are' and 'what we stand for' that managers put to themselves and other members of the organization. This then results in a number of values, beliefs and aspirations that are commonly captured in the mission, strategic vision and the more general corporate culture of an organization. The mission and vision represent the basic who and what of an organization: what business the organization is in and what it wants to be known and appreciated for. The mission often already includes a statement on the beliefs that constitute the organization's culture and underpin its management style and strategy, and also suggests how it wants to be known by groups outside the organization. Design guru Wally Olins phrased the difference between organizational identity (a concept that he initially labelled as corporate personality) and corporate identity rather vividly within the following quote:

> Corporate personality [i.e. organizational identity] embraces the subject at its most profound level. It is the soul, the persona, the spirit, the culture of the organization manifested in some way. A corporate personality is not necessarily something tangible that you can see, feel or touch – although it may be. The tangible manifestation of a corporate personality is a corporate identity. It is the identity that projects and reflects the reality of the corporate personality.[27]

In sum, *corporate identity is thus concerned with the construction of identity to differentiate a company's position and offerings in the eyes of important stakeholder groups. Organizational identity, on the other hand, is founded in deeper patterns of meaning and sense-making of people within the organization and leads to shared values, identification and belonging.* While these two concepts can be analytically separated (as I have just done), corporate identity and organizational identity should rather be seen as two sides of a coin within organizational practice. Developing corporate identity must start with a thorough analysis and understanding of the underlying mission and culture, the existing organizational identity, rather than rushing into communicating what might be thought to be the company's core values in a superficial manner. Equally, whatever picture is projected to external stakeholders has an effect upon the beliefs and values of employees, and thus on the organizational identity, as employees mirror themselves in whatever messages are being sent out to external stakeholder groups.[28] The two sides to identity in organizations, organizational identity and corporate identity, therefore cannot and should not be seen as separate. This point is also affirmed and strengthened by studies into 'excellent' companies carried out over the past two decades. Writers such as Hamel and Prahalad, Peters and Waterman, and Collins and Porras, have all found that what truly sets an 'excellent' company apart from its competitors in the marketplace in terms of the power of its images and products can be traced back to a set of values and related competencies that are authentic and unique to that organization and therefore difficult to imitate. Collins and Porras, in their analysis of companies that are industry leaders in the US, argue that 'a visionary company almost religiously preserves its core ideology – changing it seldom, if ever'.[29] From this adherence to a fundamental set of beliefs or a deeply held sense of self-identity, as Collins and Porras point out, comes the discipline and drive that enables a company to succeed in the rapidly changing, volatile environments that characterize many contemporary markets.

So, what constitutes an organizational identity, and in what way, when informing and leading into a corporate identity, does it set an organization apart from other companies in the same sector? Albert and Whetten, who were among the first in 1985 to come to terms with the notion of organizational identity, talked about specific characteristics or 'traits' of an organization in all of its strategies, values and practices that give the company its specificity, stability and coherence. They argued that just as individual human beings express a sense of personal distinctness, a sense of personal continuity, and a sense of personal autonomy, organizations equally have their own individuality and uniqueness. And just as the identity of individuals may come to be anchored in some combination of gender, nationality, profession, social group, life style, educational achievements or skills, so an organization's identity may be anchored in some combination of geographical place, nationality, strategy, founding, core business, technology, knowledge base, operating philosophy or organization design.

Table 3.2 Identity structures

Identity structure	Definition	Example
Monolithic	Single all embracing identity (products all carry the same corporate name)	Sony, BMW, Virgin, Philips
Endorsed	Businesses and product brands are endorsed or badged with the parent company name	General Motors, Kellogg, Nestlé, Cadbury
Branded	Individual businesses or product brands each carry their own name (and are seemingly unrelated to each other)	Procter & Gamble (Ariel, Ola), Electrolux (Zanussi), Unilever (Dove)

For each organization, according to Albert and Whetten, its particular combination of identity anchors imbues it with a set of distinctive attributes and values that are core, distinctive and enduring to it.[30] For example, many people would argue that Sony's differentiation in the marketplace is quality consumer products, and it certainly has ability in that area. But what makes Sony truly unique is its core ideology of 'miniaturization', of producing ever smaller technology. This feature of miniaturization, which is grounded in a drive for technological innovation, is at the heart of Sony's organizational identity, and having been carried through in all products, services and communications (i.e. Sony's corporate identity) it has set the company apart from its direct rivals, and is likely to continue doing so. Equally, Virgin, a company that is active in very different markets – airlines, mega-stores, cola and mobile phones – has meticulously cultivated the value of 'challenge' with all of its employees. Headed by its flamboyant CEO Richard Branson, Virgin has carried its core identity of challenge through in its distinctive market positioning of David versus Goliath: 'we are on your side against the fat cats'. This projected corporate identity has led to the widespread perception that Virgin is a company with a distinctive personality: innovative, challenging, but fun.

Corporate versus brand identities

The Sony and Virgin examples illustrate the point that a company's organizational identity or core ideology can give it a distinctive edge in its positioning within the marketplace and in its reputation with stakeholders. But, importantly, core values or a company's ideology do not always play a part in the identity that an organization crafts and puts out in the marketplace. Companies such as Unilever and Procter & Gamble follow a so-called branded identity structure where neither the company's name nor its core values figure in the positioning and communications of its products (see Table 3.2). This is a *strategic* decision to position and bring products to market each with their own distinct name and values, instead of badging all products with one and the same corporate name. This strategy is preferred for organizations where a tightly defined organizational identity is missing, where the parent company therefore also lacks a strong corporate identity (and reputation!), and where an organization is addressing very different market segments through the different products in its product portfolio.

