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CORPORATE IDENTITY OF LATVIAN COMMERCIAL BANKS

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Abstract
Latvian banking industry has followed the path of rapid development like entire Latvian economy did in the last 20 years. Along with expansion and provision of financial services by Latvian banks to non-resident customers from foreign countries, each individual commercial bank has established specific positioning and corporate image within the local and international markets. Also, some banks have gone through corporate strategy and visual identity changes in order to adjust to the volatile market conditions and implemented up-to-date adjustments to their marketing communications with the target audience and markets in general. Corporate identity framework developed by Melewar and Jenkins (2002) is used as benchmark model to analyze the corporate identity formation of four largest Latvian commercial banks in terms of their assets (Latvian Association of Commercial Banks, 2011) – Swedbank, SEB, Nordea, Dnb Nord. Paper contains 5 figures. Hypothesis: there exist specific factors, which contribute to corporate identity formation within banking industry and which should be common for major commercial banking industry participants. Aim of the research: to explore the corporate identity formation in commercial bank industry by surveying commercial bank representatives. In order to test the research hypothesis the research has been split in several consecutive tasks: 1. Selected literature analysis on the corporate identity concept – review of corporate identity definitions and the latest research papers regarding corporate identity concept and related issues; 2. Semi-structured expert interviews with bank representatives to determine differences and similarities of different corporate identity formation based on corporate identity framework by Melewar and Jenkins. 3. Analysis of possible reasons that explain differences of corporate identity formation for the selected commercial banks. Research results show that main corporate identity dimensions are common for all researched Latvian commercial banks. However, the difference is in relative importance or the extent to which each of the dimensions is relevant for the respective bank.
KEYWORDS: organizational management, corporate identity, marketing management, services marketing, brand building.

Introduction

Latvian banking industry has followed the volatile development path similarly to the entire Latvian economy in the last 20 years. Along with expansion abroad and provision of financial services by Latvian banks to non-resident customers from foreign countries, each individual commercial bank has established specific positioning and corporate image within the local and international markets. Also, some banks have gone through corporate strategy and visual identity changes in order to adjust to the volatile market conditions and implement up-to-date adjustments to their marketing communications with the target audience and markets in general.

This paper is based on qualitative research of the 4 largest Latvian commercial banks in terms of assets (Latvian Association of Commercial Banks, 2011) – DnB Nord, Nordea, SEB, and Swedbank – to research corporate identity concept and corporate identity formation process in respect to commercial banks.

After carrying out analysis of the existing research on corporate identity concept development, authors stated hypothesis that there exist specific factors, which contribute to corporate identity formation within banking industry and should be common for major commercial banking industry participants.

From this hypothesis there was formed the aim of the research – to explore the corporate identity formation of the major Latvian commercial banks by surveying commercial bank representatives.

In order to test the research hypothesis the authors have divided research aim in several consecutive tasks:

1. Selected literature analysis on the corporate identity concept – review of corporate identity definitions and the latest research papers regarding corporate identity concept and related issues;

3. Semi-structured expert interviews with bank representatives to determine differences and similarities of different corporate identity formation based on corporate identity framework by Melewar and Jenkins (2002).

4. Analysis of research results and conclusion regarding possible reasons that explain differences of corporate identity formation for the surveyed commercial banks.

Therefore, this research should reflect what do actually commercial bank representatives consider to be the core of their organizations, what importance do they attribute to corporate communications and integrated marketing management, and what are key factors that differentiate them from other banks.

The corporate identity framework by Melewar and Jenkins was chosen to be the most relevant theoretical model to describe the corporate identity formation in commercial banking industry, and it also helps to highlight specific factors that contribute to the relative importance of either corporate identity sub construct or dimension.

The structure of the paper is as follows. The next chapters provide the literature overview on corporate identity concept and overview of research methodology. Then follow survey findings, and finally analysis of survey results conclude the paper.

Literature overview

As noted by Melewar and Jenkins (2002), there have been introduced and developed various definitions over time to describe the essence of the corporate identity and each of them relates to different mix of the organizational structure elements and management approach practice – starting from Dowling's statement (1986) for corporate identity to be "what an organization is", until more recent definitions, e.g. by Balmer and Soenen (1998) who assume corporate identity to be "mix as being composed of the mind, soul, and voice. The mind consists of managerial vision, corporate philosophy, strategy, performance, brand architecture, nature of corporate ownership, and organizational history. The soul consists of the subjective elements including the distinct values, mix of sub-cultures, employee affinities, and internal images. The 'voice' is the total corporate communication and consists of its uncontrolled communication, controllable communication, symbolism, employee and corporate behavior, and indirect external/third party) communication". This also relates to definition by Ollins (1995) who assumes corporate identity management to be "the explicit management of all the ways in which the organization presents itself through experiences and perceptions to all its audiences".

