

The Role of Corporate Branding in a Market Driving Strategy

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ABSTRACT

Purpose - The aim of this paper is to examine the relationship between corporate branding and market driving. This is achieved by focusing on key dimensions of brand identity such as brand values and staff behaviours, while acknowledging the role of vision and organizational culture. The links between these brand constituents and the actual activities of the firm in a market are explored through interactions with stakeholders.

Design/methodology/approach - This research is based on an in-depth case study of IKEA at a corporate level and its local market activities in Russia. The single-case approach is used to generate insights into how corporate branding is related to market driving practices and to identify the mechanisms of market driving in the Russian market.

Findings - We argue that the corporate brand provides a further source of the “leap” in customer value recognised as a requirement for a market driving approach. Through a case study of IKEA in Russia we illustrate how the core values of the brand guide both the behaviour and activities of internal stakeholders and the relationships with external stakeholders, and explore the interactions between the corporate “global” brand values and local market level activities.

Originality/value - Insights on the role of a corporate brand as a driving force of market driving. Conceptualisation of market driving from a broad stakeholder perspective.

Keywords corporate brand, brand values, market driving, IKEA, Russia

Paper type Conceptual/empirical paper

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Introduction

Market-oriented businesses are committed to understanding and developing superior solutions to customer needs through the processes of acquiring and evaluating market information in a systematic and anticipatory way (Kohli and Jaworski, 1990; Narver and Slater, 1990; Day, 1994; Slater and Narver, 1999). Two approaches to market orientation have been distinguished in the literature. A firm can be “market driven”, i.e. reactive and adapting its offer to current customer needs, or “market driving”, a more proactive approach which implies leading customers and reshaping markets (Kumar, 1997; Slater and Narver, 1998; Jaworski *et al.*, 2000; Kumar *et al.*, 2000). Some authors define market driving as an emerging form of the marketing concept within the existing market orientation paradigm, while others view it as a new and distinct marketing paradigm in its own right (Hills and Sarin, 2003).

Attempts to synthesise the characteristics of market driving emphasise value creation, change, and leadership, plus the importance of a market-driving culture characterised by shared values and norms that facilitate innovation and change (Hills and Sarin, 2003). This paper argues that corporate branding provides a mechanism for developing this cultural emphasis. The goal of corporate branding is to conceive, manage and communicate corporate brand values in order to guide managerial decisions, actions and normative firm behaviour (Lawer and Knox, 2004). Since corporate brand values originate from organisational heritage and culture, and guide employee behaviours, they enable the company as a whole to unite behind a particular strategic intent. However, corporate brand values and the

way that they are translated into staff behaviours and conveyed to customers and other stakeholders are generally overlooked in existing studies of market driving, although some contributions use examples of companies with strong corporate brands to illustrate this approach. When internationalisation is involved, it is also important to consider a firm's actions at both the global and the local levels. A market driving strategy applied in a local market is more likely to succeed if supported by a clear and consistent global brand vision, and a value laden resource base that can be mobilized and implemented at the local level.

The aim of this paper is to examine the relationship between corporate branding and market driving. This is achieved by focusing on key dimensions of brand identity such as brand values and staff behaviours, while acknowledging the role of vision and organizational culture. The links between these brand constituents and the actual activities of the firm in a market are explored through interactions with stakeholders. Empirically, the paper is based on a study of the Swedish furniture chain, IKEA. The paper focuses on IKEA's corporate brand values and how these values define the character of the company's market driving strategy, and determine the mechanisms of market driving in the Russian market.

The next two sections discuss existing theories in the areas covered by the paper. A tentative theoretical framework is then proposed which focuses on corporate brand values and how they interact with global and local conditions. We then present the empirical study and provide some general conclusions and implications.

Theories of Market Driving

The traditional “market driven” interpretation of market orientation has been criticized for being associated with adaptive learning and thus neglecting the role of innovation in market change. In contrast, the “market driving” interpretation provides a proactive approach in which companies can shape market structures through altering the composition and/or behaviour of market players. A broader perspective is taken, as market driving requires the consideration of a wide group of stakeholders including customers, competitors, employees and other business actors. The market driving approach is recognised as a successful strategy for a number of firms such as: Amazon.com; Body Shop; CNN; IKEA; Sony; and Dell, all of which have strong market positions, a clear brand image, and exhibit sustainable international business growth.

Despite representing different perspectives, the market driven and market driving approaches are regarded as complementary, as both represent a market orientation that entails a focus on customers, competitors and broader market conditions. Any given organisation can therefore be both market driven and market driving and successfully operate both approaches, and it has been argued that these two approaches might also be sequential, with a successful market driving strategy requiring a firm to subsequently become more market driven (Harris and Cai, 2002).

Existing conceptualizations of market orientation have applied two different perspectives. Jaworski *et al.* (2000) focus on factors external to the firm and the ways that a firm may change the composition and role of players in the market and/or the behaviours of a range of market participants, whilst Kumar *et al.* (2000) emphasise the firm’s internal dynamics (business systems and intra-firm

behaviours) and imply that these activities deliver innovation and change. The latter approach suggests that successful market driving is based on two premises: business system uniqueness and a value proposition revolution. Essential characteristics of this approach, alongside the conventional market sensing activities of market orientated firms, include: a clear corporate vision; the behaviour of employees - who through empowerment and creativity make the vision become a reality; the revolution of channel structures; and the education of customers.

One review of existing literature, proposed a broad-based definition of the market driving approach:

“a firms’ ability to lead fundamental changes in the evolution of industry conditions by influencing the value creation process at the product, market or industry levels.” (Hills and Sarin, 2003)

and identified three key underlying dimensions: value creation; change and leadership. The role of organisational culture in creating and implementing market driving strategies is further recognised by Carrilat *et al.* (2004), who stress the role of transformational leadership in articulating a vision and aligning the values and goals of organisational members, and of organisational culture in facilitating shared values and behavioural norms. They further argue that an adhocracy type culture – with an informal/external focus – initially encourages innovation and interactive learning, and this then evolves into a market type culture – with a formal/external emphasis - to facilitate the matching of firm capabilities with customer value opportunities.

The emphasis placed in all these studies upon value creation, corporate vision, leadership and organisational culture in creating change in the behaviours, attitudes and structures of market actors suggests that corporate branding may play an important role in our understanding of the market driving approach.

The Corporate Brand and its Role in Market Driving

All the examples of market-driving companies provided by Kumar *et al.* (2000) are strong corporate brands with a clearly defined vision and values, a fact not explicitly discussed by the authors. We propose that it is not only “breakthrough technology” or “breakthrough marketing” that enables these companies to create the leap in customer value deemed necessary in market driving, but also their focus on corporate branding. By aligning their internal organisational systems and external networks with core values and attitudes, these companies develop strong corporate brands. In conditions characterised by unsustainable product differentiation, increasingly sophisticated consumers and fragmented markets, the corporate brand is recognised as an important asset (Balmer and Gray, 2003; Kunde, 2002; Hatch and Schultz, 2003; Kay, 2006).