The choice of a branded identity structure has served certain companies well, and will continue to do so. But more companies, it appears, are now moving to endorsed

and monolithic identity structures, and thus towards a strategy that puts the corporate identity and badge on all of their products. Companies that were branded giants before, such as Procter & Gamble, SmithKlineBeecham and Kingfisher, are moving in the direction of Disney, Microsoft and Sony in having a single umbrella identity that casts one glow over a panoply of products. In recent years, corporate identities have become enormously valuable assets – companies with strong corporate identities, and the reputations associated with this, can have market values that are more than twice their book values[31] – and can save money as marketing and communications campaigns can be leveraged across the company.

Perhaps because of these reasons, the above-mentioned companies as well as others around the world have realized the value of having a strong and distinctive corporate identity, and have recognized that they need to look inside the company for values and ideologies of the organizational identity that provide the basis for it and truly set the company apart. Unfortunately, this recognition and interest has not always been matched with action. Many companies, both large and small, often have not given enough care to articulating their unique and distinctive values, and have easily fashioned value statements for convenience or because of short-term thinking. British Airways, for instance, tried to make cosmopolitanism part of its identity, expressing the diversity of routes and communities it serves in the decoration of its planes' tail fins. British Airways obviously did not live the touchy-feely, eclectic, multicultural ethos communicated in the designs, as it was not carried and appreciated by staff, let alone its customers.

Drawing out the organizational identity and corporate identity

As a result of this sluggishness, as in the case of British Airways, many values statements that are meant to capture the organizational identity of the company in question end up being bland, toothless or just plain dishonest. This happens when companies view a values initiative in the same way they view a marketing launch: a one-time event measured by the initial attention it receives, not the authenticity of its content. The empty or too generic values statements that this produces may create cynical and dispirited employees, alienate customers, undermine managerial credibility and, most importantly, do not set the company apart from its nearest rivals in the eyes of important stakeholder groups.[32] In fact, 55 per cent of all Fortune 500 companies claim integrity is a core value, 49 per cent espouse customer satisfaction and 40 per cent tout teamwork. While these are inarguably good qualities, such terms hardly provide a distinct blueprint for employee behaviour; nor is it likely to set a company apart. Box 3.3 takes a closer look at corporate identities of banks, and discusses what values banks express in their quest for customers and the general appreciation of stakeholders.

Managers need to open the dialogue about values and attributes of the organization with staff and discuss them systematically and concretely.[33] Generic professional values *do* matter, and form the bedrock of every professional organization. Generic values like technological innovation, customer care and ethical conduct are in fact essential for conveying an image of the organization to all stakeholders, including employees, that the organization is financially solid, socially engaging, ecologically sound in its business practices, and so on. But over and above such generic values,

the more authentic and deeper values that uniquely define the company need to be elicited and drawn out as they truly are the icing on the cake. This often comes down to a soul-searching exercise that senior managers and communications professionals should engage in (see Table 3.3) aimed at producing and triggering the attributes and values of the organization that are perceived as authentic, characterize it, are unique to it and set it apart from other companies in its sector. Wal-Mart is a case in point. Its vision of 'giving working people the opportunity to buy the same things previously available only to wealthier people' is wonderful, but is just a generic aspect of its positioning and pricing strategy, and is not the one specific feature that is differentiating or hard to imitate by rival firms. What is unique to Wal-Mart, however, is its core values of 'community' and 'partnership' that lie at the root of its founding and has propelled its success. Community and partnership are values that are meticulously carried through in its stores, advertising campaigns, employee ownership schemes and supply chain management. Wal-Mart has, for instance, changed the role of their suppliers into partners with them in their stores, thereby cunningly shifting inventory responsibilities back to the suppliers.

Box 3.3 Case study: corporate identity in the financial sector

Banks and the financial services industry as a whole have traditionally been characterized by generic and monolithic identities, where the image of the industry and the generic identities of banks (with perceptions of integrity and professionalism) were generally seen as imparting more value to the products and services than any brand could possibly achieve.[34] Historically, such a choice for a generic and monolithic corporate identity reflected the conjunction of historical forces, product characteristics (product differentiation is difficult in the financial service industry as services are easily copied) and environmental influences to which financial organizations are subject. However, because of the problems facing the banking industry as a whole in the 1980s (e.g. staff redundancies, poor customer service and lending decisions of dubious integrity), banks around the globe claim to have since put greater effort into redefining their individual corporate identities and brands as part of a search for differentiation in the marketplace.

Yet, when taking a closer look at corporate identities in the banking sector, it seems that banks have made little progress in developing truly *differentiating* corporate identities in terms of the values that they proclaim and the images projected. With the exception of niche players such as the Co-operative Bank (United Kingdom) and Triodos Bank (the Netherlands), which follow their own distinctive ethical positioning strategies, all the major banks still maintain monolithic identities and communicate a range of values that are not distinct but are commonly proclaimed by every professional firm.

