

# Corporate Identity and Corporate Performance: Conceptual Issues and an Empirical Illustration (summary poster)

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## Introduction

Identity is a pressing issue for many companies since the question of identity, or of what the company stands for, cuts across and unifies many different company goals and concerns. A growing interest in identity issues among business managers and academics is probably due to their implicit assumptions about relationships across corporate identity, corporate reputations, and corporate performance. That is, a major goal for corporate identity management is to acquire a favourable corporate reputation, which, in turn, can provide strategic benefits for a firm (for example, increased competitiveness, enhanced financial value, and support in times of controversy) (Greyser 1998). Past research inquiry suggests an indirect impact of corporate identity on performance: it emphasizes the connection and consonance between corporate identity and corporate reputation; it also assumes that a positive reputation aligned with corporate identity will enhance corporate performance (Alvesson, Ashcraft & Thomas 2008).

The current study is an attempt to investigate the influence of corporate identity on corporate performance. We propose that corporate identity not only will influence performance indirectly through the mediation of reputation, but also internal agreement on corporate identity will lead to better performance.

## The setting

An in-depth case study was found to be suitable for the current study. For the actual study a recognized offshore company located in southwestern Norway was chosen. A Norwegian company was chosen for a variety of reasons. Almost no research on the relationships between identity, reputation and performance has been done before in this country. The Norwegian offshore industry has a long tradition and a strong position in the Norwegian economy. With an industrial structure previously dominated by family-owned firms, corporate identity was previously heavily influenced by the values of founders and their connection to local community. However, due to the rapid growth from local family-owned firms to more international corporations, and a wealth of new job opportunities, it is a growing challenge to maintain a qualified labour force. It is an urgent task for these offshore companies to understand the impact of identity on their survival and performance.

The company was founded in the mid-1960s by two persons who were originally established in the fishing industry. One of the co-founders, in particular, has played a major role in building and developing the company. In the late 1970s, the company expanded into the offshore oil and gas industry, operating a fleet of supply vessels serving offshore oil platforms. The company has experienced both ups and downs, but has been able to perform well through the years. Today the company operates a modern fleet of highly specialized supply vessels serving markets worldwide.

Our aim was to interview managers in charge of different managerial functions and at differing levels in order to obtain a wide range of internal views on issues related to corporate identity and performance. We included external stakeholders in order to get varied opinions from outsiders on issues related to reputation and performance. Seven informants were interviewed in total. Three interviews were conducted with three managers from the company. Four interviews were conducted with representatives of four external stakeholders, representing a supplier, a customer, a bank, and a risk management consultant.

## Results

The major findings are reported below: the results on corporate identity are based on interviews with three managers in the case company; findings on reputation are based on interviews with representatives of four different external stakeholders; and the results on organizational performance are based on internal reports, annual reports, and interviews with internal managers and external stakeholders.

### **Indirect impact of corporate identity on performance through reputation**

A clear consistency between internal perceptions (identity) and external perceptions (reputation) of the case company was found. For instance, we found striking similarity on both the corporate ability dimension (i.e., innovation and focus on high quality) and the corporate social responsibility (CSR) dimension (i.e., environmental engagement and focus on building the local community). There is also a strong agreement between managers and external stakeholders on the significant impact of the founder on shaping the company's identity and reputation.

From the interviews with external stakeholders, we found several possible ways in which a good reputation contributes better performance of the case company. First, a good reputation may differentiate the focal company from its competitors. For instance, the case company has a unique reputation for engaging in local community development and focusing on environment-friendly technology development. Such a reputation counts when customers make evaluations and select products and services from the company. Second, a good reputation signals the competence of a firm and the quality of its products and services. Such signals will make the focal firm attractive to important external stakeholders, such as customers and suppliers. For example, the customer chose to work with the case company because their high competence in developing environment-friendly technology makes it exciting to cooperate with them; the supplier also considers the case company as an attractive partner because of its high competence. Third, firms having good reputation are more likely to be trusted (Williamson 1996). For instance, the bank representative made an explicit statement of the mutual trust between the case company and the bank. Also for the customer, firms with good reputations are preferred for long-term contracts because they are more trustful and there are fewer risks involved in cooperating with them.

### **Direct impact of corporate identity on performance**

Our finding is consistent with previous findings that agreement on corporate identity among top managers will enhance performance (Voss et al. 2006). We found high agreement on corporate identity among top managers in the case company. Such a consistent identity leads to a high degree of employee identification and further fosters commitment and desired organizational citizen behaviour, which in turn leads to better performance.

## **Conclusion**

To sum up, our study showed a high consistency between corporate identity perceived by the case company's managers and reputation perceived by its external constituencies (i.e. customers, providers like financial institutions, etc.). Further, we found that such a strong, positive reputation enhances performance by differentiating the case company from its competitors and by signalling its competence, thus making it more attractive and trustworthy in business relationships. Therefore, a good reputation aligned with corporate identity enhanced performance of the case company. Moreover, we found evidence of a direct impact of corporate identity on performance. There was strong agreement on corporate identity among top managers. This has a positive impact on employees' identification with and commitment to the case company, thus enhancing performance.

Our study has important managerial implications. The findings show that a positive reputation that is aligned with corporate identity can enhance performance. Therefore, it is important for managers to understand that in order to build a strong reputation, the intended image projected by the company, needs to be consistent with the actual identity perceived inside the company.

Moreover, top managers need to be aware of their important role in creating and maintaining employee identification with the company. Their agreement in the understanding of "what the company is" will make it easier for employees to identify with the company and lead to desirable attitudes and behaviours toward the company, thus enhancing performance.

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