IMPORTANCE OF KEY STAKEHOLDERS FOR CREATING CORPORATE IDENTITY

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ABSTRACT

Since the turning point in 1988, Polish economy has experienced rapid transformation with its challenges influencing all aspects of business activities. During the last decade of the 20th century Polish entrepreneurs had to learn how to compete in the new market environment and many of them succeeded. Evaluating and verifying their business undertakings one can risk a statement that emphasizing the role of corporate identity belongs to the major factors of the success. Moreover, shaping the company identity may fail to succeed without enquiring its stakeholders’ opinions, perception, and preferences. The key aim of the article is to present the importance of three groups of stakeholders who play a significant role in Polish as well as international companies, while underlining general tendencies in their behavior.

Keywords: Corporate Identity, Corporate Image, Non-material Values, Marketing Environment, Stakeholders

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INTRODUCTION

Since the turn of the 20th century an international economic phenomenon has been observed in Poland: increase in competition on a global scale as a reason for ever growing importance of non-material corporate values. Due to, among others, increasing, often even aggressive market fight which involves ever bigger possibilities of almost immediate copying of a concept introduced by competitors both to a national, and a foreign market, material resources are no longer capable of guaranteeing a competitive advantage. Increase in importance of non-material values can be exemplified by the situations given below. In 1997 investments of American enterprises in non-material values (e.g. trainings, brands, research and development) for the first time exceeded the cost of investing in material values (e.g. properties, equipment).

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Moreover, correlation between stock exchange value of enterprises and traditional indexes has decreased (Low & Kalafut, 2004), and market value has been exceeding bookkeeping value since the 80s of the 20th century. In 2000, a group of experts appointed by the European Commission stated: Nowadays non-material assets [........] constitute a key element of competitive advantage. [........] Knowledge and non-material values will affect to a greater extent the companies so called new economics ("Report of the European High-Level Expert Group on the Intangible Economy", 2006).

Therefore, the pillars of functioning of a given organization become its crucial assets difficult to be copied or even stolen (as happens e.g. in the case of databases or products’ prototypes), i.e. first of all: excellent reputation, openness to external environment, leadership based on creativity and inspiration, possessing strong brands, flexible actions, staff’s behavior, loyalty and qualifications, solutions of system actions, day and night availability, lasting relations with customers and other business partners, methods of individualizing an offer. It has to be stressed here that such assets as reputation, organizational culture, strong brands make up main identity attributes; what is more – a properly defined and communicated identity itself is a non-material value.

**ESSENCE OF CORPORATE IDENTITY AND IMAGE**

Poland has a rich and vivid history of identity that has given the grounds of modern thinking. The Roman Catholic Church and the mediaeval knighthood used to indicate power and authority, developing rituals, introducing special clothing, using complex, impressive titles within a carefully ordered naming structure. After the Second World War the country and most of companies lost their identity. At last, after more than 40 years under the communist government, the troubled nation had endured one of the most traumatic transformations in the region. And new challenges rated to creating identity in free market economy appeared.

Professional literature offers numerous propositions of defining corporate identity, often really extensive, hence in this article the following definition will be used: identity is a composition of strategic (including e.g. mission, objectives, scope of actions, volume), symbolic (as e.g. accepted design style, rituals) and axiological (e.g. respect for tradition, pro-social actions) corporate attributes, creating the foundation of its functioning on the market. Such self-defining of an organization resulting from its self-awareness, stems from common actions of the board and the staff, although in most cases the managerial staff of enterprise specifies directions of shaping the identity. The notion of identity has an abstract character and in line with constructivism it is a kind of a construct. Individuals recognize the surrounding reality via systems of personal constructs, while such constructs are some mental
patterns whose units adjust to the reality (Griffin, 2003). It should be
underlined here, quoting representatives of The International Corporate
Identity Group (ICIG) that each organization has some identity (Balmer &
Wilson, 1998). However, it is frequently not properly communicated to
the market environment.