More recent research papers regarding corporate identity relate to cross-disciplinary examination of the identity concept and thus conclude that corporate identity should be analyzed broader than simple marketing concept. For instance, Cornelissen, Haslam, and Balmer (2007) explore issues of social, organizational and corporate identity indicating differences in the form and focus of research into these three topics. According to them, the social identity work generally examines issues of cognitive process and structure; organizational identity research tends to address the patterning of shared meanings; studies of corporate identity tend to focus on products that communicate a specific image. Nonetheless, across these areas there is general consensus that collective identities are (a) made viable by their positivity and distinctiveness, (b) fluid, (c) a basis for shared perceptions and action, (d) strategically created and managed, (e) qualitatively different from individual identities and (f) the basis for material outcomes and products.

Karaosmanoglu and Melewar (2005) provide a research agenda to examine the relationship between corporate communication, identity and image and present a conceptual framework for further empirical testing.

In contrast, Bouchikhi and Kimberly [8] argue that "visible elements of a firm are held together by a set of shared beliefs – sometimes implicit, sometimes explicit – that define its essence. This set of shared beliefs, called I-dimension, gives the visible elements of the firm coherence and puts boundaries around how much change is possible without altering its essence". They interpret corporate identity through I-dimension that "resides in multiple anchors, such as core business, knowledge base, nationality, operating philosophy, a legendary founder, a governance structure, or combinations of these". According to Bouchikhi and Kimberly, "any aspect that key stakeholders (employees, owners, suppliers, customers, bankers, shareholders) view as core, enduring, and distinctive about an organization is part of its identity."

To conclude, despite the existence of various corporate identity definitions, the literature review reflects that corporate identity formation framework by Melewar and Jenkins (2002) is the most relevant theoretical model for the analysis of commercial bank corporate identity due to its comprehensive mature bringing together various marketing management and organizational management perspectives that all contribute to formation of the corporate identity.

Corporate identity framework

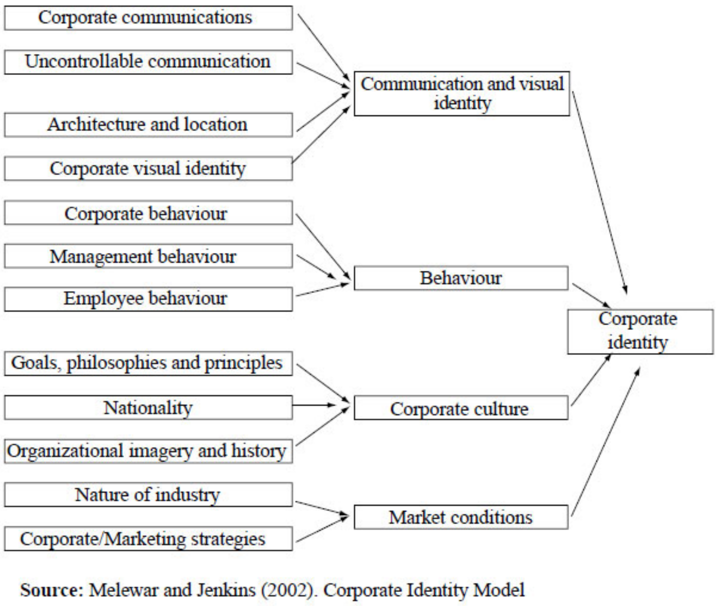

Figure 1. Corporate Identity Model by Melewar and Jenkins (2002)

According to Melewar and Jenkins (2002), corporate identity is made of several sub-constructs, which contribute to formation of corporate identity of any organization. These general sub constructs are:

• Communication and visual identity;

• Behaviour;

• Corporate culture;

• Market conditions.

Each of these sub constructs or dimensions joins several groups of factors relating to the formation of the specific sub construct:

1) Communication and visual identity includes:

• Corporate communications – any communications solutions and activities, internal and external, which are managed and implemented by the bank employees. According to Melewar and Jenkins (2002), "corporate communication encompasses management communication, marketing communication, and organizational communication. Of the three, management communication is the most important, as it is the primary means by which top level managers disseminate the goals and objectives of the organization to internal stakeholders." (p. 82).