Citigroup, for instance, the global industry leader that is based in the US, has recently decided to realign all business units and products under its monolithic Citigroup umbrella. In May 2001, Sanford Weill, CEO of Citigroup, announced that as the brand name 'Citigroup' has become strongly established in the corporate and institutional marketplace and that many of their clients now use 'Citigroup', regardless of the business with which they may work, greater efforts were being put into having a 'more unified brand'. Such a unified Citigroup brand, it is believed, strengthens the 'common culture' within the group, clarifies its image in the marketplace, and will deliver economies of scale as 'marketing and advertising campaigns can be leveraged across the company'.

The values that the Citigroup organization projects under the Citigroup heading are that it aspires and claims to be 'the leader in global financial services' and 'one of the great companies in the world' that is known for 'the highest standards of moral and ethical conduct', its great staff, and its customer orientation and excellent service.

While Citigroup in fact enjoys a solid reputation for its strategy and business (coming in at number six in the 2003 Fortune 500 ranking of the world's largest firms), it is questionable whether it enjoys this high distinction for the values that it extols (and this might in fact rather be the result of smooth marketing and the market capitalization of its business). Other banks such as BNP-Paribas profess exactly the same values, and equally claim that these are unique, distinct in comparison to other banks and inspiring. BNP-Paribas, based in Paris, defines itself as a 'bank for a changing world' (with 'change' and 'global' being incorporated in its logo of stars circling around the name BNP-Paribas) and communicates the values of 'customer orientation', 'service and value creation', and 'technological and financial innovation'.

The picture is repeated across the banking sector all over the world. ABN-Amro, a global market player headquartered in Amsterdam, frames its identity with the central corporate values of 'integrity', 'teamwork', 'professionalism' and 'respect', and aims to instil an image with its employees and external stakeholders of a bank that is professional, caring, accountable and strives for excellence in value creation and service. The Bank's logo designed by Landor Associates (London) consists of a symbol (shield) plus the logotype ABN-Amro and is meant to represent this professionalism, reliability and service excellence.

An interesting twist is that ABN-Amro decided to frame its corporate identity by using these generic professional values a couple of years ago when the new bank emerged from a merger between Algemene Bank Nederland (ABN) and the Amsterdam-Rotterdam Bank (Amro Bank). The Dutch government was very supportive of the merger at the time, as it was keen to have a world-class bank to compete on the world stage with the likes of Deutsche Bank. The government owned the rights to the name 'Holland Bank' and had offered the directors of the newly merged Bank the opportunity to call their new company by this name. With this name, the new Bank would be unequivocally Dutch, and would have an identity (relating to Dutch history and Dutch values) that would give it a distinctive edge in the financial marketplace. Yet, the directors of ABN and Amro considered the offer but declined in favour of the ABN-Amro acronym and decided to infuse the newly merged Bank with a set of generic professional values for framing and communicating their identity instead.

Questions for reflection

1. What can you say about the projected corporate identity of each of these banks? Is each corporate identity authentic, distinct and truly differentiating? And are corporate values sufficiently carried through in business principles, as well as logos, communications, employee behaviour and products and services?
2. What would be the added value if banks would really distinguish themselves from one another by positioning themselves with their own distinctive identity? And is it at all possible within the banking sector for organizations to have their own distinctive values stand out when the market appreciates general professional values and service excellence?
3. To what extent does the situation of the banking sector transfer to other business sectors (e.g. consumer goods, oils, manufacturing, retail, etc.)?

Table 3.3 Organizational identity research methods

Method	Participants	Data collection	Ease of analysis	Expert analysts needed	Costs
Cob-web method	Group of senior managers	Brainstorming session	High	No	Low
Focus group	Groups of senior managers and employees	Brainstorming session	High	No; but group facilitator (consultant)	Low–moderate
Projective tests	Groups of senior managers and employees	Interviews with use of visual aids	Low	Yes; trained psychologist/ researcher	Low–moderate
Laddering/ critical incident	Groups of senior managers and employees	Open interviews	Low	Yes; trained researcher	Low–moderate
Audit/survey	Groups of senior managers and employees	Questionnaire	High	Yes; trained researcher	Low–moderate

Without doubt, the values that an organization stands for through its members to be true, authentic and differentiating stretch beyond communications and the remit of communications practitioners alone. The CEO and the senior management team are the most obvious patrons of organization-wide identity questions, and the way in which these become translated into mission and vision documents and become spread throughout the organization. When Carlos Ghosn for instance took the helm at Nissan in 1999 he personally led the restoration and strengthening of Nissan's identity, which had become sloppy, weak and insufficiently exploited.[35] Alongside a restructuring and cost-cutting programme to boost productivity and profitability (for which he took a lot of flak), Ghosn revamped Nissan's identity of quality engineering and the uniquely Japanese combination of keen competitiveness and sense of community. He ensured that through his own performance and commitment as well as through internal communications these values trickled down through the ranks to embrace all employees.

As the example of Nissan shows, it is important that a sense of organizational identity becomes internalized by members of the organization, so that they can live and enact the company's values in their day-to-day work. In particular, those members of the organization who personally represent the organization in the eyes of stakeholders such as the CEO, front-office personnel and shopkeepers, and those who are responsible for marketing and communications, need to have a fine grasp of the company's core ideologies and values. Senior managers with the help of senior communications practitioners, as experts on stakeholder management, can facilitate this understanding by articulating and actively communicating the company's values to all staff within the organization through policy documents and internal communications.

