

# Book of Graduates' Research Abstracts

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# Preface

*This year we celebrated the 11th graduation of the Part-time Executive International Master of Science in Corporate Communication Programme. Here we are proud to present the abstracts of the 12 theses that have been written by the Graduates of the Executive International Master Programme of Corporate Communication of the Rotterdam School of Management, Erasmus University in The Netherlands.*

*In this twelfth year we are able to allow twelve new graduates to become Master of Science in Corporate Communication. This means that we now have a total of 167 MCC graduates. Most of these Mcc's made a substantial career move after their graduation. I sincerely hope (but also expect) that the same will happen to the Graduates of this year. This year 12 representatives of the business world and non-profit organizations can celebrate their graduation of a programme they participated in during two years of intense courses where they presented assignments, discussed the most recent academic theory and applied this to their daily life problems in their businesses. The participants graduating this year are:*

*Marcus Balogh (Credit Suisse), Korneel Born (Vesteda Groep B.V.), Milou Halbesma (Turing Foundation), Lieke de Jong-Tops (NXP Semiconductors), Martin Kersbergen (Dela), Hennie Koeken (Erasmus MC), Monique Lingerde Bruijn (NV EPZ), Geesje van Niejenhuis (TAQA Europa), Tarcísio Pontes (Millennium bcp Portugal), Daniel Rouw (Gemeente Terneuzen), Maja Stritof (Ashland Nederland, Valvoline Emea), Katja Wingelaar (Ministerie van Verkeer en Waterstaat).*

*I hope they have learned a lot during the courses we offered them in the past years. The least I could say, also on behalf of all the teaching staff that worked with them, is that we have learned a lot from them too. Their willingness to discuss practical problems in their own organizations and to relate these to the issues we discussed in the classroom were inspiring and exciting.*

*In the twelve years of the Master of Science in Corporate Communication Programme we succeeded in creating an international programme that presents all leading experts in a teaching role. I would like to thank the following people (teaching staff) who contributed tremendously to the success of this programme: Paul Argenti of the Dartmouth College U.S.A.;*

*John Balmer of Bradford University UK; Tom Brown of Oklahoma State University U.S.A.; Kevin Corley of the Pennsylvania State University; Charles Fombrun of the Stern Business School, New York; Janet Duckerich of Texas University in Austin, USA; Joan Hemels, Universiteit van Amsterdam; Jan Kleinnijenhuis, VU University Amsterdam; Onno Maathuis, Positioneringsgroep; Michael Pratt of University of Illinois, Urbana/Champaign; Davide Ravasi of Bocconi University; John Rossiter of the University of Wollongong, Australia, Majken Schultz of Copenhagen Business School, Denmark; and from our Faculty: Frans van den Bosch, Gerrit van Bruggen, Pursey Heugens, Muel Kaptein, Swalef Magala, Lucas Meijs, Erik Waarts, and all working at the Rotterdam School of Management, Erasmus University.*

*The first Graduation Day in 1999 was a great success thanks to the joint effort of several representatives of the business world (Mr. D.J. de Beus of PGGM, Mr. Rob de Brouwer of Hoogovens and Mr. Dries van de Beek of the VSB-Fonds) and several professors of the Erasmus University. Alexander Rinnooy Kan (member of the Executive Board of ING Group) was the keynote speaker at that time. In 2000 it was a great pleasure to have Mr. Cees van Lede, Chief Executive Officer of the Executive Board of Akzo Nobel as our keynote speaker. In 2001 we proudly announced the CEO of Grolsch NV, Mr. Jacques Troch, who spoke about the social responsibility of a company. In 2002, Leendert Bikker (CEO of Euro RSCG Corporate Communications) gave a speech about 'Building Reputation'. In 2003 we welcomed Mr. Wim Dik, the former CEO of KPN, who spoke about reputation management. In 2004 we welcomed with great pleasure Mr. Frank Welvaert, Director of Social Responsibility at Johnson & Johnson Europe. In 2005 we had Mr. A.W.H. Docters van Leeuwen, Chairman of the AFM. And in 2006 we welcomed Mr. P. van Minderhout, Group Director Communications and Social Responsibility of TNT, who spoke about the 'Reputation Management at TNT'. In 2007 we were proud to have Mr. J. Prast, Executive Vice President, Global Director of Corporate Communications of Philips as guest speaker, who spoke about "What does good look like in Corporate Communication". Last year three MCC alumni's (Ron van der Jagt, Mark Zellenrath & Anoeska van Leeuwen) gave presentations about their career experiences with the theme "The Route to the Top".*

*This year we are glad to welcome Mr. B. Staal, Chairman of the Board of NVB (Nederlandse Vereniging van Banken) as a guest speaker who will speak about 'Reputation Management in the Public & Private Domain'. It's also with great pride that we welcome Mr. Herman Kievits of Royal Dutch Shell, who will present the 'Shell Netherlands Stimulation Award*

*for Excellence in Corporate Communication' to the author of the 'best thesis' of 2009. 'The Boer & Croon Innovation in Communication Award' will be announced by Mr. Ron van der Jagt, Partner of Boer & Croon Corporate Communication. The winners of both awards will be announced at the Graduation Day on November 20, 2009.*

**Prof. dr. Cees B. M. van Riel**

*Director Corporate Communication Centre*

*Programme director of the Part-time Executive International Master of Science in Corporate Communication*

# Programme

## Friday, November 20, 2009

- 15.30 - 15.35    **Opening**  
Prof.dr. Steef van de Velde,  
Vice Dean of the Rotterdam School of Management,  
Erasmus University
- 15.35 - 16.05    **Keynote Address**  
Reputation Management in the Public & Private Domain  
Mr. Boele Staal, Chairman of the Board of NVB  
(Nederlandse Vereniging van Banken)
- 16.05 - 16.45    **Presentation of the Diplomas**  
Prof.dr. Cees van Riel,  
Director Corporate Communication Centre
- 16.45 - 16.50    **Presentation of the Shell Netherlands  
Stimulation Award for Excellence in Corporate Communication**  
Drs. Herman Kievits, Head External Affairs, Shell Nederland BV
- 16.50 - 16.55    **Presentation of the Boer & Croon Communication Award**  
Ron van der Jagt (MCC),  
Partner Boer & Croon Corporate Communication
- 16.55 - 17.00    **Closing Remarks**  
Prof.dr. C.B.M. van Riel
- 17.00            **Reception**

# List of Graduates

<b>Marcus Balogh</b>	<i>Employee Identification in a complex organisation: How to shape effective communication in times of stress and turmoil?</i>
<b>Korneel Born</b>	<i>“Corporate-level marketing: Managing expectations by aligning organizational identity, corporate branding and performance”</i>
<b>Milou Halbesma</b>	<i>How a corporate foundation can help Dutch organizations to develop a strong corporate reputation.</i>
<b>Lieke de Jong-Tops</b>	<i>Private Equity and reputation of portfolio companies: friend or foe?</i>
<b>Martin Kersbergen</b>	<i>Stretching a funeral insurance and services brand: ‘the power of emotional appeal’.</i>
<b>Hennie Koeken</b>	<i>“Professional Change: The Change Within Creating strategic alignment in a professional bureaucracy during strategic change: The example of a university medical center”</i>
<b>Monique Linger-de Bruijn Geesje van</b>	<i>A second nuclear power plant: collision or consent? Critical Success Factors in Employee Communication when Creating Strategic Alignment within a Global Company after a Merger/-Acquisition: The Effects of Intercultural Communication</i>
<b>Tarcísio Pontes</b>	<i>“Coordinating banks’ global corporate communication – a look beyond the financial crisis”</i>
<b>Daniel Rouw</b>	<i>Divided Perception: Measurement and management of reputation in the context of municipalities</i>
<b>Maja Stritof</b>	<i>Corporate Storytelling: How should storytelling in different countries be differently orchestrated in order to have an impact on employees’ engagement?</i>
<b>Katja Wingelaar</b>	<i>Making more sense of sensemaking: Identification of socio-cognitive factors that trigger or restrain behavioral alignment of employees with a strategic change initiative</i>



Marcus Balogh

## Employee Identification in a complex organisation:

*How to shape effective communication in times of stress and turmoil?*

Marcus Balogh is a communications specialist with more than a decade of international experience in executive communication, strategic stakeholder communication, corporate positioning, and brand development and implementation. He has worked in Switzerland, France, Spain, Hong Kong and most recently in New York and is fluent in German, English and French with good proficiency in Spanish and Italian.

His areas of expertise include strategic communication planning; corporate and executive positioning in changing organizational and cultural contexts; development and implementation of brand positioning and differentiation strategies in multinational enterprises; development and management of stakeholder communications tools; crisis communication; reputation management; and issues management.

For the last seven years, Marcus has been working for Credit Suisse, the second largest

Swiss financial services provider. He has held a variety of positions in which he has been managing people and projects in national as well as global contexts. In his most recent position he manages the communication activities of some of the bank's executive board members, the global implementation of Credit Suisse's current brand transformation and supervises the bank's corporate positioning in its stakeholder communication tools.

Marcus holds a Bachelor of Business Administration/GSBA and several advanced language diplomas and is currently trying to master the first steps in learning Mandarin. Next to learning languages and traveling, he is passionate about classic cars – dismantling them and, after putting them together again, racing them in classic-car rallies – diving, good food, the cinema and last, but very much not least, his extended family.

Korneel Born

## INTRODUCTION

Today's global financial intermediaries host a variety of business cultures and social cultures. The Swiss financial services provider Credit Suisse, for example, is active in over 50 countries and employs more than 45,000 people from approximately 100 different nations in its three business divisions Private Banking, Investment Banking, Asset Management and its shared services divisions.

The development and the implementation of a consistent business strategy throughout such a company is a complex process. Private bankers, investment bankers and asset managers do not always see eye-to-eye when it comes to the question how business is best executed. However, in order to fully leverage the bank's potential, it would be necessary for all employees and functional units to agree on what, for example, profitable growth through a more diversified business mix consists in. (Michael & Gagnon, 2003).

In Credit Suisse's case, they would have to buy into the idea that a significant part of revenue can be generated by first catering to the needs of a client in one division and then catering to perhaps considerably different needs of the same client in another division. In other words, employees must be willing to "share" their clients with people from other business units. Revenues generated through this kind of collaboration would be of considerable size. Credit Suisse's corporate development team estimates that in 2012, these revenues could reach CHF 10 billion. (Credit Suisse Internet site, March 2009)

This cannot be realized without significantly increasing internal collaboration and partnership between the divisions – in a broad sense of the word: through so called organizational citizenship behavior. An initial review of extant research focusing on this type of behavior revealed that it seemed to be closely linked to organizational identification (see review by Haslam, 2005) – which defined the general area on which I wanted to focus in this thesis: identification.

If senior management wanted to align Credit Suisse's employees behind a strategy that emphasized collaboration, and if this kind of collaboration depended on the question of how employees identify with their company, senior management and the corporate communication function needed to know where employees stand in order to move from the current organizational reality to a new organizational reality that emphasizes collaboration.

Looking at Credit Suisse, I therefore wanted to find out what kind of identification processes employees within the investment banking and the private banking divisions were engaged in. Given the different social and economical circumstances employees of these two divisions were facing, I wanted to see whether it would be possible to determine the reasons why people engage in these processes. Finally, I wanted to look at the specific circumstances that made people engage in their processes – in the sense of a temporal and causal "when". The focus of this study was therefore on the dynamic process of identification.

This focus was not only compelling from a managerial point of view. The situation at Credit Suisse also created the opportunity of being able to further explore the theoretical, research-related field of identity and identification. The investment banking division with its low performance, and the private banking division with its comparatively satisfying result, found themselves under one roof but in very different positions, for example, in terms of reputation and prestige.

### **The research questions were therefore defined as follows:**

1. What kind of identity types are employees in Credit Suisse's investment banking division and in the private banking division focused on?
2. What are the underlying motives of employees in the two divisions for their identification processes?
3. When – under which circumstances and at what point – do employees engage in their respective identification processes?

## THEORETICAL FRAMEWORK

Individuals classify themselves and others into groups as means of ordering the social environment and locating their place within. Thus social identification is the perception of belongingness and the sense of oneness with the group. Organizational identification is a specific form of social identification (Ashforth & Mael, 1989), a complex process that draws on beliefs, attitudes, and emotions, and that seems to be "inherent to all social animals" (Pratt (1998:171).

Many of the motivations cited by researchers as reasons for individuals to identify actually touch on fairly basic human needs, most prominently the needs for safety, affiliation and uncertainty reduction (Ashforth, Harrison & Corley, 2008). At the same token, Dutton and Dukerich (1991) revealed a strong relationship between organizational identities and how members' sense of outsiders' perceptions of the organization interacted and influenced individual cognition and behavior. Dutton et al. (1994) later referred to this aspect as "construed external image".

In this later paper, Dutton & al. (1994) showed that it was more than economic transactions that connect members to their organizations. Members' attachments seemed to be fundamentally tied both to the images that they had of what the organization meant to them and what they thought it meant to others outside their organization. If the images provided them with continuity, distinctiveness, or positive evaluations, then their attachments strengthened through organizational identification. Purely economic depictions of organizational attachments, the stated, would ignore these images and their dynamic qualities. The consequently developed model by Dutton, Dukerich & Harquill's (1994) suggested that these images should be center stage if we were to understand what made people get up eagerly for their work in the morning and see new possibilities and meaning in their life as an organizational member.

A paper published by Elstak et al. (2008) however indicated that when an organization were under threat the attractiveness of perceived organizational identity increasingly failed to explain why members identified with their organization. The study entailed that during times of threat organizational members closed ranks and increased identification (see also Ashforth et al., 1999) for stability's and consistency's sake. Consequently, the attractiveness of perceived organizational identity would explain only partially why employees identify with an organization because as the threat increases, the motive of self-enhancements becomes less significant as a driver for identification, whereas the motive of self-consistency gains prominence. Elstak et al. (2008) suggested that especially during dire times, it was crucial for management to explicitly communicate and project a collective identity of "who we are as an organization" – however, effectiveness of this effort seemed to depend on the degree with which projected organizational identity resonates with the existing identity perceptions members have.

The review of the extant research led to the conclusion that Credit Suisse's employees were most probably involved in relational and comparative activities, and that they were influenced in their identification processes by variables, such as how they perceived their organizational identity, news gathered from the media, senior management's vision of what Credit Suisse should stand for (projected organizational identity), their day to day work task, and what they thought other's thought about Credit Suisse (or specifically their business unit). However, extant literature did not allow to safely predict what kind of "relational and comparative" (Tajifel & Turner, 1986:16) organizational identification processes employees in Credit Suisse Investment Banking and Private Banking divisions were engaged in.

The review also did not allow a conclusive statement as to what kind of identity types were important for the identification processes of Private Bankers and Investment Bankers and what types of motives were driving these processes. The review also revealed surprisingly little research that attempted to capture the dynamics of identification. And despite the abundance of research on organizational identification, most models had, as Ashforth, Harrison and Corley state, a static "boxes and arrows" feel (Ashforth et al., 2008:359).

## **RESEARCH DESIGN:**

### **DESK RESEARCH AND FIELD WORK**

The research design was based on two pillars: desk research and "fieldwork". Deskresearch consisted in an audit of internal and external communications efforts that served as background against which the findings of the fieldwork-part could be tested. Fieldwork involved conducting interviews with a white collar, higher level managerial sample and consequent analysis.

### **DESK RESEARCH**

In a first step, an audit of internal and external communications efforts at Credit Suisse was conducted to provide an overview of Credit Suisse's communications efforts in order to establish a background against which the statements of the interviews could be tested. The audit was a structural snapshot of Credit Suisse's communication strategies, activities and programs and included a review of existing communication efforts, publications, and vehicles that employees were faced with during their work. The audit followed a step by step procedure as outlined in figure 1.

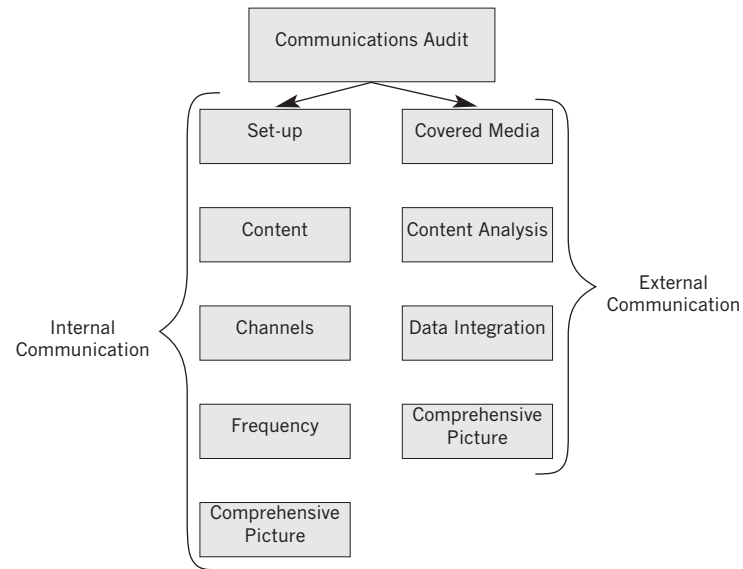


Figure 1. Step-by-step desk research

### DESK RESEARCH - INTERNAL COMMUNICATION

Credit Suisse's most important communications tool to reach out to its employees is its intranet. Of relevance to this thesis is the dynamic content of the news and feature section. News are short, factual and consist of need-to-know information. The features should demonstrate the culture and major initiatives within Credit Suisse and further understanding of Credit Suisse's strategic intent.

The analysis showed the investment banking division to be slightly more prolific than the private banking business. In addition, group wide communications were more focused on Credit Suisse's investment banking division than on the private banking side. Next to the increase in frequency, there was also an increase in depth of communication, especially during the first 5 months of 2009, during which senior management communicated more frequent and in more detail about the current macro- and micro-economic developments and their impact on Credit Suisse.

### DESK RESEARCH - MEDIA ANALYSIS

The analysis consisted in an assessment of each article in 40 newspapers and magazine (20 in Switzerland and 20 global media) in which Credit Suisse appeared between August 2007 and June 2009. An individual positive or negative assessment regarding the position of the bank was made for each article. Multiple assessments were possible. The assessments combined frequency, and prominence (position in text). In the chart in Figure 2 below the results are presented on a scale from +10 to -10, expressing the proportion of positive and negative assessments: +10 would mean that all assessments were positive, -10 that all assessments were negative.

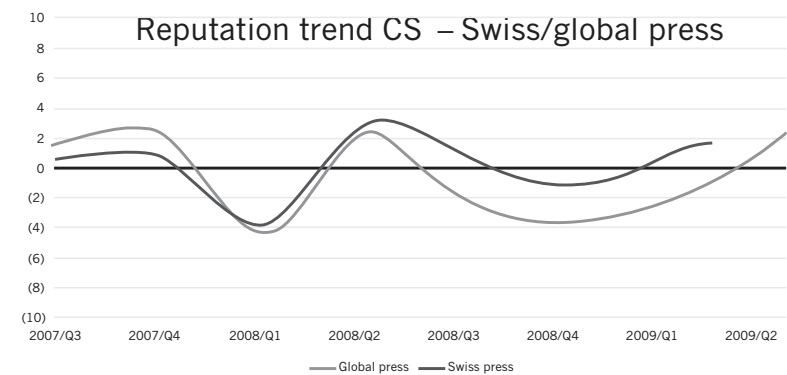


Figure 2. Reputation trend CS - Swiss/global press

### FIELDWORK - THE GROUNDED THEORY APPROACH

In view of

- 1.) the special circumstances at Credit Suisse,
- 2.) the relative dearth of research explicitly focusing on the process of identification (and not on identification itself) as mentioned above
- 3.) the absence of research designs capturing the dynamic of identification processes, and
- 4.) the relative lack of research providing – in terms of motives on the part of organizational members – for the multidimensional aspects of organizational identification, I decided to make use of a qualitative technique that would be suited to map such a process and, perhaps, generate additional and new answers about the configuration of identity processes.



I argued that that by using this method and by looking at the identification processes employees in the investment banking division and in the private banking division are engaged in, I would arrive at a more complementary understanding of organizational identification through previously unidentified causal and temporal patterns in the configuration of organizational identification processes. In doing so, this thesis would make both conceptual and empirical advances to the theory on the configuration of identification processes.

As mentioned, there is a lack of research capturing the dynamic of the identification process and the multidimensional aspects of organizational identification. Therefore, I needed a method that was able to reflect the fluid, evolving and dynamic nature of identification processes and, perhaps, would allow me to find previously unidentified causal and temporal patterns in the configuration of organizational identification processes. The method I finally selected was the Grounded Theory approach.

Grounded Theory is an inductive form of qualitative research, introduced by Glaser and Strauss (1967), where data collection and analysis are conducted together. It is a form of content analysis to find and conceptualize the underlying issues amongst the “noise” of data.

Constant comparison and theoretical sampling are used to support the systematic discovery of theory from the data. Corbin (2008) suggests that analysis during the constant comparison process is conducted in several stages. Open coding, where written data from transcripts is conceptualized on the first level of abstraction, followed by axial coding, the process of relating codes (categories and concepts) to each other, via a combination of inductive and deductive thinking and theoretical coding, during which a theoretical model is applied to the data - this theoretical model emerging during the comparative processes.

In concrete terms, applied to this thesis, research started with the first interview for which a basic framework of questions had been developed. These questions were not rigidly applied to structure the interview but to help structure the data and facilitate the emergence of topics of interest.

Each interview was transcribed verbatim, after which two passes of analyses were conducted –open coding passes on the first level of abstraction. The second pass was an expanded open coding session which incorporated the theorizing write-up of ideas and their relationship influenced by further interviews having taken place in the meantime. The third pass was part of the axial coding process which related the conceptualized ideas from the first two passes.

This third part was conducted in to steps immediately following each other. The first step in the document containing the transcript, the second and longer part of the axial coding process consisted in a comprehensive analysis which included a summary of findings and theories focused on the main actions of the studied area.

I conducted each interview myself. I always started with a few minutes of gossip, followed by an explanation of a) my personal background, b) the reason for conducting the interviews (writing a thesis) and c) the general topic of the thesis (identification). All interviews were audio-recorded.

The collected data consisting of the verbatim transcription of the interviews, the results of the coding sessions and the in-depth analysis of each interview resulted in 200 pages of information.

## **CONCLUSIONS**

### **PROJECTED IDENTITY**

With regard to relevant identity types the findings are surprisingly explicit. Under times of threat, projected identity becomes considerably more important. All interviews conducted with members of the investment banking division contained clear statements on how important senior management’s communications efforts had been during the last few months. The tonality of the statements ranged from very good to indispensable. The findings fully support the suggestions that projected identity gains significantly in importance during times of threat as promoted by Elstak et al.’s (2008). For members of the private bank, on the other hand, projected identity was of little importance. They rather focused on external prestige – respectively, what they perceived external prestige to be.

### **PERCEIVED ORGANIZATIONAL IDENTITY**

Unanimously both groups agreed on the attractiveness of Credit Suisse’s perceived organizational identity. No better place to be – was their collective verdict.

