Corporate identity and corporate communications: creating a competitive advantage

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Introduction

Over the past decade corporate identity has become a prominent paradigm and has begun to be linked to the strategic management of organizations (Marwick and Fill, 1997; Morison, 1997). It has been legitimised and promoted through the formation of the International Corporate Identity Group (ICIG) and the subsequent issuance of the Strathclyde Statement (see Appendix). In essence, corporate identity is the reality and uniqueness of an organization which is integrally related to its external and internal image and reputation through corporate communication (Gray and Balmer, 1998). Corporate communication is the process through which stakeholders perceive that the company’s identity and image and reputation are formed. This article will outline the key forces that have created a sense of urgency vis-à-vis the effective management of corporate identity and corporate communications within a strategic framework.

The ten environmental forces

The following ten environmental forces prevalent during the past decade have accentuated the need for strategically managing corporate identity. But the trends have influenced companies differently. Some firms have been affected by many of them, others by only a few. It would be difficult, however, to identify any companies that have not been touched significantly by at least one of them. Hence, in the aggregate, they represent the driving force behind the recent upsurge of interest in corporate identity and corporate communication issues.

The ten environmental forces contributing to the increased importance of corporate identity and corporate communications are:

2. Deregulation.
3. Privatisation programmes.
4. Increased competition in the public and non-profit sectors.
5. Increased competition in the service sector.
6. Globalisation and the establishment of free trade areas.
Mergers, acquisitions and divestitures.
Shortage of high-calibre personnel.
Public expectations for corporate social responsiveness.
Breakdown of the boundaries between the internal and external aspects of organisations.

Acceleration of product life cycles
The acceleration of product life cycles is one of the critical trends and nowhere is it more evident than in consumer electronics. Consider the audio segment of the market where tapes replaced records and, in turn, were superseded by compact discs, which in the future may be supplanted by digital audio tapes. Companies with high visibility and strong reputations, such as Sony and JVC, have competitive advantage in such fluid markets because their respected names add value to their products by reducing uncertainty in the minds of their customers, retailers and distributors.

Deregulation
The deregulation movement is a second factor affecting corporate identity. As a case in point, deregulation in the financial services industry has allowed firms to compete in new areas but this has left their public images blurred. For instance, in the USA, Glendale Federal Savings Bank and Loan expanded into retail banking and became Glendale Federal Bank. Similarly, in the UK, many building societies such as Abbey National and Alliance and Leicester have become banks. Their principal challenge now is to modify their public persona accurately. The airline industry in both the USA and the UK has, as a result of deregulation, undergone profound change. In the USA this has resulted in the emergence of cut-price airlines such as Southwest Airlines and Alaska Airlines, while within the UK low-cost airlines such as Debonair, Easy-Jet, Go and Ryanair have also emerged.

Privatisation programmes
Privatisation programmes have also left firms vulnerable to identity crises. This has been a particularly salient issue in the UK and continental Europe, especially the former Eastern Bloc nations. Some 90 medium and large companies were privatised in Poland in 1996. The UK has witnessed extensive privatisation in public utilities – gas, electricity, water, telecommunications and rail – giving rise to a plethora of new firms in need of lucid corporate images to differentiate themselves from their competitors as well as from their former nationalised positions. Perhaps the greatest privatisation success story is British Airways, which has effectively repositioned itself as a profitable, consumer-friendly, global airline.

Increased competition in the public and non-profit sectors
Heightened competition has touched almost every organisation in the public sector. In the UK, universities are a case in point. The past decade has witnessed the rapid expansion of “new” universities. Although this trend has allowed a greater number of students to read for degrees, it has also resulted in greater competition among universities. Since the principal way universities compete is through their images and reputations, identity management is of great strategic importance. In US universities, identity is also a prominent concern, but for somewhat different reasons. The number of students of college age has declined and consequently many schools which were expanded during the 1970s and 1980s are faced with declining enrolments. Similar problems have also arisen among US hospitals. The social/political movement to reduce medical costs has led to a sharp decline in the demand for hospital beds and consequently an intensified level of competition which, in turn, has sparked interest in developing positive corporate identities. In the UK a number of charities have undergone various re-positioning exercises in an attempt to achieve differentiation from other charities. A well-known example of this was the identity change of the UK children’s charity, Dr Barnardo’s.

