Corporate Branding in a Cross-Cultural Perspective.

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Abstract. IKEA is one of the most successful multinational retailers in the world and has succeeded in a variety of cross-cultural environments. This paper analyses whether there are actual value differences between IKEA employees in 12 European countries and how their involvement in and enthusiasm for IKEA’s ideology can be explained.

Keywords: Corporate branding, corporate culture, IKEA, cross-cultural, people management.
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1. Introduction and Purpose.
IKEA has for a number of years been ranked as the most powerful brand in Sweden, and is the most popular employer among Swedish business and engineering students (Dagens Industri, 2009-10-16). On the global scene, IKEA was rated as the 10th best global retail brand 2009 by Millward Brown Optimor. IKEA is the 28th best global brand on Interbrand’s 2009 ranking, and IKEA’s websites attracts around 450 million visits a day. Retailing is considered as a uniquely complicated business where success on foreign markets is rare (Kalish, 2008). So, how can IKEA’s success be explained? As pointed out by Kapferer (2007), it is an often-overlooked fact that all growing stars of the brand-equity hit parades-brands such as IKEA share two common, striking features: They all innovated their business models and integrated their distribution. Branding professionals should consequently not become infatuated with the brand image and forget the real sources of brand equity. Many factors in addition to innovativeness explain IKEAs success. Some of the most important are the exceptional founder Ingvar Kamprad, IKEAs purchase and production system, and the IKEA Way – the corporate culture. According to the founder, the IKEA-concept (A Furniture Dealer’s Testament) is the most important. “If we stick to the concept we will never die”, says Kamprad (Torekull, 1998:132). All employees participate in the IKEA WAY education in Almhult, Smaland, Sweden. Almhult is recognized as the source of IKEAs values: “Simplicity, humility, thrift and responsibility are all evident in the lifestyle, attitudes and customs of the place where IKEA began. An example of the Smalanders’ way of doing things is not to ask others what you should be doing, but to ask yourself and then get on with it!”

It is a dated idea that brands are built by the marketing department only. Brands must be built by the whole organization, where every employee must “live the brand”. That makes employees too important to be managed by the HR department only. ‘Living the brand’ is about ensuring the linkage between employee attitudes and behavior and overall business goals (Ind, 2003). Few researchers in brand management have studied branding in an internal perspective, but an exception is for example de Chernatony (http://lesliedechernatony.com/) who talks about successful branding through bridging the external promise internally (2006:7). However, with almost no exceptions, internal brand management is discussed in a domestic perspective only. This lack of research on branding in multiple cross-cultural markets may be explained by the fact that the international perspective poses greater challenges than studies done within a single country (Sivakumar and Nakata, 2006; Nasif et al., 1991). The reality is nevertheless that the most valuable brands must succeed on global markets. The performance of brands must be monitored in an international perspective. But there is a lack of research to guide managers’ decisions in these areas. How can or should they compare the performance in one country with the performance in other countries? Can they use the same criteria in all markets or what must be considered when they make their evaluations?

With references to prior reviews of the cross-cultural management literature, Kirkman et al. (2009) concluded that cultural value orientations play an important role in how employees react to aspects of their work. Values do vary between countries. Why, then, would it be logical to expect the same performance from operations in all countries? Another consideration is that the prevailing wisdom advises managers to alter their leadership behavior to fit the particular cultural profile of each country (Javier, 2006; Newman and Nollen, 1996). This is contradicted by
research on visionary companies (e.g., Collins and Porras, 1997), which have cult-like cultures pervading the company. In such companies, all employees must commit to the same core ideology. One part of the core ideology is the core values, values that may fit better in some countries than in other countries. Core values and purpose must be passionately held on a gut level or they are not core. Operating practices and business strategies, on the other hand, should be tailored to local cultural norms and market conditions (Collins and Porras, 1997). National culture values are important to the individual, but so are core values to the visionary company. In 2009 IKEA had around 130 000 employees in 25 countries. This study focuses on 12 European countries: Austria, Denmark, Czech Republic, France, Germany, Hungary, Italy, The Netherlands, Norway, Spain, Sweden, and United Kingdom.