Similarly as in formulating a corporate mission, each market entity
individually shapes its identity and grades the attributes which were
recognized by the Board as the key ones since there are no unified rules
of setting those distinctions. Nevertheless, there can be separated an
initial, general set of elements establishing an identity base. According to
Schmidt, such universal elements include culture, behavior, market
position, strategies, products/services, way of informing as well as
designing (Schmidt, 1995); Balmer, however, enumerates corporate
culture and structure, strategy, way of informing (Balmer, 2001), and Ind
says about history/tradition, form of ownership, common values (Ind,
1990). Margulies understands identity as a sum of symbols and artefacts
which are to reflect ideal self-perception of an organization,
communicated to the environment (Margulies, 1977).

Proper specification of identity and then communicating it in a
conscious and controlled way affects the perceived corporate image. By
means of properly chosen tools of formal and informal, but always
intentional communication, identity is transposed to a corporate image.
The issue of corporate image was tackled many times in academic
publications, starting from the 50s of the 20th century. Already in 1977
S. H. Kennedy presented 21 definitions of an image, which appeared in
English-speaking prestigious magazines between 1956 and 1971
(Kennedy, 1977), while M. Johnson and G. M. Zinkhan focused on
research on an image, done between 1958 and 1998 (Johnson &
Zinkhan, 1990). The image is treated as a corporate vision perceived by
the environment, i.e. being shaped in a recipient's awareness. The image
cannot be established – it is shaped; however, interested entities both
from the organization and its environment can influence the way it is
created. Transposing corporate identity to its image, or in other words
expressing the identity, is supported by corporate identification belonging
to the integrated marketing communication, presented in Figure 1.

**Figure 1: Transposing Identity to Corporate Image.**
Corporate identification is understood both as a system composed of three sub-systems (visual, behavioral and informative ones), and as a seven-stage process (stages: corporate audit, shaping of CI concept, designing visual and behavioral sub-systems, working out of a procedure of implementing CI system, informing internal and external audiences of the changes, implementation, assessing efficiency and effectiveness).

CORPORATE STAKEHOLDERS VERSUS CORPORATE IDENTITY

The following analysis focuses on specific people and the groups on the market they create, which directly and indirectly affect shaping of identity. Already in the 50s of the 20th century the importance of stakeholders in such undertakings was noticed. It was then that the institution called The Opinion Research Corporation began research on the essence of identity, focusing on the following four entities: producer and distributor (from their point of view a desired identity distinction is e.g. high quality standards), managers and investors (focusing on development and progress as identity attribute), society (paying attention to general human values as identity attribute), the employed (having reasons for being proud of their enterprises as identity attribute) (Kennedy, 1977).

The notion of stakeholders was coined analogically to the notion of stockholders in Stanford Research Institute in 1963. It was to underline that an organization is a social artefact created by people and it is not an artificial construction, a mechanism. Moreover, it has a system character because of the number of independent units bound to each other as well as because of the structures they create and which directly and indirectly implies functioning of an organization on the market. The organization affects in a real and potential way the behavior of stakeholders (De Bussy, Ewing & Pitt, 2003; Gasparski 2006). Although in the case of a specific organization stakeholders are specified individually, there were attempts to endow the set of those entities proposed further, with universal character, stipulating at the same time changeability of its composition in time, dependence on, among others, the specifics of the industry, its volume, ownership and corporate structure. It also has to be noted that staff employed in a given organization can simultaneously be its shareholders, active members of local society and final customers/purchasers. Therefore it happens that interests of those groups are contradictory and then a given corporate identity is perceived in various ways, depending on which of those environments a given stakeholder feels to be most attached to. All entities – stakeholders play a crucial role in shaping corporate identity. First, they co-shape it, also in an international scale; second, they act as recipients of its image on the market and assess it. Here an important issue has to be tackled: namely, this process is affected by the entities connected with a given organization as concerns three time dimensions:
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- past (stakeholders existing so far),
- presence (current stakeholders),
- future (potential stakeholders).

Taking into account the above assumptions, the following entities were included in the group of corporate stakeholders: employees, corporate members /including trade union members/, customers /institutional and individual ones, also as members of consumers’ associations/, shareholders, suppliers, agents, competitors, business partners /making up a common arrangement e.g. alliance, network/, government and local authorities, financial institutions, media and other opinion-shaping environments /e.g. market analyzers, academic and professional associations/, local societies, pressure groups. Various interest groups, having different expectations as concerns a given organization, assess it in a different way, pay attention to its different attributes, perceive via their own so-far experiences. It may serve as a base for an abundance of perceived corporate images. Depending on an interest group and time context, the same values included in corporate identity are perceived in a different way; hence one, even constant identity may be reflected by several images (Gioia, Schultz & Corley, 2000; Mahon, 2002).

