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The Mechanism of Market Driving with a Corporate Brand

The Case of a Global Retailer

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*To my dear mother with all
my love and admiration*

*Моей дорогой маме с
любовью*

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This study has taken almost five years to finish. I started it with many illusions of what research is about, with a teenage daughter fighting for her TV rights and a middle-aged cat at home purring on my desk. Five years on, I have very few illusions left, my daughter is in the middle of her law school, and the cat has become too old to take a chance to “mark” my papers with its white hair. Standing at the end of my dissertation path, I must confess that besides becoming five years older, I have become a bit wiser, especially when it comes to the ability to see my own limitations. The way to obtain these new insights was exciting but rather lonely, and I was able to keep faith in both the study and myself very much due to the people whom I met on my way. Among those most involved have been my main supervisor Ulf Elg to whom I’m greatly indebted both personally and professionally, and my second supervisor Steve Burt, to whom I’m also deeply grateful. The next circle of people consists of my advisor Pervez Ghauri and my colleague Anna Jonsson who have contributed with their optimism and energy to the project. I would also like to thank Frans Melin, Ulf Johansson and Ron Sanchez for their invaluable comments at the research seminars, Rikard Larsson for his support in the early phase of the dissertation, Ingmar Tuvfesson for his great help with completing the manuscript, and Kristina Eneroth for her continuous moral support. I would also like to send my thanks to my colleague and friend Ying Bin who kindly read and commented the Chinese part of the study. The project would have been impossible without the generous financial support of Handelsbanken’s Research Foundation and The Swedish Council for Research in Humanities and Social Sciences.

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Lund, July 2007

Veronika Tarnovskaya

Table of contents

Chapter 1	1
Problem formulation	1
1.1 A global market driving company as an object of study	1
1.2 Market driving from a theoretical perspective.....	3
1.3 Major gaps in understanding the market driving phenomenon.....	5
1.4 Taking a corporate branding perspective of market driving	8
1.5 Purpose of the study.....	12
1.6 The outline of thesis.....	14
Chapter 2.....	15
Methodological considerations	15
2.1 Introduction.....	15
2.2 Research design and method	16
2.3 Choice of the case company	18
2.4 Choice of markets	20
2.5 The sources of evidence.....	22
2.5.1 Interviews.....	22
2.5.2 Secondary sources.....	29
2.5.3 Observations.....	30
2.6 Choice and usage of theory	30
2.6.1 Choice of relevant theories.....	30
2.6.2 The systematic combining of theory and empirical case	35
2.7 Data analysis	36
2.8 The quality issues of the study.....	41
Chapter 3.....	47
Literature review	47
3.1 Theories of market orientation and market driving	47
3.1.1 Major perspectives of market orientation research.....	47
3.1.2 Market driving as a new strategic approach to market orientation.....	53
3.1.3 Internal and external perspectives of market driving.....	55
3.1.4 Bridging the two perspectives	57
3.1.5 Critique of market driving research.....	59
3.1.6 Broadening the theoretical perspective	64
3.2 Theories of corporate branding	65
3.2.1 Key concepts and perspectives	65
3.2.2 Corporate brands as strategic resources	69
3.2.3 Brand identity and brand image	70
3.2.4 The identity-image alignment issues	74
3.2.5 Common starting points for alignment and value creation.....	78
3.2.6 Stakeholder theory and corporate branding.....	81
3.2.7 The role of employees in corporate branding.....	85
3.2.8 The international aspects of corporate branding.....	90
3.2.9 The integrated approach to corporate branding	92
3.3 Summary of insights from theories	94
Chapter 4.....	97
Conceptual framework.....	97

4.1 The integrated approach to corporate branding in a broad stakeholder perspective.....	97
4.2 The corporate brand framework for market driving and stakeholder value creation.....	101
Chapter 5	107
Corporate brand under corporate control	107
5.1 A concept level of the corporate brand.....	108
5.1.1 Artefacts of the corporate brand.....	109
5.1.2 Who owns IKEA's brand?.....	110
5.1.3 Vision as a balance of "hard and soft sides"	111
5.1.4 Culture as a "security".....	112
5.1.5 Money as a "life insurance"	115
5.1.6 Ingvar Kamprad – a "super-capitalist and super-humanist"	116
5.1.7 Managers as "security guards" and "coaches".....	117
5.1.8 Range as a basis for value proposition.....	118
5.1.9 IKEA's brand as a basis for expansion	120
5.1.10 The corporate brand's vehicles	122
5.2 A strategic level of the corporate brand	123
5.2.1 Artefacts of the corporate brand.....	124
5.2.2 Global employee-facing brand	125
5.2.3 Global supplier-facing brand.....	136
5.2.4 Global customer-facing brand.....	144
5.2.5 Global society-facing brand.....	152
Chapter 6	157
Corporate brand under local control.....	157
6.1 Background of IKEA's entry into Russia and China	158
6.2 The retail sector in Russia and China.....	159
6.3 Artefacts of local corporate brand	163
6.4 Local employee-facing brand	164
6.4.1 Vision: local staff as a problem or "a key to success"?.....	164
6.4.2 Culture as a different working atmosphere.	166
6.4.3 Values as rules of "how it should be" or "a healthy mix".....	169
6.4.4 "Experts" versus "locals"	173
6.4.5 The "right" people for a growing company or a "right" company for growing people?.....	174
6.4.6 Local employee-facing brand vehicles.....	177
6.5 Local supplier-facing brand.....	186
6.5.1 Vision: markets as "production capacities" or "countries with a future"?	186
6.5.2 Values as personality cues and working principles	188
6.5.3 Different roles of managers and suppliers.....	189
6.5.4 The "responsible relationship" or "the low price creation"?	190
6.5.5 Local supplier-facing brand's vehicles.....	192
6.6 Local customer-facing brand.....	201
6.6.1 Vision as a reason for being in the market	201
6.6.2 "We have one IKEA range, it is supposed to be IKEA-unique"	203
6.6.3 "The main message is the price"	205
6.6.4 "The low price with a meaning"	206
6.6.5 Staff as "experts" and "educators"	207
6.6.6 Culture as an exercise for customers	208
6.6.7 Local customer-facing brand's vehicles	209
6.7 Local society-facing brand	227
6.7.1 Vision: countries as "new challenges" and "dream countries"	228

6.7.2 Values: “respect is number one”	228
6.7.3 A “responsible retailer” and a “different company”	230
6.7.4 Local society-facing brand vehicles.....	230
Chapter 7	235
Local stakeholders’ brand perceptions.....	235
7.1 Employees’ brand perceptions	235
7.1.1 Brand as ”my home”.....	236
7.1.2 Brand as a “constant trial”	244
7.2 Suppliers’ brand perceptions	250
7.2.1 Brand as an “unknown order” (Russia)	250
7.2.2 Brand as a role model (Russia).....	257
7.2.3 Brand as an equal partner (Poland)	262
Chapter 8.....	271
Analysis and discussion.....	271
8.1 Introduction.....	271
8.2 Forms and modes of the corporate brand	272
8.2.1 The conceptualised brand anatomy.....	280
8.2.2 The comprehended brand anatomy	282
8.2.3 The interpreted brand anatomy	285
8.2.4 The brand imprints anatomy	289
8.2.5 Summary of brand anatomy	292
8.3 Role of primary brand dimensions	293
8.4. Role of secondary brand dimensions	295
8.5 Channelling effect of corporate branding	296
8.6 The dynamics of market driving and a moderating effect of market environment	304
8.7 An integrated market driving approach	309
Chapter 9.....	315
Conclusions and contributions.....	315
9.1 Brand identity as a propellant of market driving.....	315
9.2 Dynamics of market driving in a broad stakeholder perspective.....	319
9.2.1 A brand’s alignment of global and local market driving.....	319
9.2.2 Steps of local market driving.....	321
9.2.3 Integrated market driving in a broad stakeholder perspective	323
9.3 Comments on limitations of the study and the validity of findings.....	324
9.4 Summary of theoretical contributions	328
9.5 Practical implications of the study	330
9.6 Suggestions for future research	331
References	333
Appendix 1.....	345
Appendix 2.....	355
Appendix 3.....	368
Appendix 4.....	369

Chapter 1

Problem formulation

1.1 A global market driving company as an object of study

The object of the present study is a global market driving company. There are many examples of such companies, which are described in the literature (e.g. Kumar, 1997, Kumar et al, 2000). Among them are Amazon.com, Benetton, The Body Shop, CNN, Dell, Hennes & Mauritz, IKEA, Starbucks, Swatch, Virgin, Wal-Mart, Seven-Eleven, and Toys'R'Us. Many of these companies represent the service industry while some are manufacturers.

Kumar (1997) emphasised the typical features of such organisations, among which their large size and global scope of operations can be mentioned as contributing to their roles as powerful players, dictating the rules of the game to local market actors. Another common feature is the possession of a unique vision and business idea that allows these companies to lead the customers in their needs and preferences while their competitors mostly cater for the existing requirements of their customers. In many cases, it was the vision of the companies' founders such as Ingvar Kamprad of IKEA and Anita Roddick of The Body Shop who saw the overlooked business opportunities in their respective, rather traditional industries. Thus, IKEA has changed the traditional view of furniture as expensive, high quality and lasting for generations to the affordable by many, but still good quality products that can be replaced as often as desired. The Body Shop has completely changed our view of cosmetics from a high-tech, image focused industry to a natural business with a deep social commitment. Swatch created watches that can be both inexpensive and fashionable, thus turning the watch industry norms upside down.

In most cases, the market driving businesses are guided not only by vision but also by strong values rooted in the company's heritage and culture and translated into both product features and working principles. The good examples are Virgin's principles of value for money, quality, innovation and fun; The Body Shop's - human rights, community and environmental focus, as well as animal protection, and Starbuck's – dignity, respect for the individual, diversity, coffee excellence and customer satisfaction. By using these principles as a core of their unique organisational identities, market driving companies developed into powerful brands providing them with a strong competitive advantage.

Most market driving companies are truly global organisations. Thus, IKEA¹, with its origin in a farm in South Sweden is now present with its 254 stores in 35 countries (territories); The Body Shop² that started with a small store in Brighton has grown into more than 2000 stores in 55 markets; Hennes & Mauritz³ has expanded from a single store in Sweden to 1400 stores in 28 countries. The successful expansion of these companies to culturally different markets has been marked not only by their founders' strong belief that the company's vision and values can transcend national boundaries but also by such features as distinct merchandise, a clear store profile, the unique shopping experience that clearly differentiated them from their competitors. An important aspect of their market offerings is the role of motivated local staff that believes in the company's values and communicates them to customers (e.g. the franchisees and staff at The Body Shop). The ability to re-create the different components of their brands across markets has made them strong market players, creating global consumption patterns and global communities around their brands.

Global companies with strong brands have not only dramatically changed the way we shop, our tastes and preferences but also influenced our worldview in terms of corporate responsibility, justice, ethical and social issues (e.g. The Body Shop's Community Trade programme provided one of the first examples of fair trade). Often at the front of product innovation, they have also greatly influenced industrial

¹ www.ikea-group.ikea.com, facts & figures of June, 2007.

² www.thebodyshop.com.

³ www.hm.com.

development (e.g. IKEA's flat packaging and module furniture) and created a new type of company-supplier relationships based on corporate principles (e.g. sustainable forestry at IKEA, defence of human rights at The Body Shop).

These issues mean that a branded market driving organisation is of special interest for this study since more companies in different industries are turning to corporate branding as a major marketing tool in their global strategies. Indeed, most market driving companies mentioned in the literature (e.g. Kumar et al, 2000) are strong brands, some of them (Amazon.com, Dell, IKEA and Starbuck) listed among the world's 100 most valuable corporate brands⁴.

1.2 Market driving from a theoretical perspective

While the market driving phenomenon has become a reality in modern global business, it has not until quite recently come into focus in the marketing literature. On the whole, we are still in a very early phase of understanding this phenomenon, although the prototypes of market driving as a particular business orientation appeared in the strategy literature (e.g. Miles and Snow, 1978) long before the recent studies. The term "market driving" first appeared in the article by Kumar (1997), followed by a series of publications (e.g. Kumar et al, 2000; Jaworski et al, 2000; Harris and Cai, 2002; Hills and Sarin, 2003; Carrillat et al, 2004; Tuominen et al, 2004; Narver et al, 2004). As expressed by its leading proponents (Jaworski et al, 2000) the notion of "market driving" has been developed to counterweigh the unbalanced view of market orientation as being predominantly market driven or a reactive approach to customer needs and market conditions. Besides, it was deemed necessary to capture the features of companies mentioned above, which cannot be subsumed under the definition of "market driven" (Kumar et al, 2000).

As formulated by Jaworski et al (2000), market driving implies a proactive strategy that aims at shaping the structure of the market and/or behaviours of market players in a direction that enhances the competitive position of the business. Market driving companies strive

⁴The 100 Top Brands, Business Week Online, August, 2006.

to create a discontinuous leap in the value proposition as well as more customer value (Jaworski et al, 2000). In this proactive strategic approach, both latent and existing customer needs are addressed and customers are led in this process by the company (Narver et al, 2004). Among major outcomes of the market driving strategy, the literature mentions both internal (e.g. better employee satisfaction, excellence in business processes, new product success) and external (better customer satisfaction, better financial performance) dimensions, implying that traditional market driven firms can pursue this approach for a greater business performance. This is, however, a challenging approach, borne out by the fact that very few firms have been able to be consistently market driving for any long period.

The market driving studies can be grouped along two major perspectives: the internal perspective that focuses on internal organisational systems and factors facilitating a market driving approach, and the external perspective that encompasses market driving activities aimed at different market actors (Harris and Cai, 2002). The internal perspective is best represented by Kumar et al (2000) who proposed that market driving firms are characterised by “radical business innovation on two dimensions”: uniqueness of business system and revolution in customer value proposition. Business system was defined as “the configuration of different activities required to create, produce, and deliver the value proposition to customer” and value proposition as “the combination of benefits, acquisition efforts/costs, and price offered to customers” (ibid). The work of Carrillat et al (2004) contributed to the internal perspective by arguing that the market driving capabilities of a firm are a result of a specific organizational culture of adhoc/market type. According to the external perspective put forward by Jaworski et al (2000), market driving is associated with “changing the composition and/or roles of players in a market and/or behaviours of players in the market”, or in other words, the specific tactics adopted by a firm in the market. Harris and Cai (2002) identified more specific market driving activities adopted by a market driving firm towards different market actors (customers and suppliers): market sensing, changing customer preferences, channel control and relationship formation, and local sensitivity.

An attempt to bridge the two perspectives on market driving has been undertaken by Hills and Sarin (2003) who identified the characteristics of market driving phenomenon such as value creation, change orientation and leadership, which can be applied to both internal systems and external activities. As argued in this work, any firm might create value or effect change, but the specific feature of a market driving firm is the simultaneous presence of these three dimensions. The latter authors have also suggested that market driving can occur at multiple levels (industry, market and product) and defined it as “a firm’s ability to lead fundamental changes in the evolution of industry conditions by influencing the value creation process at the product, market and industry levels” (Hills and Sarin, 2003, p. 17). Finally, they argued that market driving might be viewed as an alternative paradigm for marketing. It is important to note, however, that the latter study was purely conceptual and did not provide any empirical support for the proposed conceptualization.

As follows from this short literature review, our existing knowledge on market driving is characterised by the co-existence of different views, a predominantly conceptual focus and the broad terminology. The latter issue is due to the fact that different authors have approached the topic from different theoretical perspectives. The conceptual development has not yet resulted in any comprehensive framework that provides guidance for the empirical research. The empirical evidence is very scarce and represented by one case study of De Beers by Harris and Cai (2002). All other examples of market driving firms in the literature have been made without any specific reference to empirical cases. This calls for in-depth studies of market driving companies in different industries. Before embarking on such a study, it is necessary to discuss the major gaps in our existing understanding of the market driving phenomenon and suggest ways to tackle these problems in the study.

1.3 Major gaps in understanding the market driving phenomenon

As already mentioned, the novelty of the phenomenon and a relatively recent interest in it by the marketing literature, have evoked more questions than answers, giving ample room for research. I decided to

focus on several issues that are central for our improved understanding of market driving and are related to its internal perspective, the link between internal and external perspectives and the scope of this strategy. These issues have not been sufficiently covered by the existing studies.

The first issue is related to the *organisational resources* and *systems* for market driving, which so far remain rather underdeveloped. We still have a limited understanding of the specific resources that might be critical for developing a pro-active approach. While tangible resources, such as superior technology and/or a unique delivery system (Kumar et al, 2000), are mentioned in this regard, they cannot be considered as sustainable sources of competitive advantage since competitors can easily copy them. There is also an argument for the importance of such intangible resources as organisational culture for market driving (Carrillat et al, 2004), however, it is not explained how this allows an organisation to create more customer value. Among other possible sources of value, intangible organisational resources such as corporate brands are more frequently stressed in the marketing literature but not specifically within a market driving context.

In the literature (Balmer and Gray, 2003), it is maintained that successful corporate brands constitute valuable strategic resources that provide companies with a sustainable competitive advantage. This is due to their deep cultural roots and an ability to align all organisational assets for the unique organisational value proposition to customers and other stakeholders (Knox et al, 2000). In spite of their strong potential for value creation, corporate brands are still underused by companies in their marketing strategies as compared with their tangible resources (e.g. products and technologies). Given the strategic importance of corporate brands for companies and the empirical evidence of the link between corporate branding and market driving mentioned earlier, it feels quite natural to explore the role of the *corporate brand* as a resource for the market driving strategy.

The second, larger issue is closely related to the first one and implies improving our understanding of the market driving *mechanism*, which is the way in which a market driving organisation uses its resources to change market behaviours and/or market structure and create the leap in customer value. The existing studies have not discussed the link

between organisational resources and specific market driving activities and behaviours, resulting in the lack of connection between the internal and external perspectives of market driving. For example, it has been stressed in the literature that the market driving approach is vision driven, employee dependant (Kumar et al, 2000) and needs a specific type of organisational culture (Carrillat et al, 2004). However, we still have a limited understanding of *how* an organisation can use these assets for the development of a unique value proposition to customers via a set of specific activities. In order to understand the mechanism of market driving, it is thus necessary to take an *integrated approach*, in which organisational resources, market driving activities and outcomes in terms of customer value are viewed in their synergy. As argued above, corporate brands are now broadly recognised as a firm's strategic resources and important sources of superior customer value, making them especially relevant for the study of the market driving mechanism.

The third gap in our understanding of the market driving phenomenon is a primary focus on customers and customer value while other companies' stakeholders are either given less importance or depicted only as subjects for change introduced by a market driving company. For example, Jaworski et al (2000) speak of the changing functions of market actors or their composition in the market in order to improve customer value. Harris and Cai (2002) discuss the importance of strong relationships with suppliers as a support to the company's customer strategy. The issue of multiple stakeholders (customers, employees, suppliers, business partners, investors, government officials, media, etc) is generally overlooked in the market driving literature. This is a serious shortcoming since the global market driving companies have to deal with a large number of different and often overlapping groups of stakeholders in many local markets. Not only do they have to develop relationships with all these groups but they also provide them with an increased value, making stakeholders more committed to cooperate with the company. It might be argued that by providing a leap in employee value, the market driving organisation gets the best workforce and by providing a leap in supplier value, it develops a strong global supply base. Thus, it is suggested for this study that the market driving phenomenon is examined from a *broad stakeholder perspective*.

The fourth issue that has been already mentioned earlier is the *international dimension* of the market driving strategy. This is not explicitly discussed in the literature, although the companies used as examples of market driving organisations are global market players. They plan marketing activities on a corporate level while their implementation is the responsibility of local organisations. That implies taking into account such factors as, for example, the coordination of global marketing strategies and local marketing activities. On a local level, it is necessary to adjust the elements of marketing mix to local norms and traditions, which should also be taken into consideration in the process of relationship building with local market actors. Another related factor is the role of local staff in these activities and how to ensure their adequate understanding of corporate goals. These issues become especially important for global companies (e.g. IKEA, Hennes & Mauritz) in an active expansion phase, especially into the new, developing markets. To compensate for this limitation in the existing knowledge, the international dimension of the market driving strategy is given particular attention in this thesis by focussing on market driving on both the corporate and local levels of a global firm.

Given the issues discussed above, it is suggested to study the market driving phenomenon within the boundaries of a global branded organisation with a specific focus on the *mechanism* of value creation via a set of market driving activities aimed at a broad group of organizational stakeholders. From a conceptual perspective, the choice of the object of the study suggests that corporate branding can be chosen as a relevant theory for explanatory purposes. This implies merging the two phenomena of corporate branding and market driving, in which corporate branding theories will be used as a conceptual lens through which I will explore the market driving phenomenon.

1.4 Taking a corporate branding perspective of market driving

Corporate branding represents a social phenomenon, the importance of which is widely acknowledged in both the marketing literature (e.g. Balmer, 1995; de Chernatony, 2002; Hatch and Schultz, 2001, 2003; Balmer, 2001a,b; Ind, 1997, 2001; Balmer and Greyser, 2003) and

organisational practice (e.g. Kunde, 2002). From a conceptual perspective, corporate branding is a multi-disciplinary field that is characterised by the existence of different views of the corporate brand as a resource and corporate branding as a process. I will briefly explain the meaning of these concepts and state the reasons why corporate branding theories can be used in the market driving context. In this study, I will use both perspectives since the study of the corporate branding process is impossible without a clear understanding of the building blocks of a corporate brand.

A corporate brand is defined in the literature in many ways, for instance, as “a superior organisational lens” (Balmer and Greyser, 2003, p. 246), a sum of values that represent a corporation (Ind, 1997) and “a cluster of emotional and functional values promising stakeholders a particular experience” (de Chernatony, 2002, p. 118). These definitions capture such characteristics of the corporate brand as focus, distinctiveness (uniqueness) and ability to deliver a promised experience to its stakeholders. Exactly what makes organisations with corporate brands distinct is discussed in the literature in many ways – some authors focus mainly on corporate design and corporate communications (Einwiller and Will, 2002), core brand values (Urde, 2003) and an interplay of vision, organisational culture and image (e.g. Hatch and Schultz, 2001; 2003).

In my study, I speak of the corporate brand as a construction made up of different organisational dimensions such as vision, organisational culture and core values as well as the perceptions of organisational members and other organisational stakeholders. This view is rooted in the traditional view of a corporate brand as a specific type of identity (de Chernatony, 1999; Balmer, 2001b; Brown et al, 2006). It also reflects the emerging view of corporate brands as open systems found in the recent literature (e.g. Pitt et al, 2006). For the purpose of my study, I use a definition of a corporate brand as a *logical structure* that channels stakeholder perceptions (Kay, 2006), since it captures two important features of corporate brands – their ability to make organisations into an integrative whole, and their ability to influence stakeholder perceptions and their corresponding behaviours.

The view of corporate branding as a process that has an influence on stakeholder behaviours has been acknowledged in the literature. For

example, van Riel (2001, p. 12) wrote of corporate branding as "...a systematically planned and implemented process of creating and maintaining a favourable image and consequently a favourable reputation of the company as a whole by sending signals to all stakeholders by managing behaviour, communication and symbolism". Balmer (1995, p. 30) stressed that corporate branding influences the behaviours of customers and other audiences and "increases their desire to buy products, services and invest into the company". De Chernatony (2002) explained that corporate branding takes place through brand enactment via staff behaviours and systems that support their interactions with stakeholders. However, the ultimate goal of corporate branding is not to influence behaviours of internal and external stakeholders but rather to generate more stakeholder value⁵.

Corporate branding has a substantial conceptual overlap with market driving due to their roots within a marketing domain. Such market driving concepts as value (customer value, corporate values), vision, and culture are widely used in corporate branding literature since a corporate brand is based on the interplay of these and other organisational elements. This allows a significant cross-fertilisation of constructs and ideas between the two fields, which might be facilitated by the greater conceptual depth of corporate branding concepts and a better understanding of the interrelationships between them in the corporate branding as compared with the market driving literature. The special focus on the links between concepts and their interplay makes corporate branding models a useful basis for the further development of theory in market driving in spite of a generally fragmented nature of corporate branding theories (Balmer, 2001a).

Besides a clear conceptual overlap between corporate branding and market driving, there are also deeper links on a paradigmatic level as regards the view of organisation, the value creation and stakeholder perspective. Corporate branding is in its essence an *integrated approach* since it requires the alignment of vision, culture and employee behaviours (internal organizational dimensions) with reputation, image and stakeholder behaviours (external organisational dimensions). Correspondingly, corporate branding represents an interface between

⁵Two concepts of values are used in the text: corporate values derived from organisational culture and "added value" to customers and other stakeholders.

the external and internal areas of an organisation, which are in a constant interplay. Since most strong corporate brands are international and global companies, the issues of identity-image consistency across cultures are especially acknowledged in corporate branding literature. Thus, corporate branding allows taking a more synergetic view of organisation in general and a global organisation in particular. This has consequences for the view of a value creation process.

Corporate branding explores the ways in which the whole organisation can be used as a source of value by forming a unique organisational value proposition (Knox et al, 2000). Thus, a broader organisational perspective of value creation can be taken in the market driving context. Corporate branding broadens the notion of customers to different organisational stakeholders such as employees, media, suppliers, business partners, investors, and the general public (Balmer and Gray, 2003). Some of these stakeholders are specific for each firm's market while others are of a global character (e.g. suppliers). Thus, a broader stakeholder perspective of market driving can be "borrowed" from corporate branding theories and applied to the value creation process in market driving. Within this perspective, a special role of organisational staff, which is acknowledged in the corporate branding literature, can be better understood in the market driving context.

To summarise, by taking the corporate branding perspective, several problems in the present conceptualisation of market driving can be solved by providing a more synergetic view of organisation and by exploring the value creation process in a global-local and broad stakeholder perspectives. Finally, a more humanistic approach to market driving can be developed by placing a greater emphasis on the role of organisational staff in this process. By acknowledging the role of corporate branding in market driving, I also follow the recommendations of such leading scholars as Jaworski et al (2000) who argued that a corporate brand might be a factor leading to the adoption of the market driving approach.

1.5 Purpose of the study

The purpose of the study is to analyse the mechanism of the market driving approach carried out by a global organisation with a corporate brand.

The study of the mechanism of market driving involves the analysis of a corporate brand as an organisational resource of multiple dimensions and the ways in which these dimensions contribute to the value creation process via a sequence of market driving activities carried out on the corporate and local levels of a global firm. Thus, a special focus is on the link between the corporate brand and market driving activities, with a special focus on the activities aimed at different organisational stakeholders. These issues are defined as the following sub-purposes for the study:

- 1) To identify the roles of corporate brand dimensions in the value creation process in market driving;
- 2) To identify the link between the corporate brand and market driving activities on the corporate and local levels of a global firm.
- 3) To analyse the specificity of market driving towards different organisational stakeholders.

In this regard, it is important to discuss the demarcations of the project. Due to the managerial perspective of the project, I mainly focus on the company's (management and employees) perspectives of corporate branding and market driving towards its key external stakeholders (customers, suppliers, societal members). Due to the increased importance of the network of partners for market driving companies (Jaworski et al, 2000), I have also incorporated some of the company's major suppliers into the study. The supplier perspective is also used to assess the degree of change in their behaviours and/or market structure. As far as customer perspective is concerned, it will be limited to managers' perceptions of customer behaviour changes.

The market driving approach is explored in the context of new markets, which represent a number of serious challenges for managers of global firms. At the same time, new, developing markets represent a favourable

context for the market driving approach since they provide firms with an opportunity to act as industry pioneers and market trendsetters.

The research questions have both theoretical and practical relevance since they aim at filling the gaps in our understanding of the market driving phenomenon as well as providing practical guidance for managers in their decision making about the extent to which the corporate brand might be used in marketing strategy. As far as market driving theories are concerned, I intend to contribute to theory development by exploring the nature and dynamics of market driving, at the same time developing a more holistic view of market driving strategy. I also intend to contribute new knowledge by identifying the specific market driving activities occurring on different levels of a global market driving firm. Although the major contribution will most probably be in the market driving field, this study also has relevance for corporate branding theories since it aims at further development of a process perspective of corporate branding with a special focus on the role of different stakeholders in these processes. Both issues are insufficiently covered by the existing corporate branding literature, which has a certain bias towards static models of corporate brands that do not explicitly discuss anything other than customers and employees groups of stakeholders.

The practical relevance of the study, as already mentioned, follows from the need by companies in today's competitive environment to develop new strategies that provide them with a competitive edge. Companies need a better understanding of how their existing internal resources might be used effectively to plan and implement market driving strategies. Since not all companies can rely on radical business innovations in their pursuit of market driving, they need to look carefully at the organisational resources they already have and try to use them in a new way. Many companies are involved in corporate branding processes in one way or another but very few really capitalise on the value of their corporate brands. The increased understanding of how corporate branding can be used effectively by managers will provide other companies with an opportunity to compete differently.

1.6 The outline of thesis

The thesis consists of nine chapters. In chapter 1, I have discussed the major research problem and purpose as well as the demarcations of the study. Chapter 2 is devoted to the research design and method for this study. The case study approach is argued for and the choice of case company and markets is explained. The roles of theory and quality issues of the case study are discussed. Chapter 3 contains a literature review in market orientation, market driving and corporate branding. The major concepts are defined and the major models presented with a subsequent critical analysis and a summary of theoretical perspectives. Chapter 4 presents the analytical framework of the study that is based on existing research and constitutes a further step in the theory development from both corporate branding and market driving perspectives. This framework is used as an analytical tool for data collection, data display and analysis. Chapters 5, 6 and 7 are devoted to the presentation of empirical material: in Chapter 5 the empirical data of IKEA on the corporate level is presented while in Chapters 6 and 7 the local market levels from the company's and stakeholder perspectives are covered. Chapter 8 is devoted to the analysis of empirical data, which is taken in two steps. First, new corporate branding concepts are introduced and then a new extended framework of market driving with a corporate brand is developed. This latter framework is used for explaining the mechanism of market driving. Chapter 9 has the summary of major findings, conclusions as well as major theoretical and practical contributions of the thesis.

Chapter 2

Methodological considerations

This chapter will outline the considerations regarding research design and method, the choice of a case company and the role of theory. Subsequently, the approach to gathering the empirical data and the principles of analysis will be discussed. The chapter ends with quality issues of the study.

2.1 Introduction

The present study has been carried out as a part of a large research project in cooperation between the Department of Business Administration, Lund University and the Manchester Business School of Management, UK under a general title “Foreign Market Entry Processes and the Role of Market Orientation: The Case of Retailing and Networking Firms”. Among the researchers who participated in the project from the UK were: Pervez Ghauri, Professor of International Business and Kannika Leelapanyalert, PhD student. From Sweden: Ulf Elg, Professor of Marketing, Anna Jonsson, PhD student and Veronika Tarnovskaya, PhD student. The project has been expected to result in three doctoral dissertations, a large number of conference papers and several publications in international journals. The nature of the project implied an integration of several research areas and a broad conceptual framework developed at the very beginning of the project. Later this framework has been divided into separate parts, which have been further developed by individual researchers. It is thus important to stress that my research area and the purpose with the study have been chosen rather early on in the project and the study has been conducted completely independently.

2.2 Research design and method

As stated in Chapter 1, the purpose of the study is to analyse the mechanism of the market driving approach carried out by a global organisation with a corporate brand. My investigation concerns the market driving phenomenon when it occurs simultaneously with another phenomenon – corporate branding. Since both phenomena are complex, dynamic and deeply embedded in the organisational context of a firm, the *case study* has been chosen as the most suitable research design. Yin (1994, p. 10) maintains that the case study seems the most appropriate since it “investigates contemporary phenomenon within its real time context, especially when the boundaries between the phenomenon and context are not clearly evident”. The ability of case studies to uncover the underlying structures and associated mechanisms of the observed organisational phenomenon has been especially stressed by Tsoukas (1989) who postulated also that idiographic studies are the most epistemologically valid for this purpose.

Besides being complex, context-dependent and dynamic, the market driving approach also constitutes a new phenomenon at its early phase of development. Hence, the study of market driving inevitably involves a special focus on a new theory development. The literature provides additional arguments for using the case study approach as appropriate for theory building purposes. Thus, Eisenhardt (1989) argued for the usage of case studies for generating theories, especially when the purpose of the research is to understand the *dynamics* of a phenomenon within a certain organisational setting. Dubois and Gadde (2002) discussed the opportunities that a case study provides for new theory building, namely the systematic combining of theory and empirical worlds, the logic of which I have used in my study (discussed in 2.6.2). In addition to the recommendations by the mentioned authors, I have also followed the methodological path taken by other researchers in market driving. Thus, Harris and Cai (2002) used the case study approach in their research of De Beers in China and argued that it was the most appropriate for generating interesting insights into *how* market driving occurs in practice, thereby getting a more complete contextual sense of it.

When conducting a case study, a natural question is whether to focus on one case or go for multiple cases. Dyer and Wilkins (1991) have argued for the usage of a single deep case study as opposed to many “surface case studies” in order to develop a more thorough understanding of a complex research problem. Yin (1994) argued also for choosing one case if it represents a unique or extreme case of the studied phenomenon. In my study, the choice was to delve deeper into one case instead of increasing the number of cases. The important issue was, of course, to choose the critical case that was unique in terms of revealing the nature of the phenomenon under investigation by giving a full and rich account of the processes involved. I will discuss my choice of the case company in 2.3.

Usually, one case implies a one case company, although Yin (1994) discusses the embedded case design, where the main case can contain several intertwined sub-cases. For example, one and the same company in different markets can become the embedded case with local markets as sub-cases and the corporate one as an umbrella case. A possibility with an embedded case is to choose cases that illuminate some critical issues of the phenomenon or allow the achievement of a replication logic. I have used the embedded case approach in my study, and will describe this in detail in 2.4.

An important issue concerning the case study is the kind of evidence that should be used. Both quantitative and qualitative techniques can be applied for data collection in case study research (Yin, 1994). In my study, I have aimed at the “soft data” collection via deep immersion in the empirical context and generation of rich and meaningful data, since the purpose of my research is to reach a deeper understanding of the nature and mechanism of a complex organisational phenomenon. This can be achieved by using a variety of qualitative techniques such as interviews, observations, and analysis of texts and documents (Silverman, 2001, p. 11). Using different techniques and combining them within one study gives a possibility to cover multiple perspectives of the phenomenon under study (Yin, 1994). I will further discuss the applied techniques for data collection in 2.5.

2.3 Choice of the case company

The choice of the case company was made at a very early stage of the project and followed the logic of choosing a critical case for the observed phenomenon – the market driving strategy. When the purpose of the study is to understand the nature and mechanism of a certain phenomenon, it is especially important to choose the critical case, in which the phenomenon of interest is “transparently observable” (Eisenhardt, 1989). Yin (1994) especially stressed the importance of choosing a critical case for providing deep insights of a new phenomenon. Moreover, Eisenhardt (1989) reasoned that when the objective of the research is to build a theory, the cases should be likely to replicate or extend the emergent theory. Thus, by choosing a critical case, the researcher improves his or her chances to learn as much as possible about the phenomenon of interest, which, in turn, is a good prerequisite for the development of a new theory.

Based on these recommendations, I have chosen IKEA as my case company. IKEA has been recognised by a number of researchers as a typical market driving company when it comes to business systems (e.g. Kumar, 2000), customer and supplier relationships (e.g. Jaworski et al, 2000) and an expansion strategy based on a single standardised retail offer (Prime, 1999). The latter issue is especially important in the market driving context since IKEA sells almost identical product range of 9500 articles to all its customers throughout the world and promotes a similar modern and simple home living style.

The fact that IKEA is a retailing company that does not manufacture its products but develops them in close cooperation with more than a thousand suppliers across the world, provides an additional argument for using it in the market driving study. Jaworski et al (2000) reason that a retailing company represents a very good case for studying the market driving approach since it is easier for a network of business actors than for separate companies to drive the market on account of the broad range of skills and competences that are pooled in a network. The retailers’ market driving ability is also greater due to their historical proximity to the end-consumers. As a matter of fact, most market driving companies referred to by Kumar et al (2000) are retailers.

IKEA has strongly influenced public tastes in its home market, Sweden, as well as in other Scandinavian countries; it has introduced a new furnishing style in the US and in Asia. The company's impact on customer tastes and furnishing styles has contributed to such a global phenomenon as Swedishness, argued to be one of "new branding forces in the 2000s"⁶. In addition to influencing public tastes when it comes to style, IKEA has also influenced the industry structure and shaped the development of the retailing sector in many of its supply countries. For example, Michalak (2001) presents the statistical evidence of IKEA's role in introducing new retail standards for Polish consumers in the 1990s and the country's transformation into Western-type market economy. Thus, IKEA represents a *success case* of market driving, which can be used to learn about the nature and mechanism of this approach as well as its success factors.

Besides being a very good example of a market driving company, IKEA also represents one of the world's most valuable corporate brands⁷; the company has a global scope of operations (with 254 stores in 35 countries) and its internationalisation is an on-going process (recent entry and expansion in Russia, China; new entry – Japan; expansion in the US). Those are additional issues making IKEA an extremely strong case for my study involving corporate branding issues and an international dimension of market driving.

IKEA is enormously popular with researchers from different disciplines and has been used more than any other company for research purposes. The very fact that the company might be perceived as "over-researched" can be, of course, regarded as an argument against using it for the present study. However, I think that due to the novelty of the research problem, the danger of re-inventing the wheel is minimal. On the contrary, the abundance of publications about IKEA makes it possible to triangulate the primary empirical data to a larger extent and create a deeper research account. This fact, in combination with the generous access provided by IKEA management to carry out interviews on the

⁶www.interbrand.com.

⁷IKEA brand has been named as the Europe's strongest brand 2003 and sixth in the category "The Global Brand of the Year 2003" by the on-line magazine Brand channel.

company's corporate and international premises, have clinched the final choice of IKEA as my case company.

2.4 Choice of markets

The choice of markets has followed the logic of the research problem and recommendations from the literature. Thus, Jaworski et al (2000) argued for the suitability of new, emerging markets for applying a market driving approach since the market situation is changing and customer habits are more flexible. On the other hand, Hills and Sarin (2003) suggested that a market driving approach is most relevant under conditions of high market uncertainty allowing a market driving firm to influence the industry development (e.g. technological standards). It can be postulated that the outcomes of this approach in the emerging markets become more visible in a rather short time span since this approach leads to acceptance of new standards and rules and also reduces the uncertainty (ibid). An additional reason for focussing on emerging markets is the practical relevance of the achieved knowledge of market driving for global companies with strong brands that face the necessity of entering new markets due to the market saturation in the developed markets.

Eisenhardt (1989, p. 537) writes that "cases may be chosen to replicate previous cases or extend emergent theory, or they may be chosen to fill theoretical categories and provide examples of polar types". Following the logic of *literal replication*, I have chosen cases that exhibit similar patterns of the observed phenomenon (Yin, 1994). Thus, markets that were comparable in terms of the level of industry development and dynamics of customer needs were chosen: Russia, China and Poland.

All three markets are characterised by a high level of economic growth, increasing competition and a large number of Western companies either entering or already present in the markets. Two of them (Russia and China) are relatively new to IKEA (a first store in China was opened in 1998 and in Russia in 2000). An additional reason for choosing these markets was the fact that they were considered at IKEA as "Low Purchase Power" markets, characterised by similar challenges in terms of customer situations (e.g. unsatisfied basic needs; rapid changes in needs and preferences; uneven income levels). Facing these

challenges, IKEA has developed similar marketing strategies in these markets aimed at developing a low cost brand image.

Being market driving is especially important in these markets since global companies like IKEA set up trends followed by other actors in the market. The understanding of the mechanisms of market driving can, therefore, lead to a better understanding of the market dynamics in general. Due to a rather low brand awareness of local consumers at the moment of market entry in Russia, this market also represented an extreme case that shed light on the issues critical for the success of a market driving strategy in a situation when the initial “power” of the corporate brand is minimal. This may be important for other branded companies entering new markets.

Since my study involves a comparison between the corporate and local market levels, the IKEA Group’s headquarters in Sweden was chosen to represent a corporate level for the company’s international operations. It was used as a reference point against which the local market driving activities and market impact were assessed.

Yin (1994, p. 42) reasons that the cases in the embedded design often enhance insights into the single case. Thus, the chosen markets have provided different angles for the study. For example, Russia and China have been used to provide an overall perspective on market driving, where employee, supplier, customer, and societal perspectives have been covered. On the other hand, Poland has been used for further development of the supplier focus of the study. As far as the cultural issues in the local markets are concerned, the chosen markets have provided a variety of different cultural contexts, which I have used to highlight such tenets of market driving as the firm’s cultural sensitivity.

It is also important to add that I have not carried out any systematic comparison between countries in terms of cultural or other differences, since the influence of national cultures (or other environmental factors) on the market driving strategy has not been the focus of my study. Instead, I have emphasised the similarities and differences in the market approach taken by the company in different markets as new insights into the mechanism of this phenomenon. This approach to sub-cases within the single case has been argued for by Dubois and Gadde (2002, p. 558) who stressed that viewing sub-cases in their shared context

increase their individual contribution to a total picture of the phenomenon.

2.5 The sources of evidence

2.5.1 Interviews

Yin (1994) discusses multiple sources of evidence that might be used in a case study research. The use of multiple sources of evidence allows a researcher to address a broader range of issues and develop the "converging lines of inquiry"- a process of data triangulation (Yin, 1994, p. 93). In-depth interviews were chosen as the main research technique in the present study because they provide important insights into the ways managers construct the meaning of the corporate brand in their everyday work and use this meaning to plan and implement different marketing activities.

Given the nature of the first part of the research purpose (the role of corporate brand dimensions in market driving), my aim was to unearth the managers' perceptions of the corporate brand. I have adopted a rather open approach, trying not to impose my theoretical preconceptions on the respondents and giving them the possibility to use their own terminology. By capturing their perceptions of corporate brand, I did not aim at a *true* interpretation of the brand, keeping in mind that managers and employees might have consciously chosen to emphasise certain aspects of their brand when confronted with my questions. Rather, I aimed at capturing the ways managers and employees experience their brand, and revealing the differences between interpretations of different groups of employees as well as between employees and external stakeholders (suppliers).

The ultimate goal was not only to find out how managers interpreted the brand but also to what extent they actively used these ideas and beliefs to plan and implement market-driving activities. In other words, whether there was a link between corporate brand rhetoric and the specific behaviours of the staff and the company's corresponding activities. A certain doubt that I experienced was whether interviews were a good source for studying behaviours and activities. Although the respondents were always asked to describe what they actually did in

particular situations and how they did it, I did not totally rely on the information they provided. Hence, secondary data was used extensively to verify the primary data on market driving activities. Thus, I made sure that the activities the respondents talked about had really taken place. I have also focussed more on the company's activities than on individual staff behaviours, since the former were more representative for the firm's market driving approach.

It is important to mention that for about half of the interviews, several researchers took part, and the content of the general interview guide (see Appendix 1) represents a synthesis of several research topics, such as corporate branding, market orientation, market driving, organisational learning and internationalisation. This presented a certain challenge for my own research since the time allocated for each particular research area was limited. To overcome this limitation, I always included a list of specific questions into the general interview guide that were focussed on my research problem and based on the preliminary analytical framework developed in Chapter 4. At later stages of the project, I conducted interviews myself and the questions were focussed only on my research topic (see Appendix 2).

Due to the financial and time aspects of the research project, I have not participated in all the interviews myself but used the recordings and transcripts of the interviews carried out by another researcher, Anna Jonsson. Thus, all the Chinese interviews have been conducted by her while my participation has been limited to transcribing some of them. The advantage of this collaboration was an opportunity to cover several markets and increase the number of respondents. The issue of non-participation has, of course, limited my ability to get first-hand impressions of the empirical material. To compensate for this, I have consulted my colleague in case of difficulties in transcribing, used more secondary data for the Chinese case, and also sought an expert's⁸ opinion to verify my interpretations and conclusions on the Chinese case. I will comment more on this latter issue in 2.8.

⁸Ying Bin, an Associate Professor in Marketing from Zhongnan University of Economic & Law in China has read and commented on the content of the Chinese material in Chapter 6.

The discussion topics

The interview questions (see Appendix 2) were formulated to provide the discussion themes rather than to generate the direct answers. They followed the *semi-structured* scheme and consisted mainly of open-ended questions. To provide a structure for each interview, a special interview guide was constructed and used as a blueprint. Although the content of the interview guide was modified according to the position and knowledge of the respondents, some central topics were always present in the interviews. These topics reflected the key conceptual dimensions from the analytical framework in Fig. 4.3.

One of these topics was that of a corporate brand identity, however, the term itself was not used as a specific discussion topic. Instead, the respondents were asked about the role of culture and core values in their corresponding functional areas and the ways they deal with the brand in their daily responsibilities. For example, HR manager was asked whether and how the values are used for staff recruitment, reward and development. The product development manager was asked whether and how values are used for the design and production of new products while the trading manager was asked about the role of values in relationship with suppliers. The issues relating to IKEA's brand development were also discussed concerning the strategic plans and prioritised focus areas for ten years ahead. Many brand related topics evolved spontaneously and were initiated by respondents. For example, the topic of vision was usually initiated by the respondents themselves. Many respondents described their roles as brand builders both towards own co-workers and external audiences and also formulated the respective brand promises to those groups.

Another topic covered the company's marketing activities on the corporate and local levels of the firm with a special focus on market driving activities. The market orientation framework of Kohli and Jaworski (1990) was used for structuring the interviews along the themes related to market intelligence generation, dissemination and responsiveness. This was done, primarily, to integrate different research topics into one project. The second reason was the lack of an alternative framework for the market driving approach. To capture the specific features of this approach, specific questions were asked about the achieved (observed by respondents or reported in the corporate press or

media) changes in market behaviours and market structure before and after IKEA's entry into the markets. These issues concerned, for example, new consistent patterns of shopping behaviours, changes in competitive situations and changes in industry. Besides, the topics of employee, customer and supplier education were also included in the interviews.

On the whole, an open approach was adopted, which implied using concepts from the literature in a broad way, allowing room for different interpretations. It is important to note that the terms "market driving" and "market orientation" were not openly used in the interviews to avoid confusing the respondents and exposing them to research terminology. The aim was to extract broad and relevant information about the respondents' view of the company's market approach and to reveal the organisational practices that were characteristic for the market driving approach.

How the interviews were conducted

I usually started interviews by presenting the research project and its main topics. In order to make the respondents aware of the main themes of the upcoming interview and for more effective time management, I always mailed the discussion topics beforehand. The interview guide proved to be very effective, since in many cases guidance from my side was both expected and appreciated by the managers. The conversation often deviated from the pre-determined issues in accordance with the respondent's specific area of expertise, which was seen as a good way to provide a deeper insight into this area. All the interviews were tape-recorded and transcribed afterwards. Notes were also taken when possible and they provided important complements to the interviews in terms of the attitude of the respondents, the general atmosphere and the environment where the interview took place.

The choice of respondents

The choice of respondents followed the logic of involving as broad an audience as possible, since market driving as well as corporate branding is the organisation-wide phenomenon. Since an organisation with a corporate brand has many stakeholders who have considerable knowledge of the brand and who are also impacted by the company's

marketing strategy, both internal and external stakeholders were involved in the interview process.

Due to the managerial focus of the study, among the internal stakeholders were managers on corporate and local levels as well as local staff. It is important to stress that the major focus was on *managers* holding high and medium high positions while local staff (e.g. shop personnel) was covered to a much lesser extent. The focus on corporate level managers can be explained by their significant roles in decision making when developing strategies aimed at different stakeholders. Similarly, the focus on local managers is due to their key roles in adapting corporate strategies and implementing them in their respective markets. Besides, managers on all levels combine the substantial knowledge of the corporate brand with the power to influence other organisational members' perceptions and behaviours.

Among external stakeholders, a special focus was on suppliers, due to their vital role in the global retailers' value chain. This was especially striking in IKEA's relationships with suppliers revealed in the project, allowing me to consider them *more internal* in terms of their involvement in the company's activities than the literature suggests. Thus, acknowledging the suppliers' role in corporate branding and market driving was extremely important. This was done, first, by placing them as second after the employee stakeholder group in Chapters 5 and 6 and incorporating their perceptions of the corporate brand and market impact in Chapter 7.

The titles of the respondents and their professional affiliation are, in most cases, revealed to the reader. This is due to an overall view that the functional affiliation and experience in the company are among factors influencing the managerial perceptions and by revealing them, a deeper insight into the nature of a specific attitude and/or behaviour can be achieved. This view is supported by the literature, e.g. Harris and de Chernatony (2001). However, in some cases the titles have been omitted, which was because they had less significance in connection with a certain citation in the context of the study.

The interviews on the corporate level were carried out between October 2003 and April 2004. They took place at IKEA's offices in Älmhult and Helsingborg and lasted approximately for one and a half hours each.

The ambition with these interviews was to achieve a broad but thorough picture of the ways in which the brand identity is created for global use and for guidelines for global marketing strategies. Among the respondents were managers holding high and medium high positions, representing various organisational entities and functions in the organisation. In total, 12 interviews were conducted in Sweden. Among the respondents were the Assistant Manager to I. Kamprad, Assistant to HR Global Manager; Global Purchasing Manager, Commercial Managers for two functional areas (Beds and Children's IKEA), Managing Director Inter IKEA System, HR managers and project leaders (see the whole list in the Appendix 3). These interviews were conducted in English and Swedish.

The interviews were continued in Russia in two rounds: in Moscow (December 2003) where one more researcher participated and in St. Petersburg (June 2004) where I was on my own. The ambition with this round of interviews was to achieve a local account as full as possible of the company's local marketing activities, which explains why this sub-case has the biggest amount of collected data. In total, 24 interviews were conducted. The respondents included managers from different functions such as HR, purchasing, new product development, marketing and communications, property and different business areas (Children's IKEA and Bedrooms) as well as staff on the store level. The country manager for Russia was also interviewed. The aim was to include foreign as well as Russian staff (including front-line staff) to minimise the bias in the respondents' accounts of the company's activities in the market. That has been possible due to the fact that Russian is my native language. The interviews were conducted at IKEA's stores in Moscow (Khimki and Tyoplyi Stan stores) and St. Petersburg (Dybenko). Most interviews were conducted in English, however, some were in Russian and translated later by a professional translator. The observations during meetings and interviews contributed the interesting data and generated new questions for future interviews.

The interviews in China (Shanghai) were conducted in May, 2004. The ambition of this round of interviews was to cover the brand building issues in a new market since that topic appeared to be rather urgent for IKEA in Shanghai. In total, ten interviews were carried out. Among the

respondents were: General Manager, Range and Sales, Marketing, HR and Store manager, as well department heads for two business areas (Children's IKEA and Bedrooms). These interviews were conducted by another researcher who used the common interview guide to cover her own and my research topics. The interviews were conducted in English.

The choice of supplier respondents followed the logic of their strategic importance for IKEA and was therefore based on IKEA's recommendations. There were three suppliers involved in the interviews in Russia in June, 2004: the ceramics factory at Konakovo in Moscow region, Lenraumamebel factory in St. Petersburg and Priozersky factory in St. Petersburg region. The discussion topics in interviews with suppliers covered different issues of their relationships with IKEA including assistance on IKEA's part; trust and mutual understanding between IKEA and the company's representatives; IKEA's brand and its role in the design and production of IKEA's range as well as the company's own products; the issues of change initiated by IKEA. All (five) supplier interviews were conducted in Russian and translated later by a professional translator.

The supplier perspective was complemented by a round of interviews in Poland, in February 2005 at the IKEA store (Yanki) in Warsaw and a supplier factory PROFIm in Turek. The main focus at this stage was on the deeper understanding of the nature of company's relationships with suppliers. Due to the historical role of Polish suppliers in the development of IKEA's global supply system, the Polish case was considered rather unique. In total, five interviews were conducted with a Trading Manager, two environmental specialists, a technician and a local factory's president. All the interviews were conducted in English. When possible, notes were taken during the meetings at the IKEA office and on the premises of the factories.

It is important to note that all the interviews were analysed in their original languages, which was possible due to the author's good knowledge of English, Swedish and her native Russian. The English transcripts that represented approximately 70% of all accounts were cited without any changes made to the original language used by the respondents. The Swedish transcripts were translated into English (by the author) only in those parts that are cited in the text. The Russian transcripts were fully translated into English by a professional translator

for the purpose of common use by other researchers. The possible decrease in the quality of citations due to the translation effect were compensated by making the initial reading and preliminary analysis in the original languages. This latter issue can be argued to improve the internal validity of the study (see more discussion in 2.8).

2.5.2 Secondary sources

In accordance with recommendations from the literature on the use of multiple sources of evidence to develop “converging lines of inquiry” (Yin, 1994, p. 93), the comprehensive documentary data was collected and extensively used for the analysis. The internal material in the form of corporate brochures, internal newspapers, business plans, workbooks for employees, information on the IKEA homepage and intranet, catalogues (in Swedish, Russian and Polish), printed materials in the stores, product information, and samples of ads was collected and used (see Appendix 4).

Corporate documents were studied with the double aim of providing an additional perspective on the company’s corporate brand and market driving strategies, and also improving our understanding of how organisational members treated these sources as guidelines for action in their interactions with each other and external audiences. This latter issue was considered especially important since, as argued by Silverman (2001, p. 235), the major problem with triangulation is that it ignores the context-bound character of different contexts. Thus, according to this author, combining different sources does not automatically lead to a higher validity of qualitative research. It was, thus, important to use the materials that were extensively cited by the respondents. Besides these key sources, such corporate materials as Customer Satisfaction Index surveys for Russia and China were used to assess the outcomes of market driving activities for customers in the respective markets.

A number of local newspaper articles about IKEA in the corresponding markets were used as a complement to the corporate materials. The newspaper articles provided an invaluable source of information on the ways the company was perceived by the local stakeholders as well as on the actual examples of market driving activities and their outcomes in the markets. Thus, in Russia a survey of the central and regional press provided an additional insight into the company’s image in the eyes of

local suppliers and the furniture industry and also gave specific examples of market driving activities aimed at suppliers and customers. Since most of the printed materials were collected for IKEA's Russian operations, the interviews remained the major source of information for China and Poland.

2.5.3 Observations

Observations are considered the important sources of evidence in case studies (Yin, 1994). In my study, I have not used them as a major source of evidence since my purpose required a deeper immersion in the organisational life than pure observations could provide for. My aim has been to understand the respondents' reasoning behind the certain actions and the ways the perceptions are translated into actions rather than interpret the actions themselves. Nevertheless, while conducting the interviews, I have always observed the respondents' behaviour as well as the environment where the interviews took place. When possible, I have made short notes during or directly after the meetings and used them later in the analysis. Despite being rather limited, these notes have provided a specific background, against which I have interpreted the data from the interviews and secondary sources.

I have used my observations in Chapters 5, 6 and 7 to describe the artefacts of different brand identity forms and as a supplement to the respondents' accounts. I have also used my observations at local suppliers to add more details to the respondents' stories. Thus, observations provided an important additional source of evidence referred to by Yin (1994, p. 87) as creating a richer context of the phenomenon under study.

2.6 Choice and usage of theory

2.6.1 Choice of relevant theories

Yin (1994, p. 28) maintains that the research design embodies a "theory" of the studied phenomenon, which makes a "blueprint" for the study. There are different approaches for the use of theory in case studies such as no theory (grounded theory approach, Glaser and

Strauss, 1967), single theory (Alvesson, 1996), multiple theories and context dependent use of theories (Dobson, 1999). Dobson (1999) proposes that each approach suggests different underlying assumptions regarding the research process and research object under study. While no theory and a single theory can be considered as two contrasting approaches, the first being practically difficult and the second inherently subjective, the context use of theories represents an alternative approach that fits the critical realist perspective taken in this study (Archer et al, 1998, Miles and Huberman, 1994). This latter approach argues for the presence of underlying deep mechanisms and enduring structures that generate phenomena and that the research situation itself suggests the appropriate theories for the study.

Accepting the realist perspective, the choice of theories in this study has followed the research purpose and object of the study. Since the purpose is to analyse the mechanism of market driving at a global company with a strong corporate brand, the most obvious theories⁹ to consider are the emerging frameworks of market driving within the broader theory of market orientation and corporate branding. While one framework is used to build the initial “blueprint” for the study, the other one is considered as an explanatory theory for deepening our understanding of the market driving phenomenon. The choice of this latter framework is due to the fact that corporate branding has strong ties with the marketing concept and marketing theories including market orientation on both paradigmatic and conceptual levels (Balmer 2001a).

Although the two mentioned theories seem very applicable, they may not be sufficient for the study of a new phenomenon of market driving, which is still poorly understood and, thus, making the “right” choice of

⁹There are different opinions on whether market orientation represents a theory in a classical sense (Sutton and Staw, 1995, p. 378) or a set of constructs. Most researchers regard it as a strong (empirically tested) construct of major theoretical and practical use while others regard it either as a philosophy (e.g. Deshpande et al, 1993) or a theory which has some inevitable faults (e.g. Harris, 1996). I will refer to market orientation as a middle range theory in definition of Merton (1957 in Glaser and Strauss, 1967, p.33). Market driving represents a new direction within the theory of market orientation and, thus, is referred to as a framework or perspective. Corporate branding is regarded by some influential scholars (e.g. Balmer, 2001a) as a theory in its development phase.

an explanatory theory (theories) can be difficult. As argued in Yin (1994, p. 29), when making such a choice it is important to be aware of the full range of theories that might be relevant. Among other theories to consider are relationship marketing, services marketing, and stakeholder theories since they are conceptually close to market orientation. The first theory views marketing from a relationship perspective; the second one focuses on the marketing specifics at a service organisation while the third one acknowledges the roles of firm-stakeholder relationships.

Before discussing the essence of each theory and the ways, in which it might or might not be applicable for my study, it is important to stress that corporate branding is a multi-disciplinary field since it represents a symbiosis of thought, reflected in the multiple traits of relationship marketing, services marketing, international marketing, integrated marketing communications and some other areas (Balmer and Gray, 2003). Since corporate branding is characterised by the broad usage of concepts and principles shared with the above-mentioned fields, it can be argued to be rather unique in terms of the scope of integrated theories and concepts. Therefore, corporate branding is rather self-sufficient for explanatory purposes while other theoretical contributions can be used for deepening the conceptualisation in a particular direction.

One of the closest to corporate branding is the relationship marketing field (e.g. Grönroos, 1990; Gummesson, 1999; Morgan and Hunt, 1994). Although there are many different perspectives on relationship marketing, common to them is the view that firms are competing through developing long-term relationships with such stakeholders as customers, suppliers, employees and competitors (Hunt and Lambe, 2000). Palmer (1996) proposes that branding and relationship marketing can be seen as complementary and substitutable tools of marketing management. This is because both theories discuss the means of creating bonds between sellers and buyers. Both theories share the primacy of customer needs, however, branding focuses on products as a means to meet the needs, while relationship marketing focuses on relationships with customers. Corporate branding as an application of branding to organisations discusses the ways to create emotional bonds between organisation and its multiple stakeholders. Discussing the

obvious redundancy between the two concepts, Dall'Olmo Riley and de Chernatony (2000) added also that relationship marketing might be seen as a second step in the branding process when the degree of perceived risk and customer involvement is high and there is a need of a stronger relationship based on mutuality.

Many authors have drawn attention to the conceptual similarity between branding and relationship marketing. The central concepts of relationship marketing: mutual commitment, interdependence and trust (Gummesson, 1999) are widely used in the corporate branding literature as regards the company's own staff behaviours, stakeholder relationships and principles of these relationships. However, corporate branding goes further than discussing these antecedents of relationships by identifying the guiding ideas (vision, values) and general principles (consistency, clarity) that put these relationships into motion (Balmer and Gray, 2003). Besides, corporate branding stresses the integrated approach to relationship building for the organisation's differentiation and stakeholder value creation. Thus, it represents a holistic process of building relationships that are mutually beneficial and create value for both stakeholders and the organisation.

Moreover, corporate branding adds other firm-stakeholder interactions, which are not necessarily relationships in a "true" sense (mutuality – Dall'Olmo Riley and de Chernatony, 2000) but also involve the organisation's unilateral actions. Thus, it might be argued that corporate branding encompasses the major characteristics of relationship marketing, which are also complemented by other means to connect organisation to its stakeholders. Among these means are, for example, product and service performance, corporate and marketing communications. Viewed in the light of my research purpose with this study, it seems reasonable to use corporate branding as a major theory since it provides the broad overview of the organisation's interactions with stakeholders while relationship marketing can be used as a possible complement for highlighting certain antecedents of specific relationships (e.g. with suppliers).

As far as service marketing is concerned, Payne (1993) argued that it has many common features with relationship marketing; however, the latter has a broader focus encompassing other sectors. Thus, as compared with relationship marketing, a certain redundancy of service

marketing might be argued for. Service marketing and management theories (e.g. Payne, 1993; Rust et al, 1996; Grönroos, 1990, Normann, 1992) are well applicable for a specific study of a service organisation, which might have been a reason for using them in my study of a retail organisation. There are still stronger reasons for not using these theories directly but rather applying some of their principles as embedded in other relevant theories.

The first reason is concerned with the choice of the case company. Although a retail market driving organisation has been chosen, this choice has been explained by the desire to find a critical rather than specific case in market driving. In other words, I am not specifically examining the distinct features of service market driving organisations as compared with manufacturers but instead looking at general features of a market driving organisation, which are argued to be more visible in a retail company. The second reason is more concerned with the multi-disciplinary nature of corporate branding and its links with service marketing. Here, a separate stream of service branding literature can be mentioned (de Chernatony and Dall'Olmo Riley, 1999; Dall'Olmo Riley and de Chernatony, 2000; de Chernatony and Segal-Horn, 2003). As argued in this literature, the principles of corporate branding can be equally well applied to service organisations. While service marketing discusses the ways to satisfy customers through better service that is tailored to their needs, service branding focuses on the ways to create more value for customers and other external stakeholders by providing them with a unique brand experience. Thus, corporate branding, applied to services, adds to service marketing a necessary focus and scope.

As far as the stakeholder theory is concerned (Freeman, 1984), it is viewed in my study as a necessary complement to corporate branding since it adds such dimensions of stakeholder relationships as prioritisation of strategic stakeholders, individual relationships and synergy of relationships, which are not sufficiently covered by the corporate branding literature (Jones, 2005; Merrilees et al, 2005). The proximity of the stakeholder theory with relationship marketing (Christopher et al, 1991) makes the inclusion of the former especially fruitful since it plays a double role by emphasising the aspects, which are common for these theories and also important for my study. The

employee/employer branding literature used in the study (e.g. Miles and Mangold, 2004) is considered to be a good complement to both the stakeholder and classical corporate branding theories since it specifically focuses on employee roles in a company's marketing strategy implementation that are especially important for the understanding of the market driving phenomenon.

2.6.2 The systematic combining of theory and empirical case

The role of theory has been crucial in my study, since it has driven the whole research process from the purpose of the study to data collection and analysis. As discussed in Strauss and Corbin (1990), it is important to enter the research field with some theoretical background, which, in my case, consisted of market driving and corporate branding theories that were combined in the analytical framework of the study. Having a priori analytical framework is maintained to be the preferred strategy for case studies (Yin, 1994, p. 103).

The reliance on theory in my study does not mean that I am pursuing a purely deductive approach, in which the empirical material is used to confirm the existing theory. Since my aim is a further theory development, I have used the existing frameworks as a basis for both deepening the understanding of relationships between the existing concepts and creating new conceptualisations in close contact with the empirical data.

I have adopted an approach, which implies constant interplay between theory and empirical observations. Dubois and Gadde (2002) referred to this way of conducting case studies as a *systematic combining*, in which the empirical case evolves during the study and becomes not only a tool but also a product. This is exactly how I have worked with my case when certain parts were added as pieces of jigsaw puzzle until it became clear how these pieces fitted the "big picture". There has been constant interaction between the evolving case and the analytical framework, both of them being developed simultaneously.

I will now discuss the way, in which my analytical framework has evolved concurrently with the empirical study. The theoretical chapter has resulted in the development of a preliminary framework, outlined

in Chapter 4, which has already constituted a contribution to the existing literature. This framework consisted of the model of a corporate brand as an organisational basis for market driving and stakeholder value creation. The concepts from this model (e.g. vision, organisational culture, core values, value proposition) have been used as key constructs for structuring the interviews, data coding and data presentation in Chapters 5, 6 and 7. Having used the concepts from the preliminary framework for “packaging” the empirical material, I realised that some additional concepts were needed to make sense of this fragmented picture. I was particularly looking for the ways to categorise the stages of corporate brand transfer from the corporate to local levels of the firm, which were revealed in the empirical data. This was done by using the existing models and conceptualisations (a model of Brand Ethos by de Chernatony and Drury, 2006 and a concept of employer brand in Barrow and Mosley, 2005) from the literature and applying them to my case.

Since the above-mentioned model by de Chernatony and Drury (2006) was intended for a different use than in my case (it was used for branding to employees while I used it for branding to all groups of stakeholders), I made some modifications, which implied broadening the scope of the model and modifying some of its key concepts. The broadening of the model also involved an introduction of four modes of the corporate brand identity (employee facing, supplier facing, customer facing and society facing brands). As a result, a new extended framework of market driving in a broad stakeholder perspective was developed and used for achieving the main purpose of the study – exploring the mechanism of the market driving approach. Although presented in Chapter 8 as a result of the empirical study, this framework was also used at earlier stages of the study to re-structure the empirical data by adding some missing pieces (e.g. data on global society brand) and taking away some irrelevant material.

2.7 Data analysis

The data analysis consisted of several steps, starting from data coding and display to data presentation and subsequent general analysis. The early steps of the analysis were carried out via data coding using the

preliminary conceptual framework (Fig. 4.3.) as guidance (Miles and Huberman, 1994, p. 58). The data coding process included reading through the transcripts, coding the material and creating the short summaries of each transcript (of 2-5 pages each) that contained both the relevant (coded) material and the necessary contextual background. These summaries were used in the later stages of analysis, while the original transcripts were checked to see if more information was needed.

The data display process was performed in two parts: the first part focused on the corporate level data while the second part included a cross-case display of the specific country cases. Within each sub-case, the material was organised in the form of conceptually clustered matrixes (Miles and Huberman, 1994, p. 127), of which the columns corresponded to the constructs from the preliminary model while rows corresponded to the respondents' perceptions of these constructs. In addition, the data on respondents was entered (position, what entity at IKEA, number of years in the company, nationality) for the purpose of categorising the respondent as function, corporate/local, experienced/inexperienced, Western/other.

For cell entries, I used the coded chunks of material in the form of quotes from interviews, references to corporate documents used by respondents, as well as my own short summaries and labels. The examples of labels were global/local brand, customer-, HR-, supplier- and society-facing brands while summaries concerned the identified links between the variables and the content of marketing activities (e.g. market learning, customer education, employee education). The labels and summaries were used later for comparing the entries of different respondents and pulling them into groups, sharing a common perspective of a corporate brand and related market driving activities. The matrixes also included an entry for additional dimensions that appeared from the data such as the role of the organisational founder, the ownership structure and product range.

Having developed matrixes for all respondents at different company levels, I regrouped them by pulling together the respondents providing the similar view of the brand. At this point, it was possible to clearly distinguish between the corporate and local levels of respondents' brand perceptions, while within each level there were also certain gradations

(depending on their function, the respondents provided different perspectives of the brand as being predominantly employee, supplier, customer or society oriented). As a result, the material from different respondents was organised in clusters with shared patterns of corporate brand perceptions and the corresponding marketing activities. At this stage, the clusters were given their preliminary names: the concept brand on the corporate level 1 (concept level); global employee-, supplier-, customer- and society-facing brand on the corporate level 2 (strategic level); and local employee-, supplier- customer-, and society-facing brands on the local market levels.

A separate cluster of internal and external stakeholder perceptions was created on a local level (Russia and Poland) in order to illustrate the process of forming brand perceptions under the influence of the corporate brand. This process was analysed from a market driving perspective and linked with market driving outcomes in terms of stakeholder value.

Since some respondents provided different and complementary views, their data was used in several clusters. It is important to add that I have not made any systematic cross-case comparison as recommended in Miles and Huberman (1994). Instead, I have pulled together the data of respondents from different markets using the logic of the research question and the idea of systematic combining of Dubois and Gadde (2002). They recommended using the sub-cases of a single case in their *shared context*. The purpose of such analysis is, therefore, not the comparison of sub-cases but the variation between them. In the context of my study, the variations between sub-cases referred to different angles of an otherwise consistent market driving approach. My focus, therefore, was more on the similarities than on differences in the market driving approach across different cultural settings.

After coding and clustering the empirical data, the next phase of analysis was carried out. This consisted of data presentation in accordance with the identified clusters and data interpretation in accordance with the preliminary theoretical model. In Chapters 5 and 6, the material is presented as a set of short sub-chapters devoted to different brand dimensions and corresponding marketing activities planned or implemented at this stage. I have used the relevant material from the matrixes that provided support for the corresponding

dimensions and activities. In Chapter 7, the material is presented differently, in the form of individual stakeholder cases (stories). When citing the respondents' views, I have stressed whether these were shared by other respondents and represented the common view or were individually held and non-representative. In addition, the relevant corporate materials and secondary sources have been used as well as my own observations, providing a data triangulation (Miles and Huberman, 1994, p. 267).

In presenting the data, I have made an extensive use of the respondents' perceptions and opinions while also providing my own interpretations of their accounts. With regard to interpretations of the interviews, it is useful to use Kvale's (1996) three levels (or contexts) of understanding the interviews: self-understanding by the subject, critical commonsense understanding and theoretical understanding. As argued by this author, a researcher can choose, and also mix, different contexts of interpretations depending on the research question and overall research perspective. In my study, I have always interpreted the respondents' statements within the theoretical frame of reference provided by the corporate branding and market driving theories. This implied combining the critical commonsense understanding of the content of their accounts (looking for the general meaning) with the theory-driven understanding (looking for the specific meaning in my theoretical framework). Sometimes, I have also included the respondents' self-understanding of their own roles and viewpoints towards different aspects of the organisation.

I have treated the respondents as both the informants providing the important information about their organisation (its vision, values, organisational culture, etc) and also as representatives of two organisational phenomena (corporate branding and market driving) (Kvale, 1996, p. 218). Thus, organisational managers and staff possess the specific knowledge of their corporate brand; their values and beliefs represent a vital part of the brand identity while their behaviours constitute the essence of a company's marketing activities. It might be argued that some respondents were treated more as informants (e.g. corporate managers) while others more as representatives (e.g. local managers) depending on whether their knowledge of the brand or brand related beliefs/behaviours were in focus. The local stakeholders in

Chapter 7 were treated more as representatives and objects of the analysis since the aim was to reveal the whole chain of their organisational perceptions as well as their views as regards the organisation.

Since the purpose of the study is to analyse the mechanism of market driving with a corporate brand, special attention has been paid to the links between different brand dimensions and market driving activities. These links were traced already at the stage of data display by identifying the common patterns across corporate brand and market driving dimensions. The following questions were asked: Which corporate brand variables have an impact on market driving variables? Are there any consistent patterns? Are there analogies in identified patterns across the data? (Miles and Huberman, 1994, p. 145-146) Among the most distinct patterns could be found, for example, the role of core values that could have been traced across different activities.