The growing importance of corporate branding, and associated constructs has been identified by several authors (e.g. Balmer, 1995; Hatch and Schultz, 1997, 2001, 2003; Whetton and Godfrey, 1998; Balmer, 2001; Ind, 2001; Balmer and Greyser, 2003; Brown *et al.*, 2006; Pitt *et al.*, 2006; Chun and Davies, 2006; Kay, 2006). It is not our intention to discuss this expanding body of research in detail, but to recognise that within this work emphasis is placed upon: core values and attitudes as defined by company founders or senior management; the role of employees and organisational culture in delivering and maintaining these values; value based relationships with multiple stakeholder groups, and the ability of corporate brands to influence stakeholder behaviours. The corporate brand provides a source of competitive advantage by bringing together the company vision, culture and values, with organisational systems and networks, to form a unique organizational value proposition for customers (Knox *et al.*, 2000; Hatch and

Schultz, 2003). Balmer and Gray (2003) define the characteristics of a corporate brand as:

“an identity that has been astutely nurtured and maintained over successive generations, that has enjoyed wide staff commitment to its ethos and values – a commitment that has in time been reciprocated by those stakeholder groups that are crucial to the organisations success and continuance – furnishes a sound underpinning for a successful corporate brand.”

While the traditional approach to corporate branding advocates the alignment of identity and image, and focuses on the balance of macro-dimensions (vision, culture, image), other studies take a more cautious approach and focus on the harmonisation of micro-dimensions such as brand perceptions by different stakeholders (Davies and Chun, 2002; Kowalczyk and Pawlish, 2002). Christensen and Askegaard (2001), argue that the alignment of identity and image is more about reaching a subtle balance, rather than reducing any gap, since these phenomena are inseparable by nature. Even though the level of analysis is different, the role of brand identity in influencing the brand image of customers and other stakeholders is emphasised. It is also stressed that although the link between identity and image is reciprocal, it is more beneficial to have a stronger identity than image (Davies and Chun, 2002).

The logic of “strong brands” is broadly discussed in a more recent literature. For example, Kay (2006) argues that examples of brands with strong identities should be used with caution, since brands acquire power in different ways and convey specific social meanings, and are thus not universal. The same can be said about consistency as the traditional way of developing strong brands. Morsing and Kristensen (2001) identify different types of coherency in branding and argue that the major focus should be on the statement coherency of brand messages to organisational stakeholders, as the interpretational coherency is in many cases

beyond the company's control. The latter issue is also stressed by Pitt *et al.* (2006) who discuss the diminishing control that organisations have over their brands.

Despite the different approaches to corporate branding most authors agree that the corporate brand is a complex multidimensional construct of an intangible nature (e.g. Ind, 1997; Balmer, 2001b; Balmer and Gray, 2003; Brown *et al.*, 2006; Pitt *et al.*, 2006). Irrespective of the general conception of the corporate brand as a sum of values (Ind, 1997), a logical structure (Kay, 2006) or a bundle of associations (Brown *et al.*, 2006), its ultimate goal is to create meaning and value through various relationships between the company and its multiple stakeholders. The ability of corporate brands to influence perceptions and behaviours and even “channel consumer perceptions” is emphasised by a number of authors (Chun and Davies, 2006; Kay, 2006).

The corporate brand is thus primarily a construct of a mainly relational nature. For example, first, the sustainability of customer value is dependent upon the internal processes that deliver the brand promise, and the behaviour of staff that embody brand values. Consequently the role of employees in building and maintaining customer relationships is crucial (Harris and de Chernatony, 2001; de Chernatony, 2001; Miles and Mangold, 2004; Chun and Davies, 2006). Second, enhanced customer value is developed and delivered through a firm's network of suppliers and partners, who become an explicit part of the proposition. Finally, relationships with all external stakeholders including investors, media, and local communities are important as they contribute to the reputation and perception of the brand (Einwiller and Will, 2002). Having applied a stakeholder theory to corporate branding, several authors such as Payne *et al.* (2005) and Jones (2005) identified the primary (vital for the organization) stakeholders as: internal (existing

employees) and external (customers, suppliers, competitors, potential employees and societal actors).

The corporate brand faces specific challenges when a company internationalises because of the greater reach in terms of geographical coverage, the number of stakeholder groups targeted, and the need to co-ordinate a more diverse staff and dispersed network of partners. Designing market strategies for a “global” corporate brand requires a good understanding of the brands multidimensional nature and the mechanisms that come into force when the company establishes its operations in a new market. The strategic imperative is to align the integrated corporate value based approach, encompassing staff and external stakeholders, with local conditions in a sustainable marketing strategy.

While stressing that a strong corporate brand makes a firm more inclined to adopt a pro-active market driving approach, previous studies have not explicitly discussed why this is the case, or explored which corporate branding mechanisms enable the company to implement such a strategy in a particular market. In our view, the corporate brand greatly influences the local marketing strategy since it determines the strategic prioritisation of the brand vision, values and the whole brand identity irrespective of the market, as well as determining the nature of relationships with stakeholders and the modes of behaviour of different market players (Urde, 2003; Burghausen and Fan, 2002). Thus the dynamics of market driving through a corporate brand might be more complex than previously discussed in the literature.

Two aspects emphasised in the corporate branding literature appear to be of fundamental importance to market driving at an international level: internal organisational culture-based behaviours and externally nurtured networking

behaviours. The central role of organisational culture in creating and implementing a market driving approach is discussed by Carrillat *et al.* (2004), while Kumar *et al.* (2000) argue that organisations which activate the values that trigger innovation and change are more prone towards market driving. However, in order to be effective and to maximise customer value, brand values also need to be motivating for staff (internally) as well as relevant to customer needs (externally). When employees develop more pro-active attitudes towards customers, this triggers interaction and customer involvement with the brand, which, in turn, increases understanding and loyalty towards the company's products and services.

The emphasis placed upon strong relationships with external business partners such as suppliers, when either pursuing a market driving strategy, building a strong brand or developing a high degree of market orientation in general (Elg, 2002; Siguaw *et al.*, 1998) implies that networking aspects should also be considered more systematically in an internationalisation context. If, for example, suppliers are to support a firm's market driving approach, it is likely that inter-firm relationships should be based on a high degree of trust and commitment. A long-term orientation within a network relationship is often based on commitment at a personal level, and when both parties have a long-term interest in the relationship, suppliers become more dependent on the success of the firm's market driving strategy (Ford *et al.*, 1998; Håkansson and Snehota, 1995).

