



Specialities of Corporate Identity at SMEs

Anikó Almási

University of Szeged

aniko.almasi@addrax.hu

Abstract: Corporate identity (CI) is getting an increasingly important factor in business success because the synergic CI can mean higher profit or price and the engagement of customers or employees. Identification helps to build loyalty and competitive edge, and nowadays the trust and reputation often determine the profit as well (Edelman). The company's output and the whole company (its reputation, personality, reliability, communication and behaviour with business partners, employees and the environment) have become more important factors. A survey measured the synergistic CI at small and medium sized companies and interviews were made with CEOs and employees to understand the CI at SMEs.

Keywords: corporate culture, corporate identity, SME, family business

1 Theoretical background

1.1 The most important corporate identity models

„Part of the power of the constructs comes from the need for a situated sense of an entity. Whether an organization, group, or person, each entity needs at least a preliminary answer to the question "Who are we?" or "Who am I?" in order to interact effectively with other entities over the long run. Similarly, other entities need at least a preliminary answer to the question "Who are they?" for effective interaction. Identities situate the organization, group, and person.” (Albert, Ashfort, Dutton, 2000, 13. p.)

Several corporate identity models are known and these models give well defined methods to companies to answer these questions above. But on closer examination, the case-studies of articles we primarily can meet are samples from the world of multinational (or at least big) companies. The small and medium-sized companies have their special situation and challenge to develop themselves without learning contemporary economic models.

The corporate identity case-studies (Balmer, Lerpold, Ravasi, van Rekom, Soenen, etc) are made at international large enterprises (e.g. British Airways, Air France, AT&T, Bang & Olufsen, Starbucks, Alfa Romeo, Swedish Industrial Development Fund, etc) and the results are valid for MNCs especially. There are not corporate identity researches in Eastern Europe and Hungary and the SMEs' or family businesses' data are mostly unavailable.

The source of Corporate identity models are the different fields of business science. There are communication and reputation, design and brand or company message and philosophy based theories. The organisational identity focuses on the inside source, especially the human factors and the corporate culture. According to Kiriakidou and Millward „the organisational identity is in the centre of corporate identity”, and the corporate identity is the concrete visualization of organisational identity (in Csordás, 2008, 29.p.). In Péter Szeles' opinion the corporate identity is a firm's inside and outside behaviour and self-design, which is planned and consciously, continually used: the momentous combination of corporate communication, behaviour and design which is based on the corporate personality and self-image (Szeles, 2001).

Olins (Olins, 1995) emphasizes the core values of the firm: this is the basis of the corporate communication, behaviour and the relationship with the environment, but it has serious effects on the corporate output as well. The synergic corporate identity can mean more innovative products or service development and more efficient decision making process.

Birkigt, Stadler and Funck (Figure 1) summarize the most important factors of the relevant CI theories, but it does not contain the connections among the factors, and the sequence of making corporate identity. Therefore this model is suitable to be adapted to SMEs, and this model was used for adaption of the survey to SMEs and family businesses.

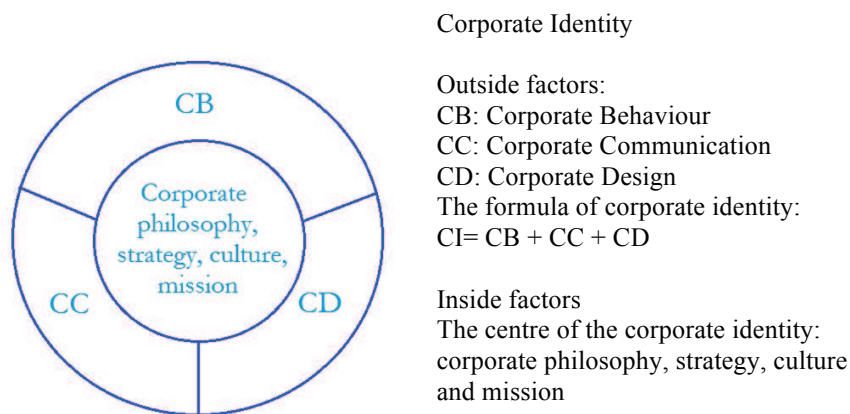


Figure 1

The Corporate Identity model of Birkigt, Stadler and Funck (in Szeles, 2001., 141.p)

