

# RE • THINK



EDITED BY

ALEXANDER BRINK • DAVID ROHRMANN



# **Rethink – The Organisation**

Edited by Alexander Brink and David Rohrman

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**THE ORGANISATION**

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# Content

<b>Identities in Network Organisations</b> Eva Pecher, Lucas Rüngeler, and Julian Zuber	<b>9</b>
<b>Social Identity</b> Lucas Rüngeler	<b>29</b>
<b>One for All and All for One!</b> Yannik Bendel, Isabell Jehle, Eva Pecher, André Schmelzer, and Maximilian Schwefer	<b>67</b>
<b>Corporate Values: Valuable or Worthless?</b> Eva C. Schwörer, Lynn Waffenschmidt, and Tim Winke	<b>87</b>
<b>On Transparency</b> Simon Kehrer and Moritz Lechleuthner	<b>109</b>
<b>Communities of Practice</b> Judith Rudolph	<b>135</b>
<b>Mapping Knowledge – Strengthening Trust</b> Sebastian Görgl, Pascal Ludwig, Markus Walz, and Clara Welteke	<b>149</b>
<b>Digital Freedom</b> Jennifer Feyer, Moritz Orendt, Johannes Tholl, and Claus-Marvin Troemer	<b>171</b>





# Preface

“All that we are is the result of what we have thought. The mind is everything.  
What we think we become.”

This Buddha saying has inspired us to come up with our Rethink project. As economists and philosophers we understand ourselves as academics who critically accomplish social and economic developments. Living in turbulent times the tension between economic constraints and social needs has never been more dramatic. For this reason the connection between these two parts faces much attention. With this new series we want to rethink the traditional and familiar understanding of economic practice and therefore rethink ourselves, the organisation, and the world.

Across the globe and especially in Germany, corporations lack personnel in key areas such as experts and general managers. Academic education seems not to fully take into account these needs. Graduates are equipped with skills that have less and less practical relevance. They find themselves in a working environment that they do not feel well enough prepared for. Often academic knowledge is criticised for being too far away from what is really going on in the realm of corporations. A possible reason is that science is traditionally based on observation and on strong hypotheses, while the economy is concerned with complex innovations. Organisations, on the other hand, arouse increasing criticism in society for their thoughtless and unreflective economic activities. In future, universities will have to give more beneficial inputs to really make a contribution to society and not only to science. With models and theories that strive for more practicality, organisations have the chance to transform comprehensible and useful knowledge into thoughtful actions.

“Rethink – The Organisation” is the first volume of the Rethink series. It reunites ideas of an academic think tank that is based on a cooperation between the Nokia Corporation and the “Philosophy & Economics” programm with strong support from the 1492.//consulting. Since 2008, participants have discussed, developed and researched socio-economic topics that presumably will have a strong impact on society and the economy. The “Philosophy & Economics” course of studies, which provides a new qualification combining economical and managerial problems with philosophical reflections to foster a deeper mutual understanding is a unique and highly recognised academic concept in Germany and was introduced at the University of Bayreuth in 2000.

Bayreuth, October 2010

Alexander Brink and David Rohrmann



**Identity**

**THE  
ORGANISATION**

# Identities in Network Organisations

New Directions for Engagement and Cooperation

Eva Pecher, Lucas Rüngeler, and Julian Zuber

*Keywords*

*Identity, Network Organisation, Capabilities, Systems Theory*

This paper suggests that in the process of organisational change the identity of an employee serves as a point of orientation both for that individual employee and for his or her colleagues. On the one hand, identity allows sustainable orientation to further personal engagement; on the other hand, it is an essential facilitator for co-operation. For both aspects, and for the interactive development between individual identity and organisational structures, particular capabilities are required. This paper will outline three core capabilities (awareness, authenticity and self-development) as well as fundamental mechanisms in the interaction between personal identity and the organisation.

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## 1. *Introduction*

After a long quest to find himself, Peer Gynt, the eponymous protagonist of Henrik Ibsen's play, wonders: "Who am I?" (cf. Ibsen 1998). This question has not only been a topic in poetry and literature. It was often the starting point for various philosophical deliberations. For instance, according to Kant, one of the famous four questions which humanity was still struggling to answer is: "What is the human being?" The central concept here is one of identity.

Groundbreaking events in the past century – such as globalisation, new forms of transportation and revolutionary communication technologies – have led to rapid changes in modern societies way of life. Although the world may seem flat<sup>1</sup> at first glance, our achievements lead to an abundance of complexity. Consequently, human beings are searching for a point of orientation in order to manage this complexity. We believe that the personal identity of the individual can function as one such mechanism for overcoming the pressure that arises from being overwhelmed with complexity. From a philosophical point of view, we have been considering the ways in which the identity of the individual can serve the well-being of today's organisations, in particular those which seek to become highly effective network organisations. The main objective of the present paper is to outline the eminent role played by individual identity within network environments. Since identity is an essential element for engagement and co-operation, the personal identity of employees becomes particularly crucial for the performance of decentralised network organisations.

Methodologically, this paper consists of three steps: The first step is to provide a basic understanding of identity (Section 2). Section 2.1 will examine those fields of research where the term identity has become relevant. This will then lead into a discussion of individual self-conceptions, drawing on the well-known social identity approach. The second step concentrates on organisations and outlines concepts that describe its evolution towards network organisations (Section 3), starting with a description of classic bureaucratic organisations (3.1) that later developed towards (post-) modern network organisations (3.2). Section 3.3 briefly outlines the concept of the four modes of work, which integrates different organisational concepts through a comprehensive approach. Section 4 examines the role played by the individual identity within network organisations. Section 4.1 will point out the challenges of complexity faced by the individual members of a network organisation. Resilient and well-reflected individual identities can meet such challenges, allowing for the

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1 As suggested by the title of Thomas L Friedman's book, "The World is Flat: A Brief History of the Twenty-First Century"

occurrence of essential success factors such as engagement and co-operation (4.2). On this basis, section 4.3 will outline the capabilities that individuals must imitate in order to perform successfully within network organisations. We will argue that the awareness, authenticity and development of identity are vital. Consequently, 4.4 will outline the ways in which individuals and organisations can develop amid a continuous fluctuation between contingency and consistency. Finally, the paper will close with a summary of all important aspects, touching upon the limitations of the argument, and presenting an outlook for future research perspectives.

## ***2. Identity***

Various scientific disciplines such as philosophy, the social sciences, psychology, politics or economics have made either direct or indirect use of the concept of identity (cf. Rometsch 2008: 13). Given this breadth, the following overview of different approaches to the definition, categorisation and analysis of identity does not claim to be complete. Rather it serves to introduce the reader to the variety encompassed by the term. The main area of attention will focus on the fields of sociology and psychology.

Etymologically identity is derived from the Latin *identitas* which signifies sameness. Identity can be ascribed in two ways: The first indicates that sameness shared by specific individuals, objects or phenomena, a feature which links them as members of the same group. The second signifies a distinction due to specific characteristics which mark off an individual or group from others. Understood in this way, identity is not an absolute attribute but a relative one. It results from the contrast between those things which are perceived to be the same and those others which are not.

This definition allows us to develop an initial categorisation. First, we can distinguish between the identity of groups and organisations, referred to as social systems, and the identity of individuals, referred to as individual identity or personal identity. Second, we can then distinguish between identity ascribed by the environment and identity perceived by the individual or members of the system themselves. Relevant to the context of this paper is the identity ascribed to an individual by his or her social environment, referred to as a *persona*, and the self-attributed identity of an individual, referred to as a self-concept (Günther 2004: 23f.).

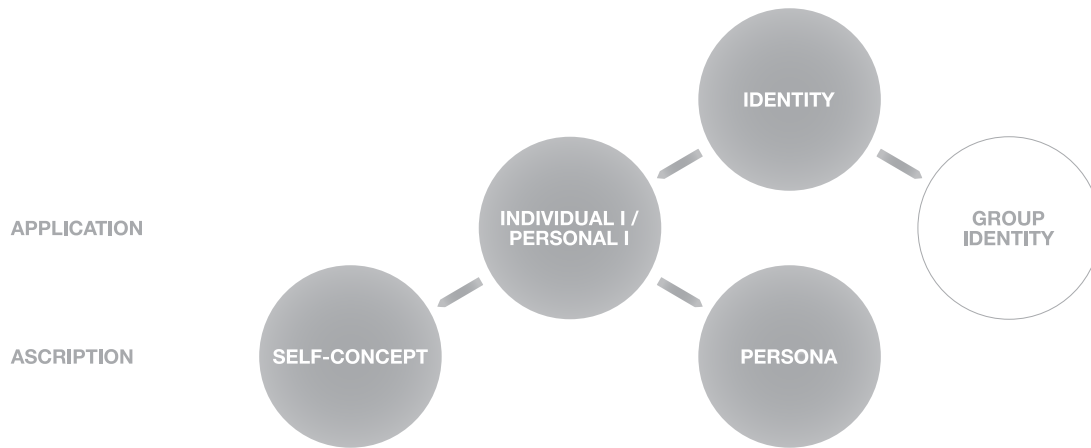


FIGURE 1: TERMINOLOGY (OWN SOURCE)

From a philosophical perspective, individual identity can be defined as a set of properties. Even if it varies over time, there must be a minimum level of continuity and consistency.

“We often speak of one’s “personal identity” as what makes one the person one is. Your identity in this sense consists roughly of what makes you unique as an individual and different from others. Or it is the way you see or define yourself, or the network of values and convictions that structure your life. This individual identity is a property (or set of properties). Presumably it is one you have only contingently—you might have had a different identity from the one you in fact have—and one that you might have for a while and then lose: you could acquire a new individual identity, or perhaps even get by without one” (Olson 2008).

The social identity approach<sup>2</sup> is a socio-psychological theory based on empirical research.<sup>3</sup> It aims to explain the relation between the self-concept and group identities and its impact on inter-group conflicts and inter-group discriminations. The underlying question is why group members tend to

2 For a general overview, see Haslam 2004: 18ff.

3 For a fundamental understanding of the social identity approach, see Tajfel 1978, 1981; Tajfel/Turner 1986; Turner 1975, 1978, 1985.

perceive their own group as better than or superior to other out-groups. To investigate this in-group bias, Tajfel et al. ran “minimal group studies”<sup>4</sup> which revealed the following:

“in-group bias is a remarkably omnipresent feature of intergroup relations (...). In other words, the mere awareness of the presence of an out-group is sufficient to provoke intergroup competitive or discriminatory responses on the part of the in-group” (Tajfel/Turner 1986: 13).