We therefore suggest that the dynamics of market driving with a corporate brand should be explored more broadly in relation to the inner driving forces that initiate the change, the processes of change on both the global and local market levels, and the specific activities that are undertaken by a firm pursuing a pro-active market strategy. The role of corporate brand values that reinforce,

perpetuate and align market activities with strategic intent is especially important in this change process. Particular emphasis should be placed upon identifying the internal and external stakeholders that become the main actors in market driving dynamics, as well as on the relationship building processes and mechanisms. The concept of the corporate brand would appear to play a fundamental role in shaping these behaviours, processes and mechanisms. The ambition here is to integrate the perspectives of corporate branding and market driving, with the aim of creating a conceptual framework that will enhance our understanding of the nature of market driving as perpetuated by corporate branding. By bringing corporate branding issues to the fore, we first, link the expected “leap” in customer value inherent in market driving to both tangible and intangible brand values and, second, emphasise the importance to market driving of relevant brand values that represent the essence of the brand and guide staff behaviour and all organisational activities in the marketplace.

Corporate Branding and Market Driving: A Proposed Framework

The framework presented in Figure 1 places the corporate brand as a balancing force, which considers the interests of different stakeholders, whilst simultaneously reinforcing the company’s core values and maintaining its image and business proposition. It also illustrates the interaction between the firm’s efforts in the local market and its global position and image. The focus is on different stakeholders and on how the firm can manage and balance stakeholder relationships in order to pursue a market driving approach based on “global” corporate values whilst also paying attention to local conditions.

[Insert Figure 1 here]

The starting point in developing a consistent market driving approach is the brand identity that acts as an organisational basis for strategy. Brand identity is viewed as interplay between vision, organisational culture and employees (existing staff). This conceptualization is based on the model by Hatch and Schultz (2003), which has been developed further to stress the crucial role of employees on the different levels in identity formation, and their role as the link between the brand and its different stakeholders (Larsson *et al.*, 2003).

The core brand values form the epicentre of the brand and the essence of its identity (Urde, 2003). These core values are firmly rooted in the company's heritage, linked to its founders, and the strategic vision as defined by the management/owners, whose role is to safeguard the values and culture over time. Brand values have to be clearly defined and operationalised in order to be effectively communicated both inside and outside of the firm. The brand values are a driving force in developing other components of the marketing strategy. The nature of values is also important since market driving is argued to be facilitated by a risk-taking, innovative, learning-oriented organisational culture (Carrillat *et al.*, 2004).

Guided by corporate brand values, both employees (existing and potential) and suppliers are crucial links between the global and local levels and key elements in the market driving dynamics. Employees become ambassadors of the brand values. Ultimately it is the employees who communicate the firm's corporate brand values and "translate" them in the local marketplace. Therefore, human resource managers in the local market have to recruit and train those who can adapt to the company brand values. Employees who have successfully established

the firm's brand values in one market, or have adapted to them, can then be transferred to other markets as brand ambassadors.

Suppliers can also become carriers and keepers of the brand values. A global supplier base of partners that have been educated in and are committed to the firm's core values can be a valuable resource when a market driving firm enters a new market. Having a stable supplier base ensures that the company can offer the same product range in the new market without being dependent on developing new supplier relationships. However, one aspect of establishing operations in a new market is to identify and develop new suppliers that can be added to the global supplier base. The interaction with, and organisational learning from dealings with local suppliers helps the internationalising firm to understand local values and preferences, at the same time as the local suppliers are educated in and adapt to the firm's core brand values. These dynamic interactions requiring substantial investment from both parties in terms of finance, time and personnel, are also important in developing a high level of trust.

At the local market level a variety of interactions occur with different stakeholders. Customers need to be educated in the company's brand values and associated behaviours. This will require the company to both understand the local market in order to present the firm's market proposition in a way that is compatible with the local culture and values, and to encourage consumers to try new things and to question their prevailing norms and attitudes. Here, locally recruited employees and local suppliers, grounded in corporate values, can contribute. Local government, trade unions, and media are examples of wider societal stakeholders which, as key opinion formers, have to be approached and introduced to the firm's values. This relationship will again require sensitivity to local values, and an ability

to “translate” and communicate corporate brand values in a way that maintains their core meanings. Finally, a market-driving firm with distinct brand values often has a major impact on existing competitors and on industry structure. The nature of competition is influenced, restructuring may occur and existing business attitudes and behaviours may change. New to the market approaches to supplier relationships and employee interactions, are important contributors to industry change.

These local interactions with internal and external stakeholders need to be balanced with global strategies via the corporate brand values that permeate organizational processes and activities, and that guide the behaviours of all organizational and network members. Similarly, the different needs and interests of stakeholders of the global community and the expectations of different regional and national markets need to be balanced. We suggest that the strength of the reciprocal link between the global and local levels makes the local market strategy more effective and reinforces the company’s global position. This requires an open communication flow between the global and local levels in the company. In order to produce market change, the company itself needs to undergo change. The dynamics of market driving are therefore heavily dependant on whether there is an internal drive embedded in the brand itself, and whether this is shared by the staff and supported by organisational systems – the essence of corporate branding.

The Research Design and Method

This research is based on an in-depth case study of IKEA at a corporate level and its local market activities in Russia. Ikea has been used as a critical case (Yin, 1994) of a market driving company due to its innovative approach to both business

systems and customer relationships; a strong organisational culture based on clear organisational values (Kumar *et al.*, 2000); a strong brand identity (among world's most valuable brands according to Interbrand 2004); and an expansion strategy based on a single standardised retail offer (Arnold, 2002; Salzer, 1994). Russia provides a suitable setting for a market driving approach, as the market is immature, fast developing, and characterised by rapidly changing consumer demands. As a market ripe for market driving it provides a setting for observing the role of corporate branding mechanisms in these activities. The single-case approach (Ghuri and Grønhaug, 2005) is used to generate insights into how corporate branding is related to market driving practices and to identify the mechanisms of market driving in the Russian market.

