

Part-time Executive International
Master of Science in Corporate Communication

ROTTERDAM SCHOOL OF MANAGEMENT ERASMUS UNIVERSITY

BOOK OF GRADUATES' RESEARCH ABSTRACTS 2010



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Book of Graduates' Research Abstracts

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Preface

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

In this year, we are able to allow fifteen new graduates to become Master of Science in Corporate Communication. This means that we now have a total of 182 MCC graduates. Most of these MCC's made a substantial career move after their graduation. I sincerely hope (but also expect) that the same will happen to the Graduates of this year. This year 15 representatives of the business world and non-profit organizations can celebrate their graduation of a programme they participated in during two years of intense courses where they presented assignments, discussed the most recent academic theory and applied this to their daily life problems in their businesses.

The participants graduating this year are:

Maria-Christina Cosmatos (Philip Morris), Martijn Donders (Delta Lloyd Groep), Raymond Fillet (Provincie Noord Holland), Michael Goentgens (Luft Hansa Cargo), Josee van der Hoek (Between-us), Robin Janszen (Sanoma Magazines), Kym Kettler (Consultant), René Menting (Port of Amsterdam), Pieter van Nuenen (NXP), Floor Oostervink (Consultant), Iris van Opstal (BURO IRIS), Antonio Santiago (Barclays Bank), Ivar Smits (AkzoNobel N.V.), Ilse Tacoma (InterAce Communicatie), Margo van Vlierden (Mach3-Communicatie).

I hope they have learned a lot during the courses we offered them in the past years. The least I could say, also on behalf of all the teaching staff that worked with them, is that we have learned a lot from them too.

Their willingness to discuss practical problems in their own organizations and to relate these to the issues we discussed in the classroom were inspiring and exciting.

In the thirteen years of the Master of Science in Corporate Communication Programme we succeeded in creating an international programme that presents all leading experts in a teaching role. I would like to thank the following people (teaching staff) who contributed tremendously to the success of this programme:

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

The first Graduation Day in 1999 was a great success thanks to the joint effort of several representatives of the business world Mr. D.J. de Beus of PGGM, Mr. Rob de Brouwer of Hoogovens and Mr. Dries van de Beek of the VSB-Fonds) and several professors of the Erasmus University. Alexander Rinnooy Kan (member of the Executive Board of ING Group) was the keynote speaker at that time. In 2000 it was a great pleasure to have Mr. Cees van Lede, Chief Executive Officer of the Executive Board of Akzo Nobel as our keynote speaker. In 2001 we proudly announced the CEO of Grolsch NV, Mr. Jacques Troch, who spoke about the social responsibility of a company. In 2002, Leendert Bikker (CEO of Euro RSCG Corporate Communications) gave a speech about 'Building Reputation'. In 2003 we welcomed Mr. Wim Dik, the former CEO of KPN, who spoke about reputation management. In 2004 we welcomed with great pleasure Mr. Frank Welvaert, Director of Social Responsibility at Johnson & Johnson Europe. In 2005 we had Mr. A.W.H. Docters van Leeuwen, Chairman of the AFM. And in 2006 we welcomed Mr. P. van Minderhout, Group Director Communications and Social Responsibility of TNT, who spoke about the 'Reputation Management at TNT'. In 2007, we were proud to have mr. J. Prast, Executive Vice President, Global Director of Corporate Communications of Philips as guest speaker, who spoke about "What does good look like in Corporate Communication". In 2008 r three MCC alumni's (Ron van der Jagt, Mark Zellenrath & Anoeska van Leeuwen) gave presentations about their career experiences with the theme "The Route to the Top".

Last year we welcomed Mr. Boele Staal, Chairman of the Board of NVB (Nederlandse Vereniging van Banken) with a presentation on "Reputation Management in the Public & Private Domain"

This year we proudly welcome Prof.dr.em. Joan Hemels (Universiteit van Amsterdam) as key-note speaker with his speech: 'A journalistic secret revealed: How a spin doctor tried to save the reputation of an emperor'. It's also with great pride that we welcome Herman Kievits of Royal Dutch Shell, who will present the 'Shell Netherlands Stimulation Award for Excellence in Corporate Communication' to the author of the 'best thesis' of 2010. 'The Boer & Croon Innovation in Communication Award' will be announced by Mrs. Inge Kauer, Partner of Boer & Croon Corporate Communication. The winners of both awards will be announced at the Graduation Day on November 26, 2010..

Prof. dr. Cees B. M. van Riel

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

Programme

Friday, November 26, 2010

- 15.30 - 15.35 **Opening**
Prof.dr. Steef van de Velde,
Vice Dean of the Rotterdam School of Management,
Erasmus University
- 15.35 - 16.05 **Keynote Address**
A journalistic secret revealed:
How a spin doctor tried to save the reputation of an emperor
Prof.dr.em. Joan Hemels,
Universiteit van Amsterdam
- 16.05 - 16.45 **Presentation of the Diplomas**
Prof.dr. Cees van Riel,
Director Corporate Communication Centre
- 16.45 - 16.50 **Presentation of the Shell Netherlands
Stimulation Award for Excellence in Corporate Communication**
Drs. Herman Kievits,
Vice President Communications, Shell Nederland BV
- 16.50 - 16.55 **Presentation of the Boer & Croon Communication Award**
Inge Kauer (MCC),
Partner Boer & Croon Corporate Communication
- 16.55 - 17.00 **Closing Remarks**
Prof.dr. C.B.M. van Riel
- 17.00 **Reception**

List of Graduates

- Maria-Christina Cosmatos** *"Trust me, I'm a Fortune 500: What makes employees speak up about observed organizational misconduct? What is the relationship between organizational trust and "whistleblowing"? What are the factors that influence this relationship?"*
- Martijn Donders** *Is a Corporate Brand Always a Strength?: Branding strategies in the Dutch insurance market*
- Raymond Fillet** *Whoever is not seen vanishes into thin air: Strengthening a governmental organization's legitimacy in a turbulent environment*
- Michael Goentgens** *Communication of Corporate Initiatives in multi business firms: Creating Alignment and expressing the added value of the corporate center*
- Josée van der Hoek** *Lack of urgency of the issue Obesity: a heavy communication issue?*
- Robin Janszen** *"Men reading fashion magazines, Oh what a world it seems we live in" (Rufus Wainwright, Oh, What a World, 2003)*
- Kym Kettler-Paddock** *Theoretical Underpinnings of Thought Leadership: What is it? Why is it important? And how can organizations pursue it?*
- Renee Menting** *Intentional identity change in hybrids: The paradox of the underdog*
- Pieter van Nuenen** *Changing Ownership, Ongoing Transformational Moves in the Highly Volatile Semiconductor Industry, and the Effects of this on Strategically Aligned Behavior Among Employees of NXP Semiconductors*
- Floor Oostervink** *One Purpose, One Promise: Senior management perspectives on the relevance of consistent core values and brand values and how to manage that successfully.*
- Iris van Opstal** *How to Regain Trust in the Dutch Insurance Industry the Dutch consumer and the Dutch insurance industry: an intractable identity conflict with special features*
- António Santiago** *What can Portugal do to create a sound reputation among key audiences regarding the economic prosperity of the country?*
- Ivar Smits** *Creating Sustainable Shareholder Value: A roadmap for AkzoNobel*

Ilse Tacoma

The Change Puzzle: Which tactic/strategy contributes towards the result of the change?

Margo van Vlierden

What's in a frame?: The creation of consensual systems of meaning during change



Maria-Christina Cosmatos

“Trust me, I’m a Fortune 500

What makes employees speak up about observed organizational misconduct?

What is the relationship between organizational trust and “whistleblowing”? What are the factors that influence this relationship?

Maria-Christina Cosmatos is a communications professional for a FMCG multinational listed as a Fortune 500 company. She has been with her current employer for more than six years in various positions of increasing responsibility. Almost four years ago she had the unique opportunity to relocate from Cyprus to Switzerland to pursue her career and has been happy living and working there ever since, calling Switzerland home now.

Over the years, she has gained experience in developing communication campaigns that cover a broad and varied range of business related issues targeted to both internal and external stakeholder audiences. For the past two years, Maria-Christina has been working in the area of compliance where she has worked on communication initiatives and training tools targeted to employees around the world. In line with her responsibilities, Maria-Christina does not get tired of thinking of what kind of work place environment and initiatives improve compliance and make an organization a better place to work. A major part of Maria-Christina's

responsibility is to determine how internal communication in a global company with almost 80,000 employees can foster this end.

Maria-Christina is of Greek origin, raised in Canada with dual Canadian and Greek citizenship. Maria-Christina was educated in Canada and in 2002 she obtained her Bachelor of Commerce degree in International Business and was among the few to graduate with distinction from the University of Victoria. She supplemented her formal University education with various internships and was fortunate to have had the opportunity to travel to France and Romania to gain this experience while at the same time fulfill her passion for traveling and discovering the world.

Renee Menting

Rubin Janagan

Michael Goentgens

PREFACE

At some point in our professional lives many of us will encounter situations involving what we believe to be wrongful behavior, be it immoral or illegal, that may ultimately harm us directly, our colleagues, the company we work for or the public at large. In such cases as this, the obvious, and hopefully, natural reaction would be to reach out to someone who can help correct this wrongdoing – this behavior today is referred to as ‘whistleblowing’. As easy and logical as this may sound, this isn’t always what happens. Why is speaking up about organizational misconduct so difficult and so rare? Why is it that time and time again, a matter only comes to light once a scandal surfaces and reaches front page news? This paper attempts to explore the subject of whistleblowing in more detail, with the objective to better understand the drivers that could ultimately compel individuals to come forward.

BACKGROUND

Employees, consumers and society at large expect organizations to be good corporate citizens and conduct business honestly and fairly in line with the letter and spirit of the law. Regulators are getting tough and cracking down on organizational wrongdoing.

In face of this constant scrutiny, for organizations to survive and meet societal expectations, organizations must be transparent, act with integrity and adhere to the law, ethical standards and international norms. Beyond this, however, businesses are expected to promote public interest and voluntarily eliminate practices that harm any aspect of society, regardless of legality – doing so differentiates them from competitors and gives them a competitive edge in the eyes of the public. Not only do organizations have a responsibility to uphold these standards, but there is also an expectation of society (employees, consumers, etc.) for individuals to come forward and raise a red flag any time it may appear that a business has crossed these boundaries and engaged in any sort of wrongdoing. The term ‘whistleblowing’ has been coined to characterize this act.

Whatever way we look at it whistleblowing isn’t a topic of the past, but an inevitable part of our lives. Unreported misconduct can be a huge liability to any organization. If a company’s management is not aware of issues or potential wrongdoing within an organization, the problems cannot be appropriately mitigated and the risk exposure remains at large. The ‘undiscussable’ so to speak, of unreported misconduct puts the company at risk – reputational damage, decrease in consumer/client loyalty, costly litigation, and even fines and other penalties. Because of the enormous risk that unreported wrongdoing

can pose to a company, it is in any organization's best interest to put its best effort and resources into fostering an environment that encourages reporting organizational wrongdoing.

In cases that we read about employees who did speak up, there is a common theme to them in that they felt retaliated – demoted, fired, isolated, etc. Suffice to say that the fear of speaking up remains to be a concern and propels an even more negative and hostile working environment. It is, therefore, important for companies to learn and understand why employees may be reluctant to speak up, in order to address those issues and create a culture that is conducive to employees coming forward with their concerns. The research to date has very much been focused on whistleblowing in North America, with the body of empirical literature on the subject outside of North America still in its infancy.

RESEARCH OBJECTIVE

By in large, whistleblowing or in other words 'speaking up' is positively viewed as an important contribution against corporate misconduct that protects society in one shape or another. At the organizational level, this sentiment is not always shared and whistleblowers sometimes pay the price for their actions. If left to fester, this dissent can often morph into a form of organizational mistrust to the point where employees are reluctant to speak up about organizational wrongdoing.

In 1991, Ryan and Oestrich (in Morrisen & Milliken, 2000) conducted interviews with 260 employees from 22 organizations throughout the United States and found that more than 70 percent indicated that they felt afraid to speak up about issues or problems that they encountered at work. This sentiment is not a finding of the past. On the contrary, this sentiment still exists today as is evidenced in more recent research.

Given this phenomenon, I would like to explore if and how it is possible to overcome and address workplace fears of retaliation that deters employees from blowing the whistle about perceived wrongdoing within the organization. In doing so, I would like to learn more than just why employees are reluctant to speak up but also to determine the type of culture that is conducive to speaking up by analyzing three elements:

- 1 whether a relationship exists between organizational trust and whistleblowing
- 2 the nature / extent of this relationship
- 3 what factors / elements influence this relationship

In sum, the objective of this thesis is to research how an organization can alleviate the fears associated with whistleblowing in the workplace by understanding the relationship between organizational trust and the act of whistleblowing and what it takes to build and maintain a culture of trust.

WHY WHISTLEBLOWING MATTERS?

With the pretext, that organizational wrongdoing may jeopardize the safety, health, and well-being of employees, customers or societies at large, blowing the whistle can serve to protect these members from harm. In the absence of internal whistleblowers, an organization risks not knowing of potential problems that exists internally and only becomes aware of them when it may be too late and the damage has been done. Without whistleblowers, we might never have learned of organizational problems, and we depend on them to alert us to future problems as well.

Management that responds appropriately to whistleblowers reduces exposure to lawsuits and potential punitive damages (e.g. Dworkin & Callahan, 2002 cited in Miceli, Near, Dworkin, 2008, p. 34). Miceli, Near & Dworkin (2008, p. 34) argue that even if avoiding and stopping wrongdoing benefits society but not the organization, it is still a positive behavior, and managers of that organization are ethically and sometimes legally obliged to put the interests of society first (2008). Less obviously, they argue that whistleblowing can also help the organization; often the same action that benefits constituents such as employees and community members also directly benefits the organization. Fostering a culture where employees feel comfortable to speak up and blow the whistle has more benefits than just monetary and reputational benefits. Offering the opportunity for employees to voice their concerns creates an alternative to the organization's losing excellent employees, who would otherwise chose to leave rather than work for an organization that tolerates wrongdoing and squelches dissent (e.g., Farrel & Rusbult, 1990; Hirschman, 1970 as cited in Miceli, Near, Dworkin, 2008, p. 34).

THE NEED FOR TRUST

Trust is an inevitable part of our lives – a key dynamic of human relationships that transcends all areas of our lives, including personal and professional. In its simplest sense, trust is interpersonal that exists to some extent between two people. Although the concept of trust has been studied extensively in the fields of psychology, sociology, political sciences, economics, anthropology, history and sociobiology (as cited in Lewicki and Bunker in Kramer and Tyler,

with other sources referenced, 1996, p. 115), the topic of trust has received little attention in the organizational context and has only started to pick up momentum in the last two decades. According to Kramer (Organizational Trust, A Reader, 2006, p.1) it was not until the 1990s that the topic of trust emerged as a subject important and worthy to study in its own right as a serious and central topic in the area of organizational sciences. With all the research and attention afforded to the topic, however, a universally accepted definition remains elusive.

TRUST IN THE WORKPLACE

There is no disputing that there is a need for trust – business need and human need. Within the business context, people need to work with and rely on one another to produce results that contribute to an organization’s broader objectives. These relationships are considered most effective if people trust each other – trust their coworkers and their leaders. People need to connect with one another and trust facilitates that connection. Building trust in an organizational context can seem an overwhelming task, but the benefits to doing so are numerous.

It’s well recognized today that work relationships built on trust create more productive, engaging and rewarding work environments for all and can give an organization a competitive edge. “Trusting relationships are what make the difference between people’s feeling good about what they do and simply going through the motions. Trust is inspiring and energy producing” (Reina and Reina, 2006, p. 5). Today, leaders see the value of building trust-based relationships, yet for many it remains uncertain how to go about fostering it in the workplace.

In an environment of trust, people are generally more committed, work harder and are more productive. They see challenges as opportunities and not threats. They perceive that their work is appreciated, recognized and important to achieving the organization’s objectives. When trust is broken, it sets off a sentiment of betrayal that stirs a slew of emotions – disappointment, anger, fear, pain, etc. When we have been betrayed, we lose confidence in ourselves and in our relationship(s). For many, we may feel victimized and lose our energy and motivation as we withdraw and do the minimum required to get by. As a result, we are more reluctant to share ideas, challenge the status quo or discuss problems or concerns with our leaders. Betrayal instills a sense of uncertainty and fear.

HOW ORGANIZATIONS CAN BUILD TRUST – AT THE INDIVIDUAL LEVEL

Organizational trust, starts with the one on one relationships. Human nature is to start off by building relationships with others in our immediate sphere – coworkers and line managers for example. We start off by increasing our awareness of ourselves and our behaviors with others. Once we trust those around us, we are more receptive to broadening our sphere of trust. Those in leadership positions are in a position to decide on what kind of leader they want to be and the message they wish to convey. By exhibiting behavior that builds trust, leaders can easily earn the trust of others. Trust is not a one-way street. On the contrary, trust is reciprocal – you have to give it to get it in return.

A leader earns the trust of others by how they behave, including small, subtle acts that accumulate over time. But for a leader to be trusted by others, leaders must be willing to trust others first and demonstrate this through their actions. Essentially, trust begets trust. Leaders are constantly under the microscope and employees see their actions and behaviors as mirroring the organization's values and culture. If leaders are seen as acting fairly, consistently, etc. employees are likely not only to trust these individuals but also the company. In an organization characterized by trust, the company's leaders are trusted and their actions exemplify their commitment to integrity; employees believe that everyone is treated fairly at all levels of the organization and this instills a sense of pride in employees.

TRUST AND ORGANIZATIONAL IDENTITY

Although identification-based trust is considered to be the highest form of trust that can exist within an organization, this bond can further be strengthened according to Lewicki and Bunker (in Kramer and Tyler, 1996, p. 123) by: developing a collective identity; colocation in the same building or neighborhood; creating joint products or goals; and committing to commonly shared values. This group identify may be incorporated into one's own identify and further strengthen one's relationship and trust with the organization. In achieving this identity, the words and actions of those in leadership positions set the tone at the top, or undertone, for how business is to be conducted. The individuals at the top of the organization represent what the organization stands for and employees see these individuals as a reflection of the organization's identity. "Perception is reality" and when people see senior leadership being abrasive, this sends shock waves down the chain of command and inevitably people start to think about what would happen to them if they crossed the line. If people recognize an organizational culture characterized by mistrust, bias and control then they are less likely to speak their mind.

CORPORATE COMMUNICATION AND TRUST

An organization's corporate communication can also play an important role in influencing the level of trust within an organization. What an organization says, who says it, how it says it, and how frequently or infrequently it communicates with its employees can all influence an employees perception of the organization and the overall internal culture. The actual act of communicating is one part of it. What employees really want to see is proof. Employees want to see leadership "walking the talk". If an organization prides itself on trust, respect, team-work and creativity then these behaviors and values need to be demonstrated at all levels of the organization. Failing to live up to its words, can leave employee disappointed, frustrated and betrayed as employees see an organizational culture characterized by double-standards and a tendency to cut corners and bend the rules (by those who can). This type of behavior undermines employee trust in their leadership and the effect of this can be long-lasting and an endeavor in itself to restore. It is only natural then that what employees see and hear shapes their perceptions of the organization and subsequently drives their behavior. As a result, some employees may be more committed than others who may be indifferent and not willing to take any personal risk for the company.

CORRELATION BETWEEN TRUST AND WHISTLEBLOWING

Very little is said explicitly in the literature about trust and if and how it may influence whistleblowing. The little that is said points to how the environment of an organization, characterized by the nature of its internal relationships, its structures and reporting processes may influence one's decision to speak up about issues or concerns, which we deduce to include blowing the whistle internally on organizational wrongdoing (including immoral and/or illegal acts). If all these elements are aligned favorably from the employee's perspective, the greater the chance of internal whistleblowing. The nature of relationships within an organization can help to promote an organization of trust.

THE NEED FOR TRUST

Trust is a critical success factor to almost any business, professional and employment relationships. A healthy level of trust within an organization can be a competitive edge. After all, who would want to stay in a stressful and divisive environment if offered a productive, supportive one? An organization that is defined as trusting, is one where individuals feel comfortable and it ease in speaking up about issues or problems that they encounter at work. More than that, a trusting atmosphere can propel an organization forward by encouraging employees to speak up with new ideas and to challenge the status quo and push

for change. Cummings and Bromiley (in Kramer and Tyler, 1996, p. 303) go even further on this and argue that "...trust reduces transaction costs in and between organizations".

RESEARCH APPROACH

This study has attempted to understand if a relationship exists between organizational trust and employees' comfort level in speaking up to someone with authority within the organization about observed wrongdoing.

To better understand employee perceptions and attitudes, a structured and comprehensive online questionnaire was developed and distributed to a 'convenient' set of respondents from my broad contact base that I have established throughout my academic and professional years. By having the survey accessible via a link on the internet using a password, I was also able to benefit from word of mouth that allowed for my survey to reach a larger audience size that I would have otherwise not been able to reach out to. The results indicate that the survey reached a broad, diverse and representative employee base.

Taking the literature review into account, we consider a number of antecedents that may or may not propel employees to speak up about organization wrongdoing and the potential outcomes that may be realized as a result:



Based on the above assessment, this research work attempts to address and understand six major topics:

1. Organizational Trust – the relationship between organizational trust and whistleblowing
2. Supervisor's Role – supervisors' role in establishing trust
3. Organizational Culture – the role of organizational culture in influencing trust
4. Policies and Procedures – the role of policies and procedures in influencing behavior

5. Fear of Reprisal – reprisal as a deterrent to speaking up
6. Who Speaks Up – Is there a ‘type’ of individual that is more likely to speak up

In order to best assess the relationship between organizational trust and whistle-blowing, a number of hypotheses were formed and tested using the results of the survey:

Research Problem	Hypothesis
1 Is there a relationship between organizational trust and people’s comfort level in speaking up about organizational wrongdoing?	a The higher the level of organizational trust, the more likely employees are to speak up internally about organizational wrongdoing. b The higher the level of organizational trust, the lower the chances of reporting externally or to the media.
2 Can the relationship with one’s supervisor influence their comfort level in speaking up internally about organizational wrongdoing?	a If a positive relationship exists with one’s supervisors, characterized, by open and honest communication and trust, the more likely an employee is to speak up to their supervisor first about organizational wrongdoing.
3 Can an organization’s culture influence employees’ comfort level in speaking up about organizational wrongdoing?	a The stronger a company’s culture characterized by its commitment to compliance and doing the right thing where fair processes are valued more than outcomes, the more likely employees are to speak up internally about organizational wrongdoing.
4 Is there a relationship between policies and procedures and employees’ comfort level in speaking up about organizational wrongdoing?	a Organizations that have a clear set of policies and procedures in place that relate to reporting of potential wrongdoing are more likely to receive reports of misconduct, than those who have no related policy in place.

Research Problem	Hypothesis
5 Is fear of reprisal a 'real' deterrent to employees in speaking up about organizational wrongdoing?	a Employees claim fear of reprisal as the primary reason for not speaking up internally about organizational wrongdoing.
6 Is there a type of individual who is more likely to speak up about organizational wrongdoing than others? I.e. does gender, time with the company or job role play a role when it comes to speaking up?	a Individuals who are higher in the organization and have been with the Company for longer are more likely to speak up internally about organizational wrongdoing.

CONCLUDING REMARKS

This research has proven that the subject of whistleblowing is without doubt a complex and emotionally rich driven topic and that this paper was only able to scratch the surface of what remains to be an intriguing area that is yet to be fully researched and understood.

What this research has been able to tell us quite clearly, however, is that a relationship does exist between organizational trust and speaking up. The true extent and power of this relationship has not been precisely defined, but the hypothesis testing has confirmed a correlation between the two. Just as we have discovered that trust is a critical factor in propelling people to speak up, we have also learned that fear is an equally strong driver to remaining silent.

Ironically, where whistleblowers should be acknowledged for their loyalty and courage for coming forward and disclosing wrongdoing, they are often punished instead. With the thought of the potential repercussions in mind, witnesses to organizational wrongdoing often find themselves in a position where they have to calculate the perceived benefits versus the perceived risks of reprisal that come with speaking up and the detriment that non-disclosure may pose. Even if procedures are in place to protect the whistleblower, they are never really sure how the recipient will handle the matter and how the whistleblower will company's organizational culture come into play in influencing one's decision.

Fostering an environment where employees trust the organization enough to speak up without any fear of retaliation is the utopian state for any company. Knowing about misconduct from internal sources, is clearly an advantage in

that it gives management the opportunity to appropriately address problems in a timely manner, before the news reaches external audiences and worse yet, front page news. Establishing an environment of trust within an organization can help to foster a strong ethical culture where employees feel engaged and committed to the company and to doing the right thing.

The decision to blow the whistle means to have trust in the organization. This trust can lie with certain person(s) or groups within the organization to correct the situation or trust in the organization and what it stands for – honesty and integrity. Taking the decision to blow the whistle takes an immense amount of courage, hope, confidence and trust that the matter will be dealt with appropriately and that the individual reporter will not be retaliated in any way, shape or form.

An ethically strong organizational culture, where employees feel confident and comfortable in speaking out about their concerns, however, is not something that can be created over night through policies, procedures and ad-hoc communication initiatives. On the contrary, it takes a lot more than that to build an effective ethical culture. A culture is effectively ethical if its senior most leadership is seen as role models of ethical behavior and demonstrates this through their actions. Not only should this commitment be evident at the senior level, but cascaded down the ranks to all employees, particularly to those in managerial positions who also have a duty to set an example.

The act of blowing the whistle, as we have discovered, can often be a risky decision to take and definitely not one that comes easy, but after some deliberation. Organizations today are implementing policies and procedures and new outlets of reporting such as helplines and ombudsmen to alleviate some of these concerns and encourage employees to speak out about misconduct, but the success of such initiatives remains to be seen. Perhaps, at the end of the day, all these policies, procedures and systems of reporting are not really what makes the difference to employees. Sure, these processes and systems help to establish a level and equitable playing field within an organization of what defines acceptable conduct, but as we have seen, employees are looking for more than formalities. Removing the barriers to speaking up touches the basics of human interaction and trust. Making employees feel safe and comfortable in speaking up is about engaging employees on a daily basis, encouraging dialogue and making employees feel invested and valued in the organization – these seem to be the most powerful drivers to building trust and creating a strong organizational culture where speaking up about organizational wrongdoing is truly intrinsic and the right thing to do.



Martijn Donders

IS A CORPORATE BRAND ALWAYS A STRENGTH?

Branding strategies in the Dutch insurance market

Martijn Donders (1970) is a corporate communications manager at Delta Lloyd Group, one of the largest insurers and financial service providers in the Dutch market. He is responsible for media relations, in particular financial communications and reporting, and corporate branding. At Delta Lloyd Group he has been involved in several strategic projects, with the IPO of November 2009 as a high point so far.

Before joining Delta Lloyd Group in 2005, Martijn worked as a communications manager at TBI Holdings, a large construction company. As an account director at Euro RSCG 4D, an online advertising agency and as a communications advisor at Gak Groep, which was then a large provider of social security. His favourite projects generally involve online media, graphic design, strategic advice and a bit of stress and pressure.

Martijn successfully completed his Master of Science in corporate communications in 2010. Before that, he studied international business communications at the Radboud University in Nijmegen, where he learned English and Spanish to near perfection. He spent 6 months at the economics department of Valladolid University in Spain. Unfortunately he has never had to use Spanish professionally, so nowadays he focuses on practising it during the holidays. Not surprisingly he likes to travel to Spain, a love his wife Lizette infected him with, he enjoys cooking, going to the cinema and running, but does neither often enough.

SUMMARY

There is a growing belief that more emphatic use of the corporate brand enhances an organisation's performance, according to Van Riel in his book *Identiteit en Imago (Identity and Image; p138)*. Some organisations nevertheless choose not to use their corporate brands, either for primary branding or to endorse their market brands. Apparently, therefore, a strong corporate brand is not essential for maximising chances of success; or is it simply that some senior managers fail to recognise how important it is?

Hence, the question is: are some organisations – insurers in particular – failing to take full advantage of their corporate brands, or are there sometimes valid reasons for adopting a different approach based on the retention of individual brands or the selective use of endorsement. This question can be considered from two perspectives: a marketing perspective and a corporate communications perspective. Viewed from the marketing perspective, the corporate brand is a set of associations, adding to the sense of reliability or familiarity and thus facilitating the sale of products and services. Or, indeed, a set of associations that have the opposite effect; within marketing there does tend to be distrust of the corporate brand, which is by definition something imposed on business units from above. Viewed from the corporate communications perspective, the corporate brand serves to reinforce the organisation's reputation. Not only customers, but also internal and external target groups, with their various requirements and expectations, all perceive the organisation and the corporate brand in a particular way. Reputation results from an overall appraisal of the organisation's apparent competencies and responsibilities, relative to those of its competitors. One might expect that a strong corporate brand would be generally regarded as a positive thing within this discipline, but in practice a more complex picture emerges.