Although co-operative strategies were made available, the test persons consciously deviated from their economic self-interest. The leading motive in preferring the in-group was “to beat the out-group” (cf. Haslam 2004: 18). This behaviour can be explained as individuals categorising and defining themselves as a member of the group.

“We conceptualize a group in this sense, as a collection of individuals who perceive themselves to be members of the same social category, share some emotional involvement in this common definition of themselves, and achieve some degree of social consensus about the evaluation of their group and of their membership” (Tajfel/Turner 1979: 40).

Thus, any behaviour by a group member towards others outside the group is based on the individual’s identification of him- or herself and others as associated to different social categories. Such social categories can be based, for instance, on organisational membership, gender, religion or age. Based on these social categories individuals are able to locate themselves within society, giving them needed stability and orientation (cf. Haslam 2001: 52). Against this background of social identity theory, we suggest that one’s self-concept is comprised by two parts: the first encompasses significant group classifications or social categories to which the individual perceives him- or herself belonging. The second part stems from the individual’s own idiosyncratic characteristics, e.g. bodily attributes, taste, intellectual capacities or interests.<sup>5</sup>

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4 See Tajfel et al. 1971: 149ff.; Tajfel/Turner 1979: 38ff; Tajfel/Turner 1986: 13; Haslam 2004: 17ff.

5 See Turner 1982: 18; Ashforth/Mael 1989: 21; Haslam 2001: 31.

Since we shall suggest that organisations are to be regarded as social systems, it will be helpful to complement this socio-psychological approach with the sociological concept of identity inspired by the systems theory of Niklas Luhmann (1997). Due to the subjectiveness of identities, focus must lie on their impact and role in representing and stabilising behaviour expectations within social interactions. With regard to the individual, consciousness of his or her own identity allows for a prioritisation of possible alternatives that would otherwise appear indifferent. According to this theory, identities emerge, stabilise and change amid the interaction of psychological and social systems. The awareness of the own identity originates from the difference between the own emotions and expectations from the environment. Emotions are provided by the psychological system. In their role as creators of value and meaning for the individual, they provide an essential point of orientation. This concept is in line with the empirically supported statement of the social identity approach and allows for a consistent analysis of the interdependencies between identity and organisation. Persona is the identity ascribed to an individual by his or her social environment. It defines all expectations from the environment towards the behaviour of an individual in that specific social context, such as its contribution to a certain relationship, team, company or society. Thus the individual also has different personae among different people. To avoid conflicts in the individual's self-understanding, the personae should be consistent with the self-concept, although they can never represent all aspects of it. In contrast to the persona, role expectations are not attached to a person persona, but are directed towards a certain position or function. They can significantly constrain the alternatives to act because they attribute a need for explanation to actions that do not comply with the role expectations (cf. Günther 2004: 4ff).

### ***3. Evolution toward a Network Organisation***

#### *3.1 Bureaucratic Organisation*

Ever since Max Weber's analysis of bureaucracy in "Economy and Society", the modern organisation has been thought of as a technical and hierarchical structure of command and control. Idealistically it is a closed and stable formation, where function and structure, differentiation and integration are always harmonised. The success of bureaucracy in the twentieth century helped to spread the belief of its superiority over other types of organisational structures. But this proved to be invalid



in general. The effectiveness of bureaucracy in large scale settings was due to the environment of the time. Mass production and price competition were determining corporate strategy (cf. Weber 1948: 214). Under these specific circumstances, optimising the organisational structure towards functionality and efficiency was a crucial success factor. According to Weber, this implementation is realised through an explicit definition of competencies, responsibilities and information paths (cf. Reihlen 1999: 267ff).

The foundations of this thinking were laid in the rationalistic philosophy of modernity, beginning in the seventeenth century. With Descartes' attempt to find reliable criteria for the identification of knowledge, the principles of rationality, logic and unambiguity became central. It was precisely these criteria that became crucial for the general efficiency of processes, resulting in a mechanistic view of the world. Fundamental to this view is the strong belief that, in principle, correlations can be understood, processes can be governed, and situations can be decided in an unambiguous and optimal way (cf. Clegg 1990: 27ff, Reihlen 1999: 269ff). Therefore, classic management theory tries to optimise outcomes with logically or empirically derived decision-making rules.

The consequences for the individual and its role in society and the economy are ambiguous. The Enlightenment, the programme of modernity, stands for freedom from traditional or religious dictates of meaning and values that determined the personal vision of life. But this newly gained freedom was lost to some extent to the bondage of reason and organisation. To date, rational organisations and calculations have attempted to reduce the uncertainties of disenchanted modernity to a "manageable world" (Clegg 1990: 33). A person's contribution has been regarded as a factor of production. We have lost sight of the individual's personal vision of life, the meaning of his or her contribution. The radical division of labour and the distinct assignment of tasks within hierarchical organisations require more and more employee specialisation. But without supporting individuality, this process creates "specialists without spirit" (Clegg 1990: 33). Yet the clear demarcation of an individual's scope for development actually presents a mixed blessing for employees (Reihlen 1999: 272). On the one hand, some may perceive the strict rules and regulations as boundaries to their fulfilment in working life; while others welcome an orienting framework. Within explicit and permanent role expectations it is easy for employees either to identify or dissociate themselves with competencies, positions, status, titles and other formal attributes. Therefore, the dissolution of these structures can seriously challenge an individual's orientation and perception of personal and social identities.

### *3.2 Network Organisations*

The problem with the bureaucratic and hierarchical co-ordination of a system is that its efficiency is highly dependent upon a stable environment (Reihlen 1999: 272). Bureaucratic organisations that grew successfully due to specific market conditions during the nineteenth and early twentieth centuries were not meant to be flexible, nor to adapt or learn, but to mass produce at low cost. With growing dynamics and complexity, classical decision-making rules, which were derived from logic and empirical methods, have now reached their limits. Official channels in hierarchical organisations are time-consuming and constrain information flows. Increasingly saturated markets for consumer products, cheap mass production in newly industrialised nations and fast moving, innovation-driven competition require a re-thinking of organisational theory.

The requirement of flexibility, together with an information overload and the dissolution of traditional structures may easily overstrain decision makers, both in their personal lives as well as in organisations. In order to make decisions in situations that are difficult to grasp rationally, it is crucial that one abandon the idea of optimisation and accept ambiguity and heterogeneity. The search for the optimal solution is often far more inefficient than staying with a satisfying one. In this situation, the paradigm of optimising gives way to principles of satisfying. But what then can fill the lack of orientation that arises when analysis, calculation, and optimisation are abandoned as ultimate and universal criteria and methods?

With these thoughts in mind, philosophy, sociology, and art ushered in the era of postmodernism at the beginning of the twentieth century. To date, this new philosophy has been influencing numerous other theories including organisational and management theory (cf. Schreyögg 1999: 5f). In that context, it has been especially Lyotard and Foucault who have shaped the postmodern critique of the dogmatic focus on rationality and formal logic in science and management practices. They argued that the search for universally valid knowledge narrows the focus too much. This leads to the exclusion of unprovable knowledge and irrational methods, even though they may be relevant in practice, especially for the competitiveness of companies. No individual in a responsible position is able rationally to conceive and process the dynamics and complexity of a globalised environment, even with IT support. Diversity of opinion, ambiguity and uncertainty are accepted, not because we should not search for insights, but in respect of the limits of our rational capabilities (cf. Reihlen 1999: 269).

According to systems theory, organisations perceived as social systems will only survive in a complex dynamic environment if they themselves are complex and dynamic. Examples for systems that are extremely successful due to their ability to adapt are the human brain or social insect colonies. There are two preconditions for successful adaptation: one is the ability to produce creative solutions when new types of problems occur. The other is the ability to learn, thereby constantly improving the adaptation process. Crucial for the intelligence of a system is its capability to sense and process changes in signals from its environment. Again, this capability depends on its internal and external connections.<sup>6</sup>

Whereas the capabilities of the human brain may be sufficient for the co-ordination of small, family-run enterprises, these capabilities reach their natural boundaries when confronted with the co-ordination of large organisations. The idea behind a learning organisation is to interconnect the organisation's diverse members through self-organised relationships and real-time feedback loops in a complex and adaptive social system. Intelligent, collective behaviour can emerge when the diversity of limited individual experiences, knowledge, information accesses, supportive relationships, evaluations, intuitions, and visions etc. are available within the process of co-ordination (cf. Reihlen 1999: 283).<sup>7</sup>

When implementing the network, it is crucial that one avoid prescribing authority, power or competencies; instead, these aspects should evolve in self-governed processes within the system itself. But missing structures, change or fluidity do not have to be a permanent condition. The decision-making process requires the temporary establishment of hierarchies with problem-orientated competencies and relations. Differences in status and rank order are no longer based on formal positions but on reputation with respect to specialised knowledge, capabilities and relationships. Fluctuating hierarchies bestow responsibility on those who have the necessary capabilities. This proves to be more efficient than identifying relevant knowledge among employees and then transferring it to a formally responsible authority (Reihlen 1999: 283f). Instead, structures change due to changes in the environment. Various patterns of organisation has its own capabilities and therefore a right to exist. In line with current academic literature, we believe that the integration of all different patterns into a network organisation presents the most adequate method for coping with the challenges of

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6 For further reading on learning organisations and the systemic approach in organisational theory, see for example: Peter Senge 2006, Peter Drucker 2008, Peter Kruse 2004.

7 For a more comprehensive survey of the theoretical bases of network theory, see (Bendel, Jehle, Pecher, Schmelzer and Schwefer 2010, in this paper)

our time. In a so-called heterarchical organisation, the network fluctuates between rigid structures and an adaptive flow while multiple patterns of relation coexist. In the following section, we will take a closer look at the qualities which present in the most prevalent of these patterns, and will then introduce a more comprehensive approach, one that integrates the concepts of bureaucratic and network organisation contrasted above.

### *3.3 The Four Modes of Work*

Friedrich Glasl (1994) describes the evolution of different organisational capabilities by distinguishing between four modes of work: the entrepreneurial, differentiation, integration, and association modes.