• Uncontrollable communication – this factor relates to the communication between bank employees and the outsiders - external parties or stakeholders. Moreover, taking into account the increasing availability of the Internet and changing media consumption patterns, this factor would include also online communication in social networks and media, gossip, opinions and communication by any external parties within the Internet environment.

• Architecture and location – this relates to the physical location of the office building and the office premises.

• Corporate visual identity – visual identity guidelines and their implementation in daily communication, media, and working environment, both internal and external.

2) Behavior includes:

• Corporate behaviour – any actions by company in general;

• Management behaviour – top management behaviour;

• Employee behaviour – any behaviour reflected by company employees.

As noted by Melewar and Jenkins (2002), "the most problematic area of classification appears to be corporate communication and behavior… Behavior, in a sense, is the non-verbal, intangible aspect to communication. Behavior includes actions on the part of the organization and its employees." (p.81).

3) Corporate culture includes:

• Goals, philosophies and principles – besides overall business principles of "how things are being done around here" this factors relates to company philosophy – mission, vision, values, and credo.

• Nationality – origin of the initial company emergence; also can relate to the geographic location of company headquarters, nationality of majority shareholders. As shares of the commercial banks surveyed in this research are not traded in stock exchange, this factor would mainly relate to the nationality of majority shareholders.

• Organizational imagery and history.

4) Market conditions:

• Nature of industry – as noted by Morison (1997) and cited by Melewar and Jenkins (2002), "studies of corporate identity in the banking industry illustrate the difficulty in projecting an individual identity when the generic industry identity remains so strong". (p.85).

• Corporate/marketing strategies implemented by the company.

The main advantage of this model is that it brings together the most commonly used and researched factors to describe the formation of corporate identity from the marketing management (communications, visual identity), organizational management (corporate culture, behaviour), and general strategic management (market conditions) perspectives.

It is regarded as benchmark model for corporate identity analysis by many researchers due to its comprehensive nature and generic nature that includes various managerial areas.

Methodology

Expert methods are the research method mainly used with aim of drawing out informed opinion and elicitation of knowledge. There exist several kinds of expert methods, like Delphi method, expert panels, brainstorming, road mapping, scenario analysis, SWOT analysis, and others.

The research method used in this paper to obtain the necessary data was the interviewing of experts by using semi-structured survey (see Appendix 1) which consists of generally open questions related to corporate identity sub constructs and general marketing communications issues. The survey was prepared as semi-structured to provide authors with general interview structure, but also allow experts to provide insights on the issues brought up by survey questions and to comment on those corporate identity formation factors, which possibly are not included in framework by Melewar and Jenkins (2002).

In total, there were 4 communications managers interviewed, all four representing the middle management level employees, who are regularly involved into and provide support during the strategic decision making processes by the top management representatives regarding corporate communications issues and integrated marketing solutions in general that are actual and relevant for the entire organization.

The opinions of the interviewed experts can be regarded to express the official and true opinion of the commercial banks due to the fact that the respective employees are directly related to the management of corporate communications and development of any integrated marketing communications solutions. In addition, the actual involvement of the experts in daily marketing issue management together with the scope of responsibilities and duties managed by the surveyed experts eliminated need to review and evaluate their responses with other management representatives as their opinions can be regarded the most realistic and applicable for the respective commercial bank from the marketing management point of view.

The survey answers and overall results were interpreted by applying them to corporate identity framework model by Melewar and Jenkins. Each of the model sub constructs was discussed during the semi-structured interview to assess its relative importance to the overall corporate strategy of the bank, its marketing strategy, as well as the operations management in respect to corporate communications and marketing management.

The graphical interpretation of results was applied, using column graph with 4 degree scale axis (values - none, low, medium, high) to highlight the differences in the relative importance of various corporate identity sub constructs mix.

Value "None" was assigned in case none of factors is relevant for the respective bank and correspondingly entire sub construct or dimension itself reflects no major importance to the identity of the respective commercial bank.

"Low" importance was assigned in case only one factor was relevant and applicable for the respective bank, making entire dimension only partially relevant and important for the formation of the bank's identity.

"Medium" importance was assigned in case two or three factors of the respective sub construct were relevant but they were not distinguished as strategic priorities for the bank.

"High" importance value would be assigned to the sub construct, which is relevant for bank from the strategic point of view and acknowledged by the top management as strategically important and thus providing competitive advantage. In this case factors included in the respective sub construct would be relevant for the respective commercial bank.

The analysis of the obtained primary research data from expert survey was complemented by analysis of the secondary research data available on the public websites of the surveyed commercial banks.