The inter-relationships between corporate brand dimensions and market driving strategies and activities were further explored in the empirical Chapters 5 and 6 by building up the chain of evidence (statements, corporate materials, artefacts, etc) that showed the links between these constructs and illuminated the role of specific constructs. These links were explored at both corporate and local levels as well as between the levels. Miles and Huberman (1994, p. 146) argue that the mechanism has to do with local causes and outcomes. To demonstrate the links between corporate brand dimensions and market driving outcomes as perceived by local respondents, I have presented their accounts in the form of individual stories in Chapter 7, instead of dissecting them into component parts as in Chapters 5 and 6. This has been done in order to re-create the whole process of value creation as an outcome of market driving in the minds of stakeholders. The material in this chapter was also interpreted with a stronger focus on language and more attention given to the feelings expressed by the respondents.

During the subsequent analysis in Chapter 8, I have further followed the logic of the research purpose and explored the role of different brand dimensions in market driving strategy as well as the nature and mechanism of this strategy. In this part of the analysis, the focus was on the nature of each brand representation as expressed in keywords that both provided meaning for the respondents and succinctly described

the nature of the specific brand dimension. Thus, I have made use of the empirical material in its condensed form of keywords, phrases and summaries. By putting together the keywords assigned to each brand dimension and looking for patterns and links, I have analysed their individual and combined roles in different identity forms. This process was carried out in parallel with a further theory development described earlier, in which new concepts were introduced and an extended framework of market driving towards different stakeholders, globally and locally was developed. The subsequent analysis implied the higher level of abstraction and focused on the links between brand manifestations and specific activities on the corporate and local firm levels; consistent patterns among activities aimed at individual stakeholders in different markets; patterns of activities aimed at different stakeholders in a particular market as well as the major principles of the market driving approach in a broad stakeholder perspective.

2.8 The quality issues of the study

Case studies are usually judged on several criteria of quality: validity, reliability, and generalisability (Yin, 1994; Silverman, 2001). As argued in Silverman (2001, p. 222-255), these principles have been first applied for quantitative research and, therefore, should be addressed with special care in qualitative studies. The epistemological issues of these studies should also be addressed since the epistemological position reflects the way social reality is treated by the researcher. It has been put forward by Tsoukas (1989, p. 556) that within the positivistically inclined social science the case studies are viewed as epistemologically inferior since they “*by their nature cannot point at any extensive regularities*”. This approach is reflected, for example, in the claims that case studies provide little basis for generalisation (Yin, 1994). On the other hand, the realist perspective of idiographic research claims that case studies are epistemologically valid since they are “concerned with the clarification of structures and their associated generative mechanism, which have been contingently capable of producing the observed phenomena” (Tsoukas, 1989, p. 556).

From the realist perspective, the idiographic research concerned with explanatory knowledge is not aimed at merely establishing causal laws and empirical generalisations. Since this research deals with complex social structures that are in constant flux, the researchers seek causal capabilities of these structures rather than definite laws. The causal powers identified in the research process can be externally valid, however, their effects are contingently determined and depend on the concrete empirical situation, in which the observed phenomenon takes place. The idiographic research within the realist paradigm is argued to go along two ways: “up in the clouds” dealing with theoretical conceptualisation of the phenomenon and “down to earth” looking for specific representations of the phenomenon in the empirical world (Tsoukas, 1989, p. 558).

I have combined the realist perspective on idiographic research with more positivistic assertions in my study since, in my opinion, they complement each other in terms of assessing the parameters of case studies. When it comes to credibility of case studies, the issues of reliability and validity are usually discussed in the literature. They deal as much with the “down to earth ways” to capture and describe the representations of the social phenomenon as with the “up in the clouds” ways to connect these representations with the theories and models.

The issue of *reliability* of case studies is about the possibility for another researcher to repeat the results of the study or, in more general terms, about the possibility to produce the accurate and consistent measures of the phenomenon under study. Some researchers practically deny the relevance of reliability in qualitative research, arguing that since the social world is changing, the concept of replication is problematic (Marshall and Rossman, 1989 in Silverman, 2001). However, other authors, such as Silverman (2001) and Yin (1994), assume that the social world possesses certain stable properties and they address the issue by suggesting different methods to describe these properties with as high an accuracy as possible.

As far as the reliability of interviews as major sources of evidence is concerned, Silverman (2001, p. 229) suggested the criterion of low-inference descriptions to be applied to interviews, meaning, in practice, as concrete recording and transcribing as possible, pre-testing the

interview questions and even comparing how two different researchers analyse the same data. Yin (1994) suggested a remedy in the form of case study protocol containing the procedures and general rules that should be followed by the researcher and case study database for organising the materials collected during the case study. Besides, writing a case study report early on in the study has been suggested by many authors as the way to keep oneself on track as well as the way to increase the construct validity of the study (Yin, 1994, p. 146). An interesting issue suggested by Silverman (2001, p. 230) is presenting the long extracts of data in the research report including the questions that evoked the answer as a way to make the points clear and context-bound.

Most of the above-mentioned measures have been taken in my study. For example, a case study protocol in the form of a general guide and detailed questionnaires to all respondents has been used at all stages of the project. Case study questions were revisited and updated, if necessary, while the case evolved. A case study database was collected during a period of 2003-2005. It includes multiple documents and articles as well as the original transcripts of all interviews in the original language (Swedish, Russian, and English) as well as translated versions. The translation work was carried out by authorised translators and checked against the tapes by the author. Case study reports were produced for Russia and sent for comments to the key IKEA representative in Sweden, while certain parts were compared with the reports written by another researcher working in the same project for the purpose of verifying some important issues. A number of project related conference papers were presented at international conferences, which gave room for feedback from other researchers. A special issue that is also discussed in relation to reliability is the role and status of the researcher himself/herself, whether these should be explicitly described in the texts. Although not stated implicitly, I have tried to make myself visible in my texts as a critical observer of the organisational life and processes.

Another important issue of any type of research is its *validity* or the extent to which the account represents the reality of the social phenomenon. Silverman (2001, p. 233) argues that claims to validity are appropriate to qualitative research as much as to quantitative where

they are also most common. Researchers approach the issue of validity from different perspectives. Quite often, the internal validity (credibility) of findings and external validity (transferability) of conclusions are discussed (Miles and Huberman, 1994, p. 278). The first issue is concerned the credibility of evidence used in the study and the ways the data is interpreted. As explained above, most empirical data in my study was in the form of interviews carried out with managers at the corporate and local levels of the company. The fact that I have conducted very few interviews with the staff on the shop floor can be considered as a limitation since the role of *all* staff in market driving is important. Besides, the implementation of market driving activities depends as much on the managerial intentions as on the staff actual beliefs and behaviours. To capture the employees' angle of market driving, I have added two stories of employees, which have provided additional insights on the role of individual members in market driving.

The issue of interpretation was influenced by the fact that interviews were carried out in three different languages and sometimes by another researcher. The problem of possible semantic distortion via the translation was dealt with, first, by getting the general impression of the texts (transcripts) in their original languages and, second, validating the translations (style and tone) against these impressions. The usage of transcripts made by another researcher could have decreased the validity of this specific data (Chinese). I have tried to compensate for this by using other sources of evidence and getting feedback from an expert in Chinese culture and business.

The literature discusses specific forms of validation, which in the realist perspective are considered most relevant for the idiographic studies. Among the most controversial issues is triangulation, or comparing different kinds of data. Many authors, such as Yin (1994), maintain that this is the most effective way to increase the construct validity. In accordance with Silverman (2001, p. 235), the problem that can arise from a blind belief in triangulation as a test of validity is that in many cases the researchers pull together multiple sources of data taken from different contexts, ignoring the context-dependency of these sources. In doing so, they actually aggregate the data that does not necessarily produce a more complete or truthful picture.

I have been very aware of the problem with triangulation in my study. Since the very beginning, I aimed at generating data in multiple ways, the temptation to use as many sources as possible was very strong. As discussed above, apart from the interviews, multiple sources, such as corporate printed materials and printed media were used. Moreover, I studied the existing investigations of IKEA. The interviews were good sources of evidence for revealing the respondents' perceptions of a corporate brand as well as their own roles in the company's marketing activities. As far as the specific behaviours and activities were concerned, the interviews alone could not produce complete accounts since respondents could have emphasised what they thought the interviewer wanted to hear. The subsequent analysis of corporate reports and printed media provided the additional evidence of the company's real activities in the market and their outcomes from other stakeholders' points of view. I tried to choose those corporate materials that the respondents referred to in the interviews to create a picture of brand identity that was as context-bound as possible. The printed media was chosen from the principles of availability and critical attitude to the company's activities. It should be stressed, though, that I have not managed to collect the secondary data of the same amount and quality to cover all stakeholder activities, and the empirical material might appear somewhat uneven.

With regard to other methods for increasing the validity of case studies, Silverman (2001, p. 236) suggested, among others, the following: analytic induction, the constant comparative method, and deviant-case analysis. The first issue of analytic induction implies grounding the study in certain theoretical propositions and/or models developed prior to the empirical stage of research. As discussed above in the role of theory, I have started the field studies with a clear preliminary framework, which guided me in the empirical process. By a systematic combining of theory development with empirical data collection and analysis, I have been constantly validating the findings with the theory. It might be argued that the usage of other theoretical framework could have brought about different results. It was thus interesting to use the existing studies of IKEA (Salzer, 1994) that explored the similar phenomenon (global brand identity) to check for the possible transferability of major findings.

The issue of *generalisability* is discussed in both quantitative and qualitative studies, though treated differently. I have briefly mentioned this issue when talking about the need to define the epistemological standpoint of case study research *before* entering that discussion. The low generalisability is argued in the commonly cited literature (Yin, 1994) to represent a major barrier when carrying out case studies. This author maintains that case studies should rely on analytical instead of statistical generalisation, in which a researcher tries to generalise a set of findings to some broader theory. The realist perspective argues as much against the notion of statistical generalisation in case studies as against the view of case studies as pure instruments of theory building based on empirical data. In the realist view, the analytical inference of case studies is completely justified, while cases themselves are both the *instruments* and *products* of the study. The proponents of the systematic combining, whom I have already cited, put forward extensive arguments in this regard that the main concern of “good” case studies is an appropriate matching between the reality and theoretical constructs used in the study. They argue, therefore, for “logical coherence” as the basis for analytical generalisation and as another criterion for quality of case research (Dubois and Gadde, 2002, p. 559).

In my study, I have been aiming at developing a theoretical framework that is not only grounded in the empirical material but also allows a higher level of abstraction and a deeper understanding of the nature of the market driving phenomenon. Moreover, my objective has been to develop a rather simple and logical framework that might be used for explaining the patterns of the same phenomenon in other cases of market driving companies documented in the literature. Once some findings can be replicated, the results might be argued to represent broader patterns of the phenomenon under study.

Chapter 3

Literature review

The literature review consists of two parts: the first part covering the theories of market orientation and market driving approach, and the second part devoted to corporate branding theories. The choice of theories follows the logic of the research purpose of the study: analysing the mechanism of the market driving approach with a special focus on the role of the corporate brand. After the literature review, a conceptual framework of market driving with a corporate brand will be developed in Chapter 4.

3.1 Theories of market orientation and market driving

This chapter examines the key issues in market orientation and focuses on market driving as constituting its most recent development. Although the existing conceptualisation of market driving does not explicitly draw on the market orientation concept and theories, there exists an implicit link between these two concepts on a paradigmatic level since both have marketing concept as their philosophical foundation. This is why I deem it necessary to position the new direction of marketing thought in relation to the established perspectives of market orientation.

3.1.1 Major perspectives of market orientation research

Market orientation represents the operational implementation of the marketing concept¹⁰, i.e. the managerial philosophy of doing business in

¹⁰The marketing concept implies that a satisfied customer should be the primary objective of business (Levitt, 1960).

such a way that creates customer satisfaction and organisational success (Narver and Slater, 1990). A substantial number of conceptual and empirical studies defined market orientation and the principal features of market orientation organisations. During the last 20 years, two main conceptual frameworks have been developed: one that interprets market orientation as a company's culture or philosophy (Deshpande and Webster, 1989) and the other that explains it as a set of activities or behaviours (Kohli and Jaworski, 1990; Narver and Slater, 1990). The role of these two contributions was very significant since, according to Deshpande (1999), more than one hundred subsequent studies of market orientation used some form of the Kohli et al (1993) or Narver and Slater (1990) conceptualisations. The influence of these two major schools was such that it shaped the direction of the whole stream of subsequent market orientation research, which can be categorised as behavioural, cultural and strategic studies (Deshpande, 1999).

A behavioural perspective

Kohli and Jaworski (1990) are the most prominent representatives of the behavioural approach. In accordance with their concept, market orientation involves "the organisation-wide generation of market intelligence pertaining to current and future customer needs; dissemination of the intelligence across departments, and organisation-wide responsiveness to it" (ibid, p. 6). Hence, they focused on specific marketing activities and behaviours, which they also measured with the help a special measurement scale (MARKOR).

Narver and Slater (1990) perceived market orientation as a form of organisational culture that most efficiently and effectively creates organisational behaviours geared towards the delivery of superior value for buyers. They combined both behavioural and philosophical aspects and suggested that market orientation consists of three behavioural components: customer orientation, competitor orientation and inter-functional co-ordination and two decision criteria: long-term focus and profitability. A corresponding measurement scale was developed, known as MKTOR, which also represents a set of specific behaviours.

The numerous scales for measuring market orientation have been designed on the basis of the most robust elements of Narver and Slater's (1990) and Jaworski and Kohli's (1993) original scales such as those by Gray et al (1998), Cadogan et al (1999), as well as that of Soehadi et al

(2001) for retailers. Most of these scales have been found to be the reliable instruments for measuring market orientation (see Narver and Slater, 1990, p. 21), thus providing strong support for the construct validity of the behavioural core of market orientation.

In spite of their strong contribution to the knowledge of market orientation, the above-mentioned studies were criticised for their tendency to conceptualise market orientation as “information” and their focus on quantitatively measurable organisational artefacts. Some researchers (e.g. Harris and Ogbonna, 1999) argued that these studies ignored the deeper levels of the organisational culture and provided a rather shallow view of market orientation as a set of behaviours or organisational tactics. The behavioural perspective was complemented by scholars viewing market orientation as an organisational culture.

A cultural perspective

As argued in Harris (1996) and Deshpande (1999), market orientation should be viewed on a deeper level of organisation than a tactical one, and understood as a state of mind rather than a flow of information. The importance of culture as a foundation for market orientation has been strongly supported in the literature (e.g. Deshpande et al, 1993; Deshpande and Webster, 1989). Kasper (2002) stressed that cultural focus should be the starting point for the managerial focus and called for looking beyond the measurable marketing practices and behaviours. Deshpande et al (1993) and Lafferty and Hult (2001) argued that even though a focus on customer needs is important, it cannot be viewed without consideration of the values that pervade the organisation. These authors have also found that the firms with responsive cultures (market and ad hoc cultures) outperform those that are more internally oriented or have bureaucratic cultures. Harris (1996, p. 360) formulated a definition of market-oriented culture as “the dominant, dynamic segment of an organisation whose orientation, attitudes and actions are geared towards the market”.

In spite of a substantial body of research in market orientation as a philosophy or culture of organisation, most authors focussed mainly on the organisational barriers to market oriented culture as related to “tangible organisational creations” and people issues. Among the identified tangible organisational barriers to market orientation are such factors as: structure (Avlonitis and Gounaris, 1999; Harris, 2000) and

systems (Harris, 2000). People-related barriers include top management ability (Jaworski and Kohli, 1996), risk aversion (Avlonitis and Gounaris, 1999) conflicts and political behaviour (Harris and Piercy, 1999) and intentional employee resistance (Harris, 2002). Harris and Piercy (1999) criticised these studies for not providing an integrated picture of systems and people barriers to market orientation, while Harris and Ogbonna (1999) argued for the inclusion of a broader range of cultural attributes, linking them with organisational practices and employee behaviours.

As a response to the issue of combining culture with marketing actions and behaviours, Avlonitis and Gounaris (1999) provided empirical evidence that the company's market orientation represents the combined outcome of its *attitude*, which is grounded in the organisational culture and its *behaviours* to collect market intelligence, disseminate it company-wide and design the relevant response. Thus, they argued, these two pillars of the market orientation concept are inseparable, and in order to develop market orientation, it is necessary to consider both the company's culture and its behaviours. Following this line of thought, Gray and Hooley (2002, p. 981) offered a new definition of market orientation that bridges both philosophy and behaviour and allows an integrated approach: "Market orientation is the implementation of a corporate culture or philosophy which encourages behaviours aimed at gathering, disseminating and responding to information on customers, competitors and wider environment in ways that add value for shareholders, customers and other stakeholders".

However, according to other scholars, an integrated approach does not only mean a combined view of organisational culture and behaviours but also includes a balanced view on the fundamental issue of meeting the customer needs and creating customer value. This latter issue was tackled by a strategy perspective of market orientation.

A strategy perspective

It is worth taking a more specific look at studies of market orientation as a firm's strategic orientation. Viewing market orientation as a firm's *strategy* is linked to its focus on continuously creating superior value for customers (Deshpande, 1999). While there is a general agreement about the centrality of customer issue between different scholars, there

is less agreement about the extent to which market orientation is synonymous to being customer-led, which is generally understood as satisfying the customers' existing and articulated needs. As argued in Day (1994), being market-oriented generally means that a firm is acting pro-actively by being committed to understanding both the expressed and latent customer needs. However, the same author emphasised the priority of reacting upon the expressed customer needs as reflected by his prioritisation of the firm's externally orientated capabilities argued to influence the firm's ability to over-perform its competitors. Moreover, through a close examination of market orientation scales (Kohli and Jaworski, 1990; Narver and Slater, 1990, etc.), it becomes clear that the level of market orientation is measured on the basis of managers' responses to the articulated customers' needs and competitors' actions.

There has been an attempt by several authors to reconcile both the more reactive focus on the existing customer preferences and the current market situation, and the more pro-active focus on the latent customer preferences and the future market development within the existing concept of market orientation. This has generated a lively debate in the literature. For example, Slater and Narver (1998) called for not confusing customer-led with market-oriented approaches. They argued that compared to customer-led businesses, market oriented ones "scan the market more broadly, have a long-term focus and are much more likely to be generative learners" since it is the generative learning that is critical for a firm's ability to anticipate the customer needs and market developments (ibid, p. 1003).

The firm's ability to envisage market trends and customers' unexpressed needs was tackled by Slater and Narver (1999). These authors maintained that it could not be explained by the existing theory of market orientation since market orientation constitutes only one facet of an organisation that pursues long-term goals and aims at generative learning. A learning orientation in combination with market orientation was suggested by these authors to better explain the ability of firms to be pro-active towards customers and the market. Thus, Slater and Narver (1999) argued that "market orientation is not a panacea" and called for building a learning organisation for a sustainable competitive advantage. The process of organisational

learning in this paper strongly parallels the market orientation conceptualisation by Kohli and Jaworski (1990), the difference being a “learning boundary” that a learning organisation must trespass on (Slater and Narver, 1999, p. 246). As discussed further in the text, the difference between a market driven and market driving approaches, as conceptualised by Jaworski et al (2000), also lies in the ability of a firm to go beyond the constraints of the established market structure and market behaviours.

An interesting issue that has received special attention in the literature is related to difficulties in interpreting and implementing market orientation. The misconceptions with the existing conceptualisations of market orientation are, indeed, numerous, resulting both in different interpretations of the same concept by academics (we find in the literature such conceptualisations as, for example, market-led, market-driven, customer-led, customer-driven that are used interchangeably and usually imply being market-oriented) and pitfalls in implementing the market orientation concept by the firms. Addressing the latter issue, Day (1999) argues that the common misconceptions regarding market orientation are due to the fact that firms “do not capture the essence of being market oriented”.

Another possible explanation of the misconceptions in understanding, and pitfalls in implementing the market orientation concept can be a confused state of mind concerning what it means to be market oriented and a tendency to interpret market orientation as being market driven. Such an approach leads firms to the prioritisation of existing customer needs, development of externally orientated capabilities and emphasising reactive behaviours to understand articulated needs and preferences. As argued by Carrillat et al (2004), if every firm in the market follows the market driven strategy adapting it to competitors’ moves and customers’ requirements, then no firm would ever be able to offer a superior value proposition to customers. A serious attempt to overcome some of the above-mentioned pitfalls and develop an alternative approach to market orientation was taken by scholars who developed the notion of market driving.

3.1.2 Market driving as a new strategic approach to market orientation

The market driving concept has been coined as a response to the obvious misbalance with the market orientation approach and the inability of market orientation theories to embrace and explain a new strategic approach taken by firms. Although the term itself has first appeared in the work by Kumar (1997) and later elaborated by Kumar et al (2000) and Jaworski et al (2000), the underlying ideas can be traced back to the works of Hamel (1996), Hamel and Prahalad (1991; 1994) and Kim and Mauborgne (1999). In these works, the authors clarify how value-innovative companies escape the tyranny of served markets, overturn traditional assumptions about price/performance, lead customers rather than follow them, lead the industry revolution and create new market spaces. These ideas have been definitely absorbed by the research community since there are references to these works in later studies. However, the major contributions to market driving described below seem to represent two independent streams of research.

In their seminal work, Jaworski et al (2000) have addressed “the confused state” of the market orientation concept and proposed a way to clarify this confusion by broadening the scope of this concept to embrace the market with all its key players (customers, competitors, business partners, other stakeholders), providing more depth by distinguishing two different strategic approaches to market orientation – a market driven and a market driving approach. A firm can be characterised as *market driven*, i.e. reactive and adapting its offer to current customer needs, or *market driving*, i.e. adopting a more proactive approach which implies leading customers and reshaping markets (Kumar, 1997; Jaworski et al, 2000; Kumar et al, 2000; Carrillat, 2004).

As explained in Jaworski et al (2000, p. 47), “the term market driven refers to learning, understanding and responding to customer and stakeholder perceptions and requirements within a given market structure”. That also means that a firm accepts the existing market structure and behaviour of market players as a *constraint* and works to increase the customer value within these constraints. In contrast, to be *market driving* implies “influencing and changing the composition and

roles of market players in a market and/or behaviours of players in the market” (ibid, p. 47). It is suggested that the change occurs in the direction that enhances the competitive situation of the firm, and the greater the change, the stronger the market driving effect, implying that market driving orientation of the firm is “a matter of degree and not a dichotomous variable” (ibid, p. 47).

Most importantly, the focus of market driving is not on the change in market structure/behaviour for its own sake but on the potential effect of this change on the improved customer value and the increased performance of the business itself (Jaworski et al, 2000). The difference between market driving and market driven approaches is illustrated in the work by Hills and Sarin (2003) who compared market driving with other existing market orientation paradigms. The short version of their summary is given in Fig. 3.1.

<i>Key aspects</i>	<i>Market driven approach to MO</i>	<i>Market driving approach to MO</i>
Customer needs	Expressed	Expressed or latent
Products or services provided	Incremental	Radical or incremental
Notion of market	Existing	Existing or new
Business system employed	Existing	Existing or new
Customer behaviours/ preferences	Given, viewed as a constraint	Subject for change
Competitor behaviours/ preferences	Given, viewed as a constraint	Subject for change
Industry structure	Given, viewed as a constraint	Subject for change

Fig.3.1. Market driving and market driven approaches to market orientation (MO) (modified from Hills and Sarin, 2003)

Commenting on the primary difference between market driving and market driven approaches, Hills and Sarin (2003) mentioned two major factors: a broader stakeholder emphasis and active industry change pertinent to market driving approach. They stressed that while the customer is the primary stakeholder and active target in market driven activities, the entire range of industry participants (competitors, channel members, alliance partners, industry regulators) become

equally important stakeholders in market driving. Contrary to market driven firms which mainly follow the market and industry rules, market driving firms seek to produce and effect change at different levels of industry and market. This distinction is reminiscent of Hamel's (1996) categorization of companies as rule makers, rule takers and rule breakers, in which market driving firms are clearly positioned as the latter group – the industry revolutionaries (the term “market driving” has not been used in the article referred above).

The two groups of authors: Kumar et al (2000) and Jaworski et al (2000) have further elaborated the concept of market driving by viewing it from two different perspectives: an *internal* one that emphasises the role of staff, business system and the value proposition to customers (Kumar et al, 2000) and an *external* firm's orientation towards customers and the market (Jaworski et al, 2000).

3.1.3 Internal and external perspectives of market driving

The *internal* perspective by Kumar et al (2000) focused on the specific driving forces inside the firm that initiate and enhance market driving – the *unique business systems* based on radical innovation and the discontinuous *leap in the customer value* related to it. Among facilitating factors the following have been mentioned: strong vision, innovation focus, forward sensing, entrepreneurial proclivity, customer education, channel reconfiguration and buzz network. Although not explicitly discussed as the antecedents of market driving, some HR factors, such as value recruitment and training, have also been mentioned. The authors argued that taken together, these factors enabled firms to act pro-actively and led them to a sustainable high business performance in the market. The study of Kumar et al (2000) has also provided examples of market driving firms such as Sony, CNN, The Body Shop, Nike, Swatch, Virgin, IKEA, Benetton, Amazon.com, and Starbucks, though the authors have only briefly mentioned these cases to support their theoretical propositions.

The work by Carrillat et al (2004) contributed to the internal perspective by exploring the role of organisational culture in market driving. These authors argued that in order to develop a market driving approach, a firm needed to create an *adhocracy* type of culture since it

facilitated the firm's capacity to innovate through fostering risk-taking, innovativeness, and interactive organisational learning. On the other hand, the implementation phase of market driving required a *market* type culture because of its goal orientation and enhancement of productivity and efficiency as well as communication and coordination advantages. Carrillat et al (2004) conceptualised market driving culture as an ability to successfully match customer value opportunities with the firm's own capabilities through the identification, development and deployment of the its key resources (brands, sales forces, customer trust). Moreover, this drives customer value by means of innovations and new business systems.

The strong feature of the paper by Carrillat et al (2004) is a framework of the organisational processes leading an organisation to become market driving, in which the roles of *vision* and *transformational leadership* have been particularly emphasised. It has also included such organisational factors as risk propensity, innovativeness and organisational learning, argued to contribute to the firms' transition towards a market driving culture. However, the value of this framework is somewhat diminished due to its conceptual complexity and some underlying propositions that (1) culture is manageable and (2) cultural change can be created and sustained by the firm's leaders. Basically, these assumptions over-simplify the complex nature of organisational culture and ignore the role of other organisational members.

The *external* perspective of market driving elaborated on the different ways or tactics to drive the market. As argued by the authors Jaworski et al, (2000), markets can be driven by *shaping market structure* by *deconstruction* (eliminating competitors in the value chain), *construction* (adding players into the value chain), or *functional modification* (shifting the functions performed by market players). A market can be also driven by *shaping the behaviours* of market actors either directly or indirectly. There are four strategic options for shaping the behaviour of the market *directly*: building/removing customer constraints and building/removing competitor constraints and four options for shaping market behaviour *indirectly*: creating new customer/competitor preferences, reversing existing customer/competitor preferences.

The external perspective has been developed further by Harris and Cai (2002). The main contribution of their empirical study of De Beers in

China is identifying the *dynamics* of market driving as represented by four tenets: *market sensing*, *changing customer preferences*, *channel control through relationship formation*, and *local sensitivity*. Thus, there has been some support for the conceptualisation of Jaworski et al (2000) with regard to shaping the customer behaviours and market structure as well as of the notion of externally orientated capabilities put forward by Day (1994), discussed earlier. The case of De Beers has also demonstrated two *factors* leading to the adoption of the market driving approach: customer familiarity and preconceptions of product characteristics and the extent of market control exercised by the firm. This paper has, however, shown less support for the internal perspective of Kumar et al (2000) as regards the centrality of rule-breaking innovation and revolutionary business system for market driving.

Another study that is closely related to the external perspective but represents an independent piece of research is that by Narver et al (2004). Using classical market orientation theories and conceptual frameworks, these authors introduced the concept of *proactive* market orientation that addresses the latent needs of customers and creates new opportunities for customer value. As argued in this article, proactive market orientation should be distinguished not only from a reactive one but also from another use of the term “proactive” meaning that “a business is simply highly energised in attempting to satisfy target customers’ expressed needs” (ibid, p. 336). Being proactive according to these authors means “to lead customers rather than merely respond to them”. This study has also developed the measure of proactive market orientation as a set of specific behaviours although the focus was primarily on the product development process.

3.1.4 Bridging the two perspectives

An attempt to bridge the two perspectives on market driving has been undertaken by Hills and Sarin (2003) who, based on the existing literature and a survey among leading marketing scholars, identified several major characteristics of this phenomenon such as 1) focus on *value creation* 2) the emphasis on *change* 3) the notion of *leadership*. The value creation dimension is associated with the “discontinuous leap in customer value” that market driving firms create through the development of unique business systems (Kumar et al, 2000). The

change dimension is viewed both as an underlying factor and an outcome of market driving. Market driving companies act as catalysts of change (Kumar et al, 2000) and they are able to alter the market conditions to their benefit. This occurs through changing the *roles* and *behaviours* of key market actors including the industry participants and customers as well as through altering the *structure* of the market (adding or eliminating players, changing their functions, changing competition rules, etc) (Jaworski et al, 2000). Finally, the leadership dimension is closely related to the topic of change.

Hills and Sarin (2003) argue that any firm might create value or effect change, but the specific feature of market driving firms is that they go further by compelling the market players to follow them in a new direction. In the opinion of these authors, the *simultaneous* presence of all three dimensions of value creation, change and leadership distinguishes the market driving phenomenon from other existing market orientation paradigms (e.g. market driven and customer leading/led).

Hills and Sarin (2003) have also suggested that in addition to being multidimensional, market driving might be also multi-level. Using Hamel's (1996) conception of mechanisms for driving change, they distinguished three levels 1) *industry* level with activities focused on driving change of the behaviours and functions of industry players and nature of competition 2) *market* level with activities focused on driving change by altering customer preferences and behaviours and 3) *product* level with activities aimed at altering standards of product offerings. It has been further argued that marketing literature places a disproportionate focus on product level activities and as a result, much of what we currently perceive as market driving takes place at the product level (e.g. new products, new attributes and functions), while industry and market levels of market driving are to a large extent ignored. Calling for the integrated conceptualisation of market driving, these authors presented a definition of market driving¹¹ as "a firm's ability to lead fundamental changes in the evolution of industry conditions by influencing the value creation process at the product, market, or industry levels" (ibid, p. 14).

¹¹These authors have specially noted that this definition is most valid for high-tech industries.

Another interesting study, although not entirely focused on the market driving strategy, is that of Tuominen et al (2004) who indicated that the market driving approach implies a careful match between a proactive business logic, supportive organisational culture and superior marketing capabilities of the firm; they also defined a special type of customer relationships (customer intimacy) pertinent to market driving. These propositions, however, remained quite speculative and, according to the authors, required the empirical evidence.

3.1.5 Critique of market driving research

As discussed above, the market driving phenomenon is in its early phase of theory development and far from adequately understood; this usually implies fragmentation and lack of a dominating view. Empirical research is very scarce and represented by one case study by Harris and Cai (2002). All other examples of market driving firms in the literature have been presented without any references to specific cases. As a result, the existing knowledge on market driving is mainly conceptual. Moreover, it constitutes a rather unbalanced view of this phenomenon with a major focus on the external perspective, an undeveloped internal perspective, a lack of connection between these two perspectives, and a primary focus on customers. Finally, an international dimension of the market driving approach has not been acknowledged in the literature. I will go more specifically through these issues and suggest ways to develop a more balanced view of the market driving approach.

The major focus of market driving studies has been on the *externally* oriented manifestations of this approach. As a result, existing knowledge is mostly in the area of *tactics of change*, referred to as shaping behaviours of market actors and shaping market structure (see Fig. 3.2). As far as the *internal* perspective of market driving is concerned, it is represented by a set of concepts such as vision, leadership, organisational culture, unique business systems as well as a number of organisational factors. Most of these concepts are multi-dimensional and can be used on different levels. For example, leadership can be used on the individual level as characteristics of organisational leaders and staff; on the corporate level as characteristics of the organisation as a whole; and even on the industry level. Besides, certain characteristics argued to be essential for a market driving firm

(e.g. unique business systems) are defined too broadly and therefore cannot be used as a major criterion for all market driving firms¹². Some other characteristics, such as organisational culture, are discussed only conceptually while others, such as employees, are only implicitly mentioned. There have not been any serious attempts to develop a synergetic view of organisational systems for market driving. A possible way to solve some of the problems in the internal perspective of market driving is to choose the key organisational characteristics that are described by well-defined concepts, allowing the same level of analysis and viewing them in their interplay.

The existing view of market driving is characterised not only by the major focus on the external perspective at the expense of the internal, but also by the lack of connection between them. The lack of an integrated approach discussed earlier as regards market orientation (Deshpande, 1999) still marks market driving studies. The literature discusses various tactics of market change such as market sensing, channel control and relationship formation (Harris and Cai, 2002) without taking into consideration the existing organisational assets such as vision, organisational culture, staff competences, etc that allow a firm to develop the specific market driving capabilities needed for a successful pursuit of this approach. More specifically, as far as the intangible resources are concerned, we do not know how a firms' vision or organisational culture as well as staff beliefs translates into the specific staff behaviours and organisational marketing activities in market driving. As argued in market orientation studies, a company's market approach is a combined result of the established philosophy/attitude and actual staff behaviours (Day, 1990). Thus, there is a need to take a combined look on these dimensions in market driving.

Although the goal of the market driving approach is to broaden the scope of the marketing concept to embrace different market players (Jaworski et al, 2000), the major focus has still been on customers (Kumar et al, 2000). As a result, other organisational stakeholders have

¹²The literature presents evidence of firms that do not possess any radical business system but nevertheless succeeded in a market driving strategy (e.g. De Beers) or designed a unique business system through an evolutionary process and at the same time developed a market driving approach (e.g. IKEA).

either been given less importance or depicted only as subjects for change introduced by a market driving company. For example, Jaworski et al (2000) talk about changing functions of market actors or their composition in the market in order to improve customer value. Harris and Cai (2002) speak of the relationship formation with suppliers as a support to the company's customer strategy. The issue of multiple stakeholders (e.g. customers, employees, suppliers, investors, government officials, media, etc) has been only implicitly mentioned in the literature, while their importance for a market driving firm has not been discussed. In my opinion, this is a serious shortcoming since global market driving companies have to deal with a large number of different and often overlapping groups of stakeholders. Thus, it is suggested that a *broad stakeholder perspective* is taken when studying the market driving phenomenon, and this strictly follows the ambitions and goals of the founders of this approach (Jaworski et al, 2000).

As a final point in the critique of the existing research in market driving, I will argue for the importance of adding an *international dimension* to the existing conceptual frameworks. All companies used as examples of market driving organisations are global market players. They plan marketing activities globally while their implementation is the responsibility of local organisations. Thus, there is a need to focus on the specific challenges and opportunities that characterise the market driving approach on the corporate and local levels of a firm as well as the need to coordinate the corresponding activities.

Having provided a critical overview of the existing market driving theories and ways to increase our understanding of this approach, I will now focus on the existing set of concepts to discuss their relevance for the development of a more comprehensive framework in this study. In the Table below (see Table 3.2) the market driving concepts from the literature are categorised as organisational systems and factors, proactive behaviours, activities and outcomes. This categorisation is, of course, subjective since certain concepts (e.g. value proposition) can be related to several categories. The Table should be read vertically since there is no correspondence between the elements in each row.

Since market driving implies a very clear strategic direction, it should be reflected in a company's *vision* (Kumar et al, 2000). Besides, as argued in the literature, market driving requires a very specific type of

organisational culture (Carrillat et al, 2004). Therefore, it is reasonable to suggest that vision and organisational culture with its underlying set of *values* are important components to consider in the context of market driving. The role of organisational *employees* in market driving should be considered more systematically, which implies understanding their beliefs and values that lead to specific behaviours. Both pro-active staff *behaviours* and the firm's market driving *activities* are of interest. However, it is more feasible to focus on the patterns of staff behaviours and the firm's activities as being the most characteristic for a market driving firm, allowing the same level of analysis. Among *outcomes* of the market driving approach for stakeholders, the following might be chosen: new *patterns of customer behaviour*, new *patterns of industry actors' behaviour*, *customer satisfaction* (as a measure of customer value), and *employee satisfaction* (as a measure of employee value). It is suggested that the above-mentioned concepts for a new framework of market driving approach are chosen, since they are central for their corresponding categories and allow the organisational level of analysis.

<i>Organisational systems and factors</i>	<i>Pro-active behaviours and activities</i>	<i>Outcomes for customers and other market actors</i>
Vision (Kumar et al, 2000)	Leadership strategy (Hills and Sarin, 2003)	Leadership position in the industry (Hills and Sarin, 2003)
Unique business systems (Kumar et al, 2000); Radically improved value proposition (Kumar et al, 2000);	Activities aimed at changing market structure (Jaworski et al, 2000); Channel control (Harris and Cai, 2002)	Fundamental shifts in the structure of the industry (Jaworski et al, 2000); Transformation of market space (Kumar et al, 2000)
Organisational culture adhoc/market type (Carrillat et al, 2004)	Activities aimed at changing behaviours of market actors (Jaworski et al, 2000); Activities aimed at educating customers and changing their preferences (Harris and Cai, 2002)	Fundamental shifts in customers' behaviours and preferences (Jaworski et al, 2000) ; New customer segmentation (Kumar et al, 2000)
Transformational leadership as managers' characteristic (Carrillat et al, 2004)	Local sensitivity, market sensing (Harris and Cai, 2002)	Increased business performance: customer and employee satisfaction (Kumar et al, 2000; Carrillat et al, 2004); New product success (Narver, Slater and MacLachlan, 2004)
Corporate values (Carrillat et al, 2004)	Proactive market behaviours (Narver, Slater and MacLachlan, 2004)	Customers' latent needs satisfied (Narver, Slater and MacLachlan, 2004)
Employees as crusaders (Kumar et al, 2000)		

Table 3.2. Summary of market driving concepts and perspectives from the literature.

Finally, it is suggested in this thesis that all three tenets of market driving are taken into account: *organisational systems and factors*, *behaviours/activities* and *outcomes* in their interrelationship. By

specifically focussing on the ways in which a firm uses its organisational assets for developing and implementing a market driving approach, a better understanding of the *mechanism* of market driving can also be achieved. Moreover, two additional factors should be considered: a broad stakeholder perspective and the international dimension of market driving activities. Since the existing theories of market driving were argued to be insufficient for developing an integrated perspective of this phenomenon and understanding its mechanism, I will turn to other theories that can contribute with additional insights on these issues.

3.1.6 Broadening the theoretical perspective

I will now explain the further theoretical approach taken in this study. I have used the corporate branding theory as a theoretical lens, through which the market driving phenomenon has been conceptualised and further developed. As argued in Balmer (2001a), corporate branding has evolved into a separate discipline, but retaining strong ties with the marketing concept and marketing theories including market orientation. Most important, however, is that corporate branding broadens the scope of the marketing concept to a corporate level, implying multiple organisational stakeholders, a focus on stakeholder value creation and a necessity for balancing the needs of stakeholders with a firm's business objectives. Thus, the corporate branding "lens" allows an extension of the market driving perspective from the existing predominantly customer orientation to a broad stakeholder orientation. Another aspect that can be borrowed from corporate branding is the organisational-wide approach to value creation achieved via integration of internal resources and external processes.

Due to close links between the disciplines of corporate branding and market orientation (market driving), there is a substantial conceptual overlap between these theories via such shared concepts as vision, organisational culture, and customer value. Corporate branding contributes with more precise definitions of these concepts as well as a deeper knowledge of their interrelationships, which can be beneficial for developing a more synergetic view of market driving. Often, this knowledge is also supported by the well-documented empirical cases, which are, according to Glaser and Strauss (1967, p. 33), an important

feature of a sound formal, “middle range” theory. The focus on concept interrelationships makes corporate branding a more “legitimate” theory according to Sutton and Staw (1995, p. 378) who argue that “theory is about connections among phenomena... theory emphasises the nature of causal relationships..., it delves into underlying processes so as to understand the systematic reasons for a particular occurrence or non-occurrence”. Although corporate branding is still characterised by such flaws as fragmentation and “fogginess” (Balmer, 2001a) of its conceptual apparatus, the core of the corporate branding domain has been established and can be used to further develop the conceptual basis of market driving.

Due to its cross-disciplinary nature, the corporate branding theory can be easily combined with other theories for cross-fertilisation of ideas. In the forthcoming chapter, I will argue, for example, for the usefulness of the stakeholder theory as a complementary perspective for corporate branding since it explicitly examines the relationships between the organisation and its stakeholders. Thus, corporate branding can be used a *core theory* for the purposes of a new theory development in market driving. In the next chapter, I will provide a critical overview of corporate branding concepts and theories, which will end up with a framework of market driving with a corporate brand.

3.2 Theories of corporate branding

This chapter examines major issues in building and managing corporate brands as strategic organisational resources. Its purpose is to provide major concepts and develop a framework for the understanding of the nature of the corporate brand and corporate branding process. Corporate branding theories are also complemented by the stakeholder theory¹³.

3.2.1 Key concepts and perspectives

In his article *Corporate Branding and Connoisseurship*, Balmer (1995) argued that the new millennium would demonstrate an increased

¹³The term “theory” is used here with the same meaning as “middle range” theory as discussed earlier for market orientation and corporate branding.

management interest in a corporate brand. As commented on by the same author in 2001, this prediction came true – interest in the topic of corporate branding has increased considerably, which is reflected in the growing body of research (e.g. Balmer, 1995, 2001a,b; Hatch and Schultz, 1997, 2001, 2003; Ind 1997, 2001; Harris and de Chernatony, 2001; de Chernatony, 2002; Balmer and Greyser, 2003; Pitt et al, 2006; Chun and Davies, 2006). These authors place emphasis on: the nature and strategic role of the corporate brand, its dynamics, the role of core brand values, the role of employees and organisational culture, relationships with multiple stakeholder groups, the impact of organisational activities on employees and stakeholders, employees' identification with the organisation, etc. Although a substantial number of empirical papers have appeared recently, much of this research is still of a purely conceptual nature.

As argued in Balmer (2001a) and summarised in Knox and Bickerton (2003), the modern field of corporate branding represents the convergence of two academic lines of thinking: the marketing and organisation theory perspectives. While the first perspective has originally taken the customer focus and viewed brands in terms of customer-value generators (e.g. Kapferer, 1997; Aaker 1996; Ind 1997; Macrae, 1999; Tilley 1999), the second perspective has started from the relationships between corporation and customer, and developed into the broader framework of corporate personality, corporate identity and their relationships to employees and stakeholders (e.g. Olins, 1995; Balmer, 2001a). The convergence of two lines of thinking is characterised by recognition of the legitimacy of both an “outside in” customer focus and the “inside out” organisation focus, and that development can be traced in the work by Hatch and Schultz (2001; 2003), Harris and de Chernatony (2001), Knox et al (2000). The literature argues for further convergence as well as for the need to include new theories into the corporate brand domain that is inherently multi-disciplinary (Balmer, 2001a; Dacin and Brown, 2006). As argued by one of the most influential scholars in marketing and branding (Balmer, 2001a), corporate branding has evolved into an integral part of corporate level marketing, which is seen by this author as a new stage of marketing theory characterised by the focus on multiple stakeholders, relationships and value creation.

There are numerous definitions of corporate brand in the literature. For example, Keller (2000, p. 115) defined a corporate brand as “a powerful means for firms to express themselves in a way that is not tied into their specific products or services”. Thus, corporate brands are more than just names or symbols attached to products and services. Although they are closely related to the firm’s offerings, the major function of corporate brands is to identify and communicate the ethos of the people behind these offerings such as own employees (Pitt et al, 2006). Since corporate brands define the essence of firms, they embody the bundles of corporate values and associations. As put forward by Ind (1997, p. 13), “it is the core values that define a corporate brand”. Recent studies, for example, Chun and Davies (2006), increasingly relate corporate brands with associations held by organisational members since they influence their behaviours. Some researchers, for example, Kay (2006) take a broader view, defining corporate brands (and brands in general) as “logical structures” that are mostly made of different kinds of associations and representations such as values, myths, and stories. This latter author also argues that brands are particular logical structures that have an ability to “channel consumer perceptions” due to their ability to create meaning for customers.

The issue of the nature of a corporate brand has been tackled by several scholars. There is agreement in the literature that its nature is complex. Among a brand’s main features the following are mentioned: *intangibility* due to the brand’s value focus, *complexity* because of its large variety of points of contacts with stakeholders, and *responsibility* since a brand is people-dependent for delivering the message (Ind, 1997). Balmer (2001b) added to these features strong *cultural* roots; the *intricate* nature (multidisciplinary and multidimensional); the combination of *tangible* (e.g. product/service quality, business scope, profit margins, etc) and *ethereal* (e.g. brand associations) elements and the need for total organisational *commitment*.

The complex nature of corporate brands is best illustrated via a comparison of *corporate* and *product brands* discussed in Balmer and Gray (2003, p. 978). The major difference is that a corporate brand is grounded in the values of company founders, owners, management and personnel, whereas product brand values tend to be contrived by marketing and advertising experts. Another difference is the role of

organisational employees in corporate branding as compared with product branding since employees are major transmitters of values towards the organisation's stakeholders. The broad stakeholder focus of corporate branding is the third difference from product branding, which is mainly aimed at end-consumers. Corporate brands are communicated via all points of contacts with their multiple stakeholders and require a high level of consistency via all communication channels. Due to their complex nature, they need alignment of all organisational dimensions both internally and externally.

As argued in the literature, there is a close relationship between the concepts of *corporate identity* and *corporate brand*. The corporate identity concept refers to the distinct attributes of an organisation and it addresses the questions *what we are* and *who we are*. The identity concept is applicable to all entities in a way that corporate branding is not (Balmer and Greyser, 2003). As explained in Balmer (2001b, p. 12), "a corporate brand involves the conscious decision by senior management to distil and make known the attributes of the organisation's identity in the form of a clearly defined branding proposition". Although, the demarcation is rather blurred, there exists a difference between these two concepts, which makes a corporate brand a concept of its own. One of the main differences is that a corporate brand refers to a very distinct identity, which is made "unique in terms of values, style, or experience" (Balmer and Greyser, 2003, p. 247). Balmer (2001b) speaks in this regard of "three virtues" of the corporate brand: to communicate, differentiate and enhance the essence of organisation to its stakeholders. To further stress the unique features of a corporate brand, Balmer and Greyser (2003) used the metaphor of a "superior organisational lens" to describe a corporate brand. Among other differences between corporate brand and corporate identity are a longer life of corporate brands as compared with that of identities; stronger support on the part of corporate communication for corporate brands; portability of corporate brands and their ability to become significant financial goodwill (ibid).

The concepts of *corporate brand* and *corporate branding* are often used interchangeably in the literature. In an attempt to clarify this confusion, de Chernatony (2002, p. 115) explains the difference between the two

concepts: “a brand is a brand, regardless of its context; it is the enactment of the brand that is different between corporate brands and product brands”. Thus, he argues that the concept of a brand is universally applicable across contexts (e.g. products, services, corporations, countries, etc) but the enactment of the corporate brand is a much more complex process than for product brands. Because of its sheer complexity, corporate branding is often understood by managers simply as the usage of the company’s name and logo in product design and advertising campaigns. However, as expressed by Van Riel (2001, p. 12), corporate branding implies “...a systematically planned and implemented process of creating and maintaining a favourable image and consequently a favourable reputation of the company *as a whole* by sending signals to all stakeholders by managing behaviour, communication and symbolism”.

To summarise the definitions above, corporate brand is understood in this thesis as the specific, distinct type of organisational identity represented by a logic structure of interlinked dimensions that together define the unique organisational value proposition, while corporate branding is viewed upon as the process of enacting it via all communications and interactions with a firm’s internal and external stakeholders. The goal of corporate branding is a creation of customer and broader stakeholder value beyond the value of a firm’s tangible offerings; this has important consequences for the brand value and the firm’s performance. The process of mutual value creation pertinent to branding turns corporate brands into the firm’s key strategic resources – the issue I will briefly discuss now.

3.2.2 Corporate brands as strategic resources

The view of corporate brands as *strategic resources* was developed by a number of researchers. In the context of my study it is important to mention the works by Urde (1999, 2003) who coined the notion of “brand orientation”¹⁴. Urde (1999, p. 120) argued that the scope and importance of brand orientation needs to be considered in relation to the concept of market orientation in the sense of satisfying the needs

¹⁴Brand orientation suggests that “the organization’s processes revolve around the creation, development and protection of brand identity through ongoing interaction with customers” (Urde, 1999, p. 15).

and wants of customers, which he criticised for viewing brands as “unconditional response to the wants and needs of customers”. The brand orientation concept regards brands as strategic resources and has an objective to create value and meaning for customers, beyond providing the products and services they want, to involve long-term relationships with them (ibid).

Urde (1999) argued on the basis of the resource-based theory of the firm (Barney, 1991) that, generally speaking, any brand represents a strategic platform for the firm. Furthermore, Balmer and Gray (2003) suggest that corporate branding meets the characteristics for success identified in RBV of a firm – *strategic value; rarity; durability; inappropriability; imperfect imitability* and *imperfect substitutability*. The strategic value can manifest itself in many forms such as customer attractiveness, product support, enhanced profile, investor confidence, staff motivation, etc (ibid). A corporate brand’s rarity lies in its unique cultural roots and the historical pattern of its development and is best represented by the unique corporate brand values. As argued by a number of authors (Balmer 2001b; de Chernatony, 1999; Hatch and Schultz, 2001), due to the corporate brand’s close link to organisational culture, no two brands are identical, although some of them can have similar features. The durability of corporate brands as compared with other valuable resources is assigned to the longevity of brand key values and the brand’s substance based on culture (Balmer, 1995; 2001b). The inappropriability is due to the nature of a corporate brand as being mainly an intangible resource, which is historical and perceptual and because of that cannot be easily lost (Balmer and Gray, 2003). Imperfect imitability might be explained by the brand’s multiple protection mechanism (patents, social complexity and causal ambiguity). Imperfect substitutability is the most difficult to achieve. However, it is maintained to be related to the brand’s continuous development and improvement (ibid). Thus, as concluded in this paper, the corporate brand qualifies as a sustainable valuable resource of a firm.

3.2.3 Brand identity and brand image

Brand identity and *brand image* are two major concepts in branding that embody the complexity and duality of any brand. The brand identity

concept (applied to the organisation as a brand) is defined by van Riel and Balmer (1997) as an organisation's ethos, aims and values that create a sense of individuality which differentiates the brand. Brown et al (2006, p. 104) defined identity as "shared mental associations about the organisation held by organisational members", while Harris and de Chernatony (2001) stressed that identity is concerned with how managers and employees make their brand unique. The brand identity is sometimes given a different meaning, for example, by Upshaw (1995) who defined it as the total perception of a brand in the marketplace, thus involving external stakeholder perceptions. Most authors argue, however, that identity refers to how organisational members perceive their organisation.

A brand image is often understood as the reflection of the current perceptions of brand by customers (de Chernatony and McDonald, 2003). While image is a commonly used concept in the literature, some authors (de Chernatony, 1999; van Riel and Balmer, 1997) advocate the usage of *brand reputation* to capture "the set of associations that individuals outside the organisation believe are central, enduring and distinctive to the organisation" (Brown et al, 2006, p. 104). De Chernatony (1999) even maintained that the reputation concept should be used instead of image due to its less volatile nature.

It is important to note that the concepts of identity and image are not specific or unique for the branding literature since many other disciplines, such as service marketing and management (e.g. Normann, 1992), retail marketing (McGoldrick, 2002), and organisational theories (e.g. Balmer and Greyser, 2003) make broad use of the notions of identity and image. There is, however, a difference between various types of identity mentioned by these authors and brand identity, since the latter is more concerned with the organisation's uniqueness and its differentiation for multiple external stakeholders.

There is a common understanding in the branding literature that development of a brand starts from formulating its identity (de Chernatony, 1999). Thus, the concept of *brand identity* has been a subject of many conceptual frameworks (e.g. Aaker, 1996, Upshaw, 1995, Kapferer, 1997), among which the brand identity prism by Kapferer (1997) with its six elements: physique, personality, culture, relationship, reflection and self-image - is one of the most recognised.

De Chernatony's (1999) modification of this model for corporate brand identity is more relevant for the present discussion since it provides more insights into the links between different dimensions. Corporate brand identity has been conceptualised by this author in terms of its vision, organisational culture that drives its desired positioning, personality and the subsequent relationships, all of which are presented to reflect stakeholders' aspirations and self-images. I will use this conceptualisation to discuss these major concepts and the ways they are related to each other.

The underlying blocks of brand identity are vision, organisational culture and fundamental values. The central element of identity is *brand vision* – “a well-defined sense of direction for the brand” or “long-term stretching intent” (de Chernatony, 1999, 2001). De Chernatony (2001) conceptualised *brand vision* in terms of three components: the envisioned future, the brand purpose and the brand's values. Brand's purpose is often referred to in the literature as *brand mission* – “the brand's fundamental reason for existence” (Urde, 2003, p. 1024) - that is often linked to a company's history and heritage. As far as the *brand's values* are concerned, they can be defined as “the organisation's essential and enduring tenets – a small set of timeless guiding principles that require no external justification” (Collins and Porras, 1998, p. 222)¹⁵. This feature of brand values is due to their origin in *organisational culture*, which is usually defined in the branding literature as a set of shared employee assumptions, values and mental models. This also manifests itself in visible artefacts such as office layouts, dress codes, etc.¹⁶ The values inherent in the culture need to be aligned with brand values to ensure employees' consistent brand behaviours (de Chernatony, 2002).

¹⁵This definition is based on the earlier notion by Rokeach (1973, p. 5): “A value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence”.

¹⁶This view is based on Schein's (1984, p. 373-374) definition of organisational culture as “shared basic assumptions that the group learned”, which is used as “a correct way to perceive, think and feel...” and his three-component model of visible artefacts, employees' values and their basic assumptions, which is representative for an integration paradigm of organisational culture (de Chernatony, 1999).

A distinction should be also made between *core* brand values that a brand will always uphold and *peripheral* values that might be changed to adjust the brand to the external environment (de Chernatony, 2001, p. 107). Core brand values are sometimes referred to as brand essence (Upshaw, 1995, p. 25), “a unifying common thread” of organisation and “all-embracing terms that sum up the identity of the brand” (Urde, 2003, p. 1035). As stressed by de Chernatony (2002), managers need to communicate core values internally to employees since values drive behaviours. Brand’s core values play multiple roles in the organisation: they are decisive for a company to organise its product brands, they guide the product development process as well as provide the basis for the communication platform with all the company’s stakeholders (Urde, 2003).

The ultimate role of brand identity is to provide a *value proposition* consisting of functional, emotional and other high-order benefits to the customer (Aaker, 1996, p. 95). This is done through *positioning*, which is considered in the literature as an efficient way of communicating the value proposition, while creating a distinct brand *personality* can help the generation of intended associations of the brand by using the brand’s emotional characteristics (de Chernatony, 1999; Urde, 2003). All this contributes to the development of *relationships* between brand and internal and external stakeholders, which are portrayed in the literature (e.g. de Chernatony, 1999) as being reciprocal. A need to communicate the brand through a unified identity adds one more element to the brand’s *presentation* (de Chernatony, 1999) or the brand’s *communication* (Urde, 2003).

Concerning ways to communicate the corporate brand, the literature (van Riel, 1995), makes a distinction between marketing, management and organisational communications, arguing that each communication type has a different focus and audience. Thus, management communication is aimed at organisational members; marketing communication is aimed at end-users while organisational communication is aimed at multiple constituencies including stockholders, employees, suppliers, government, and the media. Balmer and Gray (1999) argued for the importance of total corporate communications and suggested another categorisation that included primary (e.g. products, staff behaviours and company policies towards

stakeholders), secondary (all controlled communications) and tertiary (uncontrolled, word-of-mouth) communications. Einwiller and Will (2002) stressed the role of stakeholder relationships within the corporate communication umbrella. As argued by many authors, the way the brand is communicated inside the corporation is as important as the brand's communication to stakeholders. On the whole, there is a need for congruency in communications across channels and over time (ibid).

As discussed in de Chernatony (1999), the interactions between different elements of brand identity should be considered and congruency between them achieved for building a consistent brand. At the same time, the gaps between brand identity and image (reputation) should be identified and eliminated. The need for alignment between identity and image (reputation), or between internal and external perceptions of the brand by different stakeholders is generally recognised in the brand marketing and reputation literature (e.g. de Chernatony, 1999; Balmer and Greyser, 2003).

The contrasting view is held by such authors as Christensen and Askegaard (2001) who challenged both the dichotomy between identity and image and the call to "close the gap" between them. They argued that the need to alignment stressed by most marketing studies stems from drawing a sharp boundary between identity and image (or reputation) as opposite ends of the communication process from the organisation to its external audiences. Besides, most studies assume that an organisation needs to project the "right" image, which corresponds in a best way to its true reality. Criticizing the existing point of view as problematic, these authors suggested that these concepts are increasingly interrelated since they both are symbolic representations of organisation based on the interpretive capabilities of its members and other public. Although, their discussion did not directly relate to corporate brands, I will keep in mind this alternative view while discussing the issue of the alignment between internal and external dimensions of the corporate brand.

3.2.4 The identity-image alignment issues

The literature stresses the importance of creating a brand framework that combines the internal and external perspectives of the corporate

brand. The internal perspective is often conceptualised in terms of organisational culture and identity, whereas the external perspective addresses image and reputation. The major challenge lies in balancing the two perspectives since their alignment is argued to contribute to brand consistency or coherency, and thus to a positive image and reputation with stakeholders (de Chernatony, 1999; Hatch and Schultz, 2001). Hence, many studies have been concerned with the ways to understand the relationship between internal and external dimensions for successfully managing corporate brands. In these studies, the researchers have addressed the issue of alignment from both organisational (macro-models) and individual stakeholder (micro-models) perspectives. Besides, these studies represent different views as regards the primacy of identity and image; the character of interplay between them as well as the ways to create the alignment.

One of the most cited models of corporate branding developed from the organisational perspective is that of Hatch and Schultz (2001, 2003). A strong corporate brand is viewed as “the attractive force” that draws stakeholders to the organisation. Looking deeper into its dynamics, Hatch and Schultz (2003) recognised three elements: 1) strategic vision - the central idea that embodies top management’s aspiration for what the company will achieve in future; 2) organisational culture – the internal values¹⁷, beliefs and basic assumptions that embody the company’s heritage and communicate its meanings to its members; 3) corporate images – views of the organisation developed by its stakeholders (ibid).

¹⁷The authors argued for the need to distinguish between the claimed or desired values in culture from employees’ values-in-use since the latter values provide a better ground to build the corporate brand on.

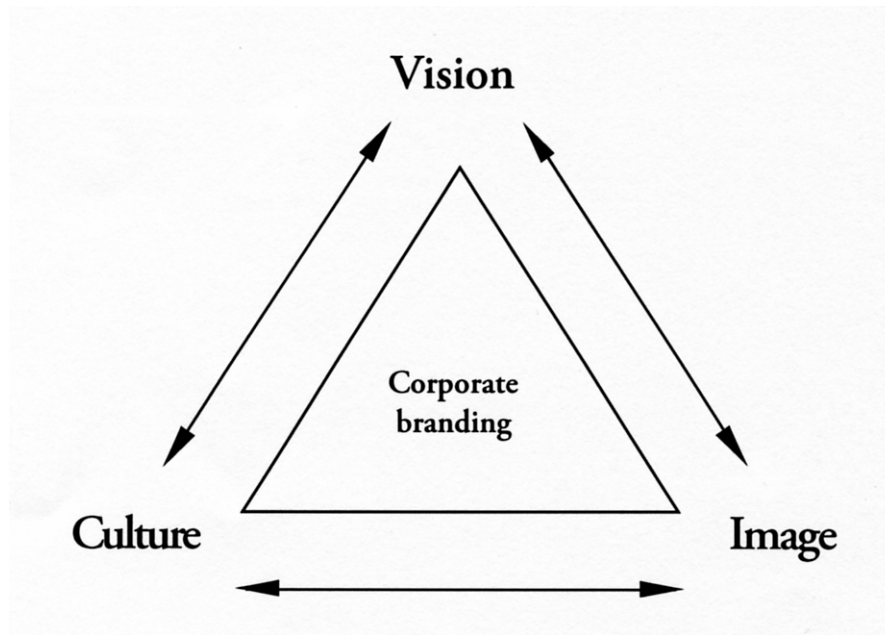


Fig. 3.3. Interplay between strategic vision, organisational culture and corporate image (Hatch and Schultz, 2003)

This conceptualisation does not clearly distinguish between brand identity and image but instead focuses on the interplay between the principal components of identity - vision and culture - and image. It is, however, clear that image is viewed as external to the organisation. It is argued that by considering these elements simultaneously, managers can draw on all competitive benefits that those elements imply and minimise the gaps that might arise between them (ibid).

The model of Hatch and Schultz (2003) is relevant to my discussion since it views corporate branding as a dynamic process, the success of which depends as much on the relationships between vision, culture and image as on the elements themselves. In my opinion, the strength of this model is in setting up the context for corporate branding while its main weakness is insufficient recognition of the role of organisational employees in corporate branding. Their role is acknowledged only by distinguishing between the claimed cultural values and employees' value-in-use and actual behaviours as part of organisational culture. Thus, by subsuming employees under the notion of organisational culture, this framework presents them as rather passive elements in corporate branding. Besides, the corporate branding framework by Hatch and Schultz (2003) lacks the common starting

points that managers can use for addressing the possible gaps in the corporate brand system.

The more recent papers, such as that by Davies and Chun (2002), conceptualised the interplay of internal and external perspectives of the corporate brand as the interface between employees' and customers' perceptions of the brand. By bringing the alignment issue to the level of individual stakeholders, the authors have delineated the important mechanism in the corporate branding process – how employees' perceptions and behaviours influence customer perceptions and their image of the brand. This mechanism has been mentioned by other scholars (e.g. Hatch and Schultz, 1997; Harris and de Chernatony, 2001) but not explored in depth. The study by Davies and Chun (2002) has demonstrated that a brand image is created as a cumulative effect of many interactions between the organisation and its customers, in which the actual customer experience from contacts with the staff plays a critical role. Another finding is the direction of causality between identity and image that is argued to be reciprocal. As regards the gap between identity and image, it is argued that it should not be viewed as necessarily negative issue and, thus, having an identity stronger than image might be beneficial. In my view, these findings are interesting and they add to the perspective of identity and image as interrelated concepts. However, this study does not consider the influence of other public on customer perceptions of the brand, which Christensen and Askegaard (2001) argued to be an important factor in image creation.

Having generally agreed that brand coherency (a fit between identity and image) is a positive issue and a goal for a brand to achieve, recent papers focussed on the ways in which the internal and external dimensions can be assessed to enhance brand coherency. In so doing, the focus has been on the employees' and external stakeholder perceptions of the corporate brand. Drawing on methods from other areas than corporate branding, these papers used different ways of auditing these perceptions. Thus, Davies and Chun (2002) used brand personality dimensions for the brand identity and image survey. Kowalczyk and Pawlish (2002) used the Reputation Quotient measurement tool to study how the perceptions of organisational culture by external audiences influence the corporate brand reputation.

In both cases, the findings suggest that corporate brand mechanisms are subtler than those depicted by macro-models, and the firm cannot always control alignment processes, although the achieved understanding of this issue by managers can facilitate brand building.

To summarize the literature review above, the importance of considering both internal and external brand perspectives is commonly accepted while the ways to achieve the balance may vary from alignment of brand macro-dimensions to harmonisation of brand perceptions by stakeholders. Most literature also views identity and image as separate organisational representations, while some authors argue for their interrelationship. The identity and image alignment issues in corporate branding are important not only in the context of brand consistency per se but also in relation to the creation of added value for customers and other stakeholders, which is the ultimate goal of the branding process.

3.2.5 Common starting points for alignment and value creation

Building strong and consistent brands are not companies' goals in their own right but rather means to create customer and broad stakeholder value. It is commonly accepted that adding value beyond that of products and services is an essence of the branding process. Urde (2003) proposes that the development of a brand as a strategic resource implies that it creates a value for both the organisation and customers or target audiences. He distinguishes two parallel processes of value creation: an internal process of developing the brand identity and the external process of building the brand image for customers and other stakeholders. Together, these processes generate *corporate brand equity* or "the differential response by consumers, customers, employees, or other firms, or any relevant constituency to the words, actions, communications, products and services provided by an identified corporate entity" (Keller, 2000, p. 115).

As argued in the literature, the internal and external value creation processes in branding are interrelated and have the same point of departure, defined in the literature as common starting points (van Riel, 1995). Van Riel (1995) defined the concept of common starting

points (CSP) as the central values of an organisation, which form the foundation for all corporate activities. This view was shared by Urde (2003) who argued for the usage of core brand values as CSP. He stressed that core values should be considered central for internal value creation since focus on core values allows aligning business processes (e.g. product development) and staff behaviours. Urde (2003) also maintained that core values fulfil a double function: first, they provide guidance for the whole organisation and, second, they are translated into the customer value via their links with customer benefits.

Other authors, for example, Knox and Maklan (1998) maintain that *customer value* is a better measure of CSP since it provides a better basis for organisational consensus than core values. The concept of *customer value* is widely used in marketing literature, and is proposed to be a dynamic and evolving concept (Jaworski and Kohli, 1993). Many authors have stressed the inherent ambiguity and complexity of this concept (de Chernatony et al, 2000). Woodruff (1997, qtd in de Chernatony et al, 2000, p. 42) defined customer value as “customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations”. Christopher (1996) suggested defining it simply as a ratio of the customer’s perceived benefits received from an offering to the total customer costs. Customer value corresponds to the outcome of external value creation process. It is also linked to the internal value creation via a concept of *value proposition*, which is a statement of the functional, emotional and self-expressive benefits that provide value to the customer (Aaker, 1996). It is, thus, important to base the brand value proposition on those benefits that are really appreciated by customers, which is a way to create more value for customers.

These extracts from the literature show that the concepts of core brand values, value proposition and customer value are interrelated, each of them playing distinct roles in a value exchange between a firm and customers. It might be argued that core values should be considered as central from the organisational perspective since they are directly translated into brand attributes, while the value proposition provides a link between these attributes and customer benefits. The customer perspective has the perceived customer value as a major outcome of

value creation process. Thus, it is suggested in this thesis that a *value axis*: core values-value proposition-customer¹⁸ value is pertinent for the value creation process in corporate branding, and that the interplay between these value concepts is necessary to consider within the framework of firm-customer value creation. Support for this point of view can be found in the literature. Thus, de Chernatony et al (2004) argued for capitalising on the strength of core values in corporate brands by matching these values in the best way to external customer value-based opportunities.

As argued in de Chernatony and McDonald (2003), there is a variety of ways to create the customer value. Value can be created via the company's offerings as such by fulfilling customer needs; it can also be facilitated by means of marketing communications. Moreover, value can be added through building long-term relationships between the company and its customers (ibid). In addition, as put forward by Normann and Ramirez (1993), value can be co-created via customers' close involvement in the value creation process, and can also apply to suppliers and other company's partners. In this case, the roles of different market actors and their relationships with the company are re-defined so that they become a part of the company's value chain.

The discussion of value creation in the literature is often focussed on customers as end-consumers, while other groups of stakeholders are not given sufficient attention. This seriously limits the scope of the value creation process, which involves other company's stakeholders, such as suppliers who participate in the market offer development, and societal actors (media, government) whose support is necessary for successful operations in the market. The narrow customer focus also contradicts the very essence of a corporate brand as aimed at multiple stakeholders (Balmer and Greyser, 2003). To compensate for this deficiency, I will use the stakeholder theory to argue that major issues in corporate branding, such as identity-image alignment and value creation, should be viewed from a broad stakeholder perspective, implying a focus on specific firm-stakeholder relationships.

¹⁸The concept of customer value will be broadened to stakeholder value in Chapter 4. I am talking about customer value here, since this concept is used in the cited literature.

3.2.6 Stakeholder theory and corporate branding

A stakeholder theory allows the examination of the range of relationships in which the corporate brand is engaged. It postulates that firms operate in the environment with many audiences who have certain stakes or interests in the company. There is no universal definition of stakeholders in the literature. However, among those most often used are the following: stakeholders are “groups of individuals with whom the organisation interacts or has interdependencies” and “any group individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organisation (Carroll, 1993, qtd in Merrilees et al, 2005, p. 1063).

Freeman (1984), in his classic work on the stakeholder theory, proposed a four-step management approach to 1) identify relevant stakeholders, 2) determine their importance for the company, 3) analyse how their needs are being met and 4) make decisions to address the unmet needs through the organisation’s plans. There have been many attempts to classify stakeholders as regards their strategic importance to the company with a very broad range of criteria used by different scholars. These classifications reflected the narrow (stakeholder relevance to firm’s core economic interests) and broad (stakeholder relevance to firm’s broad interests) views of stakeholders. Clarkson (1995) classified stakeholders into primary (highly interactive, vital for the organisation) and secondary (less engaged, not essential for the organisation) while Freeman (1984) distinguished between internal and external to the company stakeholders. Among key primary stakeholders, customers, competitors, employees and shareholders are usually mentioned (Greenley et al, 2005) while secondary stakeholders might include virtually anyone. By internal stakeholders, the literature usually means employees who are also often divided into managers and other staff. Thus, Mitchell and Wood (1997) and Donaldson and Preston (1995) emphasised the role of organisational managers as a specific group of internal stakeholders who influence the company’s relationships with all external groups. As argued in Merrilees et al (2005), it is important to achieve a balance between the primary and secondary stakeholders.

Many scholars used the stakeholder theory in connection with other theories, for example, strategy, marketing and branding theories. Payne

et al (2005), write that in general there has been a lack of understanding of the importance of building relationships with both customers and other stakeholders in the mainstream marketing literature. The role of broad stakeholder relationships is broadly acknowledged in the relationship marketing literature (e.g. Christopher et al, 1991; Kotler, 1992). Thus, Christopher et al (1991) developed a framework with six stakeholder market domains: customer markets (existing and prospective customers), referral markets (e.g. customers recommending suppliers to others), influencer markets (e.g. financial analysts, business press, the government), employee markets (potential employees), supplier markets (suppliers and alliances), and internal markets (staff). In their extensive empirical study of organisations in different industries, Greenley et al (2005) confirmed the applicability of this model for identifying the key constituents that are strategically critical for a firm and formulating the appropriate relationship strategies. They have also argued that stakeholder relationships should be implemented through value-based strategies enacted through specific value propositions, value delivery designs and measurements metrics for the achieved market objectives.

The stakeholder theory has been used by a number of authors in the branding field. (e.g., Jones, 2005; Merrilees et al, 2005; Maio, 2003) in relation to global brands, brand management in general, as well as brand equity and brand value creation issues. For example, Merrilees et al (2005) used the stakeholder theory for analysis of a global brand in a local environment, thus acknowledging the usefulness of this theory for providing a deeper understanding of global-local brand transfer. They have identified the following managerial principles of stakeholder management: a tolerant organisational culture, an equally respectful treatment of all stakeholders, and the use of branding as a tool to unify the stakeholders. Some insights have been provided in respect of the role of brand values as a means to “pull stakeholders together” (ibid, p. 1075) and their usage in the marketing activities. Thus, the stakeholder theory has been proposed as an appropriate method to be used in the marketing and branding fields while branding is recognised as tool facilitating stakeholder management.