The primal mode of doing business is the entrepreneurial mode. It is performed when starting a new business or expanding to new markets. In this mode the charismatic and authoritarian pioneer determines the vision, the strategies, and the structure of the business. The special capabilities offered by this mode are a high level of flexibility with an accurate focus on the customer. Customer loyalty is easy to achieve due to personal knowledge of the customer's situation.

When a business grows to the point where mass production is needed, the division of labour, planning, and control becomes necessary. Therefore a functional structure and a differentiated management must be established. The special capability, which characterises the differentiation mode, is its high efficiency in the production of standardised goods and services. This is reached through focussing on the rationality and logic of the system. The downsides of the differentiation mode are (1) that it loses sight of the customer, and (2) bureaucracy has the tendency to get out of hand. Employees must adjust to the inherent necessities, and the whole organisation becomes increasingly inflexible.

In the integration mode, these weaknesses are fought within the organisation. The structure is characterised by relatively independent, cross-linked teams with integrated functions. Hierarchies are flattened and overlaid with project teams, task forces and other mechanisms of lateral integration. Visions, goals, strategies and guidelines are developed co-operatively among employees to co-ordinate these small and autonomous groups. This requires a high level of communication and conflict management. The particular capability of this mode is its focus on the common vision of creating value for the customer which in turn creates meaning and a feeling of community for the employees.

Final integration of the organisation and society is realised in the mode of association. The special capability of this mode is its ability to learn from and adapt to a changing environment. The sense of responsibility across the bounds of the company promotes sustainable, long-term policy, trust and co-operation both within the company as well as with customers and partners. Forms of association between companies, governmental, and social organisations may vary and change but they are all aligned to the shared goals within society.

Although the description of the four modes of work may suggest that the entire evolution of the modes is processed linearly, it is essential to understand that this is not a development where one mode is replaced by another. In fact it is quite the opposite: all the capabilities must be taken into account at the same time.

“The aim is to combine operational efficiency and cost effectiveness – attributes commonly associated with large-scale organisations – with flexibility, responsiveness, and innovation – characteristics conventionally linked with smaller enterprises.” (Goffee/Scase 1995: 159).

To achieve global efficiency and local responsiveness simultaneously, the different modes of work must coexist dynamically within the organisation. Some members will change their work mode faster, some slower, some never, and some may even work simultaneously in different modes. These changes constitute the emergence of the “post-industrial” corporation (Goffee/Scase 1995: 160). So what then does intelligent collective behaviour mean for the individual?

#### ***4. Identity within the Network Organisation***

##### *4.1 Challenges for the Individual: Complexity of Tasks*

The transformation of the organisation towards an intelligently behaving organism transfers the complexity and dynamics of the organisation’s market environment to the employee’s working environment. Thus an individual employee’s area of responsibility becomes fluid and ambiguous. One consequence is that engagement and co-operation among company members both become crucial for the success of a network company. As a “member” of a network, the individual can be

regarded as both a subject of as well as a stakeholder in the system. As such each member creates, changes, and determines the network and is affected by it in various ways: legally, economically, technically, socially, and psychologically. Because the system is driven by individuals and does exist for them, their contributions determine the performance of the company. On the other hand, the lack of external stability and clearness causes significant challenges for the employee who must deal with his or her freedom in a fruitful manner.

Due to the principle of self-organisation, every employee will have to pay more attention to the nature of systemic processes in addition to one's own current occupation. It becomes essential for employees themselves carefully to think through their function in the company and what their contribution to the community should be. The ability to use computers to reproduce increasingly more workflows stresses the need to identify those qualifications needed in the future. Considering the technical, social and philosophical developments of post-modernism over the last decades, rationality no longer seems to be the only and absolute method for perceiving reality. Therefore, it is highly advised that careful thought be given to a personal development strategy.

In daily business the challenges of an innovative, adaptive network organisation require processes that are rather task-oriented. Therefore, as outlined in section 3, structures emerge, change and fade away, and different modes of working are performed simultaneously. As a consequence, employees are integrated within different structures of collaboration. They handle multifaceted situations with different people from different backgrounds in terms of job-position, functionalities as well as norms and values. A single employee may simultaneously be subordinated to managers of his or her project team, may be leading a team, may be part of a community as well as having a mentor. Such an employee will have to devote part of his or her work time to each of these areas and to be accountable for all of his or her decisions. Additionally, that employee will need time to plan work and pursue personal development. A variety of tasks and expectations will need to be addressed, each meant to satisfy the requirements of different ways of work, such as customer orientation, efficiency and the cultivation of relationships. Therefore, each employee will have to handle different role expectations, each of which will influence his or her personal identity. Again, this identity will materialise into different personae, in accordance with the specific representations being made in each social context. To integrate all the personae without losing authenticity requires an advanced level of "identity management". Total identification with these personae or no identification at all will cause serious psychological problems. In the first case, the desire for recognition through external successes leads to forms of addiction (workaholism, burnout, drugs). Or the self may split into

two states of consciousness to meet conflicting expectations simultaneously. In the second case, the psychological effort required to simulate an identity and dissociate oneself permanently is too high. Even less extreme behaviours such as presenting a pseudo-identity to hide the true self compromise the effectiveness of communication, co-operation and personal health (cf. Günther 2004: 22ff).

In the context of classic organisations the orientation to formalities such as job descriptions, policies, processes etc. has provided stability. In a network organisation the identification with titles, positions, competencies or formal ascriptions would impede necessary adaptive processes. The point of liberating employees from their “boxes” of role expectations is to provide room for self-development so that innovative and creative energy can evolve. Since the external orientation has disappeared, some employees may feel overwhelmed by this transition into new ways of working. The tolerance to overcome such complexity and to play the different roles expected will become a key challenge for employees within network organisations. To avoid refusal, disorientation or even burnout syndromes, it is necessary to find a viable way to facilitate this process of change.

#### *4.1 The Significance of Significance of Significance*

Since several external structures that provided stability for employees are no longer relevant, individual personal identity becomes more important. In this respect the salient identity of the individual can serve as the fundamental basis for providing orientation especially in situations of conflicting priorities. Identity’s ability to function as a point of orientation is important for employees in two respects: first, with regard to one’s own engagement in the community, and second, for co-operation with others.

For employees, a personal concept of one’s own identity can provide orientation for one’s engagement in the company (cf. Günther 2004: 1). The awareness of one’s own necessities, capabilities, values and visions is extremely relevant in terms of motivation. Only if individuals know why they are acting the way they are can they be in a position intentionally to make sustainable decisions and to contribute to the company as well as society in general. Additionally, personal identity also provides orientation for others. Employees must co-operate with their colleagues, irrespective of their backgrounds. A necessary precondition for such co-operation is trust. It is risky to make a specific investment, even though it may result in a benefit at least to those co-operating. Therefore one needs a reliable feeling about what one can expect from a partner. Trust can be defined as the subjective perception of the probability with which somebody will perform a particular action

which affects our own actions (cf. Gambetta 1990). The persona, i.e. the identity perceived by others, represents an expectation of consistent behaviour. This implies that others must recognise the salience of one's identity in order to co-operate. People need to identify the person with whom they are dealing. Therefore, individual behaviour must show a particular level of consistency over situations as well as continuity over time. Only when the employee's identity is perceived by the environment is the building of trust and the establishment of strong bonds possible. When in a trustful environment, co-operation is easy to implement.

#### *4.3 The Capabilities of the Individual: Awareness, Authenticity and Self-development*

After arguing that personal identity forms the basis for stability and sustainability in fast moving environments, it is necessary to explain the sorts of capabilities that are required if identity is to fulfil that function. Sustainable engagement and co-operation require three crucial factors: First, internal orientation requires an awareness of one's own personal identity influenced by emotions, personae and role expectations. Second, in order to provide orientation for others, a sufficient level of authenticity in social interactions is necessary. Third, the capability of self-development is essential for sustainable flexibility.

To be aware of one's personal identity means to have a clear idea of who one is and what one is searching for. One should know one's own character, what one's qualities are, what one likes and dislikes. Furthermore, knowing one's needs, capabilities, values, visions and objectives also falls under the criteria of being aware of one's own identity. Accordingly, individuals must regularly engage in self-reflection. This conscious self-concept serves as the source for a healthy self-esteem, provides orientation, and functions as the basis of reflection and development. It facilitates supportive engagement, authentic behaviour, and the handling of behaviour expectations.

As for interaction with others, authenticity is essential. To promote credibility, and thereby co-operation, it is important that the actions and behaviour of the individual are perceived as continuous and consistent. Others must feel that it is worth establishing trust bonds with the individual and that the expectations which have been set through that individual's actions and behaviours will be met. On that score, Drucker notes:

“Trust is the conviction that the leader means what he says. (...) it is not based on being clever; it is based on being consistent.”(Drucker 2008: 290)



This stems from an attitude which is determined to adhere to one's own character and values, and to show real interest to the other instead of simply creating a deceptive picture of one's own identity. Being open-minded and sincere to the working-environment is also fundamentally helpful. We believe that in the long run credible behaviour is only feasible if it is authentic. Otherwise it causes psychological problems such as those described in section 4.1.

The third and most crucial factor is a willingness and capability for self-development as a precondition for curiosity, openness, and tolerance. Personal identity can only provide orientation for sustainable decisions if it is based on deliberate reflections on its own interdependencies with the environment. Persistent conservation of one's actual identity in a changing environment requires rigid defence strategies such as ignorance, aggression or fundamentalism (Günther 2004: 10). Self-development requires the willingness to become conscious of, question and, if appropriate, overcome even the most fundamental beliefs, mental models and patterns. Therefore it is necessary to engage in frequent reflection upon what one wants and on that which creates meaning in one's life. In general, the mind unnoticeably selects new information that confirms our beliefs while neglecting contradicting information. Psychologists call this "confirmation bias". To notice those patterns of perception which determine our subjective reality, and to open up new spaces for development, it is necessary to deliberately leave our mental comfort zone. To gain insight into our own personae and to evaluate our actions, we need to experience the impact of our own actions as soon and in as unbiased a manner as possible. Therefore continuous, frank communication and the ability to give and receive feedback are essential. This can be supported by sophisticated IT-based feedback tools.

If my environment lacks stability, then my knowledge of who I am can provide me with orientation. But to take personal identity as a point of orientation only makes sense if it is occasionally challenged. Consequently, the next question must be: What lends orientation to the development of one's own identity?