### **PERCEIVED EXTERNAL PRESTIGE**

The conclusions regarding the identity type of perceived external prestige was more complex. A review of the findings shows, that there is a gap between private banking division’s employee’s perception of external prestige and the reporting of the media. Private banking division employees seemed almost oblivious to the

fact that Credit Suisse's reputation had been damaged in the wake of the critique of other financial players – not to mention the fact that Credit Suisse had had a series of small and medium sized media blunders itself. The private banking division employees showed themselves convinced that Credit Suisse's reputation remained intact or even improved during the last 18 months.

The situation on the investment banking side was as complex as on the private banking side. While all of the interviewed client facing investment bankers agreed that external prestige was a decisive factor in the decision making process of their clients, and while they also agreed that the media are an important factor when it comes to reputation, they stated that they would not pay attention to the media on a personal level and that the media anyway could not be considered a reliable source of information.

While the perceived external prestige of investment banks was deteriorating quickly and severely, the perceived organizational identity and its attractiveness remained more or less intact. Perhaps, the discrepancy between the identity types perceived external prestige and the attractiveness of perceived organizational identity could explain, why for members of the investment banking division the negative perceived external prestige is less damaging to the degree of identification, or, respectively, the decrease in external prestige is offset by the increase in attractiveness of perceived organizational identity and by the increase in frequency and depth of senior management's communication promoting their own – projected – organizational identity

Of course, the question is, how much do these identity types influence identity and identification? Before I further elaborate on that I need to look deeper into the motives for identification.

#### **MOTIVES FOR IDENTIFICATION – VALID BUT LIMITED**

Interestingly the found motives of distinctiveness, belonging, meaning and continuity did not seem to be related to age, gender, length of employment nor other variables. This lack of correlation may stem from the size of the sample. Perhaps with a larger group of employees, these motives could be linked to certain variables. For example, consistency with the length of employment as at first sight it might make sense to presume that someone who has worked for the same company for close to 30 years probably has a greater need for consistency than someone who has been job hopping every two years for the last three decades.

Still. Even if these motives can be linked to certain variables, there remains the troubling impression that surfaced even while conducting the interviews and while reviewing the analyses of the interviews. There is no doubt about the validity of these motives. They are there and when people talk about what they are looking for in their day-to-day work this is what they come up with. However, how much are these motives really motives for identification? Do we identify because we crave to belong? Does the need for consistency fuel identification?

#### **ON IDENTIFICATION – CAN'T DO WITHOUT IT**

Whereas the findings discussed above are more or less in line with the models and beliefs most researchers adhere to, the findings on identification suggest a model that strongly deviates from the current assumptions.

Identification, it seems, does not have a linear relationship with the identity types. And the findings in the interviews strongly suggest, that identification is not variable that is easily changed – as such, perhaps, more the opposite of a variable: A stable component in a balanced system. This, to a certain extent, could explain why some researchers found a much less of an explanatory relationship between identification and task or organizational citizenship behavior than they expected.

One of the reasons behind this all could be that “not identifying” is not in our nature. Man is a pack-animal. Contrary to sharks or cats our ancestors were more certain to survive if they were living in a group, a family or, if you will, a herd as if they were trying to live all by themselves. Those who liked to ‘belong’ survived, the loners died out. Within this frame of reasoning, wanting to belong is a survival trait, honed over a long period of time. This is simplified, of course. But it establishes the direction: we identify anyway, no matter what.

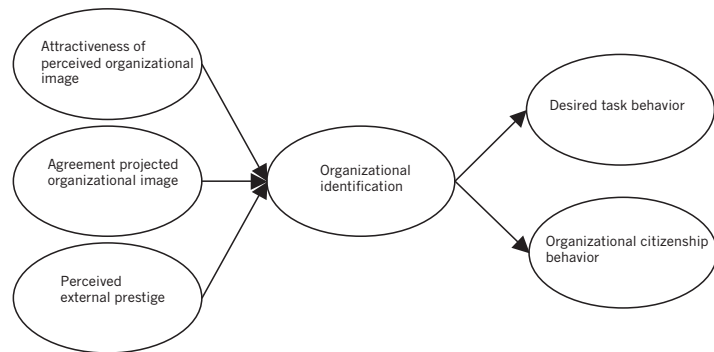
For some of the interviewed employees, belonging is more important than the motive of consistency. Others almost exclusively invoke the desire to display individuality by highlighting qualities such as performance, intelligence and leadership. But no matter where they stand, how happy they are at the moment with their work and what motives they find for working at Credit Suisse: they all are highly identified.

In addition, there seemed to be a calculative aspect behind the process of identification. Some interviewees talked about being in this business to make money. But in order to make money, they must be “good at their job” – which, according to the interviewees, is not possible without being highly identified.

One might deduct from their reasoning that identification is not only something that “happens” to the interviewees but that it is something that they actively pursue.

### IDENTIFICATION – A MODEL

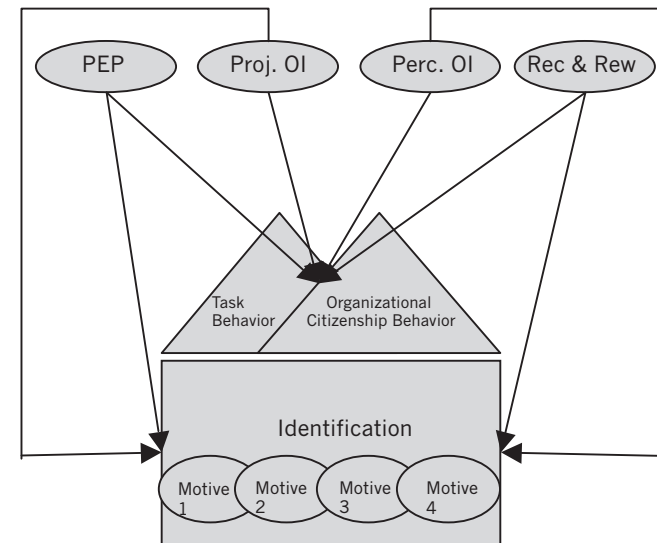
Following through on these thoughts had consequences for the model which organizational psychology used to explain the relationships between motives, identity types, identification and task and organizational citizenship behavior. For example, Elstak et al. (2008) suggested in their hypothesis the following model:



**Figure 3. Hypothesized Model, Elstak et al. (2008)**

However, if organizational identification was a given, or an absolute, something that was just “there”, like the identification with one’s family, no matter how dysfunctional this family might be, the model would have to look different. And the relationship between identity types, identification, task behavior would be very different too.

Based on the findings of the interview and the conclusions derived from them I suggest the following model of dependency on identification:



**Figure 4. Stable identification Model**

This model is based on the following conclusions:

- **Identification is an inert variable**

Identification is a given and forms part of every relationship between and individual and an organization. It is always there. The precise size of identification is a personality trait that changes only very slowly. Identification is a base, on which task behavior and organizational citizenship behavior build on. However, the direct link between identification and task behavior and organizational citizenship behavior is small and identification cannot be treated as a variable that directly influences behavior in the same way that identity types or the recognition and reward system influence behavior.

**The reason:** As stated above in the theoretical implications, identification among white collar employees with a higher level of education is a given – it happens because there is a strong intrinsic drive to identify with ones job and/or ones employer. This does not mean that identification is not relevant for task behaviour or organizational citizenship behavior but there is not a

linear relationship between them. Identification is the foundation on which task behaviour or organizational citizenship behavior build on, similar to the foundation a house is built on, but the foundation of the house does not necessarily relate to how the attic of the house looks like.

- **Motives form part of identification**

Motives like the desire to belong to a group, the desire to display individuality, the desire for consistency are part of identification.

**The reason:** Based on that identification is a given, the motives are emotional post factum explanations for a survival instinct which does not depend on motives but on deeper lying psychological structures. As such, motives are reasons that individuals find to explain a certain behavior – which does not make them unimportant or insignificant from the point of view of a communications manager. But the motives for identification do not have a direct relational link to task behaviour or organizational citizenship behavior.

- **Identity types and the recognition & reward system fuel identification**

The system requires that their absolute sum remains relative stable. That means if one of the parameters decreases in value, e.g. perceived external prestige, another parameter becomes more important, e.g. projected identity.

**The reason:** It seems as if employees need some form of stable extrinsic input to keep their identification processes going much as an engine needs fuel to keep on running. However, this is not a passive process. Employees seem to be engaged in an active process where they look for sources that validate their level of identification. This means that a highly identified employee – who experiences identification as a prerequisite for his job – is actively engaged in finding these sources. Should one of the sources decrease in strength, e.g. when perceived external prestige loses value, he turns to another source, e.g. projected organizational identity.

- **Identity types and the recognition & reward system have a direct influence on task and organizational citizenship behavior**

**The reason:** Identity types, such as perceived organizational identity and its attractiveness, perceived external prestige, projected organizational identity but also the recognition and reward system build a guiding framework against which employees map their behavior. This process includes a cognitive aspect as the behavior employees engage in is consciously compared not only to intrinsic rules but also to extrinsic guidelines that define what is “good behavior” and what is “bad behavior”.

## MANAGERIAL IMPLICATIONS

### THE IMPORTANCE OF SENIOR MANAGEMENT’S COMMUNICATION

One of the most eminent findings relates to the importance of projected identity when a company is under threat. The findings clearly underline that during times of threat senior management must increase its communication both in frequency and in depth.

#### To successfully support employees – and the implementation of the business strategy – senior management must

- Increase its visibility
- Raise awareness of its managerial prowess
- Achieve understanding of the business strategy
- Foster acceptance of the situation the company is facing

Open and transparent communication is one of the prerequisites to successfully support employees in their efforts to consistently deliver the results they deliver under “normal circumstances”. Based on the findings in the interviews, a direct, physical presence of senior management is key and whenever possible a dialogue between senior management and employees, e.g. in employee town halls or through interactive webcasts, further supports the implementation of such a communication initiative.

As part of its task, the corporate communications function should therefore develop a comprehensive leadership communications initiative. Objectives of this initiative should include the promotion of greater access to leadership and an increase in touch points between senior leadership and employees. On a second level, the corporate communications function should provide strategic communications counsel to senior management and their direct reports to facilitate message coordination, collaboration, consistency in messaging and cascading of messaging.

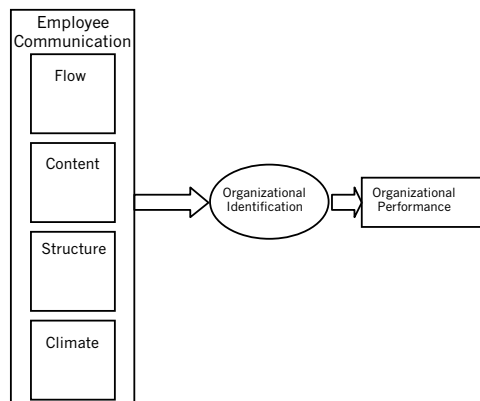
Employees, such as the sample interviewed here, who are highly identified, are disposed to accept that companies can fall on hard times and face a decline in external prestige. The findings of these interviews suggest that they do not identify less with their job or their employer. However, they do need extrinsic input. It seems that under times of threat senior management and their take on projected organizational identity is a decisive factor in the management of such a crisis.

**EXTERNAL PRESTIGE – WE SEE IT EVEN IF WE DON'T**

Even if a company is not under direct threat, a host of negative reports impacts on the balanced system that influences task behavior and organizational citizenship behavior and a change in the equation of the system needs to be rebalanced. While it may not be necessary to engage in the same activities as when a company is under threat, a corporate communications manager must be aware of the potential consequences that a change in one or the other variables can have. Long term, a decrease in value of one of the variables will have to be countered by a change in one of the other variables.

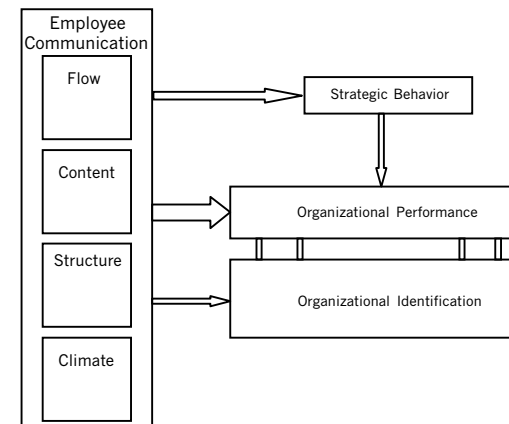
**ORGANIZATIONAL IDENTIFICATION – INERT BUT IMPORTANT**

Extant research holds the position, that a by-product of effective internal communication is organizational identification. Van Riel & Fombrun (2007) state that internal communications plays a central role in increasing employee identification with the company by: “(1) making the company’s reputation platform more salient to individual employees, (2) by clarifying *ingroup* and *outgroup* membership rules – what it means to belong to the company, and (3) by communicating the benefits employees will have – implicitly or explicitly – when they participate in organizational life.” (van Riel & Fombrun, 2007:189). Figure 7 describes this relationship.



**Figure 7. Employee relations: impact on organizational identification and performance**

How much does the ‘Stable identification Model’ as suggested in figure 6 impact on this model? It certainly would change the position of organizational identification. And following up the findings in the interview, I would also suggest including a cognitive/calculative aspect in the model. In general, I posit that the impact of employee communication on organizational performance is more direct. Establishing clear guidelines on what it means to be the member of a company, communication the benefits of being a member of the organization, supporting the recognition and reward system with purposeful communication should, according to the ‘Stable identification Model’, have a more direct impact on organizational performance. It should, to a certain extent, also impact on organizational identification, however, identification being a semi-inert variable that very much depends on an individuals disposition to identify, to a much lesser degree than today’s research anticipates. On the same token, organizational identification acts as prerequisite for organizational performance but it does not have a linear relationship with organizational performance. This means: an employee needs to be identified to be a functional member of an organization – but the strength of the identification is not directly linked to organizational performance. Figure 8 describes this relationship.



**Figure 8. Employee relations: impact according to the ‘Stable identification Model’**

The consequences of this relationship for the communications function are less dramatic than the consequences described above in the previous chapters on identity types. This perhaps is a more fundamental shift in the perception of how strongly employee communication impacts on organizational performance.

Especially the content box might need to be revisited in view of this. Present research posits that employees report greater satisfaction with communication content that is timely, readable, easily understood and sufficient. In view of the direct linear relationship between employee communication – if used effectively - and organizational behavior, I would suggest that special attention should be given to these factors.

Finally, the corporate communications function will have to pay attention to the strategic behavior that employees display in their day-to-day work. The findings in the interviews support the proposition recent research made about the calculative element in the modeling of employee behavior - several interviewees commented quite pragmatically on several identification related issues and motivational issues with comments such as “I am here anyway, so I better try to be happy about it”. It stands to reason that employees indeed model their behavior with a calculative moment in mind – being recognized for doing ‘good’. In its simplest form this shows itself in the adherence to the company guidelines and rules in order not to lose one’s job, but, within reason, it could extent to much more complex behavior including organizational citizenship behavior. Again, as mentioned before, today’s corporate communications managers are challenged with providing communications that not only is timely, readable, easily understood and sufficient, it also needs to pay more attention to establishing behavioral guidelines against which employees can map their behavior.

#### **CONCLUDING REMARKS AND FUTURE RESEARCH**

The findings and model developed in this study proved to be of value for my work as communications manager at Credit Suisse, especially in structuring the internal communications strategy to support the implementation of a bank-wide brand transformation, which included the development of a behavioral framework. This framework – easily understandable guiding principles – was communicated across all business units and shared services division in a clear, transparent, ‘non-fuzzy’ and cognitively appealing way with a large number of communications tools. Special attention was placed on developing communications that were targeted to be as rewarding as possible in terms of content and with as much of an impact as possible on the climate aspect while being useful for modeling strategic behavior as well.

For large organizations, in particular with similar communications issues, this research should be of help in increasing the effectiveness of the communications function in contributing to the success of the business.

In terms of future research, the exact relationship between identification and task as well as organizational behavior might be worth to be revisited under the assumption of a non-linear relationship. This research would have to include considerations for a more rational, more strategic approach of organizational members to task and organizational behavior.

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**Korneel Born**

## Corporate-level Marketing

*Managing expectations by aligning organizational identity, corporate branding and performance*

Korneel Born (1974) works at Vesteda, the largest Dutch residential investment fund. Since Korneel joined the department of Marketing and Communication in 2001, he has been privileged to work on several important projects.

Vesteda is an enterprising property investment fund operating in the residential sector where it is usual to work with local external property management organisations for management and letting. Given its chosen market sector and the associated growing demand for service, Vesteda decided in 2002 to perform its own property management, ensuring a focus on customers and high levels of service. In house property management offers great added value.

As a marketer, Korneel established a chain of housing offices in the Netherlands. These “Woongalerieën” provide good support to the Vesteda brand as a quality name in local housing markets, while direct customer

contacts ensure market and project knowledge for strategic use in asset management and project development. After completion of the project, Korneel also starts working on some corporate communication issues by revitalizing the visual corporate identity, development of a corporate branding strategy, and the execution of some corporate and property marketing campaigns. At the moment Korneel is professionalizing Vesteda's corporate communication, focussing on corporate PR, Employee Communication and Reputation management.

Before successfully completing the Master of Science in Corporate Communication in 2009, he studied Business Administration in Amsterdam and specialized in Retail Marketing and Business Strategy. He started working at Royal Philips and after a few wanderings within the fields of Marketing and Sales, Korneel decides to focus on a career in Marketing en Communication.





*“Free your mind! Funk is fun! And it’s also a state of mind... But it’s all the ramifications of that state of mind. Once you’ve done the best you can: Funk it!”*

George Clinton<sup>1</sup>

### 1.1 PROLOGUE AND INTRODUCTION

Songwriter and performer George Clinton had a diversified musical taste that sought the attention of two different segments of record buyers – mainstream listeners who liked vocal soul music with horns, and progressive listeners who liked harder-edged funk. Clinton knew his band was eager and accomplished enough to play both kinds of music, but he realized that alternating between styles would muddy the band’s image and serve neither audience well. The solution was simple. The same group of musicians recorded and performed under two different band names: Parliament, when the music was aimed at popular tastes, and Funkadelic, when it was edgier.

Forward-looking thinkers like Clinton use a brand strategy founded on both a customer-oriented and an employee-oriented approach: With the same organizational members, Clinton was able to serve different market segments by successfully providing a different product. This way, he managed the expectations of his band and his audience perfectly: both knew what to deliver and/or to expect. He also found a simple way to manage the multiple identities within his band. Labelling both musical directions into two different brands gave the band plenty of room to accelerate. Over time, both bands were very different, distinctive and successful.

#### INTEGRATED VIEW ON MANAGING EXPECTATIONS

In today’s corporate world there is no longer a separation between internal and external,<sup>2</sup> and maintaining a strong reputation is also about managing the expectations of all stakeholders.

<sup>1</sup> George Clinton (1974)

<sup>2</sup> Schulz, Majken (2001)

In order to let the corporate brand act as a useful overarching structure, it needs to reflect both the organizational identity and the overall performance of the company. A practitioner has to manage all the constructs within the corporation every day. For this reason, an integrated approach to marketing at organizational and institutional levels seems to be highly desirable. We like to refer to this as ‘corporate-level marketing’<sup>3</sup>:

*Corporate-level marketing is an integrated approach with strategic and multiple disciplinary scope to establish relationships with different stakeholder groups by creating and maintaining a favourable reputation through the alignment of organizational identity, corporate branding and performance.*

Corporate marketers are needed to reinvent a corporate brand management that puts the corporate brand in the service of one central goal: (help) to increase stakeholder equity. In an increasingly networked economy, corporate marketers must be able to understand how various entities can best be combined, from a multiple stakeholder perspective, to create an optimum positioning of the corporate brand in the minds of stakeholders such as consumers. When they focus on all stakeholders to (help) develop an internal and external corporate fan base, things can look very different. Companies like Apple are the living proof of that philosophy.

### 1.2 FOCUS AND RESEARCH QUESTIONS

In this thesis, we try to unravel the success formula of ‘managing expectations’: does the corporate brand act as a useful umbrella by providing a good reflection of both the organizational identity and the performance of our focal company? In other words: our main research question is:

*To what extent is the corporate brand aligned to with the organizational identity and the overall performance?*

To answer this we will evaluate the corporate brand, organizational identity and product and service delivery by conducting two empirical studies at a Dutch residential investment fund. Research questions were formulated for both studies.

<sup>3</sup> Balmer and Greyser (2003)

### STUDY 1: AN INTERNAL OR ORGANIZATIONAL PERSPECTIVE

At service organizations a large part of the perceived quality depends on the behaviour of employees. However, brand hierarchies could hinder identity-congruent employee' behaviour if the multiple identities of corporations are not aligned. Thus our research question for Study 1 is the following:

*How aligned are the corporate brand and the organizational identity perceived by employees and how does it affect organizational behaviour?*

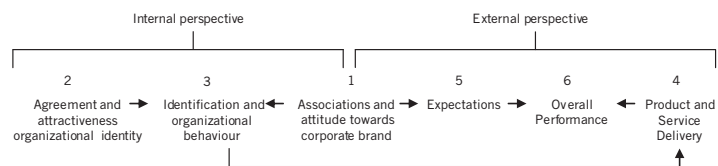
### STUDY TWO: AN EXTERNAL STAKEHOLDER (CUSTOMER) PERSPECTIVE

The value of the corporate brand to customers first implies the brand's network of associations in the customers' minds. Does the corporate brand image raises the bar regarding product and service expectations? How effective is the corporate brand in managing customers' expectations and what effect does the brand have on the overall performance?

*How aligned is the corporate brand perceived by customers with their perception of the overall product evaluation?*

## 1.3 THEORETICAL FRAMEWORK: A SIX STEP-APPROACH

Based on the construct of corporate-level marketing, we developed a six-step framework where both the internal and external perspectives are interconnected, as displayed in Figure 1.



**Figure 1. Alignment of the corporate brand, organizational identity and performance**

The data for both studies were collected through several sources. First, we used existing research data, consisting of outcomes from previous surveys which were useful for discussing several variables of our research model. Moreover, we conducted two field studies: we developed two quantified online questionnaires, one for employees and one for customers. In general, we used existing and proven methods in which we altered some items to meet the characteristics of the research context.

### STEP 1: CORPORATE BRAND ASSOCIATIONS AND IMAGE

Priming a corporate brand evokes a *network of associations* in the customers' and employees' minds. This network of associations derives from the way the corporate brand is perceived by this stakeholder (the perceived corporate image). The evaluation of these associations normally determines the attitude towards the brand. In our two studies, we evaluate both corporate associations and corporate brand image among employees and customers. Does this provide a clear and strong corporate profile? How different is the customers' profile of the corporation from that of the employees?

To assess the associations that employees and customers have with the corporate brand, we used a survey technique formulated by Davies, Chun, Da Silva and Roper.<sup>4</sup> Since this method can be used to examine all kinds of brands with regard to both employees and customers, no adjustments in both studies were necessary. The corporate brand image was measured by the Reputation Quotient (RQ) developed by the Reputation Institute.<sup>5</sup> The original method has changed somewhat over the years but the essence still remains more or less the same. In our research, we apply a Dutch version of the RQ to our research context. In this measurement tool, the ambivalent identity can also be manifested. Our version of the RQ measures the corporate image by asking respondents to rate the corporation on 21 items grouped around the seven drivers of corporate reputation.