In this thesis, I describe the role of the corporate brand in the Dutch insurance market, with a view to establishing whether a strong corporate brand is advantageous. I began by reviewing the literature on branding and reputation to determine whether the importance attached to a strong corporate brand in the (reputation-centred) corporate communications discipline differs from that attached to it in the (brand-centred) marketing discipline. The role of a strong corporate brand is assessed from both perspectives, since endorsement (a visible and usually reinforcing relationship between a market brand and the corporate brand) is commonplace, both in marketing-driven organisations and in reputation-driven organisations, as well as in the literature on the two disciplines. On the basis of the theory, the differences in approach have been distilled into a number of statements. These statements were then used to characterise the

Dutch insurance market and submitted to Delta Lloyd Group board members for consideration. The thesis concludes with recommendations regarding Delta Lloyd Group's use of its corporate brand.

THEORY

From a study of the literature on the role of a strong corporate brand, the following points come to the fore.

Three forms of brand strategy may be identified: corporate brand strategy, endorsement strategy and multi-brand strategy. Fundamental to each strategy is the degree of endorsement (the visibility of the corporate brand). In this context, one important factor is the degree of consensus within the organisation regarding the identity to be projected.

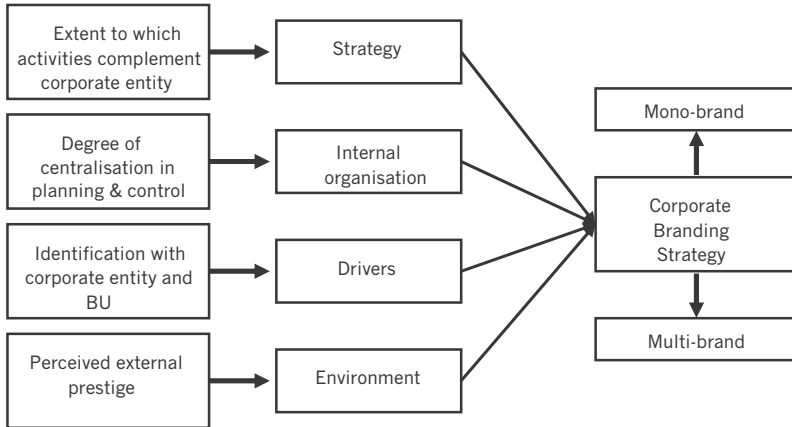
For marketeers, every brand (whether a corporate brand or not) is a set of associations, whereas corporate communications people regard it as a promise. The way that stakeholders perceive that promise defines the reputation of the organisation. The differing ways that a corporate brand is viewed within the two disciplines has implications for the role of the corporate brand within the organisation's strategy and for the way the brand strategy is managed. The choice of brand strategy should not be based solely on credibility within the marketplace and the characteristics of the organisation. According to Van Riel's SIDEC model, the choice needs to reflect the corporate strategy, the internal organisation, the drivers and the setting.

In the current era of transparency, a visible relationship between a market brand and a corporate brand is more likely to be a strength than a weakness. In the past, it was felt desirable to maintain some distance between the two. The corporate brand has a particularly influential role in the context of brand extension. Within the marketing discipline, too, a strong corporate brand has more advantages than disadvantages, research by Rao and Aaker indicates.

As well as being apt to see a corporate brand as having both advantages and disadvantages, marketeers are often reluctant to trade in their freedom of action for corporate influence. Individual branding offers the opportunity to develop unique identities, values and personalities, thus enabling precise brand positioning within the recollections of the target group. Corporate branding attaches the same identity and values to all the company's products and therefore reduces the scope for precise positioning. On the other hand, it serves as an assurance of quality, reliability and authenticity (heritage),

and may reasonably be expected to reduce expenditure on campaigns and promotion.

A worker normally identifies primarily with his or her most immediate organisational unit. If there is too much distance between the corporate entity and the unit, the corporate brand strategy is liable to be weakened, because workers cannot see how the larger entity adds value. If a brand strategy is to be effective, it is essential to take this into account



Sidex model, Van Riel

Organisation associations are characteristics that one links with a brand name. Such associations are particularly prominent in people’s minds and corporate branding can be used to stimulate their formation. Hence, these associations can be used for positioning products and positioning the organisation as an employer or investment vehicle.

Berens’ research into the effectiveness of brand strategies in the reinforcement of associations found that corporate branding resulted in more and stronger associations than individual branding.

Brand strategy contributes to the value of an organisation’s intangible fixed assets and therefore influences its performance in the financial markets. Agarwal and Berens demonstrated that corporate social performance (CSP) generated increased cash flow and thus enhanced corporate value. A mono-brand or endorsed-brand strategy has a positive effect on CSP and consequently

boosts cash flow. Investors attach more value to a corporate brand strategy than to an endorsed-brand or multi-brand strategy.

Hence, brand strategy has implications for an organisation's corporate value, for the way workers relate to it, for the construction of effective associations and for risk management.

THE INSURANCE MARKET IN THE NETHERLANDS

In the Dutch insurance market, there are six big players: Nationale Nederlanden (ING Group), Achmea, SNS Reaal, Aegon, ASR Verzekeringen (previously Fortis) and Delta Lloyd Group. These companies have 89% of the life market and 50% of the non-life market. The total annual value of the market is roughly € 80 billion. Consumer confidence in insurers has been eroded by the prolonged subordination of customers' interests. Nevertheless, customers tend to be disinclined to switch insurers, partly because they often have no immediate cause to do so, and partly because many people find insurance uninteresting.

The insurance industry is experiencing financial difficulties attributable to extremely low interest rates and increasing life expectancies, both of which (but particularly the former) imply holding greater reserves. Insurers vary in their market transparency where such matters are concerned.

Although the industry is well-capitalised and therefore quite able to ride out the storm, some damage is inevitable. The market is large and fundamentally lucrative, which is bound to attract new players, despite the high threshold through requirements in terms of governance, licensing and capitalisation.

Going forward, the business market will be dominated by new pension plan initiatives and developments in income insurance – in relation to which insurers have a major role to play. In these markets, it will be very important to maintain a strong capital base, to possess demonstrable expertise (risk management) and to operate on a cost-efficient basis. In consequence, the business market will be attractive to large players from abroad. While there will be opportunities for new entrants in the personal insurance market, their exploitation will require considerable commercial aggression (as with Brand New Day) and persistence. The biggest threat is ultimately likely to come from retailers, or from the introduction of completely new concepts by the likes of Google, energy companies, media companies and Amazon/BOL.com.

CONSOLIDATION

The sale of ASR and Nationale Nederlanden and the anticipated consolidation are likely to have a major impact on the market. There is a real possibility of a large foreign player buying into the market at the very top. If that should be a European company (e.g. Allianz, Prudential, BNP Paribas) that retains a physical presence in the Netherlands, little is likely to change. However, it is equally possible that an Asian group will enter the market. That could undermine cohesion within the Dutch Association of Insurers and weaken the industry's competitive position. Under such circumstances, the whole picture could change, since an Asian or US insurer is unlikely to embrace the traditional consensus-based Dutch approach and may be expected to adopt an aggressive strategy. A major player from abroad would have sufficient mass to dominate the market and break up the existing model. Such a scenario represents a potential threat to the existing market players, who – as indicated above – have so far had little to fear from foreign market entrants.

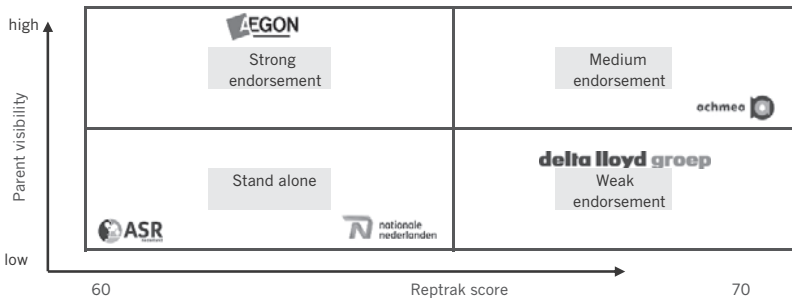
Against this background, insurers have good reason to reinforce their reputations, to foster customer loyalty, to innovate and to enhance their distinctiveness with a view to consolidating their stakeholder relationships in readiness for the changes that lie ahead.

THE NETHERLANDS'S SIX BIG INSURERS

The main question addressed by this thesis is whether a strong corporate brand yields added value in the insurance market. In order to answer this question, I first defined the market characteristics and then compiled a picture of each of the Netherlands' six big insurers.

The relatively poor reputation enjoyed by insurers has to date had no effect on brand strategy; there have been no major changes of direction in recent years. Nationale Nederlanden and ING Groep form exceptions in this context, but the background to that is somewhat different. Consequently, the importance of the corporate brand is increasing within the insurance industry. In their communications (advertising, employer profiling, sponsorship, CSR), almost all insurers emphasise their corporate brands in some way. Moreover, the degree of emphasis has increased in recent years. Of the 'big six', ASR attaches the least weight to its corporate brand, which is prominent only in its employer profiling. Aegon, by contrast, has a monolithic corporate brand. No clear line can be drawn between effective and ineffective strategies, but the importance of the strategy is clearly growing. Some degree of endorsement, combined with good individual

brand positioning appears to strike a better chord than a monolithic corporate brand strategy.



The final element of my study involved asking directors of Delta Lloyd Group to review the theories I had defined regarding the role of the corporate brand. They agreed on cooperation on condition that their feedback should remain confidential. Consequently, the findings of this element of the study are omitted from this summary.

The theory research, the market definition exercise and the brand strategy analysis lead to the conclusion that no particular model is inherently more suitable for the insurance market than the others. Nevertheless, it is clear that the corporate brand is increasingly significant. Bearing my findings in mind, I have assessed the situation within the Delta Lloyd Group and made certain recommendations regarding further study into ways of strengthening the group's corporate brand. Those recommendations are also necessarily omitted from this summary.



Raymond Fillet

Whoever is not seen vanishes into thin air

*Strengthening a governmental
organization's legitimacy in a turbulent
environment*

Raymond Fillet is a communication advisor employed by the province of Noord-Holland (North Holland). Noord-Holland is one of the most important Dutch provinces. Within its borders cities such as Amsterdam, Haarlem and Zaanstad are located. These cities form part of the rim-shaped agglomeration of cities in the western part of The Netherlands known as the Randstad. About seven million people are living there. The northern part of the Randstad is mainly situated in the province of Noord-Holland. This province has 2,6 million inhabitants.

Raymond's chief responsibility is to advise the provincial executive board and the Queen's Commissioner about the province's communication policies. He is also spokesman to the media, and organizes press conferences and other media gatherings. In addition he develops internal and external communication plans.

The province communicates with various target groups. The most important are its inhabitants, social interest groups, other authorities such as municipalities, jurisdictions of the water-board, and—on a national level—various departments.

Raymond previously obtained his Master's degree in Political Science in Amsterdam. He has always been active in the field of governmental communication. He has been on the editorial staff of a professional journal dealing with that subject. He has occasionally lectured at various educational establishments. While obtaining his Master of Science degree in Corporate Communication, he found it very inspiring and valuable to apply to a governmental organization theories that were developed as a result of research into trade and industry. He was born and bred in Amsterdam and has been living for some years now not far from there, in Haarlem, the capital of the province of Noord-Holland.

INTRODUCTION

'Provinces, select your part and make your priorities. Do what you can do best. Undertake what you can realize. But don't try to do everything and above all things, don't do the same thing.'

The Prime Minister, J.P. Balkenende, spoke these words in the autumn of 2009 in the wake of the rekindled discussion about the Dutch provinces' right to exist. The discussion about this right to exist compels the provinces to think about their present identity, or what should be their identity. The urgency to reflect on this has only been increased by the current economical crisis that forces the authorities, including the provinces, to cut down expenses and to make priorities.

How can the province of Noord-Holland (North Holland) strengthen its legitimacy? That is the general question underlying the thesis.

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

From the perspective of institutional theory it has been traditionally argued that organizations must establish their legitimacy; for if their legitimacy is small they may well be refused access to sources. In the long run this can endanger their opportunities to act (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). In this thesis I put forward the view that the province of Noord-Holland can strengthen its legitimacy by finding a balance between the amount of self-referentiality and the dominating external framework of its surroundings.

Self-referentiality refers to the tendency of people and organizations to view their environment from a wholly personal idea of what matters and what doesn't (Van Mens-Verhulst, 1992). By that they see some things while other things remain invisible. Self-referentiality results in organizations being inclined to stick to their identity and boundaries rather than adjust these. The problematical result is that possibly relevant signals from the environment tend to be ignored; consequently a time comes when the connection with the environment is lost. The organization then loses its function. For the environment is perpetually changing (Aerts, 2009). Yet a certain amount of self-referentiality is indispensable, for without self-referentiality there would be no organization.

If the organization loses its function, it follows that the organization forfeits its legitimacy in its environment.

I define the amount of self-referentiality as the amount to which people or organizations cling to their dominating logic when interpreting developments and strategies concerning social issues.

An organization uses a dominating logic, a way of thinking, to interpret developments which take place in the environment.

An organization has a function and is legitimate if the environment, but also those who are employed by the organization itself, think that the organization operates within a sense-making framework which dominates its environment. I define 'dominating external sense-giving framework' as the most dominant, imbedded interpretative framework within a given institutional environment.

In my opinion an organization's legitimacy is the result of the extent to which there is a balance between the organization's self-referentiality and the sense-giving framework that dominates the environment. To arrange theories and literature about self-referentiality and sense-giving framework, I introduce a model, to wit the legitimacy model.

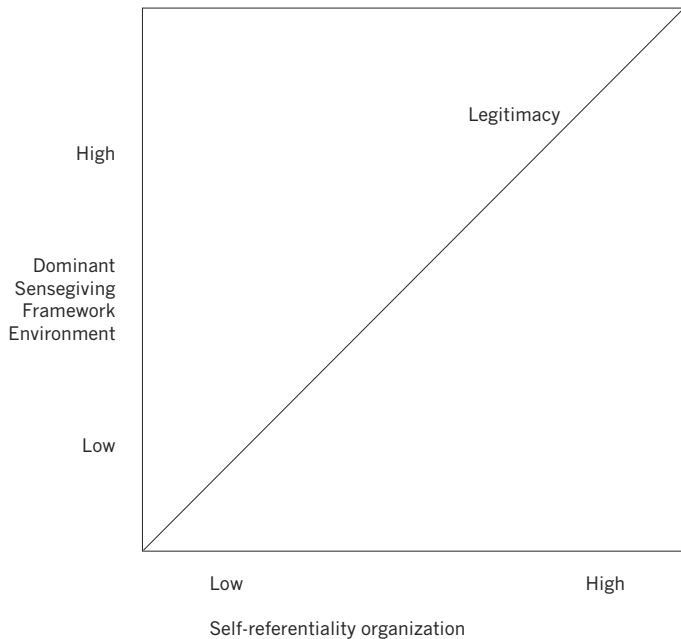


Figure 1. Legitimacy model

Explanation:

The diagonal axis shows legitimacy as the balance between the organization's self-referentiality and the dominating sense-giving framework which is shared with the environment.

The x-axis shows the amount of an organization's self-referentiality.

The y-axis shows the amount of dominating external sense-giving framework.

I wish to emphasize that this is a dynamic model. An organization can move slowly or quickly. The dominating sense-giving framework may change in the course of time. Suddaby & Greenwood (2005) and others have shown that dominating logic move from one logic to another.

On the ground of literature and empirical research I have investigated which factors influence the amount of self-referentiality. My assumption has been that the province is burdened with too much self-referentiality. As a result it misses the connection with the external sense-giving framework.

The purpose of my research, therefore, was to find out which factors contribute to this high amount of self-referentiality, and what the province can do to break through it, so as to better connect to the external sense-giving framework and thus maintain/strengthen its legitimacy.

RESEARCH METHODS

My empirical research consisted of desk research. I consulted various documents bearing on the province. The conceptual coalition agreement, dated 30 September 2010, was the most recent document I have read.

The media analysis was based on approximately 70 articles published between 1 January 2008 until the middle of August 2010.

Besides I interviewed eleven persons, about half of them employed by the province of Noord-Holland: executives and (top) managers. The other persons I spoke to are important stakeholders of the province of Noord Holland, such as departments, municipalities, jurisdictions of the water-board (polder-organizations), media.

FINDINGS OF RESEARCH

My research resulted in my discovering the following factors which influence the amount of self-referentiality of the province of Noord-Holland:

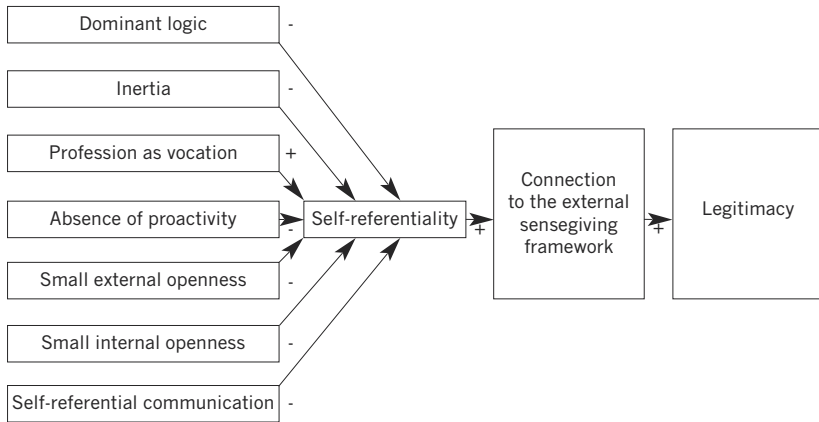


Figure 2. Factors of self-referentiality

Explanation:

The symbol – means that this factor has a negative influence which increases the amount of self-referentiality.

The symbol + means that this factor has a positive influence which decreases the amount of self-referentiality, or, in other words: it helps to break through the province's self-referentiality.

The amount of self-referentiality influences the degree of connection to the dominating external sense-giving framework and thereby the extent of the province's legitimacy. The stronger the self-referentiality, therefore, the greater the chance that it will not connect to the external sense-giving framework.

On the basis of my findings I have formulated the following propositions:

- 1a. If a province is more open in its relations with its stakeholders (in particular with other authorities), the chances increase that too great an amount of self-referentiality can be broken. This increases the possibility of connecting to the external sense-giving framework, which in turn increases the province's legitimacy vis à vis its stakeholders.
- 1b. The chances of overcoming too great an amount of self-referentiality are greater if the province's contacts with its stakeholders – decision makers are more intensive. For then there is a greater chance to connect to the external sense-giving framework, with which the province's legitimacy may be strengthened.

2. The degree of openness of the internal culture determines the chance of breaking through, 'bottom up,' too great an amount of self-referentiality. For then there is a greater chance to connect to the external sense-giving frame-work, with which the province's legitimacy may be strengthened.
3. An organization's collective self-referentiality is smaller if the number of employees identifying with their work or project increases. Employers will then connect with the external sense-giving framework to a higher degree. This offers opportunities to the organization to increase its legitimacy via the employees who are carrying out projects on a daily basis.
- 4a. When an organization continues to carry out old tasks, because these fit into its dominating logic, it gets ever more difficult to break through the self-referentiality. As a result, there is less chance of connecting with the dominating external sense-giving framework, whereby the province's legitimacy may well be weakened.
- 4b. When the organization is less capable of taking on new tasks and services, the self-referentiality will increase. As a result, there is less opportunity to connect with the dominating external sense-giving framework, whereby the province's legitimacy may well be weakened.
5. The province can to a greater extent give form to the dominating sense-giving external framework in accordance with its own norms and identity the more it takes an active part in the debate. Thus its self-referentiality may connect to a higher degree with the external sense-giving framework, whereby the province's legitimacy may well be strengthened.
6. The more an organization, when communicating, takes itself as reference (for example, by continuing to communicate about prevailing customs), the less the chance that too high a degree of self-referentiality may be broken. As a result, there is less chance of connecting with the dominating external sense-giving framework, whereby the organization's legitimacy may well be weakened.

My propositions have led me to formulate the following recommendations:

- 1a. Give proof of confidence by entering into a frank discussion with the stakeholders. Do not just come up with points of view, but come up with their motivations as well by placing them into a framework.
 - 1b. The provincial executive board should produce a yearly program about personal meetings with representatives of the national government, especially the relevant ministers and secretaries of state and members of the parliament.
 2. The management should start an open, internal discussion about the province's future. Three points of this internal discussion must be singled out: the province's main tasks; the regional scale at which the province must aim; and the way in which the province can take strong action as regards taking decisions involving supra-local and regional points at issue.
 3. Carry out an internal discussion about the three subjects, making it clear to the employees what the province's three central points of reference are.
 - 4a. Do realize that old customs or projects of policy are not easily given up. Communicate the agreed central tasks in a crystal-clear way, namely in the physical domain: regulation of, among others, house-building, economics, infra-structure, nature and environment, culture. A clear internal communication about the central tasks is very important.
 - 4b. The organization – that is to say, the board, the management and the employees – must be mindful of initiatives taken in the environment by the stakeholders themselves, when they are dealing with matters they expected the province to handle as part of its main tasks, but which, as it turns out, the province neglects to carry out.
 5. The culture of restraint has to be changed. More activity must be employed when carrying out, on regional scale, the main tasks of (the north wing of) the Randstad and implementing policies.
 6. Make sure that all communication is framed in such a way as to fit in with the external sense-giving framework. That is to say, develop a policy of communication that is aimed at the main tasks, the supra-local and the regional level, and produce results indicative of strength. Put the province's communications within the frame of (the north wing of) the Randstad.
- An ultimate way of a change in communication is to change the name of the province, Noord-Holland, into Randstad Holland Noord, for example.

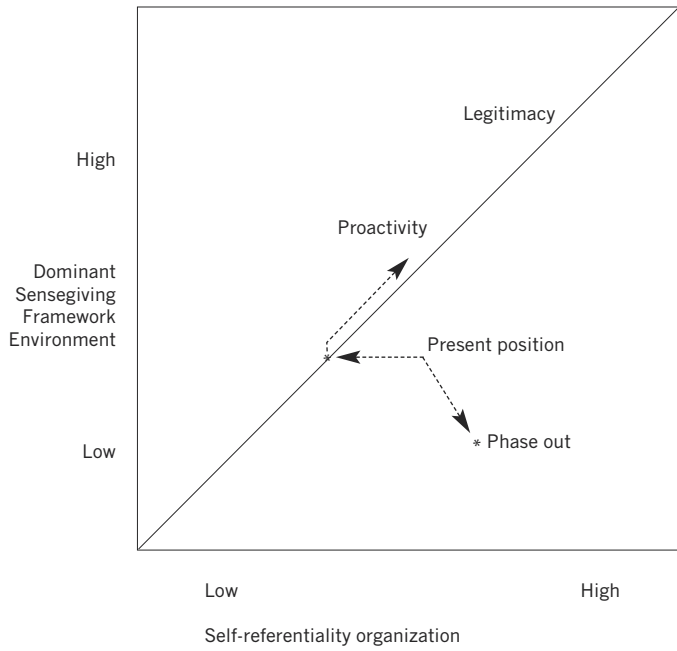


Figure 3. Legitimacy model Province Noord-Holland

Figure 3 shows the reinforcement of the province's legitimacy in the legitimacy model.

My further explanation is based on my conclusions and recommendations:

- The province is inclined to a low degree of self-referentiality (vocation, openness) as well as a high degree of self-referentiality (dominating logic, isolationism: no communication with the stakeholders – decision makers). This results in tensions and weakens the identity.
- In the direction of low self-referentiality there is a partial connection with the external sense-giving framework, but at a low level; there is some balance and, therefore, some legitimacy; but it is unstable.
- Break through your old self-referentiality in order to build a new self-referentiality that connects to the external sense-giving framework by being proactive in the debate about your main tasks and your role as a province within (the north wing of) the Randstad. But do take notice of the environment's reactions concerning the need for the part to be played by the province. Thereby the province may strengthen its legitimacy (arrow to proactivity).
- The province must avoid to strengthen its self-referentiality (for instance by just concentrating on her traditional tasks), without heeding the external sense-giving framework (arrow to the right in the direction of phase out). The province would thereby weaken its legitimacy.



Michael Goentgens

Communication of Corporate Initiatives in multi business firms

Creating Alignment and expressing the added value of the corporate center

Michael Goentgens (1981) is Head of PR and Internal Communications at Lufthansa Cargo in Frankfurt. In this function he is responsible for all internal and external communication of the Cargo business of the Lufthansa Group. He also oversees the development of the global websites as well as the Social Media strategy. In addition to that his team is in charge of the corporate social responsibility strategy of the company. Before he received this assignment Michael Goentgens was part of the corporate initiative 'Upgrade to Industry Leadership' at the Lufthansa Group. He was responsible for the communication of the two-year program that reported directly to the CEO of Deutsche Lufthansa AG and generated some 700 million euros of additional operating profit during this time. From 2004 to 2007 Michael Goentgens was spokesperson for Deutsche Lufthansa AG and in charge of financial communication within the media relations team. During these years he completed a six-month exchange at the Federal Press and Information Office of the German government in Berlin.

Michael Goentgens has a diploma degree in Business Administration and completed an airline management trainee program at Deutsche Lufthansa AG. In his free time he enjoys travelling and sports and finished several marathons.

SUMMARY:

The role and value added of the corporate center of multidivisional corporations is a founding theme in the field of strategic management. Currently, we can observe a renaissance of this question in the context of active portfolio reconfigurations, search for cross-business synergies and large corporate initiatives. Corporate initiatives in stock-listed multi business firms often operate at the interface of three disciplines: (1) Management of the corporate center, (2) change management and (3) investor relations.

Corporate Initiatives are typically characterized by a program structure and initiated by the corporate center. The head of the initiative usually reports to the CEO and the Project Management Office (PMO) consists of a varying number of people with different functional backgrounds. The initiative is aimed to achieve cross business synergies and influence the strategies of the different business segments. In contrast to conventional cost cutting projects corporate initiatives are set up to execute the strategy of the overall group. This usually goes along with the goal of a cultural change within the whole organization. These ambitious targets of corporate initiatives make the communication an extremely critical success factor. However only very little research exists about the execution of corporate initiatives and even less has been written about the respective communication. The thesis was aimed to fill a part of this gap by analyzing the communication of three corporate initiatives executed by the German bluechip company Deutsche Lufthansa AG. It should help both academics and practitioners to better understand the communication requirements for groupwide corporate initiatives.

A variety of organizational types exist in the business world. Some researchers see the emergence of multi business corporations as the most important organizational phenomenon of the last century (inter alia Collis et al, 2007). Today diversified corporations have become the dominant organizational type in the business world. In the 1990s some 60 per cent of the economic output was generated by multi business firms (Perdesen and Thomsen, 1997). The overall question of multi business firms is how to add value to the different business segments: The whole should be greater than the sum of the parts (Campbell and Goid, 1988). This corporate advantage can only be created if the membership to a multi business firm supports the competitive position of the single units and this means either more revenue or lower costs.

Corporate initiatives are a more and more common approach to implement the strategy in a multi business firm and to add value to the different business units.

Yet few definitions exist for the term corporate initiatives. Schmid et al (2010) describe them according to five characteristics: (1) Corporate initiatives execute the vision and the strategy of the company. The corporate management is actively involved in the implementation of selected initiatives and projects. (2) The top management of the corporate center is directly responsible for corporate initiatives. This distinguishes corporate initiatives from traditional strategic initiatives that use to have a bottom up orientation (Bower and Gilbert, 2005). (3) Corporate initiatives are a central tool for the corporate center to add value the to multi business firm. They can address both the sources of competitive advantage of individual operating units as well as synergies between the different units. (4) Corporate initiatives are entrepreneurial projects to develop core competences. As they are flexible instruments they can be applied very target-oriented and thus offer an opportunity for the corporate center to address those topics and synergies that need central intervention. (5) Corporate initiatives complement the strategic planning of the company. The interlocking with the strategic planning cycles is therefore a crucial part of the design of a corporate initiative.

Most corporate initiatives are designed as temporary corporate programs (Schmid et al, 2009). They show characteristics that are quite similar to projects and have therefore communication requirements that are in some ways similar to large change management projects.

Corporate initiatives can also support the communication goals of a stock-listed multi business firm. Diversified companies are often judged with a conglomerate discount. According to the literature corporate initiatives can help to translate the added value of the corporate center and the portfolio to the financial community (investors, analysts and financial journalists).

The thesis had the goal to lay some groundwork in the field of communication of corporate initiatives. The research at Deutsche Lufthansa was a comparative case study research, analyzing three individual corporate initiatives that were installed at Lufthansa between 1996 and 2010. The method of analyzing the cases was conducted according to Yin (1994) and Eisenhardt (1989). After development of the theory the cases had been selected and analyzed individually. In the next steps the results of the different case researches were integrated and conclusions drawn. The analysis of multiple corporate initiatives and multi sources (triangulation) enables the elaboration of typical characteristics of corporate initiatives and also ensures higher validity than the analysis of just a single program.