#### *4.4 The Fluctuation Between Contingency and Consistency*

Questioning one's own identity is not an easy task. To paraphrase Neurath, it is more like rebuilding a ship while sailing on it. It involves the risk of losing one's orientation, and thereby the ability to make decisions. We can draw parallels with organisational development especially if we also understand identity as a system. Heraclitus argued that all things flow and change (pantarei), yet a system cannot constantly be in a state of change or deconstruction. A system needs structure in

order to exist and to function. Of course, structures must adapt to subsist and therefore they have to be dissolved from time to time. But change only makes sense if it leads to a better structure. In this context better means to be better able to survive, grow and create value in the current environment. Consequently, both identity and organisational systems must constantly fluctuate between contingency and consistency. In the phase of contingency the space of possible options is wide and uncertain. It is the phase of development. In the phase of consistency the structure of the system determines which options are preferred and which ones are chosen. It is the phase of decision. Both the individual and the organisation must balance between the poles of consistency and contingency, structure and change. As we have pointed out in the previous sections, those individuals who rely on their personal necessities, values and visions can facilitate this process of organisational change. They are the ones who must ensure that the system consists of better structures. When risking the forfeiture of one's old identity structures in order to investigate attractive paths of development, the setting must be chosen carefully. Situations that require quick decisions are not the best times for questioning one's identity. It is necessary to create protective spaces characterised by external points of orientation. This can be provided by a facilitator or mentor. If protective spaces can be used to reflect and develop personal identity, it can serve as a sustainable orientation in an environment of change and complexity.

## 5. *Summary and Outlook*

The main objective of this paper has been to outline the eminent role played by individual identity within network organisations. We believe that this topic is extremely important for current and future entrepreneurial action. At the beginning of a new, post-globalisation era, it is essential for companies to change their work methods if they want to remain successful. Therefore, we feel that companies must evolve into network organisations in order to stay ahead of the competition. Such a move would release significant creative power since all company employees would regard themselves as participants in a much greater arena.

Section two served to create a basic understanding of those areas where research on identity comes into play, as well as the ways in which identity was to be understood in the remainder of the paper. From the perspective of the individual the identity of a person is the self-concept, from the perspective of the social environment the identity is the persona. Drawing on the social identity approach, a distinction was made between social identity and personal identity. Whereas social identity

refers to the individual's perception of belonging to a certain social category, personal identity was described in relation to idiosyncratic characteristics such as bodily features, attitudes or interests.

Section three then dealt with organisations. This began with a description of the development from classic bureaucratic organisations to (post-) modern network organisations, and was then followed by a presentation of the evolutionary concept of the four modes of work. Building on this basis, section four examined the individual's identity within network organisations. It was shown that the identity of the individual helps to overcome the complexity of fast-moving network organisations. A strong identity is essential for the well-being of network organisations, since it empowers employees to be engaged with their environment and allows them to work continuously on developing their central capabilities, in particular: awareness, authenticity and self-development. In this respect it was argued that the employee must be aware of his or her own self, while at the same time acting consistently so as to be perceived as authentic. These substantial ingredients of strong identities in network organisations must be practised and improved by means of self-development. In the context of organisational and personal development, the reciprocal relation between change and orientation must be taken into account.

Of course, at this point a limitation of this paper becomes apparent. We have focussed on discussing ways in which the identity of individuals can serve the well-being of network organisations. The next step would be to develop practical methods for implementing these findings. As suggested, network organisations are especially complex entities. Therefore, due care needs to be taken when developing methods for the empowerment of employees.

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**Social  
Identity**

**THE  
ORGANISATION**

# Social Identity

To What Extent do CSR Initiatives Achieve Organisational Identification?

Lucas Rüngeler

*Keywords*

*Corporate Social Responsibility, Organisational Identification, Social Identity. Approach, Nokia*

The paper is a theoretical review supported by empirical testing in cooperation with 1492 GmbH and Nokia. As organisations become larger, more complex and boundless, organisational identification can be viewed as a means for providing cohesion and as a key ingredient for organisational success. According to Bhattacharya and colleagues, an individual's identification with the company results in several positive effects such as co-operative behaviour, less employee turnover due to higher satisfaction, as well as the growth of strong human capital in terms of knowledge and skills. At the same time, a study by Carmeli and colleagues suggests that the corporate social responsibility (CSR) of a company is positively associated with identification by employees. Given these findings, the theoretical analysis of this paper's thesis will reconstruct this correlation by referring to three distinct processes, in particular affinity, emulation, as well as categorisation and self-enhancement which describe the emergence of organisational identification in employees. Finally, this paper will discuss the degree to which CSR initiatives may serve as a driver to trigger these three processes.

## ***1. Introduction***

### *1.1 Question*

Our identification with organisations plays a prominent role in our lives since “organizations pervade everyday life” (House et al. 1995: 109). In general, we might say that we are born in a hospital, attend kindergarten, school and other educational institutions until we begin working for a particular company or organisation, in order to make a living for ourselves and our families. In addition, many people enrol as members at various sports clubs, advocacy groups, or parties (cf. Van Dick 2004: 1). Individuals are grateful to such organisations and often make determined efforts for their maintenance, owing to their strong bonds towards these institutions.

Recently, companies have also realised that when employees identify with their corporations that this can produce a competitive advantage in many ways. Accordingly, companies search for drivers that foster positive identification with the organisation.

One driver that has been identified is the company’s corporate social responsibility (CSR) initiatives. The term “CSR” has received great attention within academic discourses over the past decades. CSR is associated with an image that the company is interested in more than simply maximising its profits. In this respect The Economist notes:

“It would be a challenge to find a recent annual report of any big international company that justifies the firm’s existence merely in terms of profit, rather than ‘service to the community’” (The Economist 2005).

Another concept closely related to CSR is “corporate citizenship” (CC). Corporate citizenship embraces the notion of business personnel playing an active role in society. Whereas CSR is the more academic term, referring to the obligations and social responsibility businesses have to society, CC is a managerial term focused on the cultivation of community relations, such as through corporate giving or corporate volunteering. Both concepts ground an understanding of CSR initiatives.

Referring to the concepts of organisational identification (OI) and CSR initiatives introduced above, a study by Carmeli and colleagues suggests that the CSR initiatives of a company are positively associated with employee identification (cf. Carmeli et al. 2007: 973). Therefore, the paper at hand pursues the following two main objectives:



The first objective is to review the correlation between CSR and OI from a theoretical perspective and attempt to provide insights into the underlying question of the present paper, namely: To what extent do CSR initiatives achieve OI? The second objective is to bridge theory and practice. In addition to the theoretical review, an empirical survey in co-operation with 1492 GmbH and Nokia has been carried out in order to broaden this theoretical view with an empirical perspective.

## *1.2 Methodology*

In order to achieve this paper's main objectives, the argument will proceed in four steps. The first step will deal with the concept of CSR and CSR initiatives (section 2). It starts with Carroll's CSR pyramid and then introduces the reader to the more practice-orientated concept of CC. Next elements from both concepts are adopted in order to describe the nature of CSR initiatives. This will establish an underlying basis for the remainder of the paper. The following sketches the use of such activities for establishing lasting relationships with various stakeholders, such as employees. The prominent role of employees as "first-class-stakeholders" will be examined here. It will be argued that employees play a crucial role in a firm's stakeholder environment and that CSR initiatives may trigger positive effects on behalf of the firm. One such positive effect is seen in building OI with the firm.

Consequently, the second step will focus on the concept of OI (section 3) with the aim of developing a proper understanding of OI. Therefore, the social identity approach (SIA) will be outlined. Next the findings of the SIA are then applied to the context of organisations. After defining OI as a specific form of social identification a model by Dutton and colleagues will illustrate the degree to which the identity and image of an organisation are associated with OI.

A third step aims to bridge the first two. By building on the theoretical analysis of CSR and OI, section 4 seeks to provide insights into the core question of the present thesis: To what extent do CSR initiatives achieve OI? Hence in order to arrive at suitable results, an understanding of how OI emerges is first required. Accordingly, the functional chain will be discussed, which will serve as the underlying model for explaining the correlation between CSR and OI. Next, an overview will be presented that shows the three different models from the scientific literature on the ways in which (organisational) identification emerges; these are the processes of affinity, emulation, as well as categorisation and self-enhancement. Drawing upon these three different processes, the entire functional chain will be reconstructed with respect to the link between CSR and OI. In addition to the theoretical reconstruction, a theoretical review of the current state of the discussion in the

scientific literature will also be presented, including a discussion of practice-orientated studies. This section will close with a summary of preliminary results.

The fourth and final step applies and tests the findings of the theoretical analysis to a practice-orientated context (section 5). An empirical survey in co-operation with Nokia and the 1492 GmbH consultancy has been carried out in order to provide additional insights into this theme from an additional perspective. In order to reduce complexity, the design of the survey has been simplified to two questions. These questions enquire about the degree to which an employee feels informed about Nokia's CSR initiatives and about the status of their identification with the Nokia community. The results will be presented and discussed.

At the end of this paper, all main aspects of the theoretical review as well as the findings of the empirical testing will be summarised (section 6). This will create the basis for a final outlook of the future perspectives in research and practice.

## ***2. Corporate Social Responsibility Initiatives***

### *2.1 Corporate Social Responsibility*

One of the most well-known concepts of CSR was introduced by Carroll. According to his concept, a firm is obliged to respond to social responsibility in four different categories.

“For a definition of social responsibility to fully address the entire range of obligations business has to society, it must embody the economic, legal, ethical and discretionary categories of business performance” (Carroll 1979: 499).

In his article, Carroll emphasises that these four categories are not mutually exclusive, nor do they form a continuum with economic motives at one end and social concerns at the other (cf. *ibid*: 499). Rather it is intended to portray the total CSR of a company, thus enabling us to classify certain motives or actions according to the different responsibilities that constitute the whole.