### STEP 2: PERCEIVED ORGANIZATIONAL IDENTITY

In our research model for Study 1, the organizational identity is measured with common variables: perceived organizational identity, perceived external prestige, organizational identification, organizational citizenship behaviour, and projected organizational identity.

<sup>4</sup> Davis et al. (2004)

<sup>5</sup> Van Riel and Fombrun (2007)

The perceived organizational identity is the notion employees have of the organization: how they perceive the organization from within. The agreement and attractiveness of the projected organizational identity refers to the way employees evaluate the positioning of the corporate brand. Both aspects influence employees' attitudes and behaviour.

In our first study, the variable of 'perceived organizational identity' was used to examine the way members make sense of multiple perceived identities. In other words: the way employees determine 'what their organization is about'.<sup>6</sup> Perceived organizational identity is no single, unified concept. More probably, an organization's identity is made up of multiple, not necessarily conflicting perceptions of who the organization is.<sup>7</sup> By focusing on how members make sense of multiple identities, we simultaneously gain insight into two processes: the way members themselves conceptualize their organization's identity, and the way they draw inferences about what other organizational members think about the organization. Both processes provide us with an understanding of the way in which members make sense of perceived organizational identity.<sup>8</sup>

### STEP 3: ORGANIZATIONAL IDENTIFICATION AND BEHAVIOUR

Steps 1 and 2 jointly define the amount of employee *identification* with the organization. In other words: the more attractive employees find the combination of perceived organizational identity and the corporate brand, the stronger their organizational behaviour. We examine what drives identification and behaviour of employees most forcefully in this company. In Study 1, the organizational identity is measured with common variables: perceived organizational identity, perceived external prestige, organizational identification, organizational citizenship behaviour, and projected organizational identity.

### STEP 4: PRODUCT AND SERVICE DELIVERY

In Step 4, we analyse the scores customers give to the perceived product and services by using existing research data from a longitudinal satisfactory survey. Early conceptualizations suggest that quality results from a comparison of the perceived performance with the expected performance.<sup>9</sup>

<sup>6</sup> Ravasi and Schulz (2005)  
<sup>7</sup> Pratt and Foreman (2000b)  
<sup>8</sup> Elstak (2007)  
<sup>9</sup> Olson and Dover (1976)

$$Quality = \frac{Perceptions}{Expectations}$$

This definition of quality covers the main subject of our thesis. In order to examine the overall performance, we conducted a new analysis on existing research data from the longitudinal empirical customer-satisfaction research which our focal company has been conducting for more than 12 years now. This survey provides information on the characteristics, views, wishes and opinions of the various groups of tenants. Tenants rate the home, surroundings and service from our focal company, resulting in an overall customer satisfaction rating. Using this longitudinal data, we are able to examine Steps 4 and 5 more accurately than would be the case when we conducted our own field research. We analysed the outcomes of our PROPQUAL and SERVQUAL models in order to evaluate the overall performance, as depicted in Figure 3.

### STEP 5: PRODUCT AND SERVICE EXPECTATIONS

The external corporate brand image is the notion stakeholders (customers) have of the organization. This is a combination of the associations and attitudes that customers have of the corporate brand and product and service *expectations* generated by product marketing. If Step 1 does not provide the company with a clear profile of 'what the company stands for', the image of the industry will have more impact on expectations. Moreover, low brand awareness and knowledge among customers will put more emphasis on product and service delivery. Therefore we evaluate the perceived product and services by customers in Step 5. Firms' reputations are also affected by the reputations of associates or partners. Consumers who are not familiar with a company draw inferences about that company, form their associations with companies in that industry, or companies in general. Existing research data showed that tenants categorize our focal company as a supplier of luxury residences despite the low brand awareness or knowledge. Sometimes consumers confuse our focal company with a social housing association, as it focuses on letting, which is predominately done by social housing associations in the market. We added one question to measure familiarity in our questionnaire for tenants. In the case of the construct of industry image, we asked three specialists, who jointly conduct the annual building business reputation monitor, how they would evaluate the industry image and the effect on the evaluation of the corporate brand image.

## STEP 6: OVERALL PERFORMANCE

Finally, the *overall performance* results from a comparison of the perceived product and service delivery with the expected performance.<sup>10</sup> In this last step, we examine what drives overall satisfaction the most in the Dutch letting market. Can the corporate brand and/or organizational behaviour make a difference to the overall performance? Or is it essentially about the quality of the physical product?

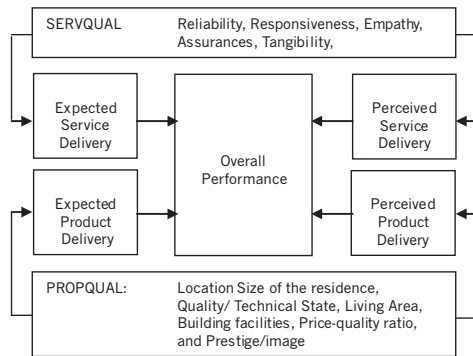


Figure 3. Overall performance: expectations versus delivery

### GAP ANALYSIS

On the basis of the results of the two studies, we present our conclusions, implications and recommendations for future research. By conducting a gap analysis, we respond to our main research issue: the nature of the alignment between organizational identity, corporate branding and performance. All in all, the theoretical framework is as follows (Figure 2).

<sup>10</sup> Olson and Dover (1976)

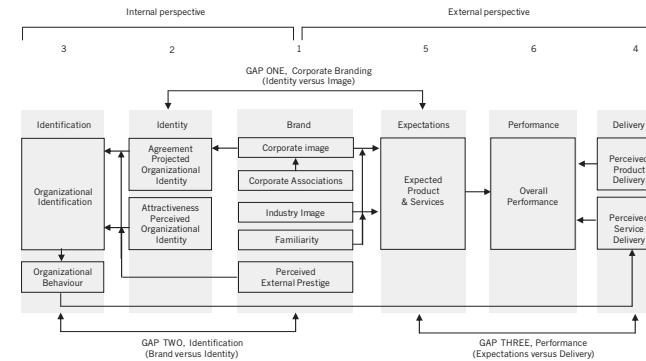


Figure 2. Theoretical framework

## 1.4 RESULTS

Our empirical studies and analysis provided interesting results. The following sections present the major findings of both studies.

### MAJOR FINDINGS OF STUDY 1

#### 1. IMAGE

The corporate brand image is perceived as positive but not excellent. The driver 'workplace environment' got the highest score, drive 'financial performance' the lowest. Employees recognize the brand promise of 'quality housing' but question customer focus: low scores on 'value for money' and 'social responsible'. Moreover the corporate brand image has a strong impact on identification.

#### 2. IDENTITY

Customer-facing members of this organization perceive the existence of multiple identities. The perceived identity in total is not very attractive. Although they perceive no conflicts between departments and there is a constructive attitude of colleagues at the head office, employees believe they are not one company. Moreover they find their company primarily shareholder focussed and not providing excellent value for money or making things easier for tenants. The direct impact of the perceived identity on behaviour is evident and significant.

### 3. IDENTIFICATION AND BEHAVIOUR

Although employees of the property management department are not exited about the corporate brand and even less enthusiastic about the organizational identity, they seem to strongly identify with the company. We believe this company is a comfortable employer by providing excellent terms and possibilities of employment. Especially in this current economic situation, in which unemployment in the Netherlands is rising, organizational members have the tendency to count their blessings. We also conclude organizational identification has no impact on organizational behaviour. From the result on organizational behaviour we conclude employees perceive their direct colleagues to be friendly and supporting and customer friendly. Nevertheless they do not always have their work finished in time and some take a day off when it is too busy to do so. This indicates a motivational issue: the drive and dedication to perform.

### 4. IDENTITY VERSUS IMAGE

Employees do not agree wholeheartedly with the fit between the brand and the products and services. Although they do think this company is providing luxury and comfortable residences, which represents the brand promise, they also believe the company is shareholder focussed and sometimes underperforming. This indicates a gap between the way the corporate brand is positioned and the way the organizational identity is perceived. Employees seem to be able to separate the brand promise from the perceived identity and performance. Nevertheless this identity bias has a negative impact on work motivation. Customer-facing employees are the most important brand ambassadors for a company with the ambition to become a leading and distinctive brand in 'quality housing'.

## MAJOR FINDINGS OF STUDY 2

### 1. CORPORATE CHARACTER AND BRAND IMAGE

Tenants formulated a corporate character profile which seems to match the results of previous studies. They perceive this company as friendly, up-to-date, and ambitious, but not open, a bit arrogant and not very concerned or socially responsible. This is not an exciting or positive profile: Customers perceive the corporate brand as negative since the company has not invested in building a strong relationship with its tenants. Therefore tenants have no clear picture of where the company stands for (the corporate brand strategy, the values and brand promise, etc..) which resulted in different perceptions (high standard deviation). After we compared the scores of tenants with those of employees, both character profiles, especially both corporate brand images, seem to match nicely.

The low scores in general could indicate a mismatch between the corporate brand image and their product and service experience since the perceptions of the brand are less positive than product and service experience.

### 2. FAMILIARITY AND INDUSTRY IMAGE

After we discussed familiarity and industry image with our experts, we conclude that, although tenants have no clear picture of the company behind the residence they rent in case of our focal company, they do seem to categorize this company as being active in the market segment of luxurious residences for rent. In essence, at the moment they do not care whether this company is an investment fund with a property management department or a social housing association. They are primarily interested in the residence itself. In the present Dutch housing market, where products are seldom branded, categorization is not yet a decisive criterion for brand preference. Consumers are used to search for the one residence which satisfies their housing wishes and do this primarily via the usual websites on the internet, thus making visibility and findability important rather than brand awareness. Nevertheless, a strong corporate brand can indeed make a difference: after signing the contract, it is all about satisfaction with deliverance on the product and service expectations. Categorization could be important if our focal company is able to turn itself into an attractive alternative in the housing market. Since categorization indeed is already important for the satisfaction of the product and services: when tenants become dissatisfied:. Corporate brand image is about building a strong and positive relationship with all stakeholders. A positive brand image can distinguish a company from competitors. If the industry image is bad, a positive corporate brand image can make a huge difference. Nevertheless, if the tenants are not familiar with the company, which is a symptom of a weak relationship, and the company is not delivering on its brand promises, customers have the tendency to use their perceptions of the industry image.

### 3. EXPECTATIONS

The results on service and product expectations – perception of new tenants – presented in, show product expectations are stable and service expectations are declining. Over the years product expectations of new tenants scored 75 points. 'Location' and 'the size of the residences' fits with housing wishes of the intended target groups. 'Price-quality ratio' is also stable but rewarded less of course. Of all service aspects 'empathy' still is the highest rewarded. 'Responsiveness' is the most important service aspect and made a free fall in 2008. 'Reliability', which means the ability to perform the promised service dependably and accurately, still has some impact on service expectations but 'tangibility' and 'assurance' have not much influence on service expectations.

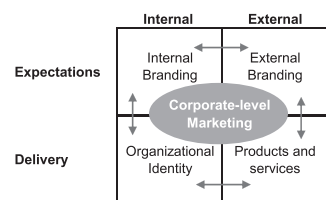
### 4. DELIVERY

The overall performance is considerably stable. Regarding the hypotheses about overall performance: product and service delivery keep pace with the overall performance. Higher expectations indeed lead to a less positive evaluation of the overall performance. On all aspects of service quality, the expectations are higher than delivery with the exception of 'tangibility' The physical facilities, equipment, and appearance of personnel in service quality are rewarded higher after experience, which seems logical. In product delivery, the difference in price-quality ratio is also logical: the annual rent increase changes has a negative influence on this ratio. An investor sometimes acquires building sites and will become attractive in time, for example in new area development which could be an plausible explanation for the fluctuations in the scores on the attribute 'location'.

#### 5. PERFORMANCE VERSUS IMAGE

The corporate brand strategy, the values, and brand promise, etc., provide no clear picture of the company so far. Tenants are divided in their perceptions and because of lack of familiarity expectations on product and service quality are probably formed by product marketing and behaviour of employees in the tenant' search for a home. Nevertheless, delivery on the promised product quality is quite stable and positively evaluated. In addition, the service quality is quite volatile and declining. We conclude customers evaluate this company not as very attractive or excellent performing (exceeding expectations). Since the ambition of our focal company is to become a strong quality brand we conclude there is a gap between the way the corporate brand is positioned and the way it is perceived by its customers.

### 1.5 GAP ANALYSIS



In our theoretical framework, we introduced two different perspectives as starting points. We began with the distinction between the internal and external perspective, since the corporate brand has an internal and external purpose. Moreover, in both studies we compared expectations with delivery, in other

words, the deliverance on the (corporate) brand promise towards employees and customers. In the light of these two different perspectives, we discuss the outcomes of our two empirical studies, a gap analysis in which we examined how expectations are being managed, internally and externally. For an overview of the recommendations see Figure 4.

#### 1.5.1 GAP ONE: CORPORATE BRANDING

Although we believe that the implementation of the brand strategy leaves much room for improvement, in essence, the corporate branding strategy is fine. First of all, the 'quality housing' proposition fits the brand essence: our focal company provides luxury residences for rent to quite similar target audiences. To rent out a portfolio of residences predominantly in the free letting market makes the use of one corporate brand very credible. The company behind the product must become more visible and tangible to the customers. This lack of familiarity currently results in a negative corporate brand image among customers and customers: both stakeholder groups evaluate the corporate brand not positively. Both groups recognize the ability of the company but perceive the organization as being not particularly socially responsible, formal, snobbish and slightly ego-centric. This is not an exciting or attractive company to employees or customers. More important, for the market leader in the free letting market with the ambition to become a strong and distinctive brand, these results are far from satisfactory since the scores on all drivers are below the arithmetical mean of the brand image of Dutch social housing associations among the public at large. We believe this company must have the ambition to beat the industrial image of social housing associations.

Reputation is based on the confidence people put in an organization: it is all about credibility. At the moment, there is hardly a relationship between the company and its customers. More specifically, the corporate brand plays no vital role in this relationship. To become visible on the radar screen of stakeholders, the corporate brand has to express itself. To become more distinctive, our focal company has to claim the domain of 'quality housing expertise' which provides a reliable thought leadership message. For example, you can make the 'love of the product' core value more tangible on deliverance of products and services. This can be done by eliciting dialogues with customers to express this drive for quality. Moreover, the company ought to become self-reflective and authentic. This must be a convincing corporate story to all stakeholders. It should display sincerity towards customers and employees, and it must remember: integrity must be proven by action.

#### 1.5.2 GAP TWO: IDENTIFICATION

We believe that employees recognize and value the corporate brand promise. They also agree with the positioning of the corporate brand but at the same time they experience the company is not delivering on its promise. We conclude employees think outsiders perceive the company as more prestigious as they do themselves. Moreover employees receive conflicting signals from management and therefore employees do not consider the organization to be a unified entity.

These multiple identities are confusing. This leads them to the question: 'are we primarily shareholder focussed or should we do everything to satisfy our tenants?' This identity bias decreases their work motivation.

To ensure employees are the brand ambassadors who behave in ways that support the brand promise, internal branding is of great importance. Values are the bedrock of any corporate culture.

The objective of internal branding is to ensure that employees transform espoused brand messages into brand reality for customers and other stakeholders. To avoid strategic bias, we advise our focal company to start strategic alignment process. Involvement of customer-facing employees is necessary to create brand ambassadors with an intrinsic motivation to satisfy the tenants. Be honest, open, listen and have them participate actively in the programme.

#### 1.5.3 GAP THREE: PERFORMANCE

In our study, the overall performance is about alignment between the corporate brand (expectations) and the actual delivered quality. The corporate brand has to represent a dynamic interface between an organization's actions and customers' interpretations<sup>11</sup>. The success of a brand depends on the extent to which there is harmony between the managerially defined values (discussed earlier), effective implementation of values by staff, and the appreciation of these values among customers. Therefore the brand must be visible 'on the radar' of stakeholders, but the corporate brand of our focal company is not familiar to tenants.

The brand image is based on the experience with a company's products and services. Although scores on satisfaction surveys are fairly good, the scores on the corporate brand image were low. On all attributes of our satisfaction survey, scores on expectations are higher than those on delivery: there is obvious a gap between the brand promise and the delivery

To close the gap between expectations and delivery (especially on service quality), we recommend differentiating the market approach to create categories of products and services. We believe that distinction in service according to clear service categories will manage expectations better. In other branches, differentiation in service is almost too comprehensive to define, as in the aviation industry for example where they differentiate in business and economy class. In this case, that applies to product and service features, especially to volatile attributes such as service responsiveness and assurance. It also provides legitimacy for allocating attention differently.

<sup>11</sup> de Chernatony (2002)

At this moment, every client receives the same service-level despite the fact that they may pay a different rent. Better differentiation, specified and communicated at the product and service quality level, helps in managing expectations and can distinguish sub-segments (heterogeneity) within the portfolio.

Evidence in favour of this recommendation was found in the analysis of the existing research data, especially using the 'letting price' and 'age' control variables. To begin with the letting price: in the price segments '600-800' and '800-999', there seems to be a misalignment in 'product-quality ratio'. The differences between expectation and delivery are much higher than in other price segments. Although tenants in the highest price segment scored the 'responsiveness' attribute better than those in other price segments, we also noticed these customers also expect more attention, as demonstrated by a higher difference on the 'assurance' attribute.

#### 1.5.4 CONCLUSIONS

Brands have a backwards function: they tell the consumer and all other stakeholders of the corporation what to expect or what to deliver. The consumer develops a brand concept on the basis of the core meaning of a brand. Thus: the consumer/stakeholder determines what a brand is. Simply put, your brand promise is 'what you want to be', your identity is 'who you really are' and your image is 'how much of that reality people understand'. Perfect alignment of these three elements is the only certain way to ensure a company is developing the reputation it seeks. In a nutshell, that is the very essence of aligning identity, image and performance (Figure 4).



### What you want to be

Strategic alignment enables stakeholders to rely on the reputation platform and its derivative elements as a shorthand script, creating an improved ability for outsiders to understand and appreciate the company. In so doing, it provides stakeholders with a mental script for organizing any information they get about the company and an inclination to respond emotionally to whatever information cues come our way.<sup>12</sup> Our focal company has much work to do. The brand strategy is in place but the current brand image is negative especially among customers. The brand promise need to match with perception of reality by stakeholders and therefore needs continued implementation and refinement, especially in managing service expectations by introducing a new service-level program. Moreover a diversity of actions are necessary in building relationships with stakeholders to create a strong exciting and distinctive brand.

### Who you really are

Corporate Identity includes the organization's purpose, its vision, its strategy and its business objectives. It encompasses its products and services, and the way its people behave – the shared values of the organization and its employees. Identity goes to the heart of how a company creates value in the marketplace and in the financial markets. This company is not living up to its own brand promise. Employees perceive different strategic directions and this identity bias decreases their work motivation. To close the gap between the brand and the identity, it has to translate its brand promise into a structured internal programme aimed at building its reputation by delivering the brand promise. 'Quality housing' starts with strategic alignment of employees which is a managerial responsibility. If this company want to have its customer-facing employees to convey a corporate brand message externally, it also has to be consistent with daily practice internally.

### How much of that reality people understand

A corporate image is the sum of all associations and impressions which the company's various audiences have with the corporate brand. It is how the identity is perceived. By and large, these impressions and associations are shaped by forces which the company can control, to a greater or lesser degree: all communication, its target audiences' direct experience with the company, its products and its services. The latter may include the tone and manner of its employees, its pricing structure, and the quality of its customer service, the publicity it receives from the media, its social responsiveness and its activities in the community. Effective management of the corporate identity and image is essentially the only way to ensure that an organization builds the reputation it

<sup>12</sup> Fombrun and Van Riel (2007)

wants. Authenticity is the key. If this company gets its house in order by clarifying how everything it does relates to 'quality housing' and is able to translate this into transparent, consistent, exiting and performing activities, it will definitely succeed.

*If you truly believe in what you want to achieve and you put your heart and mind to it, everything is possible. And remember: once you've done the best you can: Funk it!*

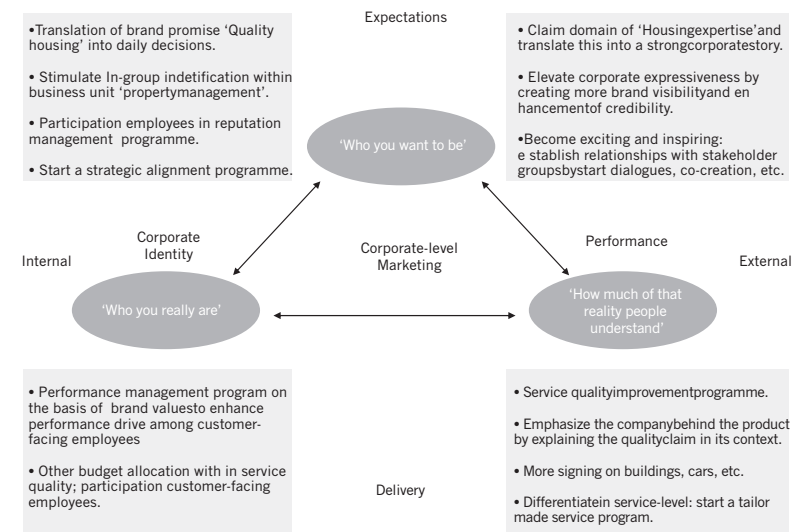


Figure 4. Gap analysis and recommendations





Milou Halbesma

How a corporate foundation can help Dutch organizations to develop a strong corporate reputation.

Milou Halbesma studied a year French & Art History in Grenoble, and received her Master of Economics title at the Vrije Universiteit in Amsterdam, where she specialized in marketing and management of not for profit organizations.

She started her career at the ABN AMRO Bank in Brussels, and worked as a product manager at WEKA Business Publishers in Amsterdam, as marketing manager at the Centraal Museum in Utrecht and as director of the Corporate Communications & Branding department of the Dutch Cancer Society, leading the organization to a new branding strategy and corporate identity.

After working as head of the Charity department of the Dutch Charity Lotteries, she helped setting up the Turing Foundation in 2006, a privately owned foundation set up by Pieter Geelen and his wife, with the wealth Geelen acquired as co-founder of TomTom NV, a company listed at the Dutch stock exchange. Milou Halbesma currently works at the Turing Foundation as director.

## EXECUTIVE SUMMARY

Reputations are the overall assessments of organizations by their stakeholders (Fombrun & Van Riel, 2006). More and more Corporate Social Responsibility (CSR) is being used as a key criterion in gauging corporate reputations, in pursuit of the opportunity for firms to differentiate themselves from the competition and bolster their reputations. Perceptions of a company's workplace environment and social responsibility are significant predictors of how well consumers rate a company. Knowingly or not, consumers psychologically support companies that they perceive as behaving fairly and responsible toward employees and communities. CSR is thus an important driver of corporate reputation.