The first purpose of this study is to see whether there actually are significant differences between national culture values in the European countries where IKEA operates. IKEA recruits managers and other employees based on fit with IKEA’s ideology, which means that they may hold values more similar to the IKEA values than the country average for their country may indicate. The second purpose is to see whether IKEA has succeeded to create high involvement on all markets despite differences in national values. Are employees on all markets equally enthusiastic about IKEA’s ideology? As mentioned, this is what is most important for the survival of IKEA according to the founder. How will people outside Sweden react to values that sometimes are quite different from what is typical in their countries? How important is the ideology compared with other aspects of the work, such as the tasks, the attitude/similarity of other employees and the trust between managers and employees? The purpose of this paper is therefore to investigate whether has been able to align employee values to IKEA values in countries similar to Sweden to a higher extent than in countries with more different national culture values.

2. IKEA – A Visionary Company.
Visionary companies concentrate primarily on building an organization, where the corporate culture plays a central role. The crucial variable is how deeply it believes its ideology and how consistently it lives, breathes, and expresses it in all that it does (Collins and Porras, 1997). After several years of studies of visionary companies, they concluded that they had underestimated the importance of alignment. That means that the values must be simple, understandable, clear to all involved, driven and crystallized at the top, and consistent over time (Lei, Slocum & Slater, 1998). It should consequently be clear what the “Company” way of thinking is.

".... the IKEA way of doing things is the sum total of all of our values, the amalgamation of everything we believe in. It's never enough simply to claim that such and such isn't the IKEA way without giving a reason. That a particular idea is not cost-conscious, that it's a waste or resources, that it's not in the interest of the majority of people, that it doesn't reveal our customary humbleness, that it's complacent, that there's no price tag - they are examples of not doing things in the IKEA way. Without a proper explanation, 'the IKEA way' is merely an empty, nondescript expression used by empty-headed, nondescript people."

Visionary companies exist to do something useful (Collins and Porras, 1997). They have a sense of purpose beyond just making money that guides and inspires people throughout the organization and remains relatively fixed for long periods of time. People get a sense of self-worth when they can contribute. At IKEA they don’t only sell furniture. Rather, they contribute to giving the many people a better everyday life. IKEA's core ideology is:

- **Purpose:** To create a better everyday life for the many people.
- **Core values:** Togetherness (family), humbleness, enthusiasm (energy, fun).
3. Corporate Cultures.

Corporate cultures are typically described as being strong or weak, where the claim by Peters and Waterman (1982) about strong cultures being superior is probably what most people think of. This statement has however been refuted by Hofstede (1998), since strong cultures in the sense of cohesive cultures also impose extensive and immutable mental programming. Strong cultures are difficult to change and they are less likely to adapt well to changing circumstances than weaker ones. Strong cultures are typically also assumed to be based on shared values as being the core of an organization’s culture (Hofstede, 1998). However, the situation is different for companies offering the same customer promise across cultures, e.g., IKEA, Starbucks, and McDonald’s. Such companies must prioritize their corporate cultures to deliver the same brand offer on all markets. Value-based companies may consequently find themselves on markets where the national culture dimensions are quite different from those in their home country. How do they solve such differences? Unfortunately, there is an almost complete lack of research on that topic.

Harris and de Chernatony (2001) point out that corporate branding necessitates greater emphasis on factors internal to the organization, paying greater attention to the role of employees in the brand building process. The focus on employees living the brand and the identity of the brand is an inside-out perspective, as opposed to the typical outside-in perspective of the image-management approach (Burmann and Zeplin, 2004; de Chernatony, 1999; Kapferer, 2004:99). Companies such as Starbucks are fully aware of the importance of employees. In a letter to Starbucks employees CEO Howard Schultz writes: “We are in the people business and always have been. What does that mean? It means you make the difference. You are the Starbucks brand. We succeed in the marketplace and distinguish ourselves by each and every partner embracing the values, guiding principles and culture of our company and bringing it to life one customer at a time.” (http://www.starbucks.com/aboutus/pressdesc.asp?id=825, retrieved 2009-10-26). Most companies do not have the same awareness of the role that employees play in building the corporate brand. A German study showed for example that less than 50 percent of German companies use internal branding measures (Burman and Zeplin, 2004). Ind (2003) argues that companies can develop corporate cultures which stimulate involvement and commitment. At the same time he quotes a Gallup study of U.S. workers which found that 74% were either not engaged or were actively disengaged in their jobs. Gallup’s studies show that in world-class companies 63% of employees are engaged, 29% are not engaged, and 8% actively disengaged. Comparable figures for the average company are 30% engaged, 50% not engaged, and 20% actively disengaged. Gallup concludes: “Actively disengaged employees erode an organization’s bottom line, while breaking the spirits of colleagues in the process. Within the U.S. workforce, Gallup estimates this cost to the bottom line to be more than $300 billion in lost productivity alone” (http://www.gallup.com/consulting/52/employee-engagement.aspx, retrieved 2009-10-28). It takes an involved employee to live the brand, but involvement in the corporate ideology can’t be taken for granted.