Ten in-depth semi-structured interviews were conducted with IKEA Moscow staff at senior and middle management levels; one interview was carried out with a local Russian supplier; and eight interviews were carried out with corporate managers in Sweden. The respondents were drawn from different positions in the brand value chain (product range, distribution, supply chain, retail, human resources etc) and were highly knowledgeable informants who viewed the corporate branding and market driving phenomena from different perspectives (Eisenhardt and Graebner, 2007, p. 28). All interviews were tape-recorded and transcribed, including the necessary translations from Russian and Swedish into English. Each interview lasted for at least one and a half hours and covered a wide range of topics in accordance with a general interview guide based on the preliminary theoretical framework (Ghuri and Grønhaug, 2005) and including different perspectives of corporate branding, marketing strategy planning, and implementation. The terms “market-driven” and “market-driving” were not used

during the interviews. Instead themes relating to these approaches were discussed freely. Similarly, the corporate brand concept was disaggregated into components such as brand values, vision, culture etc. and discussed broadly. Consequently, topics included: the generation of market intelligence (in a broad market sense), its organisation-wide dissemination and different response mechanisms and designs; corporate brand dimensions and their impact on behaviours and market activities; and relationship issues with stakeholders. The constructs that have a bearing on corporate branding elements and market driving behaviours and activities were then categorised as such on the basis of the literature and through interview content analysis. In addition, documentary data such as company brochures and advertisements, business plans, organisational schemes, employee surveys and the local newspaper articles were incorporated into the case.

The conceptually clustered matrix coding techniques were used for data labelling and retrieving (Miles and Huberman, 1994, p. 20; Ghauri, 2004). The theoretical framework discussed earlier was used as a basis for data collection. In the process of analysis, the assumptions behind the framework were tested and it was complemented with new insights. Thus, the research used a systematic combining (Dubois and Gadde, 2002) of theory and empirical data, which implies a constant interplay between the framework and the case that evolves gradually. The findings of the research should be viewed as exploratory in nature and the theory and implications only tentatively generalised following the logic of analytical generalisation from a single critical case (Eisenhardt, 1989; Yin, 1994; Ghauri and Grønhaug, 2005).

The Corporate Brand as a Market Driving Force – Insights from IKEA

IKEA is a leading home furnishing company with more than 250 stores in 35 countries, selling a range of 9 500 articles and employing over 100 000 people. The company was founded by Ingvar Kamprad in Småland, a province in Southern Sweden where people are renowned for working hard, being thrifty and innovative, and achieving big results with small means. Today, the IKEA group is controlled by a private foundation and not listed on the stock market. Ingvar Kamprad's innovative idea was to offer home furnishing products of good function and design at prices much lower than competitors by using simple cost-cutting solutions that did not affect the quality of products. This is the prominent philosophy at IKEA. Although IKEA had been operating in Russia since 1990 it only opened its first store in Moscow, Khimki in March 2000. Since then, nine new stores have been opened – in Moscow, St: Petersburg, Kazan, Yekaterinburg, Nizhniy Novgorod, Novosibirsk and Rostov-na-Donu. Two stores are under construction in Samara and Adygeya (data of March, 2008). All Russian operations are controlled as fully owned ventures by the IKEA group.

IKEA's corporate brand system

IKEA has long been recognised as an extremely strong brand regularly featuring in the top fifty of Business Week's annual listing of the world's most valuable brands. The brand is based upon a vision of *"creating a better everyday life for the many people"*, as expressed by Ingvar Kamprad, sixty years ago. The brand values (Table I) are linked to this vision and play the guiding role in brand development. The values form the foundation of a unique culture internally called the "IKEA Way", which is an expression of IKEA's history, product range,

distribution system, management style, human resource ideas, etc. Brand and cultural values coincide almost completely at IKEA. They permeate strategy, organisational processes, product development, and customer relationships. For example, the core value of “cost-consciousness” dictates the necessity of global sourcing, defines the customer relationship where *“IKEA does a half and the customers do a half”*, and guides product design, choice of materials, the self-service flat-pack concept, and logistics. Similarly another core value, “simplicity”, is reflected in a fast planning process, behaviours and routines governed by common sense, straightforward relationships with suppliers and customers, and the product development process.

[Insert Table I here]

By linking vision, values (and culture) and creating a distinctive brand identity, IKEA creates a firm platform for entering a new market. It was the overall company vision that guides IKEA in Russia:

“IKEA is needed in Russia because there is no other company that cares about the interests of those many ordinary people. In today’s Russia only those who can afford Mercedes and BMW have had their needs satisfied.”
(Marketing Manager, Moscow)

IKEA’s brand identity, as projected through the product range, plays a central role in the pursuit of a market driving strategy. The product range is developed in Älmhult, Sweden and introduced with only minor adaptations (e.g. furniture size and colour of fabrics) in all its retail markets. IKEA introduces the range irrespective of what is considered to be popular with customers in the market. In Russia furniture is traditionally expensive, “heavy” in appearance, made from dark wood and lacquered – almost a total anti-thesis to the IKEA style of furniture. The range is made relevant through a modern style that is considered to be more universal than a typical Russian or Swedish one.

“We have the IKEA range and we have the market knowledge and the people needs here, which are pretty much the same needs in Moscow and in Malmö.” ...“To us the need is what comes to the wallet, not when it comes to the style.” (Store Manager, Moscow)

IKEA thus drives change by both serving universal “needs” that may not be fully recognised by customers (e.g. affordable furniture), and initiates change by inspiring customers through solutions based on the product range (e.g. the “living with small spaces” concept).

In each market IKEA must recreate its company culture from scratch. This includes replication of the standard store design and layout, and an extensive cultural education programme. This is led by a team of experienced IKEA staff (mostly but not all Swedes), and involves introducing the new co-workers to IKEA routines and cultural traditions, as well as developing the necessary competences (e.g. teamwork, leadership, skill diversity, etc). Swedishness, as a vital part of the IKEA heritage, is carefully implanted through photographs of Swedish landscapes and Stockholm cityscapes at the IKEA office in Moscow, the IKEA restaurant with its traditional Swedish cuisine, and via the Swedish management style, which gives responsibility to each co-worker who “learns by doing”. The store becomes a cultural incubator – as the training site for new employees.

A key element in sustaining a corporate brand are the company employees, who should personify the company’s vision and brand values, and communicate these values to customers. The way IKEA treats its co-workers is guided by the same principles of simplicity, modesty and cost-consciousness that are visible in the product range. Larsson *et al.* (2003) argue that IKEA’s growth strategy is closely related to individual employee competences such as efficiency, competitiveness and leadership, creativity, teamwork, speed, adaptability and entrepreneurship, which are associated with IKEA values. These values are

consistent with the characteristics of the market/adhoc culture combination, which has been identified by Carrillat *et al.* (2000) as best suited to market-driving organisation (Deshpande *et al.*, 1993).

Recruitment plays an important role in both creating brand identity in new international markets and in implementing market changes. IKEA's recruitment policy is always based on the core values of "cost-consciousness", "simplicity", "leadership by example", "daring to be different", "togetherness and enthusiasm", etc.