CSR takes many forms, including corporate philanthropy, cause-related marketing, environmental responsibility and humane employee treatment, corporate giving and/or creating a corporate foundation. This thesis is particularly concerned with the latter. Viewing corporate foundations as a form of CSR, it is likely that corporate foundations may enhance a company's reputation. Publics assign higher reputations to firms that have corporate foundations or that give proportionally more to charity than other firms (Fombrun & Shanley 1990).

Corporate foundations are set up by companies and receive annual contributions for the company to operate and maintain close ties with the donor company, but it is a separate, legal organization. Eight out of ten Fortune 500 companies in the US have a corporate foundation. The first corporate foundation was the Ford Foundation, established in the US in 1936. After that, numerous corporate foundations were founded in the economic booming periods in the US. Next to tax benefits to safeguard capital, key motivations according to the academic literature on corporate reputation, CSR and philanthropy are (EFC, 2008, American Council on Foundations 2009, Anheier 2001, 2005, Fulton & Blau 2005): environmental pressure and managing organizational complexity, peer-to-peer pressure as in following the competitor, to structure corporate giving of all the charitable initiatives employees do anyway and the personal influence and charitable preference of the CEO. Other motivations to set up corporate foundations are the extent to which social security systems exists within country of location, the need for employee involvement and, as the overarching argument, to enhance the corporate reputation.

This thesis is focused on *how corporate foundations can enhance the corporate reputation among its stakeholders*. Academic research indicates that strengthening the corporate reputation is the major opportunity of having a corporate foundation.

Surprisingly enough, there is a gap in the academic literature on corporate foundations in general, and specific on how a corporate foundation can help a company to develop a strong corporate reputation. Therefore, this research fills a gap in literature.

This study focuses specifically on the Dutch situation. Dutch companies are making a shift from sponsoring to corporate giving, and are establishing more and more long term relationships with NGO's and charitable causes (Geven in Nederland, 2009). While Dutch companies have a long tradition in corporate giving and are known generous donors to charity, Dutch corporations seem to be hesitant in managing its corporate philanthropy through a corporate foundation. By not doing this, they seem to miss the opportunity of using the corporate foundation as an instrument of enhancing the corporate reputation. The goal of this thesis is therefore to provide a better understanding of how Dutch corporate foundations can positively influence the corporate reputation of an organization.

In line with this goal, I have formulated the following research questions:

- *What are the challenges and opportunities that Dutch organizations face in setting up a corporate foundation?*
- *How do they cope with these challenges and opportunities in order to create favourable perceptions about the corporate foundation among their relevant stakeholders?*
- *How do they communicate about their corporate foundation in order to build favourable perceptions about the corporate foundation and their organization among their relevant stakeholders?*

To gain insight into these research questions, I began with a literature review. Because of the above described lack in literature on corporate foundations, I have reviewed literature on corporate reputation, and how CSR can enhance the corporate reputation. Here I assumed that this literature can be applied for corporate foundations, being a specific instrument of CSR. To provide more insight into my research question with regards to the Dutch situation, I took a grounded theory approach (Glaser & Strauss, 1967) to inductively unfold principles that helped to explain how corporate foundations can enhance the corporate reputation of the organization behind the corporate foundation. The grounded theory approach involves a constant comparison between evolving theory and the data that have, in my case, derived from qualitative interviews with directors of various corporate foundations. In my research I focused on eight directors of influential corporate foundations in Holland like the Bernard van Leer Foundation, the Triodos Foundation and the Shell Foundation.

Reputations aggregate perceptions by stakeholders of an organizations' ability to fulfil their expectations, whether these stakeholders are interested in buying the company's products, working for the company, or investing in the company's shares (Fombrun & Van Riel, 2006). What I found in my research is that there seems especially to be a strong connection between corporate foundations as a driver for organizational members in improving employee morale, company pride, skill development and recruitment image (Friedman (1970), Ullman (1985) and Werbel & Carter (2002)). These findings, related to my first research question, indicated that a corporate foundation is a major opportunity to make organizations more attractive to (potential) employees and to strengthen the corporate identity.

*In schedule:*



The organizational identification theory suggests that (potential) employees like to identify with a company that can bolster their self esteem (Dutton & Duckerich, 1991). In my research on Dutch corporate foundations I found evidence to support this; employees were identified by all foundations as the key stakeholders of their corporate foundation. Most corporate foundations in Holland are established during periods of major organizational changes like an IPO, a merger of an acquisition, a centralization process or a strategic change in policy and/or branding, where the internal need for strengthening the corporate identity and improving employee morale were seen as the key opportunities in setting up a corporate foundations, as well as the opportunity to train and motivate employees.

In order to create favourable perceptions about the corporate foundation among its relevant stakeholders, a firm needs to manage the three overarching variables that have an influence on the relation between the corporate foundation and the overall reputation of a firm: *perceived fit*, *personal support of the stakeholders of the activities and awareness* of the corporate foundation (Sen & Bhattacharya 2001, 2004 & 2006, Ellen et al, 2006, Fombrun & Van Riel, 2004 and Forehand & Grier 2003).

The first variable, *perceived fit*, refers to the extent constituents perceive a similarity between the corporate foundations' mission and the core business of the firm (Ellen et al, 2006).

The stakeholders of the company should be able to see (and believe) the fit between the activities of the corporate foundation and the company. The choice of the cause the corporate foundation is working on in its programs, has to fit with the core business of the company. A perceived fit between business mission and corporate philanthropy is vital for gauging the corporate reputation, this is why in daily life grant giving programs of corporate foundations are usually closely aligned with business objectives and a company's geographic location. A fit will make stakeholders truly believe that the motivations of the company are to help others in a way they know best, in the normal conduct of its business affairs, instead of using the corporate foundation for just self-interested, egoistic motives.

What makes the management of perceptions in relation to corporate foundations complicated for a firm, is that stakeholders attribute mixed motives to the company in relation to CSR because they know that all companies have business objectives, like increasing profits (Becker-Olsen et al 2006, Ellen et al, 2000 & 2006 Forehand & Grier 2003). Thus, stakeholders assume that the company will profit too, next to doing a good thing for society. The attributions constituents make of the company's motives for conducting CSR program may influence how they respond to CSR initiatives. Doing good is a sensitive balance between the cause and the core business: a too close relationship between the cause and the company's core business results can lead to cynical reactions of stakeholders about the corporations' motives. If not managed well, it can lead to scepticism, and even lower the reputation. Scepticism is not driven simply by firms' profit motivations, but rather by a *discrepancy* between stated objectives and firm actions. So with regard to the corporate foundation, a company should be honest about its motives and choose its good causes carefully.

The second variable, *personal support of the causes*, refers to when and if consumers support the particular good cause of the corporate foundation, they will perceive greater congruence between themselves and the company. This is called the Company-Customer congruence Theory, developed by Sen and Bhattacharya in 2001. In this line of thinking the corporate foundation should choose its causes carefully. Not only should there be a fit with corporate mission, the corporate foundation should also choose these causes its main stakeholder groups personally support. But it is difficult to really control the personal preferences of stakeholders, and, on top of that, because they are personal, they may change in time.

The third variable *awareness* refers to degree to which constituents are familiar with the corporate foundations. Challenging on the question of awareness is the fact that consumers are relatively ambivalent about whether and to what extent companies should advertise or promote their do-good involvements. If companies don't say enough about their charity links, publics believe the company is hiding something and if they say too much they believe charities are being exploited by the big corporations (O'Sullivan, 1997). If there is created too much awareness around the corporate foundation, this can lead to scepticism and make the public doubtful about the sincerity of the firm's motives.

Therefore, to make a corporate foundation an effective instrument to enhance the corporate reputation of a company, it should establish a good reputation for the corporate foundation itself. To accomplish that, the foundation should gain credibility by being able to work for the long term and work on long term causes. Only then will stakeholders truly believe the motivations of the firm and will there be a ground for creating favourable perceptions. This is why in the end a corporate foundation is a constructive choice above 'just' corporate giving. By creating a corporate foundation the company shows it is serious in its commitment. It proves that the corporate foundation is established for the long run, that the firm is truly motivated to work on the good causes, and that these efforts are independent of the annual results of the company. Especially now, during the credit crisis, a corporate foundation can help a company to convince its stakeholders it is there to stay, by keeping up the good work and giving back to society in times when it is most needed in society (and probably most appreciated by those who are in need). By focussing on credibility and on long term effects, the corporate foundation can become a trusted partner and expert. Hiring an experienced and professional staff, and building true expertise about the causes will help in gaining credibility.

When companies want to create favourable perceptions about the corporate foundation, they should make its stakeholders aware of the corporate foundations, otherwise, no effects will occur. By focusing on its employees, decision makers / opinion leaders and clients, this awareness can be reached through involving stakeholders and by showing expertise and the impact of the activities performed by the corporate foundation. Especially involving employees in its corporate giving is a major opportunity for every company. It is an opportunity to strengthen the corporate identity and in enhancing employee morale is a major opportunity for every company. Focusing on these key stakeholders, instead of trying to enhance its reputation by influencing the perceptions of the general public, can help to avoid the largest downside of corporate foundations, which is the danger of perceptions of consumer scepticism.



Lieke de Jong-Tops

## Private Equity and reputation of portfolio companies: friend or foe?

*A study revealing the reputational impact of Private Equity ownership on portfolio companies and the dos and don'ts to best deal with this*

Lieke de Jong-Tops (1976) is Director Corporate Communications at NXP Semiconductors (Founded by Philips). NXP Semiconductors is the former Semiconductor Division of Philips that spun-out in 2006 and was bought by a Private Equity consortium. NXP has about 29,000 employees in more than 20 countries and develops and manufactures chips for amongst cars, TVs, mobile phones, lighting, identification and whitegoods. In her role Lieke has responsibility for developing Global Corporate PR strategy, policy and processes to build and protect NXP's reputation aligned with integrated marketing campaigns. Furthermore she is spokeswoman, responsible for financial communications (quarterly earnings, annual reports, etc.) and has managed several (transformational) M&A announcements (since its birth NXP has been active on this front with 8 M&A announcements) and has driven communications around restructurings. Also the measurement of the global PR activities (ROI) and putting NXP in the spotlight by

means of executive visibility are important focus areas in her role.

Before joining NXP, Lieke worked at Philips Semiconductors as Internal Communications Manager and later on as Head of Employee Communications where she successfully managed the change communications process of spinning out from Philips and the transformation into a new brand and company NXP Semiconductors.

Lieke received her Master in International Business Communication in 2000 and her Master in Business Administration in 2001, both at the Radboud University of Nijmegen before successfully completing the Master of Corporate Communication at the Rotterdam School of Management in November 2009.

Lieke is married and shares her passion for travelling (especially in Asia) with her husband. Furthermore she loves playing field hockey, scuba diving, Argentinian tango and spending time with family and friends.

## INTRODUCTION

NXP Semiconductors is a so called 'portfolio company', i.e. a company owned by a consortium of Private Equity owners. Private Equity firms dominated the business pages in the mid-2000s with a string of high profile acquisitions but the sector continues to have something of a mixed reputation, somewhere between the 'corporate raiders' portrayed in the book 'Barbarians at the Gate', or as 'grasshoppers' that leave everything behind in a state of disarray.

NXP Semiconductors has certainly witnessed the impact of the shift to private equity ownership. For example Electronics Weekly wrote in 2009 that: "*George Roberts, co-founder of Kohlberg, Kravis and Roberts, bought NXP at the top of the semiconductor cycle in 2006 at a valuation of \$11.6 billion and then imposed annual interest payments of \$480 million, so pushing NXP to the point of bankruptcy*"

The financial crisis only seems to have made things worse. Being responsible for building and guarding the reputation of NXP Semiconductors, it seems that NXP's Private Equity ownership has become a hurdle to overcome from a reputational perspective. That said, one could argue that it is not as challenging as it appears at first sight and that the financial crisis has simply brought the challenge into greater focus. Perhaps there are several actions that can be taken to mitigate a possible impact. This thesis seeks to address this challenge and answer the following question:

*Which dimensions of the reputation of NXP and portfolio companies are impacted by the fact that it is owned by Private Equity and if it is impacted by this what are the dos and don'ts that can be found to best deal with this?*

To provide a complete answer to the research question, for additional questions were defined:

- 1 What are the factors that influence a company's reputation?
- 2 To what extent is the reputation of NXP and portfolio companies impacted by the fact that it is being owned by Private Equity
- 3 What are the dos and don'ts in managing a reputation as a Private Equity owned company (being a portfolio company)
- 4 What is the role of Private Equity in managing the reputation of a Private Equity owned company

The answer to the research question will be of significant relevance to NXP, to other portfolio companies and Private Equity companies. Why? Because Private Equity is a very major component of the world economy.

In 2007 alone, Private Equity investments of \$234 billion were completed by 2,150 Private Equity firms worldwide. Also the largest Private Equity investments are done in influential and important industries such as Finance, Professional Services, Healthcare, Oil and Gas, Computers and Electronics (Private Equity Council, 2009). And although these investments have slowed due to the financial crisis, the trend is expected to continue as major markets emerge out of recession. This can pose some reputational challenges for both future potential portfolio companies as well as the Private Equity companies the present study can help to pre-empt and solve.

## RESEARCH METHOD

To ensure an answer to the research question the research method comprises four components. The diversity of sources gave the opportunity to look at the issues from different perspectives, get in-depth insight and the ability to complement one another to make the findings more robust. The literature has been very useful as an additional source to find dos and don'ts in managing the reputation being a Private Equity owned company next to the interviews. Also the literature provided a framework and a mirror to categorize the many qualitative insights from the interviews.

### LITERATURE STUDY

As there was no scientific literature available on the combination of reputation and Private Equity, I instead looked for theories in reputation management that had no relation to Private Equity and were not intended this way. They were made relevant for use in combination with Private Equity. The literature also served to get better insight into the concept of reputation management and the drivers of reputation in relation to Private Equity owned companies.

### DESK RESEARCH

This has resulted in an historic overview of the reputational developments of Private Equity and NXP as of their birth until today. Furthermore an overview of the pros and cons of Private Equity has been created. The overviews have been generated by means of content analysis of articles appearing in leading media such as The Economist, Wall Street Journal, Financial Times, etc., internet, organizations, books and research that discuss the subject of Private Equity and its reputation and NXP annual reports, internal documents, etc.

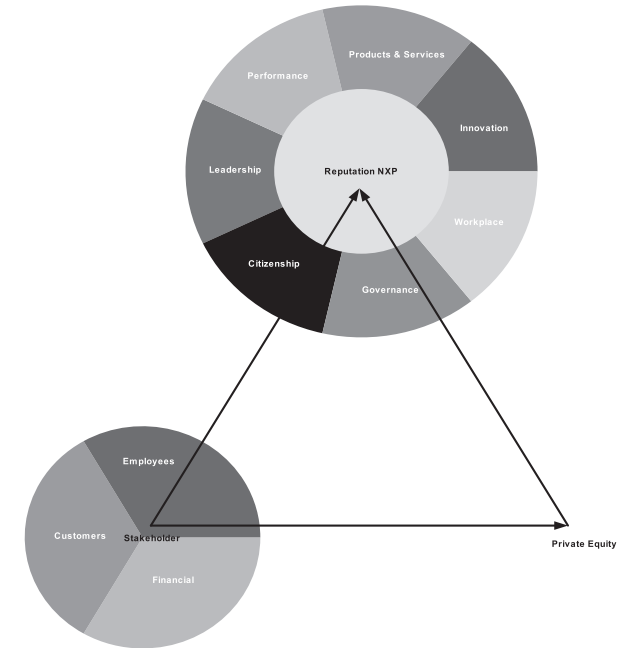
#### EXPLORATIVE QUALITATIVE MEDIA ANALYSIS

In addition I have conducted an *explorative qualitative media article analysis* of articles appearing in the first quarter of 2007 when the Private Equity model was booming and big buy-outs were taking place and there was no sign of a financial crisis. I have also done an explorative media article analysis of articles appearing in Q1 of 2009 when the financial crisis did hit. By taking these two timeframes I could explore if the impact or association of Private Equity on the reputation of NXP is dependent on good or bad times in the economy and check if there is a (significant) difference. The media analysis has been done on a global basis covering the regions US, Asia and Europe and covered financial and business media, dailies and trade media.

#### EXPERT INTERVIEWS

Finally I have performed semi structured oral interviews with experts. In total I have held 13 interviews of which eight face-to-face and five by telephone. The 13 respondents consisted of seven heads of communication at portfolio companies, four heads of communication at Private Equity companies and two communications directors at agencies involved in Private Equity. 12 companies were headquartered in Europe (Netherlands, Germany, Belgium, UK and Switzerland) and one company in the US. The respondent's companies ranged from different Private Equity firms, to media and broadcasting, to pharmaceuticals, to banking, to retail and for example information services. In a nutshell they were all operating in different industries.

Furthermore the following research model was used:



**Figure 1. Research model**

This research model linked the theories on corporate associations and spillover effects by Brown and Dacin (1997) to the drivers of the Reprtrak model of Van Riel and Fombrun (2007). Furthermore the application of Brown and Dacin (1997) study was broadened in terms of stakeholders and used to explain the impact (spill-over) of Private Equity on the reputation of NXP and portfolio companies.

## FINDINGS OF THE THESIS

The findings of the thesis will be presented by means of the four sub questions:

### 1) Factors that influence a company's reputation

According to the literature, the following factors influence a company's reputation:

- Corporate ability associations and Corporate Social Responsibility associations (Brown and Dacin, 1997)
- The reputation of the acquiring company influences the value of the acquired brand (Bahadir et al., 2008)
- The seven reputation drivers of the RepTrak of van Riel and Fombrun (2007): Products & Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance
- Framing of media in the financial crisis (Kleinnijenhuis, 2009 and Wu et al., 2002)

### 2) Impact of Private Equity ownership on NXP and portfolio companies

#### *Reputation of Private Equity*

- In terms of the reputation of Private Equity over time and what has influenced the reputation of Private Equity, it can be concluded that Private Equity is definitely a source of discussion: it is often confused with Hedge Funds or Venture Capital, there are many outspoken pros and cons.
- The history of Private Equity has often been controversial, from the 1980s with its reputation for financial engineering and making a fast buckthrough to the big buy-out era with huge debt ratios from 2004-2007.
- The Private Equity industry has learned and has taken a more pro-active role in communicating with key stakeholders and engaging with the wider public.

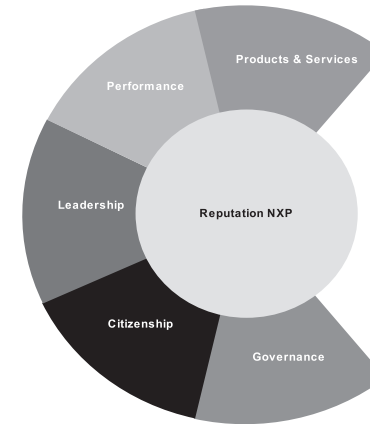
#### *Impact financial crisis*

- The desk research on Private Equity, the literature on media impact on the financial crisis, the results of the media analysis as well as the qualitative expert interviews showed that the financial crisis was one of the factors resulting in a negative impact of Private Equity on the reputation of portfolio companies.

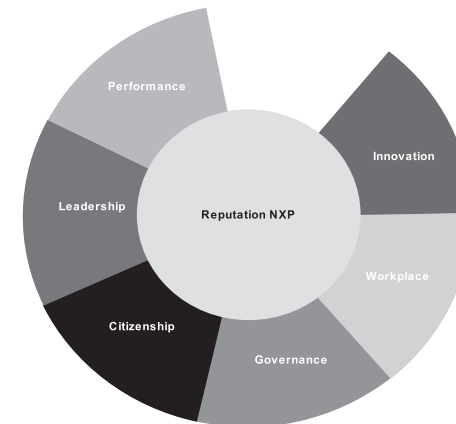
#### *Impact by reputation driver*

- The following figure shows the impact on the reputation drivers as was shown by the media analysis both in 2007 and 2009 and by the interviews:

Q1 2007 media analysis



Q1 2009 media analysis





## Interviews



**Figure 2. Overview impact reputation drivers in Q1 2007 and 2009 media analysis and interviews**

- The media analysis of NXP showed that the drivers not impacted by Private Equity ownership are: Innovation, Workplace and Products and Services.
- The results from the interviews showed, contrary to the media analysis of NXP, that all reputation drivers are impacted in the eyes of the Heads of communications, although these results also confirm that there is very little impact in terms of innovation, and only limited impact on the driver products and services.
- The results further suggested that the reputation drivers leadership, performance, governance, citizenship and workplace are the drivers that are most impacted and also most negatively impacted.

### *Impact by stakeholder*

- The interviews showed that most impact is seen with employees, then with unions, customers and media and finally with government and financial stakeholders. Looking at the sort of impact the interviews show that the negative impact is mostly seen with employees, then with unions and media, then with government and customers and finally the most positive impact is seen with the financial stakeholders.

- In terms of reputation driver impact per stakeholder the interviews indicated that for the employees, the impact is mainly related to the reputation drivers citizenship, governance and workplace. For the unions, the impact was mostly seen in terms of governance, then citizenship and a bit in terms of workplace. Governments are also mostly impacted in terms of governance. Customers see the consequences mostly in terms of products and services and also a bit in terms of citizenship according to the respondents. The interviews showed the financial community being positively impacted in terms of performance and again negatively in terms of governance. Finally the media were most negative regarding governance, performance and citizenship.
- The interviews and the literature also suggested that Private Equity ownership is not impacting all the most important drivers per stakeholder category (Reputation Institute, 2009). However the impact is significant, as at least one of the most important drivers per stakeholder category has been negatively impacted. There is one positive: in terms of the financial community Private Equity ownership had a positive impact on one of the most important drivers: performance.