The economic responsibility is located at the base of the pyramid. Business organisations were established to be a basic unit within society. As such, a firm's duty is to produce goods and services in order to provide for consumer needs and to contribute to the wealth of society. The motive for

profit is the driving force behind entrepreneurship. Therefore, all other business responsibilities rely on the economic responsibility of the firm due to the fact that the others rest upon this foundation. Thus a firm is required to operate under legal responsibilities. The economic system lays down certain ground rules by which it expects businesses to play their economic role. Business units are expected to comply with the laws and regulations established by society. As a consequence the firm, as a law-abiding player, is forced to respect rather than infringe against this “social contract” between business and society. Since the legal responsibilities mirror “codified ethics”, fundamental principals of fair operations are depicted within this framework of law. Ethical responsibilities also cover these activities and practices, yet, though they represent the norms and values of a society, they are not codified into law. Thus ethical responsibilities indicate that which societal members would regard as fair and just. Considering that such values and norms may reflect higher standards of ethical performance than are currently required by law, it is inevitable to meet the expectations society has of business. Therefore, “ethical responsibilities in this sense are often ill-defined or continually under public debate as to their legitimacy, and thus are frequently difficult for business to deal with” (Carroll 1991: 41). In this respect, ethical and legal responsibilities always deal with a dynamic interplay, that is, legal responsibilities are constantly being brought into line with ethical standards, thus corporations and their employees are constantly confronted with growing expectations that they will act in accordance with increasingly higher ethical responsibilities. The last category is labelled “discretionary responsibilities”. However, Carroll later renamed this term to philanthropic responsibilities since “being philanthropic” suggests a greater degree of voluntariness in line with the image of a good corporate citizen than merely being “discretionary”. Acknowledging voluntariness as the underlying foundation of philanthropy covers all the actions of a company that go beyond what is explicitly expected from society. Contributions to any humanitarian programs – the arts, education, or to the community – are left to individual judgement and choice since a firm is not regarded as unethical if their actions do not extend to this uppermost, voluntary level. In this sense, Carroll suggests that philanthropic responsibilities are like “icing on the cake” (Carroll 1991: 42). To summarise, Carroll advises that “The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen.” (Ibid: 43).

Being a good corporate citizen is used in a practice-orientated, managerial context and serves as an inclusive reference to issues linked to social responsibility (see Carroll/Buchholtz 2006: 38f.). From this practice-orientated perspective, the idea of the so-called “triple bottom line” has gathered wide acceptance among practitioners, since it provides guidance in terms of operationalisation.

This concept refers to the notion that the criteria for the creation of value are economic, ecological as well as social (cf. Elkington 2001: 3). Since CSR initiatives address activities undertaken in the field with a managerial component, this leads us to the concept of corporate citizenship (CC).

## *2.2 Corporate Citizenship*

According to Carroll and Buchholtz the understanding of CSR has been extended to the broader term of CC. CC portrays a concept of business actors that play an active role as part of society. The concept of the corporate citizen reflects the core idea of a civil society in which all participants themselves carry responsibility for the well-being of the community (cf. Bowie 1991: 58ff.; Loew et al. 2004: 50; Beckmann/Pies 2008: 110f.). Although a widely accepted definition of CC is not yet established, CC has been the subject of various interpretations in both the USA and Europe (see Crane/Matten 2007: 70f.). Among the scientific literature in the USA, Carroll notes that CC can be conceived of from a broad view and a narrow view (see Carroll 1999: 290; Carroll/Buchholtz 2006: 54).

The broad view suggests that CC encompasses all that is implied in the concepts of CSR, CSR2 and CSP. For example, a broad understanding has been put forward by Fombrun, who argues that CC is composed of a three-part view: (1) CC is a reflection of shared ethical and moral principles, (2) a vehicle for integrating individuals into the communities in which they work, and (3) a form of enlightened self-interest, which balances all stakeholder demands and enriches a firm's long-term-value (cf. Fombrun 1997: 27ff.). According to the broad view, the notion of a firm's self-interest is an especially typical characteristic. CC explicitly focuses on the achievement of win-win situations, meaning that CC is also part of the overall business strategy. For this reason, Graves et al. define CC as "serving a variety of stakeholders well" (Graves et al. 2001: 17). This embraces the idea of ethical business behaviour and the balancing of stakeholder needs. Finally, in a recap of the four categories of CSR, Carroll, in his article "The Four Faces of Corporate Citizenship", argues that companies are expected to fulfil the four responsibilities of being economic, legal, ethical, and philanthropic like private citizens (cf. Carroll 1998: 1ff.).

In the narrow view, CC is understood in terms of corporate community relations suggesting that the firm behaves as a "good citizen" (cf. Carroll/Buchholtz 2006: 54). This view, held predominantly in Europe, embraces the functions through which a firm intentionally collaborates with non-profit organisations, citizen groups, and other stakeholders at the community level (cf. *ibid*; Schwalbach/

Schwerk 2008: 78f.). Various authors from Germany have adopted this understanding, acknowledging this view of the Anglo-American discussion (cf. Loew et al. 2004: 52f.). Westebbe/Logan indicate that only those activities which go beyond primary business activities are to be classed as CC (cf. Westebbe/Logan 1995: 13; Beckmann 2007: 6). As such, according to Mutz and Korfmacher, CC includes corporate giving, corporate foundations, and corporate volunteering (cf. Mutz/Korfmacher 2003: 51f.; Loew et al. 2004: 53; Habisch 2003: 97ff.).

Corporate giving involves the contribution of money towards a fund or charitable purpose, as well as sponsoring, whereas corporate foundations refer to the establishment of charitable foundations (cf. Maaß/Clemens 2002: 11ff.; Loew et al. 2004: 53; Bruhn 1998: 20). Corporate volunteering refers to those company measures which grant leave to employees from regular work in order that they may participate in welfare work or in similar activities (see Schöffmann 2001: 14; Maaß/Clemens 2002: 13f.; Frankfurter Allgemeine Zeitung 2008: B2).

### *2.3 CSR and CC as Basis for the Understanding of CSR Initiatives*

To agree upon the relation between CSR and CC, a demarcation of the two concepts has been proposed by various authors. According to Beckmann three different suggestions exist in the academic literature: First, CC is understood as the higher-level concept whereas CSR only refers to a partial subset (cf. Loew et al. 2004: 54 and the cited literature). This is contrasted, second, by those who advocate CSR as the superior concept, which embraces the firm's activities as a good corporate citizen (cf. *ibid*; Wood/Logsdon: 84ff.). The third view equates the concepts of CSR and CC, which are seen solely as alternative explanations for a description of the same phenomenon (see Beckmann 2007: 6f.; Matten et al. 2003: 112f.).

In order to arrive at an understanding of CSR initiatives, this paper combines the notions of CSR and CC into a single explanation. Whereas CSR is the more academic term, referring to the obligation businesses have to society and their response to social responsibility, CC is the managerial term for cultivating community-relations. Accordingly, the notions of CSR and CC shall be subsumed into CSR initiatives in a rather broad sense, defining a firm's CSR initiatives as "actions that appear to further some social good, beyond the interests of the firm and that what is required by law" (McWilliams/Siegel 2001: 117; Tetrault Sirsly/Lammertz 2008: 348; Burke/Logsdon 1996: 495). These actions include concrete activities described in terms of the narrow CC view – such as corporate giving, corporate foundations, and corporate volunteering – in order to foster a socially-

based purpose or a stakeholder group (cf. McWilliams/Siegel 2001: 117; Carroll/Buchholtz 2006: 55; Godfrey/Hatch: 2007: 88; Carmeli et al. 2007: 976). Therefore, CSR initiatives are intimately tied to the firm's relationship with its stakeholders, indicating that a business's social obligations have specific nonmarket environment beneficiaries whose demands and expectations must be met by that business's performance (cf. Waddock et al. 2002: 145f.). A firm's ethical behaviour will enable it to achieve competitive advantages, since it will develop lasting relationships with stakeholders (cf. Jones 1995: 404ff.; McWilliams/Siegel 2001: 118). As CSR initiatives also reveal the values of a company, they can also be part of the value proposition of a stakeholder, something with which he or she can identify (cf. Bhattacharya et al. 2008: 37).

In this context, it shall be noted that it is not enough just to enact CSR initiatives. At the same time companies must focus on the accuracy of their communication so that stakeholders are aware of the degree to which the firm is pursuing CSR. Companies have several instruments available in order to inform their workforce about their CSR, such as regular CSR reports, newsletters, or seminars. Also, a typical CC-activity, such as corporate volunteering, is an excellent tool both for involving stakeholders and making them aware of the firm's CSR (cf. Breidenbach et al. 2008: 23f.).

#### *2.4 The Usage of CSR Initiatives*

Stakeholder management has become increasingly important because managers have discovered that many stakeholders need to be satisfied in order to meet the firm's objectives (cf. Carroll/Buchholtz 2006: 75). As each stakeholder pursues different interests (which mutually influence one another), the challenging task is therefore to achieve balance between the areas of conflict of these diverse interests. However, this is not to suggest that all stakes in the firm are automatically legitimate (cf. Janisch 1993: 145ff.; Brink 2000: 199ff.). The degree to which the firm's management is to take into account the stakes of the various stakeholders must be clarified. Consequently, to manage stakeholders effectively, each firm must first understand who its stakeholders are (Vos 2003: 142.; see also Carroll/Buchholtz 2006: 76; Talaulicar 2006: 63).

A few approaches have been put forward in the literature in an attempt to classify stakeholders according to their significance for the firm. Clarkson distinguishes between primary and secondary stakeholders. The primary stakeholder group is the one without whose continuing participation the firm cannot survive as a going concern. Accordingly, profitable companies can be differentiated from

others that previously created wealth and value for all their primary stakeholder groups. In contrast, the secondary stakeholder group is not essential for the firm's survival (see Clarkson 1995: 105ff.).

It is generally accepted that employees are one of the most important stakeholders in a firm. Regardless whether one acknowledges Clarkson's categorisation of stakeholder groups (which classes employees as primary stakeholders) or whether one adopts other noted approaches to stakeholder categorisation – effectively, in all respects, employees are considered “to take on a peculiar role among stakeholders as they are closely integrated to the firm” (Crane/Matten 2007: 265; see also Berle/Means 1932: 355; Dodd 1932: 38; Cyert/March 1967: 27).

From the firm's perspective, employees have a significant influence on the firm since, in terms of knowledge and skills, they represent one of the firm's most important “resources”. In particular, in an era of information- and knowledge-based strategies with a forecasted continuing shortage of highly skilled and talented workers, employees are the basis of potential competitive advantage (see Waddock et al. 2002: 135). Furthermore, they represent the company towards other stakeholders – such as customers, the local community, etc. In addition, they act in the name of the firm towards these stakeholders (cf. Crane/Matten 2007: 265; Greenwood 2008: 3). From an employee's perspective, they appreciate that they are greatly affected by the success or failure of the company, since they are dependent on it for an income.