"Our goal is to employ co-workers who understand and embrace our core values and will reflect and reinforce those." (HR Manager, Corporate)

The IKEA brand system conceptualised here as vision-values-culture-product-people acts as a cumulative force for driving the market. It is important, however, to emphasise the inner dynamics of this system, which initiates constant development and change in the IKEA brand itself. This dynamism is rooted in the organisational ability to be constantly open for change and its growth impetus as reflected by the view of brand identity: *"Identity is not uniformity because uniformity is limited. Identity is the possibility to grow"* (Store Manager, Moscow).

Local Market Driving Activities and Market Change: IKEA, Moscow

We will limit the discussion of the Russian case to the factors identified as characteristic of market driving by Jaworski *et al.* (2000) and Harris and Cai (2002), plus the role of employee attitudes, which has not been directly related to market driving in the literature. We focus on activities that are central to the firm's proactive strategy and on the changing relationships with the major market players namely employees, suppliers, customers, opinion formers, and competitors. The

emphasis throughout the analysis is on the role of corporate brand values and activities on driving change in these areas.

Changing employee attitudes by the approach to human resources

We have already mentioned that IKEA's recruitment policy is based upon corporate values, with an emphasis on attracting people who share the IKEA vision and values:

"Today we have to say that the personality is more important than what kind of CV the person is bringing." (Store Manager, Moscow)

This value-based approach is very different from the traditional one found in Russia, where recruitment is based upon formal qualifications - university degrees, professional training and the "official face" of applicants.

Transmitting IKEA values and developing core competences are seen as important elements of the training programme. Team-working is regarded as the major organisational mechanism at IKEA and "leadership by example" is central to both team-building and co-worker relationships. The IKEA perspective to training is very different from the traditional Russian approach, which has always been of a purely academic nature and provided an abstract knowledge of the subject. This difference created some difficulties in motivating Russian staff because of the low-status perception of shop floor training. The challenge, therefore, was to change employees' attitudes to work based training. As the case demonstrated, an important issue in this process was to motivate employees with core values by achieving a good fit between individual motivations and corporate principles. Satisfied co-workers not only serve customers better but also create a buzz-network that attracts new customers and employees. In contrast, even one

stressed and dissatisfied staff member, besides being a huge waste of resources, can create negative publicity for the company as an employer.

The training of new employees is also important in preserving and developing the unique IKEA culture. Among other things, it is characterised by openness to change, innovativeness and risk-taking flair. The human resources policy facilitates these cultural traits by adopting a rotation principle that encourages employees to move across functions and acquire new skills along the whole business chain. In most cases, job rotation was perceived as motivating by Russian staff. An experienced team of IKEA "veterans" with extensive and diverse international experience lead the cultural "marathon" in a new market. The "old Swedish guys" (as they call themselves) built up the organisation in Moscow, developed the local network of suppliers, recruited and trained local staff and designed the strategy for IKEA's Russian expansion. They still occupy almost all of the top positions at IKEA Russia to secure the IKEA culture and management principles. However, a new generation of experienced Russian "IKEAns" has already grown to become leaders at the newly opened stores in St. Petersburg and Kazan, and they also act as cultural ambassadors within Russia and globally. This approach - reproducing the IKEA brand identity through its most experienced co-workers - requires long-term planning and a significant investment in human resources, which to some extent contradicts the famous cost-efficiency principle underpinning the company ethos.

The company offers an attractive package to employees including a good salary and insurance package, free lunches and work uniform, a choice of spare-time activities and other things. This combination is not typical for Russian firms, which use salaries alone as the main method of attracting and retaining personnel. The employment package has already generated favourable public opinion and

created a perception of IKEA as a good employer and a different place to work. By setting an example, IKEA pressurises other companies to change their recruitment standards and employment conditions through increased (and different) competition for employees in the market.

As seen from the above examples, market driving requires a “glocal” human resource management approach that allows the reproduction of the global brand identity via experienced co-workers, and for continuous expansion via the development of local staff. The latter process is enhanced by creating a positive reputation for the company as an employer in the market. Consistent with the suggestion of Kumar *et al.* (2000) that market driving requires a HR policy that “selects and matches employees for creativity”, competitiveness and entrepreneurship, this study also supports a consistent and broad human resource approach aimed at developing the set of relevant competences and behaviours. We suggest that this approach constitutes one of the tenets of a market driving strategy. Recruitment based upon matching values and cultural training in combination with specially designed HR policies prepare employees for their roles as change agents in the relationships with their colleagues, customers and other stakeholders.

Changing supplier behaviours by integrating them into the global network

IKEA's Russian supplier strategy has been to build a network of local suppliers via active cooperation with the Russian wood industry. The core value of the pursuit of lower prices for customers makes it vital to increase the share of locally produced articles in the range. This pro-active approach to supplier relationships encompasses guidance, training, and financial support. It also

requires stricter control over production conditions (quality and delivery time), whilst also considering supplier capabilities. A firm cannot ignore local culture if it is to succeed with a market driving approach. In Russia, suppliers normally operate under conditions of great uncertainty, and are reluctant to enter into long-term commitments. IKEA needed to understand this position and then invest in training and other resources (machinery and “soft values”) in order to change this behaviour.

A four-step process designed at the corporate level, provides a code of conduct which is implemented in all countries, including Russia, to ensure that suppliers are continuously raising their standards in respect of social and working conditions and the environment. Building trust is a principal issue in relationships with suppliers. The threat of opportunistic behaviour by suppliers is minimised through long-term orders, investments in production, and strict control over implementation, yet it is not completely eliminated since the relationship gains for suppliers may be outweighed by the fear of losing their independence. The Russian supplier interviewed explained that although his factory was certified for Step One (no child labour and decent working conditions with minimum salaries) and he was aiming for Step Two, the fear of losing existing orders from other clients, alongside a decreasing variety and complexity of products, made him cautious about prioritizing IKEA above other clients.

Again, the standards that suppliers have to meet are closely related to IKEA's corporate brand values of cost-consciousness, simplicity, responsibility, and striving to meet reality, which are guiding principles in all relationships. The IKEA entrepreneurial spirit marks the start of all successful supplier relationships:

“It is more important to find the management with the right spirit, because you can build up factories, but you cannot change the mentality if you

don't have the right people from the beginning.” (Purchasing Manager, Moscow)

The process of finding new partners in Russia was compared to “*vacuum cleaning Russia*” in order to find suitable entrepreneurs. This mirrors the way that IKEA recruited employees in Russia. By developing supplier competencies and increasing their competitiveness, the company is driving Russian suppliers to increase their general standards and creating conditions for integrating local suppliers into the global network:

“Right now our needs are much bigger than the Russian industry can cope with. Right now we are trying to push the industry to do something! As soon as all these entrepreneurs get started, once all the financing goes into development of new products, I think we will see a fantastic development here.” (Purchasing Manager, Moscow)

Channel control through relationship formation with suppliers and other trade partners has been identified as one of the central tenets of market driving. Our case supports this finding but emphasises the characteristics of the relational approach, such as cooperative development of suppliers in accordance with the company’s core values and related Codes of Conduct. The corporate brand driven approach is also characterised by consistency and the integration of different steps within a global supplier strategy.