A number of analytical tools are available to senior managers and senior communications professionals for drawing out and articulating the organizational identity (Table 3.3). These different tools, ranging from management exercises to more psychological projective tests, can all be used to elicit the values within the

organizational identity of the corporation, but vary in measurement (open versus closed measurement) and in pragmatic considerations, such as the ease of analysis and the costs involved in their use.

1. Cob-web method. This method consists of a group of senior managers coming together and sharing their views on the organization's key characteristics in a management session. At the beginning of the session, these managers are asked to name those attributes that, in their opinion, characterize and define the organization best. This part of the session is a brainstorming exercise, so there are no true or false answers regarding the attributes that are mentioned. After this brainstorming, managers have to choose eight attributes that they consider to be most relevant and to have most value in describing the organization. These eight attributes can then be displayed visually in the form of a wheel with eight scaled dimensions upon which, for further definition, the organization can be rated (and which can be further compared with stakeholder views of those attributes). The method is very easily carried out, but has obvious limitations in that it only captures the views of managers regarding the key characteristics of the organization.

2. Focus group. This method has the advantage over the cob-web method that a broader group of representatives from the organization can be selected, and that their views of the key characteristics of the organization can be captured in a more detailed manner. A focus group starts with a brainstorming session in which all participants are asked to write down (on oval cards) and share their views on the identity of the organization. After each participant has articulated his or her views, these ovals are grouped and structured into a map on a blackboard, providing a synthesis of each participant's views upon the identity of the organization. Further analysis and groups discussions then follow to select the key characteristics that define the organization best.

3. Projective techniques. These techniques (including cognitive mapping and repertory grids) stem from psychotherapy and aim to generate rich ideas and to involve individual members of the organization in a discussion of a subject such as organizational identity, which may be difficult to verbalize in discrete terms. Visual aids such as pictures, cards, diagrams or drawn out metaphors may be used to elicit responses. These visual aids are usually designed to be ambiguous so that respondents will 'project' their own meaning and significance on to the visuals. By doing so, they will declare aspects of their deeper values, beliefs and feelings concerning the organization, and this can be used for a further discussion of the key aspects of the organization. A common form of projective technique is the thematic apperception test (TAT). This approach asks individuals simply to write a story about an image that depicts a work situation; the researcher's task is then to find themes in what people say about their organization.[36]

4. Laddering/critical incident. This widely used management technique can also be applied to organizational identity, where it is used to infer the basic values that guide people's work in an organization. The method involves open interviews, where

employees are asked to describe what they do on a daily basis, and how they look upon their work. Such descriptions of critical work incidents can then be further analysed to decipher the underlying values. The method can, when aggregated, give important insights into the general values that people working within an organization seem to share.[37]

5. Audit or survey. A more structured research method involves an audit or survey that asks members of the organization to select from lists of attributes those characteristics that define the organization best. The selected characteristics can then be further screened by asking respondents in the same survey to evaluate the importance and value of each of the selected characteristics for describing the organization. Surveys are easy to administer, but may not be able to capture the richness and detail of organizational identity that more open methods can.

Once the value and attributes that make up an organizational identity are drawn out and made explicit, senior managers and communications practitioners need to consider whether the identified values are inspiring and stand out, whether they offer potential for differentiation in the marketplace, and whether they are likely to be appreciated by stakeholders of the organization. In other words, it needs to be decided whether the elicited core values are to play a role in the corporate identity mix and are to be made public through products and services, communications and employee behaviour. Some of the values expressed through the corporate identity mix will in fact derive from the organizational identity; other values may be included because of the sector in which the organization is operating or because of the expectations of its stakeholder groups. Surveying the opinions of stakeholders regarding the organization is therefore essential to capture their views of the organization and its relative standing in the sector in which it is operating, and to offset a strict view of the company's organizational identity alone. Organizations cannot myopically focus internally on their identities alone and trust that on the back of their identity's strength they will achieve glowing reputations. Equally, organizations should not be led solely by stakeholder opinions (and opportunistically manufacture and fashion a corporate identity for it), as such opinions may be changing and sometimes short-lived. An internal orientation on organizational identity, which may be a source of inspiration and differentiation, needs to be balanced with an external stakeholder orientation, so that a company avoids myopically focusing on either one.[38] Polaroid, for example, is a case in point. The company had from its beginning created a strong and distinctive identity around its business model and core competence of instant photography. In line with this identity, the focus was originally on self-developing film technology, garnering healthy profits on the film while earning relatively little on the cameras. This worked well until the advent of digital photography, which offered instant photographs but made film unnecessary. Digital photography altered investors' and consumers' expectations, and as Polaroid was rather slow in following suit (and redefining itself as an imaging company and moving into digital photography), it had to file for Chapter 11 bankruptcy protection in October 2001. Surveying and being attuned to the reputation that an organization has with its stakeholders provides an important strategic indication as to whether the company's identity is at all valued and whether it has been successfully communicated. The concept of corporate reputation is therefore the subject that the chapter turns to next.

3.4 Understanding reputation and corporate communications

As we have seen, the purpose of corporate identity is to project a consistent and distinctive image of the organization, which, it is hoped, leads to favourable images and reputations with stakeholders. Having a reputation as a financially healthy organization with quality products and a solid social and ecological track record is essential in order to be found *legitimate* by important stakeholder groups and to ensure that sufficient financial transactions are generated. Stronger bottom-line performance in fact comes about because better-regarded companies achieve 'first-choice' status with investors, customers, employees and other stakeholder groups. For customers, for instance, a reputation serves as a signal of the underlying quality of an organization's products and services, and they therefore value associations and transactions with high reputation firms. Equally, employees prefer to work for high reputation organizations, and will therefore work harder, or for lower remuneration.