Referring to concepts of institutional economics, some authors highlight the high risk sensibility of employees in terms of their specific investments in their employer (cf. Blair 2003: 57; Soppe 2008: 218; Brink 2009: 6). Moreover, employees make a substantial investment in their work, given that they make geographical moves, develop strong relationships within the firm, or invest in further training in order to improve their career opportunities. Accordingly, it is widely accepted that employees obtain a definite stake in the firm (cf. Crane/Matten 2007: 265; Greenwood 2008: 3).

As for a manager's tasks in stakeholder management, developing strong relationships with employees (as a first-class stakeholder group) is essential for the well-being of the firm, according to both, strategic and intrinsic stakeholder management. It is strategic, because managing such relationships can result not only in a continued participation in the company's concerns, but can also evoke socially complex resources that enable the firm to gain a competitive advantage compared to others (cf. Burke/Logsdon 1995: 495ff.; Hillman/Keim 2001: 127; Tetrault Sirsly/Lamertz 2008: 350ff.). In addition, some authors claim that building strong relationships with employees contributes by driving financial performance (cf. Atkinson et al. 1997: 30ff.). As for intrinsic stakeholder management: because employees are in many ways affected by the company's

success, and also make personal investments, they have a moral claim in the firm; thus companies are obliged to take into account employee stakes (cf. Kaler 2002: 91ff.). Hence, regardless to which sort of stakeholder management one refers, a company has a deep interest in building strong bonds with their employees, since they belong to one of the most substantial primary stakeholders.

As outlined this section, CSR initiatives develop a firm's socially-based purpose or its stakeholder groups; in particular, they stress the importance of actions towards employees in various ways. A study by Carmeli and colleagues suggests that the CSR initiatives of a company are positively associated with employee identification (cf. Carmeli et al. 2007: 976).

### ***3. The Organisational Identification of Employees***

#### *3.1 The Social Identity Approach*

The SIA is a well-known theory from a socio-psychological perspective developed mainly by Tajfel/Turner (cf. Tajfel 1978, 1981; Tajfel/Turner 1986; Turner 1975, 1978, 1985). According to contemporary literature on OI, the SIA serves as the most prevalent theory since it is the foundation for all further developments within this branch of research and allows for fruitful applications to organisational behaviour (cf. Böhm 2008: 39).

The concept of social identity examined the causes and consequences of the way in which individuals see themselves, and are seen by others, as part of a social group. Accordingly, the individual's awareness that they belong to certain groups is considered the core idea of the social identity approach. Tajfel formulates social identity as follows:

“[S]ocial identity will be understood as that part of an individual's self-concept which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance to that membership” (Tajfel 1978: 63).



### *3.2 Organisational Identification as Specific Form of Social Identification*

Since the SIA is considered to be a fundamental piece of groundwork, it has motivated various social psychologists to adapt the findings to the context of organisations (cf. Dutton et al. 1994: 239ff.; Pratt 1998: 175ff.; Haslam 2001: 34ff.). Membership within a work organisation is one of the most important group affiliations an individual will obtain throughout his or her life, not least because individuals spend a significant amount of their lifetime at their workplace. Hence, a deeper understanding of the bases and elements of identification in organisational contexts is of deep interest (cf. Van Dick et al. 2004a: 172).

A central role in bridging the SIA and OI has been developed by Ashforth and Mael (cf. Ashforth/Mael 1989: 21ff.). In light of SIA, individuals define themselves by means of salient group membership. The organisation, as a social category, is perceived as personifying characteristics that are prototypical of its members or of the organisation (cf. Ashforth/Mael 1995: 311f.). Ashforth and Mael argue that this cognitive mechanism is considered as a form of social identification, which they clarify in particular as the perception of oneness with and belonging to an organisation (cf. Ashforth/Mael 1989: 21). Through social identification, individuals perceive themselves as psychologically intertwined with the group. It is also suggested that members share certain occurrences as a common destiny, and experience successes and failures as if they were their own (cf. Mael/Ashforth 1992: 105f.). Against this background, OI can be defined as “a specific form of social identification where the individual defines him or herself in terms of their membership in a particular organization” (Mael/Ashforth 1992: 105) and can also be seen as “the perception of oneness with or belongingness to some human aggregate” (Ashforth/Mael 1989: 21). Another prevalent concept that seeks to understand OI, and has received great attention, is that developed by Dutton and colleagues. They argue that the strength of a member’s cognitive connection to his or her company is derived from two images that each member has of that organisation. These two images are the perceived organisational identity and the construed external image (cf. Dutton et al. 1994: 239; Dutton/Dukerich 1991: 548; Mead 1934: 175).

Perceived organisational identity is considered as that which a particular organisational member believes to be the distinctive, central, and enduring characteristics of his or her organisation. This notion is rooted in the concept of organisational identity (a precise demarcation between organisational identity and organisational identification [OI] is relatively difficult, and thus they are often confused or interchanged [cf. Albert et al. 2000: 13]). Put simply, the idea is that organisations

have identities that impact on the way in which organisational members interpret issues and how they react towards them (cf. Dutton/Dukerich 1991: 518). Albert and Whetten articulate an understanding of organisational identity that is frequently accepted in organisational literature and is considered as a main development in this scientific branch because it includes most facets which encompass that which an organisation represents to its members (cf. Dukerich et al. 2002: 509; Gioia 1998: 25ff.). Accordingly, an organisational identity refers to what its members believe are the “central, distinctive, and an enduring aspects of the organization”, especially the “core values, organizational culture, modes of performance, and products” (Albert/Whetten 1985: 265). Cole and Bruch conceive of the specific features of such elements that characterise an organisation as identity content (cf. Cole/Bruch 2006: 587). However, some authors question whether the content of an organisation’s identity can be subsumed to generalised statements. Under these circumstances Gioia and colleagues argue that an organisation’s identity may change over the course of time, since environments quickly change and today’s organisations are confronted with increased complexity due to the effects of globalisation. It is likely that in such an atmosphere, companies switch their core business areas overnight, including products and processes. As a consequence, members may instead perceive the organisation’s inherent characteristics as a “fluid and unstable construct” (Gioia et al. 2000: 63) rather than as stable and enduring (cf. *ibid.*: 63ff.; Böhm 2008: 57). The core assumption is that people obtain a sense of membership in a social category which shapes their self-concepts within a process where the individual’s identity becomes psychologically intertwined with the organisation’s identity. Therefore, the perceived organisational identity shapes the strength of one’s identification with an organisation (cf. Cole/Bruch 2006: 585).

“When organizational identification is strong, a member’s self-concept has incorporated a large part of what he or she believes is distinctive, central, and enduring about the organization into what he or she believes is distinctive, central, and enduring about him- or herself” (Dutton et al. 1994: 242).

Dutton’s second concept, the so-called construed external image, places more emphasis on the organisation’s environment. Whereas the perceived organisational identity is a member’s assessment of the organisation’s nature, the construed external image describes the member’s belief about what outsiders think of his or her organisation. In this respect, it is seen as a kind of powerful mirror that reflects how the organisation’s characteristics are perceived by the outside world (cf. Dutton

et al. 1994: 239 and 248f.). The origins of this idea are to be found within the concept of the organisational image, which has been the subject of many different conceptualisations and which was initially coined in the marketing literature (cf. Gioia et al. 2000: 65). The construed external image relies on the fact that feelings and beliefs about an organisation merely exist in the perception of its audience. Drawing on several case studies, Dutton et al. summarise their theoretical arguments and empirical findings regarding these two images, and thus reach the following conclusions:

- The greater the attractiveness of the perceived organisational identity, the stronger an individual's OI.
- The greater the consistency between the attributes members adopt to define themselves and the attributes used to define an organisational image, the stronger a member's identification.
- The greater the distinctiveness of an organisational image compared to other organisations, the stronger a person's OI.
- The more an organisational image enhances a member's self-esteem, the stronger the individual's OI (cf. Dutton et al. 1994: 244ff.).

According to this concept, the perceived organisational identity and the construed external image have a significant impact on the strength of the employee's identification with his or her company. Referring to the double arrow between the perceived organisational identity and the construed external image Van Dick indicates that these two are not independent from one another. An employee, who perceives his or her firm as positively viewed by the outside world, will also perceive the organisational identity in a more positive light, and vice versa (see *ibid*).

#### 4. *Corporate Social Responsibility & Organisational Identification: To Which Extent Do CSR Initiatives Achieve Organisational Identification?*

##### 4.1 *The Functional Chain of Organisational Identification*

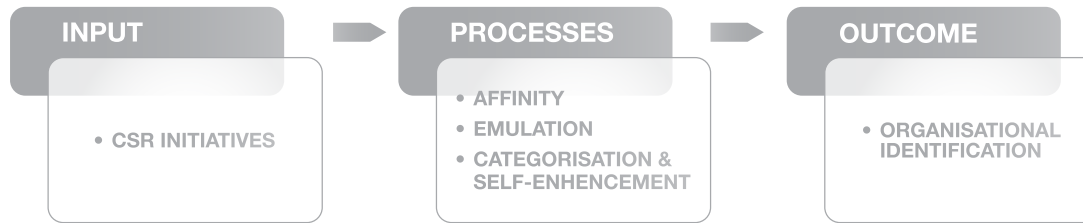


FIGURE 1: FUNCTIONAL CHAIN FOR THE EMERGENCE OF ORGANISATIONAL IDENTIFICATION.  
(SOURCE: AUTHOR'S DIAGRAM MODIFIED FOLLOWING BHATTACHARYA ET AL.: 2008; BÖHM: 2008)

In the above examination of organisational identification, the focus lay on identifying what OI is and why it is particularly relevant both for the individual and for companies. In the present section, the focus will lie on the way in which OI emerges. Since it allows the development of valuable insights into the extent to which CSR initiatives could be utilised for achieving identification, dealing with processes of the emergence of OI is important. To begin, the following discussion will concentrate on an abstract three-step-procedure of the functional chain, distinguishing between input, processes and the outcome. The input (1) is also known as the driver or the antecedent. For our purposes, the input will be the CSR initiatives. Such a driver triggers the processes in the second step. The processes (2) that promote the appearance of OI are affinity, emulation, and categorisation and self-enhancement; these will be presented in detail in this section. The outcome (3) is the achievement of OI (cf. Bhattacharya et al. 2008: 40). The entire functional chain is represented in Figure 1:

To trace the functional chain of achieving OI, it is important to distinguish between the three processes and the driver. Whereas the processes solely describe how and why identification develops, the drivers operate to trigger and amplify identification, which means they impact on the processes and have the ability to intensify them, unless they serve as a replacement for the processes

of emergence themselves. Thus, the drivers on their own do not cause the outcome, namely the appearance of OI (cf. Böhm 2008: 69 and 107).