Maio (2003) discussed the stakeholder approach in relation to corporate branding. This author proposes that historically, corporations

were mostly monitoring their key stakeholders, i.e. customers and investors. However, the range of active constituents has expanded dramatically to embrace a much broader group, which has led scholars to start seriously considering the ways in which relationships with them affect brand equity. The broad stakeholder perspective that a company has to take nowadays is also due to the demands from a society that business should take adequate responsibility for global society interests. The passive and complacent roles that societal stakeholders played in the past have changed into active, demanding and even offensive ones after a series of corporate scandals. This requires additional attention to and focus on the external stakeholders, at the same time keeping internal stakeholders engaged and inspired (ibid). Managing a corporate brand is described by this author as “dancing the tango” with external stakeholders while “leading the orchestra” of the staff.

When speaking of managerial approaches to stakeholder relationships, Maio (2003) used the terms of corporate sustainability or ethical branding implying new requirements of managers to adjust their approaches in several ways: to really match the corporate “talk” with “walk” (both overstating and understating brand promise to stakeholders is dangerous); to take the long-term strategic view; to be more sensitive to stakeholders’ evolving preferences; to build humanistic¹⁹ values and engage in social practices²⁰ for gaining trust; to build an authentic, value driven culture throughout the organisation; and to manage relationships with external stakeholders while ensuring the active participation of internal stakeholders. As seen from this list, most approaches follow the logic of classical corporate branding theories (e.g. walking the talk, long-term perspective, balance of internal and external perspectives) while others are more specific and touch on the nature of values and an overall social perspective. It is this ethical and social focus that makes some brands more sustainable than others.

¹⁹Among humanistic values, the following are mentioned: compassion, humility, justice, openness, courage, respect, humanity, empowerment, integrity, holism, the broader good, responsibility, excellence (Maio, 2003).

²⁰Among social practices that stem from the adoption of humanistic values are: diversity, transparency, leadership, continuous learning, environmental reports, social reports (ibid).

As far as the issues of brand equity and brand value creation are concerned, the stakeholder approach brings into the picture the whole range of relationships in which the brand is engaged and brand value is created (Jones, 2005). This author suggests that the managerial focus should be on creating a better understanding of where the value is created (through which relationships), how it is created, and how it is measured. Jones (2005), postulates that brand value is created not only through a dyadic relationship between the brand and the customer but through the sum of relationships with its different stakeholders, who can also have a synergistic relation with each other. The comprehensive framework developed in this paper illustrates the major issues of brand value creation: the prioritisation of strategically important relationships; the importance of individual relationships as well as their synergy; and the idea of brand-stakeholder value co-creation. This latter aspect is also stressed by taking into account the outcomes of the relationships for stakeholders. The issue of stakeholder value²¹ is brought into discussion in connection with the brand value, arguing for the need of balancing these two value perspectives. There is, however, not much discussion of how the company and stakeholder perspective can be balanced.

On the whole, the literature discussed above shares the broad stakeholder perspective, however, often providing a somewhat biased view of stakeholders as *resources* contributing to the brand value. At the same time, it is argued that value creation is a reciprocal process, to which the interplay of brand value and stakeholder value should be given more attention. The alternative view of stakeholders as *active participants* in value creation was expressed by some authors. For example, Payne et al (2005) emphasised the need to create mutual value for both stakeholders and the firm and Normann and Ramirez (1993) presented ideas of mobilised stakeholders who create their own value from the company's brand value.

To sum up, the stakeholder perspective is sufficiently covered by the literature and there is a consensus regarding its importance for brand management, brand equity and brand value creation. There is an agreement in the literature about the importance of addressing interests of multiple stakeholder groups via building long-term relationships.

²¹Defined in this paper as the fulfillment of stakeholder expectations of the outcomes of a relation with a company.

However, a certain prioritisation and optimisation concerning the use of organisational resources might be needed. Among the most prioritised groups of stakeholders, the employees are acknowledged and broadly discussed in the recent branding and HRM literature.

3.2.7 The role of employees in corporate branding

The role of employees in corporate branding is discussed by many authors (Ind, 2001, 2003; Mitchell, 2002; Harris and de Chernatony, 2001; de Chernatony, 1999, 2001; Hatch and Schultz, 2001, 2003; Christensen, 2002). In his seminal paper, Balmer (2001a) argued that it is mainly the role of organisational staff that distinguishes corporate branding from product branding and stressed that organisation-wide personnel commitment to brand promise is an essential element of corporate branding. To emphasise the crucial role of employees in projecting a consistent image of the company to customers, they are referred to as *employee branding*.

There are different perspectives on employee branding in the literature, which also reflect different views of the roles of organisational staff. In some studies, the staff is viewed as a *vehicle* for communicating and manifesting the brand to customers and other stakeholders. This perspective becomes clear from the management and academic discourse used by the authors. For example, employees are expected to “deliver” an appropriate experience, the goal is to make employees “reflect” and “project” the organisation’s brand image to customers while the task of management is to “shape” employee perceptions as well as “create and instil the desired image in employees’ minds” (Miles and Mangold, 2004). In this perspective, employee branding is the essential part of the image building campaign towards customers. This view is reflected by the definition of employee branding by Miles and Mangold, 2004 (p. 68): “the process by which employees internalise the desired brand image and are motivated to project the image to customers and other organisational constituents”. These authors speak of employee branding as a strong positioning tool towards customers, potential employees and other stakeholders. The goal of employee branding is to achieve the brand ethos, or a situation when employees completely associate themselves with the brand (de Chernatony and Drury, 2006).

Having explored the employee branding in the case of Southwest Airlines (one of the 100 Best Corporate Citizens 2000-2004), Miles and Mangold (2004) have identified the critical phases of this process such as: the organisation's mission and values as a foundation, the clarity of desired brand image, the wide choice of modes of communicating it to employees, measuring outcomes and providing feedback. They have especially emphasised the role of effective and consistent communication of brand messages to employees, enabling them to understand the desired brand image and providing the psychological contract between the organisation and employees. Clear communication via different means - formal and informal, internal and external - is needed to build and maintain the employees' knowledge of the desired brand image. This is also facilitated by perceptual congruency among employees (Harris and de Chernatony, 2001).

The outcomes of a successful employee branding process, are, apart from a strong brand image with customers and other external stakeholders, suggested to be as follows: increased employee satisfaction, the reduced staff turnover as well as higher levels of customer satisfaction and better reputation with the business community. As shown in the case of Southwest Airlines (ibid), these outcomes are clearly present in this company, with the lowest employee turnover rate and the highest level of employee satisfaction in the industry, as well as a consistently high customer satisfaction index and loyalty.

The other perspective of employees in the literature is that of the *important internal stakeholders*, which is reflected by the objective of *employer branding* towards them to make them feel valued and give them the sense of belonging by providing a good and credible workplace. This perspective is found in the discourse of "human capital", "people as a resource" and "brand as promise to employees". Thus, branding is mostly used as a recruitment tool aimed at employees and not so much as a positioning tool through employees to customers as discussed before. Employer branding is also suggested by some authors to be a broader strategy aimed at other stakeholders, and not only employees. This is reflected in definition of employer branding as "targeted, long-term strategy to manage the awareness and perceptions of employees, potential employees and related stakeholders with regard

to a particular firm” (Sullivan, 2004, qtd in Backhaus and Tikoo, 2004, p. 501).

The term employer branding implies the differentiation of a company’s characteristics as an employer from those of its competitors, or creation of the *employer brand*. Ambler and Barrow (1996, qtd in Backhaus and Tikoo, 2004, p. 501) defined the employer brand in terms of “functional, economic and psychological benefits provided by employment and identified with the employing company”. The employer brand establishes the identity of the firm as an employer; it encompasses the firm’s value system, policies and behaviours towards its employees (Backhaus and Tikoo, 2004). The employer brand and employer branding concepts have become very popular with companies – according to a survey of 138 American companies published by Conference Board (cited by Donath, 2001), about 40% of companies developed their employer brands. As a reflection of companies’ interest, most studies in employer branding lie in the practitioner arena.

The practitioner literature (e.g. Barrow and Mosley, 2005) describes the employer branding as a three-step process. First, a firm develops the employer brand value proposition that should provide a “compelling, relevant and differentiating” reason for employees to choose the organisation for their workplace. The employer value proposition should include the statement of value that the organisation offers its employees and the specific benefits (functional, emotional) of working at the company. The value proposition should provide a true representation of what the company offers its employees (for example, the family feeling of working at IKEA) including the big idea, which is usually reflected in the company’s vision or mission (e.g. Microsoft’s “Realising potential” or IKEA’s “Affordable design and quality furniture for many people”). It should also accommodate the existing beliefs that different groups of potential applicants hold about the company.

Following the development of its value proposition, the firm should communicate it to its targeted potential employees and other related parties. Both external and internal communications should be planned and carried out, and they are also presumed to be consistent with all other branding efforts of the firm. Thus, Barrow and Mosley (2005, p. 150) talked about the total brand mix including all external and

internal practices aimed at employees (among them are HR practices, training, communications, working environment, etc.). As far as external communications are concerned, recruitment advertising is usually discussed (Christensen, 2002). The importance of the internal marketing of the employer brand is especially stressed in the literature due to its influence on the staff commitment to organisational goals (Frook, 2001). Speaking about the means of internal communications, Barrow and Mosley (2005) argued that the major focus should be more on a general managerial attitude than on communication per se. Thus, they have especially stressed the importance of a gradual approach to communicating the essence of the brand – its mission and core values – to keep the communication in simple language and relevant to the actual employment experience.

Among the outcomes of employer branding, the practitioners mentioned significant saving in recruitment and retention, a more engaged and productive workforce, and a growth in customer satisfaction. To support these results, the surveys and reports on the 100 Best Companies to work in America are usually cited, showing, for example the employee turnover at companies with strong employer brands to be twice as low as the industry average (in Barrow and Mosley, 2005, p. 70).

In spite of wide acceptance by companies, employer branding has not received sufficient attention in the literature, for which the weakness of theoretical basis and the scarcity of empirical research can provide a possible explanation. The academic literature discusses the theoretical foundation for the employer branding process as being the RBV (viewing human capital as an important resource), external and internal marketing (as the way to attract and retain the human capital), theories of the psychological contract and the concept of brand equity. It thus reflects the organisational human capital philosophy as a foundation for employer branding.

The studies aimed at a better understanding of employer branding are mainly conceptual with a focus on the effect of its outcomes on potential and existing employees. For example, Backhaus and Tikoo (2004) conceptualised the impact of employer branding on brand associations with prospective employees and brand loyalty of the existing employees. They have also linked employer branding to

outcomes for employees such as higher employee productivity and job satisfaction and suggested that it can provide a framework for the companies' organisational career management program. These authors have also mentioned the role of the employer brand in setting up a psychological contract between the organisation and employees, which is, however, discussed as an informative device rather than a means to influence employees' behaviours, as mentioned before.

The interesting issue regarding employer branding is whether and how corporate branding and employer branding activities should be coordinated. As argued by most practitioners, the employer brand should be coordinated with the corporate brand. According to a survey (Frook, 2001), the goals of corporate brand and employer brand have a significant overlap at about 90% of all companies. According to other practitioners (e.g. Global Brand Director at Deloitte, cited in Brand Strategy, 2006), the whole idea of a specific employee or employer brand is over exaggerated. In their view, employer branding is just an internal version of corporate branding aimed at customers. This is also the point of view taken by Barrow and Mosley (2005) who talked about aligning the employer brand with the customer-facing brand to ensure integrity between the internal and external faces of the corporate brand. The theoreticians' point of view on the coordination issue between corporate branding and employer branding has not been firmly established yet, mainly due to the lack of empirical research in the field, and often constitutes the future research agenda (e.g. Backhaus and Tikoo, 2004).

To summarise, the two perspectives of employer and employee branding are linked together since it is necessary, first, to create the sense of belonging among employees before they can convey the brand in their interactions with customers and other stakeholders. There is, however, a difference in the managerial focus described by Ind (2003) as either "selling" the brand idea to employees in the organisation or a more organic method of "planting" the brand idea, which will grow through employee involvement. When employees feel respected and consider their work meaningful, they "mirror" their positive feelings to customers (Woods, 2001), projecting the brand image that is internalised by them. Thus, it might be argued that *employer branding* can be viewed as a primary activity towards employees while *employee*

branding can occur naturally when the staff is engaged and motivated by the brand. In the next sub-chapters, I will discuss the ways, in which the main ideas discussed above regarding the broad stakeholder and employee perspectives are used for the development of an integrated approach to corporate branding. Before discussing this approach, I will focus on international aspects of corporate branding that also have relevance for the integrated approach.

3.2.8 The international aspects of corporate branding

There are special challenges that a global company with the strong corporate brand has to face when transferring its brand to new markets. The literature argues that internationalisation complicates corporate branding and focuses more specifically on the following aspects: the transferability of a standard identity/image and position; dependency on local employees in operations and dependency on the business relationships with partners in the new market. On the whole, the issue of corporate brand transfer across markets is still rather under-researched.

The first aspect of identity transfer is mostly discussed in the literature in terms of standardisation and adaptation of different elements of the brand. Burt and Sparks (2002) suggest that a company has a good chance to internationalise its brand when it has been already developed domestically. However, even in relatively “easy” markets, an apparently transferable brand identity may need certain adaptations (Moore, 1999; Burt and Carralero-Encinas, 2000). As Moore et al (2000) has shown in the case of Kookai as a typically transferrable brand, certain adaptations of product range, communication, service and shop specifications were still required. Burt and Carralero-Encinas (2000) have demonstrated in their case study of Marks & Spencer that the intangible elements of brand identity (e.g. store reputation) are difficult to adapt and hard to transfer, since the meaning attached to them by customers varied from market to market. On the other hand, the intangible elements of image and reputation (e.g. a good corporate citizen) can play a positive role by enhancing a company’s legitimacy in a new environment and creating a special, positive customer (stakeholder) associations (Xie and Boggs, 2006). The second aspect of dependency of local employees is often discussed in relation to identity

transfer. For example, Burt and Carralero-Encinas (2000) argued that the transfer of core values is challenging since it depends on the understanding by the local staff, which varies from market to market. Thus, the issues of staff training in culture and values become very important.

Some authors express a different opinion on identity transfer and instead talk about the re-building of the brand locally. In the case of Goodwill Games, Merrilees et al (2005, p. 1062) propose that the issue of building a global brand locally should not be viewed as a brand transfer by “making a small number of minor, culturally correct adjustments” but rather as re-building or re-positioning the brand by forming strong connections with the local communities. This process implies preserving the core of identity of the global brand but also adding the elements that are culturally relevant and that the local communities can relate to. Consequently, the question of what constitutes the core of identity becomes central and a very good understanding of the nature of identity is required from managers.

The third aspect of brand internationalisation is identifying the relevant audiences for a corporate brand in a new market. Burghausen and Fan (2002) reported the significance that global retailers place on approaching all major stakeholder groups to develop meaningful and beneficial relationships with them. Among the most relevant audiences, employees were emphasised as the second most important group after customers. Furthermore, these authors perceived the increased stakeholder overlap as a significant issue to consider. The importance of a corporate brand as being a focal point for all stakeholder relationships is also discussed by Macrae (1999). These relationships are formed at different levels ranging from the corporate level to a local inter-personal level (ibid). When the major stakeholders are identified, corporate branding can be successfully used to satisfy their needs since it allows them to meet their broad (common) interests (Xie and Boggs, 2006). Besides, a corporate brand provides an instrument for an integrated approach to all stakeholders, which is particularly important in those market environments that are heterogeneous, changing and unstable (e.g. emerging markets) (Burghausen and Fan, 2002).

To summarise the literature review, it might be concluded that the existing knowledge of brand internationalisation is rather fragmented.

It is mostly conceptual or based on a small number of specific cases of global retailers in a few markets. There is a common understanding that to successfully build corporate brands in an international context, firms need to have a high quality brand identity, clear brand positioning and well identified stakeholders (Burt and Sparks, 2002). Besides, a very good understanding of what is being internationalised is needed from the management while staff needs to understand their roles in this process. There are also two views on brand internationalisation in the literature: a rather mechanistic *brand transfer* and a more natural *brand re-building* in a new market, which can be considered as two different philosophical approaches to internationalisation.

3.2.9 The integrated approach to corporate branding

As argued in the literature, the need for an integrated approach to corporate branding stems from the complex and mainly intangible nature of a corporate brand, its many stakeholders and a great number of points of contact with them, and consequently from a need to communicate a consistent image and form a favourable brand reputation. Researchers often refer to integrated approach in relation to corporate communications since this function is easier to manage than, for example, staff behaviours. Thus, Einwiller and Will (2002) proposed a set of organisational measures to facilitate integration across different functions responsible for stakeholder communications, such as media relations, employee communications, intranet, internet, corporate advertising, government relations, etc. Olins (1995) presented a broader view of the integrated approach by addressing four key brand communicators: products/services, communications, staff behaviours and the environment. Both groups of authors focussed on the communication channels but have not discussed what messages should be communicated via these channels and what constitutes the basis for integrated approach.

A broader view of the integrated approach has been taken by Christensen (2002, p. 26) who defined corporate branding as: “the continued, integrated business-, organisation- and communication processes where a stakeholder differentiates the company by virtue of the fact that it shows the core values and the stories it lives and offers the world through relations, products and communication”. He

emphasised the coordination of different branding processes: strategic, marketing, employee and stakeholder branding as taking place at different organisational levels and aimed at different organisational stakeholders. While the external branding (stakeholder and marketing) occurs mainly on the tactical level, the employee branding takes place deeper in the organisation and involves employees' values-in-use, assumptions and beliefs. The strategic branding, on the other hand, goes even deeper into the heritage, vision and mission levels. As argued in this paper, external branding is contingent upon employee and strategic branding and cannot be viewed separately from them. Thus, the integration of internal and external processes is necessary. Although very comprehensive, the conceptualisation of the integrated approach in this paper is difficult to operationalise since it is not easy to differentiate between the branding processes, which are usually interlinked in practice.

An integrated approach with a special focus on creating customer value has been taken by Knox et al (2000) who conceptualised the corporate brand as the Unique Organisational Value Proposition (UOVP). Their model explains how corporate branding facilitates the integration of internal (core) business processes of an organisation and its external position in the supply chain to create superior customer value. By using a metaphor of wires, Knox et al (2000) depicted the core processes that deliver customer value, while another metaphor of cable is used to describe the organisation's visible set of attributes comprised of corporate reputation, product/service performance, product brands, customer portfolio and network of contacts. Thus, two major functions of corporate branding are acknowledged: differentiation and process integration. The strength of this model lies in its appreciation of the customer value as a common unifying issue for managers of the corporate brand. Nevertheless, this model can also be criticised for a somewhat mechanistic approach to corporate branding, a major focus on its tangible components and no special discussion of the role of organisational staff in UOVP.

As seen from this short overview of the literature, there is a common view of the integrated approach as a balance between the internal and external processes with a major focus on the integration of tangible constituents of the corporate brand. This latter focus makes this view

rather mechanistic. The integration of intangible dimensions such as organisational culture and employees is not a major focus of the existing studies, and when employees are discussed (e.g. Christensen, 2002), they are viewed mainly as resources for brand positioning to customers. Thus, it might be argued that in spite of the fact that the existing studies have provided a sufficient contribution to the integrated approach, there is still a need for its further development that should take into account the brand's intangible components.

3.3 Summary of insights from theories

The literature review has provided a broad picture of concepts and models related to market orientation, market driving and corporate branding. The first part of the review has identified the gaps in our understanding of the market driving approach as lacking an integrated perspective, having a narrow (customer) view and ignoring the international dimension. Since the role of a corporate brand has not been acknowledged in the literature, it has been suggested to specifically focus on corporate brand identity as a resource for market driving. Corporate branding has been used as an explanatory theory for complementing the existing market driving framework with a specific role of intangible assets in the form of brands, balanced internal and external perspectives, a mechanism of value creation process, a broad stakeholder view, and international aspects.

The literature review has allowed the identification of two perspectives of corporate branding: a mechanistic process of identity transfer and a more natural process of identity re-building in the new market. The first perspective is reflected in the nature of most corporate brand frameworks, in which identity and image are the subjects for alignment, employees are seen mainly as vehicles for communicating the brand to external stakeholders while stakeholders are seen as resources contributing to brand value. The second perspective is less obvious but it can be argued to have a less rigid view on identity-image alignment and suggest an idea of their interrelatedness. It is also characterised by viewing employees as important actors in the organisation and stakeholders as active participants in the value creation process. The two perspectives can be argued to be overlapping conceptually but

differing in their basic philosophy as being more or less coercive. The less coercive perspective is more interesting to consider since it is more humanistic and allows new insights into the roles of corporate brand in stakeholder value creation.

Finally, insights concerning the integrated approach to corporate branding have been provided but criticised for their major focus on tangible constituents of the brand and non-consideration of the issues specific to a global organisation. In the next chapter, I will build on the existing conceptual frameworks and further develop the integrated approach that both takes into account the above-mentioned insights and also overcomes some of its limitations.

Chapter 4

Conceptual framework

A preliminary analytical framework²² is developed in this chapter. It is represented by two conceptual models. The first, based on the existing literature, conceptualises the integrated approach to corporate branding in a broad stakeholder perspective with a focus on the role of employees. The second model adds to it the market driving focus and presents the corporate brand framework for market driving as a value creation process aimed at different organisational stakeholders.

4.1 The integrated approach to corporate branding in a broad stakeholder perspective

The model in Fig. 4.1 represents a modified version of the original model by Tarnovskaya (2002) and Larsson et al (2003). The modifications include a clearer conceptualisation of identity and image and the links between them. The model draws upon the existing framework by Hatch and Schultz (2003), the stakeholder theory and the ideas of employee/employer branding discussed earlier. This model is intended to conceptualise corporate branding as an integrated approach, in which the major intangible elements of the corporate brand identity are used to develop a consistent image with its multiple stakeholders (both internal and external).

Brand identity is understood as shared perceptions of the organisation by the staff and the organisational manifestations constituting the

²²A conceptual framework explains, either graphically or as a narrative, the key constructs and variables to be studied and the presumed relationships among them. Frameworks can be theory driven or commonsense, descriptive or causal (Miles and Huberman, 1994, p. 18). In my study, I am talking about a theory driven and causal framework.

background for these perceptions. This definition is broader than the one commonly used in the literature, to better reflect the nature of identity as being a combination of tangible and intangible components (e.g. Kapferer, 1997; de Chernatony, 1999). It is viewed as an interplay between vision, organisational culture and employees of a firm (see Fig. 4.1, left-hand triangle). As explained earlier, vision is a central idea that gives the brand a sense of direction and envisages its further development (de Chernatony, 1999; Hatch and Schultz, 2003). Organisational culture is represented by the internal values, beliefs and basic assumptions that embody the company's heritage (Hatch and Schultz, 2003). Organisational values and norms provide guidance to employees about the desired behaviours. Employees (with their actual values and behaviours) constitute a vital part of the identity system due to their special position in the organisation and their role as the link between the brand and its different stakeholders (Harris and de Chernatony, 2001). While the elements of organisational culture and vision have been used in the literature to conceptualise corporate identity (Hatch and Schultz, 2003), employees have not been considered as its key constituent, although their role in corporate branding is widely recognised.

In this model, the importance of a good fit between different elements of brand identity is argued to be a necessary condition for a strong brand. Thus, a balance between organisational vision and employees implies that the latter need to understand and believe in the vision in order to fully participate in the branding process towards stakeholders. Moreover, in order to develop relevant competences to fulfil the organisational vision, employees' values and motivations should constitute a good fit with cultural values and norms of the organisation. Thus, creating the sense of employees' belonging to the organisation is stressed (Barrow and Mosley, 2005). The fit between vision and organisational culture is also needed to devise strategies that are supported by the internal norms and beliefs. On the whole, the achieved organisational fit provides a solid platform on which to build a strong brand identity and, correspondingly, a consistent brand image.

A brand image is viewed as an actual perception of the organisation by different external stakeholders (de Chernatony, 1999; Hatch and Schultz, 2003); it is conceptualised as interplay between organisational

culture, employees and stakeholders (see Fig. 4.1, right-hand triangle). Organisational culture in its external manifestation represents an interface between organisation and its customers; it is also an influential factor in image and reputation (Kowalczyk and Pawlish, 2002). Employees' behaviours in interactions with organisational stakeholders are argued to play an important role in stakeholder perceptions and their image of the organisation (Miles and Mangold, 2004). By including stakeholders other than customers in the model, it is stressed that corporate branding has a broad audience and that the image creation process is complex and not limited to customers (Balmer and Gray, 2003; Jones, 2005). A stakeholder brand image is created by various means: via interactions with organisational staff, via communications and through exposure to external manifestations of the organisational culture (Einwiller and Will, 2002; Hatch and Schultz, 2003; Kowalczyk and Pawlish, 2002). Thus, an image is argued to depend on the achieved associational links between stakeholder expectations, organisational culture and employees (values and behaviours).

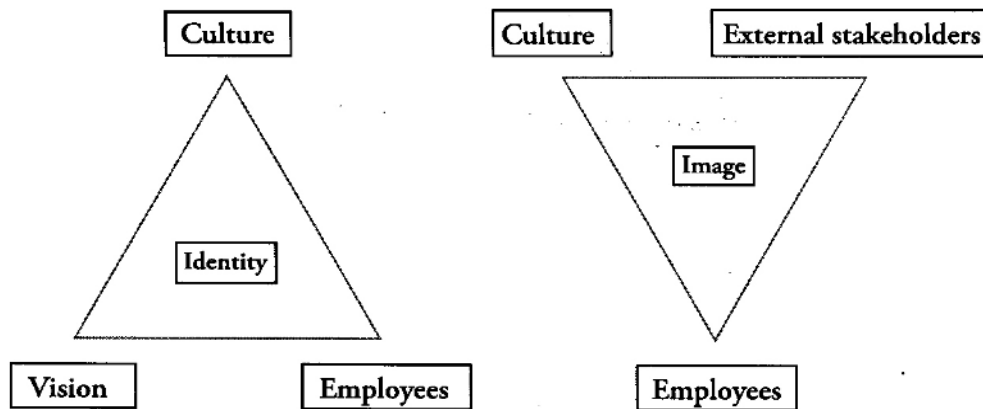


Fig. 4.1. Identity and image conceptualisations.

As follows from the discussion above, identity and image are linked together via communications, employees-external stakeholders interactions and other points of contact between the organisation and its audiences. Their interplay is shown in Fig. 4.2, in which identity and image share two elements – organisational culture and employees. This implies that 1) there is no clear boundary between identity and

image and 2) via creation of a strong identity; a direct contribution is made to the image and vice versa. These ideas are supported by the literature (e.g. Davies and Chun, 2002; Kowalczyk and Pawlish, 2002; Christensen and Askegaard, 2001). While acknowledging the reciprocal link between identity and image, the primary role of identity in the integrated approach is stressed in the model by an arrow pointing from identity to image. The primacy of identity is supported by most studies in branding.

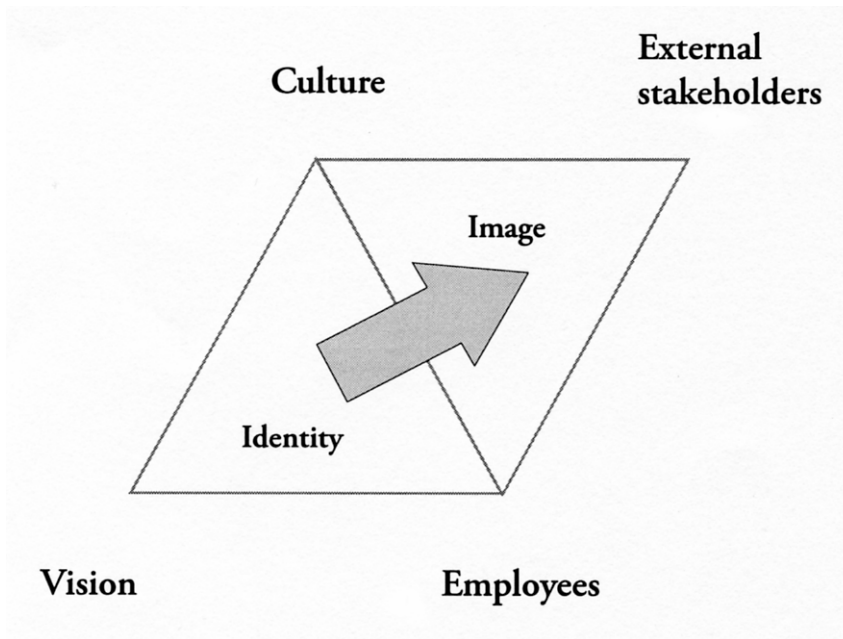


Fig. 4.2. The integrated approach to corporate branding.

The integrated approach to corporate branding is thus seen as an interplay between identity and image, in which internal and external branding processes are interlinked and the goal is to reach the balance between them. This view of an integrated approach builds on the mainstream literature; however, it adds to it the inseparability of identity and image, which this literature usually regards as opposite ends of the communication process. Thus, instead of alignment between identity and image, I speak of reaching the balance via interplay, which is a subtler mechanism. A similar approach was made by other identity scholars (e.g. Christensen and Askegaard, 2001), whose perspective I share in my conceptualisation. This approach can be also argued to adhere more to the process of identity re-building or re-creation in a new market than to a brand transfer (Merriles et al, 2005).

I will now combine this model with some key concepts from corporate branding and market driving literature to develop the corporate brand framework for market driving, which will be used as a working model in this thesis.

4.2 The corporate brand framework for market driving and stakeholder value creation

The corporate brand framework developed in this section is based on the model discussed in 4.1. It is designed to reflect the role of the corporate brand in setting up the *context* and providing the *mechanism* for a market driving strategy. The basic idea behind the model is that the company's marketing strategy is formed on the basis of its brand identity, which acts as an organisational basis for strategy. It also shows how the corporate brand identity can be used for a broad stakeholder value creation in market driving.

The model is based on the same idea of brand identity and image interplay as in Fig. 4.2. The achieved balances of brand identity are strengthened further by anchoring it in *core values*. The core values are derived from organisational culture and form an epicentre of the brand, around which the whole system is oriented (Urde, 2003). They also serve as guiding principles for employees, whose behaviours in accordance with brand values facilitate positive brand perceptions by customers and other stakeholders (Ind, 2001; Harris and de Chernatony, 2001). Core values become embedded in products and services, and form the basis of the brand's *value proposition*. The brand identity based on interplay of vision, culture and employees, with a centre in core values, serves as a *context* for the company's market driving strategy.

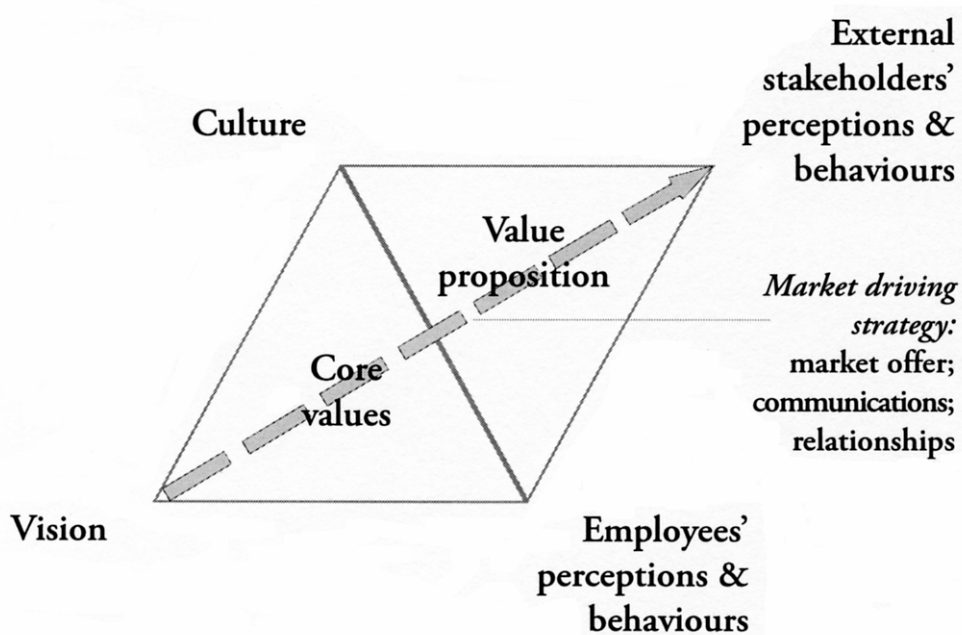


Fig. 4.3. The corporate brand framework for market driving strategy.

The company's market driving strategy is conceptualised as a set of different marketing activities of a pro-active nature: development of the market offer, communications (e.g. management, marketing and organisational) and relationship building with stakeholders. This range of activities is broader than the one suggested by the market driving literature (see summary in 3.1.5) that is mostly focused on market sensing and relationship building (with customers and suppliers). As put forward in the corporate branding literature (Balmer and Greyser, 2003), all these activities are important to consider in the stakeholder value creation process. Besides, all of them can be used to initiate change in stakeholder behaviours, which, according to the literature, constitute one of the outcomes of the market driving approach (Jaworski et al, 2000). These outcomes are reflected in the model by both stakeholder (positive) perceptions and new patterns of behaviour since they are related to each other (see summary in 3.1.5).

All mentioned marketing activities can create added stakeholder value, however, being in dissonance, they will not result in a significant increase in value that is a characteristic of the market driving approach (Kumar et al, 2000). It can be maintained that stakeholder value can be increased significantly from the synergetic effect of all the company's activities in the market, for which the corporate brand provides both a context and a mechanism. The model in Fig. 4.3 illustrates the ways, in

which corporate branding as a process of linking brand identity and brand image provides a *mechanism* for value creation. The process of external stakeholder value creation (see 3.2.5) can be conceptualised with the help of *value axis* - vision-core values-value proposition-stakeholder value, providing the organisation with a clear sense of focus and helping it to connect to the market. Thus, vision should be translated into core values, which, in turn, form the basis of brand attributes that are translated into stakeholder benefits in the brand value proposition. Value proposition is delivered via a set of marketing activities resulting in stakeholder added value. Although the value axis is shown as pointing in one direction, it might be argued to be reciprocal since stakeholder expectations of the brand should be taken into account already on the level of vision formulation. Besides, stakeholders can participate in the value creation process and act as co-creators of value (Normann and Ramirez, 1993).

As far as the role of stakeholders in market driving is concerned, the model emphasises the primary role of a firm's internal stakeholders in building up the relationships with the external stakeholder groups, which is supported by corporate branding literature (e.g. Ind, 2001). Since employees are an integral part of the brand and possess the knowledge of its values and principles, they tend to use them as guidelines for behaviours and activities towards external stakeholders. Among employees, the special role of managers on different levels should be recognised, which is in accordance with the stakeholder theory (Donaldson and Preston, 1995). Managers are involved in all external relationships and their decision-making influences the allocation of organisational resources. For a global company, it is also important to take into consideration the perceptions and behaviours of managers on both corporate and local levels since they influence the ways in which market driving activities are planned and implemented, globally and locally. It is also important to consider the role of the organisational staff (especially local staff on the shop floor) due to their contribution to local customer and other stakeholder relationships.

Among external stakeholders, it is suggested that four groups are chosen - customers, suppliers, potential employees and societal actors (including media, government and the general public). Both the stakeholder and corporate branding literature argued for the

importance of these groups as being strategically important for a firm (Greenley et al, 2005; Jones, 2005). The importance of individual relationships with each stakeholder should be prioritised, however, a consistent approach to all relationships needs to be developed; this can be achieved by using the corporate brand with its value and principles as a basis for all interactions.

To sum up, the model in Fig. 4.3 builds on the ideas developed earlier as regards the integrated approach to corporate branding but it goes further, applying these ideas to the usage of the corporate brand as an organisational framework for the market driving strategy viewed in a broad stakeholder perspective. The model is applicable for studying the international dimension of market driving since it includes the critical elements outlined earlier, i.e. the need to have a well-defined identity before going international, a clear positioning, a determined role of the organisational staff (on corporate and local levels) in stakeholder interactions and the importance of dealing with different stakeholder groups in a company's marketing strategy.

Since it has been argued that the inclusion of corporate branding theories will help to increase the clarity of key market driving concepts, I have summarised below the list of central market driving concepts with their respective definitions provided by corporate branding and stakeholder theories. This list is complemented with additional concepts, such as core values, value proposition, stakeholder values, employees' and external stakeholders' organisational perceptions and behaviours.

Major market driving concepts defined:

Vision - the central idea that embodies top management's aspiration for what the company will achieve in future (Hatch and Schultz, 2003);

Organisational culture - the internal shared values, beliefs and basic assumptions that embody the company's heritage and communicate its meanings to its members (Hatch and Schultz, 2003);

Core brand values - "all-embracing terms that sum up the identity of the brand" (Urde, 2003, p. 1035);

Value proposition – the sum of functional, emotional and self-expressive benefits that provide value for customers (Aaker, 1996).²³

Customer value - a ratio of the customer's perceived benefits received from an offering to the total customer costs (Christopher, 1996). This is reflected in the customers' willingness to buy the company's products and services.

Stakeholder value is reflected in their desire to develop long-term relationships with the company or seek employment there (Jones, 2005).

Employees' organisational perceptions – the perceptions that organisational members hold as regards their organisation (modified from Brown et al, 2006²⁴). Employees' positive perceptions of organisation as such and their own roles in it can lead to an increased motivation to work there.

Stakeholders' organisational perceptions – the perceptions that external stakeholders hold about the organisation (modified from Brown et al, 2006). Stakeholders' positive perceptions of the organisation can lead to behaviour changes as regards the relationships between them and the organisation;

Stakeholder behaviours – the ways stakeholders (internal and external) react to company's marketing activities. The consistent changes in behaviours as compared with the traditional ones (e.g. changes in working behaviours by employees and shopping behaviours by customers) can be viewed as an outcome of the market driving approach (Jaworski et al, 2000).

²³This concept can be also used as regards other external as well as internal stakeholders

²⁴In the original paper, the authors used the term "associations".

Chapter 5

Corporate brand under corporate control

The primary goal of this empirical chapter is to explore the nature of IKEA's corporate brand identity on the corporate level of the firm. As argued in Chapter 4, the corporate brand identity is understood as a combination of organisational perceptions by employees and the organisational background, against which these perceptions have been formed. In this chapter, I will focus on the perceptions of managers who are responsible for the development of the corporate brand ideology. Their interview accounts are used as major sources of evidence and complemented by the corporate materials of different types. The organisational background is viewed as consisting of vision and organisational culture with its traditions, heritage, values, and artefacts. It is important to stress that I have not tried to create the whole picture of organisational culture, but instead described those cultural manifestations that were used by the respondents themselves or constituted the background for marketing activities. I have also provided my own interpretations of different aspects, which in many cases offered an additional angle of a particular topic.

I have structured the chapter in accordance with the different interpretations of the corporate brand: in 5.1 I speak of the corporate brand identity at the deepest organisational level of concept formulation (concept level) and in 5.2 I speak of the corporate brand identity at a next organisational level of strategy development (strategic level). These levels refer to different organisational entities at IKEA (Inter IKEA Systems and the IKEA Group). Sub-chapters 5.1.1 and 5.2.1 provide a short overview of corporate brand artefacts that have been observed during my numerous visits to the Älmhult and Helsingborg IKEA offices.

The subsequent empirical material has been structured along different brand identity dimensions used in the conceptual model in Fig. 4.3: organisational culture, vision, employees' perceptions and behaviours, and core values. In addition, some other dimensions have been added, which, in the respondents' opinions, have been particularly distinctive for their organisation and constitute an important part of its identity. Among such dimensions at the concept level, I have identified the ownership structure, the financial strength, the range, and the role of the organisational founder.

Besides the brand's internal manifestations mentioned above, the brand's vehicles used to communicate it to multiple stakeholders have been identified. Brand vehicles are, in their essence, means by which the corporate brand is transferred to the local markets and the ways in which the stakeholder perceptions are formed. Brand vehicles correspond to the marketing strategy in the conceptual model in Fig. 4.3: market offer, corporate and marketing communications, and relationship building. Since the major focus of my thesis is on market driving strategies, I have delineated those brand vehicles that had a clear market driving (pro-active) character.

5.1 A concept level of the corporate brand

A concept level refers to the brand identity that lies in the heart of the firm and provides the basis for all other brand identity forms. A *concept level brand*²⁵ is created behind the walls of a special organisation – Inter IKEA Systems and explicitly documented in manuals and brochures. The knowledge of it is a privilege of a rather small group of people, in the IKEA case called the “Concept keepers”²⁶. It does not mean that other corporate level managers have limited access to manuals and other corporate information. On the contrary, since IKEA is characterised by an extreme openness in terms of information sharing, all the staff have

²⁵I am using the term concept (level) brand, which is different from the respondents' term concept that includes a large number of elements, both tangible and intangible (see 5.1.9). The concept brand is formed on the basis of vision, organisational culture and employees.

²⁶The term Concept Keepers has been borrowed from IKEA's managers at Inter IKEA Systems who called themselves thus.

an access to these materials via Intranet. However, due to the underlying principle of efficiency, most managers focus on the issues that are the most relevant to their specific tasks (but still having a good overview of the whole business chain). As discussed further in this chapter, other corporate level managers have provided somewhat different accounts of the corporate brand seen from their functional perspectives. Besides, the Concept Keeper, whose account constitutes the basis of this sub-chapter, was unique in many ways since he belonged to a close circle of IKEA's co-founders. This manager (Managing Director Inter IKEA Systems) was deeply involved in IKEA's cultural project IKEA Way in the 80s when the company underwent big changes from being a "men's conglomerate" to the modern company that we know today. He has always worked and still works very closely to the founder, Ingvar Kamprad, and this influence makes this respondent's account of IKEA as close to the founder himself as possible.

5.1.1 Artefacts of the corporate brand

It is maybe wrong to say that the surroundings at the Inter IKEA Systems office in Helsingborg were different from those in other IKEA offices in Helsingborg and Älmhult (described further in the text). The same open plan and simple IKEA furniture as in all company's offices. However, an overall feeling from this meeting with the Managing Director IIS was somewhat different from other subsequent meetings at IKEA's headquarters since the atmosphere was more relaxed and less IKEA-way in terms of having a total control of time. Having obtained an almost missionary status at IKEA, the respondent does not give an impression of a missionary. There was neither a religious spirit nor an especially happy face as in many other interviews. On the contrary, here was a calm person, who had taken 2 hours of his precious time to unveil the essence of IKEA's concept for me as an outsider and, to a certain extent, warn against falling into the trap of IKEA's "religion".

A *concept brand*²⁷ is very much about documented knowledge. Documents of different kinds are important brand artefacts, since they make up the physical core of the IKEA concept. As explained by the

²⁷Here and further on in the text, I use *italics* to distinguish my own terms or words that I want to accentuate from the ones used by respondents.

respondent: “To conceptualise means to document the knowledge and make it available to the whole IKEA world. This is also about understanding – what are its basic components, basic links that create our business logic.”

What is being documented? The store plans are developed for all IKEA countries; the catalogues and inspirational brochures are produced in more than thirty languages; different manuals such as IKEA Way (a cultural manual), IKEA Kitchens, Space Management, IKEA Marketing, etc are developed to cover all conceptual bits and major functions. The electronic manuals are also produced by people at Inter IKEA Systems. One of them is a toolbox, which represents a collection of best store solutions. It is actively used by both internal and external franchisees across different IKEA markets. The best examples of market communications are also documented and available for local stores in different markets. In addition, an extensive sales material has been developed, which deals with the sequence of steps to set up the product display at a store. All these manuals and brochures can be found on open shelves in the vast library at the Inter IKEA Systems office. The materials are continuously updated and distributed among all IKEA’s stores.

5.1.2 Who owns IKEA’s brand?

There is still a lot of confusion regarding the question – who owns IKEA’s brand. Stellan Björk, a Swedish journalist, raised this question in his book about IKEA (Björk, 1998). He described the extraordinary ambiguity of the company’s organisation and the mystery behind its various foundations. Indeed, IKEA has a business structure of a high degree of complexity. As explained in the corporate materials²⁸, the IKEA Group is owned by the Stichting Ingka Foundation, a charitable trust based in the Netherlands. Another company, Inter IKEA Systems, owns IKEA’s intellectual property: the concept, the trademarks, the product designs and other types of corporate knowledge. Inter IKEA Systems does not only keep and secure the existing knowledge but it also takes care of the general direction of the concept development. This organisation is also responsible for franchise relationships with

²⁸The IKEA Group 2004-2005.

The IKEA Group that manufactures and sells the products. Among IKEA's franchisees, two groups are distinguished: the bigger group of internal franchisees (225 stores owned by IKEA) and a smaller group of external franchisees (29 privately owned stores under IKEA's franchise agreement)²⁹.

According to the respondent, the motivation behind the complexity of IKEA's ownership structure is the desire to prevent the company from being split up after Ingvar Kamprad's death, and its brand from being diluted. The ownership feeling is thus perceived as a source of "long-term independence and security". The fact that IKEA is controlled by a foundation and not listed on a stock exchange allows its management to undertake rather risky expansion plans: "If IKEA was on a stock exchange, it would have been a completely different company. For example, we would have never come to Russia – no public company would spend millions and billions in Russia with its unclear possibilities." (Corporate Manager)

5.1.3 Vision as a balance of "hard and soft sides"

IKEA's vision to "create a better everyday life for the many people" is directly linked to the business idea to "offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them"³⁰. IKEA's vision combines the goal of improving the people's lives with the necessary means for doing it – making good profits and minimising costs. As stated in the corporate materials³¹, "profit is important because it allows us to move forward with our vision and achieve a good result in the long term". While making profits via cost-minimisation is referred to as a "hard side" of the process of vision realisation, there is also a "soft side" of involving the whole staff in this process by "giving them a possibility to grow, both as individuals and in their professional roles" and ensuring their total commitment to the company's goals. However, as commented by the respondent, it is very easy to become religiously obsessed by the vision of improving other people's lives and forget that the company needs to make profits:

²⁹Figures of June, 2007.

³⁰A Furniture Dealer's Testament by I. Kamprad.

³¹A Furniture Dealer's Testament by I. Kamprad.

The soft side is not enough; we must also look at the hard side. It is too easy to just look at the soft side. To have lots of people running around in our stores and thinking that they are a kind of religious saviours and not business people. Because this is business! (Managing Director IIS)

The major challenge, in this respondent's opinion, is to keep the balance, not allowing the idealistic vision-based picture of reality to take over the basic entrepreneurial sense of IKEA. As expressed, "it is very easy to become lazy, to start thinking that we live in such an idyllic world that we are furnishing to realise our dream but we also have to earn money and minimise the costs." (Managing Director IIS)

5.1.4 Culture as a "security"

According to the Managing Director IIS, the role of IKEA's culture in securing the company's future and its brand's longevity cannot be overestimated. Talking about culture, the Managing Director IIS as well as other respondents (at both corporate and local levels) cited the company's main cultural manifest *IKEA Way*, a brochure that in clear and simple terms explains the essence of IKEA's culture. This brochure was developed as a result of IKEA's cultural project started in the 80s when the company was going through a process of restructuring and growth and top management felt that it was not enough to just have "a stomach feeling" about culture and values.

Even though *IKEA Way* is an internal document, it is addressed to both own employees and customers (end-consumers) since it does not clearly distinguish between the two. It also incorporates IKEA's vision, business idea and core cultural values in an integrated whole. IKEA's cultural values "Our Way" that are vividly depicted in colourful pictures are set against a contrasting set of values called "No Way" (see Fig. 5.1) so that the reader immediately grasps the meaning of the *right* values.

<i>Our Way</i>	<i>No Way</i>
Functional	Fancy
Clear	Complicated
Honest	Fake
With a sense of fun	Dull
Smart and thrifty	Extravagant
Surprising	Expected
Human	High Tech
Inexpensive	Expensive
Rebellious	Conforming

Fig. 5.1. IKEA Way versus No Way (corporate materials “Our Way”).

The words *right* and *wrong* are widely used in IKEA’s everyday spoken and written language, although the word *wrong* is often used in the positive meaning of *different* while the literal *wrong* is replaced by the expression “it is not the IKEA way”. For instance, the brochure³² presents IKEA as a company that “did everything wrong” right from the very beginning – “We did the complete opposite of what you might read in the How to Succeed business books”, the company’s business idea is contrasted with “what the normal companies do – sell your goods for as high a price as possible”, the value proposition is referred to as “different”. The IKEA Way was interpreted by many respondents as the *right* and only way to deal with things both professionally and in their private lives, suggesting that other ways are *wrong*.

That differentiation from other than IKEA’s ways of living makes IKEA values stronger and even more desirable for employees, since by embracing them, a person makes him or herself different from the crowd. It is important to note that at IKEA employees are called “co-workers” stressing their belonging to the organisation. This word has a strong psychological meaning since it constantly reminds people that the focus is on working together. As commented by a respondent, culture with its values provides a sort of “clay that holds the IKEA system together”. It might be argued that IKEA co-workers also

³²“Our Way. The values behind the IKEA concept”, a booklet from Inter IKEA Systems B.V.

function as the human clay, holding together this vast and geographically dispersed organisation. The respondent also compared the company's culture with a "security system at IKEA" that will ensure that the organisation "will work with the right things and in the right way, in accordance with Ingvar's wish and will".

Concerning IKEA values, the respondent has also emphasised the importance of keeping a balance between the so-called "humanistic" and "capitalistic" values. The IKEA values such as enthusiasm, curiosity, simplicity, humbleness and high moral standards were referred to by the respondent as "humanistic" and are mainly used to employ people at IKEA. He explained that these values are not used for developing relationships with external franchisees since for them "capitalistic" values and personal chemistry are more important. The capitalistic values were understood by the manager as the rules for franchisees, for which they are mandatory. In its marketing strategy, IKEA strives for similar positioning objectives in all its markets – to be perceived as a low price brand. Therefore, each IKEA retailer must have complementary marketing objectives such as, for example, price leadership in some key product categories, achieving a certain market share in the market area. Thus, it might be argued that cost-consciousness and ability to grow profitably are among the most capitalistic IKEA's values. Among the related values are efficiency and simplicity in both relationships and operations. Talking about the necessity of achieving the fit between the two sets of values, the respondent explained: "Of course, it should be both. But it is not enough with this soft side, we need to look at the hard side. This is the matter of balance."

As emphasised by all respondents and stressed in the corporate documents, keeping the culture relevant and developing it further is one of the major strategic goals of IKEA: "Our culture must be a strong and living reality." The main focus seems, however, to be as much on "securing" the culture by keeping the IKEA spirit. This is done first of all by cultivating it through IKEA people who are referred to as "pillars" and "stalwarts" of IKEA system. As described in the corporate materials³³, "those simple, taken-for-granted people who do their duty and shoulder their responsibility without being noticed. They are to be

³³A Furniture Dealer's Testament by I. Kamprad.

found everywhere – in our warehouses, in our offices, among our sales force...They are the very embodiment of the IKEA spirit.”

The important means “to keep the culture alive”, in the respondent’s opinion, is to “spread the words of wisdom” that instil IKEA’s culture among more than 100 000 co-workers around the globe. This is done with the help of IKEA’s cultural manifest and its people as “cultural ambassadors” transferring IKEA’s values to new stores. The respondent compared IKEA’s blue-and-yellow cultural manifest (Our Way) with the “little red book”, which Mao Tse Tung used to spread the ideas of the cultural revolution to millions of Chinese during the country’s cultural revolution³⁴. This comparison reveals a great deal of courage on the part of the respondent as well as his extreme openness since he admitted that IKEA Way is a kind of cult, which has a goal of changing people’s minds in accordance with the company’s vision: “This is a bit like religion, this is so strong!”

It is not only culture with its values, documents and people that has been discussed as regards the security of IKEA brand but also the company’s financial security, which I will mention shortly.

5.1.5 Money as a “life insurance”

If the culture can be viewed as the security system at IKEA, there is also another sort of security mentioned by the respondent – its financial security. The “life insurance” for the company’s future is “a gigantic amount” made of the fees paid by all IKEA’s stores for using IKEA’s concept and brand name. This financial wealth is accumulated in order to be used in the worst case “when it is going to be a real crisis, and the banks won’t any more give us loans”. As explained by the respondent, this money has been partly used for different investments, and it is handled “in Ingvar’s Smalandish, safe and thrifty way”. Because the company is privately owned, they are not obligated to release figures or publish reports, and financial details are difficult to obtain. The financial issues surrounding Ingvar Kamprad himself constitute a rather murky area. According to the media³⁵, I. Kamprad’s wealth exceeds that

³⁴It is interesting to add here that Mao’s book has become a bestseller outside China, exactly as IKEA’s catalogue in the world (second place after the Bible).

³⁵Forbes, 2003-2004 ranking.

of Bill Gates, making him the richest person in the world, with a reported personal fortune of 32 bln GBP. The PR department at IKEA commented on this information as being “totally wrong” since the estimates of I. Kamprad’s personal fortune were based on a valuation of IKEA Group, while neither I. Kamprad nor his family had access to this wealth. Ingvar also publicly denied his wealthy status and internally persuaded his co-workers: “The greatest riches I have are my health, my family and the wonderful co-workers at IKEA.”

I will now devote some words to Ingvar Kamprad – the person whose personal values and vision have invigorated the company for more than 70 years.

5.1.6 Ingvar Kamprad – a “super-capitalist and super-humanist“

I’m not going to tell the whole story of Ingvar Kamprad, this can be found in many books and articles, but instead capture some features of the man as perceived by one of his closest companions. Ingvar Kamprad is now (2007) 79 years old but his role in the company is still extremely important. He still works as a senior advisor to the board at INGKA Holding in Holland and takes an active part in all IKEA’s strategic decisions. His knowledge and intuition are unsurpassed, which explains that all top managers are in direct contact with him and seek his advice on a multitude of matters.

Although being a visionary from his early days in a little farm of Elmtaryd in Småland, Ingvar Kamprad developed IKEA’s vision in its present form by the time he wrote his Furniture Dealer’s Testament. Since then, it has grown precise and almost evangelical: “We have decided once and for all to side with the many. What is good for our customers is also, in the long run, good for us. This is an objective that carries obligations...” Ingvar Kamprad is a strong believer in both the vision itself and the company’s social mission, and he has managed to communicate this vision to thousands of his co-workers. He travels across the globe to meet suppliers and opens all the new IKEA’s stores.

Ingvar is described by the Managing Director IIS as “a super-capitalist and super-humanist” who thinks in a double way – “on the one hand, he wants to make his dream a reality and sell furniture to the many

ordinary people, on the other hand, he also sees enormous possibilities for purchasing in the countries like Russia!” Ingvar is depicted as a man with strong feelings and ambitions. His wish is to “furnish the world” and he acts very much according to his feelings. For example, he is described as “having a special feeling for Russia knowing that it is difficult to furnish and for Poland since this country was very important for IKEA’s expansion and also was the first trading country for IKEA”. To a certain extent, these feelings explain the company’s strong focus on these markets, especially Russia where IKEA’s success “makes Ingvar extremely happy”. On the other hand, Ingvar Kamprad is an ingenious businessperson with a strong intuition who has always had a remarkable ability to “put himself into the customers’ shoes”.

The respondent described Ingvar as a wise and strong-willed man who “managed to hold the company together for many years” and who “was never afraid but was strong to sort out things that did not work and keep those things that really worked”. Because of these unique abilities of one man, there is a danger that without him things will change: “If there is no strong person who in some way manifests and drives the organisation, the goals can be hard to achieve.” To overcome the danger of linking IKEA too closely to its owner, the respondent suggested greater focus on building a strong organisation both in terms of documented concept knowledge and people who possess this knowledge and are able to spread it further in the organisation. Among these people, the group of managers called Concept Keepers play key roles in the organisation.

5.1.7 Managers as “security guards” and “coaches”

Talking about the different roles of corporate managers (Concept Keepers), the respondent explained that their major function is “to create a powerful counterforce”, a security in the worst of all possible cases when someone decides “to misuse” the concept by “starting to sell cars under IKEA’s brand or doing something crazy”. That function of Concept Keepers has never been used since such situation has not occurred yet at IKEA, but as commented by the respondent, one can arise “when even Kamprad’s sons are not with IKEA longer”. Although great trust is placed on the management of IKEA Group and the ways they drive business across markets (in compliance with IKEA Way), it is

important, according to the respondent, to have this “counterforce”, which is represented by “a great power and mandate” of the Inter IKEA organisation.

The role of Concept Keepers is described as “security guards”, or, as Ingvar Kamprad calls them, “monitors in the school class”. This role combines the function of concept interpretation with that of an active control of the franchisees’ alignment with the concept: “having a grip on and checking how expansion goes, how franchisee agreements are written down, etc”, which is achieved with the help of a special instrument – the Commercial Review – designed for conceptual control over stores.

Besides paying regular control visits to all existing and new stores, the Concept Keepers also work as coaches at a special institution – the IKEA Business College in Delft, Holland, where they share their vast expertise of the concept with internal and external franchisees. The college runs a large number of courses and workshops, in which all IKEA store and functional managers participate on a regular basis.

To sum up, the Concept Keepers combine the roles of security guards with those of interpreters, controllers and coaches, in which they communicate with the key managers in the IKEA global organisation. Similarly to Ingvar Kamprad himself who “started preparing for his death a long time ago”, the Concept Keepers need to ensure that the next generation of managers possesses the necessary knowledge of the concept and spreads it among IKEA’s employees.

5.1.8 Range as a basis for value proposition

IKEA’s vision is directly linked to the company’s business idea, which also represents the essence of IKEA’s concept: “We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.”³⁶ As discussed in the corporate materials, the IKEA product range is the basis of the concept. The unique range and the low prices are considered essential to realise the company’s vision and its social ambitions.

³⁶Inter IKEA Systems B.V. 2002 brochure.

The IKEA product range consists of a wide assortment of home furnishing products “for all rooms and areas within the home”, giving the consumers an opportunity to choose the IKEA store as “one-stop for furnishing their home”. As emphasised in corporate materials³⁷, the range “must be perceived as typically IKEA” through having its own profile “that reflects our way of thinking by being as simple and straightforward as we are ourselves”. Besides, “the basic range should be perceived as typically Swedish” and in order to “safeguard the profile of the IKEA product range as well as its competitiveness, the range is decided centrally”, in Älmhult, Sweden. An additional measure used to distinguish IKEA products is the special quality and design mark “IKEA of Sweden” applied to each IKEA product. It is also IKEA of Sweden that gives IKEA products their unique names such as ROLIG or STOLLE.

The IKEA range is characterised by a combination of good design and function, which is referred to as “the hardest thing anyone can do” since the products must also be of a good quality and affordable for everyone. The range with such characteristics is described as “simple, straightforward, durable and easy to live with”. Moreover, it is typically Swedish since it reflects the typical cultural traits of the company’s place of origin (Älmhult) and its people. At IKEA, they call it “a clever range” because it is focused on what is most important for the many consumers and “a smart solution”. This basically means choosing those product functions that are absolutely necessary and stripping the furniture of all additional features that cost money. Such minimisation of function down to the absolutely necessary, is considered vital at IKEA since it allows the creation of a range that addresses the common, basic needs of consumers in all countries who want an affordable home.

An important characteristic feature of IKEA products is their clear low-price profile. A substantial price gap between IKEA products and competitor products of the same categories is a key factor of IKEA concept and a direct application of the company’s vision for many people. The products are designed in such a way that they can be manufactured and distributed “at the lowest possible cost and with a quality adapted to meet the customer needs”. The low price of IKEA products is not seen as a feature of “throw-away” products but contains

³⁷A Furniture Dealer’s Testament by I. Kamprad.

a strong emotional factor for consumers: “a joy of being able to own without having to forsake everything else”³⁸.

By combining a wide and unique range, good design, good function and low prices, IKEA differentiates its brand from other furnishing retailers who usually focus on one or two of those components. The synergy of functional and emotional benefits in IKEA’s offer to its consumers and their a priori relevance to broad customer needs is, according to corporate materials, the underlying strength of IKEA’s value proposition to customers.

5.1.9 IKEA’s brand as a basis for expansion

One of the topics raised in the interviews was the way to internationalise IKEA’s brand. The important issue was also – what do corporate managers consider to be the essence of IKEA’s concept and its brand? The core of the concept, in the respondent’s opinion, is “interplay between a store and catalogue, the deep integration in production, design process with flat package in mind, new thinking and new raw materials, minimisation of costs, store location outside city centres, and positioning as a Swedish company outside”. (Managing Director IIS)

Talking about IKEA’s concept in its present form, the respondent explained that it has not changed much since 1980 when it was clearly formulated for the first time. There were, however, several periods in IKEA’s history when the company “moved away from some of the cornerstones of the concept”. Loosing track has resulted in “some dramatic effects – record costs and no growth”. In 1995 the company was back on track, and this was referred to as “a sharper range, a clearer identity, more aggressive pricing and a strong focus on purchase prices as well as the intensified investments in the existing stores”. As expressed by the respondent, the main learning point was: “our concept is successful when we stick to it.” As stated in the corporate materials: “We must not change or under-invest in our range, cultural identity, prices, quality, stores and people.”³⁹

³⁸A Furniture Dealer’s Testament by I. Kamprad.

³⁹Corporate materials “10 Jobs in 10 years. A direction for IKEA 2001-2010”.

Re-formulated in the branding terms used in this thesis, the latter statement includes such brand dimensions as culture, range and people with an underlying vision as a starting point of brand development.

As far as the usage of the concept is concerned, the respondent argued that only those with a long IKEA experience (including himself) are “legitimised” to interpret the concept for “the whole IKEA world”. He compared IKEA’s concept with a bucket with its most essential aspects at the bottom in the form of manuals that “should never be violated”. As mentioned before, the manuals include IKEA’s cultural manifests (IKEA WAY and The Furniture Dealers’ Testament), the store plans, and other documents covering major functional bits of the concept. The concept represents a basis for both global and local brand development, providing it with the necessary framework and security. Securing the core is extremely important since it prevents the brand from “mutation”. However, “there is always a danger of over-manualisation that might lead to the concept’s conservation and prevent it from development” (Managing Director IIS). One way to avoid this, in the respondent’s opinion, is “to understand that the knowledge documented in the manuals is not a lid but a base, a platform for the Concept”. The manuals should not be seen as mental barriers but as proven corporate knowledge for local markets. It is also important for local managers to understand that there is much freedom for them to adjust the concept to local market conditions.

The IKEA concept can be argued to represent a special form of the brand, which is strictly defined, precise and mandatory for all markets. When this brand is being transferred to other markets, an additional layer of interpreted knowledge is added, creating a bridge between the corporate centre and the local market. It is across this bridge that the transfer of the corporate brand from corporate to local level takes place. I will talk about this second stage of brand transfer in 5.2. Before going further, I will focus on the means, with the help of which the concept is communicated with the external world.

5.1.10 The corporate brand's vehicles

The concept brand is aimed at a specific group of stakeholders – IKEA's global franchisees. The aim is “to bring IKEA's products to as many people as possible by franchising the IKEA concept”⁴⁰. Inter IKEA Systems constantly seeks new franchisees in different markets to continue the company's expansion. Only those who can ensure an “outstanding comprehension of and commitment to the IKEA concept” as well as possess the extensive retail experience and strong financial resources can become IKEA's new franchisees.

The Inter IKEA Systems provides its franchisees with support, consisting of the necessary documentation, consultations and training in the concept. The major focus is on the explaining the meaning of IKEA's vision and the way the concept works: how the range is created, how the stores are organised and how the customer, employee and supplier strategy are planned. The customer strategy of “offering a wide range of well-designed functional home furnishing products” at low prices is based on an a priori assumption “that people round the world have similar functional needs when it comes to home furnishing” (Managing Director IIS). The stated customer strategy is achieved by choosing the similar positioning objectives in all IKEA's markets – to be perceived as a low price brand. It is also closely linked to employee strategy to give “down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles” since this growth is needed for creating a better everyday life for both co-workers and customers. The third strategy is aimed at suppliers, since taking responsibility for suppliers and the environment is also a part of IKEA's vision for the customers. It is, thus, important that all franchisees completely understand the vision and choose the low price positioning for customers while also being responsible retailers in their respective markets.

Besides explaining the meaning of the concept to franchisees, the Inter IKEA Systems provides them with the major communication means to reach the global consumers: the catalogue to reach them and the layout of stores to “convert visitors into customers”⁴¹. In 2005-2006, 174

⁴⁰<http://franchisor.ikea.com>.

⁴¹A corporate brochure by Inter IKEA System B.V.

million copies of the catalogue were distributed to reach its 500 million customers in more than 30 countries via IKEA's stores. The Internet is another communication channel that is being used more and more. IKEA has 37 national web-sites that in 2006 attracted 278 million hits around the world.

The media means are used globally to “push the concept forward” into the markets. As commented by the respondent:

We listen to our customers and look for trends in the society...but when we have already come up into the production phase, there is nothing else to do than to push. With parameters and via our media. We have our stores as the most important media, and the catalogue. Then we make arrangements with prices and...then we can push.
(Managing Director IIS)

Having provided the franchisees with the concept knowledge and means to communicate it, the Inter IKEA Systems controls their compliance with the rules and coordinates their activities to collect the local market knowledge to be “pulled” into the company to enable the concept development. This knowledge is integrated with the help of instruments called the Market Capital and Commercial Review, in which the best practices from all IKEA's stores are presented for common use by IKEA's franchisees.

5.2 A strategic level of the corporate brand

In this sub-chapter, I will re-create the different pictures of the corporate brand at the next to the deepest corporate level. At this level, referred to as strategic, the corporate brand is being adjusted to different groups of global stakeholders: employees, suppliers and customers (end-consumers). The interpretations of the brand that I have re-created from the interviews and corporate materials have been divided into four types: a *global employee-facing brand*, a *global supplier-facing brand*, a *global customer-facing*⁴² *brand* and a *global society-facing*

⁴²I am using the term “customers” in the meaning of “end-consumers”. Besides, most respondents at IKEA used the term “customers”, which is another reason to use this word. I am aware that in certain contexts customers can also mean B2B customers, but in IKEA's case it meant end-consumers.

brand – reflecting the major internal and external stakeholders addressed by the company's managers and corresponding brand messages that are formulated to reach them. The order of presentation follows the logic of internal-external stakeholders with employees being presented as the most internal and society as the most external groups. It is important to stress that brand messages and related strategies represent the *managerial intentions* towards the corresponding groups and not the actual perceptions of the brand formed by these stakeholders.

It was not a coincidence that the professional (functional) affiliation of managers has strongly influenced their view of the organisation, as well as of their own roles in it. The respondents represented different primary functions in the IKEA Group: Purchasing, Distribution, Retail as well as secondary functions: HR and some global programs. Almost all of the respondents had responsibilities of a global scope and an average of 10 years at the company, which made them very knowledgeable in both their own functional areas and the whole business chain.

5.2.1 Artefacts of the corporate brand

Since my first visit to IKEA's Helsingborg office followed by numerous visits to Älmhult, I have got an impression of a typically Swedish, informal and simple surrounding with a minimum of furniture, which was also entirely IKEA's own from different periods. In many cases, we have been sitting and talking in small offices with glass doors that IKEA's employees use for their own meetings. The atmosphere of these meetings was always informal, friendly but never really relaxed because the feeling that "time is money" and cannot be wasted was very pervasive. One of the strongest feelings was the impression of a total commitment of all the respondents to their organisation. Almost all respondents have referred to the corporate materials such as business plans, HR brochures, The Code of Conduct for suppliers and other documents, which I consider the brand's important artefacts, and will refer to in the text.

5.2.2 Global employee-facing brand

A *global employee-facing brand* is aimed at one particular group of stakeholders – the existing and potential employees. It is characterised by a certain interpretation of the company’s vision, its culture and values, value proposition as well as a specific overall picture of the organisation created and communicated by managers. This brand is established in the *business of people* and adds a human angle to all its major dimensions.

5.2.2.1 Vision as an attitude to people

A *global employee-facing brand* is supported by IKEA’s vision that has been specified to focus on the employees’ roles in the process of creating a better everyday life for the customers. This is necessary to do, since in some respondents’ opinions, vision is “a rather broad statement”. The vision for employees is expressed in the HR idea:

To give down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that, together we are strongly committed to creating a better everyday life for ourselves and our customers.⁴³

The perception of vision as an *attitude* towards people has been expressed by several respondents. As commented by one manager:

It is about having a different attitude in everything we do at IKEA. It is about recruitment, about promoting. We should give everybody the right based on their competences, not based on the language they speak, the colour of their skin, the way they look. IKEA is open for all.”
(Assistant, HR Manager Global)

In spite of the seemingly very welcoming attitude to all different kinds of people at IKEA, the respondents added that “not everybody will suit IKEA” and that in order to feel good at IKEA, people need to connect to its culture and values “in some way”.

5.2.2.2 Culture is “how we do things”

It is interesting to note that, although the importance of culture for different aspects of the organisation has been recognised by all

⁴³Our Human Resource Idea, Inter IKEA Systems B.V.

respondents, the perception of culture was rather abstract and expressed in general terms. For example, the Assistant, HR Manager Global says:

When we talk about the IKEA culture, it is a huge subject. What we are now talking about is not the IKEA culture – it is how we do things round here. You should feel the IKEA culture in all the questions. A lot of culture is how we interact with each other, how we talk to each other. It is not necessarily something that is tangible. And it is a lot about how we interact – we have very informal language and informal dress code. So the culture is such a big part of what we do.

One respondent commented on IKEA culture as something in which a person can drown if he or she is “not right” from the very beginning. A way to avoid drowning in this culture is to “be honest” and tell people what the rules are. It is also important to “create the understanding” among co-workers “why we do things the way we do”. Many respondents mentioned the cultural manifest *IKEA Way* as a valuable source of cultural information and training material for newly employed staff at IKEA. A special focus in this training is on the heritage and traditions that are cornerstones of IKEA’s culture (“it is really about understanding our past”). Swedishness has been recognised by the respondents as an integral part of IKEA’s culture “because a lot of our history and values come from Swedishness”. Since much of IKEA’s history is associated with Småland and Älmhult, these places are among the most visited sites by IKEA staff. One respondent commented on Älmhult as a place where there was “too much culture” while in other distant places it might be difficult to “cultivate people’s internal values and vision”.

As far as more specific cultural rules are concerned, for example, the corporate language and the dress code, they are clearly specified in another corporate document “The IKEA Symbols”⁴⁴, which is extremely popular with the staff. The IKEA symbols are referred to as “acts, which we do in daily life that spring from IKEA values”. It is explained that the common dress code at IKEA is “personal”, which shows “who you really are” and the common language is “the tone of simplicity”, which reflects honesty and straightforwardness. As seen from these examples, cultural rules are strongly loaded by IKEA values. A strong link between IKEA’s culture and values is stressed by the respondent: “Culture is no

⁴⁴The IKEA Symbols. Leadership by example, Inter IKEA Systems B.V., 2001.

more than the values that people in the organisation stand for.” (Managing Director IIS).