### *Impact by region*

- The media analysis of NXP showed a significant change in terms of the regional spread of the Private Equity mentions: in Q1 2007 all the articles that mentioned Private Equity came from Europe. In Q1 2009 however 70% of the articles that mentioned Private Equity came from Europe, 15 % came from the US and the other 15% from Asia: the Private Equity focus has been picked up in Asia as well as the US.
  - The interview results showed Private Equity is more of an issue in Europe in terms of politics and buying big public companies and it sometimes being more exotic. In the US it seemed to be less of an issue as it is seen as a daily thing. In Asia little impact is seen in relation to Private Equity as there are still little investments taking place. Finally most of these investments are growth-led meaning no restructurings, lay-offs, etc.
- 3) Dos and don'ts in managing reputation as a Private Equity owned company
- The different theories in this study and the results from the interviews provided the following model of dos in managing the reputation as a portfolio companies in terms of process & organization, reputation drivers and stakeholders:



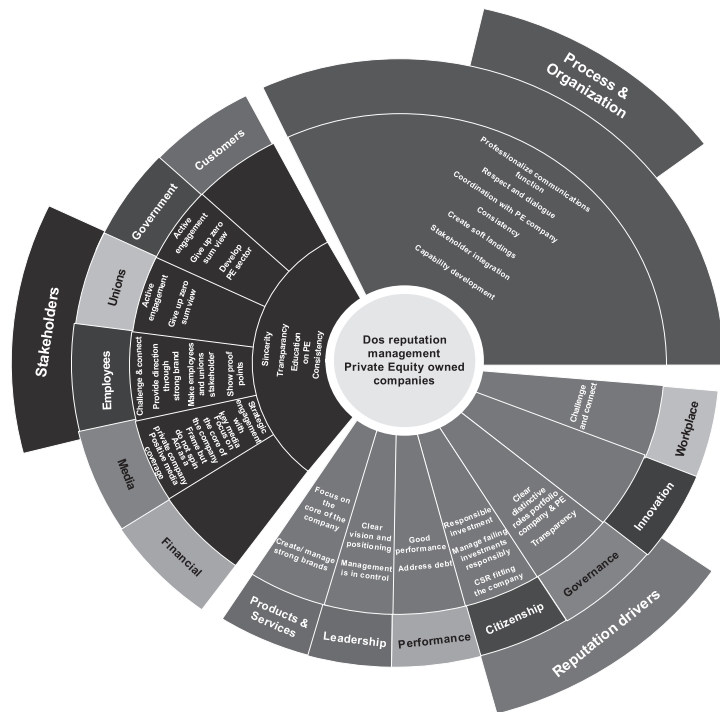


Figure 3. 'Do model' in managing reputation of portfolio company

Finally the results revealed the following don'ts: bad behavior, operating together publicly, secrecy, non-compliance and spinning the message. There were much less don'ts but they are in line with the dos presented in the model.

4) The role of Private Equity in managing the reputation of a Private Equity owned company

The study showed that the respondents saw the following roles for Private Equity:

Provide communications support	Watch out for mega buy-outs or sensitive industries	Support transfer of best practices	Protector of reputation	Developer of sector	Ambassador of CSR
Value creator	Be the owner				



Martin Kersbergen

# Stretching a funeral insurance and services brand: 'The power of emotional appeal'.

When Martin Kersbergen (1970) started working at DELA, October 2005, he was fascinated by the DELA brand and the ambitions of the management in the company. Largely unchanged over the past 70 years, the brand is an icon in Dutch society, with a crystal clear position: funerals. The ambitions of the management in the company were crystal clear as well: with respect for its past, to make the brand more alive, create another mindset in order to increase business opportunities.

"It is a fascinating challenge to work with such a categorized brand, to be able to move it forward. In my view, the most interesting challenge I could imagine. I am honored to be able to work with such a famous and 'difficult' brand." In 2006 a 'new' DELA presented itself to employees, policyholders and the public. From that moment on, corporate communication entered a new phase within DELA.

Martin is manager corporate communication at DELA, married to Nicolette and they both have two children, Maurits and Floris. The third child is to be born next December. They enjoy life as much as possible, on skies, with good diners and most of all:

with each other. Martin is very ambitious, always trying to push the needle a little further. A corporate communications man from head to toes. He introduced RepTrak within DELA and acts upon it in a consistent way. Discussing all aspects, result driven and a coach for his team. "I get the impression that my enthusiasm about corporate communication hit home with them as well. Every time I challenged them to go a step further in their thinking process about corporate communications issues, they developed new insights. Hopefully this thesis will inspire them once again."

Martin studied HEAO Communicatie in Eindhoven. During this program he was President of CERP Students, a European association of public relations students. "It was quite a time consuming phase of my life, with hardly any resources but with a strong conviction that we were the next generation of communication professionals. Looking back it all seemed so logic and obvious at the time, but today I truly feel privileged that I had the opportunity to fulfill a long-standing personal ambition to follow the International Executive Master's Program at Rotterdam School of Management."

## SUMMARY

In 2004, the then new CEO of cooperation DELA, Edzo Doeve, initiated an inspiring new strategy aimed at an annual double digit growth in turnover. The challenges could certainly not be met by intensifying the direct marketing approach of its single flagship product, which had given DELA its dominant market position in the first place. The market penetration of funeral insurances has been stable for years: around 70%. Therefore, DELA needed to make real choices. While respecting its past and its reputation in funeral insurance and services, DELA needed to look for new geographical markets, intensify its distribution strategy and expand its product portfolio.

Between 2005 and 2009, DELA extended its presence in Belgium via a major take-over of Sophia Group. In the Netherlands, the distribution strategy was extended with the development of sales through insurance agents, and over the internet and telephone. Its product portfolio was carefully extended through the introduction of a to-die-risk insurance. In addition, DELA experimented with a second extension within this category: the development of additional surviving dependant services.

A serious brand extension strategy with both a savings insurance plan and surviving dependant services was foreseen. At this point, the management realized that this decision was key for the future of DELA. Extending from a single flagship product, which is operating on safe ground, involves entering new markets, facing new competition and – at the same time – running more risks than probably ever before. Moreover, every extension should somehow be logical, reliable and credible in the eyes of the employees, public, policyholders and new prospects, bearing in mind that this public sees a well-known, reliable funeral insurance and services company with one product: funerals.

When you offer funeral insurances and services, it is only logical to assume that the state of mind connected to DELA constitutes mainly negative emotions such as grief. As these negative emotions are dominantly connected to DELA, it also seems logical that this limits or prevents brand extension acceptance. However, I wondered whether the level of emotional appeal (high or low) – even if negative – influences brand extension acceptance. To be more specific: whether the product-related corporate brand DELA with an in-kind funeral insurance scheme as a flagship product could take advantage of its high emotional appeal due to its product-related (funeral) associations in the context of a trusted service brand. I expected that trusted service brands with a high emotional appeal – even in a negative context – would have better opportunities for brand extension acceptance than trusted service brands with a low emotional appeal.

Therefore, I formulated the following statement to be explored:

*“trust-based service brands with a high emotional appeal – even in a negative context - have better opportunities for brand extension acceptance than trust-based service brands with a low emotional appeal.”*

Brand extension acceptance is defined in this research by two variables:

Fit and Attitude. Fit is measured by the following statements:

- the product fits with the image of the company
- it is logical that the company offers the product

Attitude is measured by the following statements:

- probability of buying the product from the company
- probability of recommending the product from the company

To prove this statement, I studied the literature and described the advantages and risks of brand extension and those already explored factors which influence consumer perceptions about the acceptability of brand extensions in general, followed by those insights already explored in services brand extension and reputation. In the research I chose a general insurance company, with a broad product portfolio and a funeral insurance company (DELA) with a narrow product portfolio. Funeral insurance schemes are considered to have a high emotional appeal and insurance schemes in general a low emotional appeal. The emotional appeal of funerals is also considered to be negative: people don't like to think about or identify with funerals.

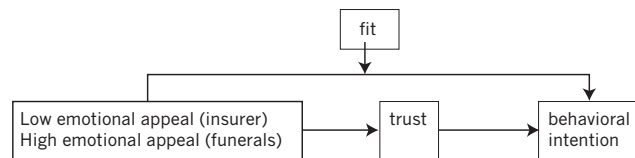
I conducted a field experiment to prove my statement. The first part of this empirical field experiment was to assure the equal conditions in terms of awareness and reputation between DELA and a specific general insurance company. As reliance or brand trust is key in services brand extension, and reputation influences judgments, I examined my predictions about equality of conditions in a desk study and empirical field experiment, conducted among 830 Dutch consumers from the general public between the ages of 18 and 65 years, male (49%) and female (51%), and representative for income and education. The study reveals that both insurance companies indeed have lots of similarities. They are both well known, they are both cooperations by origin, and both are relatively small in comparison with other insurance companies and have similar financial results. Finally, they both have a strong reputation. The RepTrak scores also show that there are limited differences in the underlying attribute scores between DELA and the other insurance company.

This equality in reputation and context means that these aspects can have no or very limited influence on brand extension acceptance.

Brand extension acceptance was researched in the second part of this empirical field experiment with two new hypothetical product brand extensions, a savings insurance and after-care service for surviving dependants to assist them with administrative, financial and legal business, being marketed under two different brand names, DELA and the brand name of the other insurance company. The research was conducted among 415 Dutch consumers from the general public between the ages of 18 and 65 years, male (49%) and female (51%), and representative for income and education.

Results show that, overall, the differences between DELA and the other insurance company on 'Fit' are clear: there is a high fit between DELA and the funeral-related extension, and the fit with the other insurance company is lower. With the savings insurance there is a higher fit with the other insurance company than with DELA. On 'Attitude' the difference between DELA and the other insurance company with the funeral-related extensions remains. Interestingly, the difference between DELA and the other insurance company with the savings insurance almost disappears. It means that on recommendation and intention to buy, DELA is apparently trusted relatively more than the other insurance company. However, this doesn't yet prove my statement.

To prove my statement, the following model was tested:



To prove this model I used a multivariate analysis of variance (Anova). This research demonstrates for the first time that the level of emotional appeal (high or low) does indeed influence brand extension acceptance with trust-based service brands. The experiment among consumers who were confronted with the extensions shows that a high emotional appeal brand leads to significantly higher behavioral intentions (intention to recommend and the intention to buy) toward the presented extensions than a low emotional appeal brand.

The findings in this study could strengthen DELA's confidence to implement a brand extension strategy with a savings insurance and surviving dependant services. However, I recommend caution with regard to a successful brand extension introduction of the savings insurance. The level of emotional appeal is just one of the variables that – to a certain extent – can predict (un)successful brand extensions. Other variables as described from the literature also play a role. Level of fit between the parent brand and the extension product, marketing support, parent-brand conviction, distribution power, and parent-brand experience are particularly important contributors in driving brand extension success. With regard to the savings insurance, a warning should be sounded: the attractiveness of the product itself, whether it was offered by DELA or the other insurance company in this research, showed rather poor results. Failure means more than just losing a new product or market DELA wasn't in before; the price of failure is often higher than the actual damage caused by a brand extension failure: it damages the parent brand as well.

This research shows the power of DELA's brand: well known and well reputed, it can take advantage of its high emotional appeal. It does not automatically mean that a brand extension is the best and/or the most risk reducing choice. Dilution of the parent brand, and an increase in a brand's vulnerability due to counter-extension and loss of category distinctiveness could be the result of the proposed extension strategy.

Following on from this research, I hereby present six recommendations for DELA's management:

- 1 DELA's business strategy focuses on double digit growth and stimulates entrepreneurship. DELA foresees a brand extension strategy to meet its target. Though the results of this study show positive results, I would advise the management of DELA to keep track of alternative business growth strategies as well. Alternative growth strategies are not the subject of this research. However, DELA could, for instance, keep the brand and its category distinctiveness safe and sound and look for new markets in Germany or France. Another option is to create a totally new brand when entering the savings insurance market in the Netherlands or consider a take-over of an already existing brand in the savings market.
- 2 I recommend that DELA's management conduct a study so as to satisfy consumer needs with a savings insurance plan based on perceptions of the product features as foreseen. It should include a clear calculation of the necessary investments and growth possibilities in this market.

- 3 Once product specifications are clear and customized to consumers' needs, I recommend an extension of the brand hierarchy from two levels (corporate brand à product brands) to three levels (corporate brand à corporate brand supplemented with category names à product brands). Introducing category names has several advantages: it lowers the risk of counter-extensions and loss of category distinctiveness and it explicitly shows that DELA is involved in other business lines as well. Moreover, if the brand extensions appear to be less successful than expected it is easier to cut the lines to the extension markets.
- 4 If DELA decides to execute a brand extension strategy with an extended brand hierarchy as recommended, the challenge still remains: DELA must make connections across products and brands to show consumers how these products and brands may be related. I therefore recommend additional research to discover which connections across products and brands provide the best terms in the eyes of the public.
- 5 Investments to make further changes as regards more positive and organization related associations are still required.
- 6 Finally, a clear distinction between customers (policy-holders) and non-customers concerning behavioral intention appears in this research. A successful introduction of the savings insurance plan should start with customers. As DELA represents approximately 3 million policy-holders, success among customers would already mean an overall success.



Hennie Koeken

## Professional Change: The Change Within

*Creating strategic alignment in a professional bureaucracy during strategic change: The example of a university medical center*

*"It is a kind of laziness to put people in hovels."*

Hennie Koeken (1977) is communication adviser of the Executive Board Erasmus MC. Erasmus MC is the largest and most multi-faceted university medical center in the Netherlands. Core activities are patient care, medical education and research. Erasmus MC has 13,000 employees and has over 38,000 patient admittances, 504,000 polyclinic visits, 18,500 surgeries and 16,000 scientific publications each year. Her work at Erasmus MC focuses on communication issues around strategy development and implementation, strategic alignment, internal branding, corporate identity and reputation management. She advises the Executive Board on communication matters about change management, governance philosophy, leadership programs, market positioning, and clinical pathways. Hennie is a member of the strategy team and the management team of the communications department in which she develops (strategic) communication policy and is jointly responsible for managing 35 communication professionals. Hennie is driven by both communication and creativity. She believes in things that leave you wiser than before, things that make sense. Moreover,

she has faith in sustainability, social responsibility and people. She is enthusiastic, determined, ambitious and averse from walking the beaten path. In Erasmus MC her philosophy is Health 3.0. She hopes to start a movement to improve healthcare in Erasmus MC, and would not be unhappy if this also reaches the outer world: in the Netherlands or even worldwide. Not only does she create creative solutions in her work, but she also has made her own theatre programs, with which she has participated in diverse finals of national theatre festivals. Hennie studied at the Academy of Arts, plays piano and composes her own songs. She is associated with the Centre for Evolvement of Thinking Creatively. Hennie holds a bachelor's degree in Journalism and Communication at Fontys College in Tilburg, where her dissertation subject was the interactive development of government policy.

Hennie loves traveling. She is fluent in Dutch and English, and speaks French and German reasonably. At home she likes to spend her time with her family and friends and cooks, hikes, runs, reads or goes to the theatre.

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## SUMMARY

Health care organizations are under pressure. Market forces in health care (i.e. performance based financing), increasing competition, and the rising health care demand are forcing medical centers to become more patient-focused. The outer world is putting pressure on medical professionals, but it seems real change has to come from within.

A lot has been written about strategic alignment and the role that internal communication plays in creating supportive behavior among employees. However, most of the literature and research is based on the assumption that companies are largely organized in divisions with a powerful middle management. The every day practice of a professional bureaucracy like the university medical center Erasmus MC is different. Medical professionals are autonomous, powerful employees due to their specialized knowledge and skills. Because of the complexity of their work, managers cannot supervise it. Moreover, professionals work rather independent and closely with the clients they serve. So, where divisionalized organizations are a set of 'loosely coupled' units in the middle line and have a top-down power flow, professional bureaucracies are a set of autonomous individuals with a bottom-up flow of power. This thesis, therefore, takes the assumption that professional bureaucracies require other drivers of alignment than divisionalized organizations. Thus, aligning professionals requires other communication strategies than aligning employees in divisionalized organizations. Taking this assumption as my starting point, the goal of this thesis was to explore how professional bureaucracies can best organize their internal communication to successfully create strategic alignment among professionals during change.

Based on dialogue sessions between the Executive Board of Erasmus MC and 175 specialized nurses (two sessions), 40 physician-assistants (one session), and a set of 10 one-on-one interviews with medical professionals, this thesis identifies three important characteristics of professional bureaucracies, that play a significant role in hampering strategic alignment:

- 1) the professionals' autonomy,
- 2) the 'over-identification' with their profession, and
- 3) the existence of intractable identity conflicts. Acknowledging these three features, this thesis uncovers (communication) strategies that are perceived by professionals to be more promising for strategically aligning them with strategic change than current alignment practices seem to focus on.

## THREE PROFESSIONAL BUREAUCRACIES CHARACTERISTICS IMPEDING STRATEGIC ALIGNMENT

### 1) THE PROFESSIONALS' AUTONOMY

The professionals' autonomy impedes medical professionals at Erasmus MC to align with the new, overall strategy because it leads to

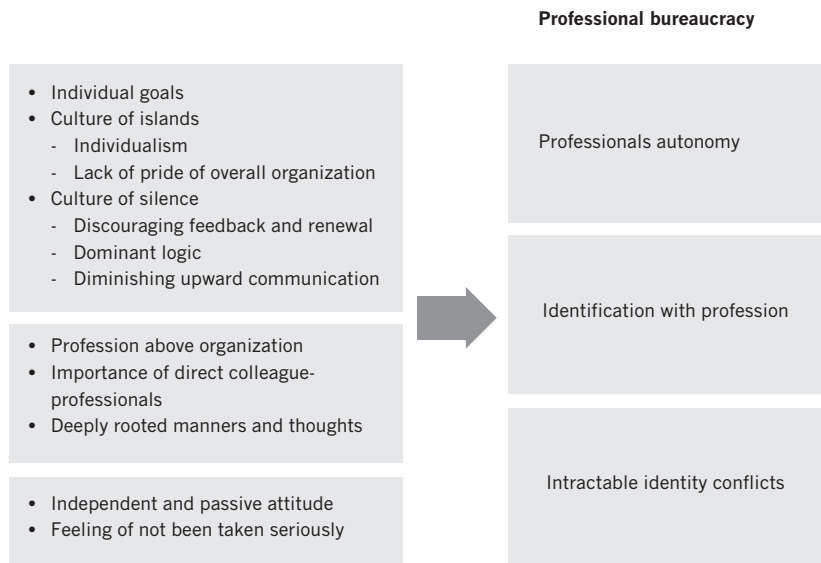
- (a) a tendency to focus on individual goals rather than the common goals of Erasmus MC,
- (b) a culture of islands – individuals and units –, and
- (c) a culture of 'corporate silence'.

### 2) THE 'OVER-IDENTIFICATION' WITH THEIR PROFESSION

Professionals of professional bureaucracies identify very strongly with their profession, especially compared to their identification with their department, let alone the organization as a whole. This 'over-identification' with their profession diminishes organizational identification and therefore strategic alignment. Also, deeply embedded manners and thoughts, belonging to their profession, cause a resistant attitude towards changing (cultural) aspects of their job.

### 3) INTRACTABLE IDENTITY CONFLICTS

Aligning professionals is not only difficult because of the professionals' autonomy and 'over-identification' with their profession, but also because of ongoing identity conflicts between groups (e.g. physicians and administrators). These conflicts are characterized by tensions from differences in how groups fundamentally define themselves. A key component of each group's identity is based on negation of the other group by which the gap in identification between groups becomes so large that a 'we-they' dynamic develops. Medical professionals, for example, perceive managers as 'suits' and managers professionals as 'Prima Donnas'.



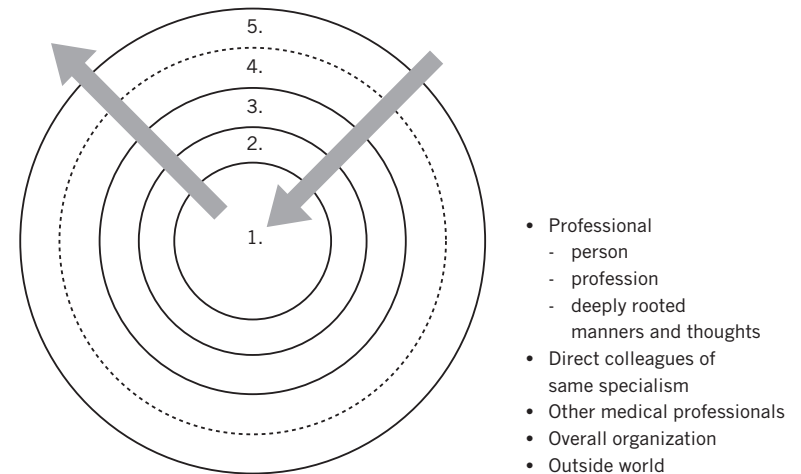
**Figure 1. Professional bureaucracy's characteristics impeding strategic alignment**

**FIVE STIMULATORS FOR STRATEGIC ALIGNMENT WITHIN PROFESSIONAL BUREAUCRACIES**

The above-described characteristics are important reasons why it is difficult to align medical professionals behind the new strategy of Erasmus MC. Recognizing these characteristics, this study uncovers 5 stimulators for building strategic alignment in a professional bureaucracy: 1) developing a bottom-up strategy, 2) increasing a sense of purpose, 3) creating 'liaisons' as ambassadors, 4) recognizing and treating professionals as professionals, and 5) developing 'professionalized' communication.

**1) DEVELOPING A BOTTOM-UP STRATEGY**

The strategy of a professional bureaucracy has to be developed bottom-up. It has to be built on the needs and goals of each individual professional so that professionals will be intrinsically motivated, something they naturally are, to act consistent with the organizations strategy. If a professional bureaucracy does not develop an overall strategy from within professionals, it is difficult to align them afterwards.



**Figure 2. Strategy development in a professional bureaucracy**

**2) INCREASING A SENSE OF PURPOSE**

Furthermore, strategic alignment can be increased by gratifying the strong need professionals have for a 'sense of purpose'. Attempting to manage a strategic change means increasing professionals' interest in and knowledge of (future) problems and goals.

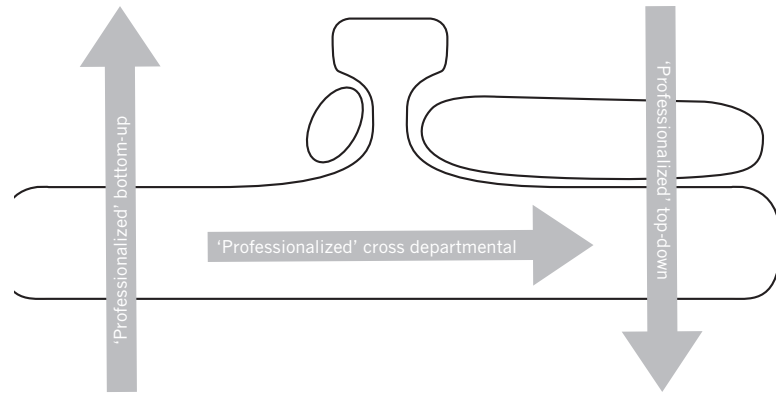
**3) CREATING 'LIAISONS' AS AMBASSADORS**

The over-identification of professionals with their profession can be turned into benefit by using 'liaisons' as ambassadors to enthuse and inspire other professionals to open up for change or the organization as a whole. By promoting simultaneous intergroup differentiation and unity, and promoting integrative goals, a professional bureaucracy reduces existing intractable identity conflicts and stimulates dual identities (e.g. groups identify with their group *and* the organization as a whole) and, eventually, enduring intergroup harmony. Integrative goals in a professional bureaucracy must be both overall organization objectives as well as individual goals of professionals.



#### 4) RECOGNIZING AND TREATING PROFESSIONALS AS PROFESSIONALS

Of course, all employees of both divisionalized organizations and professional bureaucracies need acknowledgement and attention. But, whereas these subjects in divisionalized organizations are more about 'the person', this thesis shows in professional bureaucracies it is about the recognition of the professional, his professionalism and independence.



