

## **No entity without identity – Communications strategies of corporate Germany in the early 1990s**

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### **Abstract**

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In Germany the significance of corporate communications has come a long way since the early 1990s. In many cases, multidimensional structural change within companies has left an identity vacuum which some have superficially attempted to fill by way of the shareholder value versus stakeholder value debate. While the market's Top 30 effectively operate as stakeholders, they position themselves for the most part as shareholder-joy used. A successful identity and image policy is characterized by a mindset which interprets identity as a process and image as the benefit to all stakeholders.

The late 1980s/early 1990s ushered in a phase of far-reaching change for German companies. 'Go global' pressure and both political and private sector deregulation forced market players to adopt new competitive approaches and to rethink their self images. The potential for pure streamlining as a cost-cutting tool had effectively been

exhausted. A new era began, one marked by a focus on growth, restructuring, corporate downsizing, portfolio shifts, consolidation, mergers and acquisitions, divestment, production shifts abroad and, more than anything, value management. Companies' make-up and corporate identity were altered by the brutality and rigidity couched in this management of change; suddenly, entire business divisions disappeared from the map, brand new ones appeared to replace them, tens of thousands of people were out of a job, while new thousands-strong workforces emerged in Asia or the USA.

Change spread like wildfire through the corporate landscape, gaining momentum as a slew of state-owned companies were privatized, either sold to institutional investors or floated on the stock exchange, as West German companies turned their hand to acquisitions, joint ventures or production commitments in the former GDR. This change was further fuelled by the fact that the sun was rising in two industries on the brink of a breakthrough, information technology (IT) and telecommunications, which had just been discovered to be the growth fields of the future by many big players, ie the power supply companies. Alongside globalization, deregulation, privatization and the advent of IT/telecommunications, an additional mega trend took the German corporate scene by storm: the concept of the service society as an opportunity to offset jobs lost in the manufacturing sector and as an anticipated growth hot spot in the age of customer focus. In addition to incubating these various reforms and revolutions, the late 1980s was also a time when many companies either developed service-oriented business fields — the goal being to create turnover engines with low investment needs — or completely revamped existing areas of activity in line with the new service mentality.

It was during this phase that corporate communications made great strides in Germany. While up to this point professional delivery of communications had focused more strongly on a company's sales strategy and marketing targets, overnight there emerged a major demand and sense of urgency to position the organization as a whole, conveying overall corporate strategy. In the wake of deep-seated change, the traditional identity of many companies was now open to interpretation and had to be formulated anew. More important still, the direction taken by change needed to be explained and communicated to all reference groups as many corporate guidelines, principles, missions, identity concepts and visions were hammered out within the space of only two or three years compared with the 20 preceding years combined. High-powered communication managers or top journalists suddenly turned up in companies' executive echelons, where they put their heads together with agencies to fine-tune a new culture of corporate communications.

In addition to the communications-based competition of products and brands, there was competition between corporate concepts and corporate images. This competition, of course, was primarily focused on the target groups of employees and potential employees (human resources recruiting), opinion leaders from the political arena and business world, the opinion leaders of tomorrow (students) and the financial community. Image rankings of all types mushroomed, while each and every business journal and research institute quickly established its own panels and study designs, although none were as comprehensive or as fine-tuned as *Fortune's* 'Most Admired' in the USA. Some popular parameters and facets of corporate image have remained in place, in various combinations, today (see Table 1).

Interestingly, car makers Mercedes-Benz and BMW regularly garnered high scores in the various rankings. As both can boast nearly 100 per cent overlap of company and

brand, this appears to confirm the old theory that corporate image is ultimately driven by a company's products. Conglomerations seem to have an especially hard time of making the grade in such rankings even today because of the major effort involved in translating a heterogeneous performance portfolio into the unified image of a holding company or company group.<sup>1</sup> All companies looking to establish an identity and an image above and beyond pure product reality initially had the option of doing so on one of the two big playing fields: the shareholder value mindset or the stakeholder value mindset. The main focus on shareholders and value management called for new approaches and heightened investor relations activities in communications, but ultimately was and is tied to hard facts and figures such as the CFROI. A newly released ranking reflects German analysts' assessments, as shown in Table 2.

As the theory has it, stakeholder-oriented companies offer far more points of departure for communications since they aim to prove their worth and benefits equally to customers, employees, shareholders and society. A few examples of profile-boosting fields are shown in Figures 1-5.