5.2.2.3 Core values as working principles

The topic of core values⁴⁵ was very well developed in the managers’ accounts. By core values, the managers meant another set of values than in IKEA Way. Since quite recently there was not much focus on core (brand) values at IKEA because it was felt that cultural values were strong enough to provide motivation for the staff. A need for core values was explained by the necessity to communicate IKEA’s culture to its multi-cultural staff across 35 countries with more than 30 different languages, which has become increasingly challenging. Another task with core values that is global in its scope, is to attract the “right” people who fit IKEA’s values “from the very beginning”. As the Assistant, HR Manager Global commented on:

And what we have done today – we created a strategy where whenever we advertise externally from IKEA point of view, our branding should start with our value.

Togetherness and enthusiasm	Simplicity
Constant desire for renewal	Leadership by example
Cost-consciousness	Daring to be different
Willingness to accept and delegate responsibility	Striving to meet the reality
Humbleness and will power	Being on the way
	No fear of making mistakes

Fig. 5.2. IKEA’s core values⁴⁶.

As commented by respondents, they “believe that values mean common behaviours”. That is why, in recruitment, the candidates are faced with typical value-related situations and their reactions might give an idea of how close they take values to heart. Each value is “translated” into a set

⁴⁵The respondents used only the term core values and explained that these values are used for branding purposes. I am using the terms core values and brand values inter-changeably.

⁴⁶“Recruitment through our values”, the corporate materials.

of behaviours and/or qualities. This is, for example, how the value of “Togetherness and enthusiasm” is specified:

- The physical working environment – open plan offices;
- Joining of efforts in everyday work, to work as a team and involve each other;
- To work together on common goals and issues;
- To have respect for each other – we all have a value to add to the company;
- The way we talk, interact and connect with each other in an open way;
- To support each other in our every day work.

Not all values are prioritised in the same way at IKEA. Some of them create a basis or a foundation of IKEA’s brand, while some are derivatives of these. As commented by one respondent, among the *central* core values the following can be mentioned:

1) “Cost-consciousness” since it is “the basis of everything”. However, it is not the greediness, “when you are just holding back money, it is very much the simples – what, how, where we are putting money” (Competence Manager).

2) “Simplicity” is a value that can be traced everywhere but is also “one of our biggest challenges today when we are surrounded by complex processes, and we can simplify the way we work” (HR Manager). This is the value, in which, according to some respondents, IKEA is very good, especially when it comes to relationships with people. However, when it comes to processes, there is still much work to be done.

3) “Togetherness and enthusiasm” has proven to be one of the most important values for personnel on the shop floor. Based on the results of internal surveys, the respondent commented:

For a person who works part-time 10 till 2, coming to work, they want to do a good job but they also want to be a part of a team, which is this team spirit in relationships with your manager, being together and knowing you are supporting each other – it is as simple as that (Assistant, HR Manager Global).

4) Among central core values is “Willingness to accept and delegate responsibility”. As explained by the respondent:

That is a very, very strong one where we really should be giving responsibility to the front line so it is not sitting on the top when it becomes very bureaucratic, it is like empowering our co-workers, it is very much about that. (Assistant, HR Manager Global)

5) “Leadership by example” is considered by several respondents as one of the key values, “a foundation of what IKEA is”, since this value emphasises that values should not only be stated but, most importantly, lived up to by the managers and staff. As explained by the respondent:

You need to see the values as good examples from the top. So if the top management does not believe in them, they can’t act them so you don’t stand the chance of the other 50.000 co-workers because it really, really has to be installed and believed in. So, we have good management today and I can honestly say that they are all good examples of IKEA values. (Assistant, HR Manager Global)

Among IKEA’s core values, there are those that explicitly communicate an active position in life and the necessity for the company and its people to change and develop. Among the change and development-oriented values are the following: “Being on the way” (the positive joy of discovery; curiosity; trying to go above and beyond the goals); “Constant desire for renewal” (strive for improvement); “Daring to be different” (thinking outside the box, daring to challenge; testing new ideas within the framework of the concept); “No fear of making mistakes” (allowing people to get things wrong; encouraging initiative).

I have identified several topics related to brand values that managers have come up with in the interviews: 1) *values as a foundation* for development; 2) *values as individual capabilities and motivations*; 3) *values as a reference point* for behaviours, 4) *values as a contract* with employees, and 5) *values as ethos* that are not necessary to explain. I will provide some quotes illustrating the mentioned topics. These citations reflect not only the individual views of the managers, but in many cases the common beliefs held in the organisation (as seen in the common usage of the word “we”, “believe” and “should”).

1) The values should not be like a framework that blocks you from being the person you are, but rather be as a foundation that unleashes

your potential and helps you grow in the organisation. (Assistant, HR Manager Global)

2) We need to know what is driving you, what capabilities you have to take on, which values are yours. (Assistant, HR Manager Global)

3) We have 10 corporate values, that are what we call the Set of Shared Values, and we have documented what we believe the values mean common behaviour and the situational type of questions in order to be able to see how somebody reacts to that value. (Assistant, HR Manager Global)

4) HR idea is very much about what you can expect from IKEA but also what we can expect from you. And it is trying sort of to paint the picture of what it will be like to work for IKEA. (Assistant, HR Manager Global)

5) When you started here and it worked out and you have been here for a while and when you see the values are there and it's working and you have them in you, then you don't have so much discussions with people about them. (Competence Manager, Global)

Besides these employee-related topics, the respondents have also mentioned the role of values as a bridge between employee and customer perspectives:

Don't talk about a value if it does not exist in your organisation. A worst-case scenario when we have the situation on a market when we have to focus on something really, get something right. And when we talk in the advertising campaign – challenge the old conventional ways, come and make the change, when we know it is not happening in the organisation. Then we are painting the wrong picture of the reality. Then we fail. (Assistant, HR Manager Global)

As commented by the respondent, IKEA's core values are interconnected, and a person does not have to go through the whole list of values since "you discover pretty soon if there is a match or if something is totally wrong". In a way, the values come in a package of inter-related components that are organically linked to each other. According to another respondent, there are no more or less important values at IKEA but "different values are important in a different way for different people, and also depending on the person's place in the organisation" (Assistant to HR manager, Sweden). The respondent commented also that values should be viewed from the real need of the

department in terms of competences: “We look for those values that are really important for us, for our department.”

Working with values, in the respondents’ opinion, means to interpret the values for the staff, which is done through corporate press (e.g. the newspaper Read Me), Intranet and via training. This is necessary since the value interpretation changes over time, although the values themselves have not changed much. Communicating values can be challenging, since different people can understand their meanings in so many different ways. A possible solution, according to one respondent, is to ask a person “What is this value for you? What does it mean for you?” and, thus, connect the value to the person’s individual situation. Besides describing the values and corresponding behaviours, it is necessary to show them in the real work situations. In this process, the role of a leader is very important: “to live as you preach, to show how one acts in, for example, the way one dresses, in how we help each other beyond the department borders, to show respect to each other, to take responsibility” (Assistant to HR manager, Global). As summarized by another respondent: “The most important bit is everyday, we use to say it is not what you say but what you actually do.” (Competence Manager, Global)

The greatest challenge with values, according to the respondent is to “keep the values alive” since “the culture has to be alive”. In order to keep values alive, it is important to talk about values, to constantly question them and what they stand for: “To lift the values and show that it is not OK to buy everything a 100%.” (Competence Manager, Global)

5.2.2.4 Managers as ambassadors of culture and values

All the respondents expressed the idea that managers at different organisational levels should exemplify the values. However, the ways to exemplify the values in the managers’ own work can be different. The global corporate managers who move between stores and markets are usually addressed as “ambassadors of culture and values”. Thus, a respondent talked about recruiting young Swedes to become the potential ambassadors of Swedishness and the IKEA culture in Japan who will “translate that to the local Japanese co-workers”. Many of our respondents have actually identified themselves with the ambassador

roles when they talked about their responsibilities as “contact persons” between different parts of IKEA organisation and facilitators of staff career development. These dynamic roles of corporate managers can be compared with more static roles of local (store) managers who are referred to by them as “key persons in the culture and values” and “key potentials for the future” and local first-line managers called “shop keepers”.

5.2.2.5 Global employee-facing brand as a contract with employees

The *global employee-facing brand* is depicted by the respondents as the one that “attracts people to work at IKEA as much as it attracts the customers to buy the products”. The *global employee-facing brand* has much in common with the *concept brand* since its goal is to “secure that we get the right type of persons in the organisation” (Assistant HR Global). However, compared with the latter brand form, it is about securing the relationship between the organisation and its staff, which is of an evolving, dynamic nature.

It seems reasonable to suggest that a *global employee-facing brand* represents a *contract* with employees, in which both parties are given their rights and responsibilities. The document “Our Human Resource Idea”, consisting of 3 parts – joining IKEA, developing within IKEA and managing/leading at IKEA – presents a list of staff rights and responsibilities at each stage of their careers. The *contract* between IKEA and its employees is about “giving and taking on equal terms” and has a goal “to engage co-workers who get involved in their work and perform over and above the norm”.

The responsibilities are in general about the compliance with basic IKEA values that constitute the foundation of the *contract* by serving as reference points for common behaviours. Among the key behaviours are “willingness to take and delegate responsibility”, “having customers’ interest at heart”, “being open”, “being ready for development”, “being different – challenging the established patterns”, “being modest and co-operative” and “being cost-conscious”. At each new career stage at IKEA, the responsibilities are enriched with a specific meaning. For example, from an abstract “desire to take responsibility” to an actual responsibility for individual training and development as well as

responsibility for development of other people; from “being open to improvements” to “being open to try new challenges” and creating an open atmosphere for the co-workers.

The rights are the development possibilities that IKEA guarantees for every employee who can try different professions, move between countries, take part in other peoples’ development and participate in the organisation’s development. The essential part of what IKEA guarantees for its co-workers is the environment where “people and team spirit are central values”. This is characterised by the common goals, respect for individual needs and the constant support from managers and colleagues. As formulated: “Take control of your career and we will support you!” The rights are also presented in the form of good working conditions to realise the ambitions and dreams, for example, to choose between different professions, to be a part of the family, to work in a fair environment, and to take more responsibility.

As follows from the documents⁴⁷ and respondents’ accounts, the *contract* with employees is not finally decided at the time of recruitment but it is continuously evolving in pace with the employee’s own development. The career at IKEA is referred to as “a journey” between different “stations” with new responsibilities, and new challenges at each next station. The stations can be different functional areas, new responsibilities at one particular function as well as a combination of different responsibilities that correspond to various spheres. Our respondents talked about their own career paths at IKEA that in many cases were good examples of a spiral⁴⁸ type of career. For example, one manager started her career at IKEA as a trainee and later manager at the Service department, then worked with logistics and customer orders in the store, then became a HR manager at the store level, and later became the Global HR manager for Distribution and Range.

⁴⁷“Our Human Resource Idea”, the corporate brochure; “Unleash the Potential”, the workbook.

⁴⁸A spiral career is a career path when an individual moves from one job area to another (related) area and broadens the repertoire of skills and competences. This movement takes place at an interval of 4-5 years (Larsson et al, 2003).

This type of career is different from that at other big international companies where the linear⁴⁹ types of careers are still most common. The respondents were very much aware of this difference; especially those who had experiences of other companies or those who left IKEA for some time and later returned to see the organisation with “new eyes”. They referred to IKEA as an employer “who does not always go after the obvious patterns” and “giving people a chance and getting people to try out new things”. At the same time, a different pattern of career at IKEA presents a certain challenge for employees “because it is sometimes so extreme, from one side in peoples’ mind, from one side of the whole range of competences to the other” (Competence Manager, Global). In order to manage this “trip”, it is important, in the respondent’s opinion, “to recognise where we have the parts and the red threads and be able to see what is important” (Benefits Manager, Global). Although no-one is pushed to change jobs and move forward, a stationary career is virtually impossible at IKEA (the fact acknowledged by many respondents). A pre-requisite for a successful career at IKEA is, thus, a pre-disposition for change on behalf of each individual as well as support on behalf of the organisation.

While IKEA’s core values represent the red thread for career development, an important part of career planning lies in the interaction between an employee and his/her manager at each “station”. I will now talk about the corresponding activities, with the help of which IKEA communicates its brand to employees.

5.2.2.6 Global employee-facing brand’s vehicles

Brand vehicles constitute specific activities (of a global reach) aimed at existing and potential employees. They can be characterised as belonging to the sphere of management and organisational communications⁵⁰. These activities are planned centrally but implemented locally by IKEA’s retail organisations, which adjust them for their respective markets.

⁴⁹A linear type of career is a career path when an individual moves up in the organisational hierarchy with an increased level of power and responsibility. This movement has no time limit (Larsson et al, 2003).

⁵⁰I am using the categorisation of van Riel (1995).

One of the activities aimed at potential employees is the corporate advertising of IKEA as an employer. While in the past, advertising varied from market to market, it has been recently standardised “with the same look and feel regardless the type of company” (Assistant, HR Manager, Global). The respondent explained that the goal was “to create a feeling of what kind of organisation IKEA is”. This is done by using the core brand values as a basis for recruitment positioning. Although the implementation of recruitment positioning can vary from market to market, the basic IKEA’s values are always made visible in all job announcements.

It is important to note that the same communication platform is used externally and internally (to existing employees). While the external communication uses mostly printed media, the internal communication is intranet-based and carried out via an “Open IKEA” site available for all staff. According to the respondent, it is important to be consistent in external and internal communications.

The HR function plays an important role in internal communications since HR managers both communicate and interpret the meaning of all activities aimed at employees. The entire role of the HR function⁵¹ is different at IKEA as compared with other companies since it is viewed not as a typical administrative function but more as “a support to other functions”. It is also based on the view of an employee as an individual who needs to be supported but not steered, the key being “unleashing the potential with the individual”. A specific focus is on a new attitude that is required from each co-worker because each of these activities is about a certain change as compared with the established rules at other companies.

A different attitude to employees is seen as early as in the recruitment phase. A normal way of recruiting is starting from the offer to fill a position with necessary competences and only then involving a new employee into the value system at the company. At IKEA, this order is reversed in “Value Recruitment”: “from filling open positions, to attracting the right people with IKEA vision and values”, which implies that compliance with vision and values comes first, while competences

⁵¹Workbook “Unleash the Potential”.

can be developed later. By matching individual employees' values with those of IKEA, the motivational potential of the staff is increased.

After the recruitment phase, the employee development at IKEA is governed by special programs and tools instilling a specific type of staff behaviour, which represents a certain change from the norm. For example, "Open IKEA" talks about a new attitude to finding a job internally: "from network and contacts giving the jobs to an open and transparent job market"; "Mobility" talks about changing the focus "from specialists with narrow experience to cross-border and cross-functional experience"; "Diversity" is about a change "from promoting privileged groups to giving them equal opportunities". Competence development is also understood from a broader view of competence as a combination of knowledge, capability and motivation to handle the job as compared with the more common view of competence as knowledge. The "Work and Life balance" program creates a life-balance approach, which is not common at other companies that are "slow to respond to the trend" in the labour market. The whole relationship with employees can be seen as a *partnership*, which is also different from the power relationship used by other companies.

As mentioned already, the HR programs are on the *global level* and they contribute to the development of IKEA as a global employee brand that is associated with mobile, experienced employees having a wide range of competences.

5.2.3 Global supplier-facing brand

A *global supplier-facing brand* is aimed at one particular group of stakeholders – the global suppliers, whose active role in IKEA's business and brand development has been recently stressed as one of the main priorities. This form of brand identity shares the company's vision and is also based on its culture and values, however, all these dimensions are interpreted from the suppliers' perspective. The *global supplier-facing brand* is established in the industrial *business-to-business* market. It is closely linked to the *global customer-facing brand* since the same organisation IKEA of Sweden is responsible for range development, purchasing and coordination of different parts of IKEA's business chain.

5.2.3.1 Vision as a supplier policy

IKEA's vision of creating a better everyday life for people underlies the company's relationship with its suppliers, which concerns "the responsible ways to create the products with good function and quality, at the lowest possible price"⁵². Customers and suppliers are closely linked together in IKEA's business idea since the objective "once and for all to side with the many" already contains the obligations for the many people on the other side of the business chain. Nevertheless, according to the corporate materials⁵³, an increased responsibility for suppliers has not always been a priority at IKEA. This has been recently realised by top management and acted upon.

The idea that the whole business chain should be driven by the same vision was expressed by the respondent who especially stressed that Trading managers can "have an influence" over the low price development. Viewing suppliers from the position of corporate influence was typical for some respondents at a corporate level. This attitude is reflected in the role specified for suppliers by one manager:

We open in China not because we purchase so much from China but because we estimate this market as a big potential for IKEA, where our products have a chance and households will have a better life due to them. (Purchasing Manager, Global)

Thus, the suppliers' role was mainly seen as the means for the low price creation. However, as the company's records show, the relationships with suppliers in new markets such as China and Russia have been established several decades before the first stores were open and the company's image with suppliers has played a vital role for the company's overall reputation in these markets. It has not only triggered customer awareness but also contributed to support from local stakeholders. This extends the suppliers' roles to an influential stakeholder group, which is reflected by how some local respondents interpreted IKEA's vision for suppliers (discussed further in the text).

⁵²Social and Environmental Responsibility report 2004, a corporate brochure.

⁵³Job N. 9 "To take responsibility for our suppliers, their co-workers and for the environment", Corporate materials "10 Jobs in 10 Years".

5.2.3.2 Range as a brand promise to suppliers

As expressed by the respondent, having a unique assortment enables IKEA to compete successfully and behave as “a Swedish company” without adjusting it to local needs “more than when it comes to bed sizes and colours”. That is why the range becomes an important part of the identity. It is equally important for both customers and suppliers since the former get products while the latter actively contribute to production. As commented on by many respondents at both corporate and local levels, the range should be the same in all IKEA’s markets. This is necessary not only for the reason of “keeping the Scandinavian profile” but also for increasing volumes and improving purchasing possibilities globally.

While the Scandinavian profile of IKEA’s range is the means for developing the understanding of IKEA’s style and design with the suppliers, the large volumes serve for them as a guarantee for the long-time relationships with the company. In many cases it is necessary to keep products in the range because of their strategic importance for suppliers to whom IKEA has made commitments in terms of volume. As expressed by one respondent: “if you keep it at this price, we promise that we won’t take it from you for 3 years or so...” (Purchasing manager). It can be argued that range constitutes the IKEA brand promise to suppliers since it communicates the essence of brand offer and major supplier benefits.

5.2.3.3 Core values as business principles

The supplier policy is specified in the Code of Conduct⁵⁴, which is used as “a clear standpoint” in IKEA’s relationships with suppliers. Both rules of behaviour and mutual responsibilities are made clear in this document. The Code of Conduct is an embodiment of core values translated into business principles in the relationships with suppliers. For instance, as stated in the corporate documents, suppliers can expect from IKEA a number of clearly defined attitudes and behaviours that are driven by the core values. In Fig. 5.3, the attitudes are listed and compared with the corresponding values.

⁵⁴Code of Conduct – The IKEA Way on Purchasing Home Furnishing Products, IKEA Services AB.

<i>Attitudes towards suppliers:</i>	<i>Core values:</i>
To be reliable	Responsibility
To adapt the products to production	Striving to meet the reality
To contribute to efficient production	Responsibility, cost-consciousness
To care for the environment	Responsibility
To support material and energy saving	Cost-consciousness
To take a clear standpoint on working conditions	Clarity, simplicity, responsibility
To respect different cultures	Humbleness and willpower
To have mutually agreed commercial terms	Togetherness and enthusiasm

Fig. 5.3. IKEA's attitude towards suppliers versus IKEA's core values.

A quick analysis of this list shows that responsible behaviour towards suppliers and environment, mutual respect and partnership are dominating principles that in combination with efficiency constitute the essence of IKEA's supplier policy. These principles must be accepted by suppliers who are expected to observe human rights and treat their workers with respect; take a clear standpoint in issues of child labour and all types of discrimination; take an increased responsibility for the environment and reduce the environmental impact of their operations, as well as increase efficiency. The suppliers are also required to communicate these principles to sub-suppliers and they are often made responsible for the actions of the latter⁵⁵. By creating the chain of responsibility and empowering suppliers to act in accordance with these principles, IKEA communicates the core values well back into the supply chain.

At the same time, the working principles are made more visible to customers. For example, a special label FSC (Forest Stewardship Council) is being used for IKEA's products made of wood from

⁵⁵Code of Conduct – The IKEA Way on Purchasing Home Furnishing Products, IKEA Services AB.

certified forests⁵⁶. This label becomes a sort of guarantee for environmental consideration for customers and other stakeholders. By purchasing these products, customers accept their responsibility for the environment.

5.2.3.4 Global supplier-facing brand as a “marriage contract” with suppliers

The relationships with suppliers were referred to by the respondent as a “marriage contract” with suppliers. This “contract” is based on the Code of Conduct approved by the board of IKEA. The beginning of the relationship is marked by the start-up requirements on social and working conditions, external environment and wood merchandise that have to be fulfilled by a supplier. As commented by the respondent, sometimes it might be wise not to start the relationship if the parties “are too far from each other in so many issues”. The relationship also implies that a supplier should gradually increase the standards as regards these issues and continuously improve performance. Thus, a supplier is required to prepare the action plan to achieve the next level of a 4-step Staircase, with ISO standard being the highest level. However, the suppliers are not expected to automatically comply with all requirements and not all of them reach the highest level.

In accordance with many respondents, the company’s policy is to motivate the suppliers to follow the Code of Conduct. This is achieved by explaining, “why these requirements are made”, for example, “by inviting a doctor who tells the people what happens with the body if one does not have the protection masks”. The respondent summed up: “to motivate is to build the understanding” (Purchasing Manager, Global). It is necessary to look at each specific situation with the supplier and apply the rules to the context, in which a supplier works. For instance, the demand to prevent child labour can be unrealistic in some Indian villages where children help their parents to work. Similarly, the demands on waste disposal will not work in today’s Romania that lacks the necessary infrastructure for this type of work⁵⁷.

⁵⁶Social and Environmental Responsibility, Corporate brochure

⁵⁷Social and Environmental Responsibility, Corporate brochure.

If the relationship between IKEA and suppliers can be compared with the marriage, it is, in the respondent's opinion, the marriage where "both parties decide". As commented:

It is not that IKEA comes with one-size-fits-all motto but we must listen and understand what is unique with each supplier, what kind of support they need. We need to listen and at the same time express our wishes. (Purchasing Manager, Global)

Listening to suppliers implies running global surveys in all major supply countries. The suppliers are usually asked about their perceptions of the IKEA standards and their overall satisfaction with the relationship. This is deemed necessary since suppliers are often placed in rather demanding conditions in terms of IKEA standards, which are among the most stringent in the world. The surveys are a tool to involve suppliers in the common thinking process on strategic issues, such as process efficiency and product quality. However, as commented by the respondent, in some countries like Russia and China, the suppliers are not accustomed to being openly asked about their opinions, so in-depth personal interviews might be much more practical.

The *supplier-facing brand* can also develop into a *societal brand* in the form of a *social contract* with a broader group of societal stakeholders. I will discuss this type of brand in 5.2.5.

5.2.3.5 Managers as spouses and in-laws

Establishing the relationships with suppliers is the task of IKEA's local Trading representatives working at the 43 trading offices around the world. The closeness of these relationships and the sense of responsibility for suppliers are mentioned by one respondent: "And when you talk factories, you talk people behind them with their families. You cannot consciously build the factories and then close them, we don't do that." Working close to suppliers usually means helping them financially and developing them to increase efficiency. It also involves strict control over compliance with IKEA's standards⁵⁸,

⁵⁸The auditor covers a list of approximately 90 detailed criteria on working conditions, environment and wooden merchandise.

which is performed by a special group of auditors⁵⁹. The respondents have also stressed the importance of long-term relationships with suppliers, which are built on a very personal level. It can be suggested that IKEA Trading managers perform the role of *corporate spouses* in this relationship while IKEA's auditors are the sort of *in-laws* who pay unexpected visits and make random checks that all criteria are met, as well as help those suppliers who are experiencing difficulties. As compared with these roles, the corporate manager who belonged to Concept Keepers commented on his own role as the suppliers' ombudsman combining the function of a mentor with that of "an institution" to which suppliers could appeal to solve their problems.

5.2.3.6 Global supplier-facing brand's vehicles

Brand vehicles associated with the *global supplier-facing brand* are activities aimed at suppliers and their sub-suppliers as well as at local communities. These activities can be characterised as organisational communications consisting of supplier relations, PR and environmental communications, and management communication⁶⁰ to IKEA's own staff. The overall goal is to inform suppliers and other involved audiences about the principles of the Code of Conduct, major relationships principles and, more generally, about IKEA's socially responsible way to create the low price for customers.

While the direct supplier relations fall within the jurisdiction of local Trading organisations, corporate managers contribute to this process by spreading the knowledge about the Code of Conduct and helping local organisations to implement it. For example, they distribute newsletters and brochures, provide information on a special website for suppliers, organise training courses as well as pay regular visits to the local Trading offices and carry out checks with suppliers.

The activities associated with the Code of Conduct are about changing attitudes with suppliers to ensure the subsequent behavioural change. The focus of this change can be different depending on the specific features of a particular supplier and the existing industry standards in the market. For instance, changing attitudes towards more responsible

⁵⁹According to Social and Environmental Responsibility Report 2004, IKEA has a total of 80 auditors in the trading offices around the world.

⁶⁰In the categorisation by van Riel (1995).

forestry was one of the main priorities in Russia, where the problem of deforestation was still being ignored on a national level⁶¹. This was achieved by informing the timber suppliers about IKEA's standards via local Trading offices and monitoring the suppliers' compliance with these norms. One of the most vivid examples of changing attitudes to child labour can be seen among IKEA's suppliers in South Asia⁶². In these markets, the company takes the following measures: instead of boycotting the suppliers who use child labour as other international companies do, it helps to organise learning centres for children and self-support groups for women. Moreover, special development projects for suppliers are carried out, such as, for example, the project against overtime work in China⁶³. It is, however, recognised by many respondents that they cannot change the world to match the IKEA way. The only thing that can be done is "to take the small steps in the right direction" (Purchasing Manager, Global).

An important element of relationship with suppliers is exposing them to competition with the goal of making them more competitive both locally and globally. For example, when the production site for a new product is being chosen, all relevant suppliers are considered in a tender for the best price and volume. Since this tender is carried out at the corporate level, the suppliers are being indirectly considered as potential global players. Suppliers are also being exposed to the customer experience of the products they have produced, for example, by providing them with customer feedback from different markets. A strong focus is on the development process with suppliers. In this regard, the respondents talked about developing products together with suppliers, developing new competences with suppliers, developing suppliers in step with IKEA, and developing the local industries. The supplier development is carried out via a set of activities at both corporate and local levels. Among the former activities are workshops and seminars on new products, technologies and standards that carried out on a regular basis at the corporate headquarters in Älmhult.

⁶¹Forests Monitor, Russian Far East and Siberia, Final Report 2005.

⁶²The IKEA Way – Social and Environmental Responsibility Report 2004.

⁶³Improving supplier standards in Social and Environmental Responsibility Report 2004.

The activities aimed at suppliers often have a strong social overtone since they have important consequences for local communities. Since new local production creates new jobs and improves infrastructure, it might be seen as giving a positive impact on region and country development (e.g. in China and Russia). On the other hand, the company's marketing activities can also be seen as expansion and threat for the existing local producers who do not have the financial clout of a global company and its access to global resources. The boycotts of IKEA by local producers reported by the media in countries like Russia⁶⁴ signal that, in the short-term, the effect on the market can also be destructive.

Very often international non-profit organisations⁶⁵ become actively involved in the marketing activities, increasing the company's credibility in the eyes of local stakeholders and global media. By providing IKEA with the newest and often toughest environmental standards, these organisations have contributed to IKEA's leading position in such fields as forestry and child labour. The participation of international organisations is broadly covered in the newsletters and magazines available for local Trading offices for distribution to suppliers.

5.2.4 Global customer-facing brand

A *global customer-facing brand* is aimed at global customers and is about creating a unique home furnishing offer. This offer is based on IKEA's product range that includes products for all the rooms and areas within the house. The centrality of product range in the *global customer-facing brand* is visible in the interpretations of the company's vision, its culture, values and their own roles by managers as well in the overall picture of the brand identity.

⁶⁴"IKEA moves its production centre to Russia", www.inosmi.ru, February 12, 2002; "IKEA's rules of the game with the outside world"; "IKEA's expansion into Russia"; "IKEA's winter move to Moscow", www.compromat.ru, March, 11, 2003.

⁶⁵The examples of these organisations are: Save the Children, International Federation of Building and Wood Workers, UNICEF and WWF.

5.2.4.1 Vision as the product development policy

As stated in the corporate materials, each IKEA product is developed with the business idea and vision “on the top of every decision”. As commented by the respondent: “We have this business idea that we have a functional nice design at a price that many people can afford. When you develop the range, you have to fulfil these high ambitions” (Commercial Manager, BA3). The close connection with the vision makes the range a number one priority for the company as reflected in its business plan. The objective is to continuously improve the product offer in terms of design, function, quality and price, which is reflected in the overall “Better Living” range strategy developed for 2000-2010. This strategy “inspires, leads and steers the range and product development in the business areas”⁶⁶.

Among the strategic directions associated with the range are the following: product knowledge communication, customer news, lowest price, better customer experienced quality, health, style broadening and new material strategies. As commented by the respondents, the whole set of activities are planned and implemented along each of these directions of the home offer improvement, however, the major focus is on achieving the lowest price. The idea that IKEA has to fulfil the price philosophy as stated in the “Furniture Dealers’ Testament” is pervasive in both the interviews and the corporate materials. In markets where IKEA price levels were “high”, competitors moved in and threatened the company’s leadership in some product categories. Thus, as stated in the corporate materials: “No effort shall be spared in keeping the low price profile.”⁶⁷ The importance of living up to the low price image is especially critical in so-called “low buying power” countries like Russia and China, and here a whole set of measures have been planned to improve the price perception besides the actual price, for instance, better price communication and new merchandising methods⁶⁸.

⁶⁶“10 Jobs in 10 years”, status report, June 2003.

⁶⁷A Furniture Dealer’s Testament by I. Kamprad.

⁶⁸“10 Jobs in 10 years”, status report, June 2003.

5.2.4.2 Range as a core of a value chain

The basic IKEA range includes 9 500 products. It has been reduced from approximately 25 000 items (several decades ago) in order to strengthen the profile and make it clearer. The countries are not allowed any flexibility with the basic range, except certain modifications of product sizes and colours. The respondent commented that the range should be “steered from the top” to secure the identity with a strong sense of coherence. On the other hand, the range should be dynamic and always based on customer needs⁶⁹. The dynamism of the assortment is achieved by combining different styles and functions (currently, there are 4 major styles at IKEA: Scandinavian, Country, Modern and Young Swede) and renewing it by approximately 20% each year. The connection with customer needs is attained by taking these (basic) needs into consideration at all stages of range development.

The range was perceived by the respondents as an essential part of IKEA’s market offering, communicating the essence of its brand to customers, especially in new markets. In one of such markets – Japan, where IKEA planned to open its first store in 2005, the concept of do-it-yourself furniture was totally unknown to customers and the range was expected by managers to speak for itself and attract people to the stores. The effect of the range on customers was known from experience in other markets. For instance, in Russia where the initial knowledge of IKEA’s concept was low but customer interest in the brand name very high, the number of visitors in the first month after opening tripled the estimated amount. In both Russia and China, many customers were reported to visit IKEA stores as museums with new and interesting products.

Talking about the ways to present the basic range to different cultures, the respondents stressed the pro-active approach, which is about “steering the range from the top”, “pushing the products into the local stores” and “steering the stores”. These attitudes reflected the general belief of IKEA’s corporate managers that “IKEA fits all markets but it can take some time”. The attitude was at times a little arrogant towards national cultures: “I don’t believe so much in these different

⁶⁹Job One “To develop a strong and vital range”, “10 Jobs in 10 Years. A direction for IKEA 2001-2010”.

cultures...” (Commercial manager, BA3). In the respondent’s opinion, the main challenge is to reach the many customers: “We can change things, people just have to believe that we can!”

While the range was seen as the brand’s core offering for customers, it was also perceived as a unifying factor for all processes in the organisation. The issues of product development and product developers as the most important people were mentioned by many respondents. The respondents explained that product development is the process, in which all IKEA’s major functions are involved. The need to coordinate many functions is due to the completely different view of the product at IKEA as combining the low price and low environmental impact. Thus, a product is designed with close consideration of its sales and production possibilities. The process starts from a designers’ work, sketching products with both a functional need and lowest price in their minds. At the later stages, the product is developed together with technicians and Trading specialists whose responsibility is to secure the highest volumes and the cheapest but environmentally friendly raw materials. They also place orders with suppliers through a bidding system to secure the lowest price. Once the supplier has been chosen, IKEA’s specialists work closely with them on the factory floor to develop a final product. Thus, people from different functions are involved in the new product development making it a common responsibility. It takes approximately 9 months to develop a new range, which usually consists of both completely new products and old bestsellers.

5.2.4.3 Values as links between products and people

IKEA’s values have a very strong influence on how the range is created. It is interesting to note that in product development, the staff uses cultural values while core values are used in people (employees and suppliers) development. Although the difference is not that big, it seems that cultural values are more embedded in the organisational processes. Among these values, the following are always used: low price, functionality, simplicity and quality. Besides, the environmental concern lies in the heart of each new product. Taken together, these values represent the most important customer benefits as provided by the *customer-facing brand*. They also reflect the way, in which customer needs are understood at IKEA: “sleeping, eating, storing items and

socialising” as well as “living with kids”⁷⁰, all this under conditions of a limited budget.

A story⁷¹ of how a new product is created describes how the values become embedded into the product to be later perceived as benefits. When a designer decided on the new product – a watering can – she first thought of how to transport it efficiently, since the conventional water cans are “a nightmare to transport” because they take too much space. She had to re-think the traditional forms and came up with an idea of a stackable watering can. Then she thought of what kind of material she could use to make the product both cheap and environmentally friendly and decided on the plastic that can be recycled. Thus, by thinking about three major priorities of low price, low environmental impact, and good design simultaneously, the designer devised a typical IKEA product Vållo – “a shining example of the IKEA philosophy”. The product has received the Excellent Swedish Design Award.

There is a strong connection between IKEA’s products and people since both reflect IKEA’s values. A respondent (Commercial Manager, BA3) has stressed that low price, simplicity and modesty are typical features of IKEA’s products as well as a good reflection of people’s features at IKEA, among which cost-consciousness, simplicity and honesty are the top ones: “When the designer comes with a fancy sketch, we don’t even discuss it!”

The value awareness of IKEA’s designers is an important factor on the product development phase, and according to the respondent, this awareness is very high at the “heart of the company” where the products are designed. Since IKEA uses both internal and external designers, the special Washing Council of experts evaluates the ideas of the latter by “literally washing them” in IKEA principles and values. It is important to mention in this regard that the Washing Council consists of representatives of different functions at IKEA such as product communicators, commercial people, and technicians who together decide on the fate of a new product. These people may have different interpretations of IKEA’s values and by bringing them

⁷⁰IKEA product catalogue 2004.

⁷¹Social and Environmental Responsibility. A corporate brochure.

together, a common value platform is created to be later embedded into the product.

As commented by the respondent, Ingvar Kamprad still has a final veto to almost everything in the company, including the range development. Every year he meets the representatives of different business areas responsible for various product categories who present the range to him. He is known “to steer the discussions that can be really tough” and decide on whether a new product will be included in the range.

5.2.4.4 Global customer-facing brand as a deal with customers

A *global customer-facing brand* is in its essence a *deal* between the company and its global customers. That is how this deal is presented in the internal corporate materials⁷²:

<i>Company: we do our part</i>	<i>Customers: you do your part</i>
We figured out that furniture costs less if packed flat.	You pick up the IKEA catalogue.
We start designing by finding out how to produce at low price.	You choose for yourself. You go to the store.
We choose the best manufacturers who can deliver high quality and low price.	You look around yourself.
We buy in large quantities.	You pick it up at the warehouse.
We sell in large stores.	You bring it home yourself.
We save money.	You assemble it yourself.
	You save money.

Table 5.4. IKEA’s deal with customers.

As seen from the Table above, the *deal* with customers consists of two lists of responsibilities. The left column represents the company’s responsibilities and actions to create the low price and high quality customer offer. The “we” form used for IKEA’s part reflects the major features of IKEA’s co-workers: modesty, simplicity and togetherness. The right column represents the customers’ responsibilities and the actions they have to undertake for this deal to become effective. As a result, customers are offered a fair *deal*, in which both they and the

⁷²Our Way, Inter IKEA Systems B.V.

company save money. The essence of the company's *deal* with customers is communicated internally to the staff and externally to global customers through the major communication tool – the IKEA catalogue. In each catalogue, a special page is devoted to explaining the *deal* from the customer perspective: “Why are we so tough to our products?” “Why are we so stubborn with flat packages?”; “Why do you have to set up furniture yourself?”⁷³; etc. By providing the clear reasons for new behaviours and responsibilities expected from the customers, the company takes a different attitude from other retailers who tend to conceal the “unpleasant” details of their deals until the purchase is complete.

5.2.4.5 Global customer-facing brand's vehicles

Global customer-facing brand has two major stakeholder groups: global customers and local retail organisations (stores). The major brand's dimension – the range – is communicated through different means, among which the annual IKEA catalogue is a main communication tool to reach the company's customers in all markets. In addition, inspirational brochures are sent to customer homes 4 times a year. The content of the catalogue is the same, range-wise, in all markets, it has a similar design and product information with a very few cultural nuances added (except the language). Even the pictures in the catalogue depict the same variety of customer nationalities and sexes.

The IKEA catalogue was described by the respondents as a brand-builder and a powerful driver that attracts customers to the store. These functions are due to special features of the catalogue that differentiate it from traditional catalogues used by retailers. In addition to products and prices, it provides product solutions in all major categories, inspirational ideas and tips, the shopping routines and return policies, and also clearly explains the underlying concept. The text is simple, respectful and with a sense of humour, which is a reflection of the company's core values.

To communicate the range to local stores, the company organises events such a Retail Week held each year in Älmhult for country managers from all IKEA's markets. At these gatherings, the new range

⁷³IKEA Catalogue 2004.

for the coming year is introduced and becomes a basis for the respective business plans for each country. As commented by the respondent, these meetings are important to “ensure that everyone is pulling in the same direction” (Commercial Manager BA3). The similar events are organised for sales leaders representing different business areas. They usually get training and support with sales material that they later use at their stores. Asked whether the countries have freedom in implementing these guidelines, the respondent explained that “sometimes there are countries that don’t follow IKEA’s priorities, and we get very frustrated” (Commercial Manager, BA3).

The Internet as another communication channel of growing importance to reach customers while the Intranet is used for IKEA’s own staff. The design of the websites is rather standard as well as their basic content, including the information about stores, basic product range with prices and the opportunity to shop on-line. Most of IKEA’s country sites now introduce the interactive service and Home Planner functions for the complex solutions such as kitchens. The Intranet provides all the necessary information about the range for the stores. The staff uses it very actively, although some countries have difficulties accessing it.

As far as other marketing communications are concerned, they are also planned centrally but implemented locally. At each new market, a big educational campaign to introduce the concept is carried out for the customers. It is firmly based on IKEA’s values, although some local adjustments are allowed. As commented by the respondents, IKEA is very pro-active in its customer communications and likes “to play with the media” and “challenge the customers”. In many cases, the creative solutions and shocking ideas have been used for these campaigns. In the UK, the traditional attitudes of customers were challenged by the campaign featuring the people throwing their old stuff from the windows into the street and then driving to IKEA and buying new things⁷⁴. In Russia, IKEA used the provocative text “Every tenth European was made in our beds”⁷⁵ for its first store’s opening in Moscow while in the US, a commercial featured a gay couple buying a table.

⁷⁴Interview with the Corporate Manager.

⁷⁵St. Petersburg Times, January, 2001.

The product communication is also designed on a corporate level but implemented by the local stores that “put everything together to bring it alive” in their markets. It includes product information, training materials and “everything that helps to start selling”. Each year a global commercial theme of a year is chosen reflecting a certain prioritised product category (in 2003 it was Children’s IKEA). These themes are generally mandatory for local markets to implement; however, in some cases the local organisations choose other topics that are more relevant for their particular market. The corporate attitude is, in most cases, to persuade the country managers to “pull in the same direction”.

5.2.5 Global society-facing brand

This brand is aimed at a broad range of stakeholders, both internal and external. It is also closely linked to all other previously discussed brand types: the *employee*, *supplier* and *customer-facing* brands. The societal focus is characteristic for all these brand types (it is most pronounced for supplier and customer brands), although the aspects are different.

5.2.5.1 Vision as corporate responsibility

The social and environmental issues are implicitly and explicitly covered by the IKEA’s vision. First of all, it is aimed at “many people” including customers, co-workers, suppliers and the society as a whole. Second, it is stressed that the low price should be created “not at any price” but in a socially responsible way. A socially responsible approach is used not only towards products as such but also towards producers (suppliers) via environmental and social criteria, towards customers via environmental stores and towards society via strict norms of emission, recycling and transportation.

5.2.5.2 Values as a support for corporate actions

As explained in the corporate materials, IKEA’s values strongly support the company’s work with social and environmental issues. Such an attitude is grounded in the IKEA culture and history; since 1943 the company has tried hard to avoid wasting resources. It is also reflected in the core values. For example, the value of “daring to be different” implies questioning “how and why things are done” and stimulates the search for new materials and working methods that are environmentally friendly. The value of “humility” is translated into a respectful way of

dealing with employees and suppliers. It is also about listening to the opinions of other people and using their knowledge. Among such partners are different non-governmental organisations such as Greenpeace, the World Wide Fund for Nature and UNICEF, which set up standards in social and environmental issues. Another value of “honesty” implies close and open relationships with all stakeholders, a dialogue and information sharing. On the whole, practically all IKEA’s values can be adapted to social and environmental issues. As stated in the corporate materials⁷⁶, the most important quality of all is honesty since it is the best policy in communications and relationships with all groups of stakeholders.

5.2.5.3 Managers as inspectors and global partners

I have discussed earlier in 5.2.3.5 the role of IKEA’s auditors whose task is to support the suppliers in the implementation of the IKEA’s Code of Conduct and check their compliance with its standards. Their roles in supplier relationships have been compared with in-laws in the marriage situation. Another (small) group of IKEA’s managers⁷⁷ carries out supervision with the Code of Conduct, training and supporting the auditors as well as ensuring that the same standards are followed throughout the whole organisation. These corporate inspectors work closely with external auditing companies to ensure the objectivity of IKEA’s activities. The corporate managers work in close cooperation with a broad range of external stakeholders such as global non-governmental organisations, trade unions, UN organisations and local authorities to get more support for the company’s global environmental projects such as climate change, child labour, deforestation, etc. Thus, it can be argued that the managers act as *partners* representing IKEA in a global network of organisations.

5.2.5.4 Global society-facing brand as a guarantee of corporate concern

In accordance with the corporate materials, the *society-facing brand* acts as a “guarantee of genuine concern” for environment and social issues. While all other brand types implied a sort of a contract, the societal

⁷⁶Social and Environmental Responsibility Report 2004.

⁷⁷The “Compliance and Monitoring Group”, Social and Environmental Responsibility Report 2004.

brand implies a pledge to society as a whole that a company will take a long-term responsibility for providing environmentally safe products, developing safe and sustainable production methods, training its staff, and educating its external stakeholders in all these principles. The global society brand can be argued to provide added value to all IKEA's brand promises to its different stakeholders in the form of concrete measures to increase their environmental/social knowledge and improve their existing situations. It also increases the visibility of IKEA in the media that in many cases questions the company's genuine commitment to social and ethical issues⁷⁸.

5.2.5.5 Global society-facing brand's vehicles

As stressed in the corporate materials, the work with social and environmental issues is "an integrated and natural part of daily business" at IKEA. It includes activities aimed at suppliers, co-workers, customers and global communities. The customers and suppliers are not contacted directly but with the help of the local retail and trading organisations. Different communication tools are used for raising awareness and creating knowledge in these issues. Among them are the brochure "Social and Environmental responsibility" for suppliers and IKEA Intranet and the newspaper Readme for co-workers. For customers, the social and environmental issues are explained in the catalogue.

Among activities are partnerships and dialogues with different societal stakeholders such as trade unions, UN organisation, non-governmental organisations, authorities, etc on social and environmental issues. In these activities IKEA often cooperates with other companies, for example, with The Body Shop on the issues of climate change. IKEA is also a member of Business for Social Responsibility, an international non-profit organisation, which supports companies on the issues of ethical values, human rights and the environment. The goal of these activities is to exchange experiences and learn best-practice to implement in IKEA's supply chain.

⁷⁸E.g. "Ikea's grown-up plan to tackle child labour", Financial Times, September 15, 2004.

The internal activities are very important to mention, since environmental thinking guides the product development process from the choice of raw materials to the manufacturing process, transportation, usage and recycling at the end of a product's life. A special tool called eWheel is used at IKEA to provide a systematic approach to the environmental impact of its products. A special web-based training for this tool is available to co-workers via the Internet and workshops. All stages of production and distribution are of environmental concern. IKEA tests its products for emissions of volatile substances and recalls products if the safety issues are not up to par. The transport solutions are optimised and the direct delivery to stores is implemented in many countries. The stores area is also designed in accordance with strict environmental standards regarding energy consumption and waste management. The food served at IKEA's restaurants is purchased only from suppliers meeting the demands of "IWAY on Food"⁷⁹, which is an analogue of IWAY on products. All these activities are aimed mainly at customers but also involve all other groups of stakeholders. In spite of the great importance attached to these activities, they often go unnoticed by the customers and general public since IKEA has been "too modest" to communicate them appropriately.

⁷⁹The IKEA Way on Purchasing Food focuses on organic food, animal welfare and is against genetically modified food.

Chapter 6

Corporate brand under local control

The primary goal of this chapter is to explore the nature of IKEA's corporate brand identity on the local market level of the firm. Three local markets have been covered: Russia, China and Poland, although the Polish part includes only the supplier perspective. The second goal is to identify the typical market driving activities aimed at local stakeholders.

To achieve these goals, I will focus on brand interpretations of managers on the local level of the firm. The different perspectives of a corporate brand identity have been created by using managers' accounts as major sources of evidence. The respondents represented different functions: Retail, Purchasing, Distribution, HR, Marketing, and PR. Most of them were Western employees with a vast company experience while some respondents were local managers. The respondents had an average of 20 years working with the company, which made them extremely knowledgeable in both their own functional areas and the whole business chain. What united all the respondents was their responsibility for interpreting the brand for local co-workers and a clear identification with their own roles in this process. In addition to interviews, the corporate materials of different types have been widely used.

I have structured the chapter in accordance with different interpretations of the corporate brand that have been labelled: *local employee-facing brand*, *local supplier-facing brand*, *local customer-facing brand*, and *local society-facing brand*. These brand manifestations represent the ways in which local managers develop corresponding brand types towards different local stakeholders. The order of presenting the material reflects the stakeholder place on the internal-external stakeholder scale as perceived by managers. For example, the closeness

of relationships with suppliers allowed for characterising them as an internal to the company stakeholder group. Each brand type is analysed with the help of brand dimensions from the theory (see the model in Fig. 4.3): vision, culture, employees' perceptions and roles, core values and value proposition. Besides, brand vehicles, with the help of which the brand is internalised and developed locally have been identified: communications, relationship building and market offer. Among these activities, those of a predominantly market-driving nature are of interest. The chapter provides typical examples of market-driving activities aimed at different local stakeholders.

Sub-chapters 6.1 and 6.2 present a short overview of brand entry and establishment in two markets: Russia and China. Sub-chapter 6.3 is devoted to corporate brand artefacts that have been observed during my visits to IKEA's offices in Moscow and St. Petersburg. Since I have not been personally conducting interviews in China, the corresponding material for China is absent from the text.

6.1 Background of IKEA's entry into Russia and China

IKEA has been operating in Russia since 1990⁸⁰ but opened its first store in Moscow, Khimki only in March 2000. When IKEA's country manager arrived to set up the first store, the country was experiencing one of its deepest shocks in post-Soviet history. On 17th August, 1998, the Russian monetary system collapsed, and was followed by currency devaluation and a total economic collapse. The decision to stay was taken entirely by one man – Ingvar Kamprad, who since the early 80s had developed a special feeling for Russia saying that Russia is the last big hobby in his life. The fact that IKEA was the only foreign company that stayed in the country while others were leaving played a pivotal role in the subsequent speed of expansion in Russia. The first store was followed by a second and third one in Moscow (Teplyi Stan) and St. Petersburg (Dybenko) in 2003. Directly after that, the fourth and fifth stores were opened in the regional cities of Kazan (2004) and Perm

⁸⁰ A first Trading office was established in St. Petersburg already in the beginning of the 90s.

(2005). There are plans to open 10 to 15 stores in Russia in the nearest decade.

IKEA has been operating in China since 1998 when the first store was opened in Shanghai. It was a natural development of IKEA Trading operations in this country, from which the company purchased approximately 23% of all its products in 2004 (this makes China the biggest purchasing country for IKEA worldwide). In spite of these strong ties with the Chinese market, the company's retail development in China was rather slow, compared with other foreign retailers. There were two stores in China in 2006: one in Beijing and one in Shanghai and two more stores were under construction. The IKEA managers attributed the company's slow development in China to a rather cautious attitude to this market. As commented by industry experts, "IKEA has been gaining potential energy since it entered China in 1998"⁸¹. In accordance with the company's plans, there will be 10 to 20 stores in three regions by 2010 – around Beijing, Shanghai and in the southern provinces of Guangzhou and Shenzhen. China is believed to become IKEA's most important market in 10-15 years.

6.2 The retail sector in Russia and China

Less than a decade ago, Russia was almost completely ignored by Western retailers who were staying away because of corruption and high levels of risk. The 1998 rouble devaluation and debt default demonstrated to the whole world how high that risk was. By 2004, the situation changed dramatically. In accordance with the report by Deloitte & Touche (2004), the pace of economic growth increased with an average rate of at least 6% in six years and reached 8.5 % in 2004. The retail sector demonstrated even higher growth with sales in 2003 almost doubling the figures for 1999. It was projected to double again in the next 5 years to become the 8th largest market in the world.

⁸¹"IKEA plans 10 new stores in China" by Jiang Jjngjing, China Daily, September 7, 2004.

The consumer market in 2004 was still very far from saturation. As shown by statistical data⁸², the share of modern formats was less than 7% for Russia and 17% for Moscow with small traditional retail stores still dominating the market. Large foreign retailers started investing in the past five-six years with IKEA being one of the pioneers in the market. Recently, other European retailers have entered the market. In 2004, there were in total ten foreign retailers in Russia – among them IKEA (5 stores, third place in turnover) Stockman, Ramstore, Metro (7 stores, the leading chain in terms of turnover), OBI, Auchan, Real and Intersport.

The local retail chains also continued to expand rapidly. A few major Russian retailers doubled revenues between 1999 and 2003. In the non-food retail sector, the domestic retail chains were growing faster than the foreign ones and they dominated this sector. The shopping centre was a growing trend in the retail sector, which developed especially dynamically in Moscow. Mega 1 and 2 shopping centres owned by IKEA were among the largest in Russia and Europe. The customer incomes were growing at 8-12% per year. The statistics showed growth in sales of residential property, cars, furniture, computers, customer electronics, clothes, cosmetics and many other goods with the total share of durables in total customer spending increasing while expenditures on foods were dropping. Along with growth of incomes, consumers sought products and services of higher quality and a wider assortment and therefore they started prioritising modern retail formats. The research data⁸³ showed that consumer preferences for shopping were changing towards the shopping centre format. Still this was a more visible trend in the two large cities of Moscow and St. Petersburg where the level of household income was 3-4 times higher than in provinces and these consumers were more accustomed to shopping in retail outlets than their provincial counterparts. However, regional consumers were reported to be much more receptive to various promotional offers and interested in new products.

Regional markets were still very underdeveloped and they presented an excellent opportunity for expansion for both foreign and domestic

⁸²“Retail Sector Overview” by the Interactive Research Group, Moscow, February 2004.

⁸³Retail Sector Overview, February 2004, Interactive Research Group, Moscow.

retailers. The regions have been called by a Russian business newspaper⁸⁴ “the laboratories for developing cutting-edge retail technology”. Among foreign chains that expanded outside Moscow and St. Petersburg, IKEA was the first to open stores in Kazan and Perm. Metro opened several stores in Russia’s regions and Auchan opened its first store in St. Petersburg in 2005. The majority of domestic retail chains from various segments opened stores in cities around Russia. The major reason for this expansion was the gradual saturation of the Moscow and St. Petersburg market (which is still considered less developed than Moscow) and an increasing competition.

Among major obstacles for retailers, according to another source, was protectionism on the part of local authorities trying to support local producers. The major barriers for retail development were reported to be heavy bureaucracy, lack of space for new stores in big cities, low income of Russian population and lack of investments for local retail chains. Since foreign retailers could afford high investments and work without profit for some time and also offered the latest technologies and excellent service, their expansion was reckoned to increase with more foreign chains expected to enter the market.

China with its population of 1.3 billion represents a huge potential for retailers. Interest in this market was renewed in 2004 when certain restrictions for foreign store operations in China were abandoned by the Chinese government⁸⁵. As outlined in the report by Ernst & Young, China represents enormous opportunities as well as many challenges for global retailers. One of the most important features of the Chinese market, besides its size, is the pace of change⁸⁶ and the degree of fragmentation. Among top retail companies in China in 2004 were such international chains as Carrefour, Wal-Mart, B & Q that along with growing Chinese retailers expanded rapidly with sales up 13% in 2004. These chains faced fierce competition from the domestic retailer outlets, mushrooming at an astonishing speed.

⁸⁴“Regional Fever”, *Expert*, 35(435), September 20, 2004.

⁸⁵“The Path to Success for Retailers and Consumer Brands in China”, Report by Ernst & Young, June 2005.

⁸⁶The pace of change refers here to a speed at which foreign and domestic retailers conquer the market.

Being very fragmented, China represents a series of very different consumer markets, which was growing with an average of 9.5% (2004). This accounted for one tenth of the global economy's growth in 2004. Among the leading consumer markets in China are such provinces as Shanghai with the highest per capita income and Beijing. There are several other provinces with growing economies and consumption – Fujian, Guangxi, Henan, Hubei and Tianjin. Due to the high degree of fragmentation, there are two major types of Chinese consumers: consumers from major cities with higher income and growing demand for luxury products and famous brand names and the ones from small towns and rural areas with a 2-3 times lower income level and an interest for basic appliances such as colour TV. Both groups of consumers have enjoyed a rapid growth of their disposable income, an average of 14% annual increase in 2004. As emphasised in the Chinese business press in 2004⁸⁷, with the rapid development of the real estate sector, the demand for home furnishing was skyrocketing in China. The characteristic feature of Chinese consumers is their price sensitivity due to historic thriftiness, although there is a growing class of consumers who are more focused on quality⁸⁸.

Among other challenges that global retailers should be prepared to face in China are legal and financial restrictions imposed by the Chinese government under the current policy as well as the rapid social evolution of the Chinese society towards an increasing gap in income levels of urban and rural population. Another factor for retailing in China is the complex government structure and a certain lack of transparency in how laws are interpreted and enforced. That is why finding local partners to help to understand rules and getting government support can become critical factors for doing business in China. The distribution system in China is also very different from the European one, and constitutes a real problem for foreign companies. As argued in the Retail Industry report 2000, “it is not the product, but getting the product to reach their customers that proved to be the most critical success factor in China”.

⁸⁷“IKEA plans 10 new stores in China” by J. Jingjing, China Business Weekly, November, 2004.

⁸⁸“Friday at IKEA”, an Internet Forum; “IKEA becomes cheap in China”, Wangjianshuo's blog, May 39, 2004.

6.3 Artefacts of local corporate brand

Most meetings with managers in Russia took place in the Service office of the local IKEA organisation. The store manager in one of IKEA's Moscow stores received us in a tiny room, a former storage place, without any ventilation. This room could hardly accommodate more than two visitors. As I could observe, the manager's office was open for everybody at any time of the day. In the managers' words, this was a way to make it easier for his Russian colleagues to come and chat. Russian co-workers needed some support to overcome their fear of authority, which is still rather typical in Russia. On the other hand, the open door served as a basic need for the manager to breath!

The open space and the lack of any walls between the employee desks, which is very typical for IKEA globally, was in a striking contrast with the typical Russian workplaces, where people value security and prefer enclosed working spaces. The Russian IKEA staff seemed to be at ease with the open space – they moved freely in the large room with many desks and computers; many employees were sharing one computer and even carrying out group meetings in the middle of the room furnished with IKEA furniture. Sometimes, managers were even holding job interviews in the same room.

My impression was that the atmosphere of a big family working together was created intentionally, and in many respects at the expense of staff productivity since many Russian respondents complained about having difficulties in concentrating on their tasks. Some respondents have even reported suffering from stress due to constant noise and distraction. My first impression was strengthened further when the respondents took me to the canteen to talk, explaining that this was necessary because of the intolerable noise in their office. In contrast to the IKEA Retail office, Trading and Property managers happened to have very nice and quiet offices, which were much more convenient for meetings. Their rooms were spacious, with ventilation and other modern facilities, which allowed me to suggest that the Spartan style of the IKEA Retail organisation was designed mainly for educational purposes – to teach the local staff IKEA Way in such a *concentrated* IKEA environment.

6.4 Local employee-facing brand

A *local employee-facing brand* aimed at both existing and potential employees in the local market. Managers interpret the company's values, culture and vision and translate them into a specific promise for local employees – an employer value proposition – that should be attractive enough to attract and retain the staff. While the *global employee-facing brand* has been established in the labour market in general, and represented an overall *idea* of how to deal with people, the *local employee-facing brand* is much more specific and deals with the *relationship process* itself.

6.4.1 Vision: local staff as a problem or “a key to success”?

How is the corporate vision interpreted in a local employee context? As discussed earlier, IKEA's vision is translated into the “big idea” for employees, which is about giving the “down-to-earth, straightforward people the possibility to grow within the organisation, both as individuals and professionals”⁸⁹. The idea of people growing with the company is closely related to the general attitude to people at IKEA. The commonly expressed attitude is not without an inherent paradox – on the one hand, IKEA is open for all people, while on the other hand, the company is looking for the “right” people who can connect to its culture and values. It should not be “a cult”, however, the connection should be strong enough to enable both the people and the company to develop further. In other words, the managers would like to see a fine balance of compliance and diversity contributing to growth. However, in practice, managers tended to choose either compliance or diversity ways to deal with the staff. The ways to grow also turned out to be different for those who complied with values and those who did not, since it was the former group that seemed to have better opportunities at IKEA.

Two different ways to deal with the dilemma mentioned above were identified in the managerial accounts from Russia and China. The difference in attitudes to local staff were based on the managers' general

⁸⁹“Our Human Resource Idea”, the corporate brochure.

understanding of the local culture in these countries and reflected in their views on how the corporate and local cultures interacted.

Several respondents in Russia expressed a strong corporate value orientation and compliance-as-a-must attitude: “We must recruit right people who deeply share the values we have in the company.” Another respondent explained that given the differences between local and corporate cultures (Russia versus Sweden), the goal was to find “a good raw material, people with the right personal values” who can be trained in the necessary competences. As far the attitude to the local staff was concerned, these managers were also most critical in their assessments of the local staff. They, for example, referred to their local colleagues as “sharks like Americans” who keep the knowledge for themselves, stubborn people “who believe that they are right” and defined the relationship with them as “a struggle we use to have”. On the contrary, Swedish employees were depicted as flexible and easy to deal with.

A clear division between Swedish and Russian co-workers was a leitmotif of some interviews, in which the Swedish were referred to as “we”, “expatriates”, “chiefs” and the Russians as “them”. The feeling of frustration dominated some accounts, with only a few positive moments identified, one of them associated with a large population to choose from in Russia. On the whole, the Russian staff was perceived by these respondents as a problem. Some managers expressed a deep disbelief in their Russian staff: “They might think that they can drive this themselves but I’m afraid that they will have a Russian IKEA....and we don’t want to have Russian IKEA.” The openly negative attitude was expressed by one HR responsible who took it almost for granted that Russian people on the whole do not fit IKEA values: “Only around 3% of the whole population can sincerely subscribe to them.” It is important to mention in this regard that this kind of attitude was not typical for IKEA’s managers in China.

A more culturally sensitive attitude was expressed by other respondents in Russia and China. These respondents (e.g. Store Managers in Moscow and St. Petersburg, Sales Manager, St. Petersburg) were, in general, more flexible in terms of their expectations of the staff compliance with values. They also did not clearly distinguish between themselves and their local staff. The Russian managers often referred to local staff as “our Russian co-workers” and themselves as “we with our

Russian colleagues”. If they did distinguish, they used such expression as “expatriates” and “local people” or “strategic people” and “local people”. They were also much more positive towards their Russian and Chinese co-workers. Russian respondents talked about their local colleagues as “open, curious, ambitious, a great team”, “individuals who add up to IKEA’s identity”, “well educated, eager to learn people”. Chinese managers referred to their local staff as “people who are rewarding to work with”, “great people” and relationships with them as “no stress at all”. The local staff was referred to by Russian managers as “people for all levels at IKEA”, “future guys of IKEA” while Chinese managers used such expressions as “workforce securing that we move in the right direction”. Both groups of managers often referred to their local employees as “the key for IKEA’s success” in the respective market. Since these respondents were in the majority, they can be argued to represent a dominant view.

Most foreign managers in Russia expressed a strong belief that “soon there will be lots of Russians in the whole IKEA world”. Although many respondents emphasised that local staff would be mostly used in their respective countries, some of them also talked about big global plans for them. As far as the Russian staff was concerned:

I would like nothing else than just export Russians, those smart people to other IKEA countries to show what we can do! (Country manager, Russia)⁹⁰.

Regarding the Chinese staff: “They should be trained to take their roles faster” and “successful Chinese specialists would be a benefit for IKEA in the outside world” (HR Manager, Shanghai).

6.4.2 Culture as a different working atmosphere.

As discussed earlier, organisational culture has been often associated with Swedishness, which was also given different meanings by managers at different levels of the company. Thus, at the corporate level, Swedishness has been mainly associated with IKEA’s history and

⁹⁰Most members of the first Russian team of managers were successfully “*exported*” to other countries where they became team leaders, store managers and held other leading positions.

traditions. At the local level, Swedishness was about creating the tangible cultural surroundings for local employees coming from an “outside world”. Hence, Swedishness in its physical form of tangible cultural artefacts was used to create the different working atmosphere for local staff. I have already described my impressions of IKEA’s office in the sub-chapter 6.3. There was a feeling of an intentional (extra) Swedishness translated into an extreme openness on the boundary of physical discomfort, and togetherness on the boundary of losing one’s track. Spending 5-6 hours a day in this atmosphere was a serious cultural challenge and a tough mental exercise for me. Based on local staff comments, it was a serious cultural exercise for them as well. Both new and old staff reported difficulties to adjust to a new working atmosphere in the beginning, which was later compensated by the team feeling.

Not only the setting itself but the way people were dressed in the office had a strong cultural overtone that surprised and even shocked a newcomer. For example, many Russian respondents mentioned the casual dress code and name (no surname or middle name) tags on the store uniforms of IKEA’s staff. Managers could not be distinguished from other co-workers not only in the way they dressed but also in how they addressed each other. As explained by a respondent, the atmosphere in the office made a deep impression on new employees:

And I know a lot of people who had this problem... when they came to IKEA, they were all dressed up, some people have even bought business suits, and then they met their manager – open collar, no tie, no jacket, no nothing – and then they felt very uncomfortable, how shall I act?
(PR Manager)

Another aspect of culture that was mentioned was the typical Swedish, informal management style. Meeting a Swedish manager for the first time was experienced by some Russian staff as a cultural shock. For example, one local manager told us about her two interviews at IKEA:

The first meeting:

When I came to the interview, the first interview was with a HR Manager in the Ekaterina hotel, I was in my suit, I worked at a multinational company before. And when she invited me for the second interview with the Country manager, she asked me – can you,

please, not wear this business suit because we are very democratic? And I had to buy a special kind of uniform – smart, casual, the lowest level I could. I had to change the whole wardrobe! (PR Manager)

The second meeting:

When I saw L.⁹¹, in sleepers! Can you imagine? Me having a problem where to change boots for shoes? And I thought – should I just go right away or should I stay where I am?? (PR Manager)

To adapt to a new cultural environment with different norms of behaviour was quite difficult for the local staff, especially when rules were not very obvious. As commented by a local manager:

I think that a lot of people coming to IKEA have a problem because we are not a uniformity company! It is much easier if we had a black dress as uniform but we don't, and it's much tougher for them to understand – if we are not a uniformity company, so what we are then? (PR Manager)

It took time for the local staff to understand “the rules of the game”, and the experience was at times quite frustrating for both Western managers and their Russian colleagues. The manager commented on the difficulties she experienced in persuading her Russian staff to address her in informal *You* in Russian⁹². She explained that since local staff felt uncomfortable in addressing her like this, they started avoiding her: “They don't know how to ask me, how to talk to me. So they don't come” (Store Manager, Moscow). Finally, she gave up and decided that it was wiser to keep good relationships with the staff than to make them live by IKEA rules when it comes to formalities. At the same time, this respondent mentioned that younger people did not have any difficulties in adapting to a more informal atmosphere at work and enjoyed it as a contrast to other work places.

The similar story was told by a Chinese manager who experienced a strong resistance on behalf of his Chinese department heads who did not want to be called “shopkeepers”⁹³ and instead wanted to be called

⁹¹Country Manager, Russia.

⁹²The cultural traditions of addressing people, especially those elderly and superiors require the usage of formal “You” (“Vy” in Russian).

⁹³A rather common term used at IKEA.

managers. The former title was associated by the staff with a lower status and somehow devaluated the importance of their positions at IKEA as a Western and, therefore, a high status company. The respondent has also “given up” and adopted the local way.

As summed up by one respondent, culture is much more than IKEA Way transferred into the local context. It is a completely new cultural context, which people have to adapt to for 8 hours every day, and after that they have to return to the reality of their everyday life:

People don't live it, so for them it's not so much the stomach, it's very much the heart – they have to understand the rules, how it supposed to be at IKEA. (Store manager, Moscow)

Since culture is very much about new ways of working that have clear rules, they have to be explained to the staff. While Russian managers tried to impose the rules unchanged first and then adjusted them when necessary, Chinese managers talked of “combining the practices from IKEA and from China” from the very beginning. The main idea was to find the areas where these practices correspond well and focus on them.

6.4.3 Values as rules of “how it should be” or “a healthy mix”

Two different views of how values should be used in the interaction with the local staff have been identified. Some managers have talked about values as cultural rules that should be strictly followed: “This is about behaving and doing things in a way our culture here states.” They also had a tendency to use rather normative value statements. The following examples illustrate the ways to introduce some of IKEA's core brand values to local staff:

If your future will be a success at IKEA, you have to be very communicative, the result as such that you achieve is, of course, one thing but how you share it and how you develop other people is also very important at IKEA. (Store manager, St. Petersburg)

This is our policy to make mistakes! (Store manager, St. Petersburg about not doing everything right at the store opening)

You should have at least 50% fiascos! (I. Kamprad criticising the Russian organisation for its “too smooth” functioning).

Other examples were such statements as “you are allowed to make mistakes”, “you have the permission to develop IKEA when you have the knowledge of how it works here”, “you should share knowledge”.

Using a reward system to make people un-learn the values they are used to in their normal life was also mentioned:

“How to make people work together? It’s quite easy! This is just not reward them when they do an individual thing and reward them and be there and praise them when they do things together.” (Store manager, Moscow)

Leading by example, explaining the rules of behaviour “time and time again”, being patient as well as cautious with the staff were among the main principles that most managers talked about as the most efficient in teaching the local staff the IKEA’s values:

Show the example. I mean, live by example, we cannot do more than that really. We are at IKEA advising to do it in this way or not do that at all. (Store Manager, St. Petersburg)

You have to prove it to them time after time, after time – that it is OK to give away knowledge. And we have a lot of them who are extremely good and they believe it now. But then as you re-employ people from outside, then it starts again, so you can never look upon it and say that it is ready now because it is another environment out there, very different. (Store Manager, Moscow)

This is really hard from the beginning. People have different understanding of what, for example, respect is – you just have to sneeze, and if you say something, which is just an idea, they do it in one second. You need to be cautious. (Store Manager, Moscow about his local staff)

You as a manager have to put a lot of energy or awareness into not accusing them – if they tried and things went wrong, they should be appreciated because they tried! (Store Manager, Moscow)

The extracts above illustrate such values as teamwork (“togetherness and enthusiasm”), “leadership by example”, respect for individual, and the ability to make mistakes.

Asked what they usually do when people do not fit IKEA’s values and rules, the respondent explained:

It happens of course but in general the people match the atmosphere and culture, we take them and train them or just describe for them how it should be, how it used to be. It's no breaking someone. (Store Manager, Moscow)

Sometimes, no special training is needed and just exposing local employees to IKEA's store environment is enough to make them acquire values:

But it's not difficult to find the right people for these rules, it's easy and quite fun. As long as they stay for 9 hours in the store, it's not a problem for them at all! (Local manager about his group at the store department)

The respondents belonging to this group were more particular to distinguish those who "have really taken IKEA values on-board" and/or intend to do it and those who would never do it. It was this former group of people who, in accordance with these managers, "really do well at IKEA" and they expressed the hope that "a lot of people really like to belong to that company".

I could also identify another group of managers who came up with a different view of values in relation to the local staff. These managers were quite comfortable with the idea that most people did not take IKEA values close to heart and just followed the rules. The idea of actually "living up" the values was interpreted by these respondents as either completely unrealistic ("it's an illusion when we think that we can change 100% people's life", Store Manager, Moscow) or a very long-term project in the different cultural environment ("the life outside has to change since people live that", Department head, St. Petersburg). Asked about their way of dealing with this situation, the respondent in Russia expressed the hope that "people just feel good here and they carry it along" and "what you need at the store – that people feel fine" (Store Manager, Moscow). A Chinese respondent stressed the emotional link between her and her staff as being more important than the value fit: "I think when I'm happy when I come to work, they will be happy, and if I'm not happy, they are not happy" (Department head, Shanghai).

These respondents also emphasised the idea of creating a feeling of belonging for people instead of just teaching them the rules:

In the concept company people have to take it, they need to say – this is mine. And if you only say – this is how we do it at IKEA, you don't have a feeling that now I can realise my dreams and I can contribute to it. (Store manager, Moscow)

The feeling of belonging as a goal to achieve with a local staff was emphasised by Chinese managers who also implied that the ability to demonstrate IKEA values in behaviours is important, however, the means to do it can be different from the ones described above. Instead of trying to “match people” with IKEA's culture and values, they suggested “finding local practices, which reflect IKEA's values” and matching IKEA values with “the ways of working, the culture and values that exist in China”. As expressed by a respondent: “I think it can be a very healthy mix, I don't see many areas where there is great conflict between these sets of values” (Store Manager, Shanghai).