Increased competition in the service sector
In similar fashion, service industries where competition has clearly intensified in recent years are coming to understand the strategic significance of corporate image and reputation. An example is Hong Kong-based Cathay Pacific which recently repositioned itself as an Asian rather than a UK airline. This identity strategy was not simply a reaction to the ending of British Colonial rule in the Crown Colony but, more importantly, a response to increased airline competition and the desire to cater to its customer base, which is primarily Asian.
Globalisation and the establishment of free trade areas
A pervasive image and favourable reputation can be a powerful competitive weapon for a firm expanding internationally. Coca-Cola, McDonald’s, and Baskin-Robbins are salient examples of companies that have been able to expand throughout the world more easily than lesser-known firms because of their high-profile, positive identities. On a more limited scale, the advent of a single European Market has provided the potential for companies to grow and gain market share by positioning themselves as European throughout the trade zone. The Dutch banking group ING and the Belgian bank Fortis are examples of this trend. The mooted merger between the UK and German aircraft manufacturers, British Aerospace and Dasa, is an attempt by these institutions to operate on a global scale. Taking advantage of the above opportunities does, however, require a significant investment in developing and communicating a new regional and/or global identity.

Mergers, acquisitions and divestitures
Still another trend is the continuing high level of mergers, acquisitions and divestitures which has radically altered the business profile of many companies. A recent example in the oil industry is the creation of a behemoth with the merger of BP and Amoco. Commonly, a significant outcome of these moves is a deleterious gap between a company's public image and its true identity. Such incongruence can confound financial markets as well as customers, resulting in diminished support for the company from one or both sources. A classic example is US Steel Corporation which, in the mid-1980s, was deriving about two-thirds of its revenue from oil and gas sales but continued to be evaluated by financial analysts as a member of the depressed American steel industry. Only after the company changed its name to USX did its status within the financial community change. Another example is the divestiture of the quality car marque of Rolls-Royce and Bentley by Vickers and the resultant Byzantine agreement whereby Volkswagen will own the Rolls-Royce and Bentley marques for several years and will finally surrender the use of the Rolls-Royce marque to BMW. Both BMW and VW will need to devote a good deal of effort in establishing identities for their respective companies.

Shortage of high calibre personnel
For today’s knowledge organisations, the key to staying competitive is the ability to attract and retain skilled and motivated employees. A favourable reputation can play a major role in achieving this, because the organisation’s reputation provides a certain psychological income to the individual. To a large extent, this explains why highly-reputed organisations such as the BBC, Merck, McKinsey and Company and Harvard University have little trouble attracting and retaining top notch employees. Furthermore, high calibre personnel can play a prominent role both formally and informally in communicating the firm’s identity to the outside world.

Public expectations for corporate social responsiveness
Another trend is society’s growing demand for high levels of corporate social responsiveness. There is clear evidence that an increasing number of consumers are concerned about the social performance of business firms. Surveys in both North America and Western Europe indicate that many consumers not only are concerned about the impact that commercial producers have on the environment, but also are willing to pay extra for environmentally benign products. Entrepreneurs have been quick to respond to this trend. Consider such well-known adolescent companies as Ben and Jerry’s, Patagonia, the Body Shop, and Tom’s of Maine. Each has built its core strategy around projecting a socially and environmentally responsible image. Moreover, many older and larger firms, such as the UK’s Co-operative Bank, awakening to public expectations, are zealously trying to protect socially responsible identities through programmes ranging from ethical investment policies, and using environmentally benign packaging, to providing inner city schools with computers, and creating and maintaining bird sanctuaries.

Blurring of boundaries between organizations and between stakeholders
Finally, the once rigid demarcation between internal and external aspects of organizations is beginning to crumble. Many organizations view relationships with suppliers, consultants, and franchise partners as well as joint-venture partners as important...
dimensions of their raison d’être. The creation of alliances in the airline industry such as, “Star Alliance” and “The One World Alliance” is indicative of this. It is, quite clearly, a two-way process since such an alliance itself may be seen as a new form of identity vis-à-vis its competition. Another case is the common rebranding and corporate communications exercise for Hilton, where two independent companies use a common corporate brand name, the Hilton brand being owned by Hilton Hotels in the USA and by Ladbrokes Ltd in the UK and the rest of the world.