Changing customer priorities by educating them about the IKEA brand

As a new brand and retail concept for Russian consumers, the main task for the team in Moscow was to create awareness and develop an understanding about IKEA. The Store Manager commented that the most important objective was to bring people into the store, so that the range could speak for itself. Central to “educating” Russian customers about the IKEA offer was understanding the extent

to which the product range was relevant to the needs of Russian customers. As discussed earlier, the notion of “needs” is interpreted differently at IKEA:

“The general human needs are the same in all countries; all people will have a better life, all need the furniture to satisfy the most basic needs at home.” (Marketing Manager, Moscow)

This view is a reflection of the company's general approach of focusing on commonalities instead of looking for differences, and of distinguishing more general needs from product preferences. It is also strongly correlated with IKEA's vision (see Table 1) and based on customer knowledge accumulated in other markets.

Simply understanding customers' basic needs is not enough to create change in their lives. At IKEA they talk about “inspiring people to make change”, and recognise that the younger generation challenges everything conventional and often becomes the trigger for change:

“There is a younger generation coming and they are tired of listening to these Soviet stories, they will need to create a new life, try to make changes and create their own future. We think that this group will help babushka to change!” (Marketing Manager, Moscow)

As was evident from the interviews, closeness to customers is considered a necessary condition for success in a new international market. IKEA carries out extensive customer surveys combined with home visits, which provides management with a good understanding of the present customer perceptions of the IKEA brand. Internal company surveys show that Russian consumers perceive IKEA as “Western, bright, light, young, and fairly priced”. Although it is too early to speak about any radical changes in people's preferences, the process of teaching customers about IKEA values and brand identity have been successful so far – brand awareness is high and the Moscow store sales are amongst the highest in the group. The top selling articles are the same as in all other IKEA countries:

"A lot of products have found their way into the Moscow apartments – the famous Big Bang mug has sold around 50 million in Moscow – it must be in a lot of kitchens!" (Store Manager, Moscow)

This view of the customer market is supported by local store routines where customer feedback is encouraged and responses are collected on a weekly basis by staff on the shop floor. Shaping customer behaviour requires good market sensing: learning about local preferences in order to understand and meet them. Market sensing activity is illustrated by how the company considers consumer price perceptions of IKEA products to be more important than specific product preferences. Since the price perceptions held by Russian customers don't currently correspond to the low-price image that IKEA wants, the response is to cut prices of the most common articles. IKEA staff in Moscow emphasised the importance of *"cracking the codes"* – traditionally a low price means low quality to Russian consumers: *"What IKEA tries to do is to have good everyday quality at a low price"* (Marketing Manager, Moscow). To change these existing price-quality perceptions, IKEA uses the catalogues and other media to *"tell them the story"* of how the low prices are created:

"The low price should always be with meaning! And the meaning is our concept. When people understand that, they also understand what IKEA can give them." (PR Manager, Moscow)

The biggest mission is thus to teach Russians that inexpensive furniture can be good quality, that it is worthwhile to invest in their homes, and to change their priorities as well as their "mental colour palette". The IKEA Marketing Manager emphasised the need to spread information about IKEA via different media, including store elements such as the IKEA restaurant with its carefully maintained Swedish food traditions.

The process of changing customer preferences is undertaken in a very consistent way through a series of mutually linked activities aimed at influencing customer perceptions and altering behaviours. The outcome is changed priorities and a wide acceptance of the brand offer by customers. It is also closely interrelated with the market sensing and customer learning processes. Here the role of IKEA staff on the shop floor is very important – they present the range in the most attractive way; they actively interact with customers, and create a special family-friendly and relaxed atmosphere that is highly appreciated by Russian customers, especially those with children. The importance of building trust between IKEA and its Russian customers was continually emphasised in the interviews, with the respondents' view of the trust-building process aimed at changing the stereotype of seller-customer relationship that was historically very customer-unfriendly in Russia often treating customers as potential thieves. Changing customer priorities is to a large extent similar to the changing customer preferences tenet of market driving. However, in IKEA's case it implies both identifying and changing existing market perceptions (e.g. price/quality) and creating new habits and demands related to home furnishing. This is a broader goal than simply changing product preferences as reported in Harris and Cai.

Changing perceptions of opinion formers and decision makers

This market driving process also aims to create a positive image with groups of influential societal stakeholders: government authorities, politicians, journalists, and the general public etc. A major principle in IKEA's relationship behaviour is to show respect to and an understanding of the specific situation of individual stakeholders, whether a fireman, a government official or a mayor. Amongst the

most important stakeholder groups are the government authorities and politicians whose support is crucial for IKEA's future expansion. Relationships with these officials are developed gradually on a personal level and require pro-active practices such as lobbying for lower customs duties; the simplification of customs clearance procedures with local officials; and the creation of local networks with communal services, etc.

The importance of building up trust in opinion former relationships at the individual level was emphasised by many respondents:

"Trust is very important in the country where personal relationships mean so much." (Property Manager, Moscow)

According to the Country Manager (Russia), one factor which played a pivotal role in creating a positive image of IKEA in Russia was the company's refusal (unlike other foreign companies) to leave the country after the currency devaluation and economic collapse of Autumn 1998. This generated a genuine feeling of trust and led a greater willingness to cooperate with IKEA on the part of the major Russian politicians and business elite. The first IKEA store opening followed a historic decision by Moscow's main politicians, who appreciated the company's willingness to stay in the country during the "bad times". This is also a good example of the long-term focus that is required for driving markets with a corporate brand - the current market situation is considered to be of less importance than future business prospects in the country.

Another influential stakeholder group are journalists, who are treated in a very different way from what is the norm in the Russian media world. IKEA is completely open with journalists and teaches them the IKEA way by organising press-trips to Älmhult in Sweden:

“When they see it with their own eyes, when they see people who work there, how it has started with idea, they start understanding how IKEA works.” (PR Manager, Moscow)

According to IKEA, the result is that press coverage of the company in Russia has become much fairer and more positive – communicating the *“correct information”* - to existing and potential customers. The long-term perspective is further illustrated by how IKEA works with local communities in places where it does not yet have a visible presence (e.g. the Komi republic in the North of Russia). Seminars are organised for the local population at the sawmills/production sites of suppliers cooperating with IKEA. The aim of is to raise awareness about the company’s environmental policy and standards.