The top-matching values in China were cost-consciousness, collectivism and a hard-working ability of the local staff. The meaning of these values was, however, different from that at IKEA. For example, the typical Chinese cost-consciousness was described as “short-sighted” while Chinese collectivism implied an increased respect of authority and a fear for arguments. This latter trend was also related to the Chinese fear of “losing face”. The way to deal with these differences was to show by example what IKEA managers meant by being thrifty and working as a “team of equals”. When certain values could not be found in the local culture, managers tried to develop corresponding practices in which all staff (managers and locals) took an active part. (e.g. in China eating dinner together after the evening shift, cleaning together, assembling products together, going out once a month with a manager).

A more flexible approach to a corporate-local value fit perceived instead as a value mixture did not prevent Chinese managers to emphasise the link between the adoption of certain prioritised value practices by IKEA's local staff and their future successful career at the company. Among these prioritised areas was mobility: “If you are mobile, you make a good career at IKEA” and ability to develop oneself and others: “If your interests lie in IKEA's development and IKEA's expansion, you must be sure that the person who is taking over can continue in the way that he has skills to do it” (HR manager, Shanghai). As explained

further, managers made great efforts to instil these practices in their organisation by, for example, opposing all reasons why they (staff) would not move.

In spite of a certain degree of coerciveness towards the local staff in China, the managerial emphasis was on capitalising on the existing cultural traditions and new trends in the society (e.g. an interest in working at an international company and moving abroad) than on creating new ones. Chinese managers were also more prone to admit that the Western set of values was very different from the Asian one, and, therefore, a more cautious approach was needed. They also focussed more on the existing potential with their local staff than on their actual fit with values.

6.4.4 “Experts” versus “locals”

Managers came up with certain characteristics of the roles of corporate (mostly Western) and local staff in the organisation. Their perceptions of staff roles were, in fact, closely related to their expressed attitudes towards local staff as well as their understanding of corporate-local cultural interaction. I will present these roles in the form of a Table, in which corporate and local staff roles are compared with each other.

<i>Roles of corporate staff</i>	<i>Roles of local staff</i>
”Experts”	People with local knowledge
”Old guys”	”Future guys”
”Security today”	”Key to future success”
”Trunk” and ”crown of the tree”	”New branches of the tree” and ”the grass”
”Cultural security ”	Cultural problem
Sharing knowledge	Keeping knowledge
”Right” people	Wrong ⁹⁴ people

Table 6.1. Roles of corporate and local staff.

As seen from the Table above, the characteristics given by respondents to the corporate and local staff reflect two different managerial attitudes discussed earlier: staff as “a key for success” and staff as a problem. It is interesting to note that corporate managers are always associated with

⁹⁴My interpretation.

success factors such as expertise, security, strength and knowledge sharing while the local staff can be seen in both positive and negative ways. When both the corporate and local staff are seen in a positive way, as complementing each other (e.g. experts – people with local knowledge), the managerial focus is on the synergy of their potentials. In contrast, when the corporate and local staff are seen as opposing each other, the managerial focus is on minimising the differences by an increased control. It can be argued that the first way is an example of a constructive approach while the second is potentially destructive since it does not capitalise on the synergy of people. I will discuss both approaches in more detail when talking about the activities aimed at local staff in 6.4.6.

6.4.5 The “right” people for a growing company or a “right” company for growing people?

The respondents have formulated the essence of the *local employee-facing brand* in two different ways, which I have characterised as the *positive* and *negative* value propositions. The *positive* value proposition has the employees’ interests in focus. It implies a possibility for each individual “to grow with a company” and keep their individuality. The *negative* value proposition has the company’s interests in focus. It implies a risk for employees to be used as *the material* for the corporate machine.

The majority of respondents expressed the *positive* attitude to people as individuals:

IKEA is built for development and growth! And the only way the company can grow is that each and every individual can learn and grow. And, of course, if everyone has the same ways as the manager, does exactly what the manager says, that will not create environmental growth, growth will come when everyone is doing a little bit more and different that is said, and that is done. And that is characterised by people to come with new ideas and directions. (Store Manager, Moscow)

In a more concise way, the *employee-facing brand* was characterised as “a possibility to grow”; “development possibilities without limits”, and “a base to develop people from”. The accent was on the people’s individual motivations to grow and develop: “A lot of IKEA people are

at IKEA because they would like to develop IKEA themselves and see something moving, not just maintaining it” (local manager, Moscow). One respondent distinguished identity from uniformity: “It should be the IKEA identity in it, not uniformity, because uniformity is limited, identity is the possibility to grow.” (Marketing Manager, Moscow)

The idea of employee brand as “a feeling of belonging” to something has been expressed in several accounts, for example, “a feeling of belonging within the frame of the concept”, “the common feeling of the store”, and “being one family in the store”. One respondent stressed that, although IKEA’s concept is very strong, without its people IKEA’s store would be just a “blue box”. A more developed idea of belonging was in seeing the organisation as a place where, in spite of its frames, a person can realise his or her dreams:

And if you only say – this is how we do it at IKEA, you don’t have a feeling that now I can realise my dreams and I can contribute to it. It is very important that people get this feeling in their daily work – they come here, they love it, they still see the freedom to act, where are those frames, how much I can do, where do I have to take the responsibility, what I can influence in the whole thing? (Store Manager, Moscow)

The Chinese respondents have added a societal nuance to a *local employee-facing brand* by describing IKEA as “an honest employer” - the company that keeps its promises to the staff. One respondent described how the local organisation in China handled the “tough situation after opening” when all retailers were downsizing their personnel:

Most companies have said to people like go away and we’ll give you a call when we want you to start working again. But we kept everyone on, and we paid them, a lot of companies would have reduced people’s wages, but we kept everyone at wages that we said we’d pay. (Store Manager, Shanghai)

The development opportunities and resources for staff development were referred to as “a lot of soft value”, a strong human side of IKEA. This value was “missed quite quickly” by those who left IKEA for another company:

When co-workers go to another retailer they soon phone up and say we want to come back to IKEA, and that’s a positive thing as well. (Store Manager, Shanghai)

Another view of a *local employee-facing brand* was expressed more indirectly and can be summarised as finding the “right” people for a growing company and training people for the company to grow faster. In this view, local staff was seen more as a problem than a potential as in the Russian case, and the main focus was on de-individualising the staff to becoming basically a part of the “corporate monument”:

Everyone at IKEA is needed, we cannot afford as a low-price company to have many people running around who are not needed, and when you are needed, you also need to know what part of this monument I’m creating. And I think that this is really motivating! And I think that everyone has to have a broad knowledge about what we try to create and what I can contribute with. (PR Manager, Moscow)

In this extract, the process of building “a corporate monument” dominates over people’s individual aspirations in their working lives.

Quite remarkably, very few respondents expressed the second view in an explicit way but it could have been traced in their accounts implicitly, for example, by frequently mentioning that the “right” people are crucial for IKEA’s success. Following this logic, the more “right” people who are employed, the better for the on-going expansion. For example, one respondent discussed the over-recruitment issue in Russia as a facilitator of the company’s fast expansion in this market (5 stores opened in 6 years and 3 stores to be opened soon). He mentioned also that it was due to a present situation with cheap labour in Russia but added that over a time, when market conditions change, the number of personnel would have to be reduced. An increased number of “personnel hours” was referred to as a temporary measure and a trade-off with IKEA’s efficiency principle. Thus, the speed of expansion and efficiency principles were named among the major factors of personnel policy. The Chinese respondents did not discuss the issue of over-recruitment, which was either not urgent at that time or not relevant for their market. The speed of IKEA’s expansion in China was also very modest – 3 stores (one of them re-built) in 8 years. It would, of course, be wrong to explain this fact by a different attitude towards the staff at IKEA’s Chinese organisation since many other factors could have played a role.

6.4.6 Local employee-facing brand vehicles

The *local employee-facing brand's* vehicles are means used in a local market to position the company as an employer, create brand awareness and attract the workforce to the company. Since the essence of *employee-facing brand* is mostly intangible (e.g. the development opportunities at a growing company), it has to be made more tangible via combining communications to potential employees with other activities that bring employees into close contact with IKEA's culture and values. Among these activities are recruitment, compensation, and development of employees. Special attention is paid to the issues of local HR market knowledge and general cultural understanding needed for a successful brand's establishment in the local market.

6.4.6.1 Learning about the HR market

As commented by respondents in Russia and China, learning about the local HR market had started with the first recruitment campaign, and it was characterised by very limited initial knowledge of its norms and traditions. Such basic information, as for example, average income levels and living costs in Moscow and Shanghai (first opened stores in Russia and China) was available at that time, but due to the fast pace of market change, it became outdated quite soon. Most learning has been carried out as an on-going process when the first stores were under construction and started their operations.

As follows from many respondents' accounts, the way of learning about local working norms was very much steered by IKEA's core values translated into the key working principles. These principles provided the angle of HR learning process. Among them such values as teamwork and simplicity were mentioned most often in Russia. It was maybe due to this specific angle of learning about the HR market that some managers have formed rather pessimistic pictures of the local situation. Thus, some respondents in Russia claimed that only 3% of the total Russian population fitted IKEA's values, which was reflected by the different approach to that of IKEA of the local staff to learning and teamwork. It can be argued that by having two major IKEA values as a reference point, these managers formed a rather "narrow" view of a local HR market, which might have influenced their attitude to local staff and the HR policy implementation in Russia.

In China, the managers did not strictly follow the value approach to learning about the local HR market. The respondents reported taking into consideration general cultural factors such as collectivism/individualism, respect to authority, individual development/money orientation, which they used in the learning process about the local staff. Some respondents made connections between the observed cultural traits and IKEA’s values. For instance, one respondent claimed that since the Chinese are collectivistic people, they should be good at working in teams. It can be argued that by taking a “broader” view, the managers formed a more positive attitude to the local staff and also came up with a slightly different HR program in China.

Most respondents stressed that learning took time and required a lot of patience since both cultures (Russian and Chinese) were so different from the IKEA Swedish culture.

The snapshots of Russian and Chinese employees below provide an illustration of the different angles of vision taken by managers.

6.4.6.2 Snapshots of Russian and Chinese employees

Based on managerial accounts, the following pictures of Russian and Chinese employees have been summarised in the Table below.

<i>Russian employee</i>	<i>Chinese employee</i>	<i>IKEA’s typical employees</i>
Ambitious	Hard working	Motivated, taking initiative
Rather inefficient	Efficient (short-sighted)	Efficient (long-sighted)
Academic learning preferred	Academic learning popular	Work-based learning
Individualistic people	Combination of individualism with group thinking	Family thinking
Money orientation	Strong money orientation	Development and growth orientation
Status associated with job title	Status associated with working abroad	Status is not valued
Respect for authority	Respect for authority	Respect for an individual irrespective the title
Respect for older people	Respect for older people	Respect for all ages
Formal behaviour	The fear of losing face	Informal behaviour
Secretiveness; tendency for keeping knowledge for oneself	Tendency for sharing only in the immediate work teams	Openness; sharing of knowledge

Table 6.2. Snapshots of Russian and Chinese employees.

As seen from the Table, the characteristics of the local staff both in Russia and China differ a lot from the typical features of IKEA's employees. This implies a necessity to recruit the most relevant people and teach them IKEA's values to form new behaviour patterns. It is important to stress that, although the pictures above reflect the common view of managers, there were some differences in how managers dealt with the cultural differences. Thus, some managers focused on the differences from a strictly IKEA perspective while others combined the corporate and local perspectives.

For instance, the majority of managers in Russia viewed the ambition of their Russian staff as an advantage since it helped the staff to learn new things and succeed with their jobs. They acknowledged this feature as a good and solid ground to start from. Other respondents viewed the same feature as a disadvantage since it was related to the academic learning habits and individual perception of success, which were different from IKEA's norms. Being individuals was also perceived differently by respondents: some of them mentioned the different set of values that Russians brought about (e.g. individualistic trends at work and keeping knowledge to themselves) as difficult to match with IKEA's norms. Other managers emphasised that the diversity of opinions that the "individualistic" Russian staff brought along have contributed to the distinct identity of the Russian IKEA stores. The respondents in China perceived their staff as generally fitting well with the IKEA's values and norms (although the Table shows a big difference in values) and unproblematic to work with. The common Chinese values such as thrift, ability to work hard and collectiveness were mentioned by respondents as most fitting IKEA and serving as a bridge between IKEA's and local cultures.

6.4.6.3 Recruitment with values

The external recruitment phase usually starts at IKEA by carrying out large-scale campaigns such as job fairs and these were put into operation successfully in both Russia and China. For example, in Kazan before the store opening in 2004, 7400 people visited IKEA's Job Fair, from which 250 people were hired. At these fairs, the local people learned more about IKEA's concept and culture. One respondent said:

“This is the starting point of brainwashing.” A local newspaper⁹⁵ described the job fair in Moscow as an extraordinary (for Russia) event:

“Have you ever seen the nice looking and comfortable chairs at any fair? What about clean bio-toilets? Free mineral water in plastic cups? Free tea and coffee? Polite security guards? Journals and catalogues? A movie about the company???”

The commonly used channels for recruitment in China were the corporate web-site, job fairs and schools. External advertising of open positions was also employed in Russia and China; however, most of this was done internally. The recruitment ads were usually focused more on personality issues than on specific skills such as, for example, the sample ad in Fig. 6.3.

Good communication skills
Being able to work with several tasks concurrently
An understanding and belief in the values of the IKEA culture
Being decisive and independent, a good team player
A strong drive and problem solving approach and the energy to realise goals
A well-developed sense of responsibility
Being able to work on projects where all conditions are not fully defined

Fig. 6.3. A sample of recruitment ad at IKEA (Open IKEA web-site)⁹⁶.

Word-of-mouth communication from existing employees to their relatives and friends was also mentioned in both markets as an efficient tool. Moreover, the external recruitment agencies were also used extensively to carry out the first “scanning” of potential candidates. The most important phase of the recruitment was carried out with the use of a global Value Recruitment platform. As commented by respondents in Russia and China, this document was translated into different languages but not adapted to local conditions. The value-based approach was at that time very different from the traditional one used in both in Russia and China. In both countries, it was the formal qualifications of candidates that were paid the greatest attention by the employers.

⁹⁵“This is IKEA”, As a city, a web newspaper, March, 3, 2003.

⁹⁶<http://csjobb.idg.se-CSjobb-Platsannons-IKEA IT, Performance Test Specialist>.

The recruitment process is usually in three steps with a first brief meeting for a run-through of the candidate's CV. The CV itself seems to be of little value since, as commented by a respondent:

The people's previous experiences or their diplomas and degrees do not really matter for us. What we want is people with the right personal values. (Store Manager, Moscow)

The respondents often stressed that competences can be taught and trained but personality is hard to change.

At the second stage, a closer look at the personality and values was taken. How was the "right" personality identified? Some managers asked candidates to describe some everyday work and life situations and how they behaved to uncover their values. Other respondents explained that they often trusted their intuition and personal feelings:

You know, you can feel it very well. When a person starts speaking about children about his family and relatives he lights up. Some warm aura just seems to come from him. He does not hide his eyes, does not make excuses he isn't inarticulate. He gives clear specific answers to questions asked. (Department head, St. Petersburg)

Similar impressions of the first interview at a local IKEA organisation were shared with me by one local co-worker: "First, as I was told later, I could speak to people. I just won my interviewers' favour – that is why I was taken. That's why I am here" (local co-worker, Moscow). Some respondents were choosing new employees by just looking at photos of candidates: "We put photos in front of us, looked narrowly at them, and thought them over. We worked by intuition, literally" (local manager, Moscow). Finding the "right" people was emphasised both in Russia and China, but in China managers practised a more flexible approach when the importance of value fit was often stated but seemed not to be so much applied in practice.

The third stage was usually a meeting with the candidate's immediate supervisor and his/her future working team. This was considered necessary since all group members need to like this new person. The final decision was in some cases based on simple reasons such as "We need more guys. And she was a girl" (local manager, Moscow). In one particular case, the decision was taken just "by looking into the blue

eyes of Leonid” (local manager, Moscow). A respondent in China explained that she was looking for “hard-working, humble and simple people”, while actually meaning strong people who could lift heavy boxes in her department. She, therefore, had to test whether a candidate was strong enough to do that.

Having recognised that the prevailing values in the society differed from IKEA’s values, the managers in Russia focused more on recruiting young people who had a set of values that differed from the dominant ones in the society (which was somewhat contradictory to their expressed wish to have a more diverse staff). As a matter of fact, the average age of the Russian staff at the Moscow office in 2003 and 2004 was around 30 years. In China, the respondents also admitted employing very young people and even implied that IKEA China was at that time (2004) among the youngest IKEA organisations in the world. It can be argued, though, that the reason was more external than internal and related to the demographic situation in China. The younger generation was becoming more mobile and open for change and more interested in working for an international company than their elders.

6.4.6.4 A “different” compensation package

The compensation package was referred to by respondents in both countries as being different from what other “normal” Russian or Chinese companies offer. While most companies stressed the salary, IKEA offered a combination of salary, benefits and multiple development possibilities. The salary was on the average market level – around 300 US dollars a month in Russia and slightly below the average in China – around 350 US dollars⁹⁷. Keeping salaries at the medium level was also different from the policy of other retailers who increased salaries to attract the workforce.

Since in both China and Russia the money factor was important and even critical for the staff, managers had to emphasise the non-monetary parts of the package. In China, local staff had strong pressure from their families to earn good money and get a status job. In order to keep these employees, IKEA managers emphasised the opportunity to get a full-

⁹⁷Figures of 2003-2004.

time job, which was perceived as a promotion. Another way to motivate the Chinese staff and potential candidates was to stress the international possibilities at IKEA. In Russia, such benefits as free English courses and subsidised work-out sessions were emphasised by managers. The respondents commented also that education and training were much appreciated by Russian staff, most of them attending some courses at work. In China, the social security part of solution was emphasised by managers and appreciated by the staff since local retailers used to save money on these benefits.

As summarised by one respondent:

To work on the whole solution, to show and tell about the benefits, to show that money is not everything and focus on the social bits with the social security package, education and so on. To focus on the possibility to study English. (HR manager, Shanghai)

The fact that IKEA's compensation package was perceived as different by local people was reflected by a number of publications in the Russian press. For example, one article⁹⁸ described the company's offer as something "never seen before" – "a life insurance, medical insurance, free education, free metro ride, a subsidised lunch, the uniform and, finally, the care and attention".

Provided that the HR solution takes place with a more or less cultural understanding of the employees' current conditions and requirements, it can be adjusted more or less to match them. For instance in China, the local HR solution seemed to be more adjusted to local traditions than in Russia since the monetary part of their compensation was related to their performance, which was typical for Asian countries.

The HR solution was aimed not only at existing and potential employees but also at competitors (e.g. other retailers). This latter group of stakeholders was mentioned by respondents in both Russia and China who stressed that positioning IKEA as "an honest employer" did not only increase the company's competitiveness on a labour market but also created the feeling of trust by customers and society in general. This has also reinforced IKEA's image as "an honest retailer" for customers. For example, the annual staff surveys carried out

⁹⁸"This is IKEA", As a city, a web newspaper, March, 3, 2003.

internally showed that the company was perceived as “honest guys” in China, which was also reflected by less than 10% staff turnover in the stores.

6.4.6.5 Staff development

Staff development was described as a non-stop process at IKEA. As commented by many respondents, the first phase for all newcomers was training in IKEA’s culture. It usually involved learning about the company’s history by watching the educational videos. This training was provided by more experienced staff, most often the expatriates. Many co-workers started at the company as part-time co-workers and moved gradually to full-time, seniors, deputies and so on. Along their career path they got cultural training and gradually acquired IKEA’s values. Many employees were trained while working as trainees at the store. The major part of training was acquiring the core competences such as teamwork, efficiency, mobility, leadership, etc that were considered necessary for a successful career at IKEA. These value-based competences were considered more essential than the technical competences. As commented by the respondents in Russia and China, the latter skills could be developed gradually given the generally good educational level of candidates in these countries. In order to acquire the value-based skills, the whole approach to learning had to be changed since at IKEA they practised “learning by doing” approach, which was different from the common academic learning style practised in both countries.

Two approaches to staff development were identified. One was rather coercive (mostly practised by managers in Russia) when managers were forcing their local staff to un-learn everything they were taught before. This was achieved by “bringing in experienced people” who were “showing examples by doing”, “transferring the knowledge practically”, and “pushing the staff”. The focus in Russia was very much to “bring in seniors with considerable knowledge” (“there are very few IKEA countries where we have such a high level of experienced staff”, HR Manager, Moscow). The respondent expressed a fear that without a sufficient number of expatriates the local people would “fall back into their old habits” and rebuild the organisation by Russian standards as soon as they (expatriates – my remark) “had turned their backs”. He expressed the opinion that the slow expansion in China was due to the

lack of experienced staff in this market: "If we had done in China what we have done in Russia, we would have had 7-8 stores already there" (HR Manager, Moscow). Thus, the availability of the experienced staff was deemed necessary and their role was to steer the development of local employees and check that they did not stray from the track.

In both countries, managers used the expression "to push" the staff to do something in the IKEA way. Usually the most "pushy" methods were used when trying to instil the major HR practices such as teamwork, taking responsibility, and mobility. In Russia, it was usual to reward employees only on the basis of their team's success and ignore their individual work. In China, managers tried to "push" the employees to provide both positive and negative feedback to their managers, which violated the Chinese concept of face-saving. Another example was pushing people to move between different stores in China, which was against the traditional Chinese way of working close to one's family and friends. In Russia, employees were also persuaded to move between different positions in the store and between stores by reminding them that a static career at IKEA could not possibly be successful.

It is interesting to note that "pushing" the staff was carried out by managers in a different way from the traditional one for both countries. For example, typical Chinese managers used to shout at their staff and just give them orders while IKEA's managers "asked them to take responsibility" and explained why they should do a certain task. The typical Russian managers used their authority to control the staff while IKEA's managers tried to win their colleagues' respect and trust.

Another pattern identified in the respondents' accounts can be characterised as a less coercive process of mutual learning. Although the means of teaching the staff were essentially the same as above: "showing examples by doing" and "working together", the approach was more adapted to local tradition. The problems that local staff experienced with IKEA's learning style were also perceived by these managers as quite natural and due to obvious cultural differences. Their attitude implied listening to the staff, understanding what motivated them and helping them to develop in that direction, although it also implied showing them "where we (IKEA) want you to move". In China, the local manager asked her staff to write down what kind of knowledge

they wanted. After the training course, they would sit together with co-workers and “double-check if all points were covered”. The major principle in dealing with local staff on behalf of the managers was “showing respect” to them as individuals and helping them realise their real ambitions.

The fact that a less coercive approach was more typical for Chinese managers was, probably, due to the fact that in the beginning the IKEA cultural norms were perceived by the local staff as “too much a leap” and according to the managers, they felt “totally insecure”. Hoping that the local staff would feel more comfortable after a while, the managers were more prone to understand the staff motives, for example, by finding the reasons to move that seemed relevant for the local people. One such reason was the local staff’s respect for jobs abroad: “International is still a bit of Holy Grail here!” (HR Manager, Shanghai), “I have a good job, I shall travel, I’m going to take the plane, WOW!” (the same manager citing a local co-worker). The surveys showed that within three to five years many Chinese employees were willing to move internationally.

6.5 Local supplier-facing brand

A *local supplier-facing brand* is aimed at local IKEA suppliers. It can be described in terms of vision, culture and values that are interpreted by managers in the markets as well as the brand value proposition to suppliers. While the *global supplier-facing brand* at the corporate level was established in the global workers’ market, the *local supplier-facing brand* is much more specific and deals with the relationship process itself. The materials from three supplier markets: Russia, China and Poland have been used in this sub-chapter.

6.5.1 Vision: markets as “production capacities” or “countries with a future”?

All the respondents mentioned the role of IKEA’s vision in setting up production in the respective countries, usually referred to as “purchasing” countries. Thus, Russia was referred to as “the best purchasing country in the world” when it comes to forestry, which was

considered “a very good reason to be there” (Purchasing Manager, Moscow). Some respondents in Russia stressed that they “are not in the countries because they want to be there but because they get products there”. They explained that production countries such as Russia and China, due to their natural resources and cheap labour are valuable export countries for IKEA, since they contribute to a global cost reduction and thus a stronger low price image for IKEA products. Besides, the increase in local production helps to achieve the “right” local customer brand’s image faster.

A respondent in Poland talked about this country as having “a big potential” in terms of good location “in the middle between Russia and Europe”, with “no borders and actually nothing to stop the deliveries”. The high competence of the Polish furniture industry was referred to as a factor “IKEA was really benefiting from”. A potential purchasing country – Ukraine – was also described as “a big country with a big potential, at the same time a lot of possibilities for things to go wrong”. Suppliers were viewed by these respondents mainly as “production capacities”, which, depending on their development levels, were subject to a various degree of corporate impact. By increasing the volumes produced in these countries, several goals were achieved at both local and corporate levels: the local expansion was moving faster, an export base was developed, and a new product development was intensified.

A somewhat different interpretation of IKEA’s vision for local producers was given by other respondents who stressed both the cultural aspects of relationships with local suppliers and the necessity to adopt a responsible approach to these relationships. This view was expressed in a rather implicit way and was not as developed as the first one. For example, a respondent in China talked about “having both customer and supplier in focus” in this country, while a Russian respondent emphasised the need to “see Russia with Russian eyes” both from a customer and supplier perspective. That implied taking a long-term view of a country as a whole and suppliers in particular, as well as viewing the market as a success factor for both the company and local partners. In Russia, the respondent welcomed the demolition of Soviet standards at factories and the growth of a market economy. He explained that from a short-term perspective having an old Soviet system would have been beneficial for IKEA but instead they

encouraged the new market economy, which, in spite of its obvious challenges, would result in a faster local industry development and its higher competitiveness. In this view, the role of IKEA was seen as “investing in the future” of this country by finding local factory directors with a new management style and helping them to develop.

It is important to mention that the two views discussed above were not perceived as mutually exclusive in the managerial accounts. They were rather two different lines of reasoning in the respondents’ general views of the company’s role in Russia and China. It is interesting in this regard to quote a survey⁹⁹ polled recently with approximately 70 manufacturers in China on how companies view their production facilities. Most respondents stated that their main objective was to have low-cost production facilities in China. Only a few companies said they wanted to build world-class production facilities and thus improve the industry situation in China.

6.5.2 Values as personality cues and working principles

All the respondents stressed the pursuit of low production costs as the main principle in the relationships with suppliers, implying that the core value of cost-consciousness was central for these relationships. However, in new markets with a rather underdeveloped local industry, the low cost issue could not guide the relationship from the beginning since other issues were perceived as more important. Thus, in Russia, respondents talked very much about an entrepreneurial spirit with factory managers as a major starting point of new supplier relationships. This was regarded as a pre-requisite for the supplier to become cost-efficient and, therefore, competitive in the long-term. Since the entrepreneurs had been almost extinguished by the Soviet system, finding them was expressed as “vacuum cleaning Russia”. The way of choosing partners in Russia was very similar to the recruitment principle of finding the right people:

The first decision that is to be made is not to find the factory, it is to find the entrepreneurs that we can work with. We have made mistakes finding factories that were good but with the wrong management. I would say it should start the other way. Right now in Russia it is more

⁹⁹Eurobiz Magazine, Management Focus, May 2006.

important to find the right management, the right owners with the right spirit because factories we can build but you cannot change the mentality if you don't have the right people from the beginning.
(Purchasing Manager, Russia)

The human factor of relationship as the “right” managerial personality was thus considered more important in Russia than the production factor per se, which was believed to be easier to influence. In China, which was referred to by one respondent as a “country full of entrepreneurs”, the personality match was not regarded as a difficult issue and the focus was instead on the process of “a low price creation” in cooperation with suppliers. A low price was considered an important goal to reach in each supplier relationship, and even a reason to move production from the supplier. However, many managers stressed their responsibility for those suppliers, with whom IKEA had long and fruitful relationships.

In Poland, personality was not mentioned as a major issue in the relationships with suppliers who were more driven by their ability to deliver in time, keep promises and provide the necessary information. The suppliers' willingness to increase efficiency was also among the major factors since the market situation in Poland (a tough competition, rather low incomes) required a continuous lowering of prices, which was considered more difficult to achieve than in other markets (due to the rising prices for raw materials, a weak local currency, EU policy, etc.). Another factor was the willingness of Polish suppliers to acquire new competences and modernise the production for an increased efficiency.

6.5.3 Different roles of managers and suppliers

The roles of managers working with suppliers were clearly specified in their accounts. For example, the respondents often referred to themselves as “experts with product knowledge”, “auditors” of IKEA standards, and “business developers”. These roles were emphasised differently in Russia, China and Poland, reflecting the stage of the suppliers' development in these countries. In Russia, the role of managers as experts and auditors was more pronounced. The local suppliers were also portrayed as trainees being in need of learning the

basics about IKEA's range and working norms. Russian suppliers were often portrayed as being confused and "stuck in the old system":

They cannot find new ways, they cannot get capital, they cannot think in the capitalistic, market-economic way. (Trade Manager, Moscow)

The ability of Russian suppliers to understand IKEA's style was also questioned, and the whole industry often referred to as "underdeveloped". In China, the roles of managers as auditors were stressed, due to the problem with illegal practices with suppliers. Chinese suppliers were referred to as "our suppliers" and "IKEA suppliers", with a special focus on the "right" factories that met the necessary requirements. The respondents in Poland identified their own roles as "business developers" whose major goal was to help suppliers with all necessary issues. A strong focus was also on the developing staff who were in direct contact with suppliers in order to provide them with professional help. The respondents talked about local suppliers as "our suppliers" and "players in the industry" and the whole industry as "strong".

6.5.4 The "responsible relationship" or "the low price creation"?

The respondents have come up with different interpretations of the essence of the supplier-facing brand that, in their eyes, constituted IKEA's brand promise to local suppliers. The respondent in Russia (Purchasing Manager, Moscow) characterised the relationship with suppliers as a rather long-term one ("Why decide that we should work only for two or five years?"), and with a guarantee ("We sign the contract saying that we work together. If we want to split or they want to split, there are strict rules for that") while at the same time non-binding in terms of its duration ("If we want to move the production from them, we give them a six-month notice").

The Code of Conduct was always mentioned as a "standard package" that all suppliers had to meet ("We demand that manufactures fulfil them"). The responsible attitude towards the suppliers was emphasised, which involved taking social and environmental responsibility for their working conditions as well as an overall responsibility for the supplier's

functioning. This latter issue was dependent on the amount of the supplier's production for IKEA:

Of course we realise that we have a totally different responsibility with those when we take the most of their production. A factory like that should never be closed, if it should be closed, it will take years to close down this relationship. We have to take this responsibility and we also have to make sure that it makes profits because that is what it lives for. (Purchasing Manager, Russia about one local supplier)

The respondents in both Russia and China emphasised that it took much time, normally not less than two years, to build a relationship characterised by “a smooth cooperation” and, therefore, each relationship should be taken seriously. A “responsible relationship” with suppliers was stressed by Polish respondents who, however, emphasised giving more responsibility to suppliers in the relationship process. That included an increased efficiency and willingness to learn on behalf of suppliers and their long-term goals in cooperation with IKEA. That also included the willingness of a supplier to achieve the corporate goals for Poland such as a direct delivery system.

Talking about relationship principles with suppliers, many respondents emphasised the importance of “creating the low price” together with suppliers. While IKEA provided their suppliers with simple and low cost product designs and helped with purchasing raw materials at competitive prices, they also required the suppliers' total commitment to the low price development process. That was obvious in almost all interviews with managers dealing with the supplier issues. Some respondents added that “the low price will be never turned down”, meaning that if a new supplier would come up with a better price with all other conditions being similar, a final choice might be made in his favour. Knowing that, some suppliers developed a very cautious attitude to IKEA and were reluctant to start cooperation with the company. The local press provided examples of such an attitude in Russia. In one such article¹⁰⁰, the journalist cited the Association of local furniture manufactures in Nizhnij Novgorod, which warned their members about IKEA's strict standards and low cost demands. As a result, only one local factory started cooperation with IKEA at the time

¹⁰⁰“The large scale projects of IKEA in Nizhnij Novgorod have been postponed”, The Information Agency REGNUM, March, 3, 2003.

of the publication. On the other hand, many other suppliers, especially in the solid wood industry, were reported willing to have cooperation with IKEA, implying that the image of a responsible company was in their eyes stronger than the image of a low price oriented company. The large number of media articles¹⁰¹ in the Russian regional press reported the overall positive attitude of local factories towards IKEA.

6.5.5 Local supplier-facing brand's vehicles

Local supplier-facing brand's vehicles are means, with the help of which the brand promise is communicated to external stakeholders – existing and potential suppliers as well as other industry participants. The whole set of activities is aimed at finding new suppliers, developing them and involving them in the joint production process with the company. Special attention is paid to getting the information about local suppliers and industry conditions as well as a general cultural understanding.

6.5.5.1 Learning about the local industry

The information about local suppliers has been collected by IKEA's managers since the company's first steps into the corresponding markets. In Russia, it dates back to Soviet times when IKEA Trading managers started cooperation with local factories in 1978. In Poland, the history of relationships is even longer since this country was IKEA's first purchasing market outside Sweden. The contacts with Polish factories were initiated by Ingvar Kamprad himself at the beginning of the 1960s. This decision was made due to the boycott of Swedish furniture dealers and suppliers to doing business with IKEA at that time¹⁰². The relationships with Chinese suppliers started in 1975 and since that time, a vast network of suppliers has been established.

As commented by managers, the information about local suppliers' capabilities, their problems and needs is crucial for IKEA's successful expansion into the respective market as well as for the company's global growth. Trading managers collect the information about potential suppliers at various industry conferences, fairs and exhibitions. Very

¹⁰¹The Information Agency REGNUM reported the cases of negotiations and successful starts of local factories' cooperation with IKEA in the regions of Karelia, Komi, Tatarstan, Marij El, Vologda, Nizhnij Novgorod, March, 2003.

¹⁰²Corporate newspaper Read Me, 2003.

often IKEA's managers organise seminars for local industry representatives and authorities, during which they inform the local actors about the company's plans and at the same time collect information about their current situations and needs.

The respondents in Russia and China explained that their teams' responsibilities also included paying regular visits to existing suppliers. This was considered especially important in these relationship-oriented, collectivistic countries¹⁰³. In Poland, the suppliers were also visited on a regular basis with an extensive information exchange, which took place not only via contacts but also electronically via IKEA's database available for suppliers. Suppliers, especially the long-term ones, were actively involved in a new product development, providing IKEA's managers with new ideas regarding the choice of raw materials, product designs and modifications, etc. However, getting this information was usually dependent on the established relationships and the level of trust between the company and a supplier. Very often, the existing suppliers spread the information about IKEA in their own networks, which was referred to by managers as a good and efficient way to attract new partners to cooperate with the company.

6.5.5.2 Snapshots of Chinese, Polish and Russian suppliers

The Table below provides snapshots of Chinese, Polish and Russian suppliers (the figures of 2004-2005). Among other interesting details not included in the Table are the following facts: the price competitiveness of Chinese products helped to reduce the average IKEA price by almost 6% in 2004¹⁰⁴; the IKEA Group's own factories – Swedwood – are most represented in Poland: there are 14 factories and sawmills in Poland, with a turnover of 1.3 billion SEK (compared with 3 factories in Russia and 4 factories in Sweden)¹⁰⁵.

¹⁰³G. Hofstede, 1980.

¹⁰⁴Beijing Time, August, 2005.

¹⁰⁵www.swedwood.com

<i>Characteristics of suppliers</i>	<i>China</i>	<i>Poland</i>	<i>Russia</i>
Number of suppliers	300	135	Approx. 50
Major materials/industries	glass, timber, textiles, hardware, plastic, and almost all materials	solid wood, flat line, upholstery, glass, plastic, metal	solid wood, ceramics, upholstery, textile
Relative output for IKEA	23%	12%	Less than 1%
Number of products from the range	No information	2000 from 7500	No information
Level of development	Varying	High	Rather low
Goals for the country	Fighting the illegal environmental and social practices Decreasing the number of suppliers to most price-competitive ones	Decreasing the number of suppliers to the largest and most price-competitive ones	Developing suppliers to become internationally competitive Fighting the illegal environmental practices

Table 6.4. Snapshots of Chinese, Polish and Russian suppliers.

6.5.5.3 Supplier development

One respondent in Russia summed up saying that there were certain steps that Trading managers usually took in developing relationships with suppliers:

That's how it starts – looking for entrepreneurs, then if they have existing capacity, looking at how we can expand it, what kind of products we can do, and we have very good production technicians in our organisation, so we are discussing with them, setting up proposals for the machinery, making feasibility studies and putting the whole economy together for the factory, making sure that they know what they are going into. (Purchasing Manager, Moscow)

While the sequence of steps was the same in all three markets, the managerial focus was different in these countries due to different levels of industry development as well as cultural factors. The search for “a right personality” or entrepreneurs, was focussed on in Russia while a search for “a right company” was a major issue in China. In Russia, the

managers had to “vacuum clean” the country¹⁰⁶ in their search for the right management style while in China they could choose the best companies among the many available due to the production boom. In Poland, the focus was more on developing the existing suppliers and choosing the most “right” ones among them. In Russia, managers stressed the necessity to significantly increase the amount of suppliers, while in China they talked about reducing their number and concentrating production to fewer big factories. Similarly, in Poland, the focus was on decreasing the number of suppliers to the largest and most price-competitive ones.

In all three markets, respondents emphasised the need to develop suppliers towards more efficient production processes, better environmental and working conditions, faster product development and more efficient management. This was sometimes referred to as “developing suppliers in the right direction”, while suppliers were expected to “grow with IKEA”. The context and level of these activities were different in these countries. In Russia, some respondents used the expression “pushing the local industry to do something” to stress the overall low level of industry development and the general unwillingness of many factory owners to change their way of working and become more market oriented. According to local media sources, the company’s influence on the furniture sector development in Russia was significant. Due to IKEA’s policy of lowering prices, the price level for imported furniture decreased 10-15% in 2 years. This resulted in a certain restructuring in the local industry when some small producers were forced to build alliances to be competitive¹⁰⁷.

In Poland the expression “Pushing Poland” was also used but implied a different thing – “trying to purchase local articles at a good price to help the Retail organisation in Poland to be competitive in the market”. As far as suppliers were concerned, they were not pushed but rather

¹⁰⁶The regional press www.regnum.ru from August, 2002 commented on IKEA’s search for suppliers as “IKEA’s steps in the regions” providing the impressive list of at least 20 towns and regions, where IKEA’s representatives negotiated the possible cooperation in 2002.

¹⁰⁷“Novosibirskaya oblast. The arrival of IKEA at Novosibirsk will toughen the rules of the game on a local furniture market”, REGNUM, The Information Agency, November 2003.

provided with more assistance. At the same time, the “wrong” suppliers were “pushed out” of the relationship with IKEA.

Among various measures taken by IKEA’s managers in all the countries, the respondents mentioned educating suppliers in the rules of the IKEA Code of Conduct¹⁰⁸ (a four-step process with step 1 as the minimal requirement and step 4 as the ISO certified supplier), supporting them with know-how and financial means, and cooperating in the product development process.

Most suppliers in Russia only satisfied the requirements of steps 1 and 2 of the Code of Conduct. At some factories, the activities involved minor adjustments of the factory’s processes such as, for example, re-locating the gas station, while at others the whole production process had to be reorganised to fit IKEA’s minimal norms and standards. Among the most problematic areas, the respondents mentioned environmental issues such as hazardous wastes, working conditions such as minimal lunch breaks for workers as well as the irresponsible forest management. While the first two issues in most cases could be solved via the joint efforts of factories and IKEA’s representatives, the third issue of forest management was more difficult and often involved the participation of global organisations such as WWF¹⁰⁹.

The active participation of WWF is explained by the fact that Russia is the largest supplier of solid wood in the world, and its territory includes Europe’s last high-value natural forests. Within the frames of a long-term project in cooperation with IKEA, this organisation carried out seminars for all IKEA’s wood suppliers in Russia. The goals of these seminars were to inform the suppliers on the situation with the forests in Russia, to stop illegal logging and to carry out forest certification in accordance with the FSC system¹¹⁰ as well as the auditing work together

¹⁰⁸The IKEA Code of Conduct: The IKEA Way on Purchasing Home Furnishing Products.

¹⁰⁹World Wild Fund for Nature.

¹¹⁰Forest Stewardship Council is the globally adopted system corresponding to the requirements of level 4 of IWAY. In 2003, only 4 of more than 30 Russian wood suppliers were certified in FSC (Regnum, The Information Agency, November, 2003).

with IKEA. According to some sources¹¹¹, two of the most affected regions by illegal logging in Russia were Siberia and the north eastern parts of the country - the major exporters of wood to China. The Russian media provided a broad coverage of these seminars in both central and regional press. One article¹¹² described the educational project “Pskov model forest”, which allowed many Russian suppliers to learn more about the best forest management practices to apply them later at their factories.

As reported by the respondents, most suppliers in Russia required a lot of financial support due to outdated or inefficient production. Extensive technical support in terms of production methods and delivery system was also mentioned. In some cases, IKEA even provided help with more efficient management at the factories, although that was not a common practice. An interesting measure in Russia was encouraging other Western companies to start production or set up exporting operations in Russia. That was considered an important trigger for local industry development as well as the necessary support that IKEA needed in Russia where certain production standards (environmental¹¹³ or technological) were still lower than the international ones.

In China, the level of supplier development was significantly higher and the major issue was “a joint low price creation” together with suppliers. This included different measures aimed at supporting suppliers with process improvements to increase volumes, joint product development and fighting “bad practices” to meet the demands of the Code of Conduct. The suppliers were referred to as generally very competitive and financially strong both locally and globally, making the need for financial support less important for Chinese suppliers. The suppliers were also reported to take an active part in minimising costs and creating low prices, which was partly due to their good knowledge of

¹¹¹“Partnership with IKEA contributes to the development of responsible forest management”, www.svoboda.org, Ecology, November, 2003.

¹¹²“Pskov model forest carried out the seminar for IKEA’s suppliers”, Regnum, The Information Agency, December, 2003.

¹¹³One example included the usage of materials that cause high formaldehyde emissions. These materials were replaced at IKEA by more environmentally friendly ones produced in Europe.

the IKEA concept and close cooperation with the company's representatives.

In spite of the high level of development, many Chinese suppliers had problems with compliance with the Code of Conduct in such areas as environmental issues (forest management) and overtime work. Because of that, major issues with suppliers concerned auditing and helping them to improve working practices. In this work, IKEA managers were very persistent: "we have to do it again and again, we have to check it more often because the standard falls again after we have left" and reported close cooperation with the global organisations such as WWF and IFBWW¹¹⁴. These organisations helped IKEA to address the most difficult issues that were revealed during supplier audits, such as excess illegal logging, excessive working hours, the lack of overtime compensation and poor handling of hazardous waste¹¹⁵. The respondents added that the Chinese government took an active part in the control over the working conditions and norms at factories.

In Poland, the general level of industry development and the pace of change were considered by the respondents as very high. All IKEA's Polish suppliers were internationally competitive, exporting products to other IKEA markets. In developing suppliers, the company followed the principle: "develop those who want to be developed" while "letting go" those suppliers that were too small and/or not interested in long-term cooperation. For example, the respondent talked about one supplier who was "phasing out" from cooperation with IKEA since he was reported regularly to give the wrong information, did not perform well, and did not keep promises. The requirements to suppliers in Poland were reported to be greater than in other developing markets such as Russia and China due the high level of their development and the company's need to intensify the production process. The following is a comment on IKEA's recent plans for Polish suppliers:

And most probably in one year we will start talking to them that they have to deliver in the right time, and we've got already today one delivery time, thirty minutes gap, it's too difficult, to one of the stores

¹¹⁴International Federation of Building and Wood Workers.

¹¹⁵Report "IFBWW Experiences with Global Company Agreements." Geneva, February 2004.

in Europe, otherwise it's not possible. So it's going much, much faster than it was five years ago. (Trading Manager, Poland)

The respondents mentioned different types of support that IKEA Trading organisation offered its suppliers in Poland. For example, knowing that some suppliers had efficiency problems, IKEA's representatives organised for them a meeting with a Swedish company specialising in efficiency programs. As commented by the Trading Manager: "It was well known that they had done a good job in Sweden and we could recommend this company." At the same time, IKEA's managers realised that they should limit their involvement to recommendations since the ultimate decision to use the external experience was a supplier's own responsibility.

A strong focus on the development of IKEA's own business developers who would, in turn, develop local suppliers, was characteristic for the company's policy in Poland. The respondent stressed that the necessity for an intensive education was explained by the fast pace of industry development in Poland and the demands that the IKEA organisation placed on local suppliers. In order to be able to stimulate the supplier development further, the Trading people needed diverse knowledge in such areas as production and delivery. The goals in production were to shorten the product development time from almost a year to a few months while the goals for delivery were to switch to a direct delivery to all IKEA stores in Poland (Polish suppliers were the pioneers in direct delivery in the IKEA world). Thus, providing more knowledge to business developers helped to facilitate this process for suppliers.

An interesting fact mentioned by respondents in Poland was the usage of local suppliers in one country to help build up a new supply base in other potential markets. The respondents stressed the difficulties in finding suppliers in new markets such as Ukraine where the level of brand awareness was very low:

The biggest challenge is that people do not know IKEA. It takes time until people get educated. The suppliers get to know what IKEA is; why we need to have perfect labelling and perfect packaging. (Trading Manager, Poland)

As IKEA Trading managers had learnt, many Polish suppliers had long ago developed good contacts with Ukraine. Thus, using the existing

supplier contacts was considered an effective way to enter a market. IKEA's Trading managers reported persuading the Polish suppliers to start sourcing from Ukraine or even to move some production there. Extensive help was offered in exchange. The closeness of languages (Polish and Ukrainian) was named as one of the facilitating factors for communication.

Besides providing technical and financial support, all local suppliers were educated in IKEA's concept. This type of education was most important in Russia where suppliers were in general the least informed about the IKEA concept. Education in the concept implied, among other things, emphasising the roles of suppliers and their products in the IKEA range. An important role of the products as integral parts of the range was mentioned by a respondent (Product Developer) in Russia who explained that the role of Trading was to help suppliers to see how their products fitted the existing range:

We are not just buying the piece of wood that happens to be the table but what is it, what kind of job in the range does it play? When you are producing this, you are not just producing the table as such but you are producing the part of the room setting for the customer and there will be the chair that comes from the other supplier that should fit with this.

In China and Poland, the concept education was considered less important since the overall knowledge of IKEA among suppliers was much greater. In these countries, the respondents emphasised the key conceptual issues such as low price creation together with the suppliers.

In all three markets, the respondents stressed the importance of building long-term and trustworthy relationships with suppliers and explained that a major factor was keeping promises given by IKEA to suppliers, among which the capacity commitments were mentioned as central. In China, managers reported the achieved "good and long relations" with many suppliers, while in Russia, managers stressed the personal character of these relationships. In Poland, the mutually responsible relationships were emphasised.

The tone of the managers' voice when speaking about the relationships with suppliers (especially in Russia and China) was often very normative: "make sure that the product is developed", "we want the

manufacturer to understand the rules”, “we are not happy with the development of the industry”, “they don’t challenge themselves”, “we demand that manufacturers fulfil the standards”, “we have to fulfil demands”. This tone might have been due to the focus placed by managers on compliance with the norms of the Code of Conduct in these countries. Another reason could have been the strategic focus placed by IKEA on Russia and China as two growing purchasing countries in IKEA’s global supply chain. The speed of supplier development was, therefore, considered critical for IKEA’s success with customers in other markets.

6.6 Local customer-facing brand

The local *customer-facing brand* is about delivering a unique customer value proposition and satisfying the needs of local customers in the market. The development of this brand type is closely related to both the *supplier-* and *employee-facing brands* since all three groups of stakeholders are connected together in IKEA’s business chain, from suppliers via employees to customers¹¹⁶.

6.6.1 Vision as a reason for being in the market

As mentioned before, Russia constitutes an important market for IKEA both from the customer and purchasing perspectives. That is to a large extent due to Ingvar Kamprad’s decades-long interest in Russia as a country with enormous opportunities, which he had expressed in numerous interviews. The interesting fact is that the decision to start operations in Russia was taken solely by Kamprad in strong opposition to his Board of Directors. As commented by PR Manager, Moscow:

You have probably heard that IKEA would never have been here if it was on the stock market. It could never be possible! Could only be possible with having Ingvar Kamprad with his vision and the way IKEA is owned.

¹¹⁶The IKEA Group 2004/2005, Facts and Figures.

The personal vision of the founder was broadly shared by the local managers who also expressed their beliefs in the company's historical mission in Russia. As commented by Marketing Manager, Moscow:

IKEA is needed in Russia because there is no other company that cares about the interests of those many ordinary people. In today's Russia only those who can afford Mercedes and BMW have had their needs satisfied. IKEA has almost a social function to fulfil.

The similar perception was expressed by a respondent in China, who argued that China is probably the closest to IKEA's reason for being than anywhere else in the world since here there is an abundance of ordinary people with unsatisfied needs whose lives can be improved. In many respondents' opinions, IKEA's mission in China has also a broader social meaning since the number of local employees involved in IKEA operations has reached many thousands and is growing every year.

The rather idealistic vision of IKEA in Russia expressed above is combined with a much more materialistic view of the role that Russia should play in the IKEA's global business chain:

Russia will be a prioritised sourcing market for wood based products in future. (Purchasing Manager, Moscow)

As expressed in a number of interviews in Russia, there was a firm belief at IKEA that in order to create a better life for the multitude of people, the country's economy needs to be "pushed forward" to achieve higher efficiency and competitiveness and gradually become a global player in the world market. This is the reflection of IKEA's general philosophy that both parties (the company and the customer) should take responsibility for mutual development when a whole country is viewed as a customer. Thus, IKEA's vision regarding Russian customers is extrapolated to this country's mission towards its people, which IKEA's managers intend to influence.

The similar materialistic attitude could be sensed in the accounts of some Chinese respondents who explained that China was strategically important for IKEA since it purchased an increasing amount of products from this country. The recent strong growth of Chinese

economy should be used to intensify the company's growth in this market and globally:

We have been planning for this for many years since IKEA purchased more and more from China. At the same time, China's economy grew a lot every year. It also fits very well to be in China with our business idea – to create a better everyday life for the many people. (Marketing Manager)

A somewhat different understanding of the role of vision in IKEA's decision to enter new markets was given by one respondent who said that entering these markets is explained only by the company's growth ambitions – “If the company grows all the time, it gets into new markets, it comes to Russia, to the US, etc.”, and thus the choice of the markets is not that important per se. However, this latter opinion did not reflect the common managerial attitude in Russia and China.

6.6.2 “We have one IKEA range, it is supposed to be IKEA-unique”

All the respondents in both Russia and China were unanimous that IKEA introduces its range irrespective of what is considered popular by customers in the corresponding market. The policy in this regard is very much about securing the IKEA concept: “The range is supposed to be IKEA-unique and typical IKEA” (Store manager, Moscow). However, a slightly more narrow range can be presented to customers. Thus, in Russia (figures of 2003/2004), the total amount of products was 8 500 articles as compared with the total standard range of 9 500 articles.

Commenting on the importance of keeping the range intact in Russia, one respondent explained:

The easy way was to make it Russian! When they tell us with the range – if you sell this heavy old-fashioned oak-tree furniture, why don't you sell shelves, which look like in-ground¹¹⁷, 80% of people will buy it? And we said – no, it's not IKEA! (Store Manager, Moscow)

¹¹⁷The respondent meant the closed (glass door) bookshelves that were popular in Russia.

In China, IKEA sells its Asia Pacific range that is slightly different from the European one in terms of the number of articles and assortment. As commented by the Range Manager, the Shanghai store sells its full range of 7 500 articles while the store in Beijing has slightly under 6 000 articles. Range Manager, China explains his responsibility with the range:

Yeah, OK, IKEA give me the range, I don't have to say yes or no, they give me the range, you have to take it, you have to sell it, and my job is what are the needs, the dream and the frustration of the customer here.

The advantages of having the whole range for China are explained by the respondent as providing the “breadth and depth” of products, giving customers a big product variety. Having a full range is also essential for differentiating IKEA from its competitors who have fewer products and it largely contributes to the company's leading position in the market.

The names of products contribute to IKEA's range uniqueness in Russia – the original Swedish names of IKEA products are written in both Russian and Chinese letters. That, according to a respondent in St. Petersburg, often creates frustration since the customers have difficulties in memorising and pronouncing the names. In China, the company's name has been translated into a Chinese name that has a similar pronunciation and means “a good home”.

In both Russia and China, some product modifications (e.g. sizes and colours of fabrics) have been made in the standard range. For instance, in Russia, the colour of the mattresses was changed from green to blue while in China, the bed sizes as well as table and chair sizes have been reduced. These are, however, slight modifications that do not change the total picture of the range as being “IKEA-unique and typical IKEA”.

The standard range has also been complemented by a small amount of locally produced items. As explained by the Purchasing Manager, Russia, the aim was not to “just create the range specifically for Russia” but rather to supplement it with the locally produced products that are presently absent in a specific price category. One example of such a product is a sofa bed, which is sold only in Russia. There are also special products made for China such as woks, knives and cleavers. On

the whole, China, Russia and Poland were reported to have a bigger amount of locally adapted products than other IKEA's markets. Some successful local products have even won their places in the standard range. One such example is the wok, a traditional Chinese cooking utensil.

6.6.3 "The main message is the price"

In Russia and China, as typical low purchasing power countries, IKEA is following the overall corporate strategy of offering "outstanding sales prices" relative to competition. The respondents in both markets have emphasised that achieving a low price image is critical for the company's success – "the main message is the price".

As commented by the respondent in Russia, in order to achieve the low price image: "You need to have this lowest price, otherwise you won't receive this position." To achieve this goal, IKEA had to face many challenges such as high customs fees for furniture; necessity to purchase and manufacture more products locally; difficulties in finding and developing suppliers in Russia as well as a quite low buying power of Russian customers. The main challenge for IKEA, according to the respondent was "going to provinces" since there (for example, in Kazan) "you have to lower prices much more". As the subsequent company's development in provinces such as Kazan and Perm showed, the local customers welcomed IKEA stores and the sales figures were better than forecasts but the image of IKEA in Russia in 2003-2004 was still "a reasonably priced" brand.

The importance of creating an image of a low price brand had not been fully recognised when IKEA first entered the Chinese market. Marketing Manager, China explained that initially the stores were considered too expensive for customers¹¹⁸ and since that time IKEA has significantly lowered its prices in China. For example, the price of the popular Billy bookcase was reduced 40% in 2 years. Similarly, the prices have been reduced for all key products in major categories, some of them up to 70%. Based on the results of recent surveys, the image of

¹¹⁸According to the media source, the IKEA's image in China in 1998 was "a super good design + super unreasonable price", "IKEA becomes cheap in China", Wangjianshuo's blog, October 2004.

IKEA's brand in China is that of "good value for money". This, however, only reflects the perceptions of customers in big cities (Shanghai and Beijing), while in provinces with a much lower income level, IKEA products are still considered too expensive. Overall, the price level in Chinese IKEA stores in 2004 was the lowest in the world, and that required the company to sell bigger volumes to bring in the revenues. This was not perceived as a problem since, according to Range Manager, "in China when you have the right price, you sell like hell".

6.6.4 "The low price with a meaning"

Many respondents emphasise that the low price is the central theme of IKEA's "right offer" to customers, but low price should be with a meaning, and it should be complemented by added values – the customer benefits:

The lowest price cannot be standing there alone – it is the lowest price and something else, the lowest price and good quality, the lowest price and good customer experience in the store, the lowest price to have a nice day out, the lowest price to have a nice treatment, different things but the lowest price is always in combination with them. (Marketing Manager, Moscow)

The combination of the benefits adds "meaning" to low prices. Taken together it makes up a unique value proposition to customers. The uniqueness of IKEA's offer lies in the increase of customer value achieved through a different ratio of (product and service) quality and price. The traditional perception of quality of many people was, according to the respondents, "massive, glossy, lacquer, expensive" (Marketing Manager, Moscow). This perception was typical for both Russian and Chinese customers with the latter also associating low quality with locally produced products. The goal at IKEA was, therefore, to change these perceptions by providing a new formula, in which low price was combined with a good product and service quality. This was referred to as "cracking the codes by delivering good quality to low prices" (Marketing Manager, Moscow).

The combination of benefits in IKEA's value proposition was referred to by the respondent as "outstanding when it comes to price, design and value for money". The results of the internal CSI surveys in Russia

and China conducted in 2003 and 2004 showed that 63% of Russian and 68% of Chinese customers were satisfied with their visit to the store and regarded IKEA's offer as good value for money. However, they did not associate IKEA with "incredibly low prices" (the lowest ranking in surveys) but instead associated it with inspiration, atmosphere and family-friendliness (the highest rankings in surveys). As admitted by one manager, "much work is left to be done in the low price direction".

The combination of low price with the benefits was referred to as the "right offer" that followed the company's vision and its core values. Such definitions as "an affordable solution for most important people" and "image of being for the masses" were also used by the respondents. In China, the respondents formulated the essence of the customer brand a bit differently, as a "partner for a good life at home". This was achieved by using IKEA's products to "show how to have a better and happier life". Such characteristics as "caring for people and the environment" were also used by respondents in China. Thus, an experience-based and holistic view of IKEA's brand was emphasised in China.

6.6.5 Staff as "experts" and "educators"

Talking about their own roles in the store, in relationship with customers, the respondents both in Russia and China often addressed themselves as "specialists in furniture" and "experts" who provide customers with ideas and inspiration. This is how the Store Manager, St. Petersburg described his direct responsibilities:

We are real experts, we can show something for your home, to convey it, because we have ideas, different from other people, I mean, go for solutions to problems you've got at home, as specialists. We don't just put furniture out in the store.

The increased product knowledge and development of new ideas were facilitated due to staff cultural training¹¹⁹ and the exchange of best product solutions between IKEA's stores. For instance, each

¹¹⁹The cultural values of togetherness and a strong desire for development provide an additional stimulus for the staff to share knowledge.

department head was expected to check the best solutions regularly and report the new ideas that their staff had come up with.

As commented by one respondent, “it is integral to our brand identity that we are also educators” (Department head, Moscow). It is interesting to note that respondents holding different positions at the local organisation, both managers and staff on the shop floor, identified themselves with the role of educator. The respondents on a managerial level did not make any differences between themselves and their Russian colleagues when they talked about customer education, suggesting that the “educator” role was typical for the whole staff.

6.6.6 Culture as an exercise for customers

The respondents emphasised the impact of IKEA’s cultural artefacts known as Swedishness on the ways customers perceive the store and form the image of the IKEA brand. The restaurant was reported to have the biggest impact when it comes to Swedishness – “its meatballs, the dishes and traditions around it, a lot of things that are done for customers around food” (Local manager). Among such “cultural” meals were, for instance, Christmas and Midsummer buffets organised in accordance with Swedish tradition while cultural events included Lucia celebration and a Midsummer party. A small shop with Swedish delicacies added to the the restaurant experience. According to surveys¹²⁰ in Russia and China, the restaurant steadily received one of highest rankings among IKEA’s store dimensions.

Swedishness was also created by using multiple Swedish images (landscapes and cities) that surrounded customers in the store. Other cultural elements were a free, supervised playing ground for kids (family orientation), arrows on the floor and systematic tags guiding the shopping process, (order and practicality), and a little piece of paper and pencil to write down the item numbers (efficiency and speed). These features of the store were not necessarily perceived by customers as typically Swedish, but they were definitely perceived as different from other retailers.

¹²⁰CSI Russia and China 2003.

For some customers, it took some time to learn all the shopping rules and procedures at IKEA. Although the in-store information is abundant, the whole shopping experience can be overwhelming for new shoppers. Among the most typically asked question at IKEA Russian stores in 2003-2004 were still: “Where is the toilet?” and “Where is the exit?” The staff on the shop floor reported the customers’ need for help in practically all issues, starting from finding the product they needed in the department to finding it in the warehouse. In Russia, word-of-mouth communication was an efficient learning tool used by customers. I have overheard a conversation between two ladies in the bus on their way to IKEA’s shop in St. Petersburg, when one of them, obviously a more experienced shopper, was explaining to another how things worked at IKEA (get a catalogue, a cart and a pen) and offered her help to get through the store. In both Russia and China, the local media played the educating role by publishing short articles explaining the shopping rules and routines at local IKEA stores¹²¹.

Although a tough cultural exercise, the store visit was also seen by customers as a pleasant way to spend time in a nice environment. Based on media sources, many customers in Russia and China came to IKEA to spend their free time just wandering about the store as if it was a museum or a meeting place to eat lunch with friends. The Chinese press reported many cases when customers came to IKEA to “take a nap on the sofas”. This has become especially popular with Chinese customers in Shanghai.

6.6.7 Local customer-facing brand’s vehicles

Local customer-facing brand’s vehicles are different means used to create brand awareness among local customers. Among such means, a wide range of activities has been mentioned such as corporate and product communications, and PR activities. Special attention has been given to the issues of local market knowledge and general cultural understanding needed for a successful brand’s establishment in these markets. I have divided all activities into two groups: product-related customer education and a broader concept education.

¹²¹“The mission of vikings”, Ekspert, November, 2003; “Beijing IKEA guide”, Beijing Time, September 7, 2004.

6.6.7.1 Learning about customer needs and the competitive situation

Many respondents said that the initial knowledge IKEA's managers had about local markets was very limited at the time of market entry. IKEA's Country Manager, Russia commented on his initial level of knowledge about Russian market:

Before I came and was about to start here in Moscow, I had got some good advice from those IKEA experts who had been in Russia before. One piece of advice was to set up the store near metro stations since there were no private cars in Moscow.

As reported, no special marketing research was carried out before setting up the store in Moscow:

If we had done such a research, it should have shown that the consumption level is too low, the individual income level is too low, there are no traditions of retailing, which result in the fact that consumers generally don't go to the chains to shop. (Marketing Manager, Moscow)

Similarly, in China, the "expatriate" managers admitted starting work without much knowledge about this market. As commented by one manager:

The way I came to China was not very well organised. I came here to discover a little bit the market and sign my contract, which took four days. We didn't speak Chinese and nobody told us where to go and buy food, all those things we didn't know. So it took us nearly 8 months to settle, to start to have habits, and then to learn about the market. (Manager, Shanghai)

As a result, IKEA's managers in China had initially set the product prices too high, which had influenced the perception of IKEA as an expensive brand in China. Although, the Chinese respondents have explained their lack of knowledge at the beginning by insufficient planning and time to collect the market data, their ignorance might have also been a result of their initial beliefs about common customer needs in different markets. For example, as expressed by one respondent in Russia:

The general human needs are the same in all countries, all people want a better life, and all need the furniture to satisfy the most basic needs at

home. This is just a different level of development and consumption in Russia” (Marketing Manager, Moscow).

An interesting interpretation of customer needs was expressed by several respondents in Russia: “To us the needs are when it comes to the wallet, not when it comes to the style” (Store Manager, Moscow). The extreme price sensitivity of the average Russian customers and their limited choice in terms of furniture were at that time among the major reasons to emphasise the price as the main factor of choice. The situation in China was different and characterised, on the one hand, by more value for money than purely price oriented customers and, on the other hand, by a cut through competition of the domestic furniture makers. Here, the managers had to focus on the price, quality and “speed to the market” dimensions of IKEA’s offer.

A different approach to customer needs did not mean that learning about them and overall market conditions was considered unnecessary at IKEA (as a matter of fact, some respondents tried to persuade me that they did not carry out any regular research). On the contrary, I was surprised to learn how much time and effort the staff spent collecting the diverse market data. Among the most widely practised in both countries were home visits to customer homes in order to “be really close to people’s needs, so that they can see that we try from their needs to offer something that is better” (Marketing Manager, Russia). In China, besides occasional home visits, an extensive longitudinal study was carried out in 2003 when selected families were monitored at home for one and a half years in order to learn more about their everyday habits.

Besides home visits, the following ways to generate customer knowledge have been mentioned: surveys on country and store levels, focus groups, brand tracking studies¹²², customer satisfaction index studies¹²³, focus groups, observations at store level, message boxes, customer Internet forums, follow up on returns as well as regular staff interactions with customers in the store. The important source of information on

¹²²A national survey of brand awareness relative to competitors and the effect of IKEA’s communication carried out in China.

¹²³A survey of customer perceptions of different aspects of the IKEA store carried out in Russia and China in 2003.

customers' preferences mentioned in relation to IKEA's products were sales figures checked daily at the store. After less than six months since the first store opened in St. Petersburg, the respondents were able to clearly identify the difference between preferences and behaviours of customers in Moscow and St. Petersburg. The respondents in China talked about having a "tremendous amount of material and knowledge" about customers and a precise knowledge of "what percentage of customers is satisfied with aspects of their store visit".

Besides the customer data, the information on competitors was collected regularly in both markets, but the level of competition differed a lot between these markets. In Russia, the respondents emphasised the different nature of competition known as "a competition for customer's wallet" with indirect competitors from other industries such as home electronics, car industry and tourism. As expressed by one respondent: "Major competitors are people who go on holidays. If people have some dollars extra, they'd rather go to Turkey than go to IKEA; we have to fight for them" (Marketing Manager, Moscow). The direct competitors were rather few and consisted of small specialised stores selling lighting, textiles, accessories for the kitchen, china, etc. Although some local furniture manufacturers were strengthening their positions, the level of competition in the industry was considered low. The Store Manager, Moscow remarks:

We don't have so much competition; we would like to have more, so because the higher, the more competition, the more people are thinking about furniture.

On the other hand, in China, the competition was characterised as fierce and even cut-throat with both big Western chains like Carrefour, B&Q and OBI and local chains and especially small shops "growing like mushrooms". Talking about these latter competitors, the respondent commented:

You just go across the street and there is a competitor, you go and there is a small competitor here and there. (Country Manager, China)

As commented by Country Manager (China): "China is extremely competitive, the most competitive market in which IKEA operates retail wise." What was regarded as the most problematic was not just the degree of competition but the way the local stores competed – by

copycatting the IKEA products and concept. Quite often sales personnel saw people at the store taking pictures of IKEA products or buying hundreds of items to resell them later at a higher price. One respondent explained that competition was especially tough in the southern part of Shanghai where there was a special “furniture road” fifteen kilometres long where one could find cheaper copies of almost all IKEA’s products. As commented by different respondents:

They attack us from everywhere, from everywhere, it could be the guarantee, it could be the price, it could be even they just put flyers in front of the store and with the picture of our product and with the price and shout it’s cheaper than IKEA. (Furniture Manager, Shanghai)

In Beijing for example their strategy is to copy IKEA, you have a copy of our products, a copy of the concept, they dress in yellow, they copy the direction sign; they copy everything! What you can find too is an IKEA catalogue from our competitor, they just say – you want this product, you give me two weeks and you will have minus twenty-five percent compared to IKEA. (Range Manager, Shanghai)

Given the high level of competition in China, it was not considered enough by managers to make regular checks on competitors’ pricing and assortment but instead carry out a daily “competitor shopping” for IKEA’s top selling products. At each department there was a “key co-worker” responsible for checking “the top turnover product and top growth product” at a specific product category. Moreover, the Research department at the local IKEA organisation collected more general information on competitor products. The coordination of efforts between different departments made it possible to “act very quickly” on all major competitor moves. Many respondents in China expressed the opinion that fierce competition should be viewed more as an opportunity than a problem for IKEA. The respondent expressed a belief that because IKEA was copied to such an extent, it would make “an enormous impact on the style of furniture in China” (Store manager, Shanghai).

6.6.7.2 Snapshots of Russian and Chinese customers

The respondents have provided the information on a typical Russian and corresponding Chinese customer and their preferences in terms of home living and furnishing. I have summarised this information in the Table below, providing the comparison between these two types of

customers. It is important to stress that these characteristics describe IKEA's customers in big cities and are, thus, not applicable to all customers, especially regarding their varying income level. For instance, in the rural areas of China people still live on 5 dollars per month, while in Russian provinces the average monthly income can be less than 50 dollars.

<i>Characteristics</i>	<i>Russian customers</i>	<i>Chinese customers</i>
Demographics	Mostly middle aged	Mostly young
Income level	300 dollars a month, cost-conscious	400 dollars a month, value oriented
Life situation	50-60 m ² apartments with several generations living together	40m ² apartments for one family are typical; 80m ² apartments in big cities
Typical IKEA customer	A couple with 1-2 kids	A couple with or without kids
Major priorities	Electronics, cars, trips abroad	Home furnishing
The "heart of the home"	Kitchen	Living room
Furnishing style	Massive, brown, glossy, heavy, expensive; an interest in the modern style among younger customers	Traditional, brown, solid in general; a growing interest in the Western style
Initial brand awareness of IKEA	Low	High
Knowledge of DIY concept	Low	Low
Average purchase at IKEA	30 dollars	36 dollars

Table 6.5. Snapshots of Russian and Chinese customers.

As seen from this Table, there are many similarities in customer life situations and priorities in general as well as in their specific preferences in home living. According to managers, the customers in both markets had an unsatisfied need of "a nice and organised home", although not always clearly recognised. The differences in life situations and buying power made Russian customers less prepared to recognise home furnishing as a major priority than the Chinese. As far as the specific product preferences in both markets were concerned, they were obviously very different from those at IKEA, except a general customers' interest in modern and Western style furnishing. IKEA had also to face differences in terms of customers' initial knowledge of the do-it-yourself concept and brand awareness in two markets.

6.6.7.3 Product-related customer education and promotion

Product-related activities are aimed at educating customers in product features and the ways the range can be adapted to their needs. One of the most common activities is *providing information* for individual products as well as the product category. For example, in order to promote the cheaper unfinished wood products (chairs, tables) in Russia, special information flyers were attached to them explaining how an article could be treated. The tubes with varnish could also be found close by. In the Kids department, parents were instructed in the “hidden features” of children’s furniture such as extra drawers, convertible items etc. In the Bedrooms department, a guide on how to choose mattresses was provided and accompanied by general information on sleeping habits. As reported, these measures have been very effective in stimulating customer interest in products.

Besides, certain products were used to *introduce new needs*. When customers come to the store without any clear idea or urgent need, their attention focussed on these articles. Among them, the respondent named a small toy Söt (sweet) that was sold in enormous quantities both in terms of turnover and profits. Another article called Mållen, a metal clip for hanging magazines in the bathroom, was also quite popular with local customers who have probably never imagined that such a thing could exist. These “leading” articles belonged to so called “hot dogs” that cost almost as little as the famous hot dogs in IKEA’s cafeteria. It was stressed by another respondent, finding a “right incentive” for a product to “start working” is very important. That is usually achieved by putting it closer to a pathway and duplicating in the check line. As commented by the manager, they practised a pro-active strategy even with those products that do not sell by “trying to sell more”. Interestingly, the way of dealing with products resembled the way of dealing with people at IKEA when the staff is rotated, relocated and gathered in teams around the company leaders.

Since IKEA pursues the same goal with its products in all markets, which is creating the image of a low cost brand, the local organisations have to “push” the cheapest products in each product category. A respondent (a department head) in St. Petersburg remarks:

IKEA's concept is to show a low price - that is the lowest price. We are to open a department with these products, to show in each category of products the cheapest.