In other words, a good corporate reputation has a strategic value for the organization that possesses it. It ensures acceptance and legitimacy from stakeholder groups, generates returns and may offer a competitive advantage as it forms an asset that is also difficult to imitate. A good corporate reputation, or rather the corporate identity upon which it is based, is exactly an intangible asset of the organization because of its potential for value creation, but also because its intangible character makes replication by competing firms more difficult.[39] Not surprisingly therefore, managers continue to rate reputation as the most important intangible resource of a firm, and a survey of Fortune 500 companies in 2001 found that managing reputation was considered the lead philosophy among communications departments.[40]

Identity and reputation

Recent research firmly suggests that organizations with stronger identities have more positive reputations. That is, a strong identity is more visible to stakeholders outside the organization and serves as a differentiation signal. When a reputation is indeed broadly consistent with that organization's corporate identity, it also ensures that the organization is respected and understood in the way in which it wants and aims to be understood.[41] Alternatively, when there is a discrepancy between the identity of an organization and the way in which it is regarded, an organization is not standing out on its own turf and may not have a strong enough reputation as a result. Its reputation is then based, rather, upon more general associations with the industry in which the organization is based or is informed by reports from the media. Shell, for instance, in the wake of the Brent Spar crisis, realized that its lousy reputation in the 1990s had more often than not been based upon media reports and the tainted image of the oil industry than its own identity and the values that are at the heart of its business and operations. Shell has since put considerable effort into a rethinking of its identity and values, redesigning systems for stakeholder management, and running a global identity campaign to close the gap between its identity and reputation. Fombrun and Rindova refer to this alignment of identity and reputation as transparency, which they consider as an ideal situation (in comparison with a discrepancy

between identity and reputation and the pitfalls that this brings). Transparency, according to Fombrun and Rindova is 'a state in which the internal identity of the firm reflects positively the expectations of key stakeholders and the beliefs of these stakeholders about the firm reflect accurately the internally held identity'.[42] Box 3.4 provides a case study of Starbucks, a company that is known for its efforts in achieving distinctiveness and transparency by aligning its identity and reputation.

Such transparency will be achieved when an organization is serious about its corporate identity; that is, when it frames values that are not only expected (as a socially responsible firm) but also authentic and distinctive, and has put organizational structures, processes and incentives in place to ensure that a consistent corporate identity is carried over to important stakeholder groups. As I have indicated above, there are certain values that an organization in any case needs to endorse (or at least needs to be seen to endorse) as a fully responsible and professional firm. These values include general attributes such as proficient management and leadership, social responsibility and community involvement, market performance, quality of products and services, workforce and labour conditions, and so on. Such attributes also provide the input for the general categories that companies are normally ranked on in such reputation indices as the Fortune 'Most Admired Corporations', the Reputation Quotient, and the Financial Times (FT) 'Most Respected Companies'. Table 3.4 provides a summary of these three publicly syndicated reputation measures. Each of these measures enjoys popularity with managers but all have obvious limitations in that they fail to account for the views of multiple stakeholder groups, and appear to be primarily tapping a firm's financial performance and assets. The Fortune measure, for instance, is known for its financial bias and the high correlation between all of the measure's nine (previously eight) attributes (> 0.60). This means that these nine attributes produce when factor analysed one factor, so that a company tends to rate high, average or low on all nine attributes.[43]

Box 3.4 Starbucks Coffee Company: an exercise in aligning identity and reputation

Starbucks, generally considered to be the most famous speciality coffee shop chain in the world, today has over 6,000 stores in more than 30 countries, with three more stores opening every day (Fortune, 2003). Many analysts have credited Starbucks with having turned coffee from a commodity into an experience to savour.

Starbucks' objective has always been to emerge as one of the most recognized and respected brands in the world. Since it made its IPO (initial public offering) in 1992, Starbucks had been growing at a rate of 20 per cent per annum and generating profits at a rate of 30 per cent per annum. Starbucks has always felt that the key to its growth and its business success lies in a rounded corporate identity, a better understanding of customers and a store experience that would generate a pull effect through word-of-mouth. Howard Schultz, Starbucks' founder and chairman, had early on in the company's history envisioned a retail experience that revolved around high quality coffee, personalized, knowledgeable services and sociability. So, Starbucks put in place various measures to make this experience appealing to millions of people and to create a unique identity for Starbucks' products and stores.

Schultz felt that the equity of the Starbucks brand depended less on advertising and promotion and more on personal communications and word-of-mouth. As Schultz put it: 'If we want to exceed the trust of our customers, then we first have to build trust with our people. A brand has to start with the [internal] culture and naturally extend to our customers … Our brand is based on the experience that we control in our stores. When a company can create a relevant, emotional and intimate experience, it builds trust with the customer … we have benefited by the fact that our stores are reliable, safe and consistent where people can take a break' (*Business Week Online*, August 6, 2001). Schultz regarded the baristas, the coffee makers in the stores, as his brand ambassadors.

Starbucks looked upon each of its stores as a billboard for the company and as a contributor to building the company's brand and reputation. Each detail was scrutinized to enhance the mood and ambience of the store, to make sure everything signalled 'best of class' and that it reflected the personality of the community and the neighbourhood. The company went to great lengths to make sure the store fixtures, the merchandise displays, the colours, the artwork, the banners, the music and the aromas all blended to create a consistent, inviting, stimulating environment that evoked the romance of coffee, and signalled the company's passion for coffee.