Changing perceptions of opinion formers and decision makers can be considered as an additional tenet of market driving that follows from Jaworski et al.’s (2000) view that changes in the behaviour of all players in the market is required. The role seems, however, to be more important if a company with a strong corporate brand adopts a market driving strategy since the level of involvement with societal stakeholders is higher.

Changing industry by altering the nature of competition

Many of our respondents expressed the view that due to IKEA’s presence noticeable changes have occurred within the local furniture industry. There has been some industry consolidation and a lowering of the price of furniture in Moscow, by 10-15%. This has happened in spite of protectionist measures that the local industry has pursued against IKEA (e.g. high import taxes). The norms of competition within the industry have also changed, which is evident from increased cooperation between major furniture retailers in order to raise industry standards.

One example of changing the norms of competition is the Mega shopping centre in Moscow, where IKEA is the “anchor” tenant. The fact that IKEA owns the whole development and invests heavily in the infrastructure shows the seriousness of the company’s intentions to the leasing companies and city authorities. This in turn creates more trust in the relationships with these stakeholders. The aim of “Mega” is to increase customer traffic through cooperation with direct and indirect competitors – a new way of trading in the Russian market. This approach is most effective in emerging markets with few competitors as it allows a market driving firm to enjoy additional competitive advantage by creating new market structures whilst still enjoying a prevailing position.

By pushing the retail industry forward, intensifying competition and moving competitive forces into other segments, IKEA is accelerating the development of the market economy in Russia in general and in the furniture industry in particular. However, the modernisation and increasing competitiveness of the Russian market will increase its attractiveness to other international companies, who will provide increased competition in the future.

The “changing industry” tenet of market driving is a good illustration of the “shaping market structure and behaviour of market players” approach identified by Jaworski *et al.* (2000) and refers mainly to its functional modification mode. In our case, this approach is taken even further as reshaping the competition includes changing the rules of operation to reflect the corporate mode of operation.

The major findings of the case study are summarised in Table II. While the local market driving activities illustrate how IKEA aims to shape the local market in terms of the behaviour of the different actors in accordance with the corporate brand values, the global market driving activities are concerned with driving the

local markets towards convergence with the global brand value platform which underpins the IKEA concept. It is important to stress, however, that these activities reflect IKEA's perception of its role in the market and as an agent of change.

[insert Table II here]

Discussion and Conclusions

Our study has argued that a clear, distinctive (customer relevant) corporate brand strongly supports market driving. The IKEA corporate brand provides the company with a strategic direction, based on its vision and brand values, which in combination with the product range and people involved in delivering these values, create a powerful brand identity acting as a driving force for shaping the market. By framing IKEA's Russian activities within the dimensions of corporate branding, further insights into market driving can be developed, relating to the driving forces, processes of change and specific activities in the market. Our study has found support for the arguments of Carrillat *et al.* (2000) that market driving requires a supportive organisational culture and that this needs to be recreated in the new market to provide a living context for the market driving strategy. In order to provide a driving impetus, the organisational culture is conveyed via relevant brand values that in IKEA's case imply change, risk taking, team working and leadership.

The role of brand values in market driving is evident in a number of relationships. For existing staff, brand values are used as working principles and rules for staff development while for potential employees they serve as recruitment principles. For suppliers, brand values provide the basis for relationship norms and principles. For customers, they constitute the shopping and behaviour rules, and for societal actors they provide the basic relationship norms. As shown in the case, some values such as change orientation and cooperation were emphasised

equally in relationships with all stakeholders, whilst others were more or less salient for different audiences. Thus, cost-consciousness was emphasised for suppliers and customers, leadership by example for staff and respect for societal members. This implies that having a strong culture and clear values does not exclude a sensitive stakeholder approach, whereby the values that appeal most to individual stakeholder groups are emphasised whilst maintaining the core values. There is a support for this view in the literature (e.g. Chun and Davies, 2006).

In support of Jaworski *et al.* (2000) and Harris and Cai (2002), this case also demonstrates that market driving involves changing customer and stakeholder attitudes and behaviours, which is undertaken gradually via the processes of educating stakeholders about the brand values, and inspiring these actors to change. Special attention is given to behavioural change on the part of societal stakeholders, where we see that their willingness to support the brand enhances market driving. The externally orientated market driving approach is complemented by the internal approach of changing employee attitudes via a value-based human resource strategy. This seems to be an important factor, as involving all employees in market driving activities triggers corresponding behaviours. Thus we argue that market driving starts from inside the company and requires the appropriate strategic thinking as expressed by the company's vision; strategic mentality in the form of organisational culture; and strategic behaviour codes as expressed by core brand values. Employees motivated by the core vision and values, and supported by organisational culture, through their individual behaviours create the basis for actual market driving activities. Changing employee attitudes is thus considered to be an emerging issue and an important additional characteristic of market driving.

The mechanisms of market change have not been given much attention in the literature. In their case of De Beers in China, Harris and Cai (2002) consider relationship building mechanisms whereby behaviours of customers and suppliers are changed through education, training and control. In the case of IKEA, these relationship building mechanisms are also present but the change is induced through a much broader development process that is guided by brand values and aimed at all stakeholders. What is especially important is the level of engagement of customer and stakeholder involvement in this process: they are not passive actors but rather co-actors responsible for their own development.

This case study suggests that a broader perspective on market driving should be taken to include the corporate brand as a market driving mechanism. Corporate brand values and the associated organizational culture have the potential to drive changes in behaviours and attitudes, and relationships with a wide range of stakeholders. Market driving also seems to be enhanced when it is aimed in the first place at the more responsive audiences (younger customers; entrepreneurial suppliers) who share the brand values from the beginning and are ready for change.

Market driving and the role of the corporate brand are themselves dynamic concepts. The relationship between market driven and market driving approaches has not been the focus of this study. However, in support of previous studies we have also shown that market driving is accompanied by market driven activities, which serve as fine-tuning mechanisms in the local market. Additional research is required to explore this interrelationship. The process of market driving with a corporate brand involves activities at both the global and local market levels, where the local market driving activities are aimed at creating a brand identity that is

consistent with the global brand image and leads to a stronger integration of a particular market into the global market space. From a global perspective, market driving implies the closer convergence of local markets towards a common global brand platform reflecting the brand vision and values. The continuation of the present research into other IKEA markets as well as with other retail companies will allow us to further explore the local and global perspectives on market driving activities within a corporate branding framework, and to look deeper into the interrelationship of different tenets of market driving. In addition, it is important to explore the role of corporate brand values in market driving in both immature and mature markets. This will lead to a better understanding of the nature of market orientation, market driving process *per se*, and the role of corporate branding in this process.