Shaping its market identity, an organization should consider the way in which it is perceived by the environment and whether the image stands for its relatively faithful reflection. Ignoring stakeholders’ reaction or their misunderstanding of corporate intention deepens erosion in their mutual relations (Brown, 1997). Therefore searching for an answer to a basic question in formulating identity: “Who are we and what do we have to offer?” – is not enough.

Nevertheless, it has to be strongly emphasized that constant monitoring of what image is perceived by the audience as well as frequent corrections of identity to satisfy the environment, lead to losing the own corporate personality. What happens then is not working out a given corporate identity but creating “an ordered identity”, which may even destroy the real identity. Actions leading to modify identity in line with audience’s demands, are usually based on superficial corrections, mainly concerning almost immediately visible attributes and messages, i.e. the visual sub-system and the way of informing. The image begins to live its own life, constituting a vision incompatible with reality; to be more precise – a vision of false identity. The author of this article proposes to specify this notion as identity dualism, presented in Figure 2.

Such groups of stakeholders as: employees, customers, shareholders, suppliers, agents, competitors and business partners really and potentially most strongly affect shaping of corporate identity. An organization, aware of its properly expressed attributes, may count on positive perception of its image by entities of its market environment. The further part of the article includes analysis of the importance of employees, customers and shareholders as well as selected tendencies of
their behavior in the market, significant from the Polish economical point of view.

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Figure 2: Identity Dualism

EMPLOYEES AS MAIN STAKEHOLDERS

Main groups of recipients of corporate actions include employees, i.e. internal stakeholders. Simultaneously their contribution to creating identity is reflected by increasing importance of non-material values. Since 1989 (beginning of economic transformation) and particularly since 2004 (Poland’s membership in the European Union), the labor market has been gradually changed and the Polish employers have become more aware of the international tendencies and workforce’s new preferences and possibilities. According to the research done in the United States entitled “Index of Value Creation”, it is human capital which is perceived as most significant non-material corporate asset (Low & Kalafut, 2004). Human capital as an element of intellectual capital, is defined as combined knowledge, skills, openness to innovation and individual abilities of separate units (Edvinsson & Malone, 2001). Analyzing the impact of that group of stakeholders, it is important to differentiate between potential and real as well as current and former employees. Focusing exclusively on currently employed workers deprives of a possibility to diagnose to which extent a given organization is perceived as a future employer. Confronting customers’ impressions and expectations with real perception of corporate vision by an experienced team, may reflect lack of connection between identity attributes and image. Moreover, thanks to development of teleIT, a modern employee may perform his or her tasks outside the office of the enterprise, even in his or her place of residence, another country or another continent. A new model of employment, the so-called “portfolio working” appeared, based on work done by a given person for several principals (Handy, 1996). Loosening of relations between those key stakeholders and the company leads to instability in employment, accepted, however, as a distinctive feature of the modern labor market especially by representatives of the younger generation. The phenomena described
above do not support building of corporate identity. Lack of employees’ assurance requires them to promptly and flexibly react to signals from the environment. In a turbulent, quickly changing market environment, the desired features of people active on the labor market include the following: perceiving life as a challenge full of opportunities and chances as well as paradoxes and contradictions, openness to changes, readiness for constant overcoming of obstacles, mobility in an international scale (Carr, Hard & Trahant, 1998). Moreover, demographic trends determine work reorganization in enterprise acting in an international scale, in which the specifics of production process requires employing of young staff. Therefore, on the one hand, the emerged gap is fed by employment immigrants from less developed countries, and on the other hand production is moved abroad and designing of strategies, conceptual and designing tasks are performed in a native country. Such tendencies may strengthen cultural pluralism, but also lead to antagonisms with nationality background, which directly affects the process of shaping corporate identity.