By the late 1990s, consumers associated the Starbucks brand with coffee, accessible elegance, community, individual expression and 'a place away from home'. And in 2001, brand management consultancy Interbrand named Starbucks as one of the 75 true global brands of the twenty-first century. Starbucks' identity and positioning as 'a socially responsible purveyor of the highest quality coffee [that is] offered in a unique retail environment' has thus led to a respected and strong reputation with customers, industry analysts, communities and other stakeholder groups.

Starbucks has always been concerned about its image and reputation, and rightly so. One of the possible ways of growing for Starbucks was to distribute its coffee through supermarkets, airlines (United Airlines) or fast food chains such as McDonalds and Burger King. But such alliances and alternative distribution chains carry significant risks for the brand and its reputation. Starbucks has built its distinctive reputation around a unique retail experience in company-owned stores. And customers could perceive the brand differently when, for instance, they encountered it in a grocery store aisle – an environment and channel that Starbucks did not control.

Questions for reflection

1. Consider the risks for Starbucks in forming product alliances with other companies or in adding alternative distribution chains. What rules-of-thumb can you suggest particularly from the viewpoint of Starbucks' corporate identity and the strong reputation that the company enjoys?
2. Reflect upon the corporate identity of Starbucks in the coffee shop market. To what extent do you feel that this identity is unique, authentic and competitive in this marketplace?

Reputation Rankings

Publicly syndicated rankings converge on a number of areas including financial performance, product quality, employee treatment, community involvement, environmental

Table 3.4 Overview of the Fortune, Reputation Quotient and Financial Times reputation surveys

	Fortune 'Most Admired Corporations'	Reputation Quotient (US)	Financial Times 'Most Respected Companies'
Method and sample	Annual survey of over 10,000 senior executives, outside directors and financial analysts.	A large sample of respondents (approx. 8,000) is interviewed to nominate companies. Nominated companies are subsequently rated by an even larger sample (over 20,000).	Annual questionnaire to 1,000 CEOs/senior executives in over 20 countries and 22 business sectors, complemented with a selected cross-section of fund managers, NGOs and media commentators.
Measure	Ranking is based upon the compilation of assessments given by respondents of the ten largest companies in their own industry on nine criteria of 'excellence'.	Ranking is based on the sum of attribute ratings, with each attribute contributing equally to the calculation of the overall RQ, and weighted to be representative of the US adult population on factors including age, sex, education, race, ethnicity, household income, as well as other non-demographic variables.	Simple ranking on the basis of nomination by CEOs, and weighted by GDP of the respondent's country.
Attributes included	Quality of management, quality of products and services, innovativeness, long-term investment value, financial soundness, ability to attract, develop and keep talented people, responsibility to the community and the environment, wise use of corporate assets, global acumen.	20 attributes within 6 dimensions: products and services, financial performance, workplace environment, social responsibility, vision and leadership, and emotional appeal.	Most important unprompted reasons given behind nominations are business performance (growth and long-term profitability) clear leadership and people management, effective strategy of market capitalization, high quality products and services, policies and procedures to assess businesses' environmental impact.
Top 10 companies (2002/2003)	Wal-Mart General Motors Exxon-Mobile Ford Motor General Electric Citigroup Chevron Texaco IBM American Internat. Group Verizon Communications	Johnson & Johnson Harley Davidson Coca Cola UPS General Mills Maytag Eastman Kodak Home Depot Dell 3M	General Electric Microsoft IBM Coca-Cola Toyota Sony General Motors Wal-Mart 3M Dell

performance and a range of organizational issues (such as supporting equality of opportunity and diversity, good environmental performance, improved ethical behaviour, and so on).[44] But these rankings do not take into account that stakeholder opinions vary and that stakeholder groups attend to very different cues when forming an opinion of an organization. Some stakeholder groups would not be at all interested in some of these areas, or would in any case not rate them in their evaluation of the company. What is more, the authentic and distinctive values that a company may project, and that are extracted from its organizational identity, come on top of the general professional values that it must endorse, and stakeholder appreciation of such core values does not always shine through and is not fully captured in publicly syndicated measures.

A reputation thus varies by stakeholder groups. In fact, it may be better to conceive of different reputations that various stakeholder groups hold of an organization. Taking into account the point made earlier that stakeholders have very different interests in the organization, different measures of reputations that include the very different attributes upon which organizations are valued may also be needed. In fact, according to some academic commentators, because of the recognition that there are multiple stakeholders 'no across-the-board measure of reputation is or can be valid for *all* stakeholders'.[45]

The nature of reputation

Before the chapter tackles the problem of how organizations can account for the various reputations of stakeholders in the design of reputation research, it is necessary to come to terms with the concept of reputation first. This is also important as there has been a lot of confusion and debate over the nature of corporate reputation in recent years.[46] Various definitions exist, but by far the most widely cited and used definition is the one provided by Charles Fombrun. According to Fombrun, reputation is 'a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all of its key constituents when compared to other leading rivals'.[47] A few elements stand out in this definition. Reputation is a *perceptual construct* and it involves *multiple stakeholder groups* who *evaluate multiple characteristics* of the firm. Each of these elements is key to reputation, and for developing a valid measurement instrument of it, so it is worth devoting a little bit of space to discussing each of them further.