An essential part of the research was the personal experience of the author as a member of the core team (participant observation) of one of the initiatives over the entire duration of the program. Thus insights from an ethnographer were available for the study. Experiences gathered in daily work within the initiatives were structured, documents collected and analyzed.

Research also included interviews with top managers of the company as well as with members of the different core teams of the initiatives. All interviews were conducted in a semi structured way, recorded and transcribed. Furthermore all internal and external communication activities of the initiatives were available for research. This included hundreds of articles, interviews, Q&A-catalogues, annual reports, press releases, intranet-websites and also media clippings and analyst reports.

As corporate initiatives share a lot of characteristics with large change management projects it was expected that a lot of the success factors for change- and project-management would also be applicable for corporate initiatives. These expectations were confirmed by the research. In fact these success factors were critical in an even more intense and condensed way. Corporate initiatives are by its nature in the spotlight of internal and external stakeholders and the research also confirmed the expectation that the importance of communication for the successful execution of corporate initiatives is seen as further growing.

To ensure a positive contribution, a structured and goal-oriented communication strategy is essential for all stages of a corporate initiative, including the planning phase before the launch and the conclusion of the program. The conclusion itself has been proven a highly important part of the initiative as it has high influence on the starting conditions of upcoming initiatives. A professional and future-oriented communication can therefore prepare the ground for the success of the next program. Critical success factors of good communication in corporate initiatives could be condensed in this research. It has to be relevant to the stakeholders, transparent (especially concerning the target systems), flexible (as the business context changes quickly), consistent as well as speedy and of high quality.

Almost no research existed about the communication of corporate initiatives before this thesis. Thus four key questions were further elaborated that go beyond success- and fail-factors and are in some way areas of conflict. The measurement system of a corporate initiative is of highest relevance for the communication. The crucial question is whether to install a quantitative target system (cash flow generation, cost savings etc.) or to rely on softer targets.

Especially for the financial community measurable financial target systems are helpful. For instance analysts have had difficulties to value one of the analyzed initiatives that refrained from disclosing the financial contribution of the program. Also for internal stakeholders transparent target systems like filling-level make it easy to communicate the progress and the gaps. However research also showed that there might be good reasons for not using a quantified measurement system. The loss of control and too much pressure especially from the financial community could hinder the realization of long-term goals. Continuing the philosophy of the initiative in a sustainable way can also be easier if there is no official target achievement at the end date of an initiative.

A second key question which was analyzed is the influence of external communication on internal perceptions during times of a corporate initiative. The research found out that the effects are in general intensified during the execution phase. This can be a chance for communication managers. However two areas of conflict exist: Internal communication is to a large degree focussed on the creation of awareness for specific problems and fields of action in the company. Employees should be alerted where specific improvements are seen as necessary by the top management. In contrast to that external communication and especially financial communication is generally aiming to increase the positive perception of the company among the key stakeholders. Communication that is too problem-focussed might lead to negative analyst reports.

The second area of conflict is the degree of details that is provided. For internal communication there is the strong desire to inform the employees very detailed. Staff should know exactly where the company is standing in order to fulfill the expected and necessary tasks. Also external audiences desire this level of detail. However companies are usually not interested in providing media and the financial community with this detailed information. The fear of too negative reports and articles is quite pronounced as the research showed.

A further focus of the research was the question how a corporate initiative can increase the perceived added value among the financial community and also employees. The results did not confirm the expectations that were derived from the literature. Neither for the financial community nor for internal stakeholders were many references visible that the initiatives have had a direct impact on the perceived added value of the corporate center. Analysts did not mention this aspect in their reports and also internal media that are within the responsibility of the different business segments did not stress this aspect in a prominent way. Further quantitative analysis would however be necessary to finally confirm these results.

Nevertheless the conducted research has given strong hints that corporate initiatives are able to create sustainable strategic alignment within the different business units of a multi business firm. Even after the official conclusion of the initiative by the corporate headquarter the communication around the key issues were continued – without order – in the business segments. Sustainable implementation of the corporate strategy among the different business units was therefore achieved and became highly visible in the respective communication. This work was one of the first steps to analyze corporate initiatives from a communication perspective. Further research is necessary and should also include other companies. Results might vary due to the origin of the company, its culture and identity and especially due to its portfolio strategy. Enterprises with a rather dynamic portfolio might have different results, above all in terms of the perceived added value of the corporate center. This question would in particular be relevant for companies that have just finalized a merger or a major acquisition.

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Josée van der Hoek

burning fat!

*Lack of urgency of the issue Obesity:
a heavy communication issue?*

Josée van der Hoek (1964) is a professional in marketing, communications and change management. Josée is cofounder of and senior consultant at *Between-us*, a management consultancy in the field of Corporate Social Responsibility. Since 1997 she has build up experience in creating value from sustainability in companies, governments, non-governmental organizations and social housing corporations in The Netherlands, Belgium, Scandinavia and Switzerland to realize measurable improvements. Typical results are cost reductions, improved employee satisfaction ratio and enhanced brand preference. These are usually achieved by making a solid connection between business principles and creativity, and the alignment of internal and external stakeholders since they play a central role in shaping organizations.

Her educational background consists of a bachelor in Tourism and Economics, marketing communications and marketing management. Josée has pursued her career in the field of marketing management and worked as a publisher for national newspapers *Algemeen Dagblad* and

Het Parool. She was Client Services Manager at a communications agency specialized in NGO communication and has developed the marketing curriculum at the International Media and Entertainment Management program at the Breda University of Applied Sciences.

In her work and private life Josée naturally takes the role of binding factor, she is engaged and result driven. As a good listener, the power of silence is one of her strong points and the line "You had me at hello" is her motto. Josée is a true food lover and Italy is one of the sources of inspiration. Spare time is spend with husband Jan, sampling wine, running, skiing and son Bob (10) and daughter Anneroos (7).

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INTRODUCTION

The USA draws a scary picture in terms of obese population rates. It is spending \$147 billion annually to take care of consequences of obesity. Mainly spend on diabetes mellitus (type 2), cardiovascular diseases and different types of cancer known to be linked to the "so-called Western diet". Other health risks concern problems of the locomotor system such as arthritis and chronic lower back pains, and chronic bronchial tubes problems such as apnea and asthma, liver disorder, infertility and mental depression. When suffering from obesity patients often have two or more parallel health problems commonly known as comorbidity. In Europe the significance of obesity is rapidly rising. The prevalence of overweight and obese population in the Netherlands has reached 58% of all adults of which 47% is overweight and 11% obese. On average 14,5% of boys suffer from overweight of which 2,6% is obese. The same metrics for girls show an average of 17,5% and 3,3%. There are significant differences between socio economic and ethnic groups: 24% of Turkish boys is overweight in comparison to 12,9% of Dutch boys. The Dutch position for the prevalence of overweight and obesity is midway on a worldwide scale with 10%. In the Netherlands healthcare costs related to obesity and obesity are calculated to be € 1,2 billion which counts for 2% of the health care budget, and an additional € 600 million caused by absence of work on an annual basis.

According to the OECD smoking, unhealthy diets, and obesity are amongst the leading risk factors for chronic diseases and amongst the largest contributors to mortality. Smoking rates have shown a decline over recent decades across most OECD countries and much of this decline has been attributed to governments' intervention in response to rising rates of tobacco-related diseases since the late 1960s. The obesity epidemic developed from the 1980's when obesity rates were well below 10% in most countries. Currently, in almost half of OECD countries, 50% or more of the population is overweight and obesity rates have doubled or tripled in many countries the last 20 years. Both changes in diet and in physical activity contributed to these trends over time. Currently OECD governments have become aware of the risks associated with poor dietary habits, diminishing physical activity, and the epidemic of obesity that has been developing since the 1980s. Most governments have taken action in the last 5-10 years to contrast the above trends, but little or no-sign of slowing down has been recorded. As a result, diseases and deaths related obesity are anticipated to increase further in the future.

THE WAR ON OBESITY

There are three pressing reasons why nations should swing the current trend of becoming fatter, which in this thesis will be referred to as “the war on obesity”:

1. The quality of life of obese people is detrimental: obesity is clearly associated with psychological problems such as depression, body dissatisfaction and low self esteem. Obese persons are a permanent target of unfavourable opinion, which leads to pervasive discrimination, in education and job finding¹
2. Health care costs related to obesity and obesity in the Netherlands are calculated to be € 1,2 billion which counts for 2% of the health care budget, and an additional € 600 million caused by absence of work on an annual basis of which € 400 million alone is caused by obesity, a number that is on the fast track
3. The prevalence of overweight (now up to 25% of children² are overweight) will lead to a double decrease of productivity: diminishing labor force as consequence of high ratio of senior citizens and high number of casualties of obesity- the pressure on health care costs as a result of obesity cuts both ways

Panel research of a representative sample of the Dutch population (9500 respondents) indicates that the general public doesn't recognize the issue at all³. For instance obese soccer fans are more oblivious of the issue than non-obese soccer fans. Parents with overweight children often perceive the weight of their youngsters as “normal”, a mere 2,5% indicated their child as too heavy. As much as 75% of parents with an overweight child indicated that their offspring's weight was normal, nearly all parents with “normal” sized children denominated them too light⁴.

In this research the role of the different stakeholders has been analyzed and compared to two related issues:

1. the case of smoking
2. animal welfare, the downturn of the bio-Industry (factory farming)

From the observations made in both cases parallels have been drawn with the issue obesity. These observations include the raising of awareness for issues that involve the changing of consumers' behaviors as well as failures in implementation.

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THESIS RESEARCH

The complex issue of obesity⁵ is being addressed by many organizations, including government, healthcare professionals, the food industry, non-governmental organizations and scientists. The awareness and the impact of the issue of obesity is clear to the stakeholders, with the exception of the general public. From the viewpoint of “Healthy People” the quest is to discover who our friends and foes are in order to determine the right (communication) approach on stakeholder management and issue management strategy .

Research questions:

1. How to get the issue overweight on the agenda of the general Dutch public, especially parents?
2. Which are the most important stakeholders and what would be successful coalitions?
3. What actions should stakeholders undertake to decrease the number of overweight children in the Netherlands?
4. Which role can corporate communication play to influence the agenda of overweight?

In order to develop a view on how the increase of overweight and obesity in the Netherlands can be stopped, an analysis is made of the current situation and its stakeholders. The presupposition is that risks concerning corporate reputation and license to operate will be the most important drivers for (pro) active adaption of an issue. The risk of reputation damage that can endanger the license to operate, caused by failure in strategic issues management is to be avoided and therefore a mayor responsibility of (communication) management. Once the necessity of actions is determined, definite stakeholders should be influenced to become brothers in arms. By analyzing most relevant parties involved in the issue and the relative context successful stakeholder coalitions can be identified. The last ingredient of this research is the recipe for communication aimed at the actual behavioral change that is required to put an end to the increase of obesity.

5 Overweight is the phase in which people are too heavy their Body Mass Index (BMI) is between 25.0- 29.9, with a BMI > 30 the real (health) problems start. Because overweight is a preface of obesity, in this thesis the both are linked as one social issue labeled as obesity

The study of theoretical concepts involved:

- The Business Case for Sustainability Framework, using the Case for Corporate Sustainability by Steger
- Typology of stakeholders and License to operate, using the Salience Model by Mitchell, Agle and Wood
- Change management, using the theory of the Heath brothers, Kotter, Sandman and The Health Belief Model by Rosenstock, Strecher and Becker

CONCLUSIONS AND RECOMMENDATIONS

There are many initiatives and joint efforts aimed to influence the prevalence of fatness. The government both on a national and local level is pulling its weight but suffers from the gap between policy makers and citizens, and seem to be incapable of speaking the right language to reach specific ethnic groups and/or with low socioeconomic status (SES). Regulating is highly complex as it is the European Union is the body that is primarily responsible, not the Dutch national government. Changing the current approach by choosing fewer, long term effective programs to fund, managing stakeholders consciously and communicating focussed on specific lower SES groups could improve the case for change for a healthy society significantly.

Broadly set-up stakeholder initiatives such as the “Convenant Gezond Gewicht” move as fast as the slowest party involved, which actually means that little progress is made. The complexity of the subject (gaining weight is the sum of energy intake and energy output) is ground for multiple alternative solutions: Should we focus on increasing physical exercise or focus on promoting a healthier diet? This leaves room for the food industry to talk about promoting healthy lifestyles, actually implicating to sponsor physical exercise initiatives, without addressing changing the energy intake.

The core business is scarcely adapted: product innovations, advertising aimed at young children, packaging size, pricing tactics and ingredients are scarcely aligned with supporting a less energy intake diet. The successful lobby for an open market, where market forces are the dominant logic and the rejection of uncomplicated food labelling resolutions contradict the intention to contribute to a healthier diet. This might indicate that the industry is exercising dialogue capacity as a strategic issues management strategy aimed at delivering lip services and that it is not genuinely trying to market healthier solutions.

The role of nongovernmental organizations (NGO's) concerning the issue of obesity is under-developed. There is room for a single issue NGO or a cooperation of various, that combines a participatory, empowering and campaigning orientation. In both cases of the issues smoking and animal welfare in factory

farming the synchronization of different roles between the cooperating NGO's was one of the key success factors in creating a burning platform for change. In Dutch society overweight and obesity are not perceived as an urgent social issue from the public's perspective. In other words being healthy is desirable, but as long as citizens don't perceive themselves or their children to be too fat, they will not be challenged to change their behavior. Changing this perception is compulsory, parents now ignorant, will first have to recognize that their children are too heavy, and they will have to be aware of the impact of obesity on their offspring's' life before they will be triggered to start acting. Precondition is that the perceived threat, meaning both the perceived susceptibility and severity are clearly outlined. The fact that overweight leads to mental and physical problems and causes fatal diseases such as cancer, diabetes and heart failure is intimidating and the perceived benefits of a healthy lifestyle should be perceived as worthwhile. Leading a healthy life starts by helping them to eradicate perceived barriers such as offering cheaper or easier alternatives to their existing lifestyle behaviour. There is growing agreement among experts that an obesogenic environment, which encourages excess food intake and idealizes thinness, plays a crucial role in the epidemic of childhood obesity and eating disorders⁶. Based on these insights there is a need to give parents concrete stimuli for action and encourage them in their belief that they can succeed. Analysis of 48 international interventions aimed at changing the knowledge, attitude and behavior of children concerning a healthy lifestyle showed that only long term interventions can be effective if they are aimed at both physical activity and food consumption. Almost 50% of interventions show results at the level of significant lower prevalence of overweight, changing behavior, attitude and knowledge. The good news is that changes are feasible, but that they need a long term approach. Collaboration with different stakeholders is essential to gain speed, impact and credibility. Requirement is that the right natural allies are involved in the process of a sustaining a favourable reputation, gaining a positive attitude and increasing the number of normal weight children. Powerful coalitions will be able to change the reactive attitude and behaviour of the food and retail industry and will provide opportunities for those companies that are capable of create value from healthy products and propositions.

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Robin Janszen

“Men reading fashion magazines, Oh what a world it seems we live in”

(Rufus Wainwright, Oh, What a World, 2003)

Whilst contemplating the direction of his thesis in a pool on a remote Andalusian mountaintop in the summer of 2010, self-declared media junkie Robin Janszen (1972) got temporarily blindsided by Monocle-on-Med. Sure, Robin thought, brushing a lazy wasp off his aquamarine blue Orlebar Brown trunks, one look at Wired's inaugural iPad edition might be enough to become instantly attracted to tablet computers, but print is not dead. Magazines are just in the midst of an ingenious reinvention. Monocle-on-Med, the Mediterranean newspaper/-magazine hybrid incepted by former Afghanistan reporter turned Lifestyle Guru and Magazine Darling Tyler Brûlé, was a convincing, sun cream resistant print statement against impractical beach reading on digital devices.

Robin found himself dwelling on the fate of 'traditional media' because of the relevance for his professional life. This had taken an unexpected turn in 2005 when he joined Sanoma Magazines as one of the company's Strategy Consultants. A Business Administration and Spatial Economics graduate from Amsterdam's Free University, Robin had won the Koninklijke Ahold Thesis Award in 1996 and started his professional life as advisor for a small strategy boutique. He advanced in his career through post-graduate education including a Master's degree in Management Consultancy - until he decided that enough was enough. After 105 months of providing outside advice to blue chips like KLM and Heineken, he wanted to focus on a single business sector and a company of his choice.

vervolg

That company had been created in 2001, when Helsinki Media merged with VNU's Consumer Information Group to form Sanoma Magazines. Nine years later, Sanoma Magazines is the proud market leader in seven European countries, challenging the No. 1 position in five others, leveraging its clout in five more. Being one of the few 'traditional' media companies that managed to build a strong digital portfolio, the company has increasingly been developing into a platform-independent media company. At the same time, Robin changed professional domains from strategy to corporate communication, resulting in a promotion to the company's Chief Communication Officer in 2009.

But what happened to his 2010 swimming pool meanderings? Publication of this biography shows Robin managed to steer his thesis the right way, freeing his mind to indulge in more quality media. And so he spent the rest of summer devouring a.o. Jonathan Franzen's *Freedom* (which he now considers his 'Book of the Year'), occasionally pushing it aside for a shot of *Bombay Sapphire* and the September (iPad) issues of magazines like *Fantastic Man* and *Attitude*. Captivated until many sunsets, his beliefs were affirmed that magazine content in all possible forms will continue to engage a broad, selective audience for a long time. And since Robin is communicating Sanoma's vision any way he can, the message even ends up in unexpected media like this *Book of Abstracts*...

Michael Goentgens

CONTEXT

Media is a sector in rapid transition. Driven by technological developments and fuelled by dire economic circumstances, consumer behaviour is changing quickly. Digital media time-spent is on the rise, to the detriment of 'traditional media' (newspapers, magazines, but also radio and TV). Borders between media types are also disappearing fast. Print media need websites and mobile apps, preferably with audiovisual content, or consumers might 'disengage'. TV broadcasters have extended the role of content distributor by for instance producing program endorsed magazines, organising 'fan events', and developing online TV catch-up services to serve postponed viewing.

Sanoma Magazines is one of the media companies challenged by these developments. Founded in 2001 by merging Helsinki Media with the VNU Consumer Information Group, the company developed into a European magazine champion with a strong second business pillar in digital media. As part of its heritage, the company's operating model is a.o. characterised by decentralisation. This is internalised by a dominant belief that media is a local business calling for local strategies to be determined by local companies (as long as they fit into an aggregated company-wide strategic framework). The internal drive for decentralisation might conflict with strategy adjustments that could be needed to secure a prosperous company future. Sanoma Magazines is confronted with the question whether the company is the sum of individual operating companies who act more or less autonomously in potentially conflicting directions, or if the company is an efficiently running machine whose parts all function towards achieving a greater objective.

This thesis relates academic insights about organisational identity, identification, corporate storytelling and employee strategic alignment to Sanoma Magazines. The conceptual model assumes that through use of corporate storytelling the company identity influences employee identification, which could promote employee strategic alignment in turn.

ACADEMIC FOUNDATION

Organisational identity is defined as the collection of enduring organisational attributes that are central and distinctive in the eyes of the members of the organisation. Organisations exhibit different identity types determined by the perspective: the projected identity is the identity the organisation communicates, the perceived identity is how members of an organisation view the organisational identity, and the desired identity is the ideal identity that an organisation could evolve into under the leadership of its top management.

If members of an organisation perceive that the identity of their organisation has similar attributes as their own identity, they might identify with the organisation. In turn, this 'organisational identification' influences cooperative and citizenship behaviour within organisations. Organisation members are likely to be willing to contribute to greater organisational success, because this will also emanate to themselves - fortification of the organisation enforces the identity of its members as well, because it is perceived as having similar attributes.

Organisations are strategically aligned when their members a) *understand* what the organisational strategy is and how their actions contribute to it; b) when their members *support* the strategy and find it important; and c) when their members are able to *behave accordingly* (up to beyond what is formally required). Strategically aligned employees have a strong connection with their organisation. They exhibit attitudes the organisation desires, and will behave in support of the organisation's strategy.

To develop the necessary strategic understanding of organisation members and their positive attitude towards the strategy (enabling desired strategically aligned behaviour), effective communication is crucial. Since organisations typically employ a multitude of communication expressions, it is important to safeguard message consistency. Corporate stories (as a cognitive construct) and storytelling (as a communication process) contribute to message consistency and communicates the essence or identity of an organisation effectively. This promotes employee identification with the organisation and a distinct positioning from rival companies, provided corporate stories are relevant, realistic, sustainable and responsive.

EMPIRICAL INSIGHTS

An assessment of the projected, perceived and desired identity of Sanoma Magazines through various quantitative and qualitative methods has provided key insights in one of the cornerstones of the company's corporate story. This was linked to Sanoma's positioning and reputation, resulting in the following corporate story:

WE ARE  Sanoma
MAGAZINES

We create many favourite, market leading magazines that have become part of the cultural heritage of several European countries. **libelle** started in the Netherlands in 1934. **nők lapja** was first published in Hungary in 1949. **AU AVKA** (Donald Duck) got his own magazine in Finland in 1951. Our magazine journalists excel in keeping their finger on the pulse of time, introducing the topics that matter today and tomorrow. These topics speak to millions, keeping even the magazines we launched years ago current and fresh. Because they also address the national conversation on sometimes controversial issues like sexuality or the role of women, we have helped shape the views of society in the countries we are active in. That is one of the reasons why many people feel a strong emotional attachment to our magazines.

Because we are engaging a broad but selective audience with creative quality content, our media brands have established themselves in the hearts and minds of their consumers. For many of our brands, this relationship is so strong it exceeds the printed magazine. Our customers trust that the consumer goods that are endorsed with one of our media brands offer them a similar user experience, whether it's **Libelle** fashion in Belgium or a Finnish **MeNaset** bookazine. Consumer events like the Dutch **bruder** Festival or the **margriet** Winter Fair draw tens of thousands of visitors each year. And the **COSMOPOLITAN** Bikini Booms we have organised in Moscow, Sofia, Budapest and Belgrade have set Guinness World Records for the number of bikini-clad Cosmo Girls participating.


We are increasingly developing our company towards other consumer media. We have published **Disney** pocket books in Finland and the Netherlands for years now, and build on this with magazine-branded book labels in other countries. Since we became Russia's leading glossy publisher in 2005, we publish **БЕЗМОЧЬ**, one of the most prominent financial newspapers, as well.

At the same time we have developed our strong position in digital media into a second business pillar next to consumer magazines. Our portfolio of vertical websites in magazine-related domains is complemented with important news properties (**nu.nl**), directories and classifieds (**startlap**), and price comparison sites (**pirakot**). We are leveraging our position as leading domestic internet company in the Netherlands, Hungary and Bulgaria to our other markets by transferring knowledge and concepts. By developing mobile apps for smart phones and tablet computers we are on the forefront of extending our digital media position further. We foresee a key role for devices where inspirational magazine content converges with digital functionality, and want to occupy a prominent position in shaping the desired consumer media of tomorrow. Because we understand what consumers want and have inspired and informed them with aspirational content for decades, we are positioned like no one else to succeed in this ambition.

Being a market leader not only in terms of size but also in mentality, we will not stop there. Digitisation is blurring borders between media types. That's why Sanoma Magazines will increasingly develop itself as a broadly positioned consumer media company, irrespective of a particular media type. Extending our expertise and capabilities in our current media, building on this by trying and learning in related fields. We are already piloting with TV broadcasting through celebrity lifestyle channel **A** in Hungary for instance, and with TV production in Belgium through production company *woestijnvis*.

What guides us through the multitude of media developments is our strong commitment to our customers. Central in everything we do is our consumer insight, understanding the desires and preferences of consumers inside out. We are able to continue to offer trusted and desired quality media, because we understand what our consumers want. Our ability to connect our media with a broad audience, enables us to offer advertisers the possibility to reach well-defined groups of consumers as well. These valuable propositions will increasingly be developed together with our business-to-business clients, with the safeguarding of the interests of our consumers on top of our minds.

Consumer media is changing rapidly. Sanoma Magazines continues to develop itself as a creative producer of trusted quality media that are desired by a broad but selective consumer audience, fortifying our market leading positions in our core European markets as a result.

THAT'S WHY WE ARE  **Sanoma**
MAGAZINES

This corporate story was validated by two stakeholder groups within Sanoma Magazines that ultimately determine its use: the Management Board and the Directors Corporate Communication from the company's businesses. Both forums recognise the story as the right starting-point to communicate Sanoma's identity consistently, promoting organisation identification by its employees and stimulating extra-role behaviour towards common strategic goals. The story is seen as a true and attractive description of the company's heritage and present state, whilst offering a compelling vision that people want to commit to. They agree that Sanoma's corporate story could function as an umbrella instrument, selecting elements for use in different communication channels with different audiences.

In this thesis, corporate storytelling was introduced to the focal company with identity as a key building block and with content-consistent communication that contributes to employee strategic alignment as its objective. The enthusiasm with which the underlying academic constructs were received suggests that their usefulness in this empirical context is high. Some Business CEO's noted that this provides them in a way with an academic validation of their intuitive communication patterns. Others felt it was a necessity to build on this groundwork and implement corporate storytelling to the fullest extent, because it describes who the company is and its direction in a way that people want to be part of.

The research has also provided important insights in for instance Sanoma's current communications. Analysis of Sanoma's identity along seven dimensions of the company's personality profile has shown that the company lacks in clearly communicating regarding the Interests dimension (strategic objectives). The company now desires to correct this by developing an integrative approach related to far-reaching organisational changes, seizing the opportunity to clarify strategic objectives as well. This example underlines the usefulness of the underlying academic constructs in this empirical setting.

Research like this is by definition hampered by its limited scope. There are strong indications from both research as well as the reception by two all-important internal stakeholder groups that Sanoma Magazines' identity might be key in promoting strategically aligned behaviour through corporate storytelling. Final conclusions however can only be derived when a) the baseline regarding employee identification and alignment is researched; b) corporate storytelling is thoroughly tested and implemented; and c) its effect on identification and alignment is again researched after a certain period.

The true test of the value of corporate storytelling and its effect on employee strategic alignment within Sanoma Magazines lies in the future. The story should be developed further by implementing it, and by continuously monitoring its relevance, realism, sustainability and responsiveness. Corporate storytelling only comes to life if stories are told and retold, adapting it over time with company developments. In that sense the story of this thesis doesn't have a definitive ending.

To be continued...



Kym Kettler-Paddock

Theoretical Underpinnings of Thought Leadership:

What is it? Why is it important?

And how can organizations pursue it?

Kym Kettler-Paddock (1969) studied Chemical Engineering at Michigan State University before post-graduate studies in Chemical Engineering at the University of Minnesota. She started work in 1993 for a Unilever subsidiary called Uniqema in Chicago, USA, where she worked in technical service and product management, interacting with every level of the company as well as with suppliers and customers. In 1998, Kym moved with Uniqema to The Netherlands where she then worked for six years in European and global product marketing in the business-to-business chemical sector before taking over as the head of corporate communications.

Kym's entry into corporate communications was a baptism of fire with cost reduction projects, redundancies, and the continued introduction of a new strategy and company culture all within the first year. Kym enjoyed mastering all of the challenges that came her way, as well as managing her team and watching them develop into a true company asset.

In 2005, Uniqema was put up for sale, and Kym was one of the twelve employees known as the Core Team that supported the board and the investment banks in the sale preparation, including vendor due diligence. Additionally, she kept up her day job in communications, managed her team, planned the sale announcement strategy, and enjoyed being pregnant. Fortuitously, the sale of the company coincided with the beginning of her maternity leave, and she decided to take a career sabbatical and be a stay-at-home mom.

Kym is married to Jarrod Paddock and has two children, Joshua and Isabella. She has filled her sabbatical with raising children, studying for and passing the inburgering test, and studying for her Master of Science in Corporate Communication, which she will receive with great pride.

INTRODUCTION

Although thought leadership is currently a fashionable trend in business, little is known about what constitutes thought leadership, why it is possibly interesting for an organization to pursue it, and which mechanisms within thought leadership activities actually lead to positive outcomes for the organization. This is an important gap, because academia could help to ground thought leadership practices in proven theory, thereby giving managers a better understanding into the successful management of thought leadership. This thesis aims to shed light on what thought leadership is, why it is an appealing strategy, and how it is created.

STUDY APPROACH

This is a conceptually-oriented thesis, accompanied with desk-research-based case studies. We aim to define and explain thought leadership as practiced by corporations and use eight companies to illustrate our arguments. The companies studied in this thesis were Apple, BP, General Electric, Google, IBM, McKinsey, Philips, and Unilever.

WHAT IS THOUGHT LEADERSHIP?

Definition

We define thought leadership as *the action of introducing and promoting convention-breaking ideas that cause people to change how they think about marketplace or societal issues*. Critically, although our definition does not explicitly define action as an outcome of thought leadership, we argue in the thesis that corporations engage in thought leadership to effect a desired action by their stakeholders.