#### *4.2 Processes of the Emergence for Organisational Identification*

Many suggestions have been put forward in the academic literature to describe the way in which OI emerges (cf. among others Ashforth/Mael 1989: 21ff.; Dutton et al. 1994: 239ff.). Since there is no commonly accepted explanation, a range of different theories remain. Böhm provides a summary of three major approaches: affinity, emulation as well as categorisation and self-enhancement (cf. Böhm 2008: 73ff.).

#### *4.3 Affinity*

According to this paradigm, OI emerges through affinity. An individual identifies with an organisation whenever his or her values consistently match the values represented by the organisation. For instance, an ecologically sensitive person would rather identify with an employer that advocates for sustainable products and services, rather than with a company that operates in the chemical industry (see Böhm 2008: 74). Hence, individuals are able to recognise parts of their own identity within the identity of the organisation:

“When they [the employees] identify strongly with the organization, the attributes they use to define the organization also define them” (Dutton et al. 1994: 239).

Accordingly, some will identify with an organisation that shares their same values and beliefs. This notion is also highlighted by Shamir, who states that a congruently perceived identity of the organisation offers more room for individuals to express themselves in a more salient way, rather than hide the contents of their self-conception (cf. Shamir et al. 1993: 580). In order to maintain this integrity, individuals want to act authentically, expressing what they believe are their own personal characteristics. In addition, those employees who work for a company that matches their values and beliefs, work in an environment that gives them the opportunity to openly state their opinions (see Gecas 1982: 23f.).

The idea of similar identities between personal and organisational values can also be found in earlier works regarding the so called “person-organisation fit”. The results of associated studies suggest that greater person-organisation fit conducted into attitudes and behaviours consistent with stronger OI so that members of an organisation bond strongly with that organisation (cf. Chatman 1989: 339ff.). These findings were later developed into the model by Dutton and colleagues (outlined above in 3.2.3; cf. Dutton et al. 1994: 239ff.; Dutton/Dukerich 1991: 547ff.).

With regard to concrete business processes, understanding an applicant’s personal characteristics, such as their values or opinions, could provide helpful direction for assessing whether that applicant possesses the prerequisites required for generating OI. However, this is only the case if the company already knows which values it represents, both internally and externally (cf. Mael/Ashforth 1995: 328f.).

#### *4.4 Emulation*

Another form of the emergence of OI takes place through emulation, where the values of an organisation are gradually internalised by the employee. According to this model, an already existent congruency of values and beliefs (as was suggested in the affinity model) is not necessary. Rather the defining attributes of the organisation are adapted by the individual over the course of time. Thus there would be a positive correlation between OI and the individual’s length of employment at the organisation (cf. Bhattacharya et al. 1995: 47ff.; Mael/Ashforth 1992: 116f.). Using identity theory, Hogg and colleagues have introduced an alternate explanation for the process of emulation which seeks to explain an individual’s role-related behaviours in terms of reciprocal interactions between the self and society. Such role identities are self-definitions that subjects apply to themselves through a process of labelling, thus identifying themselves as members of a particular social category. From this it follows that for the emergence of identification within organisations, individuals must occupy certain roles, or role identities, and also embody them (cf. Hogg et al. 1995: 255ff.). Closely related to this idea is the construct of socialisation: “the process by which an individual acquires the social knowledge and skills necessary to assume an organizational role” (Van Maanen/Schein 1979: 211). As such, the process of socialisation concentrates on the way in which individuals learn the values, beliefs, behaviours and skills necessary for the effective fulfilment of their roles and functions (cf. Ashforth/Saks 1996: 149). With regard to organisational contexts, individuals adapt and also lay claim to the values and norms of the organisation. Yet when individuals suddenly adopt a different

role within the organisation, the intensity of their OI may be altered. This occurs, for instance, when an employee rises up the hierarchy in the company, since he or she is then confronted with a completely new role and thus consequently with new processes for socialisation (cf. Hogg et al. 1995: 256).

#### *4.5 Categorisation and Self-Enhancement*

The final approach for explaining the emergence of OI builds on the findings of the SIA. Böhm summarises seven mechanisms evoked by categorisation and self-enhancement which explain the emergence or non-emergence of OI. The first four mechanisms refer to categorisation as a group member, and the last three correspond to the self-enhancement of self-esteem via membership in certain groups (cf. Böhm 2008: 76ff.; Pratt 1998: 184ff.; Ashforth/Mael 1989: 24ff.).

1. OI is more likely to occur in those organisations that are perceived as distinctive and unique. It allows its members a clear demarcation between one's own organisation (in-group) and external organisations (out-group) so that a clear-cut categorisation is made possible, which in turn allows for an increase in identification.
2. OI is also more likely to appear when differences to external organisations become apparent and salient. Consequently, the attributes of one's own organisation become more apparent, thus allowing identification to grow. Yet conversely, identification with one's own organisation may decline, since characteristics of the in-group are perceived as salient, and emphasis shifts to personal identities.
3. OI develops more slowly when the distinct members of the organisation are too heterogeneous and enter into intra-organisational competition. This results in an accentuation of inequalities and leads to reduced cohesion within the organisation.
4. Another difficulty emerges when members of the in-group perceive other out-group members as too similar. Due to abstract identities, too much homogeneity between organisations can have a negative effect on member identification (cf. Ashforth/Mael 1989: 25).
5. OI is likely to be associated with the prestige of the organisation. Individuals often cognitively identify with a popular winner (cf. Böhm 2008: 36).
6. In the same way, OI increases when the organisation is perceived as attractive and possessing a positive image (cf. Dutton et al. 1994: 248f.).

7. Finally, perceived organisational identity also affects the way OI can be created. Attractive identities are represented through certain values that in-group members can assign to their self-conception (ibid: 244ff.).

Not all these seven mechanisms can be separated neatly as some aspects overlap. For instance, there are similarities regarding the emergence of OI via prestige (5) and a positive image (6).

Such similarities also apply to the two processes of emergence affinity and emulation. However, we are not dealing here with an either-or situation. Rather we have several accompanying mechanisms that contribute to the emergence of OI, that is, several processes may occur simultaneously (cf. ibid; Böhm 2008: 79f.).

#### *4.6 To Which Extent Do CSR Initiatives Achieve Organisational Identification?*

Based on the functional chain presented above (Figure 1), the process proceeds by adding a CSR initiative as a driver in order to trigger emergence. With regard to affinity, employees identify with their firm whenever it shares the same values and beliefs. Since CSR initiatives represent a company's values and beliefs, they can be considered as a means for triggering the process of identification, as long as the values communicated through CSR initiatives consistently match those of the employee. For example, if academic excellence is an important value to employees, then a CSR initiative which fosters educational institutions and aims at achieving goals attached to this value is more likely to lead to increased identification on the part of the employee.

As for emulation, CSR initiatives would not be able to act as a driver for OI at the moment employees join the company. Rather, to launch this process of identification, it is necessary that CSR initiatives be carried out consistently over a longer periods of time, so that employees are able to internalise the values represented through the initiatives. Consequently, this requires accurate communication with employees regarding which CSR initiatives the company is running, and in what way they represent the company's core characteristics.

The third process, categorisation and self-enhancement, can also be activated by CSR initiatives. With regard to categorisation, CSR activity must be distinctive both in its conception and realisation. If employees can identify a clear demarcation between themselves and competitors (out-group), they can then categorise themselves within their own company (in-group). A precondition is that those characteristics which distinguish the company from its competitors must become salient to



the employee. Therefore, the CSR initiative of one's own firm should not be perceived by employees as being too homogeneous when compared with those initiatives of other relevant competitors. According to self-enhancement, CSR activity should create a positive image to the outer environment so that employees feel elevated by being a member of a company which is highly valued in society. This also refers to the construed external image (see 3.2.3 above), that is, the employee's beliefs regarding the ways in which outsiders perceive the organisation. Since an organisation's identity can be represented through CSR initiatives, the other image of the model developed by Dutton and colleagues (perceived organisational identity) also finds application since attractive identities affect the way OI emerges. For example, if employees work at an automobile manufacturer and their company runs a CSR initiative fostering road safety, they will feel self-enhancement due to both images: since road safety is socially highly valued, the construed external image will be positive. Equally, the perceived organisational identity will be linked with attractiveness as values such as responsibility, protection and solicitousness are conveyed. Of course, the process can also lead to disidentification if the construed external image and the organisation's identity are associated with negative images (see Elsbach/Bhattacharya 2001: 393).

Some scientific reviews are relevant here, particularly those which suggest that the CSR of a company is positively linked to the OI of employees. The most relevant study aimed at investigating this link was published by Carmeli and colleagues. Their study investigated the role of organisational performance (labelled as perceived CSR and perceived CFP) in evoking OI. The results indicated that both forms are attached to OI, whereas perceived CSR has a larger effect on OI when compared to the market or financial performance. The study also showed that the OI in turn leads to enhanced employee work outcomes, such as adjustment and overall job performance (see Carmeli et al. 2007: 985ff.). A study by Marin/Ruiz demonstrates similar results from the perspective of the consumer. In this respect, this indicates that the CSR of a firm could also help to encourage corporate identification among other stakeholder groups (see Marin/Ruiz 2007: 254ff.). This aspect could represent a starting point for further investigation into the link between CSR, OI and other stakeholders.