Discussion

What is implicit in the above trends is that senior executives are being compelled to think strategically about their company’s identity and how it is being communicated to key stakeholders. The ten forces outlined above have modified and blurred the image of many companies throughout the world. They obviously represent a threat to the strategic position of the company. But in another sense they present an opportunity for companies to present a clear image that reflects a positive identity, one that leads to an enviable reputation. We argue that corporate communication plays a vital role in bringing the above to fruition, but for this to be achieved corporate communications needs to be radically re-appraised. Drucker (in Crainer, 1997) remarked, “The most important thing in communications is to hear what is not being said.” We also postulate that it should be viewed not so much as a functional aspect of management but one that is inherently strategic. Consequently, a much expanded view of corporate communications is advocated by the authors who categorise corporate communications as a three-part focus – primary, secondary, and tertiary. The authors’ broader framework builds on the approaches advocated by Schultz et al. (1994) which focuses on integrated marketing communication (IMC) – the integration of management, organizational and marketing communications as “corporate communications”, advocated by Van Riel (1995) and Aberg’s (1990) emphasis on “Total communications” as well as Balmer’s (1995, 1998) “Total corporate communications” approach, whereby everything an organization says, makes and does is seen to communicate. Recently, Scholes and Clutterbuck (1998) have emphasised the strategic importance of stakeholder communications and present a cogent argument for the adoption of a holistic view of corporate communications by an organisation’s senior management.

Figure 1 is a new model which articulates the corporate identity and corporate communications process. It marshals the authors’ understanding of the communications process(es) in a conceptual, operational model. It is pragmatic in nature and not only has the aim of showing the inseparability of corporate identity, corporate communication, corporate image and reputation in securing a corporate advantage, but also depicts the pivotal role of the three components of the corporate communications system. It will be seen that corporate communications forms a tripartite bridge between an organisation’s identity and the resultant image and reputation. Figure 1 also provides brief descriptions of each component of the model.

Conclusion

The corporate identity/corporate communication paradigm represents a relatively new but crucially powerful lens through which management scholars, practitioners and advisers can regard and respond to important strategic concerns encountered by organisations of every hue. This article has detailed the ten forces which have highlighted the need for senior managers to manage effectively their organisation’s corporate identity and corporate communications. In addition, the authors have postulated that corporate communications is of particular import in that it does, de facto, form the nexus between an organisation’s corporate identity and the coveted strategic objective of acquiring a favourable corporate reputation. However, just as there has, in recent years, been a growing consensus gentium among management scholars that corporate identity has been narrowly conceived with undue emphasis being accorded to graphic design, the authors conclude that some of the same traits may be seen in the related nascent paradigm of corporate communications. Thus, the authors posit that a much broadened view should
be adopted vis-à-vis corporate communications with the paradigm being categorised as encompassing a trio of elements which the authors describe as primary, secondary and tertiary forms of corporate communications. It is concluded that the marriage of corporate identity and the broadened view of corporate communications advocated here should be reviewed as strategic fields. As such, the authors conclude that in today’s volatile business environment corporate identity and corporate communications, when viewed and managed from a strategic perspective, can imbue many organisations with a distinct competitive advantage.

References


Appendix. The international corporate identity group’s (ICIG) statement on corporate identity

“The Strathclyde statement”
Every organisation has an identity. It articulates the corporate ethos, aims and values and presents a sense of individuality that can help to differentiate the organisation within its competitive environment.

When well managed, corporate identity can be a powerful means of integrating the many disciplines and activities essential to an organisation’s success. It can also provide the visual cohesion necessary to ensure that all corporate communications are coherent with one another and result in an image consistent with the organisation’s defining ethos and character.

By effectively managing its corporate identity an organisation can build understanding and commitment among its diverse stakeholders. This can be manifested in an ability to attract and retain customers and employees, achieve strategic alliances, gain the support of financial markets and generate a sense of direction and purpose. Corporate identity is a strategic issue.

Corporate identity differs from traditional brand marketing since it is concerned with all an organisation’s stakeholders and the multi-faceted way in which an organisation communicates.

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