First of all, reputation is a perceptual construct. This may be plain obvious, but when looking at the extensive literature on corporate reputations this does not appear so. In the literature on the subject, reputation is not only seen as a collective perception of a firm in the minds of stakeholders, but the concept is often extended and associated with organizational behaviour, assets and balance sheets of firms as well. This link is often made as organizational assets (e.g. distinctive capabilities, brand equity) are seen to be directly related to perceptions and evaluations of the firm by stakeholders. The motive for doing so is the assumption that perceptions of stakeholders in the aggregate are often relatively stable (e.g. customer evaluations of brands like Coca-Cola), and that the associated market value (e.g. when customers

actually purchase Coca-Cola) therefore can be treated as a company's intangible asset (brand equity or reputation) and be put on the balance sheet.[48] This, by all accounts, is a form of circular reasoning, where perceptions and assets are intimately linked, yet equalled (assets = perceptions),[49] and this brings the danger that firms are not fully conscious of the dynamic nature of reputation and the variation that may occur as a result (e.g. when favourable perceptions of brands do not lead to purchase-related behaviour, resulting in a lower market value and a consequently lower value being placed upon the intangible asset associated with a company's reputation). The first important element of the reputation construct is thus: that it refers to the perceptions of individuals and stakeholders with regard to an organization, while the corporate profile (and the asset and market value arising from it) is denoted as an organization's corporate identity.

A second important element is that a reputation is formed by multiple stakeholder groups. This, again, is a common misperception in the literature and in the views of many managers, as reputation is often imbued with a single, corporeal and monolithic quality as if there would be one single reputation of an organization or only one way in which it is known. Such a view of course fails to account for the diffuse ways in which an organization and its assets come to be valued by various stakeholder groups over time. Rather than presuming a monolithic reputation, different stakeholder groups of an organization are exposed to and look for different signals or messages, and as a result form a reputation, which in its properties or attributes is likely to be distinct from views and impressions held by other stakeholder groups. An organization's characteristics and assets, however broadly defined, thus represent different values to different stakeholder groups, in turn guarding us from the hasty conclusion that the Fortune or FT rankings, for instance, which are based only on executives' evaluations of an organization, unequivocally represent *the* reputation of a particular organization.

The third and final element of reputation that needs to be clarified is that it involves not just a general impression but also an evaluation of the firm by stakeholders. This nuance is crucial, and pinpoints the difference between the corporate image and corporate reputation constructs. While both are the products of a multiple-variable impression formation process that includes cues from the organization's projected identity, as well as word-of-mouth and reports from the media (see Figure 3.4), the image and reputation constructs differ in one theoretically important respect. Images concern the immediate impressions of individuals when confronted by a signal or message that comes from an organization, while reputations are more enduring general estimations established over time. Conceptually, image may be defined as the immediate set of meanings inferred by a subject in response to one or more signals from or about a particular organization. Put simply, it is the net result of the interaction of a subject's beliefs, ideas, feelings and impressions about an organization at a single point in time. Reputation can be defined as a subject's collective representation of past images of an organization (induced through either communication or past experiences) that is established over time. Images might vary in time due to differing perceptions, but reputations are more likely to be relatively inert or constant, as individuals and stakeholders retain their assessment of an organization built over time.[50] Gray and Balmer, two academics, illustrate this distinction between the image and reputation constructs:

Companies X and Y compared						
Reputation factor	Very poor	Poor	Average	Good	Excellent	Factor importance
Quality of management team			X	Y		4.3
Quality and range of products					XY	3.8
Community and environmental responsibility				X	Y	4.1
Financial soundness			XY			4.0
Innovativeness of operations		X		Y		3.8
Industry leadership			Y	X		2.3

Figure 3.4 The corporate reputation of two companies compared

> corporate image is the immediate mental picture that audiences have of an organization. Corporate reputations, on the other hand, typically evolve over time as a result of consistent performance, reinforced by effective communication, whereas corporate images can be fashioned more quickly through well-conceived communication programs.[51]

Corporate reputations can in this light also be seen as the focal effect that organizations should be interested in and focus on, rather than corporate image alone, which concerns more fleeting or ephemeral perceptions.

Measuring reputation

In all, the above-mentioned properties of the reputation construct (i.e. a subject's collective representation of past images of an organization established over time) provide the groundwork for researchers and managers with an interest in reputation, for developing operational measures and for surveying opinions of important stakeholder groups. For one, the time dimension (as reputation is an established perception over time) needs to be factored into the measurement process by having respondents evaluate a company (*vis-à-vis* its nearest rivals) *generally* instead of having them reflect upon a single instant (e.g. a crisis) or image (e.g. a campaign) in relation to that company. Second, reputation is a perceptual construct, so simple proxy measures of the assets, performance or output of a particular organization simply won't do, as these fail to account for the subjective, perceptual nature of reputation and the longer period involved in its formation. And third, measurement and also the sampling of respondents need to account for the various attributes upon which an organization is rated by various stakeholder groups.