Survey results

The survey of the commercial bank representatives showed that there exist common corporate identity dimensions that leave impact on and are shaping any commercial bank industry participant's identity, while the relative importance of other factors has unique combination in comparison with other commercial banks.

The common most important factor for all banks is the market conditions factor, which can be explained by both, the nature of the industry and its dynamics, and the similarities of the corporate strategies implemented by these banks. As noted by Melewar and Jenkins (2002) and Morison (1997), the generic banking industry identity is so strong that it is sometimes difficult to distinguish between industry and individual bank identity, therefore, making this dimension highly important for all researched banks.

The figures in the chapter further reflect relative importance of the corporate identity dimensions for each individual bank to describe the unique mix of factors in the corporate identity formation followed by brief comments from interviews that relate to respective corporate identity dimensions of the researched banks.

Swedbank

Communication and visual ID	HIGH importance
Behaviour	HIGH importance
Corporate culture	LOW importance
Market conditions	HIGH importance

Figure 2. Corporate identity mix of Swedbank. Data source: own study.

• Swedbank is the biggest banking market player, and its dynamics are greatly influenced by market conditions, and correspondingly the customer perception and expectations are shaped by general industry dynamics. Therefore, it can be assumed that most of customer associations and notion of the general banking industry identity is associated with the identity of Swedbank and vice versa.

• Swedbank is the leader in the internet payments/e-banking by 98,2% of payments being processed online.

• Visible and well developed visual identity, not only in advertising but also on service/branch level and the environment branding.

• Swedbank office building "Saules Akmens" and its architecture is also strongly associated as a corporate identity element and is frequently used in corporate communication activities.

• High focus on employee behaviour through customer satisfaction and service excellence, focus on expert opinion leading on top management behaviour level. Corporate activities (e.g. sponsorship activities, communication projects) are clearly aligned with corporate strategy.

• Swedbank management board representatives are doing regular branch visits to maintain connection with their operational staff and lower level management representatives to obtain the real insights about bank's performance. Therefore this also supports importance of behaviour dimension to Swedbank identity formation.

• Conflict between changes in corporate strategy and corporate culture – after re-branding from Hansabanka to Swedbank it was not clearly communicated to customers that the bank has changed their business strategy from providing low cost banking retail services to provision of the financial advisory and the subsequent introduction of the new values of the bank along with changing market environment and escalation of the worldwide economic crisis in 2008.

• Despite the existence of pre-defined mission and vision statements from the mother bank - Swedbank Group, and activities implemented by communications department to explain values to its employees, the corporate culture dimension should be considered of medium importance as there still exists gap between perception of the corporate culture by internal (Swedbank employees) and external stakeholders.

SEB Banka

Communication and visual ID	MEDIUM importance
Behaviour	MEDIUM importance
Corporate culture	HIGH importance
Market conditions	HIGH importance

Figure 3. Corporate identity mix of SEB banka.
Data source: own study.

• SEB Banka identity is mostly shaped by market conditions – it puts more focus on business processes and direct long-term relationships with customers rather than communication and general image building. Still, consistent marketing and corporate communications are used to attract new customers and promote products, but this goes in line with general corporate and business strategy.
• There is well developed and coherently integrated visual identity in communications acitivities as well as on the branch level.
• Bank has aligned corporate culture and adapted employee mission statement "to be the most trusted bank in post-crisis period", which reflects intention of the bank to align the mindest of all employees with general corporate and business strategy taking into account the changes that have happened in market and business environment in general. This also reflects strategic decisionof the Latvian bank to adapt general mission statement of mother-bank SEB Group to the Latvian environment and thus highlight importance of this dimension in the formation of overall bank identity.
• Employee behavior unclear as from on side there are few middle and top management communicating in mass media as financial experts, but from the other side, bank seems not to have explicit behaviour standards. However, the behaviour dimension is strongly influenced by the corporate culture dimension that reflects very clear standard and benchmark in terms of treating bank‘s customers.

DnB Nord

Communication and visual ID	MEDIUM importance
Behaviour	MEDIUM importance
Corporate culture	LOW importance
Market conditions	HIGH importance

Figure 4. Corporate identity mix of DnB Nord.
Data source: own study.

• DnB Nord strategy is to focus on business processes and transparent relationships with their customers. Bank has also clearly defined risky and unwanted customer segments (gambling, non-transparent Internet business enterprises);

• Coherent and managed reaction to volatile and changing market situation during the recent economic crisis confirmed bank's timely risk management losses during economic crisis.