As commented by a department head from her own observations: "When a customer comes to buy something he will buy it"¹²⁴. "Pushing" the low price products was reported to be more important in St. Petersburg than in Moscow, due to the lower buying power of customers in the former city. Articles that combined low price with good value for money were often referred to as "kings or stars" of a respective department – "really good price valuables". Those articles were usually the ones that sold best – like the bookshelf Billy. The "price valuables" were mentioned as popular with customers in both markets, but in China they seemed to play a more important role due to stronger value-orientation of the local customers. The Chinese respondents referred to such products as "market driving" since they were not only the most popular with customers but also created new trends in the market. An example of such a product was a sofa – a key product for the Chinese market. As explained by Range Manager: "If you don't have a good price on a sofa on the market here nobody will look at you as the furniture retailer." Since in China these products were heavily copied by the local industry, IKEA's design and quality standard became accepted by the market.

Pushing the low price products and price valuables was achieved by active *product advertising* in both markets. Product communication in Russia had a low price as a main message. For example, one promotional campaign called Summer Swedish Craze showed the cheapest products in different categories using the following text: "Swedes suffer from a mysterious disease – they don't give a damn about prices!" It is interesting that the difference in prices between the cheapest and most expensive products was approximately 400 times but they were depicted in the same size, stressing the fact that different customer needs are equally important for IKEA. In China, product communication was also used extensively but focussed on both the price and quality of products. For example, the products themselves were used as communication means in the store by showing them in cross-sections attached to the walls and some information provided.

¹²⁴The cheapest product – my comment.

This was done to show the difference between the quality of IKEA products and their copies by competitors to stress the higher “value for money” of IKEA products. Reflecting the customer preferences in the respective markets, the main focus of product communication in Russia was on accessories while in China, both accessories and furniture items were focussed upon.

As a result of the product-related education and promotion strategy, the top-selling items in Moscow and St. Petersburg (2004) were reported to be the same. The top selling articles in China were also basically the same as in Russia (as well as other IKEA markets). The only difference was that all Chinese top sellers were produced in China. Among the top sellers, the coat-hanger Boomerang was an extremely popular article in both markets as well as in IKEA globally. Asked why the top sellers were similar, the Sales Manager, St. Petersburg explained:

It is a basic thing. Maybe everybody needs the coat hanger, for example, and everybody needs the cheap plate. And if you have some basic things with a good price, it could be a top seller because you need it.

Another explanation was provided by Store Manager, Moscow:

The top articles that sell best here are the same as in all other countries. And it's not because people like those products especially, it's because IKEA is so strong in steering towards these products through all the pipeline that we actually sell them!

The reasoning above clearly expresses IKEA's overall idea of identifying and meeting the basic existing needs as well as creating new ones with the help of innovative products.

Although the activities aimed at promotion of individual “price valuables” were characteristic for IKEA's marketing strategy in both markets, the main focus was on promotion of the *total product solutions* – the ready room settings. The aim of these activities was “to transfer the IKEA range into relevant solutions”. Store manager, Moscow comments:

We have the IKEA range and we have the market knowledge and the people's needs here, which are pretty much the same as all over the place. But then of course, the frames, the layouts, the means are

different. So you should build the relevant solution – if the 4 persons family lives in 52 sq metres, they have another storage needs in comparison with the 100 sq meters apartment in Germany or Sweden.

Country Manager, China stressed that market offers should “increasingly reflect life at home in China, when we use our range to advertise or put it together in the store, it should be seen as relevant here in China”. Thus, product solutions were referred to as “the frames” and “the means”, with the help of which the range can “mix and match” with the Russian or Chinese home and “touch local people’s hearts”. The idea of “just selling Scandinavian furniture” was referred to as being “arrogant”.

Coming up with a relevant solution was regarded as an important learning process for the company. As commented by Store Manager, Shanghai:

The idea is to show in our room settings that we understand people, local people’s lives, and we use IKEA products to show them how to have a happier and better life.

It was, thus, important that people recognized their living situations. The room settings in Russia and China reflected both the layout and size of local apartments and the “heart of the home” in the respective countries. In China, solutions included smaller bedrooms while in Russia smaller kitchens. In China the solutions were mainly aimed at women:

We all know that in Shanghai the woman is the decision maker in the family. So it means when we have room settings we should make it more attractive to the ladies, not the men because you know that the points they are concerned with are different. (Manager)

In China, the solutions were also seen as an effective way of fighting the increasing competition, and especially the copying practices.

The product solutions were always based on four basic IKEA styles: Scandinavian, Modern, Young Swede, and Country. The role of these styles was to create a greater variety of solutions that can be adjusted to different customer needs and preferences. In Russia (Moscow and St. Petersburg), there was a strong appreciation of Modern and Country styles, while in China (Beijing and Shanghai), the Modern style was the

most popular with local customers. Promoting certain solutions that were especially popular with customers was a way of responding to varying customer preferences. Thus, the Modern room settings were given the best places in the departments of Russian stores. In a similar way, the cheapest product solutions were heavily promoted by locating them at the entrance of each department and emphasising the price.

In addition to products, the room settings included inspirational ideas and tips that people could use even in their existing living spaces at home. The role of the IKEA staff as the "furnishing experts" was very important in this regard since they provided the necessary assistance in adapting a solution to the person's real situation at home.

A room setting was never built to last forever, even if it had demonstrated a sales-proven success. At least every three months, several departments were re-built completely. The goal of this process was to encourage the customers to think in a new way. This also created a strong stimulus for IKEA staff to come up with new ideas and constantly develop themselves.

6.6.7.4 Concept-related customer education and promotion

While product-related activities were mainly aimed at acquainting customers with products/product solutions and they used price as a key factor for promotion, there was also a whole range of broader activities aimed at customer education in IKEA's brand.

Since, in Russia, home furnishing was not among the first priorities as in other IKEA countries (e.g. China and Poland), it was necessary *to spread general knowledge* about home furnishing among a broad audience. As expressed by the Sales Manager, St. Petersburg:

We need to strengthen the home furnishing knowledge in Russia to get really successful because people must start to realise that I can do something with my apartment, with my datcha or my house or whatever. And when they start to have a deeper knowledge about home furnishing they will also start to buy more.

The managers realised also that changing habits is a long process and expressed a strong desire to work steadily in this direction. This strategy was very different from the one pursued by other companies in Russia, which, instead, tried to accommodate the existing habits as much as

possible, for example, stressing the symbolic meaning of expensive cars and prestigious tourist destinations.

Since IKEA was totally new to the Russian customer at the time of market entry, although many people have heard about it, the main goal from the very beginning was to introduce the brand to customers:

What we have worked very much with during the last 2 years was to make IKEA well known for something, that IKEA was in the home furnishing, because IKEA brand was something new, it was a new retail experience, a new standard started up. (Marketing Manager, Moscow)

As commented by the respondent, in 2003 “there were still people who did not understand the idea behind all this”, and thus more work should be done in this direction in Russia. As expressed by another respondent, “educating people is a way to be successful in Russia.”

The strategy was “to bring people as much as possible to the store so that they learn about IKEA and have a positive attitude towards it” (Marketing Manager, Moscow). When the interviews were conducted, there was on average 32 thousand visitors a week at the IKEA St. Petersburg store, while the goal was to double this number. As observed by the respondents, once a customer had paid one visit to the store, he or she would come again and even bring relatives. That was partly due to the fact that Russians do not usually buy on impulse and, therefore, they come again when they have made a decision, which very often involves the whole family.

In China, the customers had both an experience of retail chains and good brand awareness, but the image of IKEA was that of an expensive brand. Knowing that, IKEA has chosen the strategy of attracting customers by slashing prices for its products. This is, in accordance to the media¹²⁵, an opposite approach of many Western retailers in China. Typical Western brands price their products 20% to 30% higher than in other markets. This is done to make up for import duties and also to increase the value of brands in the eyes of customers. IKEA, on the other hand, pushed prices down to up to 70% to win as many customers as possible. According to the respondent, they “had to make

¹²⁵“IKEA utilizes a low price strategy to build up its China market share”, The Wall Street Journal, March 3-5, 2006.

a break, change Chinese perceptions that Western branded goods are normally more expensive” (Store Manager, Beijing). Thus, it was considered important to bring in both new and old customers to IKEA’s stores with considerably lower prices in 2004 than in 1998.

Country Manager, China explained that many repeat customers had changed their perceptions of IKEA to a “good value for money” brand. Since many customers had to travel long distances in China, they had first, to feel a real need to come to the store. Therefore, attracting them became even more important since the chances that they would buy something, once there, were high. As commented by a respondent in China: “Once they have had a positive experience, they usually come again.” More than 40% of the visitors were converted into loyal customers in China, which is also partly due to the generally high brand loyalty of Chinese people.

People were drawn to the store via both *traditional* and *non-traditional communication channels*. The IKEA catalogue was mentioned by the respondents in both markets as a major communication tool. More than 3 million copies were distributed in St. Petersburg in 2004. The catalogue itself was perceived as an innovation in Russia since catalogues with stable prices were totally new for customers (in 2003-2004) accustomed to changing prices in US dollars. The catalogue worked very well as a communication channel in Russia where customers were very responsive to all kinds of printed media and often read for educational purposes. For example, they were reported to have read the whole catalogue before their store visits.

The traditional media such as billboards, TV and radio were used in addition to the catalogue in Russia. The main idea was to “talk to people, create an interest and home-loving attitude”. Some TV and radio programs gave customers the opportunity to speak about their store experiences. Other promotional activities were also mentioned such as free newspapers distributed at major metro stations. In China, TV was mentioned as the major media for reaching customers in addition to the catalogue. Due to the increasing popularity of Internet in China, the website also played an important role in communication with an interactive forum for customers. There were two versions of the same site: in Chinese and English. In Russia, the local site was only in Russian and not as popular as other traditional media.

The main message when communicating with customers in Russia in 2003-2004 was the idea of *changing priorities* towards home furnishing. This was regarded by respondents as both a “change in mentality” and a “money question”. As summarised by the respondent:

A nice looking home does not have to cost a fortune, you can take a trip abroad and still have something left for your home. (Store Manager, Moscow)

Since in Russia, the traditional style was still very popular, IKEA was also practicing the tactics of “Small solutions”, showing how a certain product might fit into the existing style at home. It was at the same time recognised by managers that they “cannot say to customers what is wrong and what is right, we can only say there is another way”. Many solutions were aimed at young customers who were the most eager to change and “create a new life at home”. Very often, local themes were used in communications and creatively combined with the ideas of change. For example, a slogan “There are signs and there are IKEA’s products” used in IKEA’s winter campaign in 2003 “Renew your home in January and live happily the whole year” was based on the popular Russian saying “one lives a new year as one celebrates it”¹²⁶.

In China, where home furnishing was already recognised by customers as worth investing money, the message was to persuade the customers to make small and affordable changes at home, using IKEA as an inspiration source. The “small changes” approach was the main topic of advertisements and in-store communications. A great deal of cultural understanding was also needed in China to show appreciation for customers’ existing habits at home (avoiding “losing face”) but at the same time encourage them to make their homes look more organised.

For example, a TV-spot showed an old man sitting on his balcony of cement with plants and drying laundry, which was a typical scene in China. The only difference was that he was sitting on a modern plastic IKEA chair¹²⁷. On the whole, many respondents expressed the idea that

¹²⁶“IKEA had a new winter slogan and advertising design”, www.rosreklama.ru, November, 2003.

¹²⁷“IKEA with Chinese characteristics” by P. Miller, www.chinabusinessreview.com, 2005.

IKEA “cannot change the way that people’s houses are” in a radical way.

Besides a purely informative function, the communication to customers was pursuing a goal of “telling the story of how a low price is created”, which was considered important in order to “crack the codes” as regards customers’ perceptions of price and quality. That was done in both markets, but the existing codes were somewhat different: in Russia it was low-price-low-quality and in China low-price-low-value (quality and safety). A special page at the beginning of IKEA’s Russian and Chinese catalogues was devoted to an explanation of the low price concept.

In Russia, the journalists were approached with the information on IKEA’s production process with cost-consciousness in focus to encourage them to come up with a “true” story for customers. In China, the special press-conferences were organised for the media and public to explain the meaning of a low price, associated with both quality and safety. This was especially important since IKEA was constantly lowering their prices in China and customers might have started worrying about the quality. The health issues related to IKEA products were among the topics highlighted in communications in China, since many competitors produced the cheaper copies¹²⁸ of IKEA products with the use of hazardous chemicals.

Being *innovative* with marketing ideas was an important factor in IKEA communications and promotional activities. Among *non-traditional* activities, the respondents in Russia mentioned the traditional media such as home interior magazines used in a new way. Usually the glossy magazines aimed at the middle class were used to convey the extravagant, expensive Italian style in furnishing. Using these magazines to communicate IKEA’s simple, democratic design and style was considered an effective way of surprising and even shocking customers and thus creating the brand awareness. That was also one of the ways to “crack the codes” as regards existing perceptions of price and quality. One ad showed a man standing and cooking in the kitchen, which was unusual behaviour for a Russian man where women play the role of

¹²⁸These latter products had a strong smell, which was not the case with IKEA products.

housewife. According to the respondent, that was a “statement that IKEA is democratic and you share what is done at home”.

Another non-traditional local initiative in Russia was flexibility with opening hours in the stores. For example, during the summer months of 2004 the store in St. Petersburg stayed opened until 11 pm on Thursdays since most Russian people drove to their dachas (summer houses) on Fridays and stayed out of the city during the whole weekend. This measure dramatically increased the number of customers in the stores even in the summer when people traditionally prefer doing other things than shopping during their leisure time. Another measure, which was successfully used in Russia, was free IKEA buses running from nearest metro stations to the stores.

An important means to gain publicity and attract customers to the store was organizing *events* for customers. Those usually had a cultural context, which was in many cases a mixture of Russian and Swedish traditions. When opening the first store in St. Petersburg, IKEA representatives strictly followed an old Russian tradition of “laying the stone” started by Peter I. According to this tradition, all newcomers to St. Petersburg were obliged to bring along a few stones. Following this tradition, all 175 IKEA stores from 31 countries sent one stone each to IKEA Kudrovo¹²⁹. Another tradition, which dates back to the times of pagans, the Swedish Midsummer celebration took place every June at all IKEA stores in Russia. By organising such an event, IKEA pursued multiple goals: a broader company publicity and brand awareness, education in Swedish cultural traditions, as well as a way to collect customer information via building up a database with all participants.

According to Store Manager, Shanghai the prospects for IKEA in China were very good, although to create a real impact on the market would take time. The criteria of success, according to this manager, were honesty towards customers, stubbornness in implementing the strategy, and better customer satisfaction:

We think the concept will work when both customer and market become more mature, yeah we need this, one part we need more education and explaining and so on – why. IKEA wants to be honest so some time we need to be stubborn. We need to both explain what is

¹²⁹“Stones for IKEA”, EKSPONOVOSTI, 7 (202), 2003.

IKEA way and also we need you to know that we try to satisfy customer needs by our best, like we try to secure the delivery policy, you know keep it on time. And if the customer has any complaints, we need to solve the problem immediately.

In Russia, the formula for success, according to the respondents, was customer education and price decrease. It was too early to speak of any visible changes in how people furnished their homes in Russia, however, many of IKEA's accessories, such as a cup Big Bang, "found their way into people's homes". According to Marketing Manager, the impact of IKEA on customers' lives was that "people started thinking in broader terms, they are more prepared to change". Especially the young generation was given "a lot of possibilities to create their own style and not only copy the older generation".

In both Russia and China, respondents expressed the idea of using the market dynamics to the company's advantage. Store manager, Moscow remarked that "people are learning to choose, people learn how to make decisions. This has nothing to do with IKEA but more with the offer in the market. They just take and draw it in." At the same time, according to Marketing Manager, Moscow, "there will be more money in the world for Russian people after a time", which in combination with lower prices in the market will create an impact on both industry and customer priorities.

In China, which was referred to by respondents as "the most dynamic and market oriented country in the world", the strategy was to use the changing habits of customers to the company's advantage by making them more aware of their choices and presenting them with an unbeatable offer in terms of value for money. According to media sources¹³⁰, IKEA has been leading the trend in interior decoration, which started when China began privatising its housing market in the early 1990s. Other sources¹³¹ referred to IKEA's success in "cultivating" its customers nationwide in China, in spite of the fact that the company only had two stores in 2004. Due to its high production volumes in

¹³⁰"China IKEA leads trend in beauty boom", The South China Morning Post, January 15, 2001.

¹³¹"IKEA plans 10 new stores in China" by Jiang Jingjing, China Business Weekly, October, 14, 2004.

China, IKEA has already achieved a leadership position in the industry, which has enhanced the customers' appreciation.

6.6.7.5 Different rules of competition

The ways to deal with competitors in Russia and China were quite different from the ones commonly used by other retailers. For example, in Russia, respondents talked about cooperating with *direct* and *indirect* competitors by developing Mega Malls – big out-of-town shopping centres owned by IKEA and rented out to big retailers.

The Mega 1 centre was opened in December 2002 and it was the first of its kind in Russia to bring together a wide range of shops, restaurants and entertainment facilities. Located on the outskirts of Moscow and covering 170 000 square meters, it included around 150 shops, a skating rink, a children's playing area, cafés, bars and fast food outlets¹³². Less than a year after the opening, the centre had 25 million visitors. The Mega 2 store was opened in Moscow in 2005. Another Mega store was planned for St. Petersburg using the existing store as an anchor of a retail park.

As commented by Store Manager, Russia, the development of big out-of-town shopping centres was expected to become a lasting trend in Russia. Mega malls were aimed at the rapidly growing Russian middle class whose needs were not yet satisfied since until recently the retail sector in Moscow and St. Petersburg offered either expensive imported goods in boutiques or cheap, low quality goods in city markets, with almost nothing in between. To meet the needs of these consumers, IKEA "invited" other retailers to cover the whole range of customer needs and create a strong attractive force to the centres. Some of them such as Metro, Cash & Carry, Auchan and Benetton became the inhabitants of Mega Malls, while others such as Philips supplied IKEA's stores with their products (such as TV sets, DVD and audio-systems) to make home solutions closer to the reality of consumers' lives. The idea was to show the customers how these electronics would look in their homes¹³³.

¹³²"Giant shopping centre opens in Moscow", the report of the European Bank of Construction and Development, 2002.

¹³³"IKEA will show the Philips monitors", Komputenta, September 9, 2003.

The respondent remarked that shopping centres were expected to shape a new approach to shopping in big Russian cities that could be really beneficial for IKEA:

And that will be very good for IKEA, because if you change the whole pattern of behaviour you will be more used to shop at IKEA because the whole way of shopping will change. (Store Manager, Moscow)

Besides changing the pattern of consumer behaviours, the shopping centres were changing the retail structure in the city. As reported by local newspapers¹³⁴, the new shopping centres provided a boost to the Russian economy. Already in 2004 these centres had created 5 000 new jobs and contributed to the development of the commercial property and construction sectors in Moscow. IKEA also established a “Mega Mall university” to train the shopping centre’s employees, thus instilling its own HR standards.

Due to the extreme character of competition in China, there was no discussion of any cooperation with competitors, although the respondents mentioned that several retailers approached them with the purpose of cooperation. Among additional factors, hindering possible cooperation, was the high cost of land and difficulties in obtaining permission from the government for building up such centres. The way to deal with competition in China was to focus more on the brand’s strength by “really being IKEA”, which meant combining the competitive prices with a variety of products, store atmosphere, new ideas, inspiration, etc. Managers expressed an opinion that competition was good for IKEA and by copycatting IKEA products, competitors in fact helped to position IKEA as a leader in the home furnishing industry.

6.7 Local society-facing brand

A *local society-facing brand* is aimed at different groups of societal stakeholders, among which government officials, media and, to some extent, the general public were cited by the respondents. It is closely associated with the *local supplier-facing brand* since by taking

¹³⁴“IKEA changes the Moscow landscape”, Kommersant Daily, July 2004.

responsibility for suppliers, IKEA is taking a broader social responsibility for the development of local communities in the markets. It is also linked to the *local customer-facing brand* since the societal and environmental focus adds to the image of IKEA in the eyes of the customer.

6.7.1 Vision: countries as “new challenges” and “dream countries”

The local society brand is based on IKEA’s vision of contributing to the society as a whole, which managers perceived as their mission. The countries were usually portrayed as “new challenges” in terms of business and social issues. The respondent in Russia stressed the multiple challenges of working in a country that “was not prepared for modern business” (Distribution Manager, Moscow). The respondent in China stressed the challenges of building long-term and open relationships with local actors. At the same time, Russia and China were referred to as “dream countries” in terms of opportunities from employee, supplier and customer perspectives. For example, Russia was referred to as a country where “all the impossible is possible and all the possible is impossible”.

The “challenge perspective” made managers focus on getting the support from local actors who have influence over the industry and public opinion. The respondents emphasised that getting support from government officials in Russia and China was crucial for IKEA’s successful expansion in these markets. Thus, creating a positive image of IKEA with these stakeholders was, in fact, more of a necessity than a general mission. Some of these stakeholders were also actively used as the channels to reach customers, suppliers and a broad public in Russia and China.

6.7.2 Values: “respect is number one”

The major principles in IKEA’s relationships with societal stakeholders were to show them respect as individuals and strive for a better understanding of their specific situations:

Respect to the people, country, government, organisations. And if you don't respect the country and so on, this will not work. Respect is number one. (Supply Manager, Russia).

That attitude reflected the underlying IKEA's principle of respecting an individual, which is represented best by the core values of "Togetherness and enthusiasm" and "Humbleness". The respondent provided a vivid example of the importance of respect towards a fireman in the local fire brigade in Moscow suburbs, whom he planned to visit before Christmas:

I can imagine his ugly office, where I'm sitting in an hour or so...but this is his job, his fire brigade, this is his life. And I have to show my respect there. I do with pleasure. (Supply Manager, Moscow)

This respondent said that showing respect was actually as simple as paying occasional visits to major contact persons to "say hello and have a cup of coffee, and ask how you are and how is life" but that helped him to develop the true understanding of local people and their way of thinking.

Among other principles practised by IKEA's managers were being simple, preferring informal style, and keeping promises. The respondents stressed the importance of being firm in principles and consistent in behaviours. The company's non-bribing practices and the ways to solve conflicts with local authorities were among the examples provided by respondents in Russia. An open attitude towards the media and general public was also mentioned as an example of values in practice. In Russia, IKEA was completely open to journalists and organised press-trips to Älmhult for them to show how the range was created:

When they see it with their own eyes, when they see people who work there, how it has started with an idea, they start understanding how IKEA works. (Marketing Manager, Moscow)

The result was that press coverage of IKEA in Russia after these trips became much more fair and positive, which contributed to IKEA's positive image with customers. The reverse side of the firm attitude and extreme openness to the media was the negative publicity that IKEA received during its conflicts with authorities regarding the environmental issues in Moscow (2003) and St. Petersburg (2004). In

China, managers practised open press conferences for the media and the general public, in which the information concerning product quality and the environmental issues were discussed.

6.7.3 A “responsible retailer” and a “different company”

The essence of the *local society-facing brand* was formulated by the respondents in different ways: “a responsible retailer”, and “a different company”. Being “responsible” usually implied keeping promises to all its local stakeholders. To stress this, the respondent in China spoke of IKEA’s “tremendous track record” of keeping promises:

We increasingly have to show year after year, decade after decade that we live up to the commitments and promises that we make and we develop our business the way that we describe it. (Country Manager, China)

The “different” (as compared to other retailers) attitude usually meant going against the conventional norms, for example, a cautious approach to the market in China: “We plan to open a very small number of stores compared with other retailers”, “We don’t want to give an impression that we wish to take over this market”. Being clear in communicating to opinion formers that “IKEA is here to contribute” and “IKEA’s presence in a city or an area is beneficial” was stressed by managers who explained that one of the major contributions was employing hundreds of thousands of Chinese people at both IKEA’s stores and local suppliers.

The interpretations of the *local employee* and *supplier-facing brands* being correspondingly “an honest employer” for the staff and “a responsible relationship” for suppliers, showing a great deal of interconnectedness between these brands and *society-facing brand*. The *customer-facing brand* as “low price with a meaning” is also connected with the society brand by specifying the socially responsible ways to create the low price.

6.7.4 Local society-facing brand vehicles

Relationship building on both micro- and macro-levels was referred to by managers as being the major mechanism for the *local society-facing*

brand presentation to local officials and decision makers. Many respondents were in one way or another involved in this process, although it was not always their primary responsibility in the market. For example, in Russia, the Property Manager was actively involved in relationships with customs officials and local authorities. The Country Manager was keeping contacts with different groups including media, industry representatives, municipal and regional authorities. The Distribution Manager mentioned different contacts with Russian as well as European politicians, while the PR Manager was responsible for relationships with different environmental authorities and local media. The company's founder, Ingvar Kamprad, was reported to have direct contact with President Putin to solve the problems with a new store opening in Moscow in 2004¹³⁵. In China, the Expansion Manager was linking together the IKEA's organisations in Asia Pacific, the Store Manager was in charge of relationships with local government, while the Construction Manager was in contact with local construction organisations.

In Russia, the role of “a personal network, a personal relationship” and “the arms length distance” was emphasised. The respondents stressed that developing personal relationships was the only way to do business in this market. It was also a way to influence the common business practices in the direction that was favourable for IKEA. The respondent provided an example of persuading the customs officials in Russia to apply the international standards and intensify the clearance process. He stressed the amazing results that could have been achieved in Russia via good relationships:

Show me one street in the world where you in one week can asphalt the street, the public street. In Älmhult it would have taken them, probably, a half-year to discuss. Here it was done in a week!
(Distribution Manager, Moscow)

In China, the personal relationship was even more important, and the special type of relationship – *guanxi* – was cultivated. *Guanxi* refers to personal relationships of informal social bond, in which individuals have obligations and expectations to facilitate exchange of favours

¹³⁵”Kamprad klagar hos Putin”, Dagens Industri, December 2004.

among each other¹³⁶. Understanding guanxi was considered by managers as more important than all research about the Chinese market. The Store Manager, Shanghai explained his own experience with guanxi:

I got some very good advice when I first arrived in China from someone who was at that time a director of one of the commissions in Beijing on a municipal level. And he said that most foreigners he only ever met once, and he said that I mean of course he was always pleasant and polite and so on, but he wasn't very impressed really that in fact most people only met him once. So he then said that a small number of people he met twice and an even smaller number he said he would meet for a third time. And he said he started to take people seriously when he met them for the third time, so for me that was a great tip.

Guanxi can be established within different social groups, such as family, work units, government circles and the social network. For IKEA, it is essential to develop guanxi with the authorities since they play a decisive role in the business world and society in general. As stressed by the respondent, guanxi should not be interpreted as “an under the table thing” or be based on money, although monetary gifts are legal and common in Chinese culture and not regarded as bribery in any way.

The importance of building trust in the relationships at all levels was emphasised by many respondents. In Russia, the initial feeling of trust was created with Russian top politicians and business elite in August 1998 when IKEA stayed in the country after the currency devaluation and during the subsequent economic collapse of 1998-1999. That was a critical moment in the company's entry and establishment in this market since it stimulated the willingness to cooperate with IKEA on the part of the officials who were reluctant and uncooperative before. A similar event in China was the company's decision to build new stores in Beijing, announced directly after this region was badly hit by SARS in spring 2003. The reaction of local authorities was that of appreciation, while the Chinese media provided a very positive coverage, which, in turn, affected customer opinion¹³⁷. These are good examples of a long-term focus on relationship building when the current market situation was considered less important than future prospects in the market. In both cases, the national economies bounced

¹³⁶Davies et al, 1995.

¹³⁷Beijing Time, June 18, 2003.

back after the crises, and IKEA was enjoying its favourable situation relative to other Western companies.

Building trust at the individual level with local authorities was regarded the best and fastest way of finding land and getting permission to open a new store in big cities and especially provinces in Russia. In China, building personal trust, *xinyong*¹³⁸ was regarded as an integral part of personal relationship. A person who has a higher social status will have more *xinyong*, and therefore more social credit. The empirical material indicated that IKEA managers in China actively used the company's strong and positive image and their own decision-making power as their *xinyong* in relationships with the local authorities.

¹³⁸The concept of *xinyong* is used in China to describe the personal trust, which is different from the interpersonal trust practised in the Western world. *Xinyong* implies a hierarchical relationship while interpersonal trust considers the horizontal relationships (Leung et al, 2003).

Chapter 7

Local stakeholders' brand perceptions

This chapter is devoted to local stakeholder brand representations formed under the influence of the corporate brand. They are concerned with the extent to which local stakeholders feel connected to the company and influenced by its vision, culture, values, and value proposition. From a market driving perspective the changes in stakeholder perceptions constitute the outcomes of this approach. I have explored the brand perceptions of both external and internal stakeholders since both groups are influenced by the company's market driving approach but in different ways. The subsequent material consists of two employee and three supplier cases (Russia and Poland). As explained in the method part, I have chosen to present the individual cases of local respondents in the form of stories to capture the process of forming the perceptions under the influence of the corporate brand. Each case is followed by a short summary of brand perceptions of each respondent.

7.1 Employees' brand perceptions

To uncover a deep level of brand understanding, I interviewed some local employees at IKEA's offices in Russia. Among the staff members were a local manager and a local group leader at the store department. These respondents were basically asked the same questions as others, but they came up with personal stories of their life and work at IKEA, which allowed me to uncover the deeper layers of their brand perceptions.

7.1.1 Brand as "my home"

T. was an enthusiastic young woman who agreed to meet me after her normal working hours at the IKEA store in St. Petersburg. She explained that she had lived most of her life in Moscow, and indeed, represented a typical Moscovite (a bit pushy, having strong opinions). She started at IKEA, St. Petersburg in July, 2000, which was a radical decision given her family situation (her family run their own family business in Moscow). The decision to join IKEA was taken rather spontaneously – she visited the IKEA store in Khimki, Moscow and “liked it a lot”. Her husband encouraged her to apply and, when she was hired as a team leader, followed her to St. Petersburg. The idea to work at the Children’s IKEA department excited her a lot since she herself had just had her first child.

T.’s career at IKEA went rather smoothly: “I was a co-worker then a deputy, and later I became a group leader. It went on as if in a planned way.” What made this development personally rewarding was her active participation in the build-up of the store in St. Petersburg, the work she carried out together with her team at the Children’s department. This is how T. described her experience of this time:

The build-up period was of great help. We were equal and we went along in the same direction. We’ve got goals, probably they were different with different people but we also had the common goal.

The feeling of participation was not only motivating for her personally but also helped her to identify with the company: “Well, first, I built the store, built up my department. I created it with my own hands!”

It was during the build-up time that T.’s department team was formed. When T. was talking about her team, her eyes sparkled. She raised her voice, gesticulated enthusiastically and completely dominated the conversation, trying to re-create the special spirit of her team for me as an outsider. The fact that the interview was conducted in Russian made the contact closer and communication easier for both of us. This is just one example of how she talked about her team:

We have a wonderful team! When you come to work you feel like being at home. It is really important because work is the most significant part of our life. When you come, everybody is glad to see you, and if you are absent unexpectedly for some period of time

everybody asks: "What's up? Where have you been? What is happening to you?" All that inspired me very much.

T. spoke about her staff in a way a mother talks about her kids, with a sense of pride, admiration and all small details that make the pictures very vivid, at the same time trying to sound strict:

Actually, novels can be written about each of them. Our people are wonderful (!!!), really wonderful. No one left the team!! (Proudly).

For example, Irina is the best at assembling furniture. She does it perfectly, no boy can compare with her!! She does it quickly, very well and has never broken a part (shows how Irina assembles a chair). Thus, if there is some trouble, I call Irina at once. But they all are magicians!!!

Somebody must be present at the department!... being 15 minutes late is impossible...you should make sure that everything is all right in your department...the situation when some item has come to an end is inadmissible...you should take actions not to cause customers' discontent...all the things must be clean and attractive. (These quotes were taken from different parts of the interview; she used them more as remarks.)

T. described her relationship with her team as very trusting ("I don't have to follow and control everybody"), and the relationships within the team as open ("We talk every day!") and close ("I clearly know which of my team can oversleep and who will never oversleep and will come 20 minutes in advance!"). When some problems arose and T. could not "arrogantly"¹³⁹ solve them alone, she would consult her team members and could always rely on them: "I say: my dear friends, let's think what's wrong, what is happening!" Talking about some time in the future when she would eventually move forward in her career and leave her team, T. gasped: "I will part in tears!"

As far as relationships with other departments and within the internal management team were concerned, T. described them as warm and cooperative:

Nobody tries to show up his department, to grab the biggest piece of the pie. We come and consult each other. They come to me with their problems as well and we try to solve them.

¹³⁹Her own term.

She also took an active stance when she needed some special knowledge from her colleagues:

But if I need it, they will share the necessary information with me. I will be tormenting, nagging with them, there will be no bans. Really, it can be achieved.

Asked how she motivated her staff to work long hours, often involving a lot of physical work at the department, T. explained that the family spirit they created together, the so called “elbow feeling”, provided a strong motivational factor, which could even outweigh the material side of the job. As explained further:

Salaries are not the most important factor for us. I can't say that we have enormous salaries. The material side is sure to be very important. However, in our work, the employee has something to compare with. That is, money doesn't always outweigh.

Speaking about the (local) organisation as a whole, she generalised:

Anyway, if a person is interested in money only in this life, he won't be able to work here. He will be digging for himself, tire himself out over his money – and that is all.

Among other motivational factors at work, she mentioned the free lunch that was so appreciated by one of her team members (“Yes, my Lyonya, for example, is a hearty eater”); different corporate events and competitions (“It was so funny and nice!”); rotation to other store positions (“For people not to be bored”) and very good opportunities for professional development. Many of her staff members – students, working half-time – placed their hopes on IKEA since they knew that they “had very good prospects” at the company. In her words, they all understood that they “may be promoted” but in order to “go up in the future” they had to acquire the relevant knowledge and skills.

Being a department chief meant that T. took an active part in the recruitment process, in which she firmly followed the IKEA's principles of “looking for personalities, and not diplomas”. This was, in her opinion, the way to “take in fresh spirits from the external world, when people come with their rich experience”. T. explained that it was this life experience that attracted people to IKEA with common interests (“People who like travelling all over the world, learning and who don't

like complaining”) and made them “feel right at home”. That was in her eyes more valuable than having a formal education: “Why should they produce their diplomas? I, for example, have got a diploma, what about it?”

She described the recruitment procedure as the process of “sorting out many photos” when they had to hire one person for a full-time job at her department. As stressed further, it was a collegial process, in which several team members took part. The way they chose the “right” person from “many good people” was as follows:

We put photos in front of us, looked narrowly at them, thought them over. We worked by intuition, literally.

Speaking about her daily work at the department, T. mentioned many of IKEA’s core values or principles, which she used eagerly as reasons for her own as well as her team’s actions. It is interesting to mention in this regard how she spoke about the key principle of low price and related value of cost-consciousness. Speaking about the low price, she used a rather normative style with “we” terms and such expressions as “should be shown”, “we are to show”, and “a customer will buy”:

It is actually our strategy. IKEA’s concept is to show the lowest price. We are to open a department, to show in each category of products the lowest price. There is a price ladder which we are to show, to begin with the lowest one and then go up, so that to make it available to each customer, of different incomes, different levels. The lowest price should be shown to everybody, just for them to know where to start from. When a customer comes to buy something he will buy it!

When she further explained how she applied this principle in her department, she became much more personal, speaking in the first person, and used a milder, discussant style. She justified her actions of having additional articles in her department by such reasoning:

But I can save on me and never on my child. I’ve got the same attitude to my department. I understand, of course, that there must be toys in the department, because children must play... I won’t hide or spare them, I will show them. However, I won’t write off an extra cot, because it just stands. There are different reasons. You regard it as if it were yours. You spare it when it is needed.

T. placed great attention on the customer service issues, such as being attentive to customer needs, trying to understand them and react adequately (a core value of closeness to reality):

To my mind, it is necessary, to give a person a clear explanation, first of all. Here, again, one should be a psychologist to some extent, understand what amount of information the person can bear.

She told me that she was “absolutely delighted” with the way one of her team members treated customers at the department:

When customers come to our department and I see S. speaking with them my soul sings, because he speaks with them as if they were his personal friends.

She added also that, in her opinion, providing a positive atmosphere for customers was “the most important thing”. Another issue of relationships with customers that T. highlighted was simplicity and clarity in communications with them (a core value of simplicity) that she personally worked hard on teaching one of her staff:

Could you find simpler sentences so that the customer might understand you clearly, and not leave being shocked?

She spoke with satisfaction of the results of this education:

Then he kept in mind. Clearly, slowly, distinctly, in simple phrases. They, probably, worked out some definite phrases for themselves, I can hear them sometimes.

T. provided her personal examples of other corporate values (“No fear of making mistakes”, “Togetherness”, “Taking responsibility” and “Leadership by example”):

You never feel shy asking somebody, and you are never afraid to seem silly or ridiculous.

It is here¹⁴⁰, probably, that responsibility emerges. How can I work carelessly, throw away anything? I can fail very much. My department is certainly not so big, but I am glad when I am told that we are up to the mark. I take it as if it were mine. I sell it as if it were mine, though it is not, actually.

¹⁴⁰At her work place (my remark).

To be friendly, to be a good example for everybody is very close to me!

In relationship with customers T. propagated a pro-active style, seeing her team's "prime function" in teaching customers "to buy in a different way". The goal was to reduce her staff involvement in this process to a minimum, when they can only provide the necessary support. She provided an interesting example of empowered customers who helped their fellow customers. This example was based on her and her teams' observations at the department:

When a person comes here for the first time he or she is confused. However, when they come here for the second or the third time, they begin instruct others. I also watched customers. If somebody asks a question other people answer him and give him instructions where to go.

T. mostly used the "We" term when speaking about her job and the company. She used "I" and "me" terms only when talking about a one-to-one relationship with some employee and/or her own experiences. She tended to call her staff "My people", "My team" and "My department", as well as used the expression "My child" talking about her department. All this showed a high degree of her identification with the company. That was, probably, due to her feeling of complete confidence in IKEA as "the company takes good care of us". It was that particular issue that, in her opinion, differentiated IKEA from typical Russian employers.

T. felt proud to work at IKEA and described "a special pleasure" she experienced when talking about her job to her acquaintances. She even mentioned the reactions of her friends growing suspicious that everything went so well for her at her work. Asked what IKEA was for her in few words, she gave a very concise answer: "It's my home." What made IKEA her home was the feeling that "here we are really a family". She added also that IKEA was a "multinational family" consisting of "dear Swedes", Russians and other "brilliant people" such as Ingvar Kamprad and people in Älmhult. It is interesting to mention the way she talked about Ingvar Kamprad and the corporate team:

It is Ingvar Kamprad whom I am grateful to; it is he who invented it. I don't know if he thought it out himself, or there was someone to help him, but I am really happy that they have done it.

Asked about her future plans, she sounded very ambitious: “Let’s assume I want to be the director of the store. Why not? I really want to!” At the same time, she was realistic and well aware of what was needed for her successful career at IKEA:

I want to become a department head first, but there is a big disadvantage here, I need English. I know the language, but something impedes me, probably a lack of speaking practice. I speak Russian very quickly, but I can’t speak English in the same way. Though I understand that it is necessary.

Summary of brand perceptions for a Russian employee

I will summarise T.’s interpretation of vision, core values, value proposition and, finally, the perceived value referred to as the level of her satisfaction with her job (reflected by the decision to stay and commitment). T. has understood IKEA’s vision as providing low price for customers – the process, in which she played an active role at her department. In the Table below, I listed the stated versus perceived values. By stated value here I mean IKEA’s core values with their intended meaning. The perceived values are given a specific meaning by the respondent.

<i>Stated values</i>	<i>Perceived values</i>
Togetherness and enthusiasm	The strongest and highly motivating value. Allowed T. to feel good: confident, full of energy and inspired at work. T. actively connected her personal life situation (a nice family with a kid, many friends) with her job situation (a family spirit, many colleagues, security). The company as an extended family.
Accepting and delegating responsibility	A strong value, with a certain balance of accepting the personal responsibility for her team and delegating tasks to other group members.
Daring to be different	Not really accentuated in her account. Perceived more as the company's characteristic.
No fear to make mistakes	Understood as admitting the lack of knowledge to her colleagues and asking for help when needed.
Constant desire for renewal (developing oneself and others)	A strong value. She wanted both to develop herself professionally (she knows exactly how she is going to do that) and motivate her people to develop.
Constantly being on the way (growth and change)	She welcomed change both personally and at her work.
Cost-consciousness, achieving goals with small means.	She distinguished the corporate goals towards the low price with her own means to reach these goals. In so doing, she found her own ways of how and when to cut costs.
Simplicity	A strong value in relation with both customers and her own staff. She stressed clarity in combination with simplicity.
Closeness to reality	A strong value in relation with both customers and her own staff. Understanding the real customer and staff situations perceived as important.

Table 7.1. The stated versus perceived values in T.'s account.

As seen from this Table, T. has come up with nine of eleven core values, all of them being given a specific meaning and perceived as motivating. Her formulation of IKEA's value proposition to the staff can be formulated as the company that "takes good care of us", which I have referred to as a *positive* value proposition. This respondent is

highly motivated and empowered by her job, which allowed me to characterise the perceived stakeholder value as high.

7.1.2 Brand as a “constant trial”

V. started at IKEA in 2000 as an accountant but already in 2001 got a position of PR manager. He explained that he was not really planning this career move, although he felt an inner motivation: “something inside told me that I had to change something in my life.” For some time before this appointment he had already felt a strong need for “communication with people, something creative, and something more vivid”. In spite of his strong motivation, V. felt that he might not be the perfect candidate for this job since it was so different from what he had done before. He describes himself as a person who likes challenges and wants to show “everybody what he is capable of”.

His first project as a PR manager was to organise the “Laying of the first stone” ceremony for a new store in St. Petersburg. It was then that he understood for the first time that “this job was not simple”, however, it was new and challenging. He got very excited after being encouraged by his boss who commented on his first success: “If you could do this from scratch, then you perhaps could do anything.” The more serious challenge, however, lay ahead in the form of a store opening event referred to by V. as “the last and the hardest test at that time” to show the store management that he could do his job well and was worth getting this position. He said that realized already then that “in this job a trial period never could come to an end. You are always having a trial period and all your former achievements are no longer recognised if you cannot work in the present, if you get relaxed.”

Having succeeded in his first projects, he soon got another responsibility – to become a coordinator of environmental projects in St. Petersburg that he had to combine with his first, primary responsibility of the PR manager. The level of responsibility was described as: “If something goes wrong, then my head is off my shoulders!” Although being very excited about the second part of his job (“I’m so glad that I got my eyes open on these¹⁴¹ issues”), he found himself in the situation where he had to work almost alone. He was in

¹⁴¹Ecological – my remark.

charge of building up different temporary teams for his PR and environmental projects and “thinking about a thousand things” simultaneously. Being a PR manager implied communicating with many people, both own co-workers and external partners, which V. always found very stimulating. He did his best to “always give a positive example to others, be always optimistic, smile at people” since he understood that this was what his colleagues needed from him to provide “a great input”. That was not at all easy for him to do in the situation of a “high degree of isolation”, when he had to do many things at the same time, without being able to “concentrate on a task”, which in his eyes “violated the main principle formulated by the founder of IKEA: it is necessary to concentrate on one thing”.

As commented by V.: “My job often requires solitude and silence!” That was almost impossible in a noisy room with thirty to forty people who also had to share computers from time to time. The only chance to be able to talk to people in a quiet place was to go to a distant corner of the canteen. Commenting on his working conditions, V. explained:

It is very hard for those, who are not used to such things. It’s very noisy. However, a human being is such a creature, who can get used to anything. At least, I learned to concentrate, when it’s completely noisy.

He spoke with a certain degree of envy about his colleagues at Trading who had a bigger and quieter room and explained that in his office the over-concentration of personnel was done on a purpose: “So that people could see each other more often and communicate more. That unites people.” Another impossible wish was to get a team of his own: “This would be fantastic. If there were such a team, I would do the impossible. It is very hard when you are alone!” When V. needed some special information or expertise for his projects he had to get in touch with “professionals”, since, in his words, “he was not good in everything”. He commented that no one had taught him anything at his job; basically, he had to obtain all knowledge himself. Summarising his experience of the job so far, he said proudly:

In order to keep this position I had to go through really tough tests. I was thrown into the water. Will he come to the surface or will he drown? I came to the surface.

Asked whether he requested support when it was most needed, he explained that this was hard for him to do since “someone else will have to do a part of his job” and these decisions were taken at higher levels of the company.

Talking about his managers at the central office in Moscow he suggested that “they probably wanted to try and do some experiment” with his position. At the same time, the relationship with his immediate boss, a Russian manager, was described in very bright colours: “I sincerely admire this person. He is a very communicative and wise person.” In spite of his boss’s good communicative qualities and general accessibility, they did not communicate much on a daily basis. Indeed, they only met “when absolutely necessary” and when V. needed some advice or approval from his supervisor. Even in these latter cases V. usually wrote to his boss, who responded by “just looking and commenting when necessary”. It seemed that V. did not want to bother his boss since it could have signalled that he was not able to do his job well. He felt the same admiration for his Swedish boss in St. Petersburg, described by him as “a superior one can only dream of having” because he could listen and especially because he gave V. a chance to realise his ideas.

In his account, V. almost always used the “we” term, talking both of the company and himself doing a job. That showed his high level of admiration for and identification with the company, which he himself admitted: “I like the company a lot and I’ve not worked here for more than four years without a reason.” The reason for working at IKEA, besides V.’s belief in the vision of “working for the poor” and “better working days for humble people” that gave him great inspiration, was an opportunity to realise his ambitions, which stretched quite far. For example, he identified himself with IKEA’s cultural mission in Russia –

We want to be the guides of this culture. It will be the positive feature for US – the Swedes¹⁴² and Russians. And at the end of the day, this creates the image and this is my job.

– as well as with its ecological stance: “We consume a lot of forest and we have to pay more attention to this area.”

¹⁴²V. is a Russian person, but in his “we” he mentions Swedes first.

In his daily work, he admired the openness at IKEA, especially on the management side towards “simple employees”. Managers were able to listen well and were diplomatic. “If your idea is good, you get carte blanche and this is fantastic!” This was in a stark contrast from his experience with Russian managers, characterised by “arrogance and swaggering, when he is everything and you are nothing”.

On the other hand, when talking about his specific projects such as a Midsummer event in St. Petersburg in June 2004, he distinguished himself clearly from “them” to whom he had to prove time and time again that he was good enough: “And then I’ll show them what I am capable of.” He also used the term “them” when talking about his future plans at IKEA. Those plans depended on many factors, one of them the uncertainty with “them” who might change things and reassign some functions, which could affect his position. This feeling of uncertainty was mixed in his account with a strong desire to show how confident he felt about his job and his abilities. He expressed these conflicting feelings in this extract:

No, I’m more than confident in my abilities. It’s possible to resolve and create everything. If I don’t know something myself, I’ll find sources and people, who can assist me. No, I’m very confident in myself, however, I don’t know, how the situation is going to develop further. It’s possible to change the direction of work.

V. was very cautious about admitting his low level of job satisfaction and the feeling of uncertainty. He was also trying to conceal the signs of tiredness on the level of physical exhaustion when he was suddenly losing the track of our conversation and asked me “So where were we?” He was also extremely polite and apologised for talking so much about himself, which again showed how much this person identified his life with the company. He used such expressions as “I need to make a choice now” meaning that he had to choose between “working a lot” and having a private life, which he actually did not have: “ You know it’s one of the reasons I haven’t got married yet, I don’t have time for courting (ironically).” He realised that what was missing from his job was “satisfaction at the end of the day”, which he associated with “having a voice” and “being appreciated everywhere”. He commented with a great deal of sorrow:

I thought, that if I dealt only with the social work and ecology, then I would do this work, anyway, as well as possible, would try to come up with such ideas, which would also move the company forward.

It seemed to me that V. had set up a standard for himself that was so high that he was not able to live up to it (in his eyes he was not moving his company forward fast enough). And, of course, everybody around him encouraged him to shoulder even more. He talked about the possibility to change his job to another company or just to take a break¹⁴³. He was, nevertheless, extremely loyal to IKEA's principles and core values since in his future job he was looking for "a concept directed towards creation, development, the reasonable management, the responsible management of the business". We said good-bye to each other, and I felt very sorry for V. who was struggling so hard and was not able to appreciate his own achievements because they were never enough for IKEA.

Summary of brand perceptions for a Russian employee

As with the first account, I summarise the respondent's perceptions of IKEA's vision, core values, value proposition and perceived value (the level of job satisfaction, the decision to leave the company). The respondent has a very good understanding of IKEA's vision as aimed at customers: a company that "works for the poor" and staff: "better working days for humble people".

Below, I have summarised the stated versus perceived values from his account.

¹⁴³Indeed, V. needed this break. One month after our interview, he had to take sick leave.

<i>Stated values</i>	<i>Perceived values</i>
Togetherness and enthusiasm	Personal loneliness in the atmosphere of visible collectiveness. Visible, intentional togetherness – working together in one small room, sharing computers. A constant trial period since he basically had no support from his bosses. While his individual achievements were not really appreciated, he had to prove time and time again that he could contribute to the collective efforts. Nevertheless, V. was still very enthusiastic about his level of responsibility and freedom to act.
Accepting and delegating responsibility	Extremely strong value. However, the major focus was on accepting responsibility, which provided strong motivation since it was perceived as an ability to realize his ambitions.
Daring to be different	Extremely strong value. Understood as daring to take risks. A way to show others what he was capable of.
No fear to make mistakes	He was afraid to make mistakes, however, he dared to take on new challenges.
Constant desire for renewal (developing oneself and others)	He was developing more of desperation to hold the job and succeed in it than of a real motivation to do so. He had no time to develop others. Others did not have time and energy to develop him.
Constantly being on the way (growth and change)	He realised that he was maybe not good enough for a growing company. He wanted to contribute to moving the company forward.
Cost-consciousness, achieving goals with small means.	Almost as a major principle. Time was money, thus everyone was communicating via mail. Saving costs might be one of the reasons for combining two positions. Budgets for PR were low, he had to meet them and felt an additional stress. Appointing an extra person to help him meant extra personnel hours. He understood that and did not ask for help.
Environmental responsibility	A strong motivational factor. Providing a sense of mission.

Table 7.2. The stated versus perceived values in V.’s account.

As seen from this Table, V. provided a clear interpretation of major values (seven of eleven) and, in addition specified the environmental value. He was really motivated by five from these seven, but actively used only four: “daring to be different”, individual responsibility, “no fear of mistakes”, and environmental responsibility. He was “exposed” to values as “cost-consciousness” and “constant desire for renewal”, and he only “observed” and dreamt about a real “togetherness and enthusiasm”. V. perceived IKEA’s value proposition to the staff as some kind of endeavour that required more efforts from him. This was not perceived as a fair contract since he gave to the company more than he

received back. For example, the major promise of togetherness was not fulfilled in his case. Thus, the value proposition can be formulated as *negative* and the perceived value is that of “constant trial”, a disturbing and highly stressful feeling of dissatisfaction with the job.

7.2 Suppliers' brand perceptions

By studying suppliers' brand perceptions, I aimed at understanding the impact of corporate brand on external stakeholder relationships with the company. As discussed earlier in the text, the *local supplier-facing brand* was referred to as both “a responsible relationship” and cooperation with the low cost in focus. As follows from the suppliers' accounts, there were different forms of retailer-supplier relationship and different levels of cooperation, which also reflected the degree of market impact that the corporate brand produced on the local industry market. Sub-chapters 7.2.1, 7.2.2, 7.2.3 are devoted to three different supplier stories.

7.2.1 Brand as an “unknown order” (Russia)

The relationship between IKEA Trading and the Priozersk factory started thirty years ago, in the Soviet era, and it was marked by IKEA's active involvement in the production process from the very beginning. The first chair produced by the old furniture shop that existed at this time was manufactured in accordance with IKEA sketches. The specificity of local production was taken into consideration by IKEA specialists who modified the design of this first chair in accordance with the factory's recommendations. In 2004, five different chair models were produced for IKEA – the factory's biggest client – and some new products were under discussion. The factory extensively used Swedish experience and technology to replace the outdated equipment, and design the whole manufacturing process in accordance with IKEA's safety and quality standards. According to the Director, his factory almost reproduced IKEA's business idea of flat package production and delivery:

In principle, we were designed exactly for this, and IKEA, in developing production, takes into account that the supplier should be

ties to it from the point of view of models, the market and many other factors.

Meeting the demands of four newly opened IKEA stores, the factory significantly increased its production volumes, reaching in 2004 its maximum capacity. The future increase of capacity required additional investment, which was the issue of negotiations between the factory and IKEA's representatives. Besides supplying for IKEA, the factory responded to the rapid market development in Russia by developing new products such as, for example, country cottages for the North-West region where the demand for solid wood products greatly exceeded supply, and it was still growing.

Speaking about the relationship between the factory and IKEA, the Director provided a sincere and critical account. He appreciated the support that his factory had received from the company during the turbulent perestroika time and stressed that these relationships were based on mutual understanding and cooperation. IKEA's close involvement "helped the factory to survive all the crises". As explained further, "when all sorts of processes negative to production began, we worked out a program, and it was a lucky thing, that they and we stuck to this program as far as we could". That time was referred to as the best phase of relationships when Trading representatives and factory specialists worked closely together. Since then, the relationships had not always developed easily and it required a great deal of flexibility from both sides.

As explained by the Director, IKEA's pricing and especially payment policies (IKEA paid in Swedish crowns), have caused the most problems, especially at the time when the Swedish crown had been devaluated almost twice to the dollar. Production became ineffective and at times even unprofitable but they continued the cooperation "in order to keep jobs". As regards IKEA's pricing policy to suppliers, the Director explained:

IKEA works without taking into account the world prices. It works with some internal prices for raw materials, for component parts. And when buying themselves, they use some prices of their own and try to organise competition between suppliers, but with their own and not the world market prices.

In his opinion, this policy was ineffective and could only continue until “there are free sectors” and “closed economies”, where suppliers were dependent on IKEA as a major client and “lived and worked by their prices”. He added: “such an attitude is now striking a blow to the IKEA system” and asked a rhetorical question: “Is IKEA prepared for the prospect that this system will start to fail?”

Criticising the company’s unwillingness to consider the real suppliers’ situation and instead work in accordance with “their own scheme that has worked for them”, the Director suggested another approach:

But I would do it in a different way. I would simply study the Russian specificity. Because in Russia, to work with IKEA would only those who want to work with IKEA. And this should have been realised.

There were three factors, which the respondent emphasised as critical in development of good relationships with suppliers: mutual trust and respect; combining the expertise from both sides and pursuing common economic goals. In all these issues, both the supplier’s and company’s points of view should have been taken into account:

It always depends on both the supplier and the buyer. On two parties. On how the relations permit, on how we and they will approach the responsibility.

The latter factor was closely linked with the need to adjust more to the local market situation. According to this respondent, IKEA’s policy towards suppliers differed very much from their policy towards customers since, in the latter case, the company demonstrated a higher degree of cultural sensitivity and achieved a good understanding of local needs: “They know how much the customer can give depending on the conditions of competition of these products on the market.” One example of the lack of market understanding was the way, in which some rules from IKEA’s Code of Conduct were implemented at the factory:

Ecology, yes, it is interesting to me, but again how is it done? A guy comes from Sweden and says it should be done in this way, or in that way, or in some other way. But excuse me, there is the forest code, forest legislation. And you can tell the supplier a lot about how to stock timber, but all the same he will follow the existing code and coordinate

his actions with the forestry. Therefore, the first step should be made to adapt this specialist, so that he could compare.

Another factor that complicated the relationship between two parties was the perception of IKEA's personnel policy that the Director heavily criticised. He explained that very often inexperienced staff was made responsible for the relationship with his factory:

They give allotted work to people who are just not prepared for it. I even told someone in the management that people had been hired from the street!

The IKEA team consisted of a technician described by the Director as "an excellent guy, we have been working with him for 11 or 12 years" and purchasing agents who did not only "change all the time" but also "were just not fit to do their job". Staff rotation, widely practised at IKEA, was met with scepticism and even annoyance by this supplier who stressed that by replacing people who were "securing the business process" IKEA managers did not only complicate the business process but also damaged the relationship. Among major problems were difficulties in communication, which became sporadic and impersonal:

First, the IKEA system results in the fact that you don't know who your comment should be addressed to. For instance, I had one meeting with the Trading manager now. And that is all. (Director)

One man worked with us for a year and a half, and in that year and a half I did not receive a single answer to my fax messages. Not a single one! As if I just sent them somewhere into a vacuum! And he sent to me some offers of his own. Yes, and after all, he got a promotion. (Technician)

Another problem was the lack of continuity in the relationship:

You should first look at the person you are prepared to replace. Is he prepared? Test him, ask the suppliers. Are you adapted to this person or not?

The Director provided some anecdotic results of their recent interaction with IKEA Trading:

Two bills for 500 000 crowns are floating about somewhere. Has this furniture been received or not – our people do not know, no-one can find out what the whole matter is all about!

Summarising his issues about IKEA's HR policy, the Director exclaimed:

The only thing that surprises me – their people, who understand it all, are in some low positions. How at all do they develop their personnel policy, according to which unknown laws?

The overall scepticism on the behalf of the supplier was also seen in how the Director interpreted IKEA's mission and vision:

They cover the big middle class, try to somehow participate (sincerely or not – that I don't know, it may be a marketing trick), but they try to participate in social projects and programs.

The same sceptical attitude was expressed towards the training possibilities for the factory's staff at Swedwood: "Training and learning should be done down here, on the spot, in the specific situation."

In spite of the disagreements discussed above, keeping IKEA as a major client was considered important. At the same time, the Director understood the importance of diversifying both client and product base in order not to "miss the construction boom in Russia":

Yes, we reviewed all our programs and arrived at the conclusion, that furniture, most likely, should remain in the IKEA direction, and diversification of business should be done at the expense of other sectors.

Speaking about mutual obligations and the importance of keeping up a business relationship with IKEA, the Director commented:

Almost 30 years of experience that some order they will try to keep all the same. And we will try to keep it as well, because there are mutual obligations, experience of work and the direction.

In this relationship, the Director was ready to use every opportunity to keep it going, however, there was always "a line that should not be crossed".

The difficulties in relationships had affected the cooperation with IKEA. For example, the factory did not receive the necessary loans to modernise the production facilities. That resulted in missed opportunities for IKEA. According to the Director, the company's

refusal to invest money in new equipment that could have increased the efficiency and volume of production, forced the factory to find another contractor, an Italian company. The supplier explained his decision as the result of “the unfortunate situation with IKEA personnel”.

On the other hand, a good personal relationship can boost the whole business. IKEA’s contact person was characterised by the Director as “an energetic man who presses towards something”. The Director expressed his willingness to discuss the future investment opportunities with that person.

Speaking about their relationship with IKEA, the Director was not only critical but sometimes also seemingly unfair, given the amount of help received from the company under the long period: “In my view, this is a corporation which thinks that many others are obliged to it and it is obliged to no one and with nothing.” He almost always spoke about IKEA as “them”, in a very impersonal way (“one guy from Sweden”, “one man”) and used such expressions as “tie up a supplier”, “occupy the free zone”, “make suppliers live and work by their rules”, talking about IKEA principles as “unknown laws”.

Summary of brand perceptions for a Russian supplier

I will now summarise the perceptions of vision, core values, value proposition and the perceived value for this supplier. The respondent spoke rather about IKEA’s mission, which he formulated as “covering the middle class” and “trying to participate, sincerely or not, in social projects and programs”. The company’s actions in these directions have been referred to as “a marketing trick”. Speaking about values, the respondent also made comments about the HP policy and the Code of Conduct, which are listed below.

<i>Stated values</i>	<i>Perceived values</i>
Cost-consciousness	Towards customers: providing the low price relative to competition. Towards suppliers: forcing to work with low prices, for example, working with internal (low) prices for raw materials, “occupying free zones”, making the suppliers “to live and work” with these prices. The need to increase production volumes, higher dependency on IKEA.
Constant desire for renewal	Constantly changing the contact persons with suppliers, difficulties in communication, low efficiency, the lack of continuity in the relationship, difficulties in adaptation.
Togetherness and enthusiasm	Used to be a strong motivating factor in cooperation. Recognized as missing element in the present relationship.
Value recruitment	Taking people “from the street”, giving work to people who are “not prepared”, lack of professionalism, lack of expertise.
HR policy	In accordance with the “unknown laws”. Most knowledgeable people were at low positions at IKEA.
Code of Conduct	Interesting but in parts irrelevant to local conditions. Carried out without consideration of local norms, thus met with scepticism.

Table 7.3. The stated versus perceived values in the supplier’s account.

As seen from this Table, the respondent perceived cost-consciousness as a main value and working principle in IKEA’s relations with customers and suppliers. It is interesting to mention that the low price policy for customers was perceived as trustworthy (culturally sensitive and sincere), while the ways to achieve the low price were perceived as exploitation of suppliers. Thus, IKEA’s *contract* with customers was perceived as fair while the one with suppliers as unfair. IKEA’s working principles with suppliers were also perceived as irrelevant in parts. That allowed me to conclude that this supplier perceived the value proposition as *negative* and the ultimate value of the relationship as moderate to low (the relationship with an escape route). I have summarised the supplier’s perception of IKEA as an “unknown order”, stressing the meaning of the word “order” as a set of rules. In spite of his good formal knowledge of IKEA rules, the supplier talks about many issues as “unknown”, which, in my view, signals his unwillingness to accept these rules since he did not agree with them.

7.2.2 Brand as a role model (Russia)

Lenraumamebel is a large and modern production plant in St. Petersburg that had been planned for working with IKEA. The relationship dated back to 1994 and it has gone through different phases such as a temporary termination of the relationship followed later by the decision to resume it in the end of 2003. During this time, the factory has undergone a lot of changes and was totally restructured. According to the Director, Lenraumamebel was an enterprise with 100% Russian capital, but nevertheless it was “a westernised enterprise”.

The Director explained that the reason behind the decision to terminate the relationship with IKEA was the incompatibility of the factory's price formation policy with IKEA's low price policy. Since the factory afterwards decided to apply the same principle and tied its price to the volume, the negotiations with IKEA were resumed and ended up in ca 40% of all factory products being produced for IKEA. The goal in 2004 was to increase the volume to ca 60%, making IKEA the factory's biggest client. Among the most critical factors that influenced the managerial decision to resume and develop the relationship with IKEA was the adoption of a mission similar to that of IKEA. This is how the Director formulated IKEA's mission:

As far as I understand the IKEA mission, it is the saturation of the market with inexpensive products. This is how I understand it, but there may be something else.

Commenting on the factory's mission:

In principle, here we have a lot in common, because our mission is in general about the same, i.e. saturation of the market with high-quality and inexpensive goods.

As explained by the Director, before the active cooperation with IKEA: “The aim of the enterprise was to get profit. The mission was not just different, there was no mission at all.” The difference of goals and the lack of a clear mission were regarded as “the arguments for not to work with IKEA before”.

Talking about present relationships with IKEA, the Director commented on the convenience with planning based on yearly

volumes, which made it easier for the factory to calculate the load for the whole year. The stability related to the invariability of volume and production capacity was highly appreciated, since the factory wanted to increase the production volumes by decreasing the costs and simplifying the cycle, and here IKEA's experience was invaluable. The product assortment for IKEA in 2004 was rather small and consisted of four items: two bookshelves, a container and a bed. One product, the bookshelf, Leksvik, was produced for the domestic market as well as for export. That suited the factory's own goals very well. As commented by the Director: "We are an industrial enterprise, we are interested in big volumes and a small assortment." Asked whether their new product strategy was influenced by IKEA, the Director explained:

It turns out more of the opposite – we are pushing IKEA. I mean we were interested; the assortment reduction was one of our tasks. Because formerly the monthly production plan took up 2 pages. Now 2/3 of a page is enough due to the assortment reduction.

An important factor that made the factory interested in cooperating with IKEA was the experience the company shared with them regarding new materials and technologies (e.g. in wood finishing). By applying these new standards to their own products, the factory raised their overall quality. Cooperation at the product level involved joint product development to "make IKEA's product more manufacturable":

That's what has happened with the new products: they were designed not for us, and therefore we wanted to introduce some corrections!
(Technician)

It started as early as at the design stage when IKEA's technicians worked hand-in-hand with the supplier representatives:

We always try to reach complete mutual understanding between our IKEA and ourselves. All problems are solvable, you just have to sit down and discuss them. (The factory's technician about a new product development)

According to the technician, the factory's reasoning when changing the design of IKEA's product was always related to its price, implying that the factory actively used IKEA's cost-efficiency terms. A similar principle was used when the factory offered a completely new product to IKEA, when the final decision was made in accordance with the

parties' agreement on the final price. In order to introduce the products that would fit IKEA's style, the factory representatives did their own research, for example, they visited the stores and studied IKEA's catalogues.

Cooperation with IKEA also implied the factory's participation on the concept level. For example, the Director stressed the importance of making workers aware of IKEA's working principles and its brand. The latter knowledge was perceived by the factory's management as necessary to create the sense of motivation on behalf of the staff:

Because if a worker does not make just a component, but implements a certain production operation, the knowledge of the end result becomes a sort of motivation for him. When he makes a leg, he realizes that he is making a leg; this is already the second stage. The very first one – and most ineffective – is when the worker knows that he, let's say, must spackle something. And if he knows that he is not just spackling, but manufacturing furniture, it is much better. In a certain way, it motivates him to work well. (Director)

A Western company, such as IKEA, was also considered as a role model in the way the corporate concept was documented and communicated to the staff:

I cannot say that I am well familiar with the business organisation in such companies as IKEA and Coca- Cola, but it is necessary to aim at that. You can build your business in different ways, form your corporate regulations and rules differently, but the main thing is that they must be fixed in a way in some documents. So that every worker knows what is required of him. Because the worker works better, if he knows it. If he comes to work with the purpose. (Director)

It is quite remarkable that talking about the joint concept development with IKEA, the Director did not mention the role of management but instead emphasised the factory's workers as a major force.

The relationship with IKEA has been described by the respondent as very good, trusting and based on mutual understanding. The eagerness of both parties to negotiate and solve the problems together has been especially stressed. The Code of Conduct was used as the basis of the relationship. It was treated with respect and interest by the factory's management and perceived as an opportunity to raise the factory's

standards, for example, by using the technologically pure materials: “IKEA gives us recommendations on technology. They recommended us to switch to the new finishing materials.” Asked about their level on the four-step IKEA ladder, the Director explained:

I think, we are in between the first and second ones. That is, we have just started to work, but, you see, are already moving. That is, even now, some changes of basic conditions are taking place, and these will bring improvements, especially for us.

Moving up the ladder was considered progressive for the factory since it allowed them to be more proactive in the relationship and introduce changes such as, for example, the new payment conditions.

The importance of a good relationship on a personal level was emphasised in the interview. The IKEA Trading representative played a vital role in the relationship and especially in the fact that it was successfully resumed:

And in principle, the contribution of T. has been sufficiently important. When the IKEA representatives came before, I cannot say that we were unable to find a common language, but all our negotiations resulted in nothing. And when T. came to us, we managed to agree, and rather rapidly. (Technician)

The role of an experienced IKEA technician who had an extensive and deep knowledge in the field was also stressed:

G. is a very prominent specialist. He has been working with IKEA for quite a long time, on woodworking. He is a very serious technical specialist. What else can be wished? I even do not know. All that we need we get. (Technician).

The Director mentioned the training possibilities for the factory’s workers that they used for “exchanging experience” and introducing changes in technology. Although the staff was not actively involved in training, there were good possibilities ahead, which the Director mentioned as his future plans.

Summary of brand perceptions for a Russian supplier

I will now summarise the perceptions of vision, core values, value proposition and the perceived value for this supplier. The vision, or rather a mission was perceived as “the saturation of the market with

inexpensive products” and used as a prototype of the factory’s mission of “the saturation of the market high-quality and inexpensive goods”. The perceptions of core values and major policies of IKEA are given in the Table below:

<i>Stated values and policies</i>	<i>Perceived values</i>
Cost-consciousness	A central value, a basis for the factory’s mission, a production principle of big volume and small assortment.
Togetherness and enthusiasm	A cooperation principle, a way of sharing knowledge on products and technology. A special role of good personal relationship.
Code of Conduct	Reasonable rules, an opportunity to raise standards, a motivating factor.
HR policy, the family feeling at IKEA	The model to follow to motivate the own staff.

Table 7.4. The stated versus perceived values in the supplier’s account.

As seen from the Table, the respondent has not only perceived the central IKEA value as a core of the company’s strategy but also “borrowed” it to formulate the factory’s mission and strategy. The factory has made several steps in that direction – decreased the assortment, tied prices to production volume, made the processes more effective, changed the delivery practices and trained the staff. The second major IKEA value formed the basis of human relationships, which was guided by mutual economic interests, common goals, mutual trust and respect as well as exchange of expertise. The factory’s Director sounded empowered by how the cooperation developed so far and had big future plans. The factory’s role in this relationship was perceived by him as pro-active: “We are pushing IKEA.” That allowed me to conclude that the company’s value proposition to this supplier was perceived as *positive*, which I summarised as a “role model”, turning into an “equal partner”. The perceived value by the supplier was that of strong motivation to continue and deepen the relationship, in which the factory played an active role.

7.2.3 Brand as an equal partner (Poland)

PROFIm is the Polish factory started in 1991. At their web site¹⁴⁴, the company described itself as the “best producer of chairs in the Polish market”. A dynamic growth of the company made it into a brand, which was well known on the office furniture market and recognised as a guarantee of high product quality. The factory did not have its own stores, it worked with wholesalers – the furnishing companies supplying offices, hotels, etc. In 2006 PROFIm had two production plants and the total output of over 70 thousand chairs a month, a turnover of 35,5 million Euro and employing 930 people. The factory exported 50% of its products to different European markets. Since 1992, the factory has been participating in a number of prestigious fairs in Poland and abroad and received a number of awards.

It started cooperation with IKEA in 1997, referred to as “promising”. At this time, it was already a big plant supplying both Polish and other East European markets including Russia. According to the factory’s director, the company’s development strategy was quality oriented. The factory was the first Polish office chair manufacturer that received a quality system certificate compatible with ISO 9001 standards in 2000. From the early phases of production, the company has paid particular attention to product quality. It has its own testing laboratory and a team of specialists in the Quality Assurance Department. All chairs and armchairs were subject to a special standard testing according to the highest international norms. Due to these comprehensive tests on durability, stability and safety, the company’s products are long-lasting, reliable, safe to use and ergonomic. The idea to introduce an own test laboratory was “borrowed” from IKEA. The factory specialists have been involved in an extensive training at IKEA of Sweden; they have visited the company testing laboratories to see how the process functioned. As commented, they came up with their own initiative to start similar testing facilities and thus raise the quality standards.

In 2004, the factory produced three different types of office chairs for IKEA: Nominal, Patrik and Visitor. In total, their IKEA products accounted for 20-30% of the total output, making IKEA the factory’s

¹⁴⁴ www.profim.pl

major customer. The company's management has always taken an active stance in the relationships with IKEA. This included active involvement in the new product development; suggestions and ideas of how to increase efficiency and lower production costs; ideas of how to shorten the delivery time and simplify the production process as well as suggestions of how to make the communication process faster and more effective. The main idea behind the active position in the relationships with IKEA has been to develop a new type of cooperation – more flexible and involving a shared responsibility for the production process, a pursuit of mutual interests, and an improved competitiveness for both the factory and the retailer.