Characteristics: Novelty and Trust

Thought leadership comprises two important characteristics: *novelty* and *trust*. In the thesis, theories on schema are used to explain the mechanisms by which *novelty* acts as an important principle in building thought leadership. We use theories on trust, social exchange, and network embeddedness to explain the mechanisms by which *trust* is an important requirement for building thought leadership.

First, thought leading corporations must have a novel point of view (NPOV) which they promote to their stakeholders as an idea, solution, or insight into a market or societal issue that tears down conventional ways of thinking and makes room for new perspectives. Unilever's Dove brand did just this with their "Real Beauty

Campaign” which asked consumers to widen their definition of beauty. By using average-looking women in their advertising and sharing how models achieve their stereotypically perfect look through their video, Evolution, Dove successfully challenged the conventional thinking that beautiful women were very young, very thin, and white.

Second, once stakeholders are interested in a NPOV and have judged it to be valuable, they must feel trust in the thought leader in order to act on it and implement it. Prior research has shown that trust often results from two different psychological mechanisms (McAllister, 1995), and thought leaders must address both forms. Thought leaders build *cognition-based* trust through the demonstration of their expertise and *affect-based* trust through relational exchanges. Apple embodies a thought leader who has won cognition-based trust through the innovative quality of their products, their understanding of how their customers use the products, the service levels provided, and the on-going provision of free software, upgrades, and applications that supplement purchased items. These frequent exchanges with Apple and interactions with store-based personnel or service experts on-line can lead to affect-based trust.

WHAT KIND OF STAKEHOLDERS ARE ATTRACTED TO THOUGHT LEADERS AND WHY?

Stakeholders who are typically attracted to thought leaders are persons who are highly involved with a topic. These stakeholders either have an innate preference for thinking about things, or they need to do so because they require a certain level of information in order to make a decision. When their involvement is high, they tend to look for new and novel insights into the topic of interest (Petty & Cacioppo, 1981). Because thought leaders offer new insights, thought leading organizations are an attractive source of information for inquisitive stakeholders. Additionally, stakeholders are attracted to the “novelty” component of thought leadership because people are hardwired to pay more attention to novel stimuli than to familiar information (Bardo, Donohew, and Harrington, 1996:25). Prior research on schema incongruity (Berlyne, 1960 and 1976) suggests that when involved people are confronted with moderately novel or schema-incongruent information (i.e. convention-breaking information), people are actually aroused by this and motivated to solve the incongruity. Solving the incongruity involves altering or replacing the existing schema so that the new information can be integrated. When people have successfully integrated the new information, they tend to be more favorable towards this new information.

HOW IS THOUGHT LEADERSHIP CREATED?

Thought leadership is created through four steps: (1) articulating a novel point of view, (2) sharing the NPOV and the surrounding expertise, (3) creating strong interactive networks with stakeholders, and (4) acting in line with the desired positioning.

(1) Articulating a Novel Point of View

Because the NPOV is meant to challenge and overturn conventional thinking, it must be packaged in a way that will facilitate this: the NPOV must be framed. Framing is the process by which thought leaders choose which information should be most salient and then package the rhetorical information in a manner that encourages one interpretation over all of the other possible interpretations. BP offered a NPOV when they became the first oil company to acknowledge that climate change might be happening, that they would make climate change one of their key responsibilities, and that they would help to solve it. BP broke with conventional wisdom within the oil industry and changed the frame of discussion, forever.

(2) Sharing the NPOV and Surrounding Expertise

Thought leaders create both cognition-based and affect-based trust with their stakeholders by sharing information with them. This is explained in the thesis by the social exchange theory (SET). The SET views interactions between people as “an exchange of goods, material and non-material” (Homans, 1958:597) and expects that relationships “evolve over time into trusting, loyal, and mutua commitments” (Cropanzano & Mitchell, 2005:875). The SET argues that information exchange engenders trust. The demonstration of expertise through the information exchange leads to cognition-based trust, while the continued round of exchanges between thought leaders and stakeholders develops a relationship which is (over time) characterized by affect-based trust. GE launched its Healthymagination program in 2009 and shared lots of information with the general public as well as with customers, governments, and other stakeholders. Within two months of the launch, GE had \$100 million of active leads and projects in the pipeline, demonstrating the cognition-based trust that their information sharing had engendered.

(3) Creating Strong Interactive Networks with Stakeholders

Thought leaders not only share information with their stakeholders, they also seek to create a dense community or network with them in order to build trust. Network embeddedness theory proposes that the network property of centrality increases trust between a stakeholder and its network connections while the property of density increases a thought leader’s access to information and assets

(Gnyawali & Madhavan, 2001). Networks thus enhance trust between the networked parties while enhancing multi-directional information flow. The Health and Well-being Center at Philips is building a network with interested parties to explore Active Aging and Livable Cities. They started by inviting two dozen experts to two think tanks—thereby establishing a network with them. Individuals from the think tank demonstrated trust in Philips by signing off their work with their position in Philips' think tank prominently noted. They also enhanced Philips access to information and assets by introducing them to additional valuable network connections such as the World Bank and the U.N.

(4) Acting in Line with the Desired Positioning

A thought leading corporation must continually act in line with its NPOV in order to (a) demonstrate and increase its practical experience and expertise and (b) achieve strategic alignment between the NPOV and its employees (Van Riel, Berens & Dijkstra, 2009). Companies who do not do this are in danger of having their NPOV and strategic position undermined by non-aligned behavior. IBM is a corporation that has completely aligned itself with its Smarter Planet campaign. They spent \$50 billion to acquire the companies and technology necessary to facilitate this campaign. Additionally, they were working on aspects of the campaign for some years before finally launching it—thereby having enough information to provide the more than 25 case studies prominently displayed on their website. BP, on the other hand, did not properly align itself with its NPOV of helping resolve climate change and being environmentally responsible. Their series of American disasters (oil leaks in Alaska, explosions in Texas, and the Deepwater Horizon oil spill) demonstrated how their organization was not internally aligned with their NPOV. This lack of alignment has cost them dearly.

CONCLUSION

Thought leadership is a strategic positioning choice made by corporations that have a truly novel point of view and the ability to demonstrate the validity and usefulness of that NPOV. Thought leadership is not merely a new marketing ploy that uses outrageousness to get attention and then offers the same old stuff; rather thought leadership promises and delivers a novel perspective backed up with solid expertise that leads to stakeholders gaining new insights into their worlds. When stakeholders are comfortable with and trust both the thought leader and the NPOV, they may then take action (i.e. “buy”, “sell”, “invest”, “legislate”), which will benefit both the stakeholder and the thought leader in some way (i.e. increased profit, reduced cost, access to more resources).

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Renee Menting

Intentional identity change in hybrids

The paradox of the underdog

Renée Menting is an all round communication professional with a strong background in general management. Currently she works at Port of Amsterdam, the city's official port authority. Although she mainly works in the field of external communications, her thesis is on identity change, which illustrates her belief and experience that internal and external communication topics are intrinsically linked.

Renée holds a master degree in French language and literature, as well as a French 'maîtrise' and a state diploma interpreter-translator, but only used these qualifications occasionally in freelance translation and interpretation jobs. After finishing her language studies in the Netherlands and France, she took up supplemental studies in management, and mainly worked in management positions in the private sector and later on in management consultancy. Missing her language background, she felt more and more attracted to questions and issues concerning communication, hence her today's occupation and her passion for writing song texts.

INTRODUCTION

Port of Amsterdam (POA), the port authority of one of Europe's top five ports, is possibly facing *corporatization* in the near future. Corporatization is the creation of a corporation from an agency that forms an integral part of government. Corporatization consists of two main organizational changes: (1) a spin off, setting the former governmental agency apart from its 'mother', turning it into a legally independent corporation by issuing company shares to be owned by public shareholders, and (2) a change of its governance structure, amongst others by interposing a supervisory board of directors between the shareholding government(s) and the management of the newly formed corporation.

Corporatization is basically a strategic change aimed at enhancing the organization's efficiency by introducing an organizational form, principles and systems from the private sector. But mostly corporatization also implies a change in the organization's orientation, objectives and identity. Consequently in people's minds corporatization is not a value free concept. It has strong societal and political connotations and is often confused with privatization. This applies all the more to governmental organizations like port authorities, that have one leg in the commercial world. Port authorities even have an intrinsically 'normative-utilitarian hybrid identity' (Albert and Whetten 1985), deeply rooted in their pluralistic range of tasks and value systems. A normative-utilitarian hybrid identity is constituted according to two seemingly incompatible value systems: a normative system, emphasizing care for society as a whole, altruism and ideology, and an utilitarian system, characterized by economic rationality, maximization of profits and organizational self-interest. An important objective of corporatization is to emphasize the utilitarian identity over the normative identity, making the organization more 'business like'.

Corporatization can thus be classified as a 'change of collective status, a life-cycle event during which the question of organizational identity becomes particularly important' (Albert and Whetten 1985). Corporatization is likely to have a considerable impact on members' relations with the organization, their sense of organizational identity, their identification patterns and their behaviours. In turn, the quality of the change process and the final result of corporatization, will depend largely on the success of the identity transition process.

RESEARCH OBJECTIVE

The aim of my research was to provide POA's management with useful recommendations for managing the identity change process that goes hand in hand with the larger strategic change of corporatization, and that will facilitate this larger strategic change, if properly managed. The over all guiding question for my study is therefore:

Q1 *How can an originally governmental organization actively manage the transition to a new, desired identity when undertaking (and/or undergoing) corporatization, an organizational change that intentionally touches the balance in its hybrid identity?*

To provide these recommendations, deep insight was needed into various aspects of the current identity (the starting position before change) and the process of identity change itself. This prompted my second guiding research question:

Q2 *How does hybrid identity change before, during and after corporatization, with respect to:*

- a. The perceived identity
- b. The balance between the different identity faces
- c. Members' identification patterns
- d. Member's reactions to identity change efforts, i.e. managerial sensegiving

CASE STUDIES

To find answers to these questions, I conducted two case studies: one at Port of Amsterdam (POA) before the final decision about corporatization had been taken, and one at Port of Rotterdam (POR), the Rotterdam port authority, corporatized in 2004.

To get a detailed picture of the starting position before change, I studied POA's current perceived identity, perceived external prestige, identification patterns and members' identity change expectations and premonitions as to POA's eventual corporatization.

A historical case study was carried out at POR, on the perceived nature and the process of identity change in the period before, during and after corporatization in 2004.

Taking the current identity of POA and combining it with what happened just before, during and after the transition at POR, I have come to understand the nature of the identity change, the identity change process, the difficulties the organization is likely to encounter in the identity change process, the way

members handle the shift in the hybrid identity, and the way hybrid identity change can be managed.

FINDINGS

The two case studies yielded 10 interesting findings, that I used to formulate 8 recommendations for managing intentional change of hybrid normative-utilitarian organizational identity.

From the case study at *Port of Amsterdam* I retained in particular the following 5 findings:

1. Strong meta identity

In POA I found the presence of a strong meta identity or 'super ordinate identity' (Ashford et al. 1989), being the perceived uniqueness of the port and the pride of being an essential part of it. It's a mixed and diffuse identity element, because members are not naturally inclined to make a distinction between the port as a whole and POA as an organization. Members identify strongly with this element, that seems largely independent from the attractiveness of the perceived organizational identity as well as from the pattern of hybrid organizational identity and identification. In the past POA has already incorporated this meta aspect in its mission (POA as the 'port director') in an attempt to gather the different faces of the organization's hybrid identity underneath it (Pratt and Foreman 2000). The same kind of strong meta identity was found in the POR case, before and after corporatization.

2. Strong individual professional identities

Another finding in the POA case study was the strong professional identity and identification of individual members. These individual identities are enacted in the organizational context, but transcend it. Members consider for example 'being a navigating officer', 'being an engineer' or 'being a researcher' as something more personal and essential than their job.

3. Holographic as well as ideographic hybridity

The case study confirmed POA's assumed *holographic* as well as *ideographic* hybrid identity (Albert and Whetten 1985). In a *holographic* dual identity each unit within the organization exhibits both identities. In an *ideographic* hybrid identity each unit exhibits only one identity. POA has a clear-cut commercial identity, since one of its main objectives is to be a profitable business by economically developing and exploiting the port, attracting companies and cargo. At the same time POA is expected to engage in activities for the common interest,

such as creating jobs, investing in the port's nature and reducing pollution and noise, often resulting in measures that are not commercially attractive. This mix of sometimes conflicting goals illustrate POA's *holographic* normative-utilitarian hybridity. In addition to this, POA has a separate normative identity, rooted in its public task of upholding the law as to traffic safety and security in the port's waters. This identity is embodied by another sub-unit than the commercially oriented identity. These identities regularly conflict, for example in cases where the port authority has to fine an important port customer for not obeying the rules. POA therefore also displays ideographic normative-utilitarian hybridity. POA seems to cope with its *holographic* hybrid identity through 'aggregation' nearing 'Janusian integration', and with its *ideographic* hybrid identity through aggregation nearing 'compartmentalization' (Pratt and Foreman 2000). Aggregation is appropriate when an organization wants to retain all of its identities, while maximizing the synergy between them. For POA as well as for POR before corporatization, I found that the downside of aggregation can be identity diffuseness, lack of focus and unclear priority setting between different identities.

4. Consistent pattern of ideographic hybrid identity and identification

A consistent pattern emerged from the POA case study, illustrating the difference between members incorporating the public task (i.e. the ideographic normative side of the hybrid identity), and the rest. Members responsible for the public task attribute less desirable characteristics to POA, identify less with the organization as a whole, more with its normative identity and less with its commercial identity, perceive less external prestige, perceive the current hybrid identity as more problematic, worry more about corporatization and think more often that corporatization will lead to a shift in hybridity at the cost of the normative identity. These differences in perception and identification can be explained by many factors, but in general it can be concluded that these members have underdog feelings and perceive corporatization to be a threat. This is not entirely surprising, because this group incorporates the identity side apparently most under attack with corporatization.

5. Positive relation between identification and confidence in identity change

POA's case study indicates that the more strongly members identify with POA as an organization, the less they worry about identity change due to corporatization. This is different from what I expected based on the main stream in literature, that considers members with strong organizational identification as also apprehending, resisting and reacting more strongly to identity change.

From the case study at *Port of Rotterdam*, I retained in particular the following 5 findings:

1. The paradox of the underdog identity, and the role of stakeholders

Emphasizing the utilitarian identity over the normative identity, which is one of the objectives of corporatization, logically would put the normative identity in a state of defense, ultimately resulting in subordination or deletion (Pratt and Foreman 2000). In the first stage of the POR change process, this was precisely what seemed to happen. The threat of subordination or even complete deletion of the normative side from POR's identity was imminent.

Paradoxically the complete opposite situation materialized:

- For the ideographic normative identity (i.e. the public task of upholding the law and assuring safety and security), emphasizing POR's utilitarian identity counter-intuitively resulted in the relative empowerment of the normative side in the identity balance. The imminent threat led to reactions of self-preservation and reinforced identification, resulting in a reevaluation of possible synergy, confirming the importance of the normative identity for POR's future strategy. The claims of powerful stakeholders demanding full protection of the public task against possible commercial abuse, subsequently led to drastic compartmentalization, i.e. strict professional and legal independence of the public task and thus empowerment of POR's normative identity.
- For the holographic normative identity, the same kind of paradox was found. In this case the formal position of societal goals in the organization's official policy became weaker (i.e. deletion or at best subordination of the normative holographic identity), and de-identification with this identity side seemed less a problem, since it didn't mean subordination or even deletion of complete organizational sub-units. In spite of this, the holographic normative component paradoxically became stronger and more integrated in daily business, due to increased stakeholders' scrutiny about POR's corporate citizenship and the increased difficulty in getting a 'licence to operate'. Outsiders expect the corporatized POR to go for profit maximization, to act in the interest of big business and their self-interest only, and are therefore more vigilant. POR can't hide behind being part of government anymore to assure its 'license to operate' and is judged much more severely than before corporatization.

2. The paradox of the wider gap and increased synergy

POR's decision not to delete the ideographic normative identity (the public task) with corporatization, was taken because of the valuable synergy possibilities for POR's future strategy. The subsequent stakeholder demand for a drastic compartmentalization however, seemed to wipe out these synergy possibilities (Pratt and Foreman 2000). POR's public and commercial tasks and corresponding ideographic normative and utilitarian identities have indeed become more separated, but also better defined, more distinct and professionally independent from each other in the change process. This allowed both parts to grow more mature. Paradoxically the synergy has become all the more fruitful now that both parts of POR are more separate and independent from each other. Both parts seem to respect each other in their respective professionalism more than before corporatization, and seem to have a better understanding and cooperation.

3. The paradox of the perceived lesser commercial identity

In members' minds, the new identity labels that had been projected for the corporatized POR, i.e. 'entrepreneurial esprit', 'commercial orientation' and 'being our own company, making our own money', had been surrounded with connotations of freedom in making quick commercial deals together with port customers, without the lengthy governmental procedures of before corporatization. However these labels materialized as enhanced managerial professionalism, strict financial requirements and enhanced demands for transparency, with all the additional checks and procedures that this required. Counter intuitively corporatization thus led to less power and status and a lesser mandate for members working in POR's commercial department. These members claim to have more difficulty in 'selling' POR's policies to the port customers, and show a less commercial face to these customers than before corporatization.

4. Framing of issues as a useful tool

Short after the formal date of corporatization, POR was confronted with a huge financial scandal involving POR's then CEO. The offence this CEO was accused of (i.e. secretly granting enormous financial guarantees to a business friend) had been committed in the period that POR was still a governmental agency. In fact the scandal had no relation with corporatization. It could just as well have happened in the corporatized POR, since the guarantees were kept out of POR's official administration. POR's supervisory board however managed to frame the scandal in a way that it benefited the change process linked to corporatization. The changes in the area of transparency and checks and balances that the board had in mind anyway to further professionalize the newly formed corporation, were framed as 'measures necessary to prevent such a disaster from ever happening

again'. In this way the changes were more easily accepted and adopted by POR members.

5. Lack of sensegiving leads to identity ambiguity

Typical for the POR identity change process was that it was intertwined with a series of substantial changes in organizational forms, structures and procedures. Many of these changes can partly be typified as 'institutionalization of desired identity', because they were all more or less aimed at making POR more 'business like'. The practical changes were however carried through before management consciously formulated the desired identity connected with these changes. Managerial sensegiving about the organizational changes in the light of desired identity followed in a much later stage than the changes themselves, which led to periods of confusion and 'identity ambiguity' (Corley and Gioia 2004).

RECOMMENDATIONS

Based on the 10 findings from the case studies I formulated 8 recommendations, that can be helpful in future cases of corporatization or other intentional change efforts of hybrid organizational identity.

1. Management should actively initiate and manage the identity change that goes hand in hand with the larger organizational change of corporatization.

Corporatization is not a strategic change that causes identity change as an incidental side effect. One of the aims of corporatization is precisely to change identity. The identity change should therefore be actively initiated and managed as a vital part of the larger strategic change, in a way that it contributes to the success of corporatization instead of possibly inhibiting the change. The results of the case studies indicate that various managerial sensegiving techniques are promising for easing the identity transition and bringing about the desired identity. These will be treated in the following recommendations.

2. In the pre-change phase, management should strengthen the 'super ordinate' identity (or create one if it doesn't exist), project it and encourage members to identify with it, while de-identifying with undesired 'subordinate' identities

A meta identity can prove a helpful tool for identity change connected with corporatization. In hybrid identity organizations, a kind of meta identity is often already formulated in an attempt to gather the different identity faces under one umbrella. By extra emphasizing this meta identity before and during identity change, management can ease the transition towards the new situation, permitting members to de-identify with undesired 'subordinate' identity elements

by offering continuity through identification with the 'super ordinate' identity. This can be done for instance by developing a corporate story around the meta identity, that encompasses the past, present and after-change future. This recommendation is also useful for single-identity organizations facing a merger or acquisition.

- 3. In the pre-change phase, management should actively strengthen members' individual professional identities, by helping them to bring these on a higher level and by managing their careers, thus ensuring members' self-continuity, self-enhancement and self-esteem during organizational identity change.**

In the context of corporatization and identity change in general, professional identification may become more important as an anchor to members, as the identity change possibly causes turbulence and disruptions of members' organizational identification. Managing member's individual professional identities, will either prepare them for a role in the after-change organization, or empower them by increasing their employability, thus overcoming to some extent their concerns about future job insecurity or fitting into the new organization.

Combining recommendations 2 and 3, management can offer a 'protective sandwich' to members during organizational identity change, providing top down as well as bottom up identity security and continuity.

- 4. Managers of hybrid identity organizations, should take clear decisions in an early stage about the position and status of the different identities in the after-change situation, taking into account stakeholders' demands and claims.**

The challenge for hybrid organizations like POA, is to manage conflicting identities in a complex, dense and multifold stakeholder network. Different stakeholders have different views on the focus of the various identities, and their needs and demands sometimes oppose each other. Managers of hybrid organization initiating corporatization, an organizational change that touches the core of its hybrid identity, should carefully study the consequences for the different stakeholders associated with the different identities. They should involve salient (powerful, legitimate, urgent) stakeholders in decision making as to the position and status of the different identities in the future organizational paradigm, and take into account their needs, claims and demands. They should clearly communicate and project the desired future ordering of identities to internal as well as external stakeholders.

5. Strict compartmentalization or even 'segregation' of the two sides of hybrid identity, can be useful in the light of sustainable synergy.

Hybrid organizations such as POA, facing corporatization or a similar type of change, should consider compartmentalization in order to assure sustainable synergy in the long run. In the POR case the drastic compartmentalization at first seemed to reduce the possibilities for organizational synergy. However in the long run the enhanced professional independence and maturity of both identities turned out to be a condition for enhanced sustainable synergy. In other words: 'The stronger the dual identities, the greater the probability that promoting common integrative goals will enhance collaborative intergroup relations' (Pratt 2010).

6. Management should project an attractive desired future identity to members, particularly as to the position and status of the various faces of the hybrid identity. Paradoxical intervention, like reversing obvious expectations, or counter intuitive framing can be powerful managerial sensegiving techniques.

Members are more likely to engage with a new organizational paradigm, if they perceive it to offer a sufficient degree of identity continuity to feel secure, while providing opportunities for self-enhancement at the same time, 'pulling' them towards the new situation. A change that seems to emphasize one face of the hybrid identity over the other, will present a threat to the 'underdog' identity, and members identifying with this identity will feel insecure. To reassure these members, projected identity will explicitly have to include the underdog identity, giving it a sure place in the future organization. Based on the findings of the POR case study, POA could use sensegiving techniques like counter intuitive framing and reversing obvious change expectations. Management could for instance project the new POA in the first place as 'the new modern, professional authority' instead of 'a more commercial organization'.

7. Management has to prevent the new strategic course (corporatization) from overshadowing the organization's mission and becoming a goal in itself. They can do so by accepting the normative-utilitarian balance seeking as an essential organizational task.

Although strictly speaking corporatization is a mere strategic change aimed at enhancing an organization's efficiency in fulfilling its mission, it generally overemphasizes financial results and risks making the normative objectives seem secondary. POA considers to maintain the ideographic as well as the holographic normative tasks and identity in the future post-change mission. POA will thus have to satisfy both mission focused stakeholders as well as those focusing more on financial results (i.e. shareholders). The managerial challenge is to balance the different stakeholders' needs and demands with the organization's mission and strategy. Based on the findings in the POR case this seems to be a dynamic

process of continuous evaluation and adjustment rather than the establishment of a fixed new balance.

8. Management can make use of external issues and events, by framing them in a way that they become facilitators in the identity change process.

The way in which POR's management canalized the CEO scandal to make changes linked to corporatization more easily accepted, illustrates that framing of external events and issues can be a powerful managerial sensegiving technique. An issue presenting a possible risk for the corporatization of POA, is the current economic crisis. 'Business' has a rather unfavourable ring to it at the moment, being associated with a lack of care for society, short term profit and managers granting themselves huge salaries and bonuses. Corporatization thus seems a movement against the flow and risks being presented as a exponent of the 'greed culture' by media or critical stakeholders. This is likely to have an influence on POA members' perceived external prestige. By timely framing these perceptions, management can turn them into change facilitators instead of inhibiting factors. POA's management could for instance argue that corporatization is an appropriate reaction to the city's current money problems, using the example of POR, that is consistently turning over more money to the shareholding governments than before corporation.

MANAGERIAL RELEVANCE

The results of this study provide POA's management with a clear picture of the current identity, will help them design the future desired identity and contribute to their understanding of how the transition to this new, desired identity can be managed in a way that it contributes to the success of the larger strategic change of corporatization.

I believe the results of this study and the recommendations can be generalized and helpful for any hybrid organization facing corporatization or a similar change that emphasizes one side of it's identity over the other.

THEORETICAL RELEVANCE

With this study I contribute to theory building by providing in depth insight in the nature of an intrinsically hybrid organizational identity, and in the hereto unexplored question of how hybrid identity reacts to an organizational change that intentionally emphasizes one side of the identity over the other.



Pieter van Nuenen

Changing Ownership, Ongoing Transformational Moves in the Highly Volatile Semiconductor Industry, and the Effects of this on Strategi- cally Aligned Behavior Among Employees of NXP Semiconductors

Pieter van Nuenen (1971) has over a decade of experience in communications. In his role as Director of Corporate Communications at NXP Semiconductors he is responsible for strategic communications planning, reputation management, the management of the global agencies that NXP is working with, and supervision of the Employee Communications team within NXP.

NXP Semiconductors is owned by a private equity consortium and is listed on the Nasdaq stock exchange in New York. The company designs, manufactures and markets semi-conductors that are used in a wide range of applications. Headquartered in Europe, the company has approximately 28,000 employees working in more than 25 countries, and posted sales of USD 3.8 billion in 2009. Over the last three dynamic years at NXP, Pieter managed the communications work stream of various large mergers & acquisitions, and was involved in crisis management and the ongoing Redesign program. In 2010, he

was involved in the communications activities regarding NXP's IPO and listing on the Nasdaq Stock Exchange. More recently he has started managing the new Culture Communications approach and internal branding for NXP. In Utrecht, Pieter studied Journalism and Public Relations, followed by additional courses in communications and finally a post-academic course at the Nyenrode Business University in Marketing Communications. Prior to working for NXP Semiconductors, Pieter worked in various roles at international communications agencies and has held in-house positions at companies in The Netherlands and abroad. During a period of almost three years he lived and worked in Portugal, where besides learning the Portuguese culture and language – which he speaks fluently – he also met his wife. Pieter is interested in different cultures, loves to travel, and is passionate about good food, especially in the form of dinners with close friends and his family in The Netherlands and Portugal.

EXECUTIVE SUMMARY

In a relatively short period of time, NXP Semiconductors experienced some major changes related to company ownership and strategic direction. In September 2006 Philips announced the spin-off of its semiconductor division. Philips Semiconductors was carved out and sold to a private equity consortium led by KKR.

Facing an unprecedented economical downturn at the end of 2008, the company undertook severe measures, launching a multiyear Redesign program that included major M&A deals and transformational moves. On January 1st 2009, a new CEO was appointed. This was followed by the announcement of the company's new strategy in the spring of 2009. The possibility of an IPO was announced at the start of 2010 and the financial results – due to a strong increase of sales in the industry – were improving. On August 6th 2010 NXP became listed at the NASDAQ stock exchange in New York (ticker symbol NXPI).

WHAT IS THE SCOPE OF THIS THESIS?

This thesis focuses on the influences of changing ownership and ongoing transformational moves (like mergers & acquisitions, divestments and reorganizations), as seen against the background of a highly volatile semiconductor industry, on the strategically aligned behavior of employees of NXP Semiconductors. The thesis can be divided in three parts:

- 1 A review and interpretation of recent studies and papers in relevant scientific literature on alignment, (organizational) identity and strategy implementation, which resulted in a theoretical framework for strategically aligned behavior among employees.
- 2 A study and analysis of the factual events at NXP Semiconductors during the period 2006 – 2010, captured in an event line, and an analysis of data from surveys about the engagement and alignment of NXP employees over the same period of time.
- 3 A comparison of the findings of the data analysis and the factual events as captured in the event line against the theoretical framework. The conclusion of this comparison is a set of recommendations for the Management Team of NXP Semiconductors, which can be used as guidance for the further improvement of strategically aligned behavior among employees. In the recommendations and guidance for future improvement lies the managerial relevance of this Master thesis for NXP Semiconductors.

RESEARCH APPROACH AND DATA COLLECTION

The research approach that is used in this study is a comparison between relevant, scientific literature and data throughout the data collection and analysis process. The empirical basis of this thesis is a qualitative and quantitative analysis of five consecutive years (2006 – 2010) of worldwide Employee Engagement Surveys and Pulse Surveys, conducted by the HRM department at NXP Semiconductors, and a set of qualitative interviews. During the research phase, I analyzed the Employee Engagement Surveys and Pulse Surveys during the period 2006 – 2010 in order to find trends that impacted the level of strategically aligned behavior among employees, and to identify a relationship between the level of alignment and the events that happened as described in the event line. Secondly, I conducted focused interviews with key players both internally (senior executives at HRM and Communications departments and senior executives from NXP's private equity investors) and externally. I then compared the interview findings with the Employee Engagement Survey and Pulse Survey data.