CUSTOMERS AS MAIN STAKEHOLDERS

A company’s customers participate in creating the concept of market identity, and at the same time they are strict critics of corporate actions. Their two basic groups should be considered: individual customers and institutional customers. Individual consumers in 21st century are aware of their role on the market – their high requirements concern not only basic features of a product or service, such as quality, price and payment conditions. They also expect individual treatment and additional benefits arising from the decision to choose a given offer. They show their skepticism and criticism, often constructive, towards market mechanisms. They contest attempts of marketing manipulations, fighting for their rights e.g. in consumer’s movement. The proof for purchasers’ inquiry is a success of a German book written by Martina Schneider, specifying herself as “a housewife in detective’s role”, entitled What Brand Is Behind It ?. She unmasked in that amateur publication those enterprises which supply products under Aldi brand for that discount retailer’s network. That bestseller was highly assessed even in the academic world (Nueno, 2006). They demand from an organization to involve in solving problems of general social character, which illustrate among others the results of Cone Corporate Citizenship Study from 2004. According to them 80% Americans put trust in those organizations which support social actions, and that percentage has increased by 21% since 1997 (Niblett, 2006). Tendencies characterizing individual purchaser’s behavior also follow the Internet’s development. Thanks to an ever wider access to it, consumers without visiting the shops compare in a relatively very short time the offers of competing enterprises in an international scale. Moving in a global cyberspace they also make purchases. What is
more, increase in private and business trips also facilitates comparison of offers. Nevertheless, popularizing fast and comfortable forms of purchasing products did not lead to decrease in interest in their symbolic meaning, or saying more exactly, in brands’ symbolism. Showing off the possessed goods or preferring the proposals of a specific service, at the same time becomes sending a message concerning a purchaser’s own identity and reveals the process of shaping relations between a consumer and a brand. However, ties with a brand are less and less lasting, which is proven by the notion of loyalty erosion towards a producer, sale place and trade mark (Assael, 1995), caused among others by the abundance of substitutes on the market. Customer’s satisfaction does not guarantee his or her faithfulness. It is incoherence of market behaviors, next to eclecticism of tastes, variety of lifestyles and aiming to develop human ties, which belongs to distinctive features of postmodern consumption (Mazurek-Lopacinska, 2003). Usable electronics market feeds us with examples of paradoxical decisions made by purchasers. The report of Young & Rubicam, entitled My Brain Hurts shows that a purchaser carefully and reasonably buys technically advanced equipment, although he or she is not able to find out, let alone learn all its functions. Each year new inventions appear on the electronic devices market, but users gradually turn to simpler solutions. A modern consumer frequently moving in the virtual world of advanced technologies, is a searching unit, treating durable goods as means leading to an end, returning to nature and non-material values. It results among others in involving in environment protection, which is reflected in adopting pro-ecological consumers’ attitudes (Leeflang & van Raaij, 1995).

Some of the above observations also concern institutional customers /e.g. their attitude to ecology, using information and telecom technologies, access to market information/ together with suppliers and agents, and also with individual purchasers, create a system of strict connections. Nevertheless, IT development leads to gradual disintermediation and replacing it with remodeled channels of direct distribution, based on electronical contact. It facilitates constructing customers’ data basis by an offerer and at the same time monitoring of individual preferences. The importance of offer’s individualization has been increasing both on consumption goods market and investment market and this notion is used for offers proposed by even definitely mass producers (Schonefeld, 1998). Such individualization contributes to added value creation, as customers receive information and products exactly suiting their requirements and ever more frequently anticipating their needs. The market of consumption goods in numerous industries offers a possibility of mass-customization, simultaneously maintaining the scale of actions thanks to technical and organizational solutions. Adjusting an offer to individual orders allows to deliver expected usefulness to a customer, but its availability must be technically possible and cost of delivering such usefulness must be accepted by an offerer
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(Golebiowski, 2006). Institutional customers are characterized by a rational attitude to purchasing and have higher expectations towards material usefulness of an offer than emotional usefulness. As Rutkowski (2006) shows, partnership arrangements or relations constitute another research line as concerns value creations. It served as a foundation for the concept of relations value, on the basis of which the value for a customer and value for an enterprise is created by relations between them (Rutkowski, 2006; Miller, 2004), and permanent ties with a customer are included in corporate non-material assets. Relations have an independent character when a given entity may choose among numerous suppliers on a given market and/or when a seller has numerous potential customers. On the other hand, co-dependent relations occur when both parties are interested in a sustainable and long-term contact. A buyer and a seller similarly assess their benefits from permanent cooperation. In the situation when one party dominates over another, there occurs a co-dependence asymmetry, which leads to dependent relations (Prymon-Rys, 2000). The other of the aforementioned relations, if is transformed into a consciously accepted and implemented in a long term strategy of actions based on mutual responsibility, trust, ethical behavior, setting common aims /but simultaneously maintaining autonomy/, profits sharing, may be a foundation of partnership relation. Partnership constitutes one of relation variations. Both parties become beneficiaries of the arrangement they commonly worked out. Within the conditions of insecure actions in international frame, partnership ties gain special meaning, and, moreover, one of the features most sought by customers is reliability of a potential partner. Many researchers underline a significant role of mutual trust for both market parties willing to cooperate (Fonfara, 1996; Fukuyama, 1997), treating it also as an element lowering transaction costs. What is more, trust is transposed to such a component of corporate identity which is its reputation (it is a general opinion established in the long term by stakeholders who assess in details corporate actions, i.e. it is a long term image, perceived in the same way by various interest groups).