1.2 The environment of Hungarian SMEs

Hungary – like the most of the ex-socialist countries of Europe – has a special heritage of the former governmental system: the lack of entrepreneurial culture (Hámori et al. 2007, 580. o.). In Hungary more generations grew up without direct experience in capitalism, the knowledge of market rules, pricing, customer's demand or management knowledge. The ruling class destroyed the essential network and structure of the Hungarian society after 1948, and there was not other alternative in the other countries of Eastern Europe either but the resignation from free and independent development (Hankiss, 1989). After the Democratic Transformation of 1989 numerous firms were established but the motivation was special. There were recently unemployed people who set up small family businesses because of the necessity but without any market experience.

SMEs and MNCs both had a typical disadvantage: the lack of business studies and their own market experience. Most of the leaders of these companies usually never learnt economy, they often had 'only' professional knowledge: whose profession was bookkeeping at a large state-owned company earlier established an accountancy firm, who was originally a typographer, tried to set up a small press studio.

In the socialism „the market worked as the sellers' market even for the „socialist entrepreneurs”, therefore real competitiveness and co-operation skills could not be developed, the necessary behavioural models and skills in a real market economy where the entrepreneurs have to fight against their rivals could not be evolved... It is the same as putting out the lion from the zoo into the jungle.” (Hámori et al, 2007, 580. p). The rootless entrepreneurial culture is one of the reasons of the lack of operational skills, or the problem of envy (Tóth, 2009).

There is another special factor which has an effect on Hungarian leaders of SMEs: the ambivalent judgement of entrepreneurs. The society often think that the successful entrepreneurs just maneuvered themselves into a good position and applied illegal practices to achieve their profit (Szerb, Kocsis-Kisantal, 2008). The GLOBE project (Szerb, 2010) tried to identify the most important factors and effects of Hungarian economy, like political-economic factors, sector structure, social-cultural factors, etc. The result is the next statement: „based on the systematically collected statistical data we cannot identify the important factors of development which are able to explain why several companies are successful and others why not” (Szerb, 2008, 3.p.). Other researches focus on the innovative skills of SMEs, as the key of growth and competitiveness (Hámori, Szabó, 2012), or the structure of the organization, especially in the case of family business category (Málovics, Vajda, 2012, Marosi, 2013).

The organization diagnostic method (based on several surveys, developed by the author) is able to measure the success factors of SMEs in Hungary, with special focus on the corporate identity and the role of the leader.

2 Field research at SMEs

2.1 The sample and the method

The sample includes small and medium sized companies in Hungary, where the leader is the owner. The sector or the type of the industry is not a filter requirement because the size of the sample and the focus of the research do not contain this factor. The earlier research (Almási, 2010) focused on the sector-based effects on the corporate identity, and the industrial influence was demonstrable. This research period wants to make a multiple organization analysis, which helps to reveal important factors of the corporate identity model, the life cycle of the corporate identity management, the differences between the simple SMEs and the family businesses, and the employer's viewpoint. 13 companies took part in the survey, 15 interviews were made with leaders and 35 interviews were made with employees. At 2 firms I could make interviews only with the leaders. At the first firm the reason was that the family (3 persons) are the key persons at the company, they develop the products (they are pharmacists and create medicinal lotions for special target groups, where the firm is a market leader in Hungary) and the 4-7 employees (the number can change based on the seasonality) help only with the administration or the logistics. Certainly this attitude of the employers is remarkable. The other firm acts in the food-industry and creates a niche-market with high quality jams and sauces. At this firm there are only subcontractors, the bookkeeper, the graphic designer are not employees, and the leader is the owner of the brand and the recipes, but he outsourced the manufacturing and the logistics as well. The other 10 companies act in several sectors: beauty sector, consultancy, press company, biscuit factory, IT development company, horticulture firm and so on.

With a view to the holistic approach, the interviews and questionnaires were made with the leader(s) and a few key-persons at the firm. The double-side measurement enables to evaluate the gap between the leaders' and the employees' viewpoint, which is especially important in the organizational culture. Every interview was unavailable for the other interviewees at the company, including the leaders as well. This method can ensure the honest answers and the realistic results about the analysed companies.