The overlap of activities between companies that profess to be shareholder value-oriented and those assumed to be stakeholder value-oriented (eg BMW, Bayer and Deutsche Bank) clearly shows that the rivalry between the two is, in fact, a construct. The companies which attach special emphasis to shareholder value thinking in positioning and self-image and which are ranked by analysts and the financial community as value creators (eg Bayer or Veba) also commit themselves to taking into account the interests of all reference groups. Bayer AG's sports promotion investments (for both competitive and popular sports), for instance, far outstrip investments in its investor relations programme. It goes without saying that none of these companies can afford the luxury of underweighting the reference group of customers who are so vital to their survival, or that of employees who are so vital to their future development, all for the sake of a one-sided shareholder focus.

Shareholder value and value management are only possible when companies first focus on creating strong benefits for customers and employees. Conversely, those companies placing greater emphasis on stakeholder value, both in terms of positioning and public self-image, by no means ignore the need for high shareholder value. While most companies generally position and depict themselves, *vis-a-vis* their customers, their employees and society as a whole, as expert, responsible, transparent, forward-thinking, innovative and environment-minded, the picture that they draw for analysts, investment banks and business journalists must embrace the ideal of optimum returns on investment as overarching corporate objectives.

More important than this pseudo-debate,<sup>2</sup> however, were the actual functions of corporate communications strategy and the related benefits expected from communications in Germany in the 1990s. Eight essential functions can be pinpointed, and these can be reviewed using evaluation and performance monitoring tools:

- Corporate communications must set an organization apart and tout its uniqueness.
- Corporate communications must crystallize and cultivate both the binding and the common elements of heterogeneous, decentralized organizations.
- Corporate communications must clarify, differentiate and shape the interplay between holding companies, sub-holding companies, operative companies and brands, as well as the allocation of different tasks.

- As an identity-affirming centripetal force, corporate communications must counterbalance the strong centrifugal force inherent in growing companies that are going global or diversifying.
- Corporate communications must get corporate strategy across to all stakeholders on the scene by delivering strong informational value.
- Corporate communications must faceted an independent market interpretation and opinion leadership.
- Corporate communications must define, nurture and live by uniform international standards governing corporate personality.
- Corporate communications must have a hand in shaping economic and social discourse.

Although these functions and expectations can be found in very similar forms in the vast majority of companies, there are major differences in how the tasks and functions are distributed within the structural frameworks of corporations. It can be assumed that all management boards of holding companies in Germany have invested an inordinate amount of energy into debating whether a holding company should operate as a management, financial/investment or strategic holding company. Even today, the camps are still divided as a result of the friction and conflict tied to the question of who actually has a claim to the success scored with products and in market-places — the operative outfit or the super ordinate holding company whose investment made success possible to begin with? Even in crisis situations or when glitches occur, it becomes clear again and again that rights and responsibilities with regard to the creation of image and added value are not clearly delineated. Given the structure of corporations, a black and white delineation of corporate communications functions is clearly not an attainable goal but, as Figure 6 shows, there is a way of dividing tasks that makes sense.

Of course, it is difficult for evolving, distinctively structured companies to keep their identities visibly intact. It only works when identity is not perceived as a permanent state manifested in corporate design, corporate principles, eternal hierarchies or dogmatic tradition. Identity instead must be understood as a process that needs to be steered and the examples of BMW, Daimler-Benz, Siemens, Veba and Allianz prove that this is possible. A good recipe for achieving this end is to shape the management structure of communications much as strategic management is shaped. In this sense, 'identity' becomes the benchmark for the 'entity', in the essence of a company in the long term, because identity shows that the organization is being structured and managed, which is always a good sign. As a process, identity is first and foremost an indication of the direction in which a company is moving.

## References

1. In the 1980s conglomerates were widely considered to be unwieldy, earning-impaired organizations without a clear focus or future prospects, today this picture has changed. Conglomerates such as General Electric, ABB, Veba, Sears Roebuck and Mannesmann have developed considerably better than the market average and provided the proof of consistent value management. See also the Boston Consulting Group (1996) 'Value-adding and Value-detracting Conglomerates', *Manager Magazin*, December, p. 150.



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2. According to impulse business monitor, *Cologne* (January 1997), 'shareholder value performance/earning power' corresponds substantially with the image factors of 'focus on the future' and 'appeal'. Allianz, Deutsche Bank, BMW and Daimler-Benz — but also Siemens, Hoechst and BASF — are at the top of the list (see pp. 83-85). Practising stakeholder value while advertising shareholder value is evidently a popular approach.

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