As far as a new product development was concerned, the factory suggested many innovative technical ideas for IKEA's products, such as the mechanisms for office chairs. When a sketch of a new product was ready in Älmhult, it was usually shown to the factory's representatives who started thinking about "technical solution, the price, how to produce it cheaper and how to have a good quality". They usually came up with suggestions regarding all aspects of the new product, although the level of involvement could be different. Since IKEA designers were so far away from the production, they often provided the ready design leaving very little space for changes. But even in these situations, the factory's representatives had on several occasions provided IKEA with their own price calculations and sales forecasts for new products.

As commented by the Deputy President, the factory managers and technicians wanted to be more actively involved in the production process, such as in finding sub-contractors for the products they manufacture for IKEA. For example, they have continuously come up with own suggestions for companies that produced fabrics used in IKEA models of chairs. Yet, IKEA insisted on finding by itself the sub-contractors that the factory should use ("They are given to us by IKEA who say – you have to buy from them!"), which in many cases created a lot of problems. As commented by the respondent on the recent problem with one such company:

We will receive the order from this company and if something is wrong, we have to make an appointment with five persons from IKEA to solve these problems. I cannot imagine why somebody complicates such a simple subject!

This is referred to by the respondent as an “unacceptable situation”, “an organisational problem at IKEA” and an attitude with “no logic” since it complicated the production process and increased the delivery time more than 3 times. He stressed that the interaction between them, their sub-suppliers and IKEA had to be simpler and that the factory had to be given more freedom to choose its partners. Due to the fact that the factory’s management was very well aware of the requirements that IKEA had for its suppliers, they felt that IKEA could trust them more and give them greater responsibility:

When they (IKEA) have found sub-suppliers, their job is finished. If we have some problems with these companies, we have to solve them together. For example, we, a sub-supplier and some guy from IKEA. But five persons is too much!

Having suggested their own sub-suppliers (“We know some companies that are cheaper and faster”), the factory’s Deputy President has been met with scepticism and rejection at IKEA: “They say that it is not possible! Because I don’t know why!! They say it is not YOUR problem.”

As far as the efficiency of the existing production was concerned, the managers of the factory came up with an idea of building an assembling unit for IKEA products manufactured in Poland and nearby countries. The main focus was, of course, on office furniture such as different types of chairs that the factory specialises in. According to the respondent, PROFIm could become a place for assembling chairs for the following reasons:

We have a very good location in Europe, especially close to other markets. The localisation is not enough. You need to have good transport. This is where main warehouses for IKEA in Germany (showing the presentation). All chairs for Russia and other markets are produced here; main markets are Germany, Austria, France, US, UK.

The issue of shortening the delivery time for IKEA products was discussed in relation to a possible cooperation with another Polish factory, an old partner of PROFIm, which was involved in the production of mattresses and sofas for IKEA. The idea was to ship all IKEA products to that factory, which would become a dispatcher hub for a number of IKEA products. This idea was referred to by the

respondent as a “good and smart solution”. The fact that PROFIm’s owners had very good personal relationships with the management team of the other factory (partly co-owned by PROFIm) was one of the main reasons for suggesting them as a partner for IKEA.

With regard to their relationship with IKEA, the respondent talked about them as a “really good customer that pays well and gives a big production”. The relationship with IKEA has always been kept on a very close and personal level. For example, the Deputy President commented on his existing contact person as “a really good connection and responsible relationship”. Having one contact person for technical and another for business support was referred to as “a really good solution”. The factory also had two persons responsible for relationships with IKEA – one for deliveries and one for sub-suppliers. They had regular meetings and talked on the phone almost daily. These were rather informal and friendly relationships between people who trusted each other: “I like these people, it is really important to have these contacts.” The interaction was easy and took into account mutual interests: “Each time we come to an agreement.” The only thing that could have been improved, according to the respondent, was the decision making process that should have been faster and with a more active cooperation on different production issues. Those issues, however, depended on the relationships between the corporate and local IKEA organisations referred to as an “unclear and specific situation”.

The factory’s management was rather cautious and even hesitant in increasing the IKEA’s share in their total turnover unless the conditions of their cooperation changed in accordance with the factory’s views. Increasing production for IKEA under the existing conditions (a rather small number of simple and relatively cheap products) did not seem beneficial, in the light of the market situation in Poland, which was characterised by fierce competition in the office furniture industry and quality demanding customers. To win this battle, the factory had to increase the quality of its existing products and come up with more complex and innovative solutions: “We want to produce more complex, we want to be competitive.” To compete with low price and simple products was not regarded as the right strategy for the factory that has

developed into a well-known quality brand in its industry¹⁴⁵. Besides, the factory's management was very well aware that IKEA could produce cheap and uncomplicated products in other countries like China, thus weakening their own position (in case they change the profile).

Speaking about the prospects of their relationship with IKEA, the Deputy President was optimistic, however, considered two scenarios: the intensified cooperation (an increased turnover with a new assembly unit, a larger number of articles for IKEA) and the unchanged cooperation (the same turnover and less growth, a low number of articles for IKEA). The factory's management opted for the first scenario arguing that under the second scenario the factory would focus on producing the cheaper parts of chairs for IKEA instead of coming up with the whole new products.

The factory management spoke with a great deal of respect and satisfaction about the ways of sharing knowledge with IKEA. Their relationship has always been characterised by openness and a willingness to share both the product and market information:

We share with IKEA everything, all the information; we have a lot of information from them about sub-suppliers, about new products. On our part, IKEA knows about us, a lot of information about our customers. We do some marketing research, we look at the market, what they need, what they want.

However, there are issues that IKEA representatives did not want to discuss with the factory such as final prices of products for end consumers, the issues of sub-suppliers and other internal issues.

As far as IKEA's low price strategy towards customers was concerned, the respondent expressed an opinion that it was far from being realised in Poland where IKEA products were still too expensive for the majority of customers who "don't earn enough and still buy small things". Nevertheless, IKEA was "very popular" in Poland: "Here everybody knows IKEA!" Among the most popular features at IKEA, the respondent mentioned its "special atmosphere in the store" and

¹⁴⁵PROFIm is, indeed, a well known B2B brand in Poland when it comes to office chairs. It is known for its high quality that is being continuously improved due to testing and new technologies.

product design, however, he had “different feelings about the quality” and the ratio of price and quality. In his opinion, “there is some level when you cannot go down with price. If you do that, something will break.” For example, talking about his meeting with Ingvar Kamprad who visited the factory he referred to Ingvar’s idea to decrease prices for some product 40% as “impossible” for quality reasons.

It is interesting to note that the management’s attitude to their own people and their professional development was influenced by IKEA’s policy towards the staff. As commented by the Deputy President, they had to employ young people and train them on the job. The ways to do this were different, for example, “to put them in the car and go to the German factory to see what kind of solutions they have to produce good quality and good delivery”. That resembled the ways used at IKEA to teach the staff the best solutions by sending them to different IKEA stores. All workers involved in the production process for IKEA knew a lot about the company: “They visit IKEA stores and know our products.” The respondent himself knew a lot about IKEA’s history and especially about the company’s connection with Polish suppliers.

Another influence the respondent mentioned was the Swedish design and style (“straight lines”) that his factory had introduced to some of its other products. However, he stressed the company’s influence on technical solutions as much more visible. The product assortment was not much influenced by IKEA since IKEA products are manufactured separately and the company’s strategy was product diversification and quality orientation.

Summary of brand perceptions for a Polish supplier

I will now summarise the perceptions of vision, core values, value proposition and the perceived value for this Polish supplier. The respondent spoke about IKEA’s vision as the low-price strategy towards customers, which he actively supported but commented that it was far from being realised in Poland. Besides, the respondent questioned the “low price-good quality” ratio of IKEA. He had “different feelings” about quality, arguing that it could not be kept at a satisfactory level when prices were decreased too much. Speaking about core values, the respondent also made comments about the HP policy and the Code of Conduct, which are listed below.

<i>Stated values</i>	<i>Perceived values</i>
Cost-consciousness, efficiency	Perceived as shared responsibility for production process and as a simpler and more efficient communication process between parties. Coming up with own suggestions of how to increase efficiency by shortening the delivery time with a new assembly unit. A motivating factor, which, however, did not serve as a major principle since the factory was quality oriented.
Togetherness and enthusiasm	Understood as openness and willingness to share knowledge in product and quality issues. A strong motivating factor in the personal relationships with IKEA's local representatives.
HR policy	Partly borrowed from IKEA. Employing young people and investing in training.
Code of Conduct	The factory has achieved level 4 of the Code of Conduct. The factory's management had a very good understanding of the requirements; they were ready to apply them to their sub-suppliers.

Table 7.5. The stated versus perceived values in the supplier's account.

As seen from the Table, the respondent perceived the central IKEA value as both a motivating factor in the relationship and a shared responsibility for the production process. This was in spite of the fact that the factory was quality-oriented and the Deputy President had a different perception of the quality-price ratio than IKEA. The factory was ready to participate in the low price creation process; however, they wanted to dictate their own conditions, which were perceived as mutually beneficial since they allowed the factory to become more competitive and IKEA more efficient. The other core value of "Togetherness and enthusiasm" was perceived as an opportunity to share knowledge on new products and technologies, which the factory's management was very enthusiastic about. The Code of Conduct was perceived as clear and necessary rules of cooperation for the factory as well as their partners. The achieved high status with the Code of Conduct was perceived as a strong competitive advantage. IKEA's HR policy was perceived as a good example and partly borrowed by the factory.

The factory's Deputy President sounded really satisfied by how the cooperation had developed so far and had big future plans, the realisation of which depended more on IKEA than on the factory

management who made their point very clear – they demanded more involvement in the strategic issues of product development and low price and more freedom in decision making. The respondent characterised the relationship with IKEA as “responsible” and “open”. That allowed me to conclude that IKEA’s value proposition was perceived by this supplier as *positive* (defined as an “equal partner”). The perceived value by the supplier was that of a strong motivation to develop and deepen the relationship. The factory’s role in this relationship was clearly pro-active: they suggested a whole set of measures to increase the production efficiency and lower costs.

Chapter 8

Analysis and discussion

An extended corporate brand framework for market driving

8.1 Introduction

In three previous chapters, I have presented the vast empirical material covering the corporate brand manifestations at the corporate and local levels of the company. In the empirical presentation, I was guided by the model from Chapter 4 (Fig. 4.3) that provided both the conceptual lens for the analysis and the structural bones for presentation of my field material (brand dimensions of vision, culture, employees, core values, the value proposition and stakeholder value). The flesh of the empirical material was structured around the existing model, although I was trying not to force the data too strictly into the pre-determined dimensions and allowed other emerging dimensions to emerge.

As discussed earlier in the method section, I am using the systematic combining of empirical material and theory, when the observed facts are related to the previous knowledge, while new insights are also added in the process of a further theory development. Using this logic, I have used the previously developed framework for the presentation, interpretation and partial explanation of the empirical material under study. This has allowed me to move further in the process of a new theory development, which represents a combination and modification of the existing corporate branding theories and models. As a result, a new extended conceptual framework for the transfer of corporate brand identity between corporate and local market levels has been built. In doing so, I have aimed at answering my first sub-purpose related to the role of corporate brand dimensions in the value creation process in market driving. The achieved knowledge has been used later to provide

a deeper understanding of the market driving phenomenon in terms of the link between corporate branding dimensions and market driving activities at the corporate and local levels of the firm as well as the specific character of activities towards different stakeholders.

8.2 Forms and modes of the corporate brand

An extended conceptual framework developed in this sub-chapter is based on a set of new concepts that I will introduce now and illustrate later in 8.2.1 – 8.2.5 with examples from the empirical material. Before doing that, I deem it necessary to explain why new concepts were needed. As the empirical material has demonstrated, the constructs from the analytical model (Fig. 4.3) are useful tools to describe the corporate branding phenomenon at a certain stage of the brand's internationalisation process but they are insufficient to identify different identity forms developed at the corporate and local market levels. As mentioned in the empirical chapter, the roles of different brand dimensions and the way they were prioritised by managers at different levels of the company were not the same. Taken together, they made up different corporate brand manifestations that needed categorisation. In this process, I have made use of the existing models from the corporate branding literature.

In addition to the preliminary conceptual model (Fig. 4.3), the model by De Chernatony and Drury (2006) (see Fig. 8.1) was used and further developed with a subsequent integration of these two models into a new conceptual framework with my study. This latter model was originally developed for the process of brand's internal development within a services organisation. Looking at how the brand is internalised by the staff and how it becomes an ethos, the authors distinguished four stages of brand development. At the first and second stages, the brand is strictly under corporate control and represents correspondingly a *codified brand* and *comprehended brand*, depending on the level of employee understanding of the brand. At the third stage, the corporate control becomes secondary and the brand becomes driven by the staff interpretation of it – it has evolved into an *interpreted brand* in terms of their job roles. At the fourth and final stage, which, according to the authors, is a goal for companies to achieve, the brand becomes a tacit

entity, a *brand ethos* within the organisation. At this stage, the employee behaviours become automatically “on brand”.

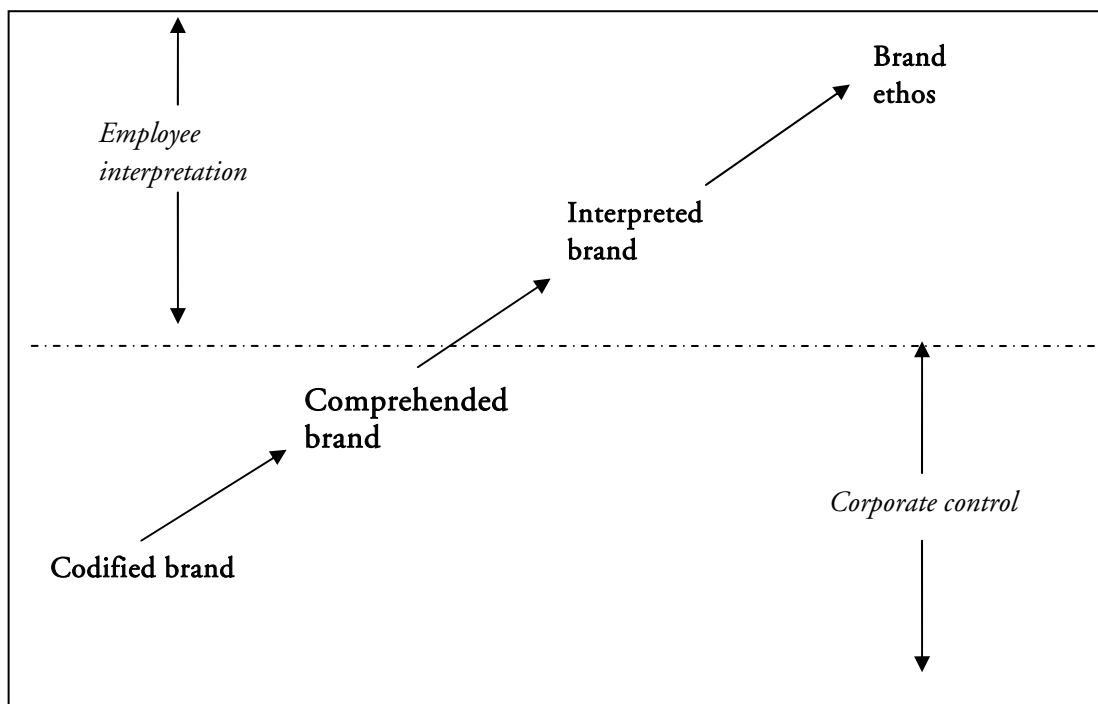


Fig. 8.1. Brand ethos model (a modified version) from De Chernatony and Drury 2006).

The authors have used their model to argue that for the success of a services brand, organisations need to strive for achieving the *brand ethos* stage, which is only feasible through the employees’ close involvement in the branding process via information and value fit. Thus, their focus was entirely on the brand’s internal development. The notion of brand or services brand was also used only in the context of internal branding to the company’s own employees – the service organisation’s personnel. The authors have neither applied their conceptualisation to the external branding process, nor explored the brand internationalisation (corporate – local brand transfer) process.

In my study, I have applied the above-mentioned conceptualisation to a retailer corporate brand, classified in the literature as a mixture of staff, image, store, products and services (Burt and Carralero-Encinas, 2000). Retail brands are a combination of tangible and intangible components with the latter component (e.g. staff behaviours) playing a vital role in the company’s offerings to customers. The importance of staff in developing the brand internally and delivering it in the form of brand

promise to customers is emphasised in many studies of retailing companies (e.g. Burt and Sparks, 2002; Knee, 2002). Thus, the conceptualisation by De Chernatony and Drury (2006) developed for services is highly applicable to the process of internal branding in retailing. It might be argued that the process of employee involvement in the branding process follows the sequence of steps identified in this paper.

However, as other literature (e.g. Burghausen and Fan, 2002; Ossiansson, 2004) suggests, retailer brands are developed in the increasingly broad and overlapping contexts of internal and external stakeholders. The latter groups consist of customers (end-consumers), suppliers and distributors, and other societal stakeholders (media, authorities at different levels, and general public). Thus, for a retailer brand, a multifaceted approach should be taken, in which internal and external perspectives need to be combined. I will now discuss how I have added this multi-dimensionality to the existing model (Fig. 8.1).

Since different groups of stakeholders have completely different points of contact with the company, they should be also targeted somewhat differently, on the basis of their respective needs and aspirations as regards the brand. For instance, Barrow and Mosley (2005, p. 111) argued for the necessity of developing a special *employer brand* aimed at the company's own (existing and potential) employees. This brand is characterised by a specially formulated employer brand proposition to the staff that is designed in addition to a conventional customer brand proposition. The employer value proposition communicates the reason for staff to commit themselves to organisation, which is similar to the customer value proposition giving customers the reason to buy the company's products (ibid, p. 115). Both propositions describe the special benefits that the corresponding groups receive from the company as a place to work in or a place to shop for products and services.

It might be argued in a similar fashion that a supplier-facing brand should be developed to target the network of suppliers, with whom a retailer organisation usually forms a close collaboration. This brand will communicate the special supplier value proposition providing special benefits and giving the reasons for suppliers to cooperate with the company. A broader society-facing brand is also needed since global

retail organisations become more and more actively involved in the life of societies in their respective markets.

Summarising the points above, I have identified four *modes* of the corporate brand: a *customer-facing*, *employee-facing*, *supplier-facing*, and *society-facing* brands, which correspond to different stakeholder groups involved in the branding process. In this regard, it is important to stress that I am using the concept of employee-facing and not employer brand, since I consider it important to stress the actual “receiver” of the brand’s value proposition. The employee-facing brand is aimed at both existing and potential employees. Similarly, I talk about the supplier-facing brand aimed at suppliers and the society-facing brand aimed at the society as a sum of different stakeholders. The conceptualisation by de Chernatony and Drury (2006) can be applied to all four modes of a corporate brand, since all these groups are actively involved in the branding process. There is also an active interaction between employees and the external stakeholders, although not all staff members are involved in a similar way. Consequently, the internal and external perspectives of branding should be viewed in their interplay.

Besides the broad stakeholder perspective, I have also added the international dimension to the existing model. An important feature of most retailer corporate brands is their international and even global character (examples of Hennes & Mauritz, Zara, Benetton, Wal-Mart, Ahold, Carrefour). Their brands need to be transferred from a corporate headquarters to distant markets in their expansion process. In this process, they undergo several stages until they reach the hearts and minds of local customers and other stakeholders. The transformation of a corporate brand identity from the deepest corporate level to the most distant local level can be conceptualised with the help of De Chernatony and Drury’s (2006) model, which I have modified to embrace the international dimension. Thus, I talk about the *conceptualised brand* and *comprehended brand* at the corporate level while the *interpreted brand* is viewed at the local firms’ level. I use these concepts to describe different *forms* of a corporate brand. The meaning of the first concept has been left almost the same as in the original model, while the scope of others has been extended. Besides a new concept of *brand imprints* at the local market level has been added. I will now discuss each form of a corporate brand in more details.

A *conceptualised brand* refers to the brand, which is explicitly codified and strictly driven by corporate control (de Chernatony and Drury, 2006). I am using the concept “conceptualised” instead of “codified” brand to emphasise the centrality of this particular brand form. Indeed, it represents the starting point for brand identity development and provides the basis for all other brand forms. In IKEA’s case, the *conceptualised brand* refers to the deepest corporate level (concept level) discussed in 5.1. As discussed in the empirical chapter, at this stage the brand is explicitly documented in manuals and brochures, while the knowledge of it is the privilege of a rather small group of people - the IKEA “Concept keepers”. The *conceptualised brand* is aimed at the company’s own franchisees¹⁴⁶ – the local stores in all markets and has a goal to define the essence of the brand vision and value proposition to global customers. Thus, the *conceptualised brand* is a very exclusive form of identity.

A *comprehended brand* is referred to in the literature as the brand that has been understood by staff through brand education and socialisation, but has not yet become broadly internalised in terms of their own roles and behaviours (ibid). In my study, the *comprehended brand* refers to the second (next deep) corporate level (strategic level) discussed in 5.2. As shown in this sub-chapter, this form of brand identity is comprised of different interpretations of a rather limited number of corporate-level managers, representing major primary functions of the company, who have responsibilities of a global scale and an extensive knowledge of the whole business chain. The major feature of the *comprehended brand* in my study is that its central dimensions are used to establish goals and plan strategies aimed at global stakeholders. However, it is not communicated to them directly but uses the company’s local organisations as the intermediates. At this stage, it was possible to distinguish four major modes of brand identity: the *global employee-facing brand*, *global supplier-facing brand*, *global customer-facing brand*, and *global society-facing brand* (placed in the order of internal-external stakeholders). Thus, the scope of the *comprehended brand* from the literature was enlarged to embrace the

¹⁴⁶The conceptualised brand is aimed at both internal and external franchisees. In the analysis I will focus only on internal franchisees that are the part of the organisation.

different groups of stakeholders (internal and external) while its level was defined as corporate.

An *interpreted brand* is referred to in the literature as the brand that has been internalised by the staff, which means that it has been clearly understood in terms of the employees' own roles and behaviours (ibid). Thus, the *interpreted brand* is very much based on managerial understanding and their own interpretations. In my study, I am talking about the *interpreted brand* at the local market level, beyond the corporate threshold. The way in which the managers of the company's local organisations interpret the brand has a strong influence on the local staff involvement in the brand development process and their identification with the company. At this stage, it was also possible to distinguish four modes of brand identity: the *local employee-facing brand*, *local supplier-facing brand*, *local customer-facing brand*, and *local society-facing brand* – that the managers have created and communicated to different local stakeholders. Thus, the scope of the *interpreted brand* was enlarged to embrace the different groups of local stakeholders while its level was defined as local.

A new concept of *brand imprints*¹⁴⁷ has been used in this study instead of *brand ethos* in the original model. The reason for this is two-fold. First, *brand imprints* can be argued to be a broader concept combining both internal and external perceptions of the brand. Second, this concept is less “loaded” with the commonly used brand discourse that highlights the importance of alignment between the employees' values and the brand and of their total commitment to the company. My intention was to leave room for an employee's non-compliance with the “living the brand” philosophy as reflected by the *brand ethos* concept. In my understanding, *brand imprints* are deep impressions left by the brand in the hearts and minds of employees and external stakeholders under the influence (pressure) of the corporate brand. These impressions can be both brand-positive (e.g. *brand ethos*) and brand-negative (e.g. *brand sabotage* in Wallace and De Chernatony, 2005).

¹⁴⁷The Oxford dictionary defines the word “imprint” as “a mark or a pattern produced on a surface by pressure” and as “a strong and vivid impression fixed firmly in the mind”. It is also defined as “a distinguishing influence or effect”.

Brand imprints are somewhat similar to brand images, however, the former concept is, in my opinion, broader (it includes both identity and image issues) and deeper than its image counterpart, as it reflects the whole process of stakeholder involvement with the brand. The material illustrating this particular brand form can be found in 7.1-7.2, as a set of perceptions left in the minds of local employees and suppliers.

To summarise, the concepts of *conceptualised brand*, *comprehended brand*, *interpreted brand*, and *brand imprints* have been used to describe different *forms* of the corporate brand in its corporate-local transfer process while the concepts of *employee-facing*, *supplier-facing*, *customer-facing* and *society-facing brands* have been used to describe different *modes* of the corporate brand in a broad stakeholder approach. The four identified modes of the corporate brand and their gradual transformation process from the *conceptualised brand* to *brand imprints* make up four *directions* of corporate development: towards employees (existing and potential), suppliers, customers, and society as a whole. In Table 8.2, I have summarised the concepts introduced above.

Forms (right) and modes (below) of the corporate brand	Conceptualised Brand aimed at	Comprehended brand aimed at	Interpreted brand aimed at	Brand Imprints with
Employee-facing brand	All retail organisations	All company's organisations	Local employees	Local employees
Supplier-facing brand		All Trading organisations and global suppliers	Local suppliers	Local suppliers
Customer-facing brand		All retail organisations and global customers	Local customers	Local customers
Society-facing brand		All company's organisations, global partners, global customers and suppliers	Local societal actors	Local societal actors

Table 8.2. Forms and modes of the corporate brand.

In Fig. 8.3 the above-mentioned concepts have been linked together in one big picture to illustrate the process of corporate brand transfer from

corporate to local level of the firm via a set of brand identity transformations (from a *conceptualised brand* to *brand imprints*) along four stakeholder dimensions represented by four different brand modes. I am going to use this model as a support for discussion throughout the whole chapter.

An important issue to be discussed further as regards the multi-directional process of brand development is the underlying nature of each brand form and mode. The questions to be asked in this regard are as follows: What are the roles of different brand dimensions discussed in the original conceptual model (Fig. 4.3) for each brand form and corresponding modes? The second issue is the transformation from one brand form to another and the ways, in which the corresponding marketing strategies function as brand vehicles between the corporate and local levels of the firm. I will now look more closely at the anatomy of each identified form at different directions of corporate brand development.

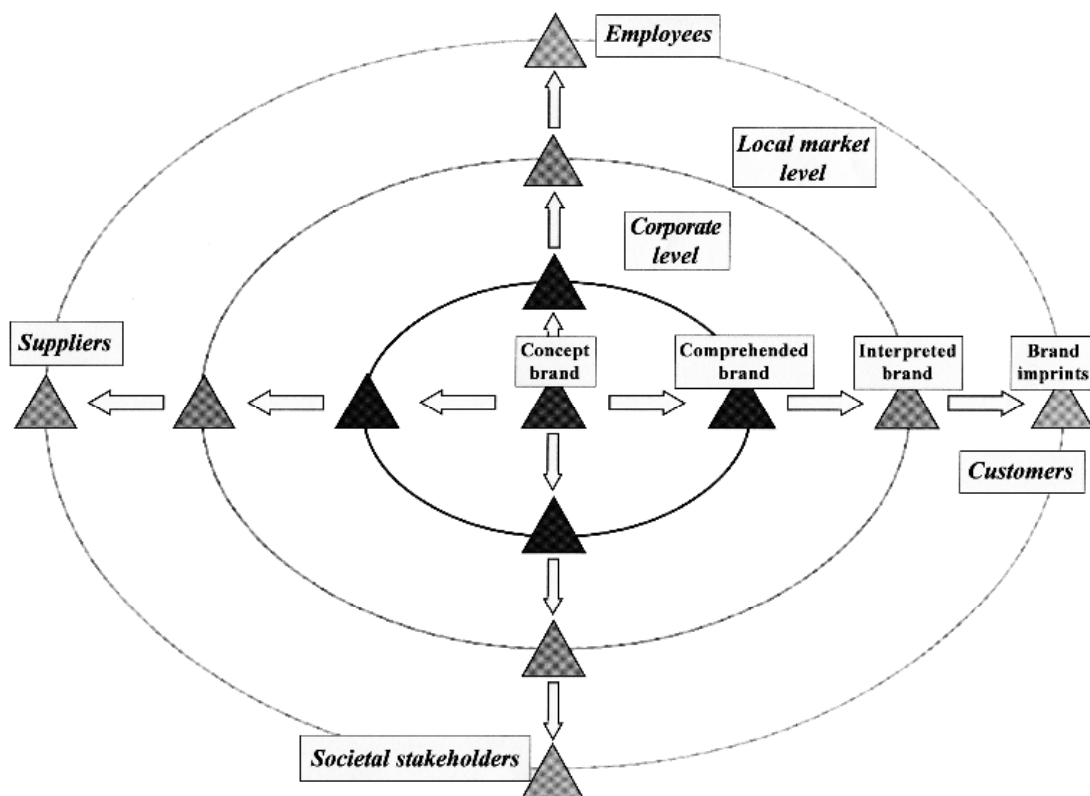


Fig. 8.3. The framework of corporate brand transfer from the corporate to local level of the firm.

8.2.1 The conceptualised brand anatomy

Based on the empirical material in 5.1, a *conceptualised brand* can be characterised as consisting of several dimensions: vision, culture with values, managers' roles, a value proposition, an ownership factor, a financial strength, and the role of the organisational founder. While vision, culture, staff, corporate values, and value proposition refer to central dimensions from the conceptual model in Fig. 4.3, the others are additional dimensions derived from the data.

First, I will discuss the nature of the central brand dimensions and their roles in the *conceptualised brand*. The nature of *vision* is balanced since it is based on achieving a good fit between the "hard" (profit growth) and "soft" (staff development) sides while its major role is in providing *goals* for global market strategies. Each strategic direction is in its essence the application of IKEA's vision for different groups of global stakeholders. At this stage, the brand is still mainly described with the help of a single vision for customers, although different variations of vision for employees and suppliers are being formulated.

The *conceptualised brand* is characterised by the perceived role of *organisational culture* as a "security", which is also rather tangible by nature, as it is documented in manuals for spreading among the staff. Even intangible elements of culture such as values are made more tangible by clearly labelling them as the "right" ones and distinguishing them from other value sets. The view of culture as a security is closely related to the roles of *corporate managers* as "security guards" of the concept. These managers are in charge of the concept's "right" interpretation, while other IKEA managers at the corporate level combine this role with that of "coaches" for key managers from all IKEA markets. The concept is thus mandatory for stores and its implementation is under vigorous corporate control. Other staff are referred to as "pillars" and "stalwarts" of the system, which again reflects the stability focus of the *conceptualised brand*. The major *corporate values* are clearly stated as the "clay" keeping the system together. There is a strong focus on balancing the values by using them from both "humanistic" and "capitalistic" perspectives. The tangible core of *value proposition* – the range – is emphasised together with its intangible components (emotional benefits for customers). The role of

the product range is “to safeguard” the *conceptualised brand* by providing it with a clear and unique (typically Swedish) profile.

Among additional elements, I have identified the special role of the organisational founder who provides a living example of culture and values for other staff. By being a “super-capitalist” and “super-humanist”, the organisational founder increases the balance inherent in vision and values. His extreme popularity with the staff is an intangible factor that provides the *conceptualised brand* with additional strength and stability. Other identified dimensions: ownership factors and financial strength – provide correspondingly the “long-term independence and security” and “life insurance” thus serving as a tangible security and long-term strength of the brand.

To summarise, the *conceptualised brand* is of a rather static and condensed nature since its major dimensions are explicitly codified in corresponding manuals and documents that are used as guidelines for local IKEA organisations. It is mainly tangible as seen from the nature of culture (“a security”), values (“clay” to hold the system), corporate managers (“security guards”) and staff (“pillars” and “stalwarts”), value proposition (product range) and the additional dimensions of ownership and financial strength. It is also quite balanced, as seen from the nature of the vision, values and the personality traits of the organisational founder. It takes into account all the company’s major stakeholders – customers, employees and suppliers, however, the major focus is on employees and customers.

Thus, the *conceptualised brand* can be characterised as fairly static, tangible, condensed and balanced brand form. I have specified its role as being an *anchor* for the whole organisation since it provides it with the necessary strength and stability. It must be noted that its role is not completely static due to the vision stretched into the future, dynamic corporate values, and the dynamic roles of managers as coaches. Due to its role as the anchor with inherent dynamism, the *conceptualised brand* is a good starting point for strategy formulation. The Table below summarises the roles of corporate brand dimensions for the *conceptualised brand*.

<i>Corporate brand dimensions</i>	<i>Roles of brand dimensions</i>
Vision	Strategic goals for different stakeholders
Organisational culture	"Security"
Corporate managers	"Security guards" of the concept, coaches
Other staff	"Pillars" and "stalwarts"
Corporate values	"Clay" that holds the system together
Product range	Clear and unique (Swedish) profile
Ownership factor	"Long term independence and security"
Financial strength	"Life insurance"
Organisational founder	Strength and balance, a living example of values

Table 8.4. The anatomy of conceptualised brand.

As will be discussed further, a *conceptualised brand* is not transferred directly to the local markets. It is transformed into a *comprehended brand* consisting of four distinct modes, each of them having a more focused approach and value proposition adjusted to the corresponding stakeholder groups.

8.2.2 The comprehended brand anatomy

The essence of the *comprehended brand* can be derived from analysis of its four manifestations: global *employee-*, *supplier-*, *customer-*, and *society-facing* brands. The necessity to create four different but closely related brands is due to the need to reach different groups of stakeholders and adjust the brand's value proposition to their specific needs. All elements of the corporate brand system (see Fig. 4.3) are activated in the *comprehended brand*; some of them also play rather similar roles for different brand modes (see Table 8.5). For instance, the role of *vision* is similar in all brand modes and represents the underlying *product policy* and *attitude* towards internal and external stakeholders. Another similar characteristic of all identity modes is their strong focus on *core values* that are correspondingly set into the employee, supplier, customer and society contexts. For each brand identity mode, core values are used by managers as major *principles* for product, staff or supplier development as well as business principles and societal norms. Besides, core values provide links between products and people.

The roles of organisational culture as “ways to do things” for employee-facing brand and “the way of thinking when developing products” for customer- and society-facing brands and are also rather close. However, the focus placed on cultural dimension is different: it is very distinct in the employee-facing brand, provides a sort of background in the customer- and society-facing brand, and is missing in the supplier-facing brand. This is, probably, due to the fact that core values translated into working principles are more effective in the interaction with suppliers. The dimensions of vision, culture and values are characterised by the dynamism, which can be explained by their link to the realities of the corresponding stakeholder groups. An additional dynamism is provided by the roles of *managers* characterised as *value bearers, ambassadors, coaches for the staff, corporate spouses, in laws and partners*. These are active and relationship-oriented roles.

The comprehended brand is characterised by the value proposition that can be seen as a *contract* with global stakeholders based on core values. Thus, I have identified the following contracts: the working contract with employees, the “marriage contract” with suppliers and the deal with customers. A contract is a promise made by one party to another, a mutual agreement between parties who, by agreeing to act in accordance with the contract, reduce their freedom of action¹⁴⁸. In IKEA’s case, core values translated into benefits are offered to stakeholders who, by agreeing to accept them, undertake certain responsibilities to act in accordance with these values not only towards IKEA but (as in the suppliers’ case) also towards their own sub-contractors. A mutual obligation to perform makes these relationships binding and long-term. Although the relationship with customers seems less binding than, for example, with suppliers, it is, indeed, quite demanding since customers have to follow strict rules at all steps of the buying process (e.g. studying the catalogue, walking along a particular route in the store, picking up products, delivering and assembling themselves). The binding nature of the contracts with the stakeholders is compensated by a certain new experience that they obtain via these relationships (e.g. a new shopping experience and inspiration with new ideas for customers, motivation for the employees to develop themselves). A common feature of these contracts is that they imply a

¹⁴⁸Web-dictionary.

mutual promise of stakeholders and the company to develop and grow together. Only in the case of the society-facing brand, was there a unilateral contract as the company’s pledge to society.

The additional elements have also been identified for the *comprehended brand* as compared with the elements from the model in Fig. 4.3. Those are the product range and the role of the organisational founder. The product range was argued to represent a tangible part of the value proposition of the customer-facing brand and an intangible brand promise for the supplier-facing brand. The role of the organisational founder was most visible in the customer-facing brand, where his “final veto” on all new products strengthened the uniqueness of the range.

The Table below summarises the major issues of the *comprehended brand* as regards the brand dimensions and their roles.

Corporate brand dimensions	Employee-facing brand	Supplier-facing brand	Customer-facing brand	Society-facing brand
Vision	Attitude to people	Supplier policy	Product policy	Corporate responsibility
Organisational culture	“Way to do things”, Swedishness		The way of thinking when developing products	The way of thinking when developing products
Employees’ roles (corporate)	Value ambassadors, coaches for staff	Corporate spouses and in-laws	Value bearers and ambassadors	Inspectors for suppliers and partners for societal actors
Core values	Working principles and rules for staff development	Business principles and norms	Principles for product development, links between products and people	Supporting principles for corporate actions
Value proposition	Working contract with employees	“Marriage contract” with suppliers	Deal with customers	Pledge to society
Product range		Brand promise to suppliers	Tangible part of value proposition	
Organisational founder			Final veto right for the range	

Table 8.5. The anatomy of the comprehended brand.

As seen from this Table, the *customer-facing brand* is the most developed among other modes, which can be explained by the major

customer focus in brand development. The additional elements of the brand system are used to provide it with support and strength. As mentioned above, the *comprehended brand* is characterised by the dynamism of its major dimensions such as vision, culture, values, employees and value proposition. It is used as a foundation for relationship building with global customers, employees, suppliers and societal members. This is a rather formal way of relationship building through developing the contracts, in which responsibilities and rights are based on core values. The *comprehended brand* is characterised not only by the formal contract-based relationships with stakeholders but also by the informal roles of managers that complement the formal ways to communicate via contracts.

8.2.3 The interpreted brand anatomy

The *interpreted brand* represents an identity type, which is characterised by the simultaneous presence of different (sometimes contradictory) brand interpretations. The dimensions of the *interpreted brand* are clearly localised. Thus, vision is specified in terms of the company's reason for being in the market in general as well as the reasons for employing the local staff and cooperating with local industry players. Other dimensions, such as culture, values and staff roles, are also set into the local context. Because it is rooted in the local market context, the *interpreted brand* is more dependent on the local managers' interpretations of its constituting elements. As the empirical material has shown, by providing different interpretations of vision, core values and value proposition, managers create different connections between their brand and local stakeholders and provide them with different meanings.

The different managerial approaches to the markets have been identified, and were the most pronounced for employee- and supplier-facing brands. The two contrasting approaches are characterised by different interpretations of the company's vision for markets (markets as "production capacities" or "countries with a future") and people (staff as a problem or a "key to success") as well as different value propositions: a "right" company for growing people or a growing company that needs the "right" people for the employee-facing brand;

the “responsible relationship” or as “the low price creation” for supplier-facing brand.

These approaches were described as either viewing the market narrowly through a lens of core brand values or viewing it more broadly using values as the basic principles for cultural understanding. In the first scenario, managers tried to enforce brand values and principles, while in the second, they aimed at finding a healthy mix between core brand values and existing cultural values in the market. This latter mix was based on the alignment of local and corporate practices with more focus on capitalising on the existing local norms and traditions that fitted the corporate ones than on enforcing the new practices. The two alternative views were also reflected in the division of roles ascribed to corporate and local staff – while the experienced managers were always seen as “experts”, “security” and “the trunk of the tree”, the local staff were sometimes seen as a cultural problem. Similarly, the roles of managers in relation to local suppliers were those of “experts” while local suppliers were often seen as *trainees* with a lack of knowledge. While the reason for choosing one or the other approach could have been internal and related to managerial characteristics (e.g. the duration of stay in the country, age, international experience), it could have also been caused by the external factor – the influence of the market environment (national culture, level of industry development, environmental issues).

For example, in a more culturally distant environment (China), managers showed a more sensitive approach to the staff than in Russia. In relations with suppliers, the roles of managers as “experts” were most important in Russia where the level of industry development was lowest; the roles as “auditors” were more pronounced in China since the environmental issues were the most critical there. On the other hand, in Poland with higher standards of industry development and fewer environmental problems, the role of “business developers” was most important. Similarly, the local suppliers were seen as partners in Poland as compared with their roles of trainees in both Russia and China. Thus, a more coercive approach was used in the markets with a lower level of development while a more sensitive approach was applied to more developed markets. Although the perceived cultural differences have also played a role in the market approach, they seem to have been

given less attention than the development level of the industry in a country.

As far as the local customer-facing brand was concerned, the managers were quite unanimous in emphasising those values and benefits that were relevant for local customers by formulating the value proposition of the “low price with the meaning”. This was characteristic for both Russia and China, however in China there was more accent on value for money reflecting the needs of local customers. As for a local society-facing brand, managers in both countries were also fairly unanimous in emphasising the company’s role as a “responsible retailer” and “different company”. The roles of managers as “experts”, “specialists of furniture” and “educators” for customers and “equal partners” for societal members were also given a positive meaning by not providing any contrasting definitions for corresponding local stakeholders (e.g. societal actors were also treated as partners). The Table below summarises the roles of different brand dimensions.

Corporate brand dimensions	Local employee-facing brand	Local supplier-facing brand	Local customer-facing brand	Local society – facing brand
Vision	Reason to employ local people and attitude to them (staff as a problem or “a key to success”)	Reason for being in the market (markets as “production capacities” or “countries with a future”)	Reason for being in the market (for the many people)	An extra reason for being in the market (countries as “new challenges”)
Organisational culture	A different working atmosphere, Swedishness		An exercise for customers in the stores, Swedishness	
Employees’ roles (corporate and local)	“Experts” and “locals”; “old” and “future guys”; “today’s security” and “a key to future success”; “cultural security” and cultural problem	“Experts” and trainees; “business developers” and local players	“Experts”, “specialists of furniture”	Equal partners with local stakeholders
Core values	Rules of “how it should be” or “a healthy mix” of values	Personality cues and working principles in the Code of Conduct	The main message for customers (low price)	Relationship principles: respect and mutual trust
Value proposition	“Right company for growing people” or “right people for the growing company”.	The “responsible relationship” or “the low price creation”	The “right” offer: “low price with the meaning”	A “responsible retailer”, a “different company”

Table 8.6. The anatomy of interpreted brand.

Similar to the *comprehended brand*, the *interpreted brand* has a dynamic nature, provided by the roles ascribed to central brand dimensions: vision as reasons for doing something; culture as an exercise for customers; values as rules and working principles; value proposition as a type of relationship with local stakeholders. A certain “stability” is provided by the role of local managers as experts and IKEA’s product range providing the tangible core of value proposition to customers and suppliers.

While the *comprehended brand* was compared with a general and *formal contract* with internal and external stakeholders, the *interpreted brand* can be compared with a more specific and *informal contract* that guides an active and close interaction between the company’s representatives and corresponding stakeholders. Thus, in the case of a local customer-facing brand, I spoke of an active learning process about customer needs and intensive education to teach customers the benefits of the “right offer” (“low price with a meaning”). This was characteristic for both Russia and China. However, in China both the market learning and customer education processes were more dynamic, reflecting the high level of competition in this market. In the case of a local employee-facing brand, managers in both countries practiced learning via close contact with potential employees; on-job training via teamwork as well as employee benefits as development possibilities. The focus of learning was the same in both markets, however, a more culturally sensitive approach was taken in China compared to Russia. With regard to the local supplier-facing brand, I talked about learning about industry via personal contacts with its participants and close cooperation with suppliers. In all cases, the managers were in direct contact with these local stakeholders and often formed close relationships with them.

Because it is based on managerial interpretations and deals with relationships with local stakeholders, the *interpreted brand* is an intangible identity type. Since different and even contradicting interpretations can be provided by local managers, the *interpreted brand* is the most inconsistent and volatile of all identity types. The meanings, provided by local managers, of vision, culture, core values and value proposition have long-term consequences for the customer and

stakeholder value, defined here as their level of satisfaction with the brand. This issue will be discussed further.

8.2.4 The brand imprints anatomy

Brand imprints represent a mixture between brand identity and image since they combine the perceptions of local employees and external stakeholders (suppliers). The concept of *brand imprints* reflects not only the stakeholder value but also the process of value creation with the brand. This is due to the importance of all brand dimensions for the resulting value for stakeholders. The elements of vision, core values and value proposition were present in several identity forms but given different priorities by the managers. Thus, vision was central for almost all brand forms; core values played the most prominent roles for the *comprehended brand*, and value proposition for the *interpreted brand*. Correspondingly, the perceived value is central for *brand imprints*. Nevertheless, the *brand imprints* also contain other elements that are linked together, reflecting the whole value creation process in the minds of local stakeholders.

The summary of local employees' and suppliers' perceptions is presented in Table 8.7. This shows that the resulting brand perceptions by local stakeholders are formed under the influence of several brand dimensions. From all the brand dimensions, the perceptions of core values and the value proposition play the most important roles in either increasing or decreasing the perceived value (the perception of vision seems less important since the "right"¹⁴⁹ interpretation does not appear to lead to a high perceived value). When central values are understood and perceived as motivating, and the value proposition as positive (e.g. providing a stakeholder with added value), the resulting outcome is also positive, reflected by high motivation and empowerment of staff and a desire to continue the relationship on behalf of the supplier. On the other hand, when core values are either misunderstood or perceived as de-motivating, the value proposition is likely to be perceived as negative, reflected by feelings of resentment and stress by staff and opportunistic behaviour by the supplier.

¹⁴⁹In accordance with the company's intentions.

To summarise the nature and role of *brand imprints*, they constitute the process of value creation from the stakeholder perspective, which is intangible by nature but leads to tangible results – the perceived value and the subsequent decision of either working for the company and cooperating wholeheartedly or behaving opportunistically and leaving. The nature of value creation as a stakeholder perception process, in which the stakeholder understands and links together the perceived vision, core values and value proposition, allows me to suggest that the creation of a high customer and stakeholder value is a more complex process than just the development of a positive or consistent image in their minds as the literature suggests. Although there was no empirical data available on customer and societal perceptions, it might be argued that the logic of the value creation process can be the same for these groups of stakeholders.

Corporate brand dimensions	Employee 1	Employee 2	Supplier 1	Supplier 2	Supplier 3
Perceived vision	Providing low price for customers	“Working for the poor” and “better working days for humble people”	“Saturation of the market with inexpensive products”	“Covering the middle class” and “trying to participate in social projects and programs”	Low price strategy towards customers
Perceived core values	9 of 11 values identified and perceived as motivating, central – T & E. ¹⁵⁰	8 from 11 values identified, 4 of 8 are really motivating, central – responsibility A perceived lack of T&E	Cost-consciousness as a production principle and T&E as a cooperation principle (both very motivating) Code of Conduct as relevant rules	Cost-consciousness and constant desire for renewal as the de-motivating cooperation principles and T&E as a motivating principle Code of Conducts as rather irrelevant rules	Cost-consciousness as shared responsibility for production process and a more efficient communication process between parties (motivating) T&E as openness and willingness to share knowledge in product and quality issues (motivating) Code of Conduct as relevant rules, which are used internally and applied externally
Perceived value proposition	The company that “takes a good care of us”	Work as a trial that never comes to an end	The company that provides a role model	The company living according to some “unknown rules”	The company as a good and responsible partner
Perceived individual value and outcome	High motivation and empowerment, a desire to stay at the company	High stress, resentment, thoughts of leaving the company	Strong motivation to continue the relationship, a proactive behaviour	A relationship with the escape route, an opportunistic behavior	High motivation, empowerment, a desire to share responsibility and influence the cooperation
Summary of brand perceptions	Brand as “my home”	Brand as a “constant trial”	Brand as a role model	Brand as “an unknown order”	Brand as an equal partner

Table 8.7. The anatomy of brand imprints.

The literature argues that congruence between image(reputation) and identity is the ultimate goal for a brand, since the more consistent the perceptions of different audiences, the stronger the brand impact on their minds (e.g. De Chernatony, 1999; Hatch and Shultz, 2001; Davies and Chun, 2002). This leads companies to strive for the same brand image in different markets, expensive customer surveys and image-based advertising. The empirical material, on the other hand, suggests that this might not be a necessary condition for the brand's success with its stakeholders. What matters more, is the level of stakeholder satisfaction with the brand, which stems directly from their perceived value of the brand, which is strongly correlated with their perceptions of the value proposition. For example, in the case of Employee 2, the image of IKEA as a creative, development-oriented company, with a responsible management and good business principles developed by the respondent was very much in sync with the intended image (as well as with the identity of "a right company for growing people"). However, it did not fit the low value experienced by this employee from his individual career at IKEA. In other words, the congruence of identity and image is not a guarantee for a positive experience of the brand by local stakeholders.

It might be argued that a focus on the value creation process instead of image building requires the company to be "much closer" to its stakeholders, to be active in communicating its vision and genuine in enacting its core values as major relationship principles. This also requires the company to take into account the stakeholder perspective much more at the stage of value proposition formulation; it should reflect the real stakeholder needs so that the market offer will be perceived as relevant and value adding.

8.2.5 Summary of brand anatomy

I will now summarise the findings on the anatomy of different brand forms discussed above as regards their nature and roles played in the brand transfer process. The same corporate brand forms were characteristic for all four modes of corporate brand: employee-, supplier-, customer- and society-facing brands at different stages of their transfer from the corporate to local market level, allowing me to link these modes together along each brand form (see Table 8.8). As

seen from the summary below, the process of corporate brand transformation develops from the static and tangible form (the anchor) into more dynamic and intangible forms, with the resulting form combining the process (intangible) and outcome (tangible) features.

Corporate brand anatomy	Conceptualised brand	Comprehended brand	Interpreted brand	Brand imprints
Nature	Static, tangible, balanced	Dynamic, tangible and intangible	Dynamic, intangible, volatile	Dynamic, intangible leading to tangible results
Role	The anchor for the organisation	The formal contract with global stakeholders; Rules for relationships	The informal contract with local stakeholders; An active interaction and relationship	Value creation process from local stakeholder perspective

Table 8.8. The anatomy of corporate brand in its transformation process.

The new knowledge on the nature and role of different brand forms will be used to conceptualise the market driving process. Before doing that, I will discuss the specific role of primary and secondary brand dimensions in the value creation process with brand transfer.

8.3 Role of primary brand dimensions

The brand dimensions of vision, culture and employees are referred to as *primary* since they form the foundation of brand identity. For each identity form discussed above, the primary brand dimensions were explicitly or implicitly used by the respondents to form their brand representations. For instance, for the *conceptualised brand*, all dimensions were explicitly present while for the *comprehended brand* and *interpreted brand*, the vision and employees' roles were clearly specified while the cultural dimension was at times implicit. At the *brand imprints* stage, the elements of culture constituted the background for stakeholder perceptions, while their perceptions of vision, values and their own roles in the branding process came into focus. Vision, organisational culture and employees' roles were also given different interpretations for each brand identity form (see Table 8.9). These roles were specified in accordance with the employees' level

of understanding of the brand, their involvement in the identity building process as well as influenced by the environment in which they worked.

Primary brand dimensions	Conceptualised brand	Comprehended brand	Interpreted brand	Brand imprints (staff)
Vision	Strategic goals for global stakeholders	Product and people policy, social responsibility	The company's reason for being in the market	The company's policy towards customers and staff
Organisational culture	"A security"	The way of thinking and acting	A shopping and working atmosphere	Place to work, a source of inspiration
Employees' roles (corporate and local)	"Security guards" versus "pillars" and "stalwarts"	Ambassadors of culture and values, coaches (corporate)	"Experts", coaches, partners versus trainees and local value bearers	Active bearers of culture and values

Table 8.9. Vision, organisational culture and employees' roles in different identity forms.

As seen from this Table, the primary brand dimensions played both static and dynamic roles. For example, in the *conceptualised brand* their roles are rather static while in each next form, these roles become more and more dynamic. As far as the employees' roles are concerned, they often combined static and dynamic roles depending on the situation that required the manager to perform one or another function (e.g. "expert" or coach). Because they combined static and dynamic roles, primary brand dimensions might be argued to serve both static and dynamic purposes in the corporate branding process. Their static purpose was to provide the *brand context*, while their dynamic purpose was to embed this context into the local market.

The role of central brand dimensions as a context for corporate branding is quite common in the literature. For example, Hatch and Schultz (2003) and Knox and Bickerton (2003) conceptualised vision, culture and image as key dimensions for brand context, thus acknowledging their static roles. As far as the dynamics of the corporate brand were concerned, the cited authors understood these mainly as interplay between the corporate brand's major dimensions. My complement to their conceptualisation is the *duality* of roles ascribed to

the different brand dimensions and the relevance of one or another set of roles for different stages of the corporate branding process.

As the material suggests, each of the primary brand dimensions is important but they work best in combination, since they have a mutually reinforcing dynamic. The empirical data has provided several examples of inter-connectedness between primary brand dimensions. For example, for a local *customer-facing brand*, the vision of being in the market for “many ordinary” Russians and/or Chinese was pursued in the cultural surrounding of friendly stores with affordable products and reinforced by the active role of staff as furniture experts. For a local *employee-facing brand*, the vision of giving the straightforward people an opportunity to grow (and viewing them as a key for IKEA’s success) was pursued in the cultural surroundings of democratic offices, reinforced by a simple dress code and managerial non-hierarchical behaviour. On the whole, it might be argued that the *conceptualised brand* and *comprehended brand* were characterised by the highest level of connectedness while the *interpreted brand* and *brand imprints* were less consistent. The importance of achieving a good fit between different brand dimensions is emphasised in the literature (e.g. Hatch and Schultz, 2001), to which the empirical data provides good support.

8.4 Role of secondary brand dimensions

While the *primary* brand dimensions are conceptualised as the *brand context* for each corporate brand identity form, the *secondary* elements such as core brand values and value proposition provide the brand transfer process with the dynamism and a sense of *direction*. As argued in Chapter 4, the process of stakeholder value creation with the corporate brand follows the value axis vision - core values - value proposition - stakeholder value, the elements of which are linked to each other in the value creation process. The empirical material has shown this conceptualisation to be valid as well as adding more nuances to the model (Fig. 4.3).

It was shown that secondary brand elements were actively used by managers to add meaning to marketing activities at both corporate and local levels. However, at different levels, managers accentuated different brand dimensions. For example, at the corporate level, the topics of

vision and core values were the most developed by managers. However, at the local market level, the front line of interaction with customers, suppliers and other partners, the respondents stressed the brand's main message, its value proposition to customers, employees and suppliers as a means to communicate the specific benefits (brand promise) to each stakeholder group.

The empirical material provides some examples of what happens when certain brand elements are misaligned. For example, in China (at the time of IKEA's market entry) IKEA created an image of an expensive Western brand. This value proposition did not work well in combination with IKEA's vision for many people, and, as a result, the customer value was diminished (reflected in the moderate sales and a slow expansion process). Having realised this, IKEA worked hard both in China and later in Russia to align the vision of a better life for many people with the value proposition of "low price with the meaning". This was achieved by having cost-consciousness as a main principle, constantly decreasing prices and communicating actively the low price message to customers. The result was a higher level of customer satisfaction achieved recently in these countries (respective cities) confirmed by the Customer Satisfaction Index for Russia and China. Another example of misalignment can be found in *brand imprints*. In Employee 2 account, the vision of "better working days for many people" is not well supported by perceived core values (4 of 11 values perceived as motivating) leading to perceiving the value proposition as "work as a trial that never comes to an end" and a perceived lack of motivation to stay with the company.

8.5 Channelling effect of corporate branding

In the previous sub-chapters, I have analysed the roles of primary and secondary brand dimensions in the value creation process. Now I will focus on how they influence the company's marketing strategy planning and implementation at the corporate and local levels. If we link together all brand forms along one stakeholder direction, they form the shape of a channel made of the linked "brand triangles" (see Fig.

8.10). This is a way to visualise the role of corporate branding¹⁵¹ in channelling¹⁵² the company's marketing activities aimed at different groups of stakeholders (employees, suppliers, customers and societal partners).

The role of corporate branding in formulating a unique organisational value proposition to customers has been recognised in the literature (Knox et al, 2000) and modelled in the somewhat similar way of a cable made of tangible brand attributes and wires representing different business processes. Thus, my conceptualisation of *brand channel* as regards the marketing activities is not completely original. It is, however, a good alternative for the above-mentioned model used here for deepening our understanding of the market driving approach. In my conceptualisation, the *brand channel* is made of a combination of tangible (products, cultural artefacts) and intangible (vision, core values, people's perceptions and behaviours) elements, thus stressing the essence of the brand as a complex and mainly intangible construction.

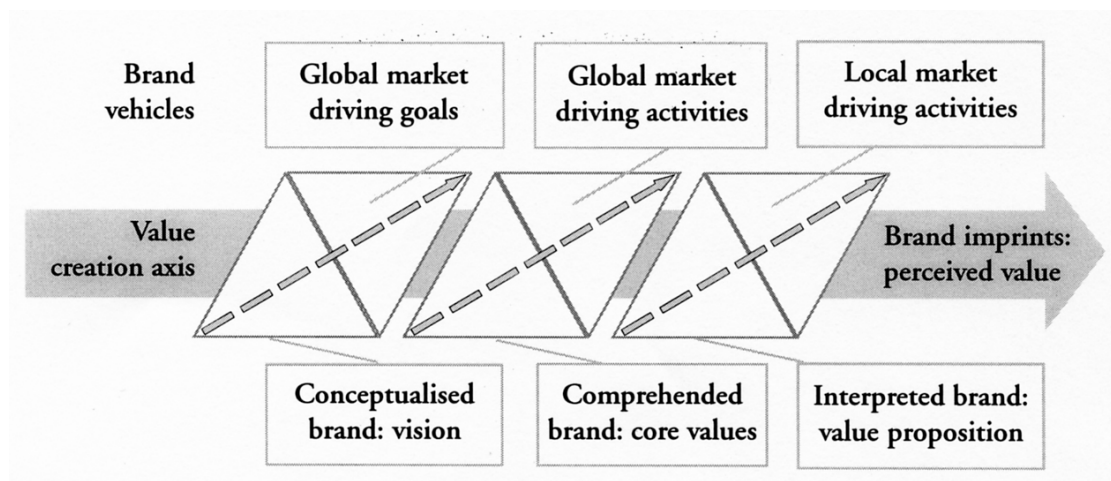


Fig. 8.10. Channelling effect of corporate branding on the market driving strategy.

Following the reasoning in the previous sub-chapters, different brand dimensions play different roles in the brand channel. The *primary*

¹⁵¹Since value creation *process* is most emphasised in the market driving context, I speak mainly about corporate branding while also acknowledging the role of the corporate brand as an organisational strategic resource.

¹⁵²I'm using the term "channelling" and "channelling effect", which are used in physics for particle orientation in crystals to stress the effect of the corporate brand as an organisational frame imposing constraints on the company's marketing activities.

brand dimensions: vision, culture and employees taken together provide the *context*, within which the marketing strategies are planned and implemented. By providing a specific frame for all marketing activities, it is ensured that they are consistent with the vision, culturally relevant and motivating for all employees. The *secondary*, dynamic elements taken together provide a common *direction* for the value creation process, which is central for market driving activities aimed at providing the leap of customer value (Kumar et al, 2000). The conceptualisation of brand channel as a context (frame) and direction for the value creation process in market driving can be argued to be theory driven (see Fig. 4.3). At the same time, these concepts are very well supported by the empirical material, which implies a good fit between the analytical framework and the empirical data. According to Dubois and Gadde (2002) this is a sign of a successful systematic combining of theory and case. I will now explain in more detail how the framing and alignment took place globally and locally and provide examples of corresponding market driving strategies and activities (see Table 8.11).

As far as *global market driving goals* are concerned, they are designed within the “condensed” context of the *conceptualised brand*, which I referred to earlier as an *anchor* for the whole organisation and the starting point for marketing strategy formulation. In the empirical material (see 5.1.10), I emphasised the role of IKEA’s *vision* in the formulation of the strategic goals. This implied that no business plan is created without “checking it against” the overall vision of improving people’s lives by offering them affordable home furnishing products. By stretching the vision broadly to involve employees and suppliers, the company aligns its customer-oriented strategy with other strategic directions. Since the change orientation is characteristic for customer strategy, the change momentum is also created for employees and suppliers. Both groups have to change their traditional ways of working towards low price creation. The role of *corporate values* at this stage is less explicit and seen in the choice of positioning objectives towards global customers (the low price brand for the many ordinary people); global employees (a company with development opportunities for simple people) and global suppliers (a responsible partner for the many suppliers). By linking each positioning objective to the corresponding core values, a certain synergy has been achieved between them.

At the next stage of the *comprehended brand* the corporate goals are translated into more specific *market driving activities* aimed at global employees (existing and potential), suppliers, customers and societal actors. They are designed within the same brand context of vision, culture and employees, and characterised by an active use of both vision and core values for planning of corporate communications and formulating the relationship principles with global stakeholders. These are controllable corporate communications, steered by the corporate centre as well as unified across markets.

While IKEA's *vision* is implicitly present and provides the goals, the *core values* are explicitly used to provide the content for marketing activities. Thus, activities aimed at global employees used core values as an attitude (personality based), communication themes (value advertising), major HR practices (value recruitment, mobility, diversity) and principles (openness, employee as an individual), as well as the relationship form (partnership with employees). Activities aimed at global suppliers used core values as an attitude (low price creation, responsible behaviour), major business principles (Code of Conduct) and the relationship form (cooperation and partnership with suppliers). Activities aimed at global customers used core values as catalogue features (simple, practical, low price orientation, inspirational), communication themes (idea of change), campaign features (challenge the norms), as well as the tone and form of communication (simple, provocative).

Since core values are used as major communication and relationship principles, the low number of communication tools can be used globally. For example, I have mentioned the IKEA's catalogue as a major communication tool to reach customers in all markets. The topics of corporate communications and the commercial themes for the stores were generally the same in all markets. For potential employees, the topics for corporate advertising were also similar in all markets. For existing employees, a global internal communication tool "Open IKEA" was used while for suppliers a global Code of Conduct was adopted as a set of principles and norms. By aligning the global communications and relationships principles with the brand's vision and values, a greater consistency is achieved in communication with different groups of stakeholders.

At the stage of the *interpreted brand*, the *local market driving activities* are planned and implemented within the context of the vision applied to local conditions, culture in the form of IKEA's stores and local employees giving these stores the unique local identity. As discussed in 6.4.6, 6.5.5, 6.6.7, 6.7.4, these activities involved learning about the local market, educating stakeholders (employees, suppliers, customers, societal actors) about the products, values and the brand, and providing them with targeted solutions of a higher value than competitors.

The role of brand dimensions is to provide the angle of vision and focus for these activities. For example, in the customer learning process, the customer needs were viewed through the prism of the central brand value (the core value of cost-consciousness – low price), which formed the basis of the brand value proposition to customers. The local competition was also viewed from the perspective of the “customer wallet” or their ability to appreciate the company's value proposition. The customer education process also followed the brand logic since it involved introducing new shopping rules for customers (self-service, self-delivery) and explaining the meaning of the low price as the major component of the customer value proposition. As regards the market offerings, the central brand dimensions formed the foundation of the customer solutions as room settings consisting of products, staff as experts, store atmosphere and inspirational ideas. The channelling effect in this case was in framing the solutions into the structure of brand identity (vision, culture and people) since each solution represented the mixture of these elements. The examples of market driving activities aimed at other local stakeholders are given in Table. 8.12.

The influence of the brand's value proposition to stakeholders on the nature of market driving activities and their outcomes should be mentioned here. In the case of the *local employee-facing brand*, depending on the focus of value proposition (a “right” company for growing people or a growing company that needs the “right” people), the activities aimed at employees were of a more or less coercive nature. For example, the HR solution for Chinese staff was more adjusted to the local norms than that for Russian staff. It was not a coincidence that managers in China perceived their local staff as less problematic than in Russia. Similarly, for the *local supplier-facing brand*, the focus

on the “responsible relationship” or “the low price creation” correlated with the attitudes to suppliers as partners or trainees and the nature of relationships (partnership or traineeship). In both examples, the positive (with stakeholder needs in focus) value proposition was linked to the less coercive and more culturally sensitive market driving approach.

As far as the outcomes of market driving activities are concerned, the perceived value proposition by local stakeholders (staff and suppliers) affected their perceived value of the company’s offerings (in terms of job or relationship satisfaction). As *brand imprints* have demonstrated, a value proposition was a critical factor that affected the staff and suppliers’ attitudes towards the organisation (see Chapter 7). This suggests that both the ways in which managers formulate the brand value proposition and the ways in which the local stakeholders perceive it, affect the strength of the brand’s channelling effect and, consequently, the degree of market impact. It is, thus, important for managers to take into account the stakeholder needs, trying to come up with a positive (in the stakeholders’ eyes) value proposition.

It is also interesting to discuss the brand channelling effect as observed in local stakeholders’ perceptions (*brand imprints*). As discussed in 7.1-7.2, if the corporate vision and the core values are perceived as motivating and the value proposition as positive, the resulting value is perceived as high. Thus, when all these brand elements are both understood and perceived as value adding, the channelling effect of the company’s marketing activities is positive – an increase of stakeholder value. In the other case (de-motivating vision and values, negative value proposition), the channelling effect is negative, since the stakeholder value is decreased.

To conclude, the brand channelling effect was visible at all stages of the company’s market driving approach. The brand context provided by the elements of vision, culture and employees was important to frame these activities while the value axis was used for aligning them correspondingly with vision and core values (at the corporate level) and value proposition (at the local level). The role of the value axis was thus to link corporate goals and strategies with local activities. The fact that the value axis was recognised by local stakeholders and seemed to play the role in how their perceptions of the organisation were formed,

confirms the theoretical proposition, on which the model (Fig. 4.3) was built. It can be argued that the value axis plays the role of *value amplifier*, aligning all marketing activities to create a leap in the stakeholder value.

The brand channelling effect is a contribution to our understanding of the value creation process in market driving since it shows how intangible elements of the corporate brand can be used actively to implement this approach. The literature (e.g. Kumar et al, 2000) discusses the value creation only in relation to the unique business system (tangible resources) while the role of organisational intangible resources has been discussed very rarely. Although the roles of vision, organisational culture and employees are mentioned by some authors (e.g. Kumar et al, 2000; Carrilat et al, 2004), no systematic attempt has been made to study their interplay, which I have focussed on in the study.

To summarise my thoughts regarding the brand channelling effect for market driving, this can be compared with the laser effect when the strong and coherent beam of light is generated. This is a good analogy of a strong impact on the market provided via alignment of marketing activities within the framework of a brand. However, providing a strong market impact does not necessarily lead to a leap in stakeholder value. In other words, corporate branding does not automatically make the company market driving but rather it creates the necessary conditions for this approach.

Stakeholders	Global market driving goals	Global market driving activities	Local market driving activities
Customers	Goal: to create a better life for the many people via affordable home furnishing products and solutions Positioning as a low price brand for the many people	Unified marketing communications (topics for campaigns, commercial themes for the stores, etc) Catalogue as a main communication tool for all markets Standardised web-sites as new communication channel of growing importance	Learning about local customer needs with the core value (low price) in focus; changing priorities to appreciation of home; teaching how to shop; relevance of range to local needs; explaining how low price is created; low price-good quality ratio introduced; providing integrated solutions – room settings
Employees	Goal: to give employees the possibility to grow as individuals and professionals for creating better life for them and customers Positioning as a company with the development opportunities for straightforward, humble people	Unified recruitment advertising (themes and topics) Unified internal communication (Open IKEA) Common HR priorities for all markets IWAY as a common cultural tool	Learning about local HR market with personality in focus; value recruitment; teaching new rules of behaviour (e.g. team work, mobility); work based learning; developmental programs & global career opportunities; providing HR solutions – a different compensation package
Suppliers	Goal: to take responsibility for suppliers via raising their standards; to produce affordable products in a responsible way Positioning as a responsible partner for suppliers	Unified supplier policy The Code of Conduct as a common set of rules for suppliers	Learning about suppliers personality in focus; teaching new relationship principles (cooperative and long-term); raising product, social and working standards in accordance with the Code of Conduct Learning about direct and indirect competitors with the core value (price to customer) in focus; cooperating instead of competing
Industry participants			
Societal members	To take responsibility for the communities and environment via high social and environmental standards	Unified social and environmental policy towards all stakeholders (catalogue and brochures) eWheel as a common internal tool	Learning about local norms and traditions; personality based relationships; building trust; showing respect; openness and honesty

Table 8.11. The channelling effect of corporate brand dimensions on the market driving strategy.

8.6 The dynamics of market driving and a moderating effect of market environment

I will now look more specifically at the dynamics of market driving at the local market level and discuss the influence of the market environment on the character of market driving activities. Table 8.12 provides examples of customer-aimed market driving activities and some of their outcomes for the two markets: Russia and China. These activities have been classified as market learning, customer education and a market offer (integrated solutions) and identified in both markets. It must be added that these three steps have been identified for all the groups of local stakeholders although they were the most visible for customers, the company's own employees and suppliers. The dynamics of market driving activities at each step have been characterised by certain features that were similar and some features that were different for the two markets.

I will first discuss the similar features that were not culturally specific. As far as the step of *market learning* is concerned, it has been shown to be an on-going process involving practically all organisational staff, from top managers to front line employees. This was a focused process driven by the brand's core values and aimed broadly at different market actors. Besides, market learning was an intuitive process due to its focus on both existing and latent customer (stakeholder) needs and emerging market trends. Thus, a wide range of market research techniques was used (e.g. home visits, web cameras at home, insights from customers, etc). Conceptually, these findings are well in sync with "forward market sensing" argued in the literature (Harris and Cai, 2002; Kumar et al, 2000) to constitute one of the tenets of the market driving approach.

The second step of *stakeholder education* has been shown to be broader than the literature on market driving suggests since it involved all major stakeholder groups: employees, suppliers, industry participants, media and other societal actors. Depending on the level of interaction between the company and these groups, the focus of the education process was different. Thus, customer education implied a whole range of product issues, shopping routines and rules of behaviour in the store. Employee education was focussed on cultural issues and behavioural rules while

supplier education was concentrated on product issues, working norms and cooperation principles. It might be argued that a broader scope of educational activities is a characteristic of global market driving companies while a consistent approach to stakeholder education is a feature of branded companies that use their vision and values as a basis for all education processes.

The third step of the market offer as *integrated solutions* represents new knowledge in terms of market driving dynamics since the literature speaks only of the innovative products as regards the market offer in the market driving approach (Kumar et al, 2000; Hills and Sarin, 2003). Taking customer solutions (room settings) as an example, we can uncover the nature of these offerings. IKEAs' room settings include the products themselves, inspirational ideas and tips, staff as product experts, store atmosphere with the restaurant and other facilities. Besides these components, such elements as service (self-service, self-delivery), and the returns policy should be also mentioned because they contribute to the customers' total impressions of the store visit. Compared to other furniture stores in Russia and China, which competed with products, IKEA significantly increased the total value of its market offerings by using product solutions. As a sign of market recognition in China, local manufacturers actively copied the idea of solutions to customers. The results of IKEA's customer surveys in both Russia and China¹⁵³ show that the product solutions were highly appreciated by local customers and ranked higher than the products per se; among the elements of solutions, the intangibles received the highest ranking.