The Alexander Corporate culture questionnaire¹ was used to measure the organizational culture because it is independent from the size of the company and the number of the employees (it is important at small sized companies). This survey shows the important factors of the organizational culture, as communication/teamwork, relationships within the organization, straightness and sincerity, role of the customers or the leaders, performance and so on.

The organization diagnostic survey was own-designed, based on the CoVa survey² and several corporate identity questionnaires and case-studies.

¹ In Hunyady-Székely ed. (2003): *Gazdaságpszichológia*, 538. pp.

² CoVa Szervezetdiagnosztika: <http://szervezetdiagnosztika.net/>

2.2 Hypotheses

The main research questions were:

1. Role of the leaders in the synergy of corporate identity:
Is there a correlation between the leader/owner's motivation and the synergy of corporate identity?
Is there a correlation between the leader/owner's motivation and the elaboration of the soft factors of the company?
2. Synergy of corporate identity and its inside factors:
In what extent are the factors of CI (corporate culture, philosophy, mission and strategy) necessary for the synergy of CI?
What type of correlation is there between the synergy of CI and corporate culture?
3. Process of corporate identity creation:
Can typical milestones of the CI process be found, is there a typical life cycle at SME's?
Can typical sequence be shown in the CI process?
Is the frame of CI different from the theory of CI at SMEs and family businesses?
4. Success and corporate identity synergy:
Is there a correlation between the synergy of corporate identity and the success of the company?

The main hypotheses were:

1. There are two main types of the motivation of establishment. One group of corporate owners established their firm only for the profit, the second type of the owners established their firm on purpose to create a corporation, something for the future, or they use their own norms for the basis of corporate culture, philosophy. There is more synergic corporate identity at firms of the second type of leaders/owners. The second type of leader/owner's motivation means more complex soft factors, they focus on these things from the first day of the corporate establishment.
2. The elaboration of the whole inside factors is not necessary for the synergy of CI. The corporate culture has a special role in the synergy of CI, the organisation with strong corporate culture has more synergic CI.
3. There is a typical life cycle and CI process with typical milestones. There is connection with the leader/owner's motivation of establishment. The first session of CI process is the outside factors (design, communication and corporate behaviour), the second step (after typical milestones) is the inside factors (Corporate philosophy, culture, mission).
There is a special way of CI development at SMEs and family businesses, both of the process and the result. Usually a typical SME or family business owner

does not have special economic knowledge (especially about CI management), so they have an instinctive, experience based way, and it has an effect on the process and the result. For the synergy of the CI the special theoretical CI management knowledge is not basic or necessary information, the owner's motivation is more important to achieve the synergic CI.

4. The synergic CI means a more successful company. Success does not mean (only) profit. The important factors of company success are soft factors: the efficient processes (for ex. reaction to inside or outside changes, challenges), balanced and quality level of relationship with employees, customers or subcontractors, etc.

2.3 Periodic results

The evaluation is in progress and will continue until the end of November (2014). I would like to ask more companies to take part in the research. 5-8 new company analyses are planned for the next two months. I offered every participant a complex evaluation and a few companies took the advantage of this consultancy. This part of the paper summarizes these results, which are not representative of course.

The target of organizational analysis was to reveal the most important aspects and factors of corporate identity at SMEs and family businesses. Of course the low level of interviews is not enough to prove the revealed specialities, but these analyses help to identify the background reasons, the leader's motivation and the life cycles of corporate identity process.

The most of SME leaders have problems with strategy: they focus on the operative tasks and usually do not plan their marketing communication or product/service development activity for years. They do not look forward far enough, but the reason is often the lack of planning knowledge or lots of unexpected events. It does not mean negative consequences: they always submit new and new applications, and the changes in the company life are based on the successful tenders.