**Figure 3. 'Professionalized' communication flows in a professional bureaucracy**

#### 5) DEVELOPING 'PROFESSIONALIZED' COMMUNICATION

Considering their specific characteristics, I conclude professional bureaucracies have to organize their internal communication 'professionalized' to successfully build strategic alignment. With 'professionalized' communication I mean professional bureaucracies should focus on a bottom-up communication flow that empowers professionals, generates their ideas, shares problems and best practices, and creates trust and pride. Also, communication amongst professionals, in smaller groups, is vital to stimulate group identity security and positive distinctiveness. Top-down communication with professionals about strategy and organization objectives should be individually and contribute to the understanding of the different frames of references and the identity safety of groups. Additionally, the communication content should appeal to professionals and their intrinsic motivation, and contribute to a sense of purpose. Finally, the communication climate should stimulate safety, openness and honesty.



**Figure 4. Stimulating strategic alignment in a professional bureaucracy**

In conclusion, my findings enrich prior literature because it is, to my knowledge, the first attempt to distinguish specific professional bureaucracy characteristics that play a significant role in hampering strategic alignment. Moreover, this study uncovers five stimulators that can help professional bureaucracies aligning employees. Because of the power and autonomy of professionals, change has to come intrinsically, from within professionals themselves. Since, a professional bureaucracy can only change successfully with 'the change



Monique Linger-de Bruijn

## A second nuclear power plant: collision or consent?

Monique Linger (1961) is communication manager with N.V. EPZ in Borssele (Zeeland) since 2002. EPZ is an energy production company and operates a coal fired plant with a biomass installation and the only nuclear power plant in the Netherlands.

Her main responsibilities and activities are to initiate, develop, coordinate and carry out the corporate communication policy. This includes determining relevant stakeholders (politics, government, authorities, media, environmental organizations, community, and new employees) and building, keeping and extending relationships with them.

Because of the nuclear plant crisis communication is an important element. She is also the spokeswoman for the media and organizes press journeys, conferences and/or meetings on all kind of projects. Furthermore she develops internal and external communication plans. Both media and public attention are increasing rapidly.

So EPZ uses several tools to communicate. Monique is responsible for (the making of) these tools. One important tool is a visitor centre which just has been refurbished under Monique's supervision.

Monique started working as a secretary in a hospital. Later on she moved to a chemical plant where she became the secretary of the managing director. She was responsible for all kind of projects which varied from project coordinator for development of middle management to the organization wide implementation and introduction of the computer application 'Office' AS/400. During that time she obtained certificate for middle management and was asked to develop communications within the company. She successfully participated in the course for senior communication advisor at Van der Hilst.

At home in Middelburg she likes to spend time with her husband and three sons. She enjoys reading, studying, gardening and fitness.



## MANAGEMENT SUMMARY

EPZ and its stakeholders Essent and Delta have plans for a second nuclear power plant. Due to the emotional reaction nuclear power elicits among various stakeholders, good communication on and around the topic is important. What, however, is good?

There remains little knowledge about which communication strategies are best employed to lend so-called 'legitimacy' to the construction of a second nuclear power plant. In order to determine recommendations on the employment of communication strategies, I researched how important stakeholders can best be approached in particular contexts. The definition I used for legitimacy is:

*'a general perception or assumption that the activities of an organisation are desirable, reputable or appropriate within a social system of standards, values, beliefs and definitions.'* (Suchman, 1995)

In response to the former, the research question is as follows:

*How can EPZ effectively arrange its communication to cultivate understanding and acceptance (i.e. 'legitimacy') among its relevant stakeholders regarding the construction of a second nuclear power plant?*

Various studies into legitimacy suggest that institutional (government, financial institutions, suppliers, clients) legitimacy is an important condition for obtaining the resources (capital, permits and other services) necessary for the realisation of organisational goals. A low level of legitimacy has negative consequences on the ability to deliver results. Organisations create legitimacy by reacting proactively to institutional expectations.

There are two forms of legitimacy:

### **Cognitive legitimacy**

When people regard an organisation and its products as self-evident. This means that an organisation is not constantly questioned or attacked.

### **Socio-political legitimacy**

This aims at recognised principles and accepted rules and standards.

The manner in which the organisation deals with socio-political issues (human rights, environment) must be accepted by industry, authorities, opinion leaders and the public.

Both are important to EPZ as a second nuclear power plant can only be constructed with government permission. EPZ will receive fewer 'attacks' by opponents if the public regards nuclear energy, and more specifically a second

nuclear power plant, as self-evident (cognitive legitimacy). However, this is currently far from the case; nuclear energy is yet to be regarded by everyone as a self-evident energy source. Institutional parties such as the government, investors, opinion leaders and the public must also have faith that the EPZ is handling matters such as the environment, waste etc in a responsible manner. This is also not (yet) the case for all the parties above.

Existing literature indicates that, in order to obtain legitimacy, one can apply strategies from an institutional perspective and/or from a socio-cognitive perspective. Examples of institutional strategies are assent, compromise, avoidance, defiance or manipulation. Another method is to conform to the rules of existing stakeholders, search for less obvious stakeholders or to adjust the context in a way that leads to new stakeholders with new values.

Socio-cognitive strategies are based on the establishment of a common understanding and acceptance in order to create legitimacy by communicating about the identity of the organisation. The underlying socio-cognitive theoretical arguments for this are that both the organisation and its various stakeholders all have their own cognitive schema as to 'how the world is put together, how it functions or ought to function'. This personal schema is used to integrate previously acquired knowledge with new information. In order to establish common understanding and acceptance, organisations must communicate an identity that is in keeping with the cognitive schemas of the stakeholders. This can be done with a corporate story (CS). A corporate story drafts an image of an organisation, such as the goal of the organisation and where/what it stands (for). A CS must be relevant (added value), realistic (characteristic of the organisation), responsible (is open to different points of view) and sustainable (meets the demands of the stakeholders). The story must be in keeping with existing cognitive schemas (expectations, interests, agendas). Another strategy is framing: the interpretation of certain points of view of others in order to be able to have a positive influence on that interpretation.

My hypothesis in this study is that institutional and socio-cognitive strategies are important for the creation of legitimacy for a second nuclear power plant.

Three different contexts were examined by way of case studies:

1. negative context: Belgium, where they want to close the current nuclear power plants;
2. neutral context: the Netherlands. This neutral context is the result of, among other things, the role of the COVRA (Central Organisation for Radioactive Waste) which has succeeded in bringing positive attention to a negative aspect of nuclear energy: radioactive waste.

3. moderately positive context: Finland. The first European country to build a nuclear power plant after the accident in Chernobyl in 1986.

How do these countries go about creating legitimacy regarding nuclear energy? How do they differ from one another when it comes to the attitude of the institutional environment with regard to (the construction of) nuclear power plants? How has the communication strategy of the nuclear energy producers been adapted to this?

From my research results, 25 interviews and countless (newspaper) articles, I formulated six indicators that determine the institutional context in each of the three countries:

1. Presence/absence of policy
2. Presence/absence of debate
3. Presence/absence of main players and their image
4. Presence/absence of a widely supported and clear strategy for the nuclear waste
5. Presence/absence of an effective and credible regulatory body
6. Role of the media

<b>Belgium</b>	<b>The Netherlands</b>	<b>Finland</b>
Absence of policy	Presency of policy	Presence of policy
Absence of debate	Presence of debate	Presence of debate
Absence of main player Negative image main player (Electrabel)	Presence & positive image one of the main players (COVRA)	Presence & positive image main player (TVO)
Absence of widely supported and clear solution for waste	Presence of widely supported and clear solution for waste	Presence of widely supported and clear solution for waste
Absence of a credible and effective regulatory body	Presence of a credible and effective regulatory body (not really visible)	Presence of a credible and effective regulatory body
Negative role of the media	More impartial reporting role of media	Impartial reporting role of media

Based on these, I came to eight Propositions that provide insight into the best methods of communication within the various institutional contexts:

1. The more transparent and broad the discussion on nuclear energy, the more positive its influence will be on the legitimacy of nuclear energy.
2. The more active the communication in support of nuclear energy by the various stakeholders is, the more positive its influence on the acceptance of nuclear energy will be.
3. The greater the transformation from idealism to pragmatism in the institutional environment, the easier it will be to positively influence the stakeholders.
4. The shorter the living distance to a nuclear power plant, the greater the acceptance.
5. The more critical and professional the supervisor, the more positive the influence on the legitimacy of a nuclear business.
6. The more responsibility displayed by investments in (research into) sustainable resources other than nuclear energy, the more positive the influence on acceptance.
7. The greater the acceptance for the chosen solution for nuclear waste, the greater the acceptance of nuclear energy.
8. An absence of collective memory regarding nuclear energy among the younger generation allows for a new attitude (mindset) about nuclear energy.

These statements are supported by observations, literary evidence and Propositions for strategies to be implemented in order to gain legitimacy.

Eight recommendations have been formulated on the basis of these:

1. activate and support the discussion
2. seek out cooperation with (unthought-of) parties and expand that cooperation
3. emphasize the pragmatic aspect of nuclear energy
4. explicitly involve the surroundings with the company
5. develop strong crisis communication in the event of incidents
6. explicitly communicate investments in durable sources
7. provide a clear place in the discussion for the storage of nuclear waste
8. designate the youth as an important target group

EPZ can use these recommendations for the further development of a communication strategy in the run-up to the construction of a second nuclear power plant.



Geesje van Niejenhuis

## Critical Success Factors in Employee Communication when Creating Strategic Alignment within a Global Company after a Merger/Acquisition:

*The Effects of Intercultural Communication*

*"In today's global business community, there is no single best approach.... each culture has its own way of building relationships, motivating employees, negotiating, and working".*

Fons Trompenaars (1994)

Geesje van Niejenhuis was born in Wageningen, The Netherlands on the 9<sup>th</sup> of January 1969. After finishing grammar school in 1987 she moved to France to study French for one year at the University of Montpellier. She moved to Groningen in 1988 to study International Relations and Policy at the University of Groningen.

As a student, she was on the boards of various international student organizations. She received her Master's degree in 1994 and moved to Brussels to lobby for CARE International.

From 1994 to the present day she has gained experience in various commercial- and semi-governmental organizations and NGOs.

She enjoyed living and working in London and Brussels for several years. In 2000, she came back to the Netherlands to work for BP. In 2007 she started a postgraduate course in Corporate Communications at the Rotterdam School of Management of Erasmus University. She became an Executive Master of Science in Corporate Communications in November 2009. After having held various positions in marketing and communication in the oil industry, Geesje is now looking forward to continuing her career in the dynamic field of Corporate Communications / International Communications.



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## I. INTRODUCTION

The corporate world is becoming more and more international. Global interdependence of people and cultures become a norm of life and international businesses are facing major challenges on the global political and economic scene.

First, the inevitable rise of the BRIC economies (Brazil, Russia, India and China) who are now boasting more than a quarter of the world's land area and more than 40% of the world's population.

Second, economies in the Middle East have always been the focus of the global market, not only because of their crucial role as oil exporters, but also due to their increasingly active involvement in many other realms of business such as trade and finance around the world. The growing investment flow from the Middle East and China has led to a shift in the global financial landscape, with institutions around the world looking for ways to tap the opportunities. It's now considered inevitable that, in terms of size, speed, and directional flow, the transfer of global wealth and economic power is shifting from West to East.

Third, Mergers and Acquisitions (M&A) play a significant role in the survival and vitalization of corporations today. They continue to be a major strategy for improving innovation, profitability, market share and stock prices. Cross border M&A across the world has grown significantly over the past years. In the year 2006, cross border M&A increased at a rate of 23 percent.

Increased multinational operations means increased multiculturalism within the organization, thus increased interaction between employees and managers of different cultures. This calls for new strategies for organizations. Global communication competencies are becoming critical for adjusting people to the demands of the 21st century.

## II. THESIS OBJECTIVE

M&A are complex phenomena known to have high failure rates (e.g. Larsson, 1990; Napier, 1989). Creating strategic alignment among employees is especially important following M&A (Dell & Kramer, 2003). Research has showed that insufficient information causes uncertainty and ambiguity (Kahn et al, 1964) and that many post-merger problems develop from lack of sufficient information (Marks, 1982). Hence, communication is a crucial strategic tool in the integration process that follows a merger or an acquisition.

This master thesis focuses on the area of employee communication and specifically on the managerial challenges and issues relating to intercultural communication.

The thesis objective is to research the critical success factors of employee communication when creating strategic alignment within a global company working in a multicultural environment, including the Arab World and Asia, while creating 'One Company' after a merger/acquisition.

## III. RESEARCH METHOD

Research for this thesis was conducted by literature study and qualitative empirical research. For the literature study theories and models were reviewed in the field of: 1) strategic alignment, 2) managerial and communication aspects of M&A, 3) cultures theories and 4) global communication. The qualitative empirical research focused on the way multinational organizations create strategic alignment within their multinational organizations, and how the differences in national cultures of Westerners, Arabs and Asians influence this process. Qualitative research was done by in-depth interviews with professionals in the field of communications, marketing and human resources of five multinational organizations in order to collect the required data. The interviews focused on two areas, namely: 1) the way global employee communication is structured and implemented in the companies, and 2) how these companies integrate and implement cultural differences within their internal communication strategy.

The in-depth interviews were used to test two models:

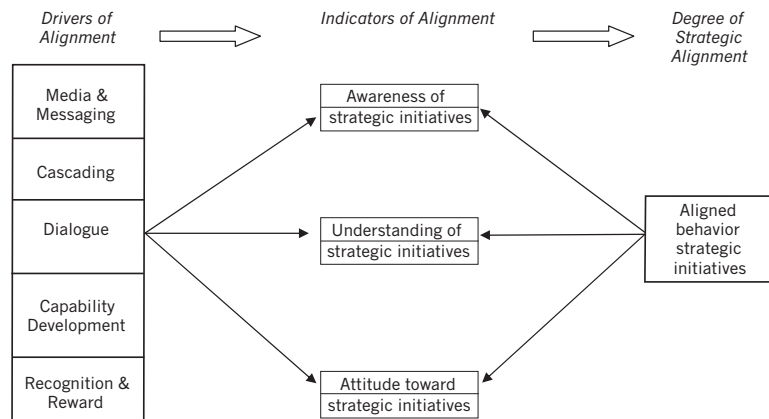
- 1) Drivers of Alignment by Prof.dr. C.B.M. van Riel, and
- 2) Cultural Dimensions of International Business by Prof.dr. G.H. Hofstede

In addition, internal and external sources of company information (e.g. annual reports, corporate brochures and websites) were reviewed in order to prepare for the interviews and to bear out the results with evidence. The end result is a list of critical success factors.

## IV. RESULTS

### A. DRIVERS OF ALIGNMENT BY PROF.DR. C.B.M. VAN RIEL

The first model that was tested is that of the Drivers of Alignment by Prof.dr. C.B.M. van Riel. Aligned employees will contribute positively to the performance of an organization. Therefore, alignment is crucial and must be managed properly. This implies the systematic tracking of actions through which one measures the degree of supportive behavior of one's employees. Van Riel (2006) developed a measurement tool: ECQ The Strategic Alignment Monitor. The strategic alignment monitor focuses on management efforts: 1) to inform employees (media and messaging, coupled with cascading messages through the company), 2) to stimulate motivation (dialogue, along with appropriate recognition and rewards systems) and 3) to stimulate capability development (providing employees with the resources and skills they need to be empowered). All three areas are relevant when it comes to stimulating an aligned workforce. The underlying model for this alignment tool is outlined in Figure 4-1:



**Figure 4-1 EcQ – The Strategic Alignment Monitor**

In this thesis focus is put on the corporate communication drivers of alignment, i.e. media & messaging, cascading and dialogue. The findings confirm that the corporate communication drivers of alignment are crucial tools in measuring strategic alignment within a multinational company. It was demonstrated that the companies that I researched consider activities in these fields to be crucial in achieving alignment in their organizations.

It also confirms that in order to achieve strategic alignment in regions like the Middle East and Asia, the attributes of the drivers of alignment should be tailored to local audiences in close cooperation with local managers. This applies for instance to the content and style of the message and the media that are used to distribute and implement the message.

Leadership style, behavior and commitment are crucial in this process. Leaders build trust and reduce uncertainty by communicating clearly, consistently and regularly about the organization's strategy and how employees can contribute to the implementation of the strategy.

The findings also show that local refinement is especially important when encouraging and measuring the driver 'dialogue' and related 'self determination'. Since the differences between Westerners, Arabs and Asians are big in this respect, the Center needs to determine how to implement global programs locally in close cooperation with local peers. In addition, cultural differences and nuances in implementation should be taken into account when measuring strategic alignment in these areas.

### B. CULTURAL DIMENSIONS FOR INTERNATIONAL BUSINESS BY PROF.DR. G. H. HOFSTEDE

The second model that was tested is that of the Cultural Dimensions for International Business by Prof.dr. G.H. Hofstede. A major part of cross-cultural research has sought to identify values or motivational goals that differentiate cultures. One of the main results of these efforts are the values and cultural dimensions by Geert Hofstede.

In the late 1960s and early 1970s, Hofstede undertook the most comprehensive cross-cultural study to date, using questionnaire data from 80,000 IBM employees in 66 countries across seven occupations. From this research Hofstede established five values which differ across national cultures:

#### CULTURAL DIMENSIONS (HOFSTEDE)

Small Power Distance	↔	Big Power Distance
Individualism	↔	Collectivism
Masculinity	↔	Femininity
Structured Situations	↔	Unstructured Situations
Long-term situations	↔	Short-term orientation

My findings concerning intercultural communication confirm that Hofstede's cultural dimensions are 'relevant and cleverly described, but not easy to work with. The challenge remains how to work with them.

In addition, it was demonstrated that the cultural dimensions are not the sole focus in one's search for information on differences in national cultures.

The political and economic context, history, heritage, protocol, manners etc. of a specific country play are equally important.

In addition, relationships between people and individuals' own experiences and backgrounds are crucial factors in intercultural communication. As much as one country in a certain region differs from another country, the people living in these countries also bring their own experiences and backgrounds to the workplace. The only way to even out these differences is by actively interacting with local management and engaging them in the set-up and implementation of strategic employee communication campaigns and programs. As in many countries in Asia and the Middle East global teams are often a mixture of various cultures, the only way to work effectively together is to establish a new way of working. It needs to be acknowledged by management that this requires investment of money and time. In the end, it are the relationships that people establish in these encounters that determines the success of a project or program.

#### C. CRITICAL SUCCESS FACTORS

The research delivered a list of Critical Success Factors which a company should apply in employee communication when creating strategic alignment within their multinational companies after M&A. It was demonstrated that strongly aligned companies need to take the following into account:

##### 1. *Provide global direction, but ensure local distribution and implementation*

This can be done by: 1) a clear and simple vision, mission and strategy, 2) a clear and high-level corporate communication strategy 3) fine-tuning of communication messages and content according to local needs and sensitivities, 4) dialogue; sometimes parts of global programs cannot be implemented locally because of sound business reasons (i.e. business critical). Therefore, a dialogue should take place between the Center and the local branches in order to find the best solution.

##### 2. *Clear roles and responsibilities*

The roles of the Center en local units should be clear and also clearly communicated in order to ensure a smooth dialogue and implementation.

##### 3. *Leadership style, behavior and commitment is crucial*

This is managed by: 1) open, consistent and clear communication, 2) tone at the top, 3) the acknowledgment of leadership of the importance and the role of communication within an organization, i.e. 'communications matters', and 4) the acknowledgment of leadership of differences in national cultures and their implications (e.g. diversity in tools and timing in implementing communication activities and the importance of investment in translations, travel, face-to-face meetings and the extra time it might take to build relationships and achieve results with colleagues in the Middle East and Asia).

##### 4. *Engagement/empowerment of local managers/functional professionals*

This can be done by:

- 1) establishing an international communications network in which information is shared on a regular basis (e.g. face-to-face meetings, conference calls, email, Intranet etc.),
- 2) establishing feedback mechanisms,
- 3) sharing best practices and combining efforts,
- 4) testing the models and programs with local peers before finalizing, i.e. "making the plans together", and
- 5) a leadership respecting local sensitivities and diversity in implementation (tools, content, timing etc.) and taking this into account in their interactions with staff.

##### 5. *Enthusiastic, dedicated and diverse communication team*

These team members should:

- 1) be diverse (e.g. ratio male/female), and international, i.e. different nationalities and languages,
- 2) be passionate about communication,
- 3) accept and respect other cultures,
- 4) be patient and resilient,
- 5) be pro-active: e.g. share information with local peers at an early stage, test ideas and programs worldwide, ask input/feedback on a regular basis and make sure that what they deliver is good and useful to the internal stakeholder, and
- 6) be aware of their limits. They are there to support the leaders in the company; it is not the other way around! It should be remembered that the leaders are the main communicators in the company, not the communication department.

#### 6. *Alignment with human resources is crucial*

In order to create strategic alignment within multinational companies, human resources need to work closely together with corporate communication in order to ensure the sound and clear implementation of the company's corporate culture and communication strategy. To this end, the following needs to be developed: 1) uniform performance appraisal system so that each person is assessed in the same way 2) uniform leadership training & programs, 3) cultural awareness training, e.g. external (consultant or institute) or internal (employees), 4) performance contracts of leaders in which communication skills and objectives are explicitly included, and 5) uniform competence-based annual appraisal processes, which covers success factors that are related to company values.

#### 7. *Measurement of employee alignment and communication activities*

Specifically: 1) measurement should be taken seriously and done on a regular basis, at least once a year, 2) managers should learn from the results of the surveys and implement the necessary changes accordingly, 3) feedback should be given by employees, i.e. they should be engaged in the change process, 4) differences in national cultures should be taken into account when setting up surveys and when analyzing the results of surveys.

#### 8. *IT Alignment*

The sooner the IT systems of the two merging companies are aligned the better it is. Aligned IT systems allow for a company-wide dialogue between all parties of an organization to take place. This ensures effective and efficient communication and supports a smooth and successful integration.

#### D. MANAGERIAL IMPLICATIONS

In my view there are seven managerial implications of this research:

1. It was demonstrated that cultural differences have an impact on communication strategy and business processes. Therefore, managers should acknowledge that awareness of these differences and knowledge about how to work with them is crucial in establishing effective communication and sound business performances.
2. Management needs to acknowledge that intercultural communication and cooperation is mainly a psychological process that requires investment of time and money. In my view the investment of time is linked to three specific items: 1) relationship-building and personal contact are a very important part of doing business all over the world, but even more important in doing business in the Middle East and Asia, 2) decision-making processes can take longer because of hierarchical procedures and related issues in the Middle East and Asia, 3) issues that can arise as a result of the differences in laws &

regulations. Investment of money is needed for the necessary translations that are still relevant (e.g. communication materials, Intranet and Internet pages and the like), and also to the travel that is required to establish relationships with local peers.

3. National culture is a given and each country or region demands a different approach. This implication is important for managers to recognize, since this again costs time and money.
4. The critical consideration for managers is how to make global teams work. Global teams which are diverse can be effective but need some guidance. Best practices of the companies that were researched demonstrated that for a global project to succeed new ways of working need to be established, e.g. it takes time to build trust and to get used to each other's style.
5. Increased multiculturalism calls for new strategies for organizations. Thus, I would like to urge organizations to strategically manage their companies' global leaders and teams and take the development of global communication competencies seriously. In addition, serious attention needs to be paid to 'the cultural fit' of an expatriate and his or her family and the country where he or she might be based.
6. It was demonstrated that cultural awareness and intercultural communication skills of leaders is key to good business performance. This is not only relevant because of the high exposure that leaders have vis-a-vis their staff but also because of the support and commitment that these leaders demonstrate to the daily dealings and issues of their functional staff.
7. The only way to manage strategic alignment is to measure it!