Harris and de Chernatony (2001) argue that congruent perceptions will be crucial in the successful management of corporate brands. Their review of the literature suggested that three key factors affect perceptual congruity: the similarity of team members, shared values and communication. In a wider perspective, the similarity of team members relates to the field of Person-Organization-Fit (P-O-F) studies (e.g., Edwards and Cable, 2009). A basic assumption in the P-O-F studies is that value congruence leads to better performance, but few explanations have been tested empirically (Edwards and Cable, 2009). One reason why shared organizational values
may increase performance is that organizational values provide employees with guidance about desired behavior. Other reasons suggested in prior studies are that communication is easier in teams whose members are similar to each other, and that the interpretation of communication is better between more similar individuals. Vallaster and de Chernatony (2006) argue that employees need to have a particular feeling of belonging to an organization. Such identification is strongly related to the concept of internalization. Through internalization, employees incorporate the core values of a brand into their own value system (Burmann and Zeplin, 2004, 2005). Employees who share the values of the organization are more likely to work towards the success of the organization. It is also likely that brands with brand values that are counter to the typical values in a country are more dependent on having employees who share their values. A substantial volume of research has underscored the importance of congruence between the values of employees and organizations (Edwards and Cable, 2009), but this type of research has looked at organizations in one country only. The reasons for the positive benefits from P-O-F remain largely speculative, but Edwards and Cable found that the relationships that link individual and organizational values to outcomes are explained primarily by the trust that employees place in the organization and its members, followed by communication, and, to a lesser extent, interpersonal attraction. Based on research on trust which has shown that trust is likely to develop and persist when people hold similar values, Edwards and Cable concluded that their results showed that the indirect effects transmitted through trust were 2-3 times larger than those transmitted through communication and attraction. The effects of value congruence can be attributed to the ease of communication among people with shared values and that communication promotes trust.


There are a number of different cross-cultural studies, but few are as comprehensive as Hofstede’s work (http://stuwww.uvt.nl/~csmeets/PAGE3.HTM, retrieved 2009-10-28). Hofstede’s work has been cited more than any other work in social sciences (Gelade, Dobson, Auer, 2008; Orr and Hauser, 2008; Yoo and Dunthu, 2002). More than 1706 studies used Hofstede’s work 1981-1998 (Baskerville, 2003). Hofstede’s work is widely praised as well as criticized (e.g., McSweeney, 2002). After reviewing 180 studies published in 40 business and psychology journals 1980-2002 Kirkman et al. (2006) found that the large-scale studies published since Hofstede’s work had sustained and amplified Hofstede’s conclusions rather than contradicted them. Their conclusion was therefore that Hofstede’s values are clearly relevant for additional cross-cultural research in the 21st century. Hofstede’s dimensions of national cultures are called Power Distance, Uncertainty Avoidance, Individualism, and Masculinity. Power Distance (PDI) is concerned with the desirability or undesirability of human inequality. In organizations, inequality in power is inevitable and functional, and is usually formalized in hierarchical boss-subordinate relationships. Uncertainty Avoidance (UAI) shows the ways which different cultures cope with uncertainty about the future. Extreme uncertainty creates intolerable anxiety. Freedom implies uncertainty in the behavior of oneself and of others, and a low UAI means by definition a greater willingness to take risks. In general, a greater need for uncertainty avoidance should lead to formalization, specialization, and standardization of activities. Individualism (IDV) describes the relationship between the individual and the collectivity which prevails in a given society. All countries included in this study are High IDV cultures which value time for personal life and stress people’s independence from the organization. Masculinity (MAS) describes the duality of the sexes, where the predominant socialization pattern is for men to be more assertive and for women to be more nurturing.
This study focuses on what motivates employees in different European countries, and Hofstede (1984:219, 256) argued that the societal norms for uncertainty avoidance and masculinity affect what will motivate people in different cultures. People can be motivated by hope of success versus fear of failure/deferred security (UAI). They can also be motivated by ego needs versus affiliation needs (MAS). Applied to the countries included in this study we find the following 4 groups:

1. UK (weak UAI-MAS): motivation by personal, individual success, in the form of wealth, recognition, and self-actualization.
2. D, A, I, H, CZ (strong UAI-MAS): motivation by personal, individual security. This can be found in wealth and especially hard work.
3. F, E (Strong UAI-FEM): Motivation by security and belonging. Individual wealth is less important than group solidarity.
4. S, DK, N, NL (Weak UAI-FEM): motivation by success and belonging. Success will be measured partly as collective success and in the quality of human relationships and the living environment.

The implication of the different motivation patterns in different countries is that personnel policies aiming at motivating people will have different effects in different countries (Hofstede, 1998).

5. Value Congruency - Matching Corporate and National Culture.

Does it really matter whether there is congruency between corporate culture/s and national culture/s? The lack of such congruency, or acculturative stress, has been associated with lower commitment and cooperation, increased turnover among acquired executives, lower satisfaction, lower productivity, and lower financial success (see Very and Lubatkin, 1996). Theories developed for social systems must consequently consider the values prevalent in both companies (corporate values) and in countries (national values). Values exert a social control of people and the more central these values are in the value system of a group of people, the more impact they are likely to have. It is thus not the prevalence of values as such in a cultural system that determines the impact, but the centrality of these values in the social, cultural or individual's value system (Lachman, Nedd and Hinings, 1994; Pant and Lachman, 1998). It has even been suggested that the social control exerted by values is the main factor in the impact of culture (Lachman, Nedd and Hinings, 1994). Values that are very central are core values, which are more enduring, more resistant to change, are highly accepted and agreed upon, and consequently exerts more social control on for example social behavior or organizational practices than more peripheral values. Early socialization affects core values, and late socialization affects only periphery values. Thus, employees' periphery values may change as a result of pressures to comply with organizational requirements and managerial policies, whereas their core values will not. Kirkman and Shapiro (2001) concluded that their data on cultural value differences not only supported Hofstede’s (1998) point that US management theories may not apply abroad, but also echoed his conclusions by suggesting that employees do resist management initiatives when these clash with their cultural values.

6. Methodology.

Questionnaires (as one part of a comprehensive study) were distributed to IKEA employees at all levels in 12 European countries. The sample consists of a total of 2642 responses. 41% were men and 59% were women. The position they had at IKEA was 4.1% management team, 1.3% store manager, 11.9% department head, 20.1% group leader, and 62.5% co-worker.
7. Results and discussion

The first part of the analysis was a 2*2 between-subjects ANOVA analysis, which tested whether there were any significant differences between the different groups of countries included in the study based on Hofstede’s dimensions with an impact on motivation, i.e. UAI and MAS. The results showed that there were significant differences between the 4 groups, i.e., they are motivated by different things.

Involve: I have high involvement and enthusiasm from working at IKEA.

The results show that respondents in feminine countries are more involved in their work at IKEA, than respondents in the masculine countries. The IKEA philosophy says that all employees independent of position must take initiatives and be responsible. IKEA also emphasize teamwork (we-feeling) and togetherness (family), in other words to belong. There were significant differences between the 4 groups $F (3, 2623) = 40,090; \ p<.0005, \ partial \ \eta^2 = .044$). As expected, IKEA has created most involvement and enthusiasm in the weak UAI-FEM countries (e.g., the Nordic countries and the Netherlands). In decreasing order were strong UAI-Feminine, strong UAI-Masculine, and finally weak UAI-Masculine countries. In Feminine cultures the need to belong is more important than the need to succeed.

The ANOVA result was confirmed in a test using Hofstede’s value dimension scores as predictors. $\text{Involv} = 5,032 – 0,166 \times \text{MAS} + 0,098 \times \text{UAI}$

$F (1, 2624) = 43,032, \ p < .0005$. The model explains 4% of the variance (Adjusted $R^2 = .041$)

$t = -10,707 \ \text{MAS}, \ t = 4,612 \ \text{UAI}$.  