In addition to customer solutions, I have also distinguished HR solutions for staff (HR packages), industry solutions for competitors (Mega Malls) and suppliers (range and the Code of Conduct). The characteristic feature of all these solutions is their combination of tangible (e.g. range, store) and intangible (e.g. atmosphere, service, people, image) components that are integrated within one total offering. Thus, the industry solution for competitors used the IKEA store as a central element while it also included such elements as the possibilities for joint HR development at Mega Mall University. The supplier solutions included the specific products from the range that

¹⁵³CSI Russia (2003) and China (2004).

constituted the basis for cooperation while they also implied extensive support and control in accordance with the Code of Conduct as well as various development possibilities for the staff. The empirical material demonstrates that solutions were used extensively for changing the attitudes and behaviours of customers, employees, suppliers and industry participants as well as for changing the nature of competition (e.g. Mega Malls as a different way to compete).

As seen from Fig. 8.12, although consisting of the same steps and being channelled in the same way, the marketing activities in the two markets were of a slightly different character. Thus, in China, due to a more dynamic market environment and more value-oriented customers, the market driving activities were more culturally sensitive, and broader in scope. For example, in China compared to Russia, managers used a larger variety of ways to learn about customer needs and preferences. Thus, they used more interactive techniques (internet forums), scanned the market more broadly, for example, by learning about B2B customers as well as taking all competitors (both direct and indirect) into consideration. Compared to Russia, the customer education process in China was more culturally sensitive in terms of stressing the factors important for local consumers, for example, the product quality issues.

The nature of integrated solutions was rather similar in both markets – in both Russia and China the solutions were based on major brand elements and adjusted to local living conditions. However, in China more local themes were used for solutions. As far as the product price policy was concerned, the lowering of prices for key products was done much faster and more regularly in China than in Russia, reflecting the level of competition. It might be argued that lowering prices at IKEA is a market driving (and not market driven) activity since it pursues the goal of creating a low price image in accordance with vision and core values.

As far as the outcomes of the market driving activities are concerned, in both markets there was an indication of the achieved impact on customer behaviours and preferences concerning home furnishing. Thus, in the case of local customers in Russia and China, there was an increase in the customer value (e.g. more customers to the stores; stronger brand awareness, greater customer satisfaction, new shopping

habits) as compared to the company's first years in the respective markets. However, the limited amount of empirical data on customers does not allow more precise defining of the outcomes.

The achieved knowledge provides good support for the external dynamics of market driving outlined by Jaworski et al (2000) (shaping the behaviours of market actors and market structure) and Harris and Cai (2002) (market sensing, changing customer preferences, channel control through relationship formation and local sensitivity). It has also been possible to improve our understanding of these dynamics by distinguishing the specific steps taken by the firm from the more general characteristics of the market driving approach. Thus, it might be argued that relationship formation and change of stakeholder preferences and behaviours can be considered the antecedents of the market driving approach. This is because the relationship formation was an integral part of *stakeholder education* in both Russia and China, while the change of behaviours was considered as both the goal and outcome of all market driving activities in both markets. Cultural sensitivity can be also argued to constitute the antecedent of the market driving approach. As demonstrated by the empirical data, cultural sensitivity was observed more clearly in a "soft" market driving approach towards employees and customers in China.

Market learning (corresponds to market sensing in the literature, Harris and Cai, 2002), stakeholder education and response in the form of integrated solutions can be considered as consecutive steps taken by a market driving firm in a new market. While these steps have been identified for all groups of stakeholders in both markets, it has been also shown that the character of the corresponding activities was somewhat different. Thus, new knowledge about the moderating effect of the market environment on the character of market driving activities has been obtained, implying that in a more dynamic environment it is necessary to take a "softer" (more culturally sensitive) and broader (including other stakeholders) market driving approach.

Market driving activities	Russia	China
Market learning activities	<p>Home visits to customers</p> <p>Understanding needs from the cost perspective</p> <p>Identifying emerging market trends</p> <p>Surveys to measure brand perceptions (CSI)</p> <p>Observations and customer opinion boxes; follow up on returns</p> <p>Identifying direct and indirect competitors</p> <p>Learning about rules and regulations in cooperation with local government</p> <p>Collecting supplier information in the industry network</p> <p>Collecting general market data and reviewing changes in the society</p>	<p>Home visits and focus groups with customers</p> <p>Monitoring customer lives at home</p> <p>Customer forums on internet</p> <p>Identifying emerging market trends; lifestyle surveys</p> <p>Surveys to measure brand perceptions (CSI, Brand Monitor)</p> <p>Store surveys, observations and customer message boxes; FAQ; follow up on returns</p> <p>Competitor shopping for similar products; regular checking competitor pricing</p> <p>Visits to schools and B2B customers</p> <p>Learning about rules and regulations via guanxhi with local government</p> <p>Collecting supplier information via visits to suppliers and government contacts</p> <p>Collecting general market data and reviewing changes in the society, updating regularly</p>
Customer education	<p>Attracting to the stores via advertising (outdoor, newspapers); providing free buses</p> <p>Presenting the standard range</p> <p>Explaining the relevance of range to needs; Swedish names of products</p> <p>Changing price-quality perception via in-store communications, catalogue, advertising – an idea of affordable home as a priority</p> <p>New service standards – self-service, self-delivery; generous returns policy; instant credit system; extra services – child care; restaurant with Swedish cuisine</p> <p>Helpful staff; staff as furnishing experts</p>	<p>Attracting to the stores via advertising (TV)</p> <p>Presenting the standard (more narrow than basic) range</p> <p>Guiding the choice of products; Swedish names of products</p> <p>Changing price-quality perception via in-store communications, catalogue, advertising – an idea of small changes at home</p> <p>Demonstrating quality; explaining how to reduce product price</p> <p>Introducing do-it-yourself standards with service alternatives for a reduced fee; generous returns policy; instant credit system; extra services – child care; restaurant with Swedish cuisine</p> <p>Helpful but non-intrusive staff; providing more service; freedom to touch, staff as furnishing experts</p>
Market offer	Presenting relevant room settings; Modern and Country styles; global themes for solutions	Presenting relevant room settings; Modern style; locally relevant themes for solutions
Outcomes	<p>Top Ten most popular articles as in other IKEA's markets</p> <p>Changing to a medium price = good quality perception</p> <p>Image of IKEA as caring about customer's wallet</p> <p>Increased interest to home furnishing; Modern style has become popular</p> <p>Value of investing in home; knowledge how to shop; inspiration with new ideas</p> <p>Opportunity to spend more time with a whole family; nice time out</p> <p>New shopping habits; more motivation to visit and buy; interest in Swedish cuisine¹⁵⁴</p>	<p>Top selling articles the same as in other IKEA's markets; interest in Scandinavian design</p> <p>Changing to a good value for (a reasonable amount of) money perception</p> <p>Image of IKEA as providing value for money</p> <p>Interest to organizing the home; inspiration with new ideas; Western and Modern styles has become popular</p> <p>Opportunity to spend more time in a store; nice time out; frequent visits to the stores</p> <p>New shopping habits; more motivation to visit and buy; interest in Scandinavian cuisine¹⁵⁵</p>

Table 8.12. The dynamics of market driving: activities and outcomes in Russia and China.

¹⁵⁴Based on Customer Satisfaction Index, 2003 for Russia

¹⁵⁵Based on Customer Satisfaction Index, 2004 for China

8.7 An integrated market driving approach

The market driving strategies can be aimed at different groups of stakeholders. The literature on market driving explicitly discusses three major groups that are involved in these activities: customers, industry actors and competitors (Jaworski et al, 2000; Harris and Cai, 2002) while also implicitly mentioning employees. On the other hand, the corporate branding and stakeholder literature stresses that a broad range of stakeholder relationships should be taken into account, and that it is strategically important to consider both internal and external stakeholders (Balmer and Gray, 2003; Merrilees et al, 2005). While different groups of external stakeholders can be prioritised differently, the role of organisational members is central, since they are involved in all stakeholder relationships (Mitchell and Wood, 1997; Ind, 2001; Balmer, 2001a). These theoretical assumptions lay behind the analytical model in Fig. 4.3 used as a major theoretical tool in this study. The empirical material has provided strong support to the stakeholder aspect of the model as well as some new insights as regards the broad stakeholder perspective of market driving with a corporate brand as a strategic resource.

It has been demonstrated that IKEA's market driving strategy is aimed at four major groups of stakeholders: employees (existing and potential), suppliers, customers and society¹⁵⁶ as a whole. Correspondingly, four *directions* of market driving can be considered: driving employees, driving suppliers, driving customers and driving societal actors. There are five different *markets* involved in this process: the internal market (existing employees), the HR market (potential employees), the industry market, the customer market, and the society as a market. I consider this categorisation as a possible alternative to that found in the literature, where market driving is viewed along three levels: industry, market and product (Hills and Sarin, 2003). In this latter categorisation, the industry level refers to industry participants; the market level to customers, while the product level refers to the market as a whole with regard to the product standards. Thus, the existing categorisation is very much product driven while a new one

¹⁵⁶I have united different local stakeholders: competitors, local authorities and media within one group of societal stakeholders.

emphasises the human element of the change process at the same time clearly identifying the recipients of market change.

The role of employees in market driving has been given special attention in the present study and found to be more significant than the literature on market driving suggests (e.g. Kumar et al, 2000 talks only about the role of the organisational founder and mentions employees as crusaders). Thus, at the concept level, the Concept keepers played the most important role in the communication and interpretation of the market driving goals to all IKEA's franchisees in order to support them in planning their local activities. At the strategic level, the corporate managers of many different functions were actively involved in formulation of the market driving strategies aimed at global customers, employees, suppliers and societal actors while the company's local organisations were used as intermediates to reach these groups locally. At the local market level, the local managers interpreted the corporate strategies for the staff and translated them into a set of specific marketing activities aimed at local stakeholders.

The key message is that the company can influence the external stakeholders with its market driving approach only when its own employees understand the company's goals and manage their roles in the corresponding activities. In other words, in order to drive the external markets, the participation of employees at different organisational levels should be ensured. More specifically, the role of managers at different levels of the company is crucial since they make decisions and formulate the plans of action, while the organisational staff needs to understand these ideas and be motivated by them. The latter notion is confirmed by the way in which IKEA's communications were planned, when the same messages were communicated to the external stakeholders and the staff. The central role of employees in stakeholder relationships is acknowledged by both corporate branding and stakeholder theories. Thus, it might be argued that the cross-fertilisation of corporate branding, stakeholder and market driving theories has received additional empirical support from the case.

The empirical data has also provided new insights on the role of the corporate brand in the strategies aimed at each individual stakeholder group and the whole network of actors. As far as each individual stakeholder strategy was concerned, it was based on the specific brand

value proposition formulated in accordance with the common vision and values. The vision and values were used to formulate the relationship objective and principles while the value propositions were used to communicate the specific benefits to each group. Thus, for customers the vision of “creating a better everyday life for the many people” has been realised on the basis of core values of low price, simplicity, responsibility and quality, and translated into the value proposition of “low price with a meaning”. The corresponding value propositions were used actively in planning and implementing marketing strategies to drive the HR, supplier, customer, and society market domains. Thus, driving the HR market implied changing the staff work-related behaviours to teamwork, mobility, active learning and leadership. Driving suppliers implied changing their working norms towards a greater effectiveness and competitiveness. Driving competitors implied cooperation instead of competition. Driving customers implied changing their preferences towards the home furnishing, cracking their price/quality codes and changing their shopping behaviours towards a more active, creative, and conscious consumer. Driving society implied improving the social and environmental issues and introducing the overall responsible approach to all stages of production and consumption. All these strategies were inter-related, however, it might be argued that by driving the existing employees, suppliers and societal actors, more favourable conditions have been created for driving customers in the respective markets.

According to the literature, the ultimate goal of a market driving approach is the creation of a leap in customer value (Kumar et al, 2000). I have broadened the definition of customer value arguing that for a global market driving company operating in a broad stakeholder environment, the goal should be on the stakeholder value creation. As far as customers as a major external stakeholder group are concerned, the empirical material has provided some evidence for different ways to create customer value: at the expense of other stakeholders and as a synergetic effect of stakeholder value creation. Thus, the negative value propositions for employees and suppliers and the low value perceived by some of these local stakeholders could have signalled that the company’s approach with regard to these groups has been at times unbalanced shifting towards more value to customers at the expense of these stakeholders. It is interesting to note that this observation reflects

the logic of IKEA's business chain from suppliers via own stores to customers¹⁵⁷. On the other hand, the positive value proposition to societal stakeholders has signalled a more balanced approach towards a fairer value creation, which has resulted in these stakeholders' (e.g. media, local authorities) broad support for the company's activities in Russia and China. This, in turn, contributed to the creation of more customer brand equity in these markets.

The literature argues for the importance of mutual (firm and stakeholder) value creation and stresses the influence of the nature of value exchange on firm-stakeholder relationships (Jones, 2005; Payne et al, 2005). These ideas can be complemented by the notion of fair value creation when the focus should be on all major stakeholders and not limited to customers. Besides, the interdependencies between different stakeholder groups should be used for both the mutual value creation and its fair distribution between stakeholders. Similar ideas have been discussed in the literature by Normann and Ramirez (1993, p. 68) who wrote about value co-creation via mobilisation of market actors and discussed IKEA's role as "the central star in a constellation of services, goods, design, management, support and entertainment".

Among major findings as regards the stakeholder perspective of market driving is the role of a corporate brand in an *integrated approach*, which is used to reach the alignment between internal and external stakeholders. This is achieved by using the common vision and set of values for all stakeholder strategies. As shown by the empirical material, this was possible by formulating a vision that involves all groups of stakeholders into the process of customer value creation. From the whole set of values, there were several central values used for all stakeholder groups – cost-consciousness, responsibility, leadership and development orientation ("constant desire for renewal", "being on the way"). These are pro-active, change oriented and, at the same time, humanistic values, which can be the reason for their relevance to *all* stakeholder groups. It has been shown that different brand identity forms were linked to each other and used to reinforce the messages communicated to different groups. Thus, the employee-, supplier- and customer-facing brands were linked via their common goal of customer value creation while the society-facing brand was used to reinforce all

¹⁵⁷The IKEA Group 2004/2005 "How IKEA works".

three mentioned brands. It might be argued that pursuing market driving in all directions simultaneously allowed IKEA to capitalise on the inter-linkages between different stakeholder groups when the achieved change in one direction influenced the other stakeholder groups' behaviours.

It can be concluded that a broad stakeholder perspective of market driving allows taking into consideration the cumulative effect of interdependencies between different stakeholder groups. This has not been focussed on previously in the market driving literature but has been broadly discussed in the stakeholder and corporate branding studies. Among possible implications is the need for managers to understand the firm's embedded position in the network of many stakeholders and use this knowledge for mutual (firm-stakeholder) and fair (towards all stakeholders) value creation. Discussed within the framework of the corporate brand, a broad stakeholder perspective provides new challenges for managers since, on the one hand, it limits their freedom of decision-making because one group cannot be viewed separately from the other. However, on the other hand, it enables them to focus more on the cross-collaboration and value exchange between different stakeholders.

Chapter 9

Conclusions and contributions

The purpose of this thesis was to analyse the mechanism of the market driving approach carried out by a global organisation with a corporate brand. The special focus was on the roles of the brand identity dimensions in the value creation process, the dynamics of this approach at different organisational levels and the specificity of market driving towards a broad range of organisational stakeholders. In this chapter, I will discuss my major conclusions as regards the fulfilment of these purposes and outline my major contributions to corporate branding and market driving fields. Moreover, the limitations of the study and suggestions for further research will be discussed.

9.1 Brand identity as a propellant of market driving

The market driving literature (Kumar et al, 2000) ascribed the ability of a firm to produce a leap in customer value to a unique configuration of a value network or an improved value chain of a firm. In my study, I argue that the corporate brand provides an additional configuration mechanism that can align marketing activities towards the common goal of value creation, not only for customers but also for a broad range of stakeholders. It is important to stress that the definition of marketing strategy has also been extended to include other than traditional (e.g. market research, advertising) activities that create value for customers and other stakeholders (for example, product development, HR activities, purchasing, supplier relationships).

Thus, I have looked at how a corporate brand as a logical construction of mainly intangible dimensions provides an organisation with an ability to generate stakeholder value and drive markets. Arguing that a corporate brand constitutes a driving force for a proactive marketing

strategy, I have first tried to answer the question of what a driving force can mean in the market-driving context. The dictionary defines a “driving force” as a certain power that sets in motion some vehicles or “the act of applying force to propel something”¹⁵⁸. In the market-driving context, I have been talking about the power inherent to the corporate brand by virtue of its structure and underlying principles that can be actively used by a company to form a proactive and consistent marketing strategy across markets. Looking into the nature of this power, I have first aimed at a better understanding of *what* makes a corporate brand a driving force for strategy and second, *how* the elements of a corporate brand and its principles can be used for implementing a market driving approach globally and locally. I have answered these questions both theoretically and empirically as well as established a connection between the conceptual framework and the empirical case.

Answering the first (*what?*) question, I have identified the *primary* brand dimensions of vision, organisational culture and employees that, taken together, create the *brand context* in the specific market environment. I have also maintained that irrespective of the stage in the process of corporate brand transfer and market conditions, these dimensions were always used by the organisation for the purpose of *embedding* (reconstructing) the brand into the local market. This was due to the combination of static and dynamic roles played by each of these dimensions as well as their mutually reinforcing fits. While the importance of organisational vision and culture in creating the brand context has been recognised in the literature (e.g. Hatch and Schultz, 2003; Knox and Bickerton, 2003), the role of the employees has not been explicitly discussed. By identifying the specific roles of employees, I have stressed their pivotal role in the identity formation. This knowledge adds more depth to the view of identity as being employee-dependent, expressed by such authors as van Riel and Balmer (1997, p. 341)¹⁵⁹ and Wallace and de Chernatony (2005).

The importance of having a synergetic identity, in which all elements support each other, has been stressed in the literature (e.g. Hatch and

¹⁵⁸Wikipedia definition.

¹⁵⁹Identity is defined by these authors as “an organisation’s unique characteristics which are rooted in the behaviour of members of the organisation.”

Schultz, 2003; Vallaster and de Chernatony, 2005), to which my research has provided good empirical support. It might be argued that by achieving a good balance between all elements of brand identity, the organisation “accumulates” the power pertinent to the brand as a driving force.

The nature of the corporate brand identity has been explored further by specifying the roles of its *secondary* (dynamic) dimensions such as core values and value proposition that are activated by the organisation in the process of the stakeholder value creation. Here, the brand vision has also been actively used for providing the direction and meaning for the value creation process. I have linked all value-related dimensions of the brand, such as vision, core values, value proposition and stakeholder value, into the *value axis* that sets the value creation process in motion. While the primary identity dimensions were used for “energy” accumulation, the secondary dimension provided the mechanism of “energy release” in the form of corresponding activities in the local markets. Two major issues were discussed as regards the value axis: the critical role of value proposition as the weakest link and the importance of alignment of all elements with a stakeholder value.

It has been stressed that brand *value proposition* plays a critical role in the value creation process since it affects the character of the relationships between the organisation and its stakeholders. First, the importance of tailoring the value proposition to the needs of each stakeholder group has been emphasised. The existing literature has mainly stressed the customer value proposition while other groups of stakeholders are either ignored or addressed with completely different messages. Second, it has been shown that a *positive* value proposition, as perceived by stakeholders, makes them more willing to develop long-lasting and trustworthy relationships with the company. I have argued that in order to be perceived as positive, the value proposition should be formulated with a strong consideration of stakeholder benefits, requiring a thorough knowledge of stakeholder needs, both existing and latent.

While taking customer needs into careful consideration and linking the brand promise to customer benefits is fairly common practice among firms, the needs of other stakeholder groups are not always considered with the same vigour. Very often companies try to dictate their ways in

the relationships with suppliers, employees and societal members. I have argued, therefore, that this is a rather risky practice given the scope of stakeholders, the level of their involvement in the companies' businesses, and the scale of operations of many international companies.

The critical role of a brand's value proposition adds new insights to the idea of the *balanced approach* to the value-creation. I have shown that it is not sufficient for a company to choose the brand values that potentially balance the interests of internal and external stakeholders as the literature suggests (e.g. de Chernatony et al, 2004) since values themselves do not translate into added value by stakeholders. It is also important to link the company's vision and values with the value proposition and check whether the corresponding groups of stakeholders perceive the resulting value of the company's offering as positive. From the market-driving perspective, the balanced approach to value creation corresponds to the ways of delivering a leap in stakeholder value, which can be achieved not only via radical business innovation (Kumar et al, 2000) but also in a more "organic" way.

The role of the corporate brand as a propellant of market driving strategy has been further demonstrated by showing *how* the actual "driving" process takes place through the brand identity's transfer process between the corporate and the local company's levels. I have developed an extended corporate brand framework (Fig. 8.3) that conceptualised and visualised the corporate branding process from the international (corporate and local levels), balanced (internal and external) and multi-stakeholder perspectives. The model has been analysed with the help of ten criteria of a useful and valid model and, in my opinion, satisfied at least six of these, among which visual clarity, ease of interpretation, logical sequence, simplicity and adaptability, production of synergies and the possibility of employee operationalisation can be mentioned (Suvatjis and De Chernatony, 2005).

The developed model has summarised a great deal of our existing knowledge of the nature of corporate branding and also added new knowledge on the scope and mechanism of corporate branding. A corporate brand identity has been shown to be increasingly intangible (dependent on managerial perceptions and communications), complex

(aimed at different audiences), changeable (many forms), and closely linked to brand image (imprints). These features, combined with the duality of roles that identity can play in organisational strategy, represent a contribution to the literature, viewing brand identity as being mainly static, employee-focused, stable and distinct from image. The fact that this framework has been firmly rooted in the empirical material has made it a good instrument for explaining the dynamics of the market driving approach.

9.2 Dynamics of market driving in a broad stakeholder perspective

The deeper understanding of the nature of a corporate brand has been used to explain the dynamics of the market driving approach. This has been achieved in three steps: by analysing the brand's effect on the alignment of goals and activities in market driving at the corporate and local levels of a firm; by identifying the sequence of market driving activities at a local market level, and by developing the broad stakeholder perspective of market driving.

9.2.1 A brand's alignment of global and local market driving

It has been shown that the identity's primary elements of vision, culture and employees provide the *brand channel* of interconnected identity contexts, framing all marketing activities for their alignment with the brand. This implies that brand identity can not only be re-constructed in different market environments but also connected to its other forms at the corporate headquarters and/or other market locations. The idea of rebuilding a global brand locally via strong connections with the local environment has been expressed by some authors, for example, Merrilees et al (2005). I have added to this the insights of other types of connection when a locally created brand keeps close ties with its corporate source via the common philosophy and preservation of core identity. Similarly, a locally created brand identity at one place (a local store) connects to other local identities in the same market, creating a brand network.

This connection can be facilitated via the identity's dynamic elements of core values and value proposition, which, in combination with vision, provide the direction for the value creation process with a goal of creating a leap in stakeholder value. It has been argued that value axis can act as a *value amplifier* provided that its elements are in sync with each other. The amplification of value occurs in two ways: by aligning corporate marketing goals and strategies with local marketing activities and by aligning the activities at each stage of brand transfer (corporate, local) with those brand elements that are critical at this stage, while at the same time keeping in mind the whole value creation process.

This can mean in practice that corporate managers who set up global marketing objectives and devise global marketing activities with vision and core values in focus should always take into consideration the ways to come up with such a strong combination of benefits and price that will be relevant for real customer needs (and even exceed customer expectations) in local markets. At the same time, local managers implementing the global strategies should take into account both the global vision and values and the specific needs and conditions of their customers (and other stakeholders) and adjust the value propositions accordingly. It has been argued that brand alignment might lead to the strong market impact that is accompanied by the change of stakeholder behaviours and preferences as well as the change in market structure, which are the major characteristics of market driving approach (Jaworski et al, 2000). The achieved market impact is the result of the mutual reinforcement of different activities that are vision and values-driven and have the common aim of customer and stakeholder value creation.

It has been concluded that corporate branding provides a company with a powerful alignment mechanism for market driving but it does not automatically create a leap of stakeholder value since the latter effect depends on whether stakeholders perceive the brand offerings as relevant to their needs and of a higher value than those of the competitors. In other words, the corporate brand, by virtue of its structure and underlying principles, creates the special conditions that are beneficial for the adoption and implementation of a market driving approach.

The conceptualisation of the corporate brand identity as providing the alignment mechanism for marketing processes and value amplification constitutes a contribution to both the corporate branding and market driving literature. The former literature mostly focuses on the alignment of firms' business processes with the image elements (Knox et al, 2000) while the latter talks about the role of separate identity elements such as vision and visionaries in the process of value creation (Kumar et al, 2000). The ideas of branding as influencing the value chain have also been expressed by Tilley (1999), however, not explored in depth. I have, thus, argued for the vital role of identity elements for value creation and the importance of using them in their interplay for creating a leap in the stakeholder value in market driving.

What is most important is that the corporate brand provides a company with a strong market driving mechanism, which does not necessarily require a radical business innovation in the value chain as the literature suggests (Kumar et al, 2000; Kumar, 2004). This is supported by the findings of another market driving case of De Beers in China by Harris and Cai (2002) who concluded that this company did not have a revolutionary business system but instead used its strong market power for market driving. The prioritisation of the corporate brand and its active usage for marketing strategy planning and implementation allows the use of the available organisational system in a more effective way when branding acts as a driver of all business processes.

9.2.2 Steps of local market driving

A special focus has been on exploring the dynamics of the market driving approach at the corporate and local company levels. The existing literature on market driving neither distinguishes between these levels nor specifies the type of activities corresponding to the first or second level. I have shown that at the corporate level, the global activities in terms of strategic marketing goals and directions are planned and implemented while at the local market level, a whole set of specific market driving activities is carried out. Linking global and local activities to the underlying vision and core brand values allowed the company to form a consistent approach to markets.

By focussing more specifically on the local level of market driving activities, I have shown that for all major groups of local stakeholders in

both markets, the market driving approach consisted of the same three steps: learning about the local market, educating stakeholders in the brand and providing them with a market offer in the form of integrated solutions. This new knowledge provides good support for the external dynamics of market driving outlined by Harris and Cai (2002) and Jaworski et al (2000) and enriches our understanding of the nature of its major tenets. I have argued, for instance, that general characteristics of this approach such as changing market actors' preferences and behaviours and relationship formation should be distinguished from more specific steps taken by a market driving company applying this approach in a local market. Three identified steps of market driving correspond well to the specific features of market driving firms outlined by Kumar et al (2000) such as seeing differently, educating customers in a new value proposition, and overwhelming expectations in terms of market offerings, which adds validity to my findings. The clear issue, however, is that multiple forms of market driving exist, which can also be described by different set of tenets or tactics, and more empirical research is needed to develop a comprehensive framework of this phenomenon.

Besides identifying three steps of the market driving approach, I have also generated some knowledge on the moderating effect of the market environment on the character of the market driving approach, which constitutes the additional contribution to the literature. Using two markets as examples of being culturally and economically different from the brand's home market environments, I have found that in a more dynamic environment, it is advisable to adopt a "softer" (more culturally sensitive) and broader (involving more stakeholders) market driving approach. Cultural sensitivity has been emphasised as a tenet of the market driving approach by Harris and Cai (2002) who argued for the importance of locally sensitive and flexible marketing that makes good use of local beliefs and traditions while pursuing the global strategy. As the two cases of Russia and China have shown, the more dynamic the environment, the greater the need for consideration and flexibility. Besides, the achieved cultural understanding allows a market driving firm to glide on the waves of change, or in other words to exploit the market change for its own purposes. For example, it was clear that IKEA actively used the customer proclivity for life style change to build its image in both markets. The advantage of the

broader stakeholder perspective in a more dynamic environment is based in the company's need to understand and use for its own benefits the complex and changing relationships between stakeholders in these markets.

It was also suggested that cultural differences between the home and local markets might have less influence on the character of the market driving approach than the economic ones. This can be explained by the initial assumptions taken by a market driving firm that customer needs are the subject for change, new customer needs can be created, and the brand provides a solid basis for this. Since local industries are involved in the value creation process, the economic conditions in the markets become more critical for a firm than the cultural ones.

9.2.3 Integrated market driving in a broad stakeholder perspective

I have argued throughout the thesis that the market driving process is *multi-directional* since it can be aimed simultaneously at a broad range of stakeholders. In my case among them were: customers, employees, suppliers as well as societal members. The four *directions* of market driving correspond to four *external* markets: the customer market, the HR market (potential employees), the industry market and society as a market and the *internal* market of the existing employees. The external markets are linked together via the intermediate element of organisational employees who might be considered a human driving force of market driving. The integrated stakeholder perspective constitutes my major contribution to the literature of market driving, which mainly focused on customers and industry participants and did not link together the activities aimed at different groups. I consider the integrated perspective central for my study since it combines all previously mentioned insights on the corporate brand as a driving force and market driving dynamics and places them in a specific multi-stakeholder context. The new categorisation also relates to the ideas of value innovation via redefining market spaces by Hamel (1996) and creating new market spaces by Kim and Mauborne (1999), which were used as sources of inspiration by some market driving authors (e.g. Hills and Sarin, 2003).

There are three major reasons for the new conceptualisation of market driving to contribute to the existing view of this phenomenon. First, it better reflects the realities of global companies acting in a complex multi-stakeholder environment. It is also flexible, allowing further extension to include new audiences. Second, it emphasises the human side of market driving by clearly stating the recipients of the company's strategic impact. It is also noteworthy that market driving occurs first in the hearts and minds of the company's employees before it is translated into the specific behaviours and activities aimed at external stakeholders. Third, the broad stakeholder approach to market driving is rooted in the organisational systems since it is achieved via the active usage of a company's intangible resource – its corporate brand. Thus, it provides a holistic view of the market driving phenomenon as an interplay of organisational systems responsible for actions with the actions themselves.

I have argued that a broad stakeholder perspective of market driving implies certain challenges as well as providing certain opportunities for a firm. Among the challenges are the danger of exploiting one group of stakeholders (e.g. suppliers) for the purposes of value creation for another (usually customers) and the limited freedom for managers to deal with respective groups as if they are separated from each other. Among major opportunities are the new ways to create stakeholder value via cross-collaboration and value exchange between different groups. Using the corporate brand as a basis for marketing activities creates some new challenges (e.g. the need for being authentic) but even more opportunities for value creation since it creates conditions for multiple synergies for the integrated approach.

9.3 Comments on limitations of the study and the validity of findings

After major findings have been outlined, the time is right to speak about the limitations of the study and validity of findings. These issues are directly linked to the contributions of the study discussed further in the text. As far as the limitations are concerned, they can be discussed in relation to the appropriateness of the method used for capturing the essence of the phenomena under study. I have used the case study

research design with most of the empirical evidence in the form of in-depth interviews with managers. The question is, therefore, whether this method was relevant for the study of the corporate brand identity and market driving phenomena with a focus on their interlink.

As far as the corporate brand identity phenomenon is concerned, I have repeatedly argued for its complexity, changeability and deep roots in the beliefs and behaviours of the organisational staff. This argument has much support from the literature discussing multiple identity types (e.g. Balmer and Greyser, 2003; Brown et al, 2006) as well as from my own case. From this standpoint, there does not exist one “right” way to uncover the nature of identity since each method will only bring to the surface certain elements of its complex structure. The same logic can be applied to a market driving phenomenon as a set of specific actions based on a set of specific beliefs, which is difficult to uncover in its totality.

Given the nature of the examined phenomena, the case study provided very good possibilities for creating rich, context-bound descriptions of identity and market driving manifestations. The in-depth interviews with managers of different functions allowed me to create a rather broad picture of brand representations as perceived by these people and the specific examples of market driving behaviours and activities. It might be argued, though, that their accounts allowed me to create a picture of *desired identity* (Balmer and Greyser, 2003, p. 17) or the picture of an organisation that managers wanted to communicate to outsiders. Quite logically, we might ask the question: what the *actual identity* was and whether uncovering it could have been more relevant for my research purpose.

To answer this, I would like to use the ideas of Balmer and Greyser (2003, p. 245) who conceptualised the corporate brand as the *covenanted identity*, which draws on all multiple identities in the organisation (ideal, actual, communicated, conceived and desired) and unites them via a common focus on core values. It might be argued that by simultaneously focussing on the managers’ perceptions of core values and their experiences of value-related behaviours and marketing activities, I tried to capture the identity that was “right” for my purpose since it was directly linked to the marketing strategy. However, it could have been useful to complement the interviews with the observations of

the shop floor personnel engaged in real interactions with customers. These observations could have added more nuances to the pictures of both phenomena as being people-dependent and related to concrete actions. Another possible complement to the interviews could have been a deeper analysis of the corporate materials, for example, via the discourse analysis. This might have revealed deeper levels of meaning behind the phenomena.

Speaking about the validity of findings, I would like to once again use the ideas of the realist perspective of the idiographic research (Tsoukas, 1989; Archer et al, 1998), which I tried to follow and frame my results in. In this perspective, the validity of idiographic studies is not linked to their generalisability such as the replication logic for case studies (Yin, 1994). By contrast, within the realist perspective, there is no need for either literal or theoretical replication to prove the validity of the case study. According to Tsoukas (1989), case studies are considered epistemologically valid because they are concerned with the clarification of organisational structures and their generative mechanism, which have been *contingently capable* of producing the observed phenomenon.

Applying this logic to my study, it might be argued that by exploring IKEA's corporate branding and marketing driving phenomena as specific experiences and actions of organisational members and external stakeholders, I have identified the *contingent forms* of these phenomena, which may or may not manifest themselves in the other empirical domains. By describing the generative mechanisms of the market driving phenomenon, I have generated a new knowledge on the existence of such mechanisms in a global firm. However, their activation is contingent upon a set of factors specific for the firm. In IKEA's case, among such factors were, for example, the external factors of global image strength, an achieved market control in other markets, and a special focus on new markets while the internal factors included a strong vision, the specific values that facilitate creativity and risk tolerance, the role of the company's founder, and the financial wealth. This means that in further studies a special focus should be on the specific contingent conditions, under which the phenomenon is studied.

While the peculiarities of the market driving approach are particular to the context, the theory regarding the driving forces and mechanism of

this approach is likely to be used as an explanatory framework for other contexts. In this regard, some generalisation within the conditions of a realist approach seems justifiable. Again, the more similar the contexts to the present one, the more defensible the claim. It might be argued that similar mechanisms to those of IKEA can be characteristic for global retailers with the strong market power and brand identity/image entering new markets. Such companies have pre-requisites for developing a similar market driving approach characterised by the brand's strong profile (in the form of stores), creative product and service solutions, the motivated staff, global supply and distribution chains, and customer familiarity with the brand. The developing markets that are changing at a fast rate represent the relevant conditions for such an approach since the industry is in flux and customers are more open for change. Consequently, a market driving company can fully realise its ability to drive the industry and educate customers and other market actors.

Following the logic of a realist view, it might be useful to compare the present findings with other studies of the same company and phenomenon. Closest to my research is the study of IKEA's global identity by Salzer (1994). Salzer was interested in IKEA's organisational identity, which she conceptualised as a symbolic construction created by organisational members in their interactions with each other and the external world. Salzer's major research question was how the identity is *realised* by a global organisation dispersed across markets. She viewed the process of an identity's local re-construction as a *sense-making* activity, in which organisational members made sense of both themselves and the external world. The author has identified several processes of sense-making: *drawing borders*, mirroring via *managing impressions* and *talking to self*. She concluded that a global identity can be seen as an array of meaning systems, interacting via multiple flows of meanings from the corporate centre to periphery and back. Thus, organisational identity was mainly seen as an intangible and inherently inconsistent construction used for the internal organisational use (sense-making).

There are many parallels between Salzer's and my own ideas and findings. Thus, I viewed identity as a logical construction of mainly intangible dimensions, with a basis in employees' perceptions. Guided

by the research question of how identity is *utilised* for global market driving purposes, I have also focussed on identity re-construction in the local contexts but viewed it mainly as a *value-creating activity*, which is closely related to organisational *marketing strategy*. I have, thus, explored the other side of the identity phenomenon – how it is activated by organisational staff via a set of specific behaviours and activities. The activation process involved brand *channelling* of the marketing activities; *shaping* market behaviours and market structure and an organisation-wide *market learning* process. These processes have much in common with Salzer's sense-making processes. Similarly to Salzer, I have conceptualised the global brand identity as an array of value-creating systems (organisational units), which interacted with each other, but I have also added the common direction for all these systems that allowed realising their potentials for achieving a higher stakeholder value.

The comparison above provides some food for thought as regards the generative mechanisms governing the identity formation and strategy implementation in a globally branded organisation. As seen, there is much in common with the mechanisms of sense-making and value-creating at the same organisation, which might imply similar forces and structures driving both processes. Taking into consideration the differences in methods applied (ethnography in Salzer's study and case study in mine) and theories used (organisational identity in Salzer's study and corporate branding/market driving in mine), it might be concluded that we both explored different functions of the same organisational phenomenon, which has also proven to be quite robust given that 10 years have elapsed between the studies.

9.4 Summary of theoretical contributions

I will now summarise my theoretical contributions to both the corporate branding and market driving literature. As far as the corporate branding theories are concerned, I see my contributions in achieving a deeper understanding of the nature of the corporate brand identity. Moreover, a more comprehensive view of corporate branding as a process has been developed. I have demonstrated that a corporate brand represents a source of potentially unlimited power that

organisations can use for devising a market driving strategy. This is due to the achieved brand's consistency as a synergy between organisational culture, core values and people's beliefs and behaviours. It is, thus, important to create a synergetic identity at the corporate level before transferring it to other markets. The process of brand transfer as the reconstruction of the identity in local contexts has also been explored in depth, adding new insights to our knowledge of identity as having a changeable nature. I have also shown that internal and external branding are inseparable and mutually dependent processes.

As far as the market driving theories are concerned, I have made the contribution in providing a better understanding of mechanisms and dynamics of this approach. Thus, I have demonstrated that a corporate brand acts as a propellant for the market driving strategy due to its underlying dimensions that can be activated by the management and staff of the organisation. It provides a robust structure that guides organisational actions, which in their turn reproduce this structure. However, I have not explored this latter link (actions-identity) in the present study. As far as the dynamics of market driving are concerned, I have uncovered the specific activities characteristic for the market driving approach at the corporate and local levels of the firm and explained their sequence. The broad stakeholder perspective of market driving represents the major contribution since it combines the achieved knowledge of the mechanisms and dynamics and applies it to multiple organisational stakeholders.

An important theoretical contribution of the study is the demonstrated value of the cross-fertilisation of different theories. I have used the interdependency of market driving, corporate branding and stakeholder theories and shown that the two latter theories enriched both the market driving theory and each other by providing deeper meanings of the key concepts and their inter-linkages as well as giving new perspectives for further development. Thus, the stakeholder theory has been shown to be a tool to facilitate a broader corporate branding while corporate branding made the stakeholder management more focused. Both the above theories facilitated the development of an integrated perspective of market driving, which has contributed to the broadening of the marketing concept to the corporate level, characterised by the

view on marketing as a corporate strategy oriented towards stakeholders with an end focus of value creation (Balmer, 2001a).

9.5 Practical implications of the study

The study represents a contribution in terms of guidance for companies that want to develop a market driving approach. However, it is important to stress that my results should be used only as tendencies or patterns that were identified for the case of a successful market driving company with a strong corporate brand. These patterns were visible in a specific set of circumstances under which the case company developed its market driving approach. Another branded company will develop the market driving strategy under a different set of factors that might lead to different results. From this standpoint, the practical implications should be understood as a possible explanation of the market driving mechanism and not as a manual of how to become a market driving company.

I would like my study to be seen as a source of inspiration for other companies with strong corporate brands or those that would like to develop into such. Thus, by looking inwards to see how their organisation with its heritage, culture and people can be the source of added value for internal and external stakeholders, companies can find new ways to satisfy customer and other stakeholder needs and compete more effectively. This is a less risky way to develop a market driving approach than, for example, a reliance on radical product or business innovation, since it is about using the available business system more effectively.

I wish also that my study could initiate the companies' interest in self-examination and reflection as regards their intangible resources, such as organisational culture, core values and people, the synergies between them, the links between corporate values and strategies, and the consistency between corporate goals and local marketing activities. Some specific aspects of the study, such as the value recruitment and training principles, relationship-building with local stakeholders, as well as the multiple ways to translate the brand core values into meaningful messages to stakeholders in culturally different markets can provide insights and practical recommendations for managers.

9.6 Suggestions for future research

In my study, I have taken the managerial perspective of market driving and explored the internal mechanisms that an organisation can use to devise a market driving strategy. I have not included the customer perspective of market driving, while the stakeholder perspective has been limited to five individual cases of employees and suppliers. It might be very useful to carry out an extensive study involving end-consumers and other groups of stakeholders. This could achieve a better understanding of their perceptions of the company's market driving strategy and, especially, of its outcomes. Thus, the internal and external perspectives on market driving might be compared.

I have looked at new, developing markets, which the global company has entered recently. Moreover, my case company (IKEA) represents a company with a strong market control achieved globally before entering these markets. The literature argues in this regard that the market driving strategy is the most relevant for firms operating in immature markets and the choice of market driving strategy depends on the level of market control of the firm over the supply and demand chain as well as their market coverage (Jaworski et al, 2000; Harris and Cai, 2002). The above factors have played the role of antecedents that influenced the character of the market driving strategy. Thus it might be suggested that the cases of other branded market driving companies, which either operate in mature markets or do not have a global market control and significant market coverage, can be used to see whether the above-mentioned factors are critical for the character of the market driving approach. My case company also represented a retail market driving company, which, accordance to the literature (Jaworski et al, 2000), has a stronger proclivity to develop a market driving approach due to its closeness to customers and well developed relationships with suppliers and other market actors. A study of the cases of manufacturing companies might provide new insights on the mechanism and character of market driving, which can be different from those of retailers.

Another possible direction of future research is the interplay of market driving and market driven approaches. I have not focussed on this issue in my study, although the literature suggests that these approaches are complementary (Jaworski et al, 2000; Harris and Cai, 2002). It is, thus,

interesting to know whether this complementarity is characteristic for the branded market driving firms. Maybe, on the contrary, the possession of a strong brand almost dictates an adoption of a market driving approach. This and other questions are hard to answer without the further development of the conceptual apparatus of market driving that would allow its clear categorisation as a distinct strategy type. In this way, the use of other relevant theories is advisable, with a special focus on their cross-fertilisation. To conclude, market driving constitutes a broad avenue for future research.

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Appendix 1

2003-10-06

IKEA General Questionnaire Guide (corporate and market levels)

1) Selecting a new market

General organisational factors

What are the main goals of IKEA Group abroad? Is there an overall expansion strategy? How are the local national organisations incorporated into the IKEA Group? What are their main responsibilities and what is decided by the corporate centre? How can you describe the management style used in IKEA? How can you describe the IKEA's organisational culture?

What are the most important aspects to consider at this stage?

Consumer characteristics? Market (size, development stage, etc)?
Competition. Regulative/legal aspects? Access to suppliers? Etc.

How to get a relevant and solid basis for making a decision whether to enter?

Who generates the data needed? Is it done internally or with help from partner companies (e.g. marketing consultants, suppliers, etc)? Is it possible to use previous experiences from other foreign new markets? Internal staff members with experiences?

What are the IKEA key corporate (brand) values?

What role do they play internally in the organisation (e.g. recruitment, training of personnel, reward system)? In the relationships with suppliers, distributors and other external partners?

Has the IKEA concept that was formulated by I. Kamprad more than fifty years ago changed over time?

If yes, how? What major modifications have been made? To what extent are the IKEA brand concept and organisational culture overlapping?

How is it decided whether the IKEA-concept is suitable for a potentially interesting new market?

Is this a relevant question or does IKEA assume that new markets can be “educated” and adapted in order to fit IKEA? Are any consumer tests done before the decision to enter (e.g. panels, focus groups, surveys, etc)? To what extent is the IKEA concept adapted to market conditions and customer needs on a new market?

Does IKEA have any type of global contacts/partners to cooperate with that are important at this stage?

E.g. contacts with international trade associations? Loans and support from international organisations that may want IKEA to enter certain markets (e.g. developing regions)? Dialogues with banks/other actors that help in financing the effort? Support from governments that have an interest in IKEA to enter their country? To what extent is the decision to enter the market dependent on the actual and potential capacities of local suppliers on this market?

2) Preparing to enter a new market

What are the most important things when preparing to enter?

How much of these responsibilities are transferred to the local organisation and how much is done at head office level?

How is the decision on how to enter the market (e.g. organic growth, franchising) made?

By whom? How much is the experience from the culturally similar/geographically close, etc. markets used? How much is this decision dependent on the concrete market situation, the market’s future potential, the company’s overall expansion strategy, vision, and other factors? Some examples?

How is the local organisation developed?

Is there a central model for how a national organisation is to be structured? How are top managers picked? Who has this responsibility? At what stage are managers responsible for different tasks appointed? What criteria and principles are used? How much autonomy does the local staff have? What levels in the local organisation are responsible for what?

To what extent can IKEA benefit from the knowledge possessed by internal staff members in other parts of the organisation?

Advice and experiences from employees and managers on other export markets? Central units responsible for making market analyses?

Does IKEA cooperate with any external organisations/partners that are especially important at this stage?

On the new market? Partners on other markets or on a global level? Who are they? What do they contribute with?

Contacts with national official representatives/stakeholder organisations?

Government? Trade unions? Trade associations? Media?

Does IKEA get any help from Swedish organisations?

The Swedish Trade Council? Banks? The Swedish government? Local Swedish representatives?

To what extent is data on the consumers generated at this stage?

Data about what? Type of data (e.g. official data banks, tailor made surveys, in-depth consumer studies, etc)? How is this data used and to what extent is it communicated to different parts of the organisation (local/corporate)? Who carries out marketing research? Are outsiders-consulting companies employed for a specific market?

Is any data on other actors/conditions generated?

Competitors? Suppliers?

How does IKEA select the suppliers for the new market?

Who makes these decisions (local/corporate)? How is the mix of new/local and previous suppliers? Are suppliers contacted directly on a local market or through the head office? What are the demands that a supplier has to live up to? How are these demands decided upon? Are they based on local market data/conditions or standardised according to the more general IKEA concept? What kind of external data are used more specifically? About consumers? The competitors' retail propositions? Quality and price levels on the market?

Does IKEA train new suppliers?

About what? The IKEA concept? The demands of local consumers? Specific requirements concerning logistics and supply chains?

To what extent can IKEA use suppliers' knowledge about a certain market?

To learn the new market's key success factors? To understand specific consumer demands? Ideas for new products? Other suppliers/business partners to use (i.e. get access to the suppliers' business network)? The structure and critical activities to manage the supply chain? Etc

How is the product range and assortment for the new market decided?

Who makes these decisions (local/corporate)? To what extent is it adapted/standardised? Can some product areas be emphasised more on certain markets and some to a lesser extent, or is this standardised? How is this decided? Describe how local market/consumer data is used in this process. Other types of data (e.g. on competitors)? Experiences from other, similar markets?

How is the service content and policy for the stores developed (i.e. service level, behaviour of staff, environment inside the store, etc)?

Is this standardised between markets or adapted? Are there any specific (printed or otherwise) instructions for how the employees are to behave? How are local store employees recruited and selected? What are the critical criteria used to select good employees? Are there any training/education programmes? Stressing what (e.g. the IKEA concept, local customer characteristics, general service behaviour)? To what extent are local employees informed about customer data and specific

customer expectations to live up to? How/to what extent is the IKEA concept transferred to new employees on different levels? To what extent is the store interior/environment adapted to new markets (national/stores)? Are adaptations made based on consumer data?

How does IKEA select sites for new stores?

Are there any general criteria? What kind of intelligence is needed? How is it decided whether the local customer structure fits IKEA? Is the local competition considered? Infrastructure? Are any particular local contacts necessary to develop in order to get access to good store sites? Are good central contacts with government etc. important? What are the most critical factors in this process? Getting access to land? Contacts with construction companies? Etc

How is the IKEA concept managed at this stage?

How is the consumers' brand awareness screened, tested at this stage? What are the major marketing activities to increase the consumers' knowledge about IKEA at this stage? What other important stakeholders (media, authorities, suppliers, etc) are contacted?

How and according to what considerations is the IKEA brand positioned on a new market?

Current competitive situation? Long-term prognosis for market development and competitive situation? In accordance with IKEA positioning on other markets?

To what extent is the goal to create a similar, consistent image on all markets IKEA enters?

What must be preserved in the IKEA image and what can be adapted? Is the IKEA image changing with time and in accordance with market changes (development, maturation)? If yes, how? What is preferred: a relatively standard, consistent image on all markets or a relatively standard positioning?

How is the promotion strategy for the new market developed?

Who is responsible for this? To what extent is it standardised between markets and adapted? Which are the most important promotion tools? Does IKEA work with national/local partners or more with international ones (e.g. advertising agencies)? To what extent are the

promotion strategy and specific promotion efforts adapted to local conditions (consumer characteristics, culture, competitors)? What kind of customer and market data is used when developing the promotion mix that is going to support the entry? To what extent is the organisation on the new market given its own freedom to develop the promotion efforts? What is the main purpose of promotion efforts when entering a new market (e.g. to inform consumers about IKEA, get them to visit the stores, “educate” consumers/local actors about the IKEA concept)? Are there any centrally developed guidelines for promotion in order to maintain the IKEA image/brand?

To what extent does IKEA develop new products in order to satisfy needs on a certain new market?

How are product development responsibilities divided within the IKEA organisation? Do central managers responsible for this get access to/consider data from different new markets? Does IKEA cooperate with suppliers in order to get new ideas and develop new products? Does IKEA use consumer data (in-depth studies, surveys, tests, etc.) from different new markets in order to develop new products? Competitor surveillance? Etc.

3) The first critical years on a new market

What are the most important factors to follow up at a corporate level during the first years?

What types of data on the development of the new market do they look at? How is it decided whether the corporate level needs to intervene and make changes at the local level? How independent is the local organisation in developing and driving the new market forwards? How does the local and corporate level communicate?

How has the local organisation developed?

Is it following the central model for how a national organisation is to be structured? How are top managers picked? Who has this responsibility? At what stage are managers responsible for different tasks appointed? What criteria and principles are used? How are employees recruited? To what extent is recruitment, appraisal and reward system consistent with that in other national organisations? With the IKEA general concept and values?

How does IKEA work with their supplier relationships?

Is it likely that IKEA will switch their local suppliers based on temporary differences concerning price, quality, etc? Are long term and relationships preferred? If so, for what type of suppliers? How often and according to what criteria are suppliers evaluated? To what extent do buyers or other staff members on a particular market develop a personal relationship with suppliers? How often do IKEA employees meet personally with suppliers? To discuss what? How are consumer views and data disseminated to suppliers? Do IKEA employees discuss consumer opinions with suppliers? Is this a basis for adapting products to local needs? Do suppliers normally share their knowledge of consumer experiences with IKEA products? Are there any routines for exchanging market intelligence on a permanent basis?

How is the effectiveness of IKEA's retail proposition for the new market evaluated?

Which types of consumer data/input are used (sales statistics, scanner data, surveys, panels, focus groups, tests, accompanied visits, customer complaints, etc)? How frequently are different types of consumer data generated? Is data generated and used to evaluate the performance of specific stores? What other types of data/intelligence are used on a regular basis in order to follow the market (competitors, economic development, general consumer trends, experts, etc)? Who is responsible for analysing different types of market data?

To what extent and using what data sources are the different specific components of IKEA's retail proposition evaluated?

The service quality? Behaviour of the staff? Store environment? Assortment and product range? Effects of promotion efforts and campaigns? Brand image?

How and according to what considerations is the IKEA brand positioned on a new market?

Current competitive situation? Long-term prognosis for market development and competitive situation? In accordance with IKEA's positioning on other markets? How is positioning changing with market changes, changes in customers' needs?

To what extent is the goal to create an image of IKEA that is similar to and consistent with those on other markets?

What must be preserved in the image and what can be adapted to the local conditions? Is the IKEA image changing on a given market in accordance with market changes (development, maturation)?

To what extent are employees on all levels of the organisation encouraged to behave in accordance with key corporate/brand values?

To what extent are the recruitment, appraisal and reward systems based on these values? How and to what extent are employees motivated to live in accordance with the IKEA values in their everyday life? What activities are planned to enhance an employee's commitment and performance?

How is the consumers' brand awareness screened and tested at this stage?

What are the major marketing activities to develop and strengthen the brand image on a new market at this stage? What promotion, advertising activities are carried out? Who does the marketing research? Are outsiders - consulting companies employed on the specific market? What is the role of IKEA employees in the stores? What customer education, assistance is provided? To what extent is the goal to create a certain perception of IKEA with customers, change their shopping preferences, introduce new ways to organise their homes, change/improve their general life styles, etc?

How are other stakeholders (media, authorities, other decision makers, suppliers, business partners, general public) addressed at this stage?

What is the goal of corporate communications to stakeholders? Which stakeholder group is prioritised and communicated to at this stage? To what extent are the marketing communications to different stakeholders consistent in their context? How are relationships with stakeholders managed over time during the first critical years on the market?

How is market intelligence disseminated within the IKEA organisation (on the host market)?

Which parts of the generated market data are distributed within the IKEA organisation? At what levels? Who gets access to different types of information? How is this decided? Are there any developed routines for disseminating information (computer based or otherwise)? Are there any arenas for discussing consumer views and data? Is this done on an informal basis? Who is usually involved in such discussions and where do they take place?

How is market intelligence used in order to evaluate/reward staff members?

Are consumer opinions/data shared and discussed with local store employees? Is their behaviour evaluated and modified based on customer input? Are employees encouraged to document customer complaints and communicate this to other parts of the organisation?

How is market data used in order to modify the different parts of the retail proposition on the host market?

The service quality? Behaviour of the staff? Store environment? Assortment and product range? Effects of promotion efforts and campaigns? The need for new products?

How does IKEA develop and use its business network?

Which different types of actors are regarded to be critical partners in order to maintain the new market (e.g. suppliers, community, government, trade unions, competitors, etc)? What are their roles in developing IKEA's position and image on the market? To what extent are they involved in discussions concerning how to satisfy market needs and to strengthen the IKEA brand/image? How are these contacts managed? Does IKEA have any specific routines for exchanging information/communicating within its business network on the host market? Are there any direct contacts between different actors within the network or does IKEA control all contacts?

How is further expansion on a new market organised?

How are new sights/locations selected? Is this managed at corporate/market level?

Who is responsible for further expansion? Corporate/market level? Is an additional local organisation developed or is the existing one responsible for the additional store? What information/knowledge is required in order to continue expansion in the new market? What roles do existing suppliers play in further market expansion?

Appendix 2

Revised 2003-11-27

Discussion topics and questions:

Marketing Manager, Russia

IKEA marketing strategy in Russia

What is IKEA's general marketing strategy in Russia?

How does the marketing strategy differ in Moscow, St. Petersburg, other Russian cities (e.g. Kazan)?

Who are IKEA's main competitors in Russia?

What is IKEA's policy towards other retailers (international and local chains) working in Russia?

Who is the typical Russian IKEA customer? Has the target audience of IKEA in Russia changed since IKEA first came to Russia?

How do you want a typical Russian customer to perceive IKEA?

How is market information used within the IKEA organisation in Russia?

What kind of market knowledge is collected on a regular basis?

How does the IKEA organisation in Moscow get access to the market data?

How do you exchange market data internally within the IKEA Moscow organisation and with offices in other Russian cities?

How is the market knowledge gained on other markets used to support expansion in Russia?

The role of IKEA corporate brand in IKEA's Russian expansion

What IKEA values are most appreciated and valued by Russian customers? To what extent is the IKEA concept/brand perceived similarly or differently in Russia as compared with its other international locations?

How is IKEA positioned in Russia? How is it similar/different with IKEA's positioning on other markets?

What advertising is used in Russia: media, types of ads, who decides how to develop them, whether ads are based on local market data or on knowledge from other markets, other types of promotion activities, incl. sales, PR, etc. ?

Is it mainly corporate advertising, product advertising or mixed? How is it different in, e.g. Moscow and St. Petersburg?

How is IKEA dealing with competitors' moves in the market?

How do you communicate with suppliers? What PR activities are used?

To what extent are Russian customers influenced by the IKEA brand? Have their shopping preferences, ways to organise their home, etc changed since IKEA came to Russia? If yes, how?

How have IKEA activities on Russian market changed the local market situation? How, for example, has the situation in Moscow changed since IKEA opened its first store? Competitors' positions, price level for furniture, customer satisfaction, salary standards at Russian companies?

2003-11-27

Discussion topics and questions:

Country Manager, Russia

How does the IKEA organisation function in Russia?

What are IKEA's plans in Russia? What is the main strategy in Russia? Direction of expansion; how many stores will be opened; turnover; how many customers to reach; share of the locally produced goods now and in 5-10 years; market share in Russia now and in 5-10 years.

How can you describe the present situation on the Russian market? What are its main peculiarities?

What have been the main challenges in establishing IKEA in Russia? What was the biggest surprise in Russia? What cultural norms have been most difficult to overcome?

What is IKEA's policy towards other retailers (international and local chains) working in Russia? To what extent is the cooperation with them important for IKEA's success in Russia?

To what extent is IKEA's expansion in Russia dependent on the capabilities of the local suppliers? How does IKEA work with their supplier relationships in Russia? What are the biggest challenges with Russian suppliers? What are the plans for building own factories in Russia?

Who are your most important external partners? What support does IKEA Russia need from them to succeed in Russia? How do you cooperate with global organisations in developing IKEA strategy for Russia? How much are you involved in strategic issues concerning IKEA globally?

How is market information used within the IKEA organisation in Russia?

How does the IKEA organisation in Moscow get access to the market data? Do you gather any market information on your own? What external partners do you use for market research purposes?

How is the market knowledge gained on other markets used to support expansion in Russia? To what extent was the experience of other, e.g. East European countries applied in Russia?

How is the experience and knowledge gained in Russia helpful in planning further expansion in Russia and other markets?

The role of the IKEA corporate brand in IKEA's Russian expansion
What is the main cultural challenge in Russia when it comes to IKEA values?

To what extent are Russian employees on all levels of the organisation encouraged to behave in accordance with core values?

How is IKEA positioned in Russia? How is it similar/different with other markets?

To what extent are Russian customers influenced by the IKEA brand? Have their shopping preferences changed since IKEA came to Russia? Have they appreciated the IKEA way to organise their homes? Have they changed/improved their general life styles? If yes, how?

What role do corporate/brand values play when choosing new suppliers and in relationships with the existing suppliers (distributors, other partners)?

2004-05-10

Discussion topics and questions:

Store Manager, St. Petersburg

General organisation, staff recruitment and training

When did the store open? How was the store location chosen?

How is the store organised? To what extent is the store layout, display of products, assortment, service, etc analogous/different to other IKEA stores? If there are any differences, please, give examples.

Have any changes to the product assortment been made in the stores? Locally produced products in the range? Special new products for St: Petersburg? Any examples?

What commercial themes are used in the stores presently? Are they similar to the globally used ones?

How is the store turnover in comparison with other IKEA stores in Russia? What BA has the biggest sales? What are the top selling items?

How is the store personnel recruited? How is the salary and benefit system different/similar to other local retailers?

How is the store staff trained and developed? What are the specific challenges with the shop-floor staff?

How is the self-service concept introduced to customers by the local staff? What are major challenges for the staff and customers?

How are the customer opinions and complaints dealt with? (Please give examples of the specific activities) What are the most common questions and complaints?

The role of store personnel in gathering and using the market knowledge

What kind of local market knowledge is gathered in the store?

How is market data collected and transferred within the store and in the organisation? Are there any developed systems and routines (computer based or otherwise)?

How is market data used in planning store and product assortment?

How are employees motivated to gather data about e.g. changing consumer needs, complaints, preferences, competitor products, etc?

How are employees motivated to share the knowledge and work as a team?

To what extent can the IKEA St: Petersburg store benefit from the market knowledge collected by internal staff in other parts of the organisation, i.e. in other countries?

How are the best practices and solutions applied in one store, e.g. in St: Petersburg, used when planning a new store in another Russian city? How is this knowledge transferred and shared between the stores?

The role of the IKEA store in preserving and developing the IKEA brand in Russia and internationally

What is the role of the store in creating IKEA's identity? How is the IKEA brand communicated in the store? How is it advertised?

What is the role of Swedishness in IKEA's identity in St: Petersburg? The role of Swedishness in positioning the brand in St: Petersburg/Russian market?

To what extent are the store employees encouraged to behave in accordance with core values? The role of recruitment with values?

Who is the average IKEA St: Petersburg customer? What is a difference between the St: Petersburg and Moscow customers?

What IKEA's brand values are the most appreciated and valued by Russian customers?

What role does the store staff play in introducing Russian customers to IKEA culture and in teaching them the IKEA values? How are relationships with customers created?

What communication channels are used to reach customers in St: Petersburg/other Russian cities? Which are the most effective?

What specific activities are undertaken at IKEA to change the traditional shopping patterns and norms of behaviour in St: Petersburg? What changes in customers' shopping patterns, life style, etc have already occurred?

2004-05-10

Discussion topics and questions:

Expansion manager, China

IKEA expansion strategy in China

What are IKEA's plans in China? What is the main strategy in China? Direction of expansion; how many stores will be opened; turnover; how many customers to reach; share of the locally produced goods now and in 5-10 years; market share in China now and in 5-10 years.

How is the expansion organised? How is the expansion organisation structured?

Who gives the direction for where, how and when to expand?

Please give an example of a recent expansion in China?

What role does the expansion of IKEA Trading and existing suppliers play when IKEA Retail decide to expand?

What are the critical success factors for IKEA expansion in China?

How is market information and experience knowledge used within the IKEA organisation in China?

What kind of market knowledge is collected on a regular basis? What market information is the most important for IKEA's further expansion?

How does the IKEA organisation in Shanghai get access to the market data?

How do you exchange market data internally within the IKEA Shanghai organisation and with offices in other Chinese cities?

How is the market knowledge gained on other markets used to support expansion in China?

How are the earlier experiences from the Chinese expansion but also global expansion within IKEA used? How is this knowledge transferred?

The role of the IKEA corporate brand in IKEA's Chinese expansion
What is the role of the IKEA brand in the expansion process? What are the main challenges related to establishing the brand and projecting right image now and as you foresee them in future?

What role do the IKEA local staff and expatriates play in the expansion process? How is the local staff trained and prepared for the transfer to other IKEA stores/countries?

To what extent is the IKEA concept/brand perceived similarly or differently in China as compared with its other international locations? What IKEA brand values are the most appreciated and valued by Chinese customers?

How is IKEA positioned in China? How is it similar/different with IKEA positioning on other markets? Is this important when deciding where to expand?

What is the role of local suppliers in establishing the brand and further expansion?

Who are IKEA's main competitors? How is IKEA dealing with their moves in the market?

To what extent are Chinese customers influenced by the IKEA brand? Have their shopping preferences, ways to organise the home, etc changed since IKEA came to China? If yes, how? How does it influence the expansion plans?

How have IKEA activities on the Chinese market changed the local market situation? How, for example, has the situation in Shanghai changed since IKEA opened its first store? Competitors' positions, price level for furniture, customer satisfaction, salary standards at Chinese companies? How does it influence the expansion plans?

2004-05-10

Discussion topics and questions:

Person to interview: Trading manager, Russia

How does the purchasing organisation function at IKEA Russia?

Who are IKEA's major suppliers in North-West Russia?

How does IKEA select suppliers for a new market such as Russia? What are the main principles?

How does IKEA work with their supplier relationships more generally? Role of trust building in developing and maintaining relationships with suppliers.

How does IKEA train and control suppliers? Please, give examples of how IKEA Trading works with suppliers at different stages of cooperation, how is the Code of Conduct used.

Please, give some examples of local suppliers that are fully integrated in the global supply base (what industry, what products, export to which IKEA countries, how many years in relationship with IKEA).

How are IKEA's own production facilities used for training and education of local suppliers?

How can IKEA use suppliers' knowledge about the Russian market? What kind of knowledge?

What is the major impact of cooperation with IKEA on suppliers' own business and general market situation in the region?

What are the key success factors for IKEA's expansion in Russia from the Trading perspective?

The role of the IKEA corporate brand in network building and relationships with suppliers and other partners

What roles do brand values play when choosing new suppliers in Russia and in relationships with the existing suppliers? Which values are the most important?

What are the main challenges in relationships with suppliers when it comes to IKEA values?

What is the image of IKEA that suppliers have? How do you want suppliers to perceive IKEA? What is done at IKEA to project the right image to suppliers?

What is the role of IKEA suppliers in developing and strengthening the IKEA image locally and globally?

How is market information used within the Trading organisation?
How important are different types of market information for the Trading organisation?

How does the Trading organisation get access to the market data used?

How is knowledge about suppliers in Russia collected and used?

What is the role of IKEA employees on different levels in the company in gathering, transferring and using the market knowledge?

What is the role of suppliers in collecting, sharing and using market information? Do suppliers have access to the IKEA global market data on consumer needs, range development, global supply base, etc?

Please, provide the ex of Code of Conduct (if available in English) and the list of 5-6 major suppliers: what industry, products, years in relationship.

2003-11-27 (revised 2004-05-25)

Questions to suppliers

Relationship in general

History of relationship – how long have you cooperated with IKEA?
When did you start the relationship? At what stage of your relationship
are you now? How is the cooperation going on?

How do you think the relationship with IKEA will look in 3-5 years?

Who are your main contact persons at IKEA? How often do you meet
with them? What do you usually discuss with them?

Product development

How are the decisions about product development made? Who is
involved on IKEA's side, the factory side? Some examples from your
factory?

What is the percentage of IKEA products in your factory's turnover?

How much initiative does the factory take in product development?
How much is decided by IKEA? What is decided by IKEA (design,
quality specifications, delivery time, quantity, etc)?

Do you get any regular training at Swedwood, other factories? What
kind of training?

Exchange of market data

How do you exchange market data with IKEA; with other suppliers?
What kind of data? (Customer data, market trends, competitor data,
etc)?

How do you use this market data for product development,
technological processes, assortment building?

How much support and education do you usually get from IKEA?
What kind of support (financial, technical, HRM, other) and education
(courses)?

What is expected from you in response? Compliance with quality and delivery norms? Own initiative in new product ideas? Loyalty?

How much do you discuss your factory issues regarding production, human resources, delivery, etc with IKEA?

IKEA brand

What are your first associations of IKEA as a brand?

How important are the IKEA values and Code of Conduct for your cooperation with IKEA? Which values are particularly important for you and why?

Do you recommend IKEA as a partner for your own business partners? How in this case would you describe IKEA as a business partner?

What are your existing/future plans regarding the product assortment, production volume, etc for IKEA? What do you think your market position will be in 3-5 years?

Appendix 3

The list of respondents

Name	Position	Date	Country
Jon Abrahamsson	Assistant to Ingvar Kamprad & Anders Dalvig (CEO)	20030625;1016;1103	Sweden, Helsingborg
Neena Metha	Assistant to HR Manager Global	20031013; 1105	Sweden, Helsingborg
Lars-Göran Peterson	Global Purchasing Manager	20031028	Sweden, Helsingborg
Guido Verijeke	Commercial Manager BA3	20031113	Sweden, Älmhult
Mats Agmén	Managing Director Inter IKEA Systems AB	20031120	Sweden, Älmhult
Anna Svehög	Assistant to HR Manager, Sweden	20031029	Sweden, Lund
Isabelle Rodrigues	Project leader of a "Push-and-Pull" Program	20031028	Sweden, Älmhult
Göran Stark	Managing Director Distribution	20031211	Sweden, Älmhult
Johanna Jaktman	Compensation & Benefit Manager, Retail	20040304	Sweden, Helsingborg
Thomas Ericsson	HR Manager Distribution Global	20040322	Sweden, Älmhult
Olof Sixten	HR Manager Distribution North	20040322	Sweden, Älmhult
Monica Östberg	Competence Manager Global, Ikea of Sweden	20040322	Sweden, Älmhult
Leif Borgström	HR Manager	20031205	Russia, Moscow
Vincent Berloz	Logistics Manager	20031203	Russia, Moscow
Gyba Andrey	Director, Konakovo ceramics factory	20031201	Russia, Moscow
Anders Gyllenius	Store Manager for Khimki store	20031201	Russia, Moscow
Liane Mayer	Store Manager for Teplyi Stan store	20031202	Russia, Moscow
Mikael Franzén	Purchasing Manager	20031203	Russia, Moscow
Inge Juliusson	Marketing Manager	20031204	Russia, Moscow
Lennart Dahlgren	Country Manager	20031205	Russia, Moscow
Gerhart Eggert	Supply Manager	20031203	Russia, Moscow
Lars Ingloff	New Product Development Manager	20031203	Russia, Moscow
Irina Vanenkova	PR Manager	20031204	Russia, Moscow
Anders Binnmyr	Property Manager	20031204	Russia, Moscow
Svetlana	Bedroom dept. head, Khimki store	20031201	Russia, Moscow
Valentina	Childrens' IKEA dept. head, Khimki store	20031201	Russia, Moscow
Vladimir	Bedrooms dept. head, Teplyi Stan store	20031202	Russia, Moscow
Vika	Children's IKEA dept.head, Teplyi Stan store	20031202	Russia, Moscow
Ian Duffy	Country Manager	20040517	China, Shanghai
Jerome Deloix	Range and Sales Manager	20040517	China, Shanghai
Ulf Smedberg	Marketing Manager	20040518	China, Shanghai
David Chang	HR Manager	20040518	China, Shanghai
Richard Hames	Store Manager	20040519	China, Shanghai
Shirley Zhou	Bedroom dept. head	20040519	China, Shanghai
Sara Han	Children's IKEA dept. head	20040519	China, Shanghai
Åke Forsberg	Expansion Manager	20040520	China, Shanghai
Lars Hansen	Manager for trading area central China	20040520	China, Shanghai
Jason Bird	Deputy Logistic Manager	20040521	China, Shanghai
Nick Chambers	Store Manager, Dybenko store	20040606	Russia, St. Petersburg
Peter Nilsson	Project leader, new store opening	20040607	Russia, St. Petersburg
Mats Svensson	Sales Manager, Dybenko store	20040608	Russia, St. Petersburg
Tomislav Trampuz	Trading Manager	20040608	Russia, St. Petersburg
Timur, Alexey	Children's IKEA personnel, Dybenko store	20040609	Russia, St. Petersburg
Irina	HR manager, Children's IKEA, Dybenko store	20040610	Russia, St. Petersburg
Vladislav Lapchenko	PR and Environmental Manager	20040612	Russia, St. Petersburg
Maxim Gysev	General Director, Lenraumamebel	20040610	Russia, St. Petersburg
Mikhail Kartashov	Export-import manager, Lenraumamebel	20040610	Russia, St. Petersburg
Alexander Belov	General Director, Priozersk factory	20040611	Russia, St. Petersburg
Dmitry Stoyanov	Trading Manager	20050221	Poland, Warsaw
Ryszard Gajak	Environmental audit	20050221	Poland, Warsaw
Przemyslan Tokarski	Environmental specialist	20050221	Poland, Warsaw
Tomasz Matya	Technician	20050222	Poland, Warsaw
Pavel Chmiela	Deputy President and Production, PROFIm factory	20050221	Poland, Warsaw

Appendix 4

Corporate materials and media sources

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