Different types of research techniques may be used to gather these reputational data. These techniques exclude the publicly syndicated measures such as the Fortune 'Most Admired Companies' and FT's 'Most Respected Companies', which are a secondary source of research information that managers and communications practitioners can tap into to gain some information about the standing of their companies (when these are included in the rankings). Better still is for a company to set up

Table 3.5 Corporate reputation research methods

Methodology	Techniques	Data collection	Number of respondents	Ease of analysis	Costs
Qualitative	Unstructured interview	Oral interview: each respondent is asked to reflect upon his/her views of an organization and explain why (with or without use of visual aids)	10–40	Moderate/ low	Moderate
	Focus group	Group discussion: in a group, respondents discuss their views of the organization and explain why (with or without use of visual aids)	5–10 (each group)	High	Moderate
	Repertory grid	Oral interview: each respondent is asked to pick two out of three statements which match the organization best or worst and explain why	10–40	Moderate	Low
	Laddering	Oral interview: each respondent is asked to reflect upon beliefs about the organization aimed at discovering means–ends relations	10–25	Low	High
Quantitative	Attitude scales/attribute rating	Questionnaire: respondent ratings of attributes on Likert scales	50 or more	Moderate/ high	Moderate
	Q-sort	Oral interview: each respondent is asked to rate and rank statements about the organization written on cards	30–50	Low	Moderate

and conduct reputation research of its own using applied research techniques and its own stakeholder groups. In doing so, a company will be able to account for the diversity of opinions of its stakeholder groups, and will have a clearer view of the attributes that these different groups actually find important and on which they specifically rate the organization. Table 3.5 displays the two broad classes of research techniques, qualitative and quantitative, that may be used either separately or in combination for reputation research.[52]

Qualitative research such as in-depth interviews with individual stakeholders or focus group sessions with selected groups of stakeholders are one option. These qualitative techniques are more open in nature, allowing selected stakeholders to delve

into their associations with the company as they see them. This usually provides very rich and anecdotal data of stakeholder views of the company. Quantitative research where stakeholders are asked to rate the company (and its nearest rivals) on a number of pre-selected attributes is another option. Quantitative research leads to more discrete data that can be statistically manipulated, but is less rich and may also be less insightful (i.e. it reflects to a lesser extent the particular lens of the individual stakeholder). The choice for either qualitative or quantitative research techniques is based on content issues as well as pragmatic and political considerations. Qualitative techniques are chosen when the attributes upon which an organization is rated are simply not yet known, or when there is a need for a comprehensive, detailed and rich account of stakeholders' perceptions and associations with the firm. Quantitative surveys are preferred when the attributes upon which an organization is rated are to a large extent known, allowing for a structured measurement across large sections of stakeholder groups. Many companies also opt for quantitative surveys as these are relatively easy to administer and process, and as it provides them with a 'tangible' indication (that is, a number). Figure 3.4 illustrates the reputations of two companies through an attribute rating that produces such numerical values. A tangible indication is also one of the motives for companies to buy into panel studies such as the Reputation Quotient, which provides them with a score that they can fence and work with, and sets a benchmark for future years.

Continuously measuring reputation is essential in order to understand how stakeholders think of an organization, whether this is in line with the projected corporate identity of the organization, and whether the organization is accepted and valued. Managers and communications practitioners will be particularly interested in what values the company is respected for and whether the core and projected values are actually salient in the minds of stakeholders. This will provide them with an important strategic indication as to whether the company's identity is at all valued and whether the company's identity has been successfully communicated. In the first scenario, when a company's identity is in itself not valued enough, managers may want to redefine their organization, strategies and operations with values that *do* matter to stakeholders and make a difference in the marketplace. Corporate giants such as BP and Shell in the oil sector (see Chapter 2) in the restyling of their identities into responsible businesses are a good example of this. When an identity is not effectively communicated or understood, the second scenario, management needs to rethink the company's stakeholder engagement programmes and the visibility and effectiveness of the communications tools that it has previously used. Gathering feedback from reputation research is an important step in the process of developing and refining corporate identity strategies including stakeholder engagement and communications programmes.

3.5 Chapter summary

In this chapter three theoretical cornerstones were presented. The stakeholder model of strategic management was outlined, together with the concepts of identity and reputation that take shape within it. Each of these concepts – stakeholder, identity, reputation – are central to the corporate communications function and the strategic

management of the organization. This centrality will become clearer in the following chapters, which discuss the strategic and organizational issues around the practice of corporate communications in more detail. One important observation that was made in this chapter is that managers would be wise to look inside their organizations for core values that define their business and that can give them a competitive edge in contacts with their stakeholders. While the evidence for this is so far restricted to case studies it does appear to make sense. In fact, companies that have not thought seriously about their corporate identity and whether their profile is appreciated by stakeholder groups, often appear to hire and fire outside agencies with regularity, trying to find the one with the ability to 'sell' a message that people do not seem to be 'buying'. In other words, such companies have not given enough care to craft an identity that is authentic and distinctive, and also meaningful to stakeholders. The following chapter goes beyond the observations and theoretical overview presented here, and considers the actual process of developing communications strategies in practice. Based on research and materials from practice, Chapter 4 outlines in detail how communications practitioners can map and analyse an organization's stakeholders and the reputations that they hold before choosing a strategic corporate identity profile and running and managing stakeholder engagement and communications programmes.

Key Terms

Brand(ed) identity
Cob-web method
Corporate identity
Corporate image
Corporate reputation
Corporate social responsibility
Economic/market stake
Equity stakes
Focus group
Influencer stake
Laddering
Legitimacy
Neo-classical economic theory
Organizational identity
Projective technique
Publicly syndicated rankings
Q-sort
Repertory grid
Socio-economic theory
Stakeholder
Transparency
Triple bottom line

Notes

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