Changes are important factors in corporate identity (and successful businesses): there are not good samples and experiences for SMEs and they use their own ideas about change management. The role of the leader is important in the operation of new ways of the firm and organizational culture (and identity). The "charisma" is an often mentioned attribution of leaders, and its influence means trust. The success usually is based on this organization trust, because the information flow is not perfect at SMEs. But trust is important for leaders as well: they are inclined to employ relatives, and the selection is often not based on professional knowledge. A family business has specialities: the role problems (role incompatibility, ambiguity, conflict, etc.) and the precedent decision-making process can cause special problems. But the family business can mean advantages as well: „the family businesses are able to make capital of their common identity, language, history and engagement to both the family and the business, the intimacy of operation can go at the expense of professionalism” (Málovics, Vajda, 2012,

378. p.). The connections with organization members and groups, the number of interactions have an influence on norms and values, work engagement and efficiency, and they “deal ’ad hoc’ with operations which should be systematized, programmed or made a routine, and its reason is that the leaders and owners of the firm prefer their own corporate culture” (Handy, 1986, 86. p.).

The life cycle of the corporate identity was typical at the analysed firms (in earlier researches as well): the design is overrated, usually the logo, business card, business papers, catalogues, website and company board, car or office design, packaging are ordered first. When leaders intend to increase their communication, they purpose to create it in more synergic style, because „a small company can seem to be bigger with serious marketing”. Based on earlier research results as well, the communication and the company’s behaviour are the typical next parts of CI creation process.

The inside factors of corporate identity (strategy, philosophy, culture) are usually the first or the last period of corporate identity process. The reason correlates with the leader’s motivation: one group of leaders established the company only for profit, and in this case the central idea of corporate identity was one of the last created unit. The other group the leaders established their firm with a strong and obvious vision and this attitude results synergic corporate identity from the first day of the company life. It helped to create the company culture, because they had an own philosophy, and this were made insider value of the firm too. This method are more oftener at family businesses, where most members of the family work at the firm. This “team spirit”, essential philosophy often was the base of the corporate philosophy and culture. This method has an other side: the employees often feel that they are not able to have effect on the leadership style or the company visions. If this style meets their own expectations and style, the result can be a strong stability in corporate culture and work engagement.

The milestones in the management of corporate identity are demonstrable and similar: the changes can attract attention to corporate identity and the SMEs usually step to the next level of CI life cycle. The typical revealed milestones are: new or modified company name, new customer group or service and product, moving or building a new office, new technical environment and conditions, new business relationships and communication channels. Sometimes new documents, as quality policies or environmental reports result in the higher level of corporate identity, because these documents mean a good possibility to think over the values of the firm. Usually the change goes hand in hand with the demand to think of the central values of the company, and mostly this process does not stop at the design – and the leaders start to pay attention to the other factors of the corporate identity model (Ravasi, Schultz, 2006, Corley, Gioia, 2004). Sometimes the change means the achievement of targets, for example the necessary level of incomings, when the leader has enough time and energy to define the values of the firm.

The success of an SME or family business does not mean only the profit. „According to several analyses, small companies and family businesses target not only the profit and expansion but other subjective, hardly operational aims as well, as the sustainable

existence of the company, self-supporting, the „enjoyment” of operation at the firm or the independent lifestyle... Based on the systematically collected statistical data we cannot identify the important factors of department which are able to explain why several companies are successful and others why not” (Szerb, 2008. 3.p.). Success can be the alignment between the leader’s own targets and the company philosophy:

„I like learning, always developing and I would like to find the inspiration in order to self-evolution. It works in the opposite direction as well: people hear me, and this reciprocal respect and knowledge transport, development and innovation vitalize my work. This aspect can be compatible with profit.” (citation from an interview, opinion of a company’s leader).

The successful companies mostly have synergic corporate identity and culture, and these factors correlate strongly.

3 Conclusions

The research has its own limits, especially the non-representative SME sample, and the number of the participants. In the focus there was the process of making more and more synergic corporate identity, and the leader’s influence on it.

The results were consistent and unambiguous, but the sample was too small for generalization. This period of the evaluation gives restricted results which are not suitable for generalisation. The partial results confirm the earlier research and results, but they are not able to validate the new hypotheses in this period of the evaluation. The hypotheses were mostly verified by the particularly analysed four companies (the sector’s effect was not certifiable), and the evaluation of the whole sample is going to be published later. The success of the organization diagnostic method is that the revealed results correlate with the real company data and processes, and the evaluation shows that this method is able to give realistic and punctual report on the companies.