#### V. CONCLUDING REMARKS

This thesis focused on only one aspect of culture, namely national culture. Managing international business means handling both national and organization culture differences at the same time. Organization cultures are somewhat manageable while national cultures are given facts for management; common organization cultures across borders are what holds multinationals together.

Thus, further research has to be done on the influence of both national culture and corporate culture on global communication. Both elements influence people's behavior in multinational organizations.

Second, the companies that I researched are dominated by Western values and employees. It would be interesting to research what the view and practices are in companies that are dominated by Asian and/or Arab individuals and culture.



Third, the fact that external exposure of people may change their perceptions and ideas about their own and other cultures intrigues me. Since companies and projects are becoming more and more diverse, it would be interesting to research the impact of Diversity & Inclusion policies of companies in this regard in more detail.

Fourth, it would be interesting to further research how the Western attributes of the drivers of alignment differ from those in the Arab World and Asia, and how these results could contribute to the measurement of these drivers in those regions.

Intercultural communication is mainly a psychological process that requires serious attention from leadership. Each country has its own issues, sensitivities, context etc., just like each individual has his or her own experience and background. Countries as well as companies become more and more diverse and intercultural communication plays an important role in human relations and thus business performance. As with anything else in corporate communication, there is not just one way, i.e. 'one size does not fit all'.

As much as the critical success factors mentioned in this thesis apply in general to all multinational organizations, the way in which they are implemented can differ per organization and should fit the needs of their internal and external stakeholders. In addition, it should link with the company's strategy, corporate culture and corporate identity. Hopefully, the examples and best practices that are described in this thesis provide some guidance and inspiration to professionals working in the global arena.



**Tarcísio Pontes**

## Coordinating banks' global corporate communication – a look beyond the financial crisis

**Tarcísio Pontes (1975) is Deputy Director for Internal Communication at Millennium bcp – the biggest private bank in Portugal with retail branches in Portugal, Poland, Greece, Romania, Turkey, Angola, Mozambique and USA. In that role he is responsible for the dissemination of information among over seven thousand employees and bridging the communication gap between the central headquarters and the staff of over 900 retail branches.**

**As a cumulative function, he is responsible for Global Brand Management with the objective to coordinate and integrate the best international practices in communication within the group. Banks' global coordination of communication is the main subject of his master thesis.**

**Before that Tarcísio was assigned to work three and half years in Poland to assure full coordination on matters of brand management and marketing communication strategy. During that period Millennium brand climbed from 5th to 3rd in Spontaneous Brand Awareness and reached top three in Spontaneous Communication Awareness, according to Millward Brown.**

**He started his career back in 1999 as a business and economics journalist for RTP – the State owned TV station in Portugal. Beside the Master of Corporate Communication, Tarcísio completed the Graduation of Journalism in the University of Coimbra as well the post-graduation in Multimedia and Communication Management in ISEG – a business and economics school in Lisbon. He was an Erasmus student, in the University of Joensuu, Finland.**

Korneel Born

**A CHALLENGE FOR GLOBAL BANKS: WHAT TYPE OF COMMUNICATION COORDINATION AFTER THE FINANCIAL CRISIS**

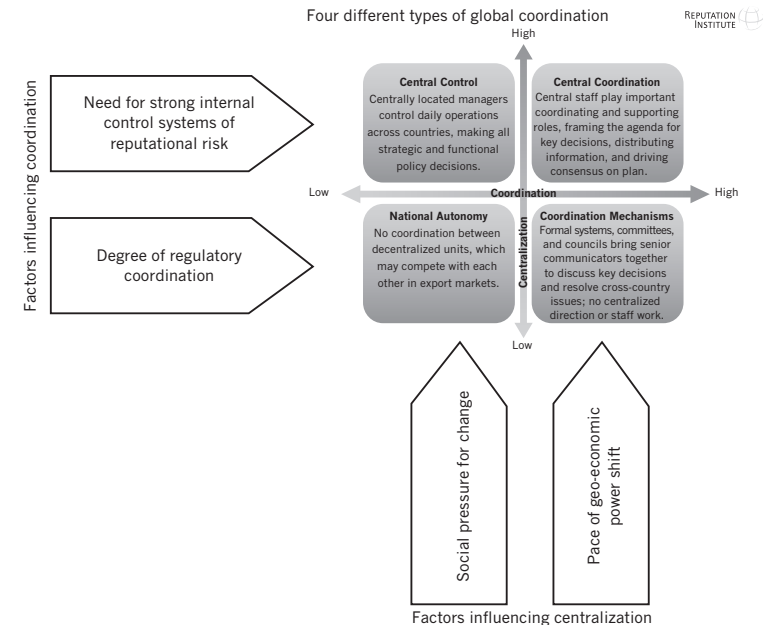
The financial crisis led to a highly complex business context for global banks. In order to operate, banks have now to face renewed demands and expectations from old constituents namely regulators and also from others, considered less relevant in the past, such as voters. Moreover, the financial crisis further unveiled the extremely global impact of the banking business: one failure in America can impact dozens or hundreds of other institutions around the world. Hence, banks must assure a global vision of reputation management and of the communication function inside the organization. The main topic of this master thesis is: how does the new environment affect the coordination of bank's global corporate communication? In the end the thesis proposes a model easily implemented by any global bank to determine what type of coordination is best suitable.

**ABOUT THE MODEL**

This thesis takes a grounded theory approach to draw the model that enables global banks to determine what type of corporate communication coordination should be adapted. The grounded theory approach involves a constant comparison between evolving theory and empirical data. Thus, the model draws from the four types of global coordination of corporate communication described by the Reputation Institute Report on "Excellence in Corporate Communication in the Banking Industry". The report was based on three sets of studies: face-to-face interviews to corporate communication managers of 14 global banks; quantitative surveys across variety of industries (banks = 6; non banks = 13) and academic as well as managerial literature & practical experience of Reputation Institute staff. The four types of global coordination (National Autonomy; Central Control; Coordination Mechanisms and Central Coordination) are defined according to two axes which are the basis of the model: Coordination and Centralization. The backbone of each axis is assessed according to the state-of-art theories in reputation and corporate communication, together with the findings of the Reputation Institute report as well the World Economic Forum (WEF) report called "The Future of the Global Financial System". This report is the culmination of a partnership with management consulting firm Oliver Wyman and twelve months of work interacting with senior industry practitioners, leading international scholars, regulators, policy-makers and other distinguished experts and stakeholders. In addition, the law firm Clifford Chance provided guidance regarding the future of financial regulation.

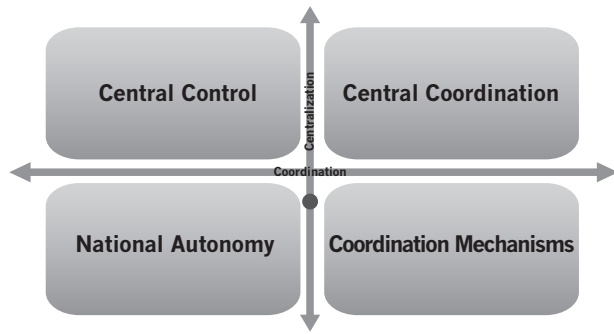
The WEF report draws the two main factors that will determine the future of the financial system, which are for that reason integrated in the model. This combination of inputs results in a model that is fairly grounded in the data while simultaneously guided but theoretical notions.

**Model to identify banks' global coordination of corporate communication**



**THE MODEL APPLIED TO MILLENNIUM BCP**

The red dot indicates that Millennium will search in the future for a reasonable degree of coordination, less than centralization. It means that the market circumstances, namely reputational risks and regulatory integration, are not enough different to let operations run their own communications without any coordination. Millennium bcp is in a good position to start comparing performance across units, agreeing on methodologies and resolving minor issues.



### CONCLUSION

The main contribution of this thesis is to propose a model that helps academics and practitioners defining the right type of corporate communication coordination for global banks.

It is a model that integrates the most advanced literature in corporate communication with specific findings for the financial sector taken from the reports prepared by the Reputation Institute and the World Economic Forum. Despite it was only tested in one case (Millennium bcp), I believe that the model to identify banks' global coordination of corporate communication is highly applicable for any financial institution willing to find the right balance between centralization and coordination of global communication.

For the discussion of the model, the main topic is how difficult it is to score a question that addresses complex realities. For example, using the case of Millennium bcp, the level of coordination of supervision authorities may be different between EU countries outside the Euro zone (Poland and Romania), than the one between Euro zone countries (Poland and Greece). Not to mention the coordination between Portugal and African countries like Angola and Mozambique.

One way to mitigate that effect is to grant different weights to the questions or what I recommend is to apply the model in different geographies. Globalization drivers do not dictate one formula for success. More than one type of international strategy can be viable in a given industry.

The reliability of model shall now be tested in different organizations to reassure its applicability and support to effective coordination as a driver of excellence in global corporate communication.



Daniël Rouw

## Divided Perception

*Measurement and management of reputation in the context of municipalities*

Daniël Rouw (29) works as a communication advisor and press officer for the municipality of Terneuzen. His main tasks are advising on communication issues and projects that are under the responsibility of the city board of Terneuzen.

After his bachelor study in communication Daniël Rouw worked for several local governments. In this environment he developed a few specific professional interests.

In his previous job for the municipality of Borsele he became interested in the field of risk and crisis communication. In Borsele there is a special focus on this specialism because the only active nuclear power plant of the Netherlands is situated within the borders of that municipality.

His activities in the field of risk and crisis communications resulted in the participation in an interregional project of the European Union: Project Aware (2004-2007). After this project Daniël Rouw has stayed actively involved in several projects that are focussed on the development of governmental risk and crisis communication.

The communication work of Daniël Rouw as a civil servant has also not decreased his attention for more commercially oriented topics. This means for example that he has maintained his interest in the way reputations are built up and the effects these reputations have on the behaviour of stakeholders. Because of this personal interest, Daniël Rouw chose to combine his experiences as a civil servant with his interest in commercial topics. Therefore his thesis is about reputation in the context of municipalities.

## REPUTATION OF MUNICIPALITIES

Reputation is one of the most important and central topics of corporate communication. Reputation is more than image, “reputation is the set of meanings by which a company is known and through which people describe, remember and relate to it. It is the net result of the interaction of a person’s beliefs, ideas, feelings and impressions about the company” (Dowling, 1986). The theory about reputation has primarily been developed within the commercial working field. Many concepts of reputation management are based on profit and consumer focussed companies. Reputation has proved to be an important theme in the political ambience too. The historic use of polls in elections is a striking example of that importance. Nevertheless, it is a fact that reputation measurement methods are most active within the commercial field. The expectation that reputations also have a strong influence on the organizations of municipalities, has led to the focus of this study that lies upon the role of reputation in the corporate communication of these local governments. This leads to the central question of this thesis: can profit-oriented concepts of reputation measurement and reputation management be effective when they are implemented in the non-profit environment of municipalities? The study is focussed on the municipal organizations, including all organizational entities. This thesis is not about the promotion of a city or region, what can be seen as the territory of city marketing and regional branding.

## RESEARCH

A large diversity of information about reputation management and reputation measurement is used in this study. The information is not only found in academic literature but is also collected by the use of focus groups and interviews. Communication professionals gave their opinion on the central topics of this study in the focus groups. Terneuzen, a municipality of medium size in the southern area of the Netherlands, is used as a research object in the interviews. The interviews have been held with a variety of stakeholders of the municipality of Terneuzen. These focus groups and interviews have led to useful empirical data. The reputation of the government as a whole and the specific relations that stakeholders have with the government are explored. From that perspective, the gap between expectations and performances is an important topic. Besides that, it is addressed in this study that the topic of reputation can be controversial within governmental corporate communication. Next to this governmental issues this study explores the theoretical aspects of reputation measurement and reputation management. The conceptualisation of reputation has been studied from several angles. These angles are used throughout the entire research to implement a helpful structure

in the study. The diversification in this study is inspired by a distinction that Grunig and Yang (2005) have made. Therefore, the first angle in this study is called ‘organization representation’. That angle is focussed on the conceptualisation of a municipality by stakeholders and the classifications stakeholders have in mind about this governmental organization. The second angle is based on the aspects of ‘relation’ that stakeholders experience. The third angle is about the ‘evaluation of performances’. Within this angle the research is focussed on the way stakeholders evaluate the performances in relation to the expectations that stakeholders project on the municipality. This angle is particularly interesting because high expectations about the government appear to be influential on the effect that growing expectations have on dissatisfaction among stakeholders. To support the research, existing measurement methods (Reptrak, Mare-meter, OPR Measurement method and Corporate Character Scale) are used in this study. Besides these measurements other elements that expected to have influence on reputation are also indicated and involved in this research. These ‘extra’ elements are partly based on the Reputation Excellence Model (Van Riel, 2009). This means that elements like context and expressiveness are connected to the study. In addition to that also the influence of organizational identity on reputation is integrated. All the elements that are integrated in the study are stated in the following research scheme.

### Research scheme

Focus of research	Themes	Key elements
Measurement of reputation	Organization representation Relation Evaluation of performance Personality metaphor	From Reptrak From OPR From Mare-meter From Corporate Character Scale
Indirectly influential factors	Context  Identity  Expressiviteit	Context of industry Physical context Diversity in roles of municipality and stakeholders Public character of governance Visible, Distinctive, Consistent, Transparent, Authentic and Responsive

### **CHANGES ARE NEEDED IN THEORY AND MEASUREMENT METHODS**

The study of all the directly and indirectly involved elements leads to the overall conclusion that the profit orientated concepts of reputation management and measurement cannot effectively be implemented in the corporate communication of municipalities. To adjust the theoretical concepts and measurement method significant changes are needed. There are too many and too big differences when these profit oriented concepts are applied to the context of municipalities. One of the strongest differences is the diversity of roles that a municipality has to fulfil and can use depending on the situation and type of services. This means that a customer-based relationship is just one of the five roles a municipality has and therefore that role cannot be exemplary. The diversity of roles is also strong among stakeholders of a municipality.

Besides this variety of roles, the public character and the different units in management are important in the context of the local government. In addition, there are also strong differences in the way organization identity is built up. Specific characteristics of the organization of a municipality seem to play an important role.

In many areas a municipality has a monopolistic position and this fact has also a strong influence on the reputation. This means for example that when stakeholders have the role of customers, they are so called 'captive customers'. The vulnerable reputation of all governmental organizations is also an important element in the reputation of municipalities.

The study also points out that a municipality strongly depends on the physical location of the organization and the specific responsibilities that come with that location. This is not only the physical aspect, like beautiful surroundings or an attractive city centre, but also the economic and social development within a certain area and community. For example, it can be of great influence when a university is located in a municipality, or when there are interesting areas for companies located within the municipality borders. These kinds of developments can lead to all kinds of exposure and promotional opportunities that have a spin off and will be 'connected' to a municipality's name and reputation. Another example of context is about the municipalities in the same region. The reputation of neighbours can be used by stakeholders as a benchmark. If there is negative media attention for a neighbouring municipality, the study points out that stakeholders compare that attention to their own municipality and that this affects their perception.

The findings regarding the three angles from which reputation can be studied result in the strong conviction that the relationship between the municipality and stakeholders is especially important, and of greater influence on the reputation than in a profit environment. The measurement of performance and expectations is particularly challenging because the knowledge of stakeholders about the activities and responsibilities of a local government are restricted to their own physical environment and (local) experiences.

Generally stakeholders do not have a concrete perception of a municipality but it tends to be rather abstract. Knowing that, it is striking to see that expectations are always high.

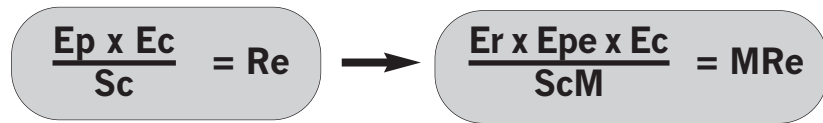
### **KEY CONCLUSIONS**

The key conclusions of the study can be summarized as follows:

- reputation is an important topic for municipalities;
- the fundamentals of the construction of a municipality reputation are different from in the situation of commercial companies;
- relations with stakeholders and municipalities have a greater impact on the reputation than they do in the situation of profit companies, mostly because the diversity of roles;
- the diversity of roles does need special attention in the management and measurement of reputation;
- the concept of identity, and especially the fundament of central and sustainable values of the organizations, cannot be translated easily to municipalities;
- a municipality does not seem to evoke a collective set of ideas which means that stakeholders do not have a clear image of the actions and responsibilities of the local governments.

### **REPUTATION MODEL FOR MUNICIPALITIES**

The general and specific conclusions lead to a proposal for adjustment of the Reputation Excellence Model (RE-Model) in a Reputation Model for Municipalities. The original RE-Model (for profit companies) is based on the idea that the excellence of reputation (Re), depends upon the excellence in performance (Ep) amplified by the expressiveness (Ec) in the communication of the company. This combination has to be related to the social context (Sc), particularly focussed on the industry which a company is part of.



**Reputation Excellence Model**

**Reputation Model for Municipalities**

Because of the differences that can be concluded from this study, other aspects have to be integrated in the model. In the Reputation Model for Municipalities (RMM) the aspect of expectations is connected to performance (Epe). That element has a strong influence on how stakeholders evaluate performances. Expressiveness in communication (Ec) also has an important effect on the reputation of municipalities so this element is unchanged. In the context of municipalities, the quality of relationships with stakeholders (Er) seems to be very important and therefore this element is included in the model as a separate element next to the expectations & performance (Epe). The value of these elements has to be related to the social context of municipalities. An important element of this context is also the reputation of the industry. It happens to be the entire industry of the government that leads to strong associations. Besides that industry image, other elements are also included that have specific impact on municipalities. These are social and demographic elements. The optimal combination of all these elements lead to an excellent Municipality Reputation (MRe).

**ALTERNATIVE MEASUREMENT**

The study delivers several important insights. One of these insights is the idea that the central focus does not have to lie upon the construction of a central and durable identity. That is also one of the reasons that this study leads to the belief that especially the relation and the expressivity of communication should receive more attention.

These insights can affect the way in which the measurement of the reputation of municipalities is organized. Although it is possible to adjust the applied methods, it is useful to make other choices. For example, a municipality could organize their reputation research by isolating one of the many roles a municipality has to fulfil (roles indicated by Hiemstra, 2003).

The role of ‘developer;’ (ontwikkelaar) seems to be essential because this is one of the roles that stakeholders especially find important. Therefore it could be interesting to measure and to compare the reputation on that specific role. A new method of measurement could also be based upon more indirect factors that appear of great importance in the context of municipalities. For example one of the possibilities could be the measurement of expressiveness of the municipalities. This measurement can be used to indicate the reputation through an indirect approach. Without these context or performances the corporate communication results can be accurately measured and compared. It is true that this will not lead to a complete insight in the reputations of municipalities, but as this study points out, it is nevertheless interesting to compare the quality of the corporate communication efforts in a more indirect manner.

**SPECIFIC CORPORATE COMMUNICATION FOR MUNICIPALITIES**

This study is a contribution to the discussion about the tasks of governmental communication. It can be concluded that reputation has to play an important role in the corporate communication of municipalities like it does in the communication of profit companies. The results do point out that there are differences in the approach of reputation management and reputation measurement. Municipalities do not have to present and measure themselves as products, brands, or like a profit based company. Therefore municipalities have to develop their own specific approach for corporate communication that respects the characteristics and context of municipalities. And they have to design their own methods to measure their reputation. This study has given the first important elements for such a method.

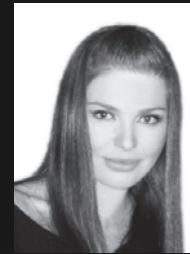
**DISCUSSION**

This is a qualitative research that is partly focussed on a research object and therefore it is hard to prove which results apply to other municipalities. Therefore, it can be recommended to give this study a quantitative follow up and to involve more municipalities in such a new study. On the other hand, the conclusions can also have consequences for other types or organizations. The diversity of roles can also be an important factor within other organizations, like universities, which are educational facilitators, researchers, but also advisors, etc. Therefore it could be interesting to see if the conclusions of this study also can be applied to other organizational types.



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Maja Stritof

# Corporate Storytelling

*How should storytelling in different countries be differently orchestrated in order to have an impact on employees' engagement?*

Maja Stritof (b. 1978) graduated in 2001 from the University of Economics in Zagreb. She then was employed in the marketing field for six years in Zagreb at a Fortune 500 diversified international chemical company, during which time she remained dedicated to her professional growth and business networking. In May 2006 she was offered a move to the company's headquarters in Holland to assume the position of Branding and Communications Manager. In September 2006 she relocated to the Netherlands. Thinking back she did it for reasons she still cannot fathom but may have had much to do with her unreasonable optimism in the face of doom and the very talented people with whom she was working. In business relations with over 30 countries, her expertise has included brand marketing, public relations, marketing strategy development and corporate communications. Her specific areas of expertise include brand positioning, market research, process improvement, strategic and operational planning, forming strategic alliances, product life cycle management, advertising agency and vendor relations, public relations, budget planning, market analysis, financial forecasting and brand marketing plans development and execution.

After she discovered her interest in the field of corporate communications and employee engagement, she continued her career path with a Master's degree in Corporate Communications at Erasmus University in Rotterdam. This study has been an extraordinary experience for her both professionally and personally. In 2009, she is starting her own firm Kadei™, continuing her journey with professional growth in marketing and communications as a practice and a discipline. Kadei™ is a flexible firm based both in the Netherlands and Croatia, specializing in marketing and communications with an emphasis on storytelling.

She is passionate about improving people's lives and making organizations more efficient and profitable. She helps people not only to make sense of the array of options and opportunities that the modern world of business offers but also to create a clear and doable plan. In her opinion it is amazing what smart, motivated and engaged employees can actually get done once they have a "map and a good light," remembering, of course, that the story comes first and then the plan.



## INTRODUCTION

More than ever before, managers would agree that employees make a critical difference when it comes to innovation, organizational performance, competitiveness, and business success. What can an organization do to attract and keep creative, dedicated and thriving employees who make organizations flourish (Bakker & Schaufeli, 2008)? Instead of traditional organizational structures that rely heavily on management control and economic principles of cost reduction, efficiency, and cash flow, the focus in modern organizations is on the management of human capital. Currently, organizations expect employees to be proactive and show initiative, collaborate smoothly with others, take responsibility for their own professional development, and are committed to high quality performance standards. Thus, employees are needed who feel energetic and dedicated and who are absorbed by their work. In other words, organizations need engaged workers (Bakker & Schaufeli, 2008). Employee engagement is a term that has developed to describe the deep and broad connection that employees have with a company, as well as their voluntary and enthusiastic commitment to its success. Engaged employees give 110 percent (or more) on behalf of their company, their team or their division. Full engagement exists when every employee works at the top of his or her game, going the productive extra mile without thinking twice. They ask, 'What's in it for us?' not just, 'What's in it for me?' (Gebauer & Lowman, 2008).