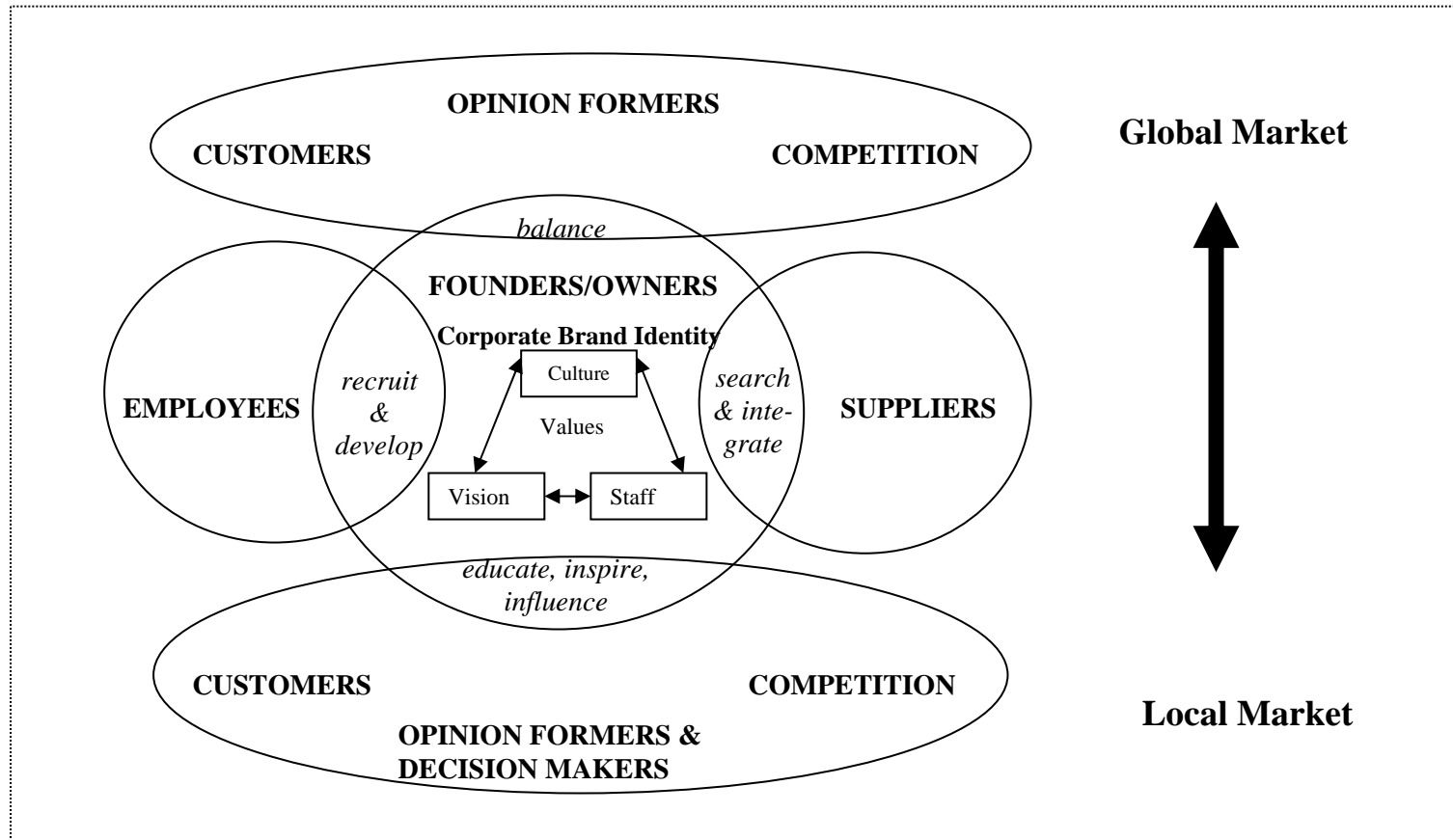


Figure I. The dynamics of the corporate brand as a market driving force.

The IKEA vision is to create a better everyday life for the many people.

We make this possible by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

Values:

- togetherness and enthusiasm,
- constant desire for renewal,
- cost-consciousness,
- willingness to accept responsibility,
- humbleness and willpower,
- simplicity,
- striving to meet the reality,
- leadership by example,
- daring to be different,
- constantly being on the way,
- fear of making mistakes (allowing people to get things wrong now and again)

Source: IKEA Corporate Materials

Table I. The IKEA Way: Brand Vision and Values.

Global Market Driving Activities	Local Market Driving Activities		
	Established norms	Activity/Issue	Outcomes
Employees - <i>changing attitudes and behaviours</i> - transfer IKEA values, culture and management principles - “good and different place to work”	- formal qualifications, “official face” - formal, abstract knowledge - academic in nature - salary package	Recruitment Training Attraction & retention	- personal values, attitudes, personality - people development (competences & skills, career planning) - work based learning - salary & insurance benefits - meals, uniforms, spare time activities - global career possibilities (cultural ambassadors)
Suppliers - <i>changing behaviours and standards</i> - build a network of local suppliers - integrate into global network	- transactional, opportunistic - limited, functional - short-term, transactional - limited trust	Behaviours Standards Relationships	- cooperative/developmental - guidance, training, financial support - product controls e.g. quality & delivery time - social/working conditions, environmental concerns (Code of Conduct) - long-term, developmental - building trust
Customers - <i>changing customer priorities</i> - identify universal needs and inspire change - presenting the firm’s offer in a	- traditionalist, functional - limited, sales orientated	Shopping behaviours Market sensing	- changing priorities and stereotypes - relevance of range to needs - value of investing in home - how to shop

“compatible way”	philosophy - low price=low quality - unwelcoming stores - limited media and message	Codification Communication	- customer feedback - extensive surveys & home visits - shop floor feedback - low price=good quality - explain how low price achieved - friendly stores/how to shop - multiple media : catalogue, store & artefacts, staff - telling the story
Opinion Formers - <i>changing perceptions and understanding</i> - recognition of multiple stakeholders & a network of “partners” - communicate “correct” information & understanding of the firm	- short-term, suspicion - personality based - closed, secretive	Relationships Communication	- long term, build trust - personality based - commitment to country, investment in industry - linking IKEA values to societal development - openness, honesty - explain “how IKEA works” - proactive & respectful
Industry - <i>changing nature of competition & norms of behaviour</i> - integrating local markets into the global market space	- controlled economy - production focused, scare supply - production/sales focus	Market structure Business norms	- market economy - customer focused - improved competition e.g. efficiency, standards - cooperation with competitors - new forms of operation (e.g. Mega Mall) -customer focused behaviours

Table II. Corporate Value Based Market Driving Activities and Market Actors at IKEA

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