• Bank has an original visual identity and maintains regular communication in mass media, but the overall image can be evaluated as rather conservative. Communication and visual identity can be considered to have medium importance to DnB Nord as this is niche bank and it is not trying to achieve leading position in terms of brand awareness. In fact, its corporate and marketing communications are targeted to specific target audience in order to achieve intended business goals.

• DnB Nord have opened their new office building in the district, which is considered as evolving business district where majority of financial services providers are about to locate their representative offices. Therefore, it is important for DnB Nord to be associated and perceived as one of leading banking industry players also in terms of office location.

• Behaviour dimension is considered to be of medium importance for the bank as from one side DnB Nord bank does not have explicit standards of ordinary employee behaviour, while from other side the corporate behaviour is expressed through several corporate communications activities and top management behaviour is expressed through presence in media as financial experts. The missing element to consider behaviour as highly important dimension in corporate identity formation is employee behaviour as there is no unified policy, nor explicit focus on continuous service quality improvements. Even though bank admits having developed internal sales management system, this relates more to the tools available for achievement of the intended business goals.

• DnB Nord has unclear (not defined) mission, vision and values, and it can be explained due to frequent re-branding and identity changes caused by frequent mergers and shareholder structure dynamics. Therefore, corporate culture dimension has been evaluated to be of low importance for DnB Nord bank.

Nordea

Communication and visual ID	HIGH importance
Behaviour	MEDIUM importance
Corporate culture	HIGH importance
Market conditions	HIGH importance

Figure 5. Corporate identity mix of Nordea.
Data source: own study.

• Nordea has always been considered as a conservative bank with strong corporate culture and values. Aggressive market penetration in the early 2000s was implemented using active communication solutions.

• There is quite high focus on mass communications, active sponsorship (sports, culture), product and corporate brand visibility, supported by respective campaigns.

• Nordea uses its office building “Nordea house” in corporate communications activities as a unique element of its corporate identity.

• Bank emphasizes that one of they key values underlying its approach towards relationships with customers is transparency.

• Employee behaviour dimension is less visible, but it is definitely supported by strong internal culture and clearly stated mission and vision statements, list of dominating values. Moreover, bank maintains active corporate communications with external stakeholders through various PR and investor relations activities. Top management representatives and department specialists are actively communicating in mass media as financial experts and thus strengthen the image of Nordea as an opinion leader in banking sector and macroeconomics field in general.

Summary and conclusions

Banking industry has always had quite strong image of generally conservative industry with clearly defined management principles and focus on money management as core of its existence. The survey of bank representatives confirmed that the recent economic crisis and the burst of real estate bubble in U.S. and Europe has left similarly strong impact on all Latvian banks, thus, making market conditions to be the strongest factor that has shaped bank corporate identity in Latvia in recent years. Losses were different for each individual bank as some of them were preparing for the worst case scenario and did quite well during crisis due to timely risk management (e.g. DnB Nord, SEB Banka), while others made significant losses while trying to maintain market leader status (e.g. Swedbank). However, it still confirms the importance of corporate strategy and general banking industry conditions as extremely important factor shaping individual bank identity within the volatile market.

Research showed that corporate identity of all four banks reflect the four corporate identity dimension in their overall corporate identity with differences in the significance and relative contribution of each factor to the formation of the overall bank identity.

Corporate communications and visual identity can be regarded as the second most important sub construct to form corporate identity due to the fact that all four leading banks do implement integrated communications to generate their corporate and product brand awareness. Important to note, that all banks confirmed one corporate brand strategy for the entire product/services group, which is a strategic move from the promotion of separate daughter company brands (e.g. Swedbank and Swedbank Leasing) to single brand strategy which in practice implies that customer entering bank does receive all services from a single provider – a bank.

Corporate culture was concluded to be the most volatile corporate identity factor due to differences in its significance for different banks. For instance, frequent re-branding of DnB Nord bank has caused a situation when bank has no clearly stated mission and vision statements resulting in poor corporate culture, while their close competitors, Nordea bank, confirm that their activities are clearly values-based and the entire range of Nordea business activities in Latvia is aligned with their mother-bank values.

Finally, behaviour was found to be also important factor in corporate identity formation as part of overall strategy for some banks. For instance, Swedbank has included employee behaviour in their overall strategy with aim to maintain the leader status in banking service provision both, from services provision perspective in branches and also from PR perspective by promoting their top and divisional managers in mass media as the financial experts whose opinion and behaviour should be regarded in respect to Swedbank overall business.

Future research could focus on the commercial bank brand building analysis by surveying customers of the respective banks followed by processing of similarities and differences between what is communicated by the bank (their intended positioning) and what do customers actually perceive as their identity and image.

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