Acknowledgement

I would like to thank Dr. Erzsébet Hetesi (supervisor) for the methodology suggestions, Prof. Balázs Hámori, Dr. Zoltán Baracska, Prof. Davide Ravasi.

References

- [1] Albert, S. – Ashforth, B.E. – Dutton, I. (2000): Organizational identity and identification: charting new waters and building new bridges. *Academy of Management view*, 1, 13-17.
- [2] Almási Anikó (2010): A Corporate Identity elemzése a magyarországi kis- és közepes vállalatoknál. Diplomamunka, SZTE GTK

- [3] Almási Anikó (2012): A vállalati identitás vizsgálata a humán tényezők oldaláról In *Nemzedékek együttműködése a tudományban* (Gazdaságtudományok fejezet) (szerk.): Dr. Koncz István – Nagy Edit, (ISBN 978-963-88433-7-1) PEME, Budapest, 66-76.pp.
- [4] Balmer, J. M. T. (2001): Corporate Identity, Corporate Branding and Corporate Marketing: Seeing Through the Fog, *European Journal of Marketing*, Vol. 35, No. 3/4, pp. 248-291.
- [5] Balmer, J.M.T. and Soenen, G.B. (1999): The acid test of corporate identity management, *Journal of Marketing Management*, Vol. 15 Nos 1-3, pp. 69-92.
- [6] Csordás, Tamás (2008): *Corporate Identity with special regards to the human factor*. PhD dissertation. University of Miskolc, Department of Human Resources
- [7] Edelman, 2009. *Edelman trust barometer*.
- [8] Handy, C. (1986): *Szervezetek irányítása a változó világban*. Mezőgazdasági Könyvkiadó vállalat, Budapest
- [9] Hámori Balázs – Szabó Katalin – Derecskei Anita – Hurta Hilda – Tóth László (2007): Versengő és kooperatív magatartás az átalakuló gazdaságban. *Közgazdasági Szemle*, LIV. évf., 579–601. o.
- [10] Hámori, Balázs, Szabó, Katalin, 2012. *Innovációs verseny. Esélyek és korlátok*. Budapest, Aula Kiadó
- [11] Málóvics Éva, Vajda Beáta (2012): A családi vállalkozások főbb problémái. In Bajmócy Zoltán – Lengyel Imre – Málóvics György (ed.): *Regionális innovációs képesség, versenyképesség és fenntarthatóság*. JATEPress, Szeged, 378-393. pp.
- [12] Marosi, Ildikó (2013): Innovation Goals and Practices among Hungarian Small and Medium Enterprises. FIKUSZ '13 Symposium, 2013. Budapest, Obuda University Keleti Faculty of Business and Management, 7-18 pp.
- [13] Olins, Wolf (1995): *The new guide to identity*. Gower
- [14] Ravasi, D. – van Rekom, J. (2003): Academic research key issues in organizational identity and identification theory. *Corporate Reputation Review*, 2, 118–132.
- [15] Ravasi, D. – Schultz, M. (2006): Responding to organizational identity threats: exploring the role of organizational culture. *Academy of Management Journal*, 3, 433–458.
- [16] Szeles Péter (2001): *Arculatelmélet – A hírnév ereje*. Alapítvány a public relations fejlesztéséért, Budapest
- [17] Szerb L. – Kocsis-Kisantal O. (2008): Vállalkozói kultúra Magyarországon két napilap tükrében. *Közgazdasági Szemle*. LV. évf., 243–261. o.

- [18] Szerb László (2008): A hazai kis- és középvállalkozások fejlődését és növekedését befolyásoló tényezők a 2000-es évek közepén. *Vállalkozás & Innováció* 2. évfolyam, 2. szám 1-35.
- [19] Szerb László (2010): *Vállalkozások, vállalkezési elméletek, vállalkozások mérése és a GLOBE*. Akadémiai doktori értekezés. Pécs
- [20] Tóth, László (2009): *Az irigység gazdaságpszichológiai elemzése. Irigység a posztoszocialista társadalomban*. Doktori értekezés. SZTE GTK DI, Szeged