IDENTIFICATION IN RELATIONSHIP TO STRATEGICALLY ALIGNED BEHAVIOR

An active communication climate increases employees' identification with their organization. Employees will have a stronger feeling that they are part of an organization and that their efforts are valued when openness, inclusion and supportiveness increase; it gives employees the feeling that management regards them as true participants in the organization (Smidts et al. 2001). Furthermore, employees will identify more strongly with the organization they're working in when they perceive membership as more beneficial. In turn, employee identification can lead to greater efforts on their part to implement the organization's strategy (Lee and Miller, 1999).

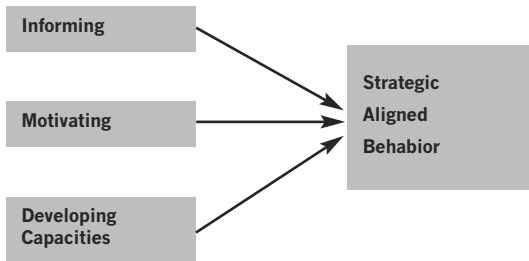
IMPLEMENTATION OF ORGANIZATIONAL STRATEGY

The successful implementation of an organization's strategy is essential for the optimal performance of the organization (Noble, 1999). However, the complexity of strategy implementation has grown in recent decades as companies increasingly provide their employees with greater autonomy and flexibility in doing their jobs. In their study 'Stimulating Strategically Aligned Behavior Among Employees', Van Riel, Berens and Dijkstra, prove that there is a relationship between Strategically Aligned Behavior (SAB)- i.e. employee action that is consistent with the company's strategy - and the way in which managers promoted such behavior.

STRATEGICALLY ALIGNED BEHAVIOR VERSUS EMPLOYEE INVOLVEMENT

Strategically aligned behavior should be distinguished from employee involvement in the *formulation* of a strategy. Van Riel considers the organization's strategy as a given, and focuses on the contribution of employees to its *implementation*. Strategically aligned behavior by managerial as well as non-managerial employees, is higher when these employees feel that their managers make an effort to:

- Stimulate employee motivation to contribute to the strategy
- Stimulate the development of employee capabilities needed to implement the strategy
- Inform employees about the strategy in general and with respect to their roles



STRATEGY AND MEASUREMENT: HAND IN HAND

Taking strategically aligned behavior seriously at management level means that it is key to get insight into metrics such as the level of engagement of individual employees and effectiveness of teams within the organization. Only when an organization has this insight and knows the details of internal stakeholders' opinions, can successful implementation of the company's strategy be managed professionally. In other words, when an organization values the implementation of its (new or renewed) strategy, measurement is obligatory.

Discussion

Functional management: the key for improving strategically aligned behavior
As we have seen in the analysis of the 2005 – 2010 employee engagement surveys, functional management plays a key role in making the difference when it comes to influencing strategically aligned behavior. A functional manager is a person who has management authority over an organizational unit - such as a department - within a business, company, or other organization. Functional managers have ongoing responsibilities, and are not usually directly affiliated with project teams, other than ensuring that goals and objectives are aligned

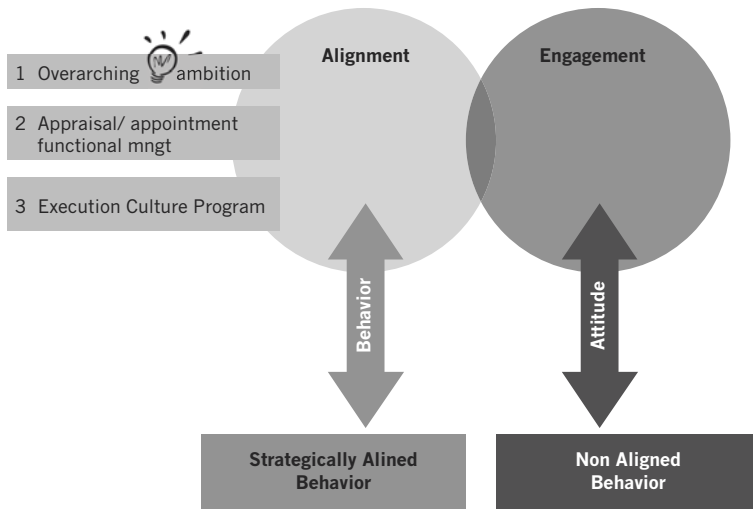
with an organization's overall strategy and vision. Functional management should know about the detailed results and outcomes of the employee engagement survey for their team. Managers and team leaders are then able to communicate in line with team members' perceptions. Only when members' perceptions and opinions are taken into account, can a basis for improving strategic alignment be made. Mobilizing the approx. 3,000 managers within NXP globally is a priority. In the theoretical framework we saw that Van Riel stresses the need to inform employees about the strategy. Informing employees about the organization's strategy, and about their role in implementing it, is significantly related to strategically aligned behavior.

CONCLUSION

NXP has withstood a very hectic and dynamic phase in its first (almost) five years as a stand-alone company. Both internal factors – numerous transformational moves and the implementation of a new strategy – and external factors – an unprecedented economic downturn – formed a very volatile context for the company. This dynamic context had significant impact and resulted in an overall low level of engagement and strategically aligned behavior among the employees of NXP. We can conclude that efforts to improve employee engagement and strategically aligned behavior resulted in only very limited positive effects.

RECOMMENDATIONS

Based upon the theoretical framework, the analysis and interpretation of the employee engagement surveys and the executive interviews described in this thesis, my recommendations to the Management Team of NXP would be to implement a three phase model to increase strategically aligned behavior. The model can be used as guidance for the further improvement of strategically aligned behavior among employees.



Towards strategically aligned behavior

Strategically aligned behavior is of utmost importance in today's highly competitive business environment. It makes or breaks the successful implementation of an organization's strategy and therefore is essential for an optimal performance of the organization. Traditional programs to manage engagement of employees mainly impact the attitude of employees, and have a relatively low impact on the desired behavior required to execute an organization's strategy. To influence behavior of employees to act in line with the organization's strategy in a structural way, a more extensive approach is required. The approach I advise entails three steps and goes beyond engaging employees: it is about employees acting in alignment with the organization's objectives and strategy.

THREE-STEP MODEL TOWARDS STRATEGICALLY ALIGNED BEHAVIOR

- 1 One company-wide, overarching ambition for NXP
- 2 Appraisal/ appointment of relevant functional management
- 3 Execution of company-wide NXP Culture Program

1 One company-wide, overarching ambition for NXP: an ambitious idea that is shared by all employees worldwide and reflects a new, dynamic and visionary ambition for them to embrace. It has the power to inspire and to drive people, regardless of their position, location, background, etc. It is appealing, and motivates and moves employees.

2 Appraisal/ appointment of relevant functional management. The key to moving, motivating and energizing employees lies with the functional managers at NXP. To mobilize this group of approx. 3,000 managers, the appraisal and formal definition of the relevance of their function is required. Only when functional managers know that their role is key in the alignment of the strategy, and thus the company's performance, can a positive step in strategically aligned behavior be reached.

3 Implementation and execution of a company-wide Culture Program

In step 1 the company vision and values are captured in a corporate story that reflects the overarching ambition, while in step 2, instrumental deployment of the strategy is secured and organized. Combining elements of steps 1 and 2, step 3 concentrates on the implementation of a Culture Program for NXP. A strong culture, with clear values and beliefs, offers the stimulus to be part of NXP. It provides guidance for employees and activities, and it inspires.

For each step, recommendations and programs are worked out in the thesis.



FLOOR OOSTERVINK

ONE PURPOSE, ONE PROMISE

Senior management perspectives on the relevance of consistent core values and brand values and how to manage that successfully.

“You have to be, what you want to see”

Floor (1975) is a dedicated and multi-lingual senior Communications professional who looks at the world through the eyes of the customer. She is used to working in international and political sensitive environments, advising senior management and managing interdisciplinary working teams (10-25 fte). She shapes, simplifies and accelerates in her daily work. She has more than ten years Communications and Marketing experience in both the profit and non-profit sector. She e.g. was Change Manager for KPN Mobile, Product Manager for Kennisnet, Communication Advisor for Shell Global Solutions' Leadership Team and in her last function she was ad interim Head of Marketing & Communications for PUM Netherlands Senior Experts.

Floor has a great passion for Social Performance, Employee and Marketing Communications and has a track record in ICT, New Media and Knowledge Sharing. Next to her Executive International Master in Corporate Communication, she holds a degree in Business Administration and she practices Neuro Linguistic Programming. She loves to work in teams and deliver results that help build a good organizational reputation over time. She always looks for a good work-life balance in order to spend time with her kids, family and friends. She furthermore has a great passion for travelling, meeting new people and learning about other cultures. Whenever she has time she loves to work out in the gym or go for a run on the beach.

INTRODUCTION

We live in a time in which companies have to bear in mind many things when it comes to managing their identity and reputation. The corporate norms and social trends of today have major impact on the way organizations have to orchestrate their communications. Companies are entering an era of ‘stakeholder capitalism’ where stakeholders make stronger claims on companies than ever before, and where their influence affects the identities of the firms that they relate to and ‘target’ (Hatch and Schultz, 2008). As social media is profoundly ‘disrupting’ mainstream media (Gillin, 2007) organizations are facing a ‘new’ challenge in managing transparency and consistency in their communications. Furthermore, other market dynamics such as globalization, liberalization and the aging of the population; demand a much more persistent and well-thought brand approach as well.

Managing stakeholders through the *corporate brand* and creating *shared meaning* has therefore become increasingly important (Van Riel and Fombrun, 2010). *Corporate branding* can play a significant role; it can function as means to create organizational identification and it can help to build a positive reputation among internal and external stakeholders. Aligning the core values and brand values that make up the value-foundation (i.e. *promise*) of the corporate brand (Urde, 1997), is necessary to create trust and to drive sensemaking of stakeholders / communities that (are going to) use the corporate brand, as visualized in the conceptual model of this thesis below.

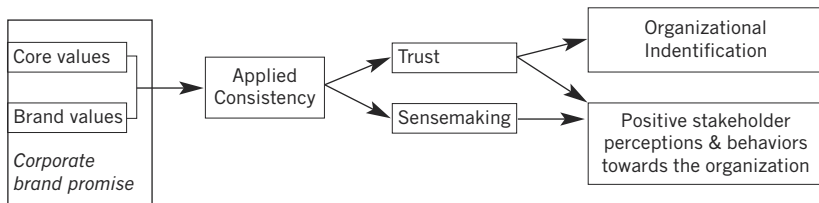


Figure 1.1 *The relevance of consistent brand values and core values*

Based on the model this study discerned three *values-alignment strategies* to facilitate trust and sensemaking: i.e. managing consistency by 1) plotting stories; 2) applying expressiveness tactics and 3) implementing critical success factors that manage the coherency of the corporate brand. Although the relevance of a coherent brand (promise) and the importance of consistency in general has been argued by scholars from various schools (Heider, 1946; Festinger, 1957;

Mandler, 1982; Butler, 1992; Keller, 1993; Weick, 1995; Moskowitz, 2005; Bhattacharya and Sen, 2003; Van Halderen, 2007), in practice Communication Agencies Involve and TMP Worldwide noticed that some of their clients are still struggling with managing the consistency between two types of values.

THESIS OBJECTIVE

To help shape their clients' businesses, the Managing Directors of Involve and TMP Worldwide initiated this research to identify what it takes to successfully manage the coherency of a corporate brand. Thus, why is consistency between core values and brand values important? Do senior managers in practice recognize the need for consistency and do they underwrite the critical success factors for managing a coherent brand that derive from literature? Moreover, do they mention additional success factors that play an important role? And to what extent do HR, Communication, Commercial and General Managers differ in brand aspects they find most important to manage? More importantly, does this offer an explanation (and solution) for why companies in practice sometimes 'flounder' at this stage of brand building and positioning?

RESEARCH METHOD

To gain more insight into successfully managing the consistency between core values and brand values, literature and qualitative research was conducted. The qualitative study was conducted using the qualitative approach of the grounded theory (Glaser and Strauss, 1967): to inductively generate assumptions on how consistent core values and brand values (i.e. coherent brand promise) can best be managed. One-on-one, semi-structured interviews are held with senior managers (i.e. Directors and Board Members) of six well-know Dutch organizations, who are in the lead of delivering their corporate brand promise and its underlying values. Grounded research is a method of constant comparison between the data and the theory in order to identify new theoretical patterns. After each interview the key observations are noted down. At first, interview data is compared to previously established theoretical elements (e.g. the identified critical success factors), assessing the completeness and rightness of these previously established theoretical elements as a theoretical framework for concept under question. Finally, all critical success factor observations were quantified and compared with each other to answer and draw conclusions on the key research questions.

RESULTS AND DISCUSSION

The overall conclusion of this study is that without doubt the best way to activate the full potential of your corporate brand is to align core values and brand values. This study asserts that all senior managers recognize the need for consistency between core values and brand values and underwrite the following critical success factors to manage a coherent brand (whereby the last two factors derive from practice and other factors from prior literature):

Shared sense of purpose

Organizational members understand the company's vision and strategy, and identify with the larger goal – the 'big picture'.

Applied leadership

Senior managers drive interdepartmental cooperation by motivating and inspiring and by linking their team's objectives to the company's vision, strategy and priorities. They live the company's values and match their actions and behavior to their words and lead by example.

Enterprise thinking

The organization encompasses the interests and expectations of the full range of company's stakeholders and give time and attention to listening and talking to stakeholders and engaging the full range of them through the corporate brand.

Internalization

All organizational members understand what is expected on the job and how the job fits in with the corporate brand, its underlying values and the bigger picture. All work processes and systems are aligned with the corporate brand promise.

Dynamic consistency

Senior managers are able to manage and balance a flexible (brand) identity in the light of shifting external images.

Learning and rewarding

Senior managers stimulate learning (i.e. capability development), recognize and reward employees to drive strategic aligned (brand) behavior.

Simplification

Senior managers and Corporate Communications keep (brand) information simple and relevant. Succinct and pitched at a level appropriate for the audience.

Delivery through people

Employees are put at the center of the (corporate brand) strategy execution and senior managers help employees to work things out for themselves – they deliver through others.

Reputation savvy

All organizational members understand the notion of reputation and each one of them realizes he/she is an important link in building and sustaining a favorable reputation over time.

From all critical success factors; 'shared sense of purpose', 'enterprise thinking', 'internalization', 'dynamic consistency', 'learning and rewarding' and 'reputation savvy' are generally perceived as most important to manage a coherent brand. From this list, all senior managers perceive building a 'shared sense of purpose', as most important success factor. Whereas 'applied leadership' scores relative low compared to the other factors. Analyses per discipline showed that General Managers value 'reputation savvy' the most, Commercial Managers 'enterprise thinking' and 'dynamic consistency', and both HR and Communication Managers value 'shared sense of purpose' as most important. In addition, Communication Managers perceive 'internalization' equally important.

The qualitative assessment of these critical success factors provided a first insight into how/why these disciplines differ in brand aspects they find most important to manage. The findings on 'building a 'shared sense of purpose' indicate that HR Managers have a predominantly internal 'mindset' – e.g. 'Is our 'purpose' recognizable enough for all employees?' In contrast, Commercial Managers mostly assert the importance of building a 'shared sense of purpose' by linking it to the commercial proposition and position of the company in the market. Thus, their 'mindset' is predominantly external. Their external mindset most likely also explains their higher scores on 'enterprise thinking' and 'dynamic consistency'. Whereby Communication Managers focus more on the 'soft side' of enterprise thinking – i.e. building relationships, Commercial Managers seem to apply it as 'a means to an end' – i.e. to deliver business results. In the case of 'dynamic consistency' Commercial Managers mostly emphasize the external aspects of the brand as well by focusing on shifting external images and how to manage that. Communication Managers address internal aspects - i.e. identity, more frequently for this success factor. This could also clarify their high scores on 'internalization' – whereby they see their role as Communication Managers as helping employees to 'make sense of' and 'live' the (core) values that make up the corporate brand.

CONCLUSIONS

The overall conclusion from this study is that without doubt the best way to activate the full potential of your corporate brand is to align core values and brand values. The notion of having a coherent brand and aligning core values and brand values 'lives' among all senior managers in practice. However, senior managers don't always think alike about the brand aspects they find most important to manage. This applies to organizations that are just starting to build their corporate brand, as well as to organizations that are more 'mature' in brand building and for example just launched a new brand proposition. As the world is changing and becomes more transparent every day, companies need to adapt, organize and manage their 'stance' in the world more actively. They can use their corporate brand as strategic device to constitutionalize their 'stance', i.e. to articulate who they are, what they offer and how they wish to interact with their stakeholders / communities in society.

I assert that sustainable brand success depends on the ability of the company to create trust, to show their added value and to actively engage with all stakeholders / communities that 'make up the corporate brand'. Senior managers can use the shortlist of critical success factors from this study as guidance to further shape the coherency of their corporate brand. That implies that senior managers (i.e. leaders) need to 'step up to the plate' and take responsibility in the corporate brand building process. This applies to all disciplines, especially to the General Managers, i.e. the CEO's of the company, who are responsible for the overall management of the company and look beyond the Commercial and HR or Communication interests of the company.

The more or less 'traditional' way of looking at brands (i.e. HR and Communications manage the core values and Commercial manages the brand values) could work contra productive and may hamper consistency management between core values and brand values. Moreover, we have learned that in today's society of 'stakeholder capitalism' companies need to apply an '*enterprise mindset*' (Hatch and Schulz, 2008), instead of looking at the world in a '*functional*' way. To a certain extent this would imply that there are no differences in brand aspects that senior managers find most important to manage. For the critical success factors identified in this study that means that its true value derives from a holistic implementation instead of a functional implementation. In my vision that also means that managing both types of values (i.e. core values and brand values) could be perceived as 'the old school of corporate branding', whereas managing *one* set of (enterprise) values could be perceived as 'the new school of corporate branding'.

I therefore believe that companies are facing one of the most important challenges ever, which is to create *shared meaning* and to fulfill the *promises* they made to all

their stakeholders. Depending on the dominant logic (i.e. 'wave') of corporate branding within the organization, companies need to decide how they want to present themselves in the world. Whereby in my view, it all has to do with consistent communication, applied leadership and delivery through people – all adhering to the same standard of '*One Purpose, One Promise*'.

Further research

Additional research, preferably quantitative studies (e.g. surveys), is needed to validate the findings from this research. Specifically, the relative low 'score' on 'applied leadership' needs further investigation, as it triggers the question if senior managers (leaders) don't underestimate their own role in the corporate brand building process. The shortlist of critical success factors that was identified and assessed in this study, can furthermore function as starting point and reference to further work out the so-called '*values alignment strategies*'.



Iris van Opstal

How to Regain Trust in the Dutch Insurance Industry

the Dutch consumer and the Dutch insurance industry: an intractable identity conflict with special features

With a background in strategic marketing and branding, Iris van Opstal (1970) enjoys working as owner and director of **BURO IRIS**, a multi-faceted, passionate and independent marketing and communications consultancy firm. She specializes in handling complex strategic marketing and communication issues for service industries in both the B-to-C and B-to-B market. Examples of such issues are the creation of the new branding strategy for one of the largest Dutch publishers to guide the transition from traditional magazines publisher to provider of information solutions on a variety of media (paper and digital), the development of the international marketing strategy for one of the world's leading storage and logistics service providers and the supervision of the marketing campaign for a large trade association. Iris has 16 years of experience in marketing and communications and has held several management positions in market leading national and international Dutch service companies. Prior to the start of **BURO IRIS**, she was Head of Marketing and Communication at **Nationale-Nederlanden**, one of the largest Dutch insurance firms. In that position, she was among other things

responsible for the rebranding of the company, a rebranding that had as main theme the transition from a product focused to a customer intimacy strategy. Before that, Iris was Manager Marketing Europe at **Ernst & Young**, where she built from scratch the European marketing practice for the Real Estate Group and Editor in Chief of **CTW Benelux**, a leading international games magazine. In addition to her commercial activities, Iris teaches strategic marketing and branding at a professional Master of Marketing program. The International Executive Master of Science in Corporate Communication is the last step in her own broad educational background that includes a Master of Arts title and the successful completion of her NIMA C-studies. Outside work, Iris loves to paint and to take photographs. She also sings in a groovy Amsterdam gospel choir and enjoys traveling to explore other cultures. Here favorite destinations include Alaska, the Galapagos and Seville (Spain).

Michael Goentgens

EXECUTIVE SUMMARY

“You can have all the facts and figures, all the supporting evidence, all the endorsement that you want, but if you don’t command trust, you won’t get anywhere.”

Naill Fitzgerald, Former Chairman Unilever

INTRODUCTION

Trust, it is a magic word these days. Politicians, CEOs and media all agree that the financial and economic crises are first and foremost crises of trust. However, until a few years ago, the notion of trust was absent in the business environment and leading international MBA-programs. And although trust is now a popular theme, only a few actually know how to deal with trust in their day-to-day business practices. This thesis intends to take a first step in filling that gap by referring to the various human sciences that have studied trust and applying this knowledge to a particular industry. More specifically, this thesis aims to inductively develop a vision on the foundation of (dis)trust that currently defines the relationship between the Dutch insurance industry and the Dutch consumer and subsequently the initiatives needed to restore trust.

Just before the financial crisis, the Dutch insurance industry was accused of a serious transgression towards its clients in the so-called ‘usury policy scandal’. The media depicted life insurance companies as unreliable institutions that were cunningly charging consumers with all kinds of hidden costs to embellish their own results and were blamed for having betrayed the confidence of the consumer. The reputation of the Dutch insurance industry reached an all-time low and various polls showed that the trust of the consumer in the insurance industry had sunk to a minimum. However, although most insurance companies proclaim to have taken measures to restore trust from that moment on, the results of their efforts so far have been disappointing.

LITERARY FINDINGS

A study of the relevant literature shows that from a sociological point of view, Nooteboom (2002) defines trust in things or people as ‘an expectation that things or people will not fail us, or the neglect or lack of awareness of the possibility of failure, even if there are perceived opportunities and incentives for it.’ He proposes that an important motive for having a relationship based on trust is self-respect. Violating trust may therefore have two types of consequences. On a personal level, it may be felt as a deliberate attack on the other party’s self-esteem that may lead to a strong response based on

feelings of injustice. On a society level, especially in cultures where individualism and self-respect are important national values, the response and retribution (the public opinion!) may be severe in case of a mass transgression of trust like the unit-linked scandal and may therefore lead to for example strong negative publicity in the media and fierce reactions from NGOs and politicians.

Studies in the field of corporate communications show that a good reputation is especially helpful when the information that stakeholders need to make a decision is complex and insufficient and when the involvement of people with the product is low. Van Riel and Fombrun (2007) have performed extensive reputation management research and concluded that trust is the result of building and maintaining a reputation. They define reputations as aggregate perceptions by stakeholders of an organization's ability to fulfill their expectations, the key word being perceptions. Bromley (2000) showed that the largest influence on reputation takes place at the primary level – from direct personal experience. Most of the information people absorb however comes indirectly from friends and colleagues and through the amplificatory power of the mass media. This might explain why, in times when a sector gets a lot of negative publicity, people often have a negative image of the sector as a whole, but do evaluate their personal service provider more positively.

A closer examination of the theory of relationship conflicts and relationship repair shows that a relationship conflict is a situation in which one party violates another party's expectations about meeting one or more of that party's core needs, that leads to a decline in trust, negative affect and negative exchange. Trust is an important part of a relationship, because it determines the future viability of that relationship and it serves as a lens for interpreting the other party's behavior. The fierceness of negative affect depends largely on the type of transgression. In competence-based transgressions, the negative affect usually stays limited to the transgression itself. However, in integrity-based violations the effects have significant potential to spill over into other facets. The conflict between the Dutch insurance industry and the Dutch consumer has all the signals of an integrity-based violation.

Subsequently, research defines three different processes for relationship repair that all three give interesting insight into the Dutch insurance conflict and a possible repair: attributional, social equilibrium and structural. The attributional approach shows that organizational trust is a composite of reliability, predictability and fairness (Zaheer, 1998). This approach leads to two important conclusions. First, in order to establish trust in a relationship, it is a precondition that both parties are reliable, predictable and fair in the eyes of the other, in other words, both parties have to take some kind of responsibility. Second, both parties have

violated the relationship. Whereas the unit-linked scandal is seen as an integrity violation of the insurers, consumers violate trust by often filing higher claims than justified. In addition, in order to repair trust, the victimized party must feel that the transgression does not reflect the violator's true nature, or it must see that the violator has experienced redemption. The social equilibrium approach shows that the cultural context has great influence on what is seen as a transgression and on how effective certain remedies are. It also suggests that the relative standing between parties has to be restored in order to repair the relationship, especially when self-respect is an important trait of the party being violated. That relative standing has been severely disturbed by the usury policy scandal. To repair such a relationship, a direct apology and a clear indication that future behavior will be different are necessary. The structural approach states that it is necessary to install structures, systems and/or incentives that discourage or prevent transgressions in the future. In addition, after an organization-level failure, voluntary implementation of interventions that constrain untrustworthy behavior and that demonstrate and symbolize the organization's trustworthiness are necessary. Although several measures were adopted by the industry to prevent a new conflict, none of these measures were voluntary.

Literature focused on identity management shows that once identities are involved in a conflict, emotions take the better of both parties and they may become trapped in an ongoing conflict spiral from which it is difficult to extricate oneself. Fiol, Pratt and O'Connor (2009) introduced the concept of intractable identity conflicts and listed a set of characteristics: these conflicts are believed to be long-standing, pervasive, infiltrating multiple spheres of life and expressed by simplifying stereotypes and zero-sum conceptualizations of identity. Also, a key component of each group's identity is based on negation of the other group. The ultimate goal in repairing intractable identity conflicts is intergroup harmony, the biggest challenge perhaps the first step, conflict ripeness. In other words: both parties need to be ready and willing to start to have some mutual understanding of each other.

MARKET AND CONSUMER RESEARCH

Market studies underline the findings of the various fields of literature. First, reputation and trust monitors show that although the usury policy scandal has led to a short decline in trust, both reputation and trust of the Dutch insurance industry have been restored to the prior transgression state. However, contrary to for example banks, reputation and trust were already at a low level before the violation took place, providing a first confirmation of the existence of an intractable identity conflict. This conclusion is further corroborated by the

outcomes of the consumer focus groups. These sessions show that the consumer experiences a strong feeling of incapacity, fear and insecurity on the topic of insurance. Insurance companies are perceived as extremely powerful. Most consumers depend one time or another on insurance companies, and the decisions of those companies often have great impact on their personal life. But, because of the high inequality in power and culture, the consumers feel it is almost impossible to communicate with these institutions. Communication is replaced by procedures and legal statements, the insurance industry seems to speak another language. In other words, the mutual basis of trust, an essential ingredient of every human relationship, is replaced by an 'institutionalized distrust'.

The main theme in the identity conflict between the Dutch insurance industry and the Dutch consumer is the lacking balance of power. In addition, according to Hofstede (2005), the identity of the Dutch consumer is characterized by a high level of individualism and femininity, which translates into a high need for independence and solidarity. In the perception of the consumer however, the omnipresent insurance industry does not respect its customers and instead is focused on high profits, taking advantage of the complexity of its products. That same consumer on the other hand does not take responsibility for its own contribution to the relationship, insurance products being low-interest products. Also, the majority of consumers lack basic knowledge of financial planning and the available products. The insurance industry itself has its own demon that poses a serious obstacle to a sustainable repair of trust, as shown by Fred Gertsen (2009). He concluded that people in powerful positions are often tempted to unreliable and sometimes even corrupt behavior.

A PROPOSAL FOR REPAIR

Therefore, a well-functioning relationship between the Dutch insurance industry and the Dutch consumer requires first and foremost a high level of regulated interaction. This interaction, also called the system approach towards relationship repair, will not only offer a feasible compromise on the short-term, but it will also create conflict ripeness, which opens the window for a more sustainable relationship on the long-term: intergroup harmony. The first step in resolving the intractable identity conflict between the Dutch insurance industry and the Dutch consumer is therefore a transformation of the insurance system to be initiated by the four leading insurers. For the Dutch insurance industry, a strongly regulated system based on four pillars is proposed:

1. a basic no-frills life insurance policy that meets a set of conditions pre-determined by the government;
2. independent advice based on solid education and a fixed commission system;
3. easy to comprehend and reliable communication based on standards of the government and supervised by the AFM;
4. consumer education.