Kirkman et al. (2006) found in their review of 180 studies that in spite of Hofstede’s argument against using his dimensions for purposes other than country level studies, that a majority of researchers had adapted them for use at the individual or organizational level. For country level studies one has to either aggregate individual level data by country to link them to country level outcomes or use pre-existing country level measures such as Hofstede’s scores (ibid.). This conclusion has been confirmed by Fischer et al. (2010), and is obvious in the regression analysis above.

The second part of the study used regression analysis to see how important different factors were for employees’ involvement and enthusiasm. Prior studies suggested that fit with corporate ideology, similarity between employees and trust would influence the dependent variable involvement and enthusiasm. In addition, it was considered relevant to analyze the extent to which the tasks the employee had to perform influenced the dependent variable. Using the enter method, significant models emerged.

a) Simple model with two predictors.  

$\text{Involv} = 1,009 + 0,518 \times \text{tasks} + 0,310 \times \text{IKEA fit}$

$F (2, 2539) = 1127,848, \ p < .0005$. The model explains 47% of the variance (Adjusted $R^2=.470$).

$t = 33,833 \ \text{for tasks}, \ t = 18,719 \ \text{for fit}; \ \text{tolerance/VIF}: 0,867/1,153 \ \text{tasks}; 0,867/1,153 \ \text{fit}$.  

b) Extended model with four predictors.

$\text{Involv} = 0,644 + 0,456 \times \text{tasks} + 0,276 \times \text{IKEA fit} + 0,135 \times \text{trust} + 0,046 \times \text{similar employees}$
The model explains 48% of the variance (Adjusted $R^2 = .476$). The results show that the masculinity dimension is important for what people in different countries find motivating. Gelade, Dobson and Auer (2008) also found that this dimension was the most important. IKEA’s ideology was developed in a feminine country, and IKEA’s corporate culture is probably more feminine than the corporate cultures in other Swedish companies. In Hofstede’s study values for the 12 countries included vary from 5 (feminine) to 88 (masculine). Of Hofstede’s four dimensions, only IDV and MAS were derived entirely from employee ratings of the importance of various job characteristics, as noted Gelade, Dobson and Auer. Power distance and uncertainty avoidance were measured by opinion scores, which they thought were unsuitable for a study of organizational commitment. It is likely that the national culture dimensions would have more explanatory power if they were tested in a company with weak corporate values. IKEA’s strong corporate culture may dominate both through selection in the recruitment phase and through education of the corporate values, whereas in companies with weaker corporate cultures the national culture dimensions would most likely have more impact. The overall conclusion is that IKEA has succeeded very well across cultures, but that there are differences. The results also demonstrates that ideology and alignment of values isn’t everything; the tasks must permit employees to do a good job as well.

Theoretically, much more research on corporate branding across cultures is thus needed. Long ago Adler (1983:10) concluded that “Although recent studies indicate that it would be appropriate to approach organizational behavior from a cross-cultural rather than a unicultural perspective, this has not been the approach taken by most researchers and theorists.” Not much has changed since 1983 in this perspective. Only exceptional researchers acknowledge that their recommendations may lack validity outside their own country. Despite the fact that strong brands usually are multinational or global brands, there is almost no discussion about cross-cultural issues and their implications for example for corporate brands. Gelade, Dobson and Auer (2008:600) argue that “it seems reasonable to suppose that the effectiveness of organizational practices will depend on the extent to which they address the high-value priorities of the workforce and, therefore, that to maximize and sustain the organizational commitment of a culturally diverse workforce, practices should be aligned to the local culture.” While this may be correct for some companies, other companies, such as IKEA, operate differently. Research has to show that a company culture aligned to the local culture is superior to a local culture being aligned to a strong corporate culture. There is support for the importance of alignment between corporate values and employee values, but IKEA has shown that it is possible to create alignment to their values independent of national culture with recruitment and education. But, as Gelade et al. note, as corporations become more global, their competitiveness becomes increasingly dependent on their ability to motivate a diverse labor force. The corporate brand is defined primarily by organizational associations, and the people of an organization provide the basis for the corporate brand image (Aaker, 2004). The corporate brand will tend to engender greater respect, liking, and, ultimately, loyalty when employees appear engaged, interested in customers, empowered, responsive and competent (ibid.). Employee motivation and brand value are consequently linked, and few strong brands can rely on employees from one country only.
References – some examples


De Chernatony, Leslie (http://lesliedechernatony.com/)