SHAREHOLDERS AS MAIN STAKEHOLDERS

Another basic group of stakeholders are its shareholders who, apart from customers, become a basic element in international corporate competition searching for investors’ capital. According to P. Doyle, since the 90s of the 20th century, ever more organizations turn towards shareholders’ values as a criterion for assessing strategy and effectiveness of the managerial staff. Taking it into account, market strategies should be assessed by the perspective of returns from an investment for investors, which are measured by the dividend paid out and increase in the value of corporate advantages (Doyle, 2003). Doyle's
attitude stating that the perspective of accounting profits leads to insufficient investing in non-material assets is included in the tendency of increasing non-material assets importance. The international market can observe ever greater diffusion of given corporate ownership rights, and, what is more, representatives outside a native country of a given entity also become shareholders. If a number of investors representing one state is big, the management board regards their opinions as highly significant for considered issues e.g. involving identity creation. Organizations with diffused ownership structure not always can count on shareholders' contribution in shaping their identity. It results from lack of immediate relations between organizations and investors who do not work in it or direct it. A group of shareholders, called “players” of capital market, expects relatively fast returns, not actually involving themselves in corporate functioning. If a company experiences failure or potential threats, they dispose of securities. Many fears are aroused in this context by foreign aggressive speculative “players”. Institutional shareholders, so usually the strongest ones, represent pension and investment funds, insurance agencies, i.e. they are anonymous co-owners, not emotionally involved in an organization (Polacy lubia sami inwestowac, 2005). Here also external investors should be mentioned, enabling capital feeding of an organization thanks to such financing forms as venture capital /VC/, private equity /PE/ and private people connected with them, the so-called business angels, directly investing in smaller entities in their early development stages. Small and medium enterprises with high development potential and chances of fast increase in value, use the aforementioned financing ways as an alternative to bank credit or obtaining capital from the stock exchange (Weclawski, 1997). From the point of view of creating corporate identity, what becomes crucial is the extent to which business angels involve themselves in corporate actions. As the research done by J. Jeffrey and L. Hill shows, these are private investors who show such involvement (Jeffrey & Hill, 2005). Specific corporate shareholders are members of cooperative associations, and the feeling of ties with an organization results here from the very cooperation, i.e. from membership. Ownership community determines deeper identification of the employees with an organization and increases their feeling of solidarity, but management is optimally entrusted to a conventional managerial structure (Semler, 1993). The form of property can become a major element of corporate identity.

**SUMMARY**

This article attempts to signal the problem of considering the role of corporate stakeholders in shaping and communicating its identity. Some of them, like employees and shareholders, directly participate in corporate identification process, others, including customers, are recipients of communicated identity attributes. Hence, main corporate...
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tasks include choice and hierarchy of key stakeholders, and then regularly analysis its image shaped in those recipients' awareness, as well as confronting it with expressed identity. Such problem cannot be belittled, and Polish business experiences show brightly that stakeholders affect a company success to a serious extent.

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