CORPORATE COMMUNICATIONS STRATEGY

Finally, to support the trust restoration process - a repair that will not happen overnight - a joint corporate communications strategy of the four leading insurance companies is advised. Insurers have a short-term reputation problem and a potential long-term marketing problem. The communications strategy should therefore be focused on institutional stakeholders (politics, regulators, media, etc.) as well as clients. Initial task is to start a dialogue with the main political representatives, i.e. the Ministry of Finance and its departments. That dialogue should focus on three important messages:

1. As insurance industry, we collectively take responsibility for the disappointing performance towards our clients in the last decade and apologize for our behavior. We take our duty seriously and will do everything in our power to prevent that such will ever happen again. We propose to take joint responsibility with the Ministry of Finance to ensure that every citizen will have the skills and tools for an appropriate financial planning for the future and to guide the transition process from collective to individual financial security in close cooperation with you. We will develop the necessary products and services that will meet the demands of our clients and of the Ministry of Finance.
2. The ever changing fiscal regime and regulations of the last decade have led to tremendous managerial and operational problems and consequently high costs that in the end hurt the consumer the most. They also have prevented us from focusing on the necessary innovation. The government has to stop with this indecisive behavior to ensure we can develop the necessary products and services for the future. We believe it is necessary to develop the required system changes together.

3. It is in the interest of the government, the consumer and the insurance industry that citizens become better educated in the field of financial planning. We as insurance industry have the knowledge to provide this education and are willing to take over that responsibility from the government. We propose to develop the necessary training and courses and will start a foundation with that purpose in mind.

In addition, to ensure the authenticity and integrity of the aspired identity, the second important stakeholder group consists of the employees. Each of the four companies should initiate internal campaigns focused on requiring the appropriate engagement and employee behavior. Furthermore, to tackle the last criticized aspect, governance, it is recommended to jointly write a code of conduct for the industry that will be presented as a pamphlet in every newspaper. This conduct should not only shortly address the criticized past behavior by a collective apology, but also and foremost set out the new way of doing business, and should include concrete activities that consumers can actually hold the insurance industry accountable for. Finally, every company should improve as much as possible and within the concept of their own strategy, whether it is a direct writer or uses the intermediary channel, the communication with clients.

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António Santiago

What Can Portugal do to Create a Sound Reputation Among Key Audiences Regarding The Economic Prosperity of the Country?

Dedication: to Vitor Feitosa Aguiar my sun of heart.

António Santiago is a Communications specialist with more than five years of experience as Head of Marketing and Communication of two multinationals in Portugal – Crédit Lyonnais and Barclays Bank PLC. His career is very diversified including also roles in the financial market such as Rating Analyst, Head of the Primary Capital Markets at Crédit Lyonnais in the 90's and as Chief of Staff of the Secretary State of the Treasury in the same decade, at crucial moment, when Portugal joined the European Monetary System as one of the first steps to become one of the founders of the European Union. His areas of expertise are Marketing Management, Public Relations, Compliance, Governance, Internal Communication and Public Affairs. He has worked in Portugal and in France, being bilingual in Portuguese and French, fluent in English and with good proficiency in Spanish. He has held a variety of positions in which he has been managing people and implementing projects. In his most recent position he managed the Governance and Compliance Department at Barclays Bank PLC in Portugal. António holds a Bachelor in Economics and a Post- Graduation in Marketing Management. He is passionate about family, History, martial arts, restaurants, wine and cigars.

Michael Goentgens

The following conclusions should provide answers to the thesis' starting question "What can Portugal do to create a sound reputation among key audiences regarding the economic prosperity of the Country?" The answers provided should bring us closer to the main goal of this thesis i.e. to provide a Reputation Platform from which a consistent and coherent Country communication can emerge for its main stakeholders.

FIRST CONCLUSION

Portugal's Reputation is, in my opinion, and according to rankings from international institutions as the Reputation Institute¹, far from fulfilling its potential and capitalizes on the existing reality.

This is mainly due to misalignments in the Portuguese society that need to be corrected in order to reach an efficient Country communication. In fact, the identity that Portugal is projecting through its communication is not aligned with the Portuguese decision-makers' Desired Identity, thus a coherent and consistent communication with the main stakeholders cannot be achieved.

Portugal needs to fill the gaps, especially regarding the following indicators:

- a) Macro economy: promoting a stable Macroeconomic environment;
- b) Labor market: putting in place an efficient and flexible labor market with strong talent retention;
- c) Higher education: developing Universities with higher quality and degrees/courses that address the Country's real structural needs;
- d) Primary education: promoting higher quality standards;
- e) Tax policy: lower public expense and macroeconomic stability in order to decrease the tax weight;
- f) R&D: maintain the visible increase in both state-funded and private R&D investment;
- g) Private Sector: create an entrepreneurial culture; why not add courses in entrepreneurship to the University's curricular program?
- h) Justice: an effective and transparent judicial system.

1. A privately held research and consultancy firm that Van Riel and Charles Fombrun created in 1999.

On other hand, Portugal is doing better than its Reputation² indicates, as measured by e.g. the Reputation Institute, which is a worrying fact. This means that an existing reality is not communicated at all or inefficiently communicated. The perceptions of the stakeholders measured by Portugal's Reputation do not match the Projected Identity regarding:

- a) Technology: the Reputation does not recognize the effort made in recent years, thus diverging from the real technological outlook;
- b) Products and Services: the Reputation of Products and Services is worse than the reality e.g. Tourism;
- c) Physical Beauty: should be closer to Spain or better;
- d) Enjoyment/Entertainment possibilities: idem;
- e) Appealing Lifestyle: idem;
- f) Culture: idem;
- g) Contribution to Global Community: Portugal should have a better reputation.

SECOND CONCLUSION

Portugal should develop a Reputation Platform from which all the Country's communications should emerge. That platform will be the main drive to overcome the existing gaps and align its communication with the main stakeholders.

A SWOT analysis revealed the following points of negative parity, which will be a critical factor of success to define the Country's communication:

- a) Portuguese language - with over 260 million speakers (210 million native speakers), it is the fifth most spoken language in the world, the most widely spoken in the southern hemisphere, the third most spoken in the western world and is one of the Latin alphabet languages³;
- b) Privileged relations with Portuguese speaking Countries;
- c) Its Internal cohesion;
- d) Its Differentiated culture;
- e) The country's natural beauty;
- f) The tourism sector performance;
- g) The new energy and telecommunications sectors performance
- h) The important investment made over the last few years, namely in tourism, renewable energies, telecommunications and technology.

2. Measured by the Reputation Institute.

3. http://en.wikipedia.org/wiki/Portuguese_language

A thought and intelligent leadership would be determinant in order to define Portugal's Vision, Mission and Values and, most of all, the ability to communicate in order to get support from the constituencies. I propose the following starting points:

- a) Vision: Portugal wants to become a better country to live in, with a more efficient society; a meritocracy with opportunities to all those who wish to contribute to society with their opinions, abilities and skills; a solidary country towards its population and the world; a country that can become a key player in the international arena, namely in the EU, not only through its own strengths, but also by leveraging its position within the CPLP - Community of Portuguese Language Countries; a country powered by Portuguese speaking Countries, space, language, partner economies, a strong culture and a relevant historical heritage.
- b) Mission: Portugal exists as a society/organization to satisfy its stakeholders (population and anyone who interacts with the country) happy, healthy and motivated to contribute daily towards a better Country, ultimately contributing to a better world.
- c) Values: i) Internal cohesion; ii) External openness to the world, namely Portuguese spoken countries, and other African and South American Countries; iii) responsible and solidary member of the EU; an internationally responsible state and an ally within the UN and the OTAN with an abiding respect of fundamental human rights and national resources; iv) Human driven; v) Cooperation driven; vi) Solidarity driven; viii) Willingness to change in order to build a better society.

THIRD CONCLUSION

After having consolidated the above mentioned the development of a Reputation Platform is feasible and may attain efficiency. I propose a Country Story, a storyline from which all Country communication should emerge. That tool is used by corporations with success, has been tested and is useful to all those that intervenes in the equation (s). The Country Story has to rely upon starting points perceived as the most relevant and unique by the stakeholders, having in mind: a) the urgent need to align the Projected, Desired and the actual Reputation of the Country for it to be perceived as authentic and trustworthy by the stakeholders, thus leading to a fundamental change in perceptions about Portugal. The Country Story must be focused in the country's *Abilities* to become a strong competitor regarding the following dimensions⁴:

- a) Business Environment: through its privileged relationship with Portuguese speaking countries, internal cohesion, tourism, new energies, telecommunications and the investment done in Technology in the recent years;
- b) Products and Services: in its differentiated culture and the tourism sector;
- c) Physical Beauty: in the innate beauty of the Country and its tourism;
- d) Enjoyment and Entertainment possibilities: resources rooted in the Portuguese language, internal cohesion, a differentiated culture, the country's physical beauty, tourism and technology;
- e) Appealing Lifestyle: internal cohesion, differentiated Culture, the beauty of the Country, tourism, new Energies and telecommunications, and the recent investment in technology;
- f) Culture: in the Portuguese language, privileged relation with Portuguese speaking Countries, internal cohesion, differentiated culture, the country's physical beauty and Tourism;
- g) Contribution to Global Community: in the Portuguese language, privileged relations with Portuguese speaking countries, internal cohesion, differentiated culture, tourism, new energies and telecommunications;
- h) Effective Government: tourism, privileged relations with Portuguese speaking countries, internal cohesion, tourism, new energies and the recent investment in technology;
- i) Social Welfare: internal cohesion, new energies, telecommunications and the technological investment made in recent years.

4 Reputation Institute dimensions.

Once existing abilities were defined in order to understand which “business units” Portugal is carrying out, i.e., the *Activities* is important; I defined a set of goals:

- a) Provide happiness to its people and everyone who chooses to live in Portugal;
- b) Build a meritocratic culture;
- c) Provide an efficient and fair labor market;
- d) Assure a balanced (both ethically and financially) welfare State;
- e) Insure high standards of Primary and High Education;
- f) Supply diplomatic expertise in the international arena whenever necessary (a secular understanding of global political, cultural and human relations);
- g) Enhance and promote Portugal: its language, History and Culture jointly with Portuguese speaking countries, and especially through the CPLP platform;
- h) to sponsor Portuguese companies on an international scale, namely within the European Union and the CPLP and,
- i) Attract foreign investment.

In order for the main stakeholders to perceive the Country Story as credible, it is critical to have accomplishments/proof points about the existing reality and the processes, which lead to improvements.

PORTUGAL'S COUNTRY STORY

“Portugal is a Nation with almost 900 years of existence and the oldest frontiers in the world – since 1297, a nation was built through strong national cohesion and a truly universal and global culture - one people, one language, a territory – and a strong link with the world, in particular with the Portuguese Speaking Countries throughout namely a shared experience and livelihood, found in the language, the culture, the religion and the people.

Portugal exists as a society/organization to make its constituencies - Citizens and all other people with whom they interact - happy, healthy and motivated to contribute every day towards a better Country and, ultimately, a better world.

Our values lie in our trustworthy Internal cohesion and secular openness to the world, namely Portuguese Speaking Countries, African and South American nations, and our universal culture. We are a responsible, trustworthy reliable and solidary member of the European Union, as well as an Internationally responsible and an ally within the United Nations and the OTAN, with an abiding respect for human rights and the resources of the Country. We are actively present in the international arena, not only through ourselves but also through the CPLP - Community of Portuguese

Language Countries - and have asserted our responsibility, heritage, secular diplomacy and knowledge of the world.

We are a reliable Country, human, cooperative and driven by solidarity, with a continuous willingness to change in order to become a better society and people. We believe in a society where meritocracy and solidarity are present, giving an opportunity to all those who live in Portugal and want to contribute to the society with its opinions, abilities and skills.

We offer a stable and attractive business environment due to our Internal cohesion and knowledge, namely in the well-managed industries of Tourism, New energies, Telecommunications and Technology, combined with Political stability and a sophisticated financial system. Our privileged relationship with Portuguese Speaking Countries can open new opportunities in the business world arena. Our Citizens are affable and well educated, and new generations have adapted to modernity much due to the recent investments in high and primary education. The Portuguese language is the third most spoken western language in the world, which is a fantastic and needed advantage to carve our global path, especially in Portuguese Speaking emergent economies.

The tourists who give us the privilege of welcoming them visit Portugal because they find value for money, a multicultural, universal and differentiated culture, and exciting tourism attractions. The Physical Beauty of our Country is indisputable and awaits visitors with a variety of natural sceneries, beautiful landscapes, elegant architecture and a charming sense of tradition combined with an elegant touch of modernity, all of this spanning out across the entire territory, a land that gives you the opportunity to spend your vacations somewhere between the beach, the mountain and the city with short distances between them.

We provide rich enjoyment and entertainment possibilities as well as an appealing Lifetime. Here, visitors will find a rich Gastronomy, a universal and differentiated Culture and History, a beautiful Country, exciting things happening in new energies and Telecommunications, technological innovation, and, above all, a warm, welcoming people.

The business institutions and people will find a reliable, trustworthy and compliant Country that is working hard and is committed to overcome adversities in order to attract new investment, retain its talent, develop a competent working force and a balanced macro economic environment where meritocracy and solidarity are intertwined."

FOURTH CONCLUSION

Using Branding communication a first step may be to realize that Portugal's past and actual communication has created associations in the stakeholder's minds, which must be modified if they are not aligned with the above-developed steps, in order to have an efficient communication and get a better Reputation. The existing associations in the mind of stakeholders are not aligned. Again through the dimensions defined by the Reputation Institute, I could define existing associations:

- a) Business environment - the associations with the business environment are consistent with reality;
- b) Brand and Innovation - most of the respondents did not respond to question regarding this dimension, probably due to scarce information and knowledge on the subject; those who did respond revealed a negative association possibly explained by a more locally-centered frame of reference, weakly linked to questions regarding branding and innovation; the same can be said about questions related with technology, as they reflected the views of a traditional country;
- c) Products and Services - a high number of negative responses and people unable to answer; answers reveal an association with tradition plus lower prices orientation;
- d) Physical beauty – a positive score associated with the country's small territory, the sun, beaches and the Algarve region;
- e) Enjoyment/entertainment possibilities – positive score associated with sun, beaches and nice people;
- f) Appealing Lifestyle – a positive score associated with the Algarve and low prices; g) Culture – very large number of non-respondents is (lack of communication), especially when concerning the country's historical roots;
- h) Contribution to global community – positive associated related with our position within the European Union;
- i) Effective Government - stakeholders are aware (very large number of negative responses); responses associated with local poverty;
- j) Social Welfare – stakeholders not aware; responses associated with local poverty.

Being aware of these existing associations, Portugal has to leverage on its existing strength points and create new nodes in the minds of its main stakeholders:

- a) Business environment: universal culture; rich history; Portuguese language - with over 260 million speakers (210 million native speakers), it is the fifth most spoken language in the world, the most widely spoken in the southern hemisphere, the third most spoken in the western world and is one of the Latin alphabet languages; value for money tourism; positive steps towards economic and social reforms; know-how in telecommunications, tourism, technology; increasing investment in technology; business opportunities in Portuguese speaking countries.
- b) Enjoyment/Entertainment: Golf tourism; City tourism; different landscapes; short distance between sites/attractions; a rich and unique history; monuments, well being; strong perception of safety; marinas and j) casinos.
- c) Technology: Portugal's Telecommunication, Banking and New energies Industry and the use of technology in schools.
- d) Contribution to global Community: solidary member of OTAN; participant in UN peace operations; c) a language and culture widely present throughout the world; member of the CPLP; secular diplomatic experience; an understanding of international relations, namely regarding Africa and South America.
- e) Physical beauty: unique landscapes; b) beautiful cities and villages, diversity of coasts and beaches; short distance to experience different natural settings e.g. cities, beach and mountains.
- f) Products and Services: telecommunications; banking, new energies and hypermarkets industries; the use of technology in schools; know-how in tourism; value for money tourism and language and culture worldwide present.

Effective Government: committed with progress; modern country/new energies and technology; Investment in Primary and High education.

Culture: rich history; universally known culture; literature; architecture; monuments; globally relevant heritage and an important language in the world.

- g) Appealing Lifestyle: rich Gastronomy; strong perception of safety; rich history;
- d) short distance between sites/attractions; enology and value for money.

Brand and Innovation: universal, globally known culture; language and culture worldwide present and member of the CPLP.

FIFTH CONCLUSION

The Brand itself must be aligned with the above mentioned, which is not the case of Portugal in 2010. This situation leads to inefficiency. The existing brand appeals to Sun (yellow head), Sea (at the bottom of the logo) and Nice People (the representation of a happy person) not appealing, namely, to its recent achievements, identity and unique attributes, which means misalignment. The main drives could help us achieve:

- a) An engagement process starting with the main stakeholders, because audiences that depend greatly upon the organization do not forget the past performances⁵ - implementing a new brand means explaining to these stakeholders why it has changed and how does this relates with the previous brand positioning and strategy in order to get support and
- b) To define the degree of endorsement each “business unit” adheres i.e. the agreement on Parent Visibility and the degree to which the “business units” agree on Starting Points for the Country’s branding strategy. The Brand and the Branding communication have namely to incorporate the aligned Identity, the vision, mission and values, the existing strengths points, abilities, activities and accomplishments and comply with the Country Story.

High degree of acceptance			
(High)		<ul style="list-style-type: none"> - To build a meritocratic culture in the Country - To sponsor high standards of Primary and High Education - To create an efficient and fair labor market. - To sponsor Portuguese companies in the world, namely in the European Union and Portuguese speaking countries. - To promote Tourism. - To attract foreign investment. 	
Agree on Parent Visibility			
(Low)	<ul style="list-style-type: none"> - To provide happiness to its people and everyone who chooses to live in Portugal. 	<ul style="list-style-type: none"> - To enhance and promote the Portuguese language, History and Culture jointly with Portuguese speaking countries and within the CPLP - To assure a balanced (both ethically and financially speaking) welfare State 	
	(Low)	Agree on Starting Points	(High)

⁵ (Van Riel, 2010).

- c) To know which kinds of associations must be embedded in the Brand.
 Academic research indicates that a Corporate Brand with mainly organizational associations is stronger than product associations.
 I propose Portugal to use mainly its organizational associations – Portugal' abilities i.e. the expertise that a company has in producing and delivering products and services with social responsibilities associations in order to increase stakeholder identification and Portugal evaluation.
- d) Portugal's communication should evoke emotions.

Corporate Abilities	Social Responsibilities
Universal Rich History 3 rd most spoken western language in the world affairs Rich and differentiated Culture Internal cohesion Know How in Telecommunications Know How in Technology Rich and diversified Tourism Short distance between sites/attractions	Member of the CPLP Know How in new energies Experience in international/diplomacy

Emotions	<ul style="list-style-type: none"> - Courage/willingness to change (linked to discoveries, adversities throughout history and obstacles surpassed): Universal. - Strength to build (linked to interactions with different cultures/the social construction of a culture/identity/create and develop a language)⁶: Universal.
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6 Avoid references to new territories due to diplomatic susceptibilities.

SIXTH CONCLUSION

Portugal's expressiveness i.e. the way Portugal expresses itself to its main stakeholders should be achieved through two positioning⁷ of the Country Brand:

- a) An attempt to transform an attribute on which Portugal excels into a decisive attribute – changing the structure of the product/service category in consumers' minds by emphasizing the importance of Country associations regarding an attribute on which Portugal is a reference and,
- b) A positioning against the competition using what consumers already know about that product/service category (these are typically associations with the leading provider of the product/service) to more effectively communicate Portugal's attributes in comparison to its competitors. This proposal aims touching the unconscious of the prospects.
Portugal can shape its distinctiveness through a strong leadership ambition meaning. By leadership I mean the ability to know a) what are the Country's needs, b) the best way to communicate, and c) to be accepted by its stakeholders.

Country associations where Portugal excel	Communicate the status of Portugal's attributes relative to competitors	CSR associations
Universal Internal cohesion Short distance between sites/attractions	<ul style="list-style-type: none"> - The competitors e.g. France, Spain and Greece are not universal in the same sense (through an ability to fit in, integrate and adapt, to new countries and territories through religious beliefs, and spreading the language). - Internal cohesion may be found in France. This is not the case in Spain or in Greece. 	Empower the CPLP.

- c) Portugal's "managers" or decision makers have to manage:
 - i) Consistency through a consensus in Portuguese society, an understanding of where competent decisions are taken, how they can become accepted, and their transparency and independency from the political system;

7. (Ries; Trout, 1982).

- ii) Transparency through a detailed explanation of who the company is and what it stands for and information on all Country' activities and performances and various and innovative platforms for dialogue;
- iii) Sincerity through Country messages that truly and honestly reflect the company's identity, strategy and day-to-day behavior enhancing integrity and displaying authenticity, which is of most importance. The messages must always be linked to an existing reality.
- iv) The visual expressing: Portugal may adopt the following visual expressing:

Organization	Branding Strategy	Contents of nomenclatur	Tagline
To sponsor a high standard of Primary and High education Quality	Independent	Meritocracy	Let's making things better
To Build a mertocracy culture in the Country	Independent	Meritocracy	Let's making things better
To provide an efficient and fair labor market	Independent	Universal	Let's making things better
To promote Tourism	Medium endorsement	Universal	Live with us the Sun. Live with us history
To sponsor the portuguese companies in the world namely European Union and	Weak endorsement	Universal	Experiment Portugal and its global opportunities
Portuguese spoken To attract foreign investment	Independent	Universal	Invest with us
To enhance and promote the Portuguese language, history and culture	Weak endorsement	Universal	A world of opportunities and experiences

These conclusions as a corollary of the personal and professional investment I did at Rotterdam School of Management, It is my strong belief that, by using this Reputation Platform, Portugal may improve its Country Communication and, ultimately, its Reputation. I have no doubts due to my personal and professional experience that it is a matter of willingness. Depending on me I will do it.



Ivar Smits

Creating Sustainable Shareholder Value

A roadmap for AkzoNobel

Ivar Smits (1974) started working in communications eight years ago. At food retailer Royal Ahold, Ivar became experienced in investors relations, external financial & sustainability reporting, and various communications projects.

For more than two years, Ivar has been working at AkzoNobel, the world's largest paints and coatings company and a leader in specialty chemicals. As manager of investor relations, he is responsible for building and maintaining relations with equity analysts & investors, fixed income analysts & investors and credit rating agencies around the world. This involves financial and strategy communication activities, such as capital market days, equity broker conferences and roadshows.

Before successfully completing the Master of Corporate Communication at the Rotterdam School of Management in November 2010, Ivar received his Master degree in Industrial Engineering with a specialization in Supply Chain Management at the University of Twente in 1997. Following this graduation, Ivar started as a management trainee at Royal Ahold and worked in financial controlling, operations and supply chain from 1997 until 2003.

Ivar has a special interest in sustainability and is passionate about sailing. He spends most of his free time on his classical sailing boat and also holds many sailing instructor licenses, including a yacht master certificate. Furthermore he is an active marathon runner, skier and ice skater. Finally he loves travelling, scuba diving, good food & wine and spending time with family and friends.

AKZONOBEL

AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. We supply industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for our customers. Our portfolio includes well known brands such as Dulux, Sikkens, International Paint and Eka. Headquartered in Amsterdam, The Netherlands, we are a Global Fortune 500 company and are currently ranked as our industry leader on the Dow Jones Sustainability Index. With operations in more than 80 countries, our 55,000 people around the globe are committed to excellence and delivering Tomorrow's Answers Today™.

AKZONOBEL SUSTAINABILITY PROFILE

The importance of sustainability to running our business is firmly integrated into AkzoNobel's strategy. Management's view is that while financial performance ("value") is a lagging indicator of success, sustainability performance ("values") is a leading one.

We have set medium term ambitions for sustainable value creation in order to support our overall goals. Members of the Board of Management will monitor the company's financial and non-financial performance – using the strategic dashboard – on a quarterly basis.

Our specific sustainability objectives are:

- Top quartile in safety performance
- Remain in the top three of the Dow Jones Sustainability Index
- Top quartile performance in diversity, employee engagement and talent development
- Top quartile eco-efficiency improvement rates

The dashboard specifies indicators, both leading and lagging, against each objective. Most key performance indicators have corporate improvement targets for 2015; other short and long-term targets are set at business level.

Another proof-point of the commitment of management to sustainability is the link between the relative position in the DJSI of AkzoNobel and the variable remuneration of its more than 600 senior executives. The DJSI index is being used as a benchmark for 80 sustainability related topics, and these are continuously being translated into strategic goals.

Increasingly, AkzoNobel is engaged in joint efforts with suppliers and customers to make the entire supply chain more sustainable and not just our own processes.

Combined RD&I leads to more sustainable solutions, a lower environmental footprint and more “eco-premium” products¹. Also sustainable strategic marketing is gaining momentum.

AKZONOBEL ON THE CAPITAL MARKETS

To enable the execution of its strategy, AkzoNobel as a public company depends on the international capital markets to support its funding needs. Funding falls into three categories: bank loans, bonds and equity.

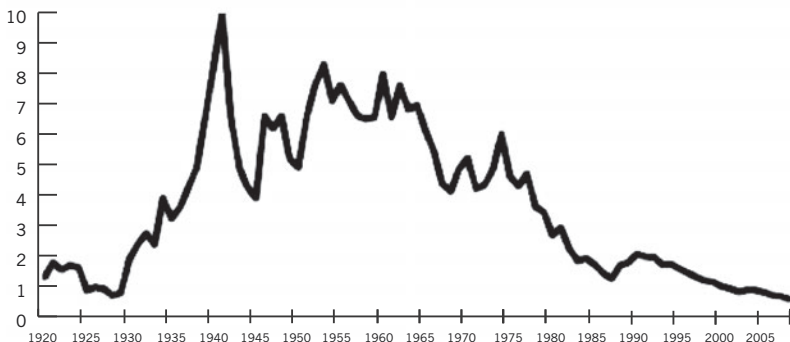
This thesis will focus on the largest and most visible one: equity.

EQUITY MARKET TREND

A clear trend in the equity markets is the ever decreasing average holding period of shareholdings. See the NYSE trend in the graph below:

In the 1950s and 1960s investors held stocks for an average of seven to eight years. As recently as 1974, the holding period was almost seven years. Investment has become more like speculation as the average holding time has steadily decreased over the past four decades. In 2007 the average length of investment fell to 11 months. As of August 2009, it stood at six months. It comes as no surprise that this trend goes hand in hand with the increased level and speed of automation of trading software at the stock exchanges and brokerage firms.

Average holding period for a stock on the NYSE (years)



Source SG Global Strategy Research

1. Products with a higher eco-efficiency than the main competitive product

AKZONOBEL INVESTOR RELATIONS

One of the strategic goals of AkzoNobel's investor relations department is to create and maintain a stable shareholder base, in order to support the execution of our long-term strategy. As a consequence, our targeting efforts focus on long-term investors.

Naturally, anyone is free to decide to buy or sell AkzoNobel's shares on the stock market, so the influence that a company has on its shareholder base is by definition limited.

In order to focus investor relations activities, knowing who your shareholders are is essential. Obtaining this type of information is not as obvious as it might seem, due to different regulations on disclosure records in the various countries where shareholders are based and on which stock exchange companies are listed.

In the Netherlands for example, the AFM (Autoriteit Financiële Markten: Dutch regulatory board that promotes fairness and transparency within financial markets) regulations require that only stakes of at least 5% or a multiple thereof should be reported in the public register. As a result, publicly available databases of holdings in various companies are inaccurate and often outdated.

SHAREHOLDER IDENTIFICATION

Within AkzoNobel, a so-called shareholder identification study is performed twice a year by Taylor Rafferty, an external consultant that surveys shareholdings on our behalf. On the basis of these reports, we can measure movements in shareholdings.

Institutional shareholders hold more than 90% of AkzoNobel's share capital. Private shareholders account for around 7% and can only be identified to some level of certainty in The Netherlands. Most shareholders are US based, followed by the UK and The Netherlands.