The general traits of engaged employees are that:

- They believe in the mission of the organization,
- They love what they do and understand how their jobs serve the bigger picture,
- They do not need discipline; they need clarity, communication and consistency,
- They respect their managers,
- They know that their managers respect them,
- They are a constant source of great ideas, and
- They will give you their best.

As noted above, today's organizations are in need of engaged employees. This is not only illustrated by best-selling books that convincingly makes the case (Covey, 2004; Gratton, 2000), but also by the fact the key word "employee engagement" yields greater than two 2 million hits on the World Wide Web. Moreover, virtually all-major consultancy firms offer "assessment tools" that identify "drivers" and subsequent programs "to boost employee engagement" (Bakker & Schaufeli, 2008).

As stated in M. I. Finney's book 'Getting the best from people', it is statistically proven that highly engaged employees are:

- Two times likely to be high-performing employees,
- Seven times more likely to feel appreciated for what they do for the customers,
- Ten times more likely to come forward with an innovative idea, and
- One and one-half times more likely to stay, even if they are offered a better job elsewhere.

One study showed that companies with 60-100% engaged employees report an average total shareholder return of 20.2%. However, companies with less than 40% engagement show a -9.6% return. You can adequately or lavishly pay your employees, but if you overlook one most essential engagement tool, you will get "Ho-hum workers driving around in expensive cars wondering how they can fill this odd, empty feeling inside" (Finney, 2008).

Although scholars and practitioners alike have ever more knowledge on how to increase employee engagement with storytelling, we still know little about how stories should be developed to create effective employee engagement. Moreover, it is very likely that the effect of specific storytelling mechanisms on employee engagement may differ from culture to culture. For example, some east European cultures are more emotionally oriented than west European countries. It is likely that East European employees are more likely engaged when they are confronted with stories with more emotional appeal, while west European employees desire more rational facts within stories.

This thesis will focus on the effect of storytelling on employee engagement in two different cultural environments: western vs. eastern European companies. This work will show that corporate storytelling is one of the most important and efficient ways to get closer to the employees hearts and to understand the main drivers that enable employees to live up to the company's mission and vision. By studying the differences among western vs. eastern European companies, the cultural differences will be taken into account.

## RESEARCH BACKGROUND

To study the influence of storytelling on employee engagement within different cultures, it is first important to provide a greater understanding of what I mean with employee engagement and how this differs from two other well-studied concepts "employee satisfaction" and "identification". *Employee engagement* is defined as a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption (Schaufeli et al., 2002). In short, engaged employees have high levels of energy and are enthusiastic about their work.

Moreover, they are often fully immersed in their work so that time moves rapidly (May et al., 2004). Research has shown that engaged workers report good mental (Schaufeli et al., in press) and psychosomatic health (Demerouti et al., 2001). Furthermore, they exhibit personal initiative, proactive behavior and learning motivation (Sonnentag, 2003; Schaufeli and Salanova, 2007). This agrees with the results of qualitative research showing that engaged employees take initiative and generate their own positive feedback (Schaufeli et al., 2001). Taken together, these findings suggest that engaged workers are able and willing to “go the extra mile”.

*Satisfaction* is the construct that measures how well the company does for the employee. J. F. Kennedy said in his speech on January 20 1961, “It’s not what your country can do for you, but it’s what you can do for your country.” Similarly, employees want to know from the CEO point of view, what he/she is doing for the company. Not what I am doing for him/her, but what is being done for the employee by the company. Satisfaction was introduced under the assumption that a satisfied workforce would yield better results. Is that true? Does satisfaction yield higher results and increase shareholder value? Many experts believe that one of the best ways to maintain employee satisfaction is to make workers feel like part of a family or team. Some of them believe that financial stimulation will make employees satisfied. Of course, few workers will not experience a boost in morale after receiving more money. Raises and bonuses can seriously affect employee satisfaction and should be given when possible. Yet, money cannot solve all morale issues and if a company with widespread worker problems cannot improve the overall environment, a bonus may be quickly forgotten as the daily stress of an unpleasant job continues to mount. The backbone of employee satisfaction is respect for workers and the job they perform. In every interaction with management, employees should be treated with courtesy and interest (Geert Hofstede™ Cultural Dimensions). A number of studies have shown that employee satisfaction and commitment are positively related to employee retention and/or inversely related to employee absenteeism turnover, and related withdrawal behavior (Mowaday, et al., 1982; Cotton & Tuttle, 1986; Jaros, et al., 1993; Cohen, 1993). Undoubtedly, employee satisfaction is extremely important for organizations. However, as stated earlier, can researchers conclude that employee satisfaction itself yields higher results and increases shareholder value? Some time ago, numerous CEO’s believed that management needed to keep the workforce happy and this may have worked. Managers have since realized that everything that leads to employee satisfaction can lead to dissatisfaction when employees become accustomed to the satisfaction stimulus. Assuming that employee satisfaction is not the only key for achieving business results, the hypothesis of this study suggests – more is required to create the fully engaged employee.

*Identity* is essentially the set of beliefs or meanings that answer the question, “Who am I?” (Mead, 1934) or in the case of an organization, “Who are we?” (Foreman & Whetten, 2002). The more people identify with an organization, the more the organizational values, norms, and interests are incorporated into the self-concept. Collective interest is experienced as the self-interest (i.e., the collective self-interest), and individuals are intrinsically motivated to contribute to the collective (Ashforth & Mael, 1989; Dutton, Dukerich & Harquail, 1994; van Knippenberg & Ellemers, 2003). Organizational identification is the degree to which a member defines him or herself by the same attributes that he or she believes define the organization. The images that employees hold of their work organizations are unique to each member. A person’s beliefs may or may not match a collective organizational identity that represents the members’ shared beliefs concerning what is distinctive, central, and enduring about their organization (Albert & Whetten, 1985). Additionally, each member’s version of the organization’s external image may or may not match the reputation of the organization in the minds of outsiders (Dutton, Dukerich, & Harquail, 1994).

#### **THE INFLUENCE OF COMMUNICATION AND STORYTELLING ON EMPLOYEE ENGAGEMENT**

As described earlier, employee communication is an important driver for workplace engagement. For example, Van Riel, Berens and Dijkstra (2009) in their book ‘Stimulating Strategically Aligned Behavior Among Employees’ show that four communication-related factors are important for motivating people within the organization. That is, the quality of the communication flow and climate play an important role in employee motivation – an important requirement for engagement. Communication between employees is fundamental for achieving successful work. According to statistical data (Sekaran, 2004), almost 75 percent of work time is spent engaging in communication. Specifically, Edmondson (2003) found that the communication climate positively influenced employee motivation to speak up to their superiors about problems that occurred while using a new work procedure. Gibson and Gibbs (2006) established that a well established communication climate motivates employees focusing on innovation to come up with actual improvements. Mantere (2008) showed that respect by top management for the capabilities of middle managers is important for these individuals to make an effort to implement the organizational strategy (Riel, Berens & Dijkstra, 2009). Although this thesis does not focus on Strategically Aligned Behavior, these prior findings do provide some welcome clues on how to motivate employees in an organization.

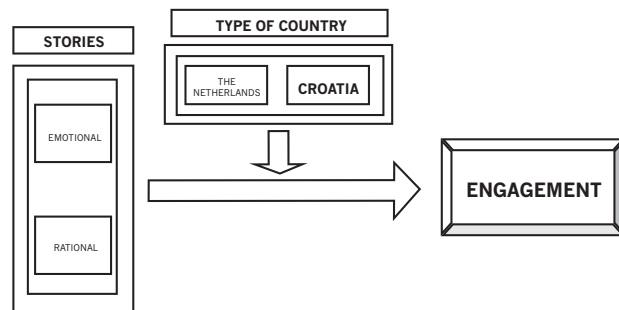
## THE EFFECT OF STORYTELLING IN DIFFERENT COUNTRIES

“Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster” (Prof. Geert Hofstede, Emeritus Professor, Maastricht University).

As previously argued, it is very likely that storytelling can have different effects on employee engagement, depending on the country in which the company is located. In this section, a hypothesis will be formulated to describe how different storytelling mechanisms may have unique effects in different cultures. To formulate the hypothesis, a discussion of Hofstede’s theory about cultural differences between Eastern and Western Countries must occur first. Next, this work coupled with an understanding of Hofstede’s theories presents an argument regarding how different storytelling mechanisms may have dissimilar influences in different cultural dimensions.

Geert Hofstede’s research gives insights into other cultures so that people can be more effective when interacting with individuals in other countries.

### RESEARCH MODEL



The experimental research presented in this thesis aims to clarify how storytelling in different countries (Croatia vs. The Netherlands) affects employee engagement.

I have set up a 2&2 between subject design. As such, I could manipulate four conditions: 1) an emotional story for Dutch respondents, 2) an emotional story for Croatian respondents, 3) a rational story for Dutch respondents and 4) a rational story for Croatian respondents.

## EXPERIMENTAL MATERIAL

Both the emotional as well as the rational story describe a fictitious company that manufactures non-alcoholic beverages. In the first part of both stories there is information pertaining to how the company was formed, who established it and what was the idea behind its inception. From that part, it became obvious that the company had grown quickly and spread rapidly throughout the world. Stories differed only in the middle paragraph. The first story was created to tell of the huge growth and success of the company, including information related to the results, profits, and share values – thus excluding any emotional elements. The second story had a different paragraph two that was created using only emotional elements, describing the company’s owner who believes in the power of people and how the company appreciates the personal values of employees. Both stories were translated to Croatian and Dutch.

## THE MEASURES

Employee Engagement was measured by the use of 6 items. These items were based on feeling of respondents about working for that company, willingness of walking that extra mile, feeling of job satisfaction, engagement, mutual values, and desirable place to work in.

The survey included the same manipulation check measures. That is, I used two items to measure whether respondents recognized the emotional aspects in the emotional variant. Additionally, one item was used to measure if respondents recognized the rational aspects in the factual variant.

The questionnaire concluded by asking the respondents some general questions like their age, nationality, and gender.

## RESULTS

The first hypothesis suggests a stronger effect on employee engagement for stories possessing emotional ingredients. The results show that the hypothesis is confirmed. Emotional ingredients in corporate story are more effective in creating employee engagement than non-emotional (rational) ingredients (T-test: 0,001). The second hypothesis suggests that the effect of strong emotional ingredients on engagement would be stronger in Croatia than in the Netherlands.

This hypothesis could not be confirmed by my data. However, noteworthy is that the means of engagement for the Dutch people after exposure to rational elements was much higher than the mean of engagement for the Croatian people after exposure to rational elements. In other words, Netherlands seems to favour rational arguments in corporate stories somewhat more than Croatians. This should however be further tested in future research.

### **MANAGERIAL IMPLICATIONS**

My study reveals that storytelling is essential to management's communication with employees. I find that managers need to use more than facts and numbers (i.e., rational elements) in storytelling; if they really want to engage their employees, managers should also use emotional elements. Facts inform, while stories reverberate and inspire. When we bring facts and inspiring events together we have created an emotional connection to a story that abides in a way that the simple recall of cold, hard facts cannot.

Managers should learn from my study how to arrange efficient channels of communication within their companies. In fact, transferring a message to each employee in an organization can be compared to the challenge of controlling children in a school bus: some will listen, some will hear but not comprehend the message, while others will totally ignore what has been said and will later offer the response that 'no one told me anything'. Communicating with hundreds and sometimes thousands of employees inside one organization is not an easy task. Just the number of many ears of many different kinds of listeners, is an added complication in international corporations with headquarters in different countries, which also have added cultural and geographical variations. The challenge for a personnel manager is to spread crucial messages through the cacophony of everyday business to ensure that individuals pay attention and feel engaged.

### **CONCLUSION**

This research found that when stories possess strong emotional ingredients there is a stronger effect on employee engagement. This work also discovered that Dutch people seem to favor rational elements in stories more than Croatian people.

Without doubt the best way to activate the full potential of employees is to have them engaged within the company. Here I have shown that storytelling influences employee engagement by engendering a deep feeling of connection to the organization. Creating emotional connections and a sense of belonging to the collective develops employees who will give their all to achieve the new goals.

A study by Towers Perrin concluded that with a workforce of engaged employees a company's profits can increase by 19% in comparison to those companies that have a lower percentile of employee engagement. Research carried out by Watson Wyatt over the last 5 years has demonstrated that companies with a high engagement of employees have 26% more work productivity, attract better experts in their groups, have more stable businesses, and also give 13% more dividends to shareholders. Highly engaged employees are twice as likely to be leading experts, and also miss 20% less days of work. These statistics offer ample support for investing in communications with employees and fostering their inclusion in the organisation.

Top leaders and managers will gain the trust of their employees by talking in an understandable language, embedded with emotions, while avoiding definitions and concepts that come straight from business manuals. A story that each employee can be drawn to will resonate significantly more strongly through the collective workforce than any other perfectly constructed plan or research. Managers must also encourage employees to tell their own stories from business to inspire each other.

Stories are essential to our lexicon because they have been with us from the very first moment we started to percept the world around us. People get more engaged if they believe in the story of the company they work for. Storytelling can create, change or ruin the culture of the company. However, storytelling definitely has a huge impact on employee engagement because people are social creatures who want to belong to something, and be a part of it, no matter from where they come.



Katja Wingelaar

## Making more sense of sensemaking

*Identification of socio-cognitive factors that trigger or restrain behavioral alignment of employees with a strategic change initiative*

Katja Wingelaar is Senior Communications (Research) Consultant at the Ministry of Transport, Public Works and Water Management. Katja is responsible for researching and monitoring public and stakeholder perception of the Ministry by conducting many different types of research and translating results into (tailor-made) communication and change strategies. Since 2007, she is the project leader of the 'VenW-monitor', a periodic organizational reputation and organizational culture assessment, which she further developed into a valid measurement and reputation management tool.

Katja is a result-driven team player, humorous, proactive and an initiator. She has a strong mentality to overcome challenges, and has a positive approach to challenges. She's challenged by complex projects and able to quickly learn new skills. Above all, she's a pragmatist always trying pull the most favorable result for everyone involved in a project.

Katja studied Communication and Information Science at the University of Utrecht. She graduated from a master program that she composed herself, combining master courses on the field communication and information science with master courses on the field of governance (at the Utrecht University School of Governance). After finishing her study she started working for a business process management consultancy firm, O&i, where she was the Communications Coordinator with Corporate Marketing. At O&i, she developed and guided the implementation of a new housestyle, that nowadays still wears her footprint. This job was a good opportunity to play with the basics of the field of corporate communication.

After two years, she started at the Ministry of Public Transport and Water Management. Her areas of expertise are corporate communication and reputation management as well as public opinion research.

## MANAGEMENT SUMMARY

*"If you want to build a ship, don't drum up people together to collect wood and don't assign them tasks and work, but rather teach them to long for the endless immensity of the sea" (Antoine de Saint Exupéry, 1900-1944)*

### SCENE AND CONTEXT

A large public sector organization is in the middle of a strategic change initiative. This strategic change initiative was initiated by a broader Public Administration Reform laid down in the government's coalition agreement of 2007, which aims to cut rules and bureaucracy, to ensure consistent enforcement of policy and to provide a high standard of public services (government.nl). This large public sector organization introduced an organization-specific strategy in January 2008, in order to comply with the broader reform and its stated goals. The main objective of this strategy is operational efficiency, aiming to achieve better policy-making, better policy execution and better policy control functions.

### CHALLENGE

At the current moment, the ultimate challenge is to have employees aligned with the change program. Employee strategic alignment occurs when employees understand, "buy into," and are able to enact the organization's strategy (Gagnon and Michael, 2003). Creating alignment is vital because companies depend on their employees to successfully implement their strategic objectives (Van Riel and Fombrun, 2007). Despite initiatives of the top management of this public sector organization to embed their core ideology into organization communication and reward systems as well as rituals and routines (Paarlberg and Perry, 2007), current employee attitudes and behaviors are yet not aligned with the organization's strategic direction.

In my belief, an important reason for this current lack of strategic alignment is that top management seeks to diffuse a strategy among employees, in a top-down, directive manner through various kinds of (sensegiving) efforts, but without taking sufficient notice of the process of meaning construction by employees. The goal of this thesis is therefore to contribute to existing strategic alignment literature by illustrating how employees make sense of (create meaning of the) strategic change, aiming to find out what triggers or restrains internal stakeholders in (behaviorally) aligning with the organization's strategy.

## THEORETICAL BACKGROUND

Organizational change is not a clearly-defined, steady-state meaning process that needs to be transferred into a person's head, but forms a useful starting point and occasion for sensemaking (Homan, 2009). Sensemaking can be defined as a cognitive activity whereby people make sense of an ambiguous situation and attempt to interpret and explain sets of cues from their environments (Weick, 1995; Maitlis and Lawrence, 2007).

In interaction with each other, organizational members make meaning of their social context and the changes they experience within that social context, and negotiate and enact this meaning. In reverse, the social context creates meaning of oneself as a person, e.g. constitute a person's identity or self-concept. Hence, identity construction is a cognitive process where one tries to understand oneself within one's social environment. One of the most important theories to understand how the social environment is bound up with one's identity is the social identity theory (Tajfel and Turner, 1979). This theory asserts that in addition to a personal identity, people have a social identity, which is determined by his or her membership in a social group (Tajfel and Turner, 1979, cited in Elstak, 2007). The theory claims that people have a natural tendency to perceive themselves and others in terms of particular social categories (Haslam et al., 2003), seeing a favorable bias toward the group to which they belong, aiming for of a positive social identity. Not only do people aim for a positive self-image (called 'self-enhancement'), they also have an aspiration for distinctiveness (self-distinctiveness) and a need to sense and experience coherence and continuity of their self-image (self-consistency). Consequently, people are particularly motivated to engage in (change) strategies that are consistent with or enhance their self-concept, or increase their self-distinctiveness. The other way around, they will be unmotivated to engage in (change) strategies that are perceived as a threat to their self-concept. In this thesis, I label these underlying mechanisms that determine how organizational members make sense of their social environments and that subsequently determine behavior as 'socio-cognitive' factors that may trigger or hamper strategic change. If scholars and managers can more specifically identify the socio-cognitive factors that may withhold or motivate them to accept and support change, they can more successfully manage such complex changes by responding to these socio-cognitive factors through effective strategic communication (sensegiving) and improve the fit between the (change) message and people's cognitive needs. This research therefore aims to contribute to existing social identity literature and strategic alignment literature by illustrating the socio-cognitive factors involved in sensemaking during strategic change, aiming to find out which socio-cognitive factors trigger or restrain internal stakeholders in (behaviorally) aligning with the organization's strategy.



## RESEARCH METHOD

Data to answer my research question is collected from 26 semi-structured, one-on-one interviews with employees and middle managers from a large public sector organization. These interviews were analysed using the grounded theory approach (Glaser and Strauss, 1967), whereby emerging data is constantly compared with previously established theory, in order to identify theoretical patterns. Thereby, the completeness and rightness of the previously established theoretical elements as a theoretical framework for the concept under question are assessed.

## FINDINGS

In addition to the three socio-cognitive factors (self-enhancement, self-distinctiveness and self-consistency) identified in prior literature, the interview data revealed several additional socio-cognitive factors determining sensemaking and consequently behaviour. Sensemaking during strategic change seems to be shaped by socio-cognitive factors that are related to identity (identity-based socio-cognitive factors) and to organizational members' perceptions of their change leaders and their style of sensegiving and sensegiving efforts (sensegiving style-based socio-cognitive factors). The identity-based factors that emerged from the interview data are: 1) self-enhancement, 2) self-consistency and 3) (image) self-recognition (e.g. the extent to which an employee recognizes himself/herself in the image that is purposely shaped and constructed via sensegiving). The factors self-consistency and (image)self-recognition surfaced only in the interviews with employees. The sensegiving style-based factors that emerged from the data are: 1) self-direction (e.g. the extent to which the (change) strategy is perceived to offer opportunities for self-direction) and 2) a sense of excitement (e.g. the extent to which people feel tempted to engage in the strategy cf. De Bruin, 2009). Moreover, the interviews with employees showed that they didn't perceive a need to change and that the purpose of the change initiative is unclear to them (sense of urgency and lack of purpose), whereas middle managers aim for more coherence between and more monitoring of the change objectives.

## CONCLUSIONS

These results suggest that organizational members' sensemaking (and consequently behavior) depends on the one hand on the perceived harmony between the (change) strategy and member's self-concept (identity-based factors) and, on the other hand, on the perceived style in which the change agent(s)

attempt to stimulate members' understanding and support toward the (change) strategy e.g. their sensegiving style. This leads to the following propositions:

- I. The more the strategy is perceived to be urgent and purposeful, the more it triggers employees sensemaking, the more it enables alignment.
- II. The more the strategy is perceived to threaten the employees' sense of self-enhancement (e.g. a strong focus on problems rather than solutions), the more it will be disregarded.
- III. The more the strategy inadequately addresses employees' sense of self-enhancement (e.g. by not mentioning the gains), the more it will be disregarded.
- IV. The more the change is perceived to threaten employees' sense of self-consistency (e.g. a change of key values), the more it will be disregarded.
- V. The more sensegiving activities create an image that gives everyone an idea to believe in (e.g. that creates shared purpose), the more it enables people to recognize themselves in it, the more it enables alignment.
- VI. The more the change is perceived to provide the employees with a sense of self-direction, the easier it will be to make sense of it.
- VII. The more the change is perceived as an inspiration to employees, the more it stimulates alignment.

Particularly, the results show that the more the (change) strategy is perceived to inadequately address or – even – threaten organizational members' self-concepts, the more it will be disregarded, hampering strategic alignment. The other way round: the more the (change) strategy is perceived to adequately address or enhance organizational members' self-concepts, the more it will be paid attention to, the more it stimulates strategic alignment. Also, the results show that the more the (change) strategy is perceived to offer opportunities for self-direction and the more the arousal is created around it (sense of excitement), the easier it will be to make sense of the (change) strategy, the more organizational members will be motivated to engage in it. These findings contribute to the existing literature that bridges strategic alignment with social identity theories, by identifying several important socio-cognitive factors within sensemaking of strategic change, which haven't been addressed by prior studies. These findings also that, across different hierarchical levels, different socio-cognitive factors play a role within members' sensemaking of strategic change – a finding that hasn't been addressed in full detail by prior studies.



**MANAGERIAL RECOMMENDATIONS**

The results have the implications for sensegiving efforts. Based on the results, I formulated managerial recommendations that can lead to a more successful implementation of the strategic change:

- Recommendation 1: This public sector organization should write a purpose statement (corporate story)
- Recommendation 2: This public sector organization should frame the change as going 'from good to great'
- Recommendation 3: This public sector organization should provide employees' with a sense of self-direction by letting middle managers and employees create shared meaning in dialogue, and by using themed messaging (best practices and discussion papers and springboard stories)

**TABLE III.1**  
**SENSEGIVING, SENSEMAKING AND STRATEGIC ALIGNED BEHAVIOR**