Institutional shareholder turnover is calculated by dividing the market value of all transactions (as reported) by the market value of the portfolio – according to public filing data. This analysis is quite arbitrary, because it is difficult to label an institution a long term or short term investor simply by analyzing their buying and selling via public filing data. Nevertheless, it is the only way to identify turnover. Within AkzoNobel, we use the following classification:

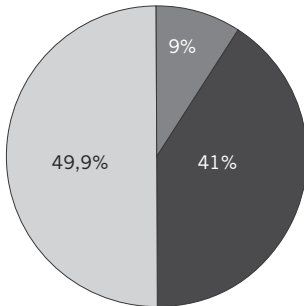
An investor is labeled short-term when its portfolio has up to 50% annual turnover - 2 year holding period or less

- An investor is labeled medium-term when its portfolio has between 50% and 10% annual turnover - 2 to 10 year holding period

- An investor is labeled long-term when its portfolio has less than 10% annual turnover - 10 year holding period or more

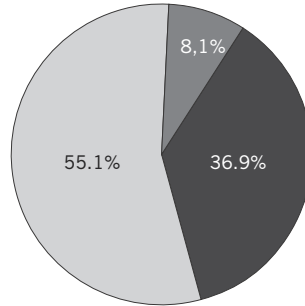
Long-term investors (e.g. pension funds, insurance companies) typically have predictable cash outflows, a long investment horizon and invest for long periods. In the following chart the classification is presented for AkzoNobel:

Januari 2010



Based on 175.1 million institutional shares identified

Augustus 2009



Based on 164,4 million institutional shares identified

- Short-term Investors: typical holdings in portfolio are held for under years
- Medium-term Investors: Typical holdings in portfolio are held 2-10 years
- Long-term Investors: Typical holdings in portfolio are held for more 10 years

According to public filings, the weighted average turnover for an institutional investor is roughly 13.1%, which translates to approximately 7.6 years. When calculating AkzoNobel's institutional turnover, the weighted average shareholding in AkzoNobel was multiplied by the respective turnover of that institution. The average holding period according to this method is 12.9%, which translates to 7.7 years - in line with the average turnover. However, when the AkzoNobel trading statistics at Euronext are taken into account, the average holding period of our shares was around 0.7 years in 2009 (2008: 0.4 years²). According to Taylor Rafferty, the difference can be explained by the around 10% portion of unidentified shares, which apparently trade at a much higher frequency.

2. Source: Euronext data, AkzoNobel Annual Report 2009

ATTRACTING MORE LONG-TERM INVESTORS

Long-term investors focus more on long-term issues. Global megatrends that will increasingly influence AkzoNobel's competitive landscape can be summarized as:

- Population growth from 6.8 billion people today to >9 billion in 2050³ is a strong driver for global demand;
- Quality of life will improve for a new middle class of around 3 billion people emerging over the next 20 years⁴;
- Climate change will increase the need for energy efficiency and for low carbon & renewable energy sources⁵;
- Scarcity of natural resources will drive innovation since today we already use the replenishment capacity of 1.4 planets⁶.

Sustainability is closely linked to these global megatrends, certainly in the areas of climate change and scarcity of natural resources. Also, research has shown that sustainability performance pays off in the long term: lower capital costs, more profitability and better share price performance. (see also chapter Theoretical perspective)

Therefore, long-term investors are increasingly looking for companies who demonstrate sustainability leadership not only because they are generally well-run companies with a better risk profile, but more and more because they are likely to create future competitive advantage.

There is a subset of investors who specifically focus on sustainability, the so-called Sustainable & Responsible Investment (SRI) firms. Therefore, raising our sustainability profile among investors should attract more generic long-term shareholders and also respond to the clear trend of increasing SRI awareness and SRI Assets under Management (AUM).

SRI funds are currently not part of the AkzoNobel shareholders portfolio, although it depends on the definition of an SRI investor. This is an opportunity, since SRI investors typically have a long-term investment horizon.

3. Source: UN World Population prospects

4. Source: OECD

5. Source: IPCC, World Resources Institute

6. Source: World Business Council for Sustainable Development

While AkzoNobel has a very good general sustainability profile, the company ranks number 1 in the Dow Jones Sustainability Index demonstrating clear industry leadership, no special effort is currently being made to reach out to SRI funds, nor is there a significant amount of content on sustainability in our general investor presentation materials.

Here lies an excellent opportunity for AkzoNobel Investor Relations to raise its profile in the SRI community, in order to increase its ownership by sustainable and long-term shareholders.

The research questions in this thesis are:

1. What type of sustainability related information do other companies actively provide to investors, and how do they do that?
2. What results do companies achieve with these communication efforts and can those be measured?
3. What roadmap should AkzoNobel follow to improve its sustainability profile among investors?

THEORETICAL PERSPECTIVE

Defining sustainability

According to Wikipedia, sustainability is the capacity to endure⁷. In ecology, the word describes how biological systems remain diverse and productive over time. For humans, it is the potential for long-term maintenance of well being, which in turn depends on the well being of the natural world and the responsible use of natural resources.

Since the 1980s sustainability has been used more in the sense of human sustainability on planet Earth and this has resulted in the most widely quoted definition of sustainability and sustainable development, that of the Brundtland Commission of the United Nations⁸ on March 20, 1987: *“sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

At the UN 2005 World Summit it was noted that this requires the reconciliation of environmental, social and economic demands - the “three pillars” of sustainability.

7. <http://en.wikipedia.org/wiki/Sustainability>

8. <http://www.un-documents.net/wced-ocf.htm>

AkzoNobel is a member of “The World Business Council for Sustainable Development” (WBCSD)⁹, a CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development. Their mission is to provide business leadership as a catalyst for change toward sustainable development, and to support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.

Within AkzoNobel¹⁰, sustainability is interpreted as the simultaneous and ethical pursuit of delivering profitable economic growth, lowering our environmental footprint and developing the talent of our people in order to create value for our customers, employees, shareholders and society at large.

The growing importance of sustainability for corporations

In the last decade, many companies have become more active in the field of sustainability. As a result, they also started to report on sustainability related issues, or have increased their disclosures. Reporting standards have been developed, with the GRI (Global Reporting Initiative)¹¹ leading the way.

A first explanation for this phenomenon can be derived from the so-called “legitimacy theory”. According to Hooghiemstra, many authors argue that the increase in sustainability disclosures “represents a strategy to alter the public’s perception about the legitimacy of the organization”. Central to legitimacy theory is the concept of a social contract, implying that a company’s survival is dependent on the extent that the company operates “within the bounds and norms of [the] society”.¹² However, as the societal bounds and norms may change over time, the organization continuously has to demonstrate that its actions are legitimate and that it behaved as a good corporate citizen, usually by engaging in corporate sustainability reporting. Therefore, corporate sustainability reporting may primarily be considered as a reaction to factors in the company’s environment and notably public pressure.

8. <http://www.un-documents.net/wced-ocf.htm>

9. <http://www.wbcsd.org>

10. Source: company presentation

11. <http://www.globalreporting.org/Home>

12. See Hooghiemstra: Corporate Communication and impression management – new perspectives why companies engage in corporate social reporting, *Journal of Business Ethics* 27: page 56, 2000

The same authors use corporate communication as an overarching framework to study corporate sustainability reporting in which corporate image and corporate identity are central. Following Van Riel and Fombrun¹³ the first refers to “the picture people have of a company”, whereas corporate identity refers to “all the forms of expression that a company uses to offer insight into its nature”, including corporate sustainability reporting.

A second explanation for the growing importance in sustainability might be a positive financial effect, the cost of (equity) capital decreases with better company disclosure: i.e. fulfilling investors’ need for information.

This relation has been theoretically explained for financial disclosure through two different mechanisms¹⁴. The first is through market liquidity (Verrecchia, 2001; Easley, O’Hara, 2004): by the fact that higher quality disclosure enhances stock market liquidity by reducing transaction costs or increasing the demand for firm’s shares thus raising the share price and determining the reduction of the cost of equity capital.

The second is through estimation risk (Barry, Brown, 1986): by sustaining that greater disclosure reduces uncertainties regarding the parameters of the distribution of the payoff and, since this type of risk is non-diversifiable, it should be compensated. Referring to the transmission mechanisms between disclosure and cost of capital, Lambert, Leuz and Verrecchia (2007) document a direct link between accounting disclosure and the cost of equity capital. They find that higher quality disclosure affects the market participant’s valuation of the distribution of future cash flows reducing the assessed variance of future cash flows.

However, there is more evidence of the positive relationship between sustainability, the company’s financial performance and its cost of capital.

13. Van Riel & Fombrun, *Essentials of corporate communication*, Routledge, New York page 61-79, 2008

14. Bozzolan & Mazolla: *Strategic plan presentations to financial analysts; the effects on earnings forecasts’ revision and cost of capital*, 2007

15. Mark Hunter, slides RSM elective course *Corporate Social Responsibility*, September 2010

Sustainability is positively related to financial and share price performance

Since investors use financial models to determine (potential) shareholder value, they are by definition looking for the financial impact of sustainability activities. Although it's not easy to prove a positive effect of a positive cost/benefit relationship of sustainability initiatives¹⁵, there are studies that underpin a positive correlation between sustainability and financial and share price performance. This paragraph aims to summarize the most relevant results. The positive relationship between a company's sustainability and financial performance is supported by a study from Orlitzky et al: "Most theorizing on the relationship between corporate social/environmental performance (CSP) and corporate financial performance (CFP) assumes that the current evidence is too fractured or too variable to draw any generalizable conclusions. With this integrative, quantitative study¹⁶, we intend to show that the mainstream claim that we have little generalizable knowledge about CSP and CFP is built on shaky grounds". Providing a methodologically more rigorous review than previous efforts, they conducted a meta-analysis of 52 studies (which represent the population of prior quantitative inquiry) yielding a total sample size of 33,878 observations. The meta-analytic findings suggest that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off.

The study furthermore proves that market forces generally do not penalize companies that are high in corporate social performance; thus, managers can afford to be socially responsible. If managers believe that CSP is an antecedent of CFP, they may eventually actively pursue CSP because they think the market will reward them for doing so.

Further evidence that sustainability creates financial value is provided by a recent SAM¹⁷ study, which is based upon a growing number of academic studies that have been dedicated to the subject of sustainability and financial performance in recent years.

For sustainability to translate into financial performance it must have an impact on either 1) the amount of cash flow generated by the company or 2) the cost of external financing to the company (weighted average cost of capital). The main theoretical arguments are:

17. SAM white paper: Alpha from sustainability 2010, page 9/10

- A company can benefit from “addressing and balancing the claims” of multiple key stakeholder groups¹⁸. Successfully addressing (or failing to address) the concerns and expectations of other stakeholder groups will ultimately fortify (or reduce) investors’ confidence in the firm’s stock, impacting its cost of financing (weighted average cost of capital).
- Sustainability is related to reputational benefits. As a result, sustainable firms have a greater ability to attract and retain high-quality employees¹⁹. They may also reap benefits in terms of sales, as customers are becoming increasingly sensitive to sustainability issues²⁰. Lastly, an enhanced reputation and brand image can positively affect relationships with current and potential investors, as well as attract trading partners and suppliers.
- A good sustainability performance may result in competitive advantages. SAM quotes Porter & van der Linde, who argue that a company’s sustainability performance can also be considered as a measure of operational efficiency. They claim that environmental best practices, for instance, can trigger innovations which may outweigh the costs of implementing them.
- Sustainability can also be seen as a good indication of a company’s future financial prospects because it emphasizes a long-term business perspective. SAM quotes a senior portfolio manager in an Ernst & Young report: “Financial performance tells me what a company has already done. Non-financial performance tells me what it is likely to do²¹.”

The “Forum for the Future”²² is an independent, non-profit organization with a mission to promote sustainable development. They have done research on possibilities for companies to achieve more financial value with sustainability. Since investors focus on financials, companies are challenged to translate their sustainability activities into financial benefits. Value drivers and “Pathways to

18. Freeman, E.; Evan, W.: “Corporate Governance: A Stakeholder Interpretation”: *Journal of Behavioral Economics*, 19 (4): 337 – 359 (1990)

19. Turban, D.; Greening, D.: “Corporate Social Performance and Organizational Attractiveness to Prospective Employees”: *Academy of Management Journal*, 40 (3): 658 – 672 (1997)

20. Russo, M.; Fouts, P.: “A Resource-Based Perspective on Corporate Environmental Performance and Profitability”: *Academy of Management Journal*, 40 (3): 534 – 559 (1997)

21. Ernst & Young: *Measures That Matter* (2003)

22. <http://www.forumforthefuture.org/projects/better-decisions-real-value>

value” have been identified that could make this happen, where the key value drivers are turnover growth, margin growth, more effective capital expenditure, risk reduction, duration of competitive advantage, reduced cash tax rate and a reduced cost of capital.

The positive relationship between a better sustainability disclosure and lower cost of capital is also confirmed by a study²³ among 267 U.S. firms, which shows that improved environmental risk management is associated with a lower cost of capital. The findings provided an alternative perspective on the environmental – economic performance relationship, which has been dominated by the view that improvements in economic performance stem from better resource utilization. Furthermore, firms also benefit from improved environmental risk management through a reduction in their cost of equity capital, a shift from equity to debt financing, and higher tax benefits associated with the ability to add debt.

When sustainability is positively related to financial performance, there might also be a positive relation with a company’s share price performance. Two studies provide evidence for this.

Research by SAM²⁴ has investigated whether sustainability, as measured by SAM’s sustainability scores, has predictive power for stock-picking. In other words, whether sustainability leaders outperform sustainability laggards, once the main risk factors have been neutralized.

The results of the statistical analysis are shown in the graph below. The dark-blue line tracks the cumulative outperformance of Portfolio 1 sustainability leaders versus the overall sample of companies. The turquoise line tracks the cumulative underperformance of Portfolio 5 sustainability laggards versus the broader sample. The green line tracks the outperformance of an investment strategy that consists of maintaining the sustainability leaders on a long position and short-selling sustainability laggards. The outperformance of the Long/Short Portfolio was accentuated during the credit crisis of 2008.

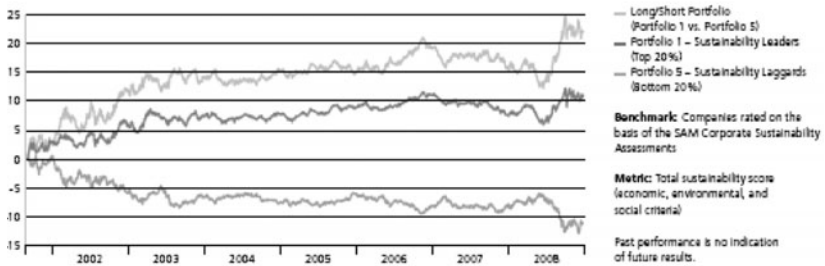
23. Sharfman and Fernando, “Environmental risk management and the cost of capital”, *Strategic Management Journal*, 2007

24. SAM white paper: Alpha from sustainability 2010, page 7

SUSTAINABILITY CAN OUTPERFORM

Cumulative Log Outperformance in %

Source: SAM



Sustainability can outperform

Cumulative Log Outperformance in %

Source SAM

The findings of this study were confirmed by a more recent A.T. Kearney analysis²⁵, which revealed that during the current economic slowdown companies that show a “true” commitment to sustainability appear to outperform their industry peers in the financial markets.

Sustainability is a key global megatrend

Looking forward, there is no doubt that global megatrends will have a growing impact on the future success of companies.

The UN climate conference in Copenhagen in December 2009 has increased investors’ awareness of the risks – and to a lesser degree the opportunities – associated with global warming. But climate change is just one example of the way sustainability trends are starting to dominate the political agenda as a global megatrend, other examples are:

- Population growth from 6.8 billion people today to >9 billion in 2050 is a strong driver for global demand;
- Quality of life will improve for a new middle class of around 3 billion people emerging over the next 20 years;
- Scarcity of natural resources will drive innovation since today we already use the replenishment capacity of 1.4 planets.

25. A.T. Kearney “Green” Winners: the performance of sustainability-focused companies during the financial crisis (2009)

These global megatrends present major challenges to investors who think responsibly and long-term. Investors are therefore increasingly looking for approaches which systematically monitor and quantify companies' performances in areas such as corporate governance, eco-efficiency or talent retention.

Since sustainability issues include global megatrends such as climate change and scarcity of natural resources, sustainability is firmly positioned as a key global megatrend.

The growing influence of Sustainable & Responsible Investment

Given the positive correlation between sustainability performance and a company's financial and share price performance, added to the expectation that global megatrends will only intensify this correlation in the future, it should come as no surprise that an increasing number of investors is becoming more serious about including sustainability in their investment decisions.

According to SAM, around the globe institutional investors already show a broad interest in sustainability investing²⁶. Around 650 asset owners and asset managers, representing combined assets of more than USD 20 trillion, have already signed the United Nations Principles for Responsible Investment (UN PRI). As UN PRI signatories, financial institutions agree to take environmental, social and corporate governance criteria into consideration in their investment decisions, in the interest of their clients and beneficiaries. In addition, they must report their progress in implementing these six principles every year, by completing a detailed questionnaire. In 2009 five signatories were delisted for failing to report on their PRI-related activities.

This development seems to be part of a fundamental culture change that is affecting the entire financial services industry. In a study published in 2008, management consultants Booz & Company predicted that sustainable & responsible investments would account for 15 to 20% of global assets under management by 2015. In other words, sustainability investing is rapidly establishing itself as a best practice for asset management. The authors anticipate that broader acceptance of sustainability investing will be encouraged by:

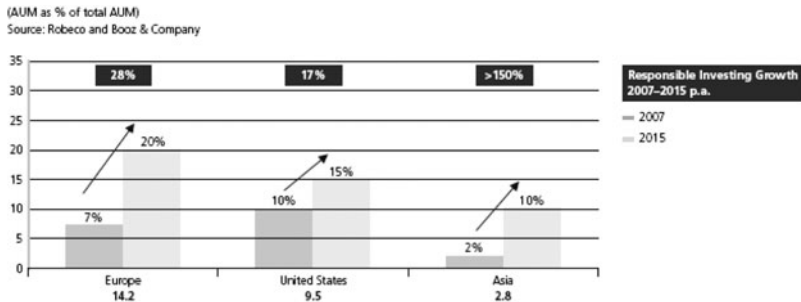
26. SAM The Sustainability yearbook 2010

- growing social awareness;
- rising prices for raw materials and energy;
- tougher laws on reducing greenhouse gases;
- the provision of established performance track record for sustainable investments as well as technological innovation.

In addition, an increasing number of very large and well-known institutional pension fund managers are deciding to invest their assets exclusively according to sustainable principles.

Institutional investors such as those with pension funds must, in the interest of their clients and beneficiaries, manage risks that could potentially influence the long-term returns on their investments. Sustainability trends such as water shortages or carbon constraints should therefore be taken into consideration in the investment policy in order to reduce the associated risks and benefit from related opportunities. In view of the fiduciary duties binding institutional investors, giving systematic consideration to sustainability trends will become the norm in the midterm.

See the figure below for an overview of the assets under management:



Total responsible investing assets under management (USD trillion estimated in 2015)

Another study confirms that investor interest in firms that engage in sustainable activities has grown dramatically²⁷. Between 1995 and 2005, investments of professionally managed assets in the United States alone grew from \$7 trillion to \$24.4 trillion, while the share of these assets invested in socially responsible investments grew from \$639 billion to \$2.29 trillion²⁸. At the same time, large institutional investors and multi-stakeholder groups – including the UN Principles

for Responsible Investment project, the Global Reporting Initiative (GRI), and the CERES, a coalition of investors and public interest groups – have focused attention on the materiality of social and environmental information to equity analysis.

The magnitude and growth of SRI assets has driven an equally dramatic growth in the need for information.

It is clear from the growth in both SRI assets and customer markets for socially responsible goods that there is a need for information on these practices.

The historical emphasis of traditional financial information does not answer the needs of these parties, who require information not only about future earnings, but also about the firm's social and environmental responsibility and interactions with the environment and home communities. The concern with non-financial factors as well as with equity returns results in a demand for greater accountability from managers.

An additional stimulus for disclosure may be categorized as a pragmatic management response to a demand situation. The intense growth in SRI assets suggests an increasing demand for sustainability related disclosures (and presumably, for sustainable actions); these disclosures may be a simple response to the information needs of shareholders. Financial data is historical in nature and yields a limited perspective of the firm, insufficient to permit a sophisticated understanding of the firm's future prospects. A majority of top executives at multi-national firms believe that non-financial performance measures outweigh financial performance measures in terms of creating long-term shareholder value (Pricewaterhousecoopers, 2002).

SRI investing does not disregard rigorous financial analysis; it simply adds to that analysis a consideration of the social and environmental consequences of the investments, such as environmental, health and safety, diversity, and human resources issues. Traditional financial statements are not adequate to supply the informational needs indicated by this type of investing activity. Many international companies have therefore responded by providing a variety of sustainability disclosures.

27. Holder-Webb et al.: The supply of CSR disclosures among U.S. Firms

28. Social Investment Forum [SIF], 2006

Sustainability is positively related to long-term share ownership

SRI investors typically have a long-term investment horizon. A good example of this is the SRI policy of Henderson Global Investors²⁹: “We invest in companies that contribute to, benefit from and best adapt to the shift to an environmentally sustainable and socially responsible global economy. We refer to these companies as ‘Industries of the Future’. Typically these companies provide solutions to sustainability challenges and we therefore can create positive long-term investment opportunities.”

Indirect evidence for the positive relationship between sustainability and long-term share ownership is provided by research from Paul Cox³⁰. He has shown that the proportion of a company owned by long-term investors is significantly and positively related to company social performance. Investigation of the impact of investment screens on the selection of stocks suggests that long-term institutional investors select through exclusion, rejecting those firms which have the worst sustainability performance. On the other hand, activities that promote the perceived social responsibility of firms may form part of investor relations activities undertaken so as to achieve a stable ownership base in order to reduce the likelihood that a firm’s stock price is destabilized by short-term developments.

29. <http://www.henderson.com/sites/henderson/sri/philosophy.aspx>

30. An empirical examination of institutional investor preferences for Corporate Social Performance; Paul Cox et al., 2004

RESEARCH

SRI funds are currently not part of the AkzoNobel shareholders portfolio, although it depends on the definition of an SRI investor. This is an opportunity, since SRI investors typically have a long-term investment horizon.

While AkzoNobel has a very good general sustainability profile, no special effort is currently being made to reach out to SRI funds, nor is there a significant amount of content on sustainability in our general investor presentation materials.

In order to determine how AkzoNobel could improve in this field, a benchmark analysis among other companies is the core of the research, together with a workshop focusing on sustainability investor communication among a group of Dutch IR professionals.

The research questions are:

- 1. What type of sustainability related information do other companies actively provide to investors, and how do they do that?*
- 2. What results do companies achieve with these communication efforts and can they be measured?*
- 3. What roadmap should AkzoNobel follow to improve its sustainability profile among investors?*

Method

The benchmark analysis was conducted among 10 companies that are, to some extent, comparable to AkzoNobel because they are large public companies. I selected 8 Dutch multinationals (Ahold, DSM, KPN, Unilever, Royal Dutch Shell, Philips, TNT and Nutreco) and 2 industry peers (Germany based BASF and US based PPG Industries).

In interviews among the IR professionals of these companies, I focused on the following questions:

- Does the company publish a sustainability report? If so, which reporting standard is used and where is the focus?
- Does the company have sustainability targets?
- Is the remuneration of the company's leadership linked to its sustainability performance?
- Is sustainability a significant theme in the company's general investor presentation?
- Does the company provide tailor-made presentation materials for SRI investors?
- To what extent does the company focus on sustainability- themed events for the investors? Which events work best and why?
- What are the sustainability subjects the company focuses on with respect to investors and why?
- Is there (qualitative) evidence of a positive correlation between the type and amount of sustainability related information provided and the company's sustainability reputation?
- Is there (qualitative) evidence of a positive correlation between the type and amount of sustainability related information provided and the company's share ownership by SRI investors?
- How much priority is there for further improvement? Which next steps are you planning?

The workshop was initiated by AkzoNobel and supported by the Dutch Association of IR professionals "NEVIR"³¹. IR consultancy firm "PerspeXo"³² moderated the session, and IR professionals from Delta Lloyd, Randstad, Vopak and Grontmij participated.

The workshop consisted of an open discussion around the central theme *"How can companies improve their investor communications by using sustainability to attract more funds from long-term and sustainable investors?"*

31. <http://www.nevir.nl>

32. <http://www.perspexo.com>

Results

The key findings, categorized per research question, are listed below.

TYPE AND FORMAT OF SUSTAINABILITY RELATED INFORMATION

All companies issue sustainability reports, the majority as an annual document separate from the annual report. All companies have an online-section on sustainability on their websites, which in some cases contain more information than the sustainability report.

How companies publish sustainability reports	% of companies
Sustainability report integrated with Annual report	30%
Stand-alone sustainability report	70%
No sustainability report	0%

All companies follow GRI guidelines, although they differ in disclosure level. 60% of the companies report to the highest possible GRI level: A+ including limited assurance from an external accountant:

Sustainability disclosure level	% of companies
GRI A+ level including limited external assurance	60%
GRI B+ or C+ level including limited external assurance	20%
GRI B or C level	10%
No GRI level indicated, or other guidelines are used	10%

The focus of the content in the sustainability reports differs per company, since they operate in so many different sectors. However, when an analysis is made per topic there are also similarities: all companies focus on GHG emissions, energy efficiency, employees & values, community & charity and company specific topics.

Three companies (DSM, Royal Dutch Shell and Nutreco) stand out in describing a long-term vision of how global megatrends are expected to influence their industries and which sustainability challenges will arise.

Topic in company sustainability report	% of companies
Global megatrends & sustainability challenges	30%
Green house gas emissions	100%
Energy efficiency (processes & end products)	100%
Waste reduction & recycling	90%
Employees & values	100%
Doing good for customers	70%
Process & employee safety	50%
Community & charity	100%
Supplier sustainability	80%
Company specific topics	100%

The vast majority of the companies have issued one or more sustainability targets. These are related to the topics that are reported on.

Sustainability targets	% of companies
One or more sustainability related targets have been set	90%
No external targets have been set	10%

Half of the companies have linked their executive remuneration to sustainability performance, which is quite unique from a global perspective. All companies that do this are Dutch: Philips, DSM, TNT, Nutreco and Royal Dutch Shell.

Leadership remuneration related to sustainability targets	% of companies
A portion of the executive remuneration is directly linked to sustainability performance as a policy	50%
Some employees have sustainability performance in their personal remuneration targets	30%
No relation between remuneration and sustainability targets	20%

Half of the companies do not have any slides related to sustainability topics included in their general investor presentation. The main argument is that generally there is very little interest in these topics by analysts and other investors. The remaining half of the companies that do have at least one slide in their general investor presentation, focus on key topics that are also included in their sustainability report. Examples of slides are: Global megatrends & sustainability challenges, sustainable solutions, energy efficiency, climate change, renewable energy and safety.

Sustainability topics included in general investor presentation	% of companies
Yes, one or more slides are included	50%
No slides are included	50%

Most companies have a tailor-made presentation for SRI investors. The topics are, to a large extent, aligned with the company's focus in the sustainability report. One company (Nutreco) stands out: exactly the same presentation is being used for both general- as well as SRI investors. Nutreco also stands out in providing a 2050 vision of its industry and the sustainable challenges that it faces, which forms the basis for the company strategy and sustainability focus. BASF and Royal Dutch Shell stand out in providing much sustainability related presentation materials for many years, covering a wide range of topics.

Company provides an SRI investor presentation	% of companies
Yes	70%
No	30%

Attending SRI conferences and organizing SRI-themed road shows are tools that many companies use. Almost all companies hold 1:1 meetings with SRI investors. Only a few companies organize sustainability themed capital market days or sustainability themed field trips; BASF and Royal Dutch Shell being prime examples.

Nutreco and DSM stand out for integrating their sustainability story into the general capital market events. All events seem to work measured by the level of interest. The most time-consuming and detailed events such as 1:1 meetings with SRI investors, sustainability themed capital market days and sustainability themed field trips seem to work best in getting the message across.

Company organized sustainability-themed investor events	% of companies
1:1 meetings with SRI investors	90%
SRI road shows	40%
Sustainability themed broker conferences	70%
Sustainability themed capital market day	40%
Sustainability themed investor field trip	10%

The event contents vary per company, but are closely aligned to the companies' sustainability topics that are being focused on in the sustainability report or presentations. In the case of Royal Dutch Shell, field trips are being held focusing on company specific themes such as "Oil Sands" or "Nigeria".

Effects from sustainability communications and measurement

Most companies have only indirect evidence that the level and amount of sustainability related information is having a positive effect on the company's sustainability reputation. These companies refer to rankings such as DJSI. Royal Dutch Shell, Nutreco and KPN stand out for actually measuring this: using in-house reputation measurement studies but also specific benchmarks, awards and customer feedback.

Evidence of a positive correlation between sustainability communication and the company's sustainability reputation	% of companies
Yes there is clear and quantifiable evidence	30%
There is only indirect evidence	60%
No there is no evidence	10%

Most companies indicate that "core" SRI funds are presumably rather small in terms of holding size, but many investors could probably qualify as "compliance" SRI investors and that portion is much more significant in terms of holding size.

In most companies the different SRI funds are difficult to categorize and the SRI category is not being separately measured in regular shareholder identification studies. What further complicates the measurement is the fact that shareholding data is being consolidated at an investor level, adding the SRI holdings with the general holdings within the larger institutional investment firms.

SRI shareholdings relative to total shareholder base	% of companies
Significant (>5%)	20%
Small (1-5%)	60%
Unknown	20%

Most companies have only indirect evidence that the level and amount of sustainability related information is having a positive effect on the company's SRI share ownership.

Evidence of a positive correlation between sustainability communication and SRI share ownership	% of companies
Yes there is clear and quantifiable evidence	10%
There is only indirect evidence	50%
No there is no evidence	40%

Most companies indicate that they are working on some form of improving their sustainability communications efforts to investors. The initiatives vary from including more sustainability content into the company's general investor presentation and more board-member attendance at SRI roadshows (BASF), working with peers to standardize KPI definitions (Royal Dutch Shell), quantify the potential financial impact of GHG emissions and savings (TNT) and organizing more combined IR-sustainability road shows (Royal Ahold).

Priority for further improving sustainability communications towards investors	% of companies
Yes there is a clear priority to improve	50%
Not sure yet, under review	20%
No there is no need for further improvement	30%

During a workshop in our offices, it became clear that many companies struggle with SRI communication; there is no clear roadmap. A key take-away was that in order to let investors appreciate the companies superior positioning in a certain sustainable trend, a translation in long-term financial benefits is important.

CONCLUSIONS AND THE ROADMAP FOR AKZONOBEL

Conclusions

SRI (Socially Responsible Investment) funds are currently not part of the AkzoNobel shareholders portfolio, although it depends on the definition of an SRI investor. This is an opportunity, since SRI investors typically have a long-term investment horizon.

In a study published in 2008, management consultants Booz & Company predicted that sustainable and responsible investments would account for 15 to 20% of global assets under management by 2015. In other words, Sustainability Investing is rapidly establishing itself as a best practice for asset management.

The study anticipates that broader acceptance of Sustainability Investing will be encouraged by growing social awareness, rising prices for raw materials and energy, tougher laws on reducing greenhouse gases and the provision of established performance track record for sustainable investments as well as technological innovation. In addition, an increasing number of very large and well-known institutional pension fund managers are deciding to invest their assets exclusively according to sustainable principles.

Based on the outcome of the interviews, the SRI holdings are lower than suggested by the Booz & Company study. Possibly, this could be explained by the difference in approach. Booz & Company researched the investment community, and counted the AUM from investors with a significant SRI signature. My own research was done at the companies, where the lack of a clear definition of an SRI investor within companies as well as the lack of clear shareholding data led to different outcomes.

The outcome of the interviews clearly show that some companies are ahead of us in communicating sustainability related topics to investors. Interesting learning's arise related to the content, frequency and format of these communications efforts:

- The slides some companies use in investor presentations are insightful, for example the industry relation to megatrends, and the explanation of sustainability business cases.
- The events that some companies frequently attend or organize (1:1 meetings, conferences, SRI focused capital markets days) add value according to the level of interest.
- Publications that take a view on a company's industry trends towards 2050 contain clear sustainability visions and contribute to thought leadership.

The outcome of the workshop clearly indicated that the content of the communication towards investors should focus on the “business case” of sustainability, in other words why and to what extent there is a financial benefit. This supports the research done by SAM and Forum for the Future, which also emphasizes the need to communicate financial benefits resulting from sustainability initiatives to the financial markets. More details on this research can be found under the paragraph “sustainability is positively related to financial and share price performance”.

Although I didn’t do a trend analysis, most companies clearly stated they intent to improve their sustainability communications towards investors.

The roadmap for AkzoNobel

Raising our sustainability profile among shareholders attracts more generic long-term shareholders and responds to the trend of increasing SRI awareness and SRI Assets under Management (AUM).

While AkzoNobel has a very good general sustainability profile, no special effort is currently being made to reach out to SRI funds, nor is there a significant amount of content on sustainability in our general investor presentation materials. In fact, AkzoNobel is in the low-end of the group that I interviewed.

Here lies an excellent opportunity for AkzoNobel Investor Relations to raise its profile in the SRI community, in order to increase its ownership by sustainable and long-term shareholders.

Benchmarking the findings of the interviews to the current AkzoNobel activities, it becomes clear that AkzoNobel is performing very well in the general sustainability profile: our sustainability report is integrated with our annual report, we have the highest GRI application level, we focus on all major topics, have set clear targets and remuneration is clearly directly linked to sustainability performance.

Key improvement areas for AkzoNobel are:

- Provide more information: link global (sustainability) megatrends to strategy and long-term business success.
- Provide more insight in the relation between sustainability programs and business (financial) benefits; proof points of how sustainability is related to superior financial performance.
- Start to measure AkzoNobel shareholdings from SRI funds as a separate category and track the progress in time.

- Create best-in-class tailor-made SRI Investor slideshow and integrate this with the general investor presentation.
- Organize SRI road shows and attend more SRI conferences to build relationships and mutual understanding with the SRI community as a first step.
- A next step would be to focus on an annual sustainability- themed capital markets day, include board members in SRI road shows and organize a sustainability- themed investor field trip.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Limitations

Some limitations that I encountered while working on this thesis are:

- 1 A clear limitation to track and compare shareholdings is the lack of insight in a company's shareholder base at a given moment, due to the lack of a regulatory framework. This results in the use of "company confidential" and expensive shareholder ID studies.
- 2 The lack of availability of public data on (SRI) investors holding periods and sizes, which makes it difficult to determine holding periods of investors accurately.
- 3 The lack of standardization in the definition of SRI investors, which makes it difficult to compare SRI shareholdings in AkzoNobel versus other companies.
- 4 A final limitation is the sample size of 10 companies; this obviously has to do with time constraints.

Further research

My recommendations for further research would be:

- 1 A broader screening (both by geography and by sector) of companies to identify best practices in presenting sustainability as a "business case" to investors.
- 2 Do a trend analysis; to what extent are companies improving their measurement of SRI holdings over time and to what extent are companies stepping up their sustainability communications towards investors.
- 3 Reaching out to SRI investors in order to find out, in as much detail as possible, what they are looking for when they make investment decisions in companies.

Glossary

AFM	Authoriteit Financiële Markten: Dutch regulatory board that promotes fairness and transparency within financial markets
AUM	Assets under management
CFP	Corporate financial performance
CO2	Carbon dioxide
CSP	Corporate social/environmental performance
DJSI	Dow Jones Sustainability Index
GHG	Green house gases
GRI	Global Reporting Initiative
IPCC	Intergovernmental Panel on Climate Change
OECD	Organization for Economical Development
PRI	Principles for Responsible Investment
RD&I	Research, Development and Innovation
SRI	Sustainable & Responsible Investment
UN	United Nations
WBCSD	World Business Council for Sustainable Development



Ilse Tacoma

The Change Puzzle

Which tactic/strategy contributes towards the result of the change?

Ilse Tacoma (1966) started work as an independent change and Communications consultant in 2002. She worked for, amongst others, Rabobank, Achmea, Fortis Verzekeringen, Pfizer Pharmaceuticals, Alliander and Nuon. Previously, she worked for DHL Worldwide Express for seven years in functions including those of marketing and communications manager and member of the board. She obtained a degree in Communication at the Institute for Business Administration and Economics in Utrecht and took several courses in the field of change management.

Ilse is passionate about change management and stakeholder management. For her, communication is one of the main tactics to stimulate. Clients characterize her as 'someone who makes a difference', who connects easily with people and is able to reach the desired result with a group of individuals. In her own words "I find it fascinating to fathom what drives a person. If one understands the other person, one is better able to set up an appealing change and communication process."

For Ilse, the International Executive Master of Corporate Communication study and her concluding thesis 'The Change Puzzle' consolidates the experience and know-how she has gathered over the past years. Her recent research has shown that the Change Puzzle has not yet been solved, but she considers it a challenge to find the proper place for each piece of the puzzle in the coming years!

MANAGEMENT SUMMARY

We live in a dynamic era where user demands change constantly, new technologies and innovations are quick to succeed old ones and the market constantly asks for smarter and faster processes. With varying success, organizations manage to keep up with these developments and adapt to current demand. Research has shown that approximately 75% of all change management processes set in motion do not have the desired outcome (Boonstra, 2004).

Much has been written about how to mobilize people and involve them in changes. One theory is that of the dynamic process of sensemaking and sensegiving; varying process of reflection, (inter)action and communication resulting in understanding, acceptance and implementing a new organizational reality. An interesting theory that I have used as guideline for my quantitative research and from which I have distilled five tactics, that in my opinion should influence the realization of the new organization. They are the following Sensemaking & sensegiving tactics:

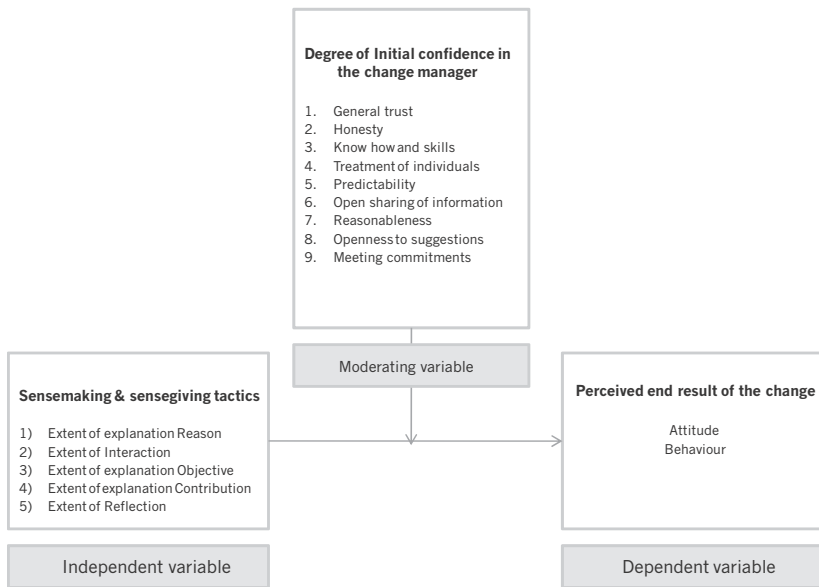
Nr	Sensemaking & sensegiving tactic	Description
1	Message to be conveyed change.	What is the reason for change; why should we
2	Interactive meetings manager and the stakeholders model the change.	Meetings in the course of which the change
3	Message to be conveyed desired result.	What is the objective of the change; what is the
4	Message to be conveyed the organization.	The contribution we expect from the members of
5	Instruments of reflection the participants in that process.	Thoughts on the progress of the change process by

A lot has also been written about the importance of trust in interpersonal relationships. It appears that communication, cooperation and problem-solving progress far more smoothly when people trust one another. The existence of mutual distrust affects, among other things, the effectiveness of communications. Messages are misunderstood, people take up a defensive position, and the capacity to assess is obscured. Trust appears to be a key catalyst in interpersonal relationships. Because the process of sensemaking and sensegiving is an interpersonal process, I was curious whether the level of Initial trust between change manager and the individuals involved would influence the effect of the Sensemaking & sensegiving tactics on the ultimate result of the change. Initial trust is based on

the nine conditions of trust described by Butler jr. (1991), i.e.: general trust, honesty, know-how and skills, treatment of individuals, predictability, open sharing of information, reasonableness, openness to suggestions, meeting commitments.

The above led to the phrasing of the following questions and research method:

- 1 To what extent do different Sensemaking & sensegiving tactics have a significant effect on the Perceived end result of strategic change within organizations.
- 2 To what extent does the effect of these tactics depend on the degree of Initial trust (Low/High) of the individuals involved in the change manager.



Research Model

My research took place at Liander Netcare, a division of Aliander with 1100 employees. Liander Netcare is responsible for breakdowns and maintenance of the gas and electricity network in the eastern and northwestern parts of the Netherlands and in parts of Friesland. The questionnaire was sent to the Regional Managers of the ten regions, the planners responsible for the schedules of the engineers, and to the team leaders in charge of supervisors and engineers. All were closely involved in the implementation of a newly-developed management model and operating procedure. The total response was 48.8%: 41 completed questionnaires.

The survey resulted in three insights:

- 1 Not five but no more than two different Sensemaking & sensegiving tactics can be distinguished.** The Reflection tactic has proven internally inconsistent. The three Communications tactics Reason, Objective and Contribution were found not to be separate valid components. However, factor analysis has shown that taken together, the Objective and Contribution tactics form a separate reliable and valid component, named: Communication regarding the desired result. Alone of the five initially formulated tactics, the Interaction tactic was shown to be a reliable and valid component.
- 2 The combined Objective and Contribution tactic (or, in other words, the Communication regarding the intended result tactic) significantly affects the Perceived end result.** This tactic primarily regards what the new organizational reality should look like. Parallel questions are: what will change for me, what will change for my division, what tasks will I no longer have to perform and what conduct is desirable. A high level of Initial trust bolsters this effect. This outcome suggests that the extent to which management is actually able to convey and concretize the change at an individual level contributes significantly to understanding, accepting and implementing the new organization reality.
- 3 The Interaction tactic does not affect the Perceived end result in a significant manner and even has a negative impact on the Perceived end result.** The Interaction tactic primarily regards the quality of the interaction (are my suggestions used, are the bottlenecks I have pointed out tackled). This outcome suggests that the collective process to model the change does not effectively contribute towards understanding, accepting and implementing the new organizational reality. However, the results also give rise to the suspicion that if Initial employee trust is low, the Interaction tactic does bolster the Perceived end result. This suspicion is inspired by the fact that Interaction's Beta is positive in the event of a low level of Initial trust. This

entails that if Initial trust in the change manager is low and the Interaction increases by 1, the Perceived end result of the employees is also affected positively. Further research will be necessary to illustrate this.

Practical implications for change managers:

The first pieces of the change puzzle are in the correct place. Further research is necessary to gain more insight into the effect of low Initial trust in the change manager on the various Sensemaking and sensegiving tactics. Nevertheless, three practical implications that may be valuable for the change manager can be distinguished on the basis of the results described above:

- 1 A high level of Initial trust between change manager and employees has a positive effect on the relationship between Communication regarding the desired result and the Perceived end result. It is therefore essential for change managers to invest in their relationship with the individuals involved and to win their confidence before any change takes place. This may be accomplished by treating the persons involved well, by being honest, by openly sharing information, by being reasonable, by meeting commitments and by being predictable. In practice, this calls for attention for social plans, honest feedback and clarity regarding the prospects of the person involved, a comprehensible (change) process with unmistakable milestones and transparent and reasonable procedures in, for instance, the event of redundancy. Another possibility is to let the employees themselves choose which change manager is to implement the change. Those involved will be inclined to choose a manager they trust, because the conditions of trust are important when the behavior of the other party is not under your control (Zand, 1992), which will frequently be the case in the event of a change process.
- 2 A change manager will have to apply all his powers of imagination to describe and communicate the new organizational reality. As concretely as possible where desired conduct, tasks and responsibilities, and tasks that will disappear are concerned. At individual, team and organizational levels. Conveying this desired result contributes significantly to the actual realization of the Perceived end result.
- 3 The last implication regards the Interaction tactic between change manager and the persons involved. This tactic is frequently applied in change processes in the form of meetings, sessions, round table discussions etc. If the Initial trust level between the change manager and the individuals involved is high, this tactic has little added value and could even have an adverse effect on the Perceived end result. The tactic does have an added value in the event of a low

Initial trust/confidence level. Based on the first research results the contribution of this tactic will probably not be significant, but if the interaction is aimed at gaining trust it will definitely be worthwhile.

Conclusion: the survey shows that a change manager who is able to give a striking answer to questions such as ‘what is the objective of this change, what exactly must I do?’ gives the persons involved direction and has a marked effect on the Perceived end result. This effect is enhanced in the event of a high level of Initial trust in the change manager.

Remarkably enough, the degree of interaction between the persons involved and the change manager does not significantly affect the Perceived end result. There are strong indications, however, that if Initial trust in the change manager is low, Interaction does contribute positively towards realization of the new organizational reality. It is therefore worthwhile for the change manager to investigate the relationship of trust with the individuals involved at the beginning of the process and to adjust his tactics accordingly.



Drs. Margo van Vlierden

What's in a frame?

The creation of consensual systems of meaning during change

Margo van Vlierden (1964) studied Language and Literature Science at Tilburg University and Mass Communication and Public Relations at the University of Utrecht. After her graduation she started her career as a communication consultant with an advertising agency in Eindhoven.

After moving to Maastricht in 1992 she started her own communication agency: Mach3-communicatie. She works for clients in both the private and public sector such as the City of Maastricht, the Province of Limburg, DSM, ING Insurances B.V. and of course Radar, the unit of research of her thesis. It is her challenge to offer and realize her clients a total communication package from strategic advice to creative execution. With more than 20 years of experience she is capable of turning communication and editorial projects into a success. She considers herself pragmatic, result focused, positive, independent, energetic and a team player.

Margo is married and has two children. In her spare time she loves to take long walks with the dog, running and cycling. Her passions are books and film. She enjoys cooking and eating a good meal with a good glass of wine with family and friends. Curiosity, a drive to constantly learn new things and a broad range of interests, characterize her both as a person and as a communication consultant.

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THESIS SUMMARY

“When minds meet, they don’t just exchange facts: they transform them, reshape them, draw different implications for them, engage in new trains of thought.”

Theodore Zeldin

SCENE AND CONTEXT

Radar, headquartered in Maastricht, is an institution specialized in the care for adults and children who are mentally and/or physically disabled, who have an autism/spectrum disorder or non-congenital brain damage. Radar employs 900 people and supports 1500 clients in more than 220 locations in the South of Limburg. Radar is the result of a merger in 2002.

In 2006/2007, prompted by social and governmental developments, Radar introduced a new care concept, focusing on a stronger position for the client. The new care concept included many organizational and functional changes and was introduced practically overnight. After three years it was concluded that the change had failed in many respects. A new CEO took charge. He introduced the concept of the so-called Theory U of Otto Scharmer (2009). The core of Theory U is listening to what others have to say, suspending the ‘voice of judgment’. The CEO’s objective with Theory U was to intensively involve stakeholders with the development of the new multiyear policy and by doing so, stimulate strategic alignment.

RADAR’S CHALLENGE

One of Radar’s main challenges is to align employees with the current change program in order to be able to reach the organization’s strategic objectives. Strategic alignment is defined as the degree to which employees understand, buy into and are able to enact the organizations’ strategy (Gagnon & Michael, 2003). The challenge at Radar is not only to have employees aligned with the change program but also to accomplish this alignment after a period in which lack of trust and uncertainty prevailed.

THEORETICAL FRAMEWORK

In traditional change literature, change is considered a process that can be planned and controlled through structures, programs and strategic plans. In other words, strategic alignment is considered as a top-down approach by which management initiates the change process and employees seem to have a rather

passive role. However, in my opinion this does not do right to the complex cognitive-psychological processes that lay underneath accepting or dismissing a change. Several studies (Goia & Chittipeddi, 1991; Weick, 1979; Starbuck & Milliken, 1988; Reger et. al, 1994) take the premise that successful strategic change is the result of how managers seek to impact employees' understanding and acceptance of the change.

To realize strategic alignment and make strategic change programs work the establishment of consensual systems of meaning seems essential. For management to be able to create consensual systems of meaning it is important that they consider and understand the frameworks through which employees make sense of the change. If they don't they will develop a strategy based on 'blind spots'.

Consequently they will not be able to frame the change effectively in order for employees to make sense of it and to allow them to adjust their meaning systems and frameworks to the new situation. Sensemaking can be defined as a cognitive activity whereby people make sense of stimuli with the use of frameworks in order to search for meaning to deal with ambiguity (Weick, 1995).

Organizational identification (Albert & Whetten, 1985, Dutton & Dukerich, 1991, Elstak et. al 2008) is also an important concept in relation to strategic alignment during change. Since the organizational identity is a powerful schematic filter and collective frame that employees hold about the organization, it is important that management takes the current identity into account. Managers should put effort in knowing and understanding the identity elements of the organization in order to be able to create alignment with the desired identity of the company (Pratt, 1998), especially in a period of fundamental change (Elstak et. al. 2008). In other words, the perspective of the current identity should drive how the change is framed and reframed over time. Another aspect of identification is the need for self-enhancement (Tajfel & Turner, 1979). This assumes that employees are particularly motivated to engage in strategies that sustain and augment a positive view of the self. If people are faced with a change that poses a threat or interruption of their self-concept, they are not motivated to engage in the change.

Strategic alignment during change is difficult or even impossible to realize when members experience a 'climate of silence' (Morrison & Milliken, 2000, 2003). A climate of silence is likely to develop when employees widely share perceptions that speaking up about problems or issues is futile and/or dangerous. When such a climate exists, the dominant response will be silence. Consequently the creation of consensual systems of meaning, necessary for creating strategic alignment is blocked. At Radar a climate of silence developed mainly as a result of lack of leadership and insufficient communication.

The creation of consensual systems of meaning is an essential factor for strategic alignment. This implies that management gains in-depth knowledge of the cognitive maps of employees by listening to them. Effective listening is crucial to stimulate attentive interaction with stakeholders, thus creating a solid foundation for creating strategic alignment and strategic aligned behavior.

The concept of 'listening' is addressed by Rindova & Fombrun (2000). They confirm that understanding stakeholders' filters is important because stakeholders use the filtered information to evaluate the organization. In their view it is through listening that the organization can establish the cognitive map of its stakeholders and use this map as a guide in selecting its strategic position.

The objective of this thesis is to answer the following three questions:

1. What are the most important factors why Radar failed in successfully implementing the strategic change program (2007 – 2009)?
2. How can Radar best establish consensual systems of meaning with their internal stakeholders?
3. What is the role of communication in establishing consensual systems of meaning?

CASE STUDY

For the purpose of this thesis I conducted a case study at Radar. The data were collected from 26 semi-structured one-on-one interviews with employees and (middle-) managers. These interviews were analyzed using the grounded theory (Glaser & Strauss, 1967). The grounded theory is based on constant comparison between the data and the theory with the objective to identify new theoretical patterns. The key issues from each interview were selected and noted down. The interviews were analyzed quantitatively by counting the number of interviewees and the number of quotes addressing a certain issue. The key issues that emerged from the 26 interviews were grouped into categories and compared with the previous discussed theories.

RESEARCH FINDINGS

The findings of my study illustrate that at Radar there were five main factors preventing strategic alignment during the change program in 2007.

1. Different and conflicting perceptual filters of employees

One of the main reasons why the change at Radar failed was that management developed a strategy based on their own ingrained frameworks. Radar's management did not consider the frameworks through which employees think and act within the organization. As such, they developed a strategy based on 'blind spots', resulting in a situation in which management and employees use different frameworks to give meaning to the change. Another fail factor was that among employees different and sometimes-conflicting perceptual filters were used to make sense of the change. Because of these differences, it was not possible to create consensual systems of meaning necessary for the understanding and acceptance of the change. On top of that the change was presented as a radical departure from the organizational past. Because employees failed to comprehend the change, many perceived it as unacceptable.

2. Lack of identification with the organization

Lack of identification was identified on two levels. First of all, a gap between the perceived organizational identity and the projected identity was identified. The current characteristics of the organization did conflict with employees' collective frame of the organization. Another conflict arose between the change and the employees' self-concept. As they were faced with a change that posed a threat to them and the clients, they were not motivated to engage in it as they perceived it as a threat to their self-concept.

3. Organizational silence

At some point during the change, a climate of silence started to develop. Employees on different levels felt intimidated and ceased speaking up about their concerns. Almost all employees agree that Radar knew a 'pay-back culture'. Organizational silence was considered to be the result of the leadership style and the lack of communication.

4. Lack of leadership

Lack of leadership was considered an important fail factor. It was the result of the dual concept of leadership that was part of the change program, as well as the absence of a direct supervisor. This situation resulted in unclear responsibilities and tasks and employees not taking responsibilities.

5. Lack of communication

Employees of Radar experienced communication during the change period as non-transparent, dishonest and difficult to understand. The overall quality of communication was considered as dissatisfactory.

FIVE 'FRAME ALIGNMENT' FACTORS

The above-described factors have hampered strategic alignment at Radar. Following these factors and based on the findings of my study, I have identified five 'frame alignment' factors that could stimulate strategic alignment within Radar. These five frame alignment factors are:

1. Listening

The first frame alignment factor 'listening' is crucial as it allows management to identify the existing frames and perceptual filters of its employees. When aware of the perceptual filters, Radar is in a better position to frame the change in such a way that employees understand it and can engage in it.

2. An overarching symbolic vision

An overarching symbolic vision or strategic principle helps employees to better understand the direction the organization is taking. This vision could serve as a guide through the strategic change process and can help to maintain focus.

3. Translation of elements of the change in daily practice

Although the employees certainly were aware of the fact that 'something has to change', they are not sure what this 'something' is exactly. They interpret the elements in the new strategy, based on their own frames based on prior experiences and knowledge. The strategy presented is too broad and for many too diffuse and too difficult, resulting in employees not overseeing the big picture, but focusing on those elements that are of most interest to them. The third frame alignment factor therefore consists of translating elements of the change into daily practice. If people perceive the change as personal and affecting them too, then they will be able to better understand.

4. Use integral managers as 'liaison' officers

The fourth frame alignment factor is to use the newly appointed integral managers as 'liaison' officers. Because they are positioned much closer to the work floor, they should be able to understand the employees' needs better. By listening to them, they should learn to understand the perceptual filters by which the employees process information while simultaneously 'translating' head office information and strategic objectives in order to stimulate line of sight. These

managers should be able to inspire their employees and try to enthuse them about the necessary changes. They should do this by eliciting dialogue and by, as Radar calls it 'joint regulation', meaning discussing (strategic) topics that have an effect on the daily job of employees.

5. A sincere and transparent leadership style

As my study clearly indicates leadership style is an important factor in establishing strategic alignment. A leader who strives for an open way of communication, who is sincere and not afraid to adopt a vulnerable attitude instead of taking a hard line, contributes to an open climate that is seen as a prerequisite for building consensual systems of meaning.

EFFECTIVE COMMUNICATION

Finally, in order to answer my third research question 'what is the role of communication in establishing consensual systems of meaning' my findings show that employees are in need of more personal communication that is carefully dosed and delivered preferably by their direct manager. Also a climate that stimulates safety, honesty and openness is considered as crucial.

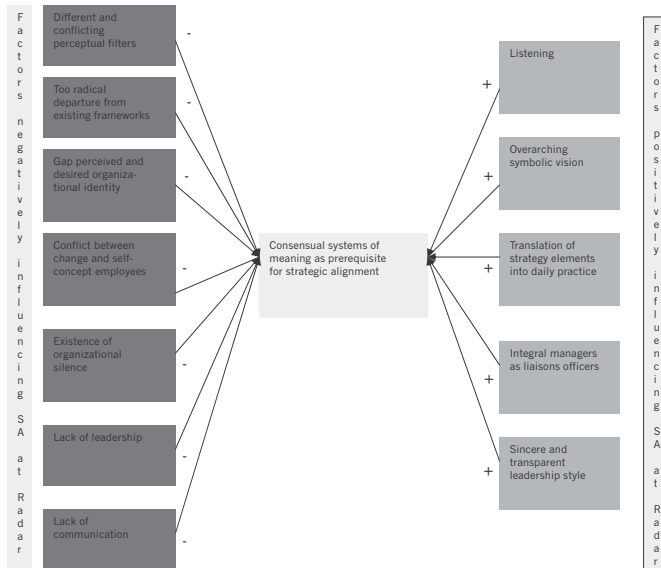
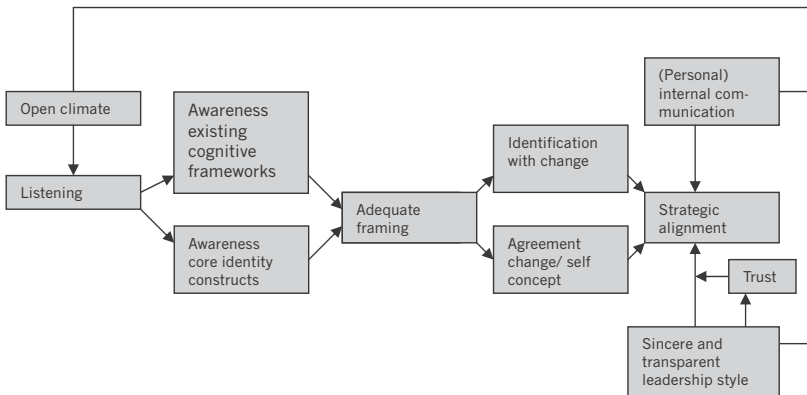


Figure 4.1 Factors negatively and positively influencing strategic

CONCLUSIONS

The results of my study suggest that strategic alignment during change is largely influenced by the way management is able to frame the change based on the cognitive frameworks of the employees. It shows that the combination of the five factors (awareness of existing cognitive frameworks, identification with the change, an open communication climate, a sincere leadership style and personal internal communication) is necessary to create strategic alignment.

The figure below illustrates the interconnections between these five factors. Listening is a necessary activity for management to get a better insight in both the existing cognitive frameworks of employees and the collective frame they hold of the organizations' identity. Knowledge of these cognitive frameworks is the foundation for adequate framing and reframing of the change, which leads to better identification of employees with the change program and agreement between the change and their self-concept. This agreement, together with a transparent leadership style and internal communication results in strategic alignment. The loop closes with a transparent leadership style and personal internal communication as the preconditions for an open climate in which listening is a constant activity.



5.1 Strategic alignment loop

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