In addition, some studies have focused on the positive effects that arise through the CSR of a firm. Here CSR is not aimed explicitly toward developing OI, but is seen rather as an advanced driver for evoking attractiveness and attachment among employees and potential applicants. Referring again to the construed external image, these studies indirectly argue for a link between CSR initiatives and OI. According to Greening/Turban, companies must be attractive to potential

employees if the company is to benefit from their knowledge and skills. Furthermore, building on social identity theory, they have shown that prospective applicants tend to choose a company which obtains a positive image through its CSP, since it communicates values and norms which applicants can incorporate into their self-conception (see Greening/Turban 2000: 256ff.). In this respect, CSR initiatives are interpreted as enabling a competitive advantage. A study by Bhattacharya and colleagues suggests that CSR initiatives can be used to “win the war for talent” (Bhattacharya et al. 2008: 37). They indicate that the CSR of a firm reveals its values and can thus be part of the “employee value proposition” (ibid), which in turn leads to OI. Bhattacharya and colleagues also note the “humanising” facets of CSR, since such initiatives portray companies as a contributor to society rather than as an entity concentrated solely on maximising profits (see ibid).

Furthermore practice-orientated studies carried out by well-known consultancies also demonstrate that the CSR of a firm contributes to building strong bonds. In a study released by IBM, CSR initiatives were shown to serve as important factors determining whether employees and prospective applicants would advocate on behalf of their firm (see IBM 2008a: 6; IBM 2008b). Another study by The Boston Consulting Group employed CSR as part of a bridging strategy and human resources. With regard to central future tasks that companies are confronted with in terms of human resources, managing CSR is considered to be one of the key challenges, since it establishes a deep-rooted affiliation between employees and the firm (see The Boston Consulting Group 2008: 2ff.).

#### *4.7 Intermediate Result*

We can summarise the results thus far as follows: Each of the three processes can be activated by CSR initiatives. As stated above this is not an either-or situation where only one process can be triggered by the CSR of a company. Ideally, a CSR initiative will trigger many kinds of processes in order to allow for successfully identification. At this point we can note again that for the achievement of OI, including the positive outcomes presented in section 3.3, a consistent information policy is required. In light of scientific reviews as well as practice-orientated studies, there is good reason to believe that a firm’s CSR positively impacts upon the OI of employees. Hence, against the background of the three approaches discussed in the present section, we see that CSR initiatives possess huge potential for achieving the identification of employees. Nevertheless these deliberations merely focus on the correlation of the two components of CSR initiatives and OI; other factors which employees may

build upon for identification have not been taken into account. In this respect, we cannot argue conclusively that CSR is uniquely responsible for achieving OI. Thus finally, we can conclude by saying that the CSR initiatives of a firm (1) may trigger processes which result in OI; (2) contribute to a positive image perceived by employees, since the company is revealed as a humanised entity that contributes to society; but that (3) we cannot take it for granted that CSR initiatives are the only antecedent relevant for improving employee identification.

## ***5. Empirical Testing: CSR & Organisational Identification in Terms of Nokia***

### *5.1 Design of the Survey*

In addition to this theoretical review, an empirical examination has been carried out in co-operation with 1492 GmbH and Nokia. The purpose of this investigation is to support the theoretical perspective with collected empirical data.<sup>1</sup>

#### *Hypothesis*

Building upon the theoretical review, the purpose of the empirical investigation is to examine the underlying question of the paper from another perspective, in order to provide an indication of the degree to which CSR initiatives are able to achieve OI. For reasons of simplification, we concentrate solely upon two simple variables already introduced in the theoretical review: information and identification.

#### *Information*

It cannot be assumed that respondents will possess a coherent theoretical understanding of what CSR is or in the ways in which Nokia conducts certain CSR initiatives. Furthermore, it might be objected that particular employees recognise many issues occurring in their work environment, but that they are not aware that such activities are part of Nokia's CSR activities. Referring to section 2.3.3, companies must be aware that their engagement should be accurately communicated to their stakeholders. Given that CSR initiatives achieve OI, it is logical that employees be acquainted with the CSR initiatives Nokia is pursuing. If employees are unaware of these concrete activities, then CSR cannot be linked to perceived organisational identity or construed external image, thus

preventing CSR from acting as a motor for the achievement of identification. As such, the first question will ask whether the respondent is aware of the company's CSR initiatives.

### *Identification*

OI has been defined in this paper as a form of "social identification" and as "the perception of oneness with or belongingness to some human aggregate". Since theoretical background knowledge regarding OI cannot be assumed among the respondents, the understanding of OI has been simplified to a single easy-to-grasp question, which links to categorisation processes based on Tajfel's definition of social identity. Thus, the second question asks about employee identification in terms of whether they identify as members of the Nokia community.

Combining these two variables of information and identification, we can formulate the following hypothesis: employee identification with the Nokia community is correlated with the degree to which they are informed of the company's CSR initiatives.

### *Rating System: Net Promoter Score*

The questions Nokia employees were asked to respond to follow the concept of the so-called net promoter score (NPS). The NPS is a management tool used by 1492 GmbH that stems from the field of customer satisfaction research and has been used to gauge the loyalty of a company's customer relationships. It was introduced by Frederick Reichheld in his Harvard Business Review article "The One Number You Need to Grow" (see Reichheld 2003: 46-54). The NPS is regarded as a simplifying tool that reduces complexity and enables its users to analyse data in fast and straightforward manner. A question is presented to a statistically valid target group which is then asked to mark a response by offering a rating on a scale from 0–10. Once the results are collected, the participants are categorised into three different groups: extremely satisfied 9–10 voters are labelled as "promoters"; 7–8 voters are passively satisfied ("passives"), and those who voted 0–6 are extremely unsatisfied and are known as "detractors". To calculate the NPS, one subtracts the percentage of detractors from the percentage of promoters. According to Reichheld's research data, the average NPS is approximately 16% (see *ibid*: 46 and 53).

### *Platform, Target Group & Objections*

The survey was set up online using the SurveyMonkey service (<http://www.surveymonkey.com>). A link to the survey was sent via email to a circle of Nokia employees whom the author got to know

during his participation in a Nokia learning journey (see <http://www.1492online.com>). The email was sent to 22 employees from the Nokia Care branch and included a request to forward the link to colleagues.

Particular background information concerning the target group was not gathered. However, experiences with the learning journey revealed that almost all survey participants had worked for Nokia at least for two years or more. This information is not unimportant, since (as we saw in section 4.2.2) one process of building identification is achieved through long-term emulation. Furthermore, the author received information from 1492 GmbH that that particular branch of Nokia Care was in the middle of restructuring, in other words, employees were confronted with changes in their work environment, which could imply a phase of differing perceptions, of evaluating CSR initiatives and the status of being identified with the Nokia community.

### *Two Questions*

As outlined above, the empirical testing only focused on the two variables of information and identification. Accordingly, the survey consisted of two questions that corresponded to each variable. The questions were formulated as follows:

- “How well informed are you about Nokia’s corporate social responsibility initiatives?”, where 0 would be “I have never heard anything about such initiatives”, and 10 would be “I am fully aware of Nokia’s CSR initiatives”.
- “Would you identify yourself as a member of the Nokia community?”, where 0 would be “No, not at all”, and 10 “Yes, absolutely”.

### *Results*

The survey was available from 10 February to 3 March, 2009, allowing Nokia employees three weeks to submit responses. In total 62 Nokia employees participated in the survey and rated the two questions.

The results for the first question were as follows: Based on the concept of the NPS the voters can be grouped into 12.90% promoters, 41.94% passives, and 45.16% detractors. Hence, the resulting NPS is -32.26%.

The results of the second question regarding employee identification with the Nokia community were as follows: In this case voters can be categorised into 45.16% promoters, 27.42% passives, and 27.42% detractors, resulting in an NPS of 17.74%.

Figure 2 displays the breakdown of participant responses for both questions. The specific combinations can be categorised following the three different groups suggested by Reichheld. Each value (white) represents the number of voters correspondent to their combined votes. The subsequent table depicts each of the nine possibilities:

IDENTIFICATION INFORMATION	DETRACTORS 0-6	PASSIVES 7-8	PROMOTERS 9-10
PROMOTERS 9-10	0 <b>1</b>	0 <b>2</b>	8 <b>3</b>
PASSIVES 7-8	4 <b>4</b>	9 <b>5</b>	14 <b>6</b>
DETRACTORS 0-6	13 <b>7</b>	7 <b>8</b>	7 <b>9</b>

TABLE 1: TABLE OF COMBINED RESULTS (OWN FIGURE)

## 5.2 Discussion

As we can see from the first question, the degree to which Nokia employees are informed of their employer's CSR initiatives can be rated as poor: only 8 of 62 participants (12.90%) belong to the group of promoters, resulting in a negative NPS (-32.26%). However there is a positive aspect, as 16 respondents (25.81%) rated their level of information with an 8. These results suggest that more effort should be put into reporting Nokia's CSR initiatives in order to raise this level of awareness to a moderate level. Another striking result was the large group of detractors (45.16%). This suggests either that the information regarding Nokia's CSR initiatives is not reaching a wide range of employees, or that a relatively large group simply seems uninterested in Nokia's CSR performance.

Results for the second question differ markedly from the first. Almost half of all respondents belong to the promoter group (45.16%), which indicates relatively wide feelings of belonging within the Nokia community. The positive NPS (17.74%) underlines this tendency. Thus, the degree of employee identification with Nokia can be classed as moderate or even strong. Similarly, as with the first question, a further positive aspect was that 14 of 62 respondents (22.58%) rated their level of identification with an 8. Furthermore, the number of respondents who do not identify with Nokia at all was very small: only 2 respondents of 62 (3.2%) offered a rating less than 4.

When comparing the two questions, we find that identification with the community is a relatively stronger factor than levels of awareness regarding CSR initiatives. What can we deduce about the correlation between Nokia's CSR initiatives and levels of identification with the Nokia community? Having begun with the hypothesis that the identification of employees with the Nokia community is related to the degree to which employees are informed of the company's CSR initiatives, the following aspects can now be suggested (in correspondence to each cell of Table 1):

Interestingly, those who belong to the promoter group (being fully aware of Nokia's CSR initiatives) were always highly identified with the Nokia community. This applies to 8 respondents, or a total of 12.90% (cell 3). Conversely, none of the promoters (in terms of information) were identified with the Nokia community at only a poor or moderate level (cells 1 and 2). While this result could arise from Nokia's CSR work, it is not conclusive proof since the causal connection may also be functioning in reverse: that employees are solely interested in Nokia's CSR initiatives because they feel such strong bonds to the community. Further investigation would be needed in order to determine the direction of the causal link and also due to the small sample size of the survey since it can be questioned whether the amount can be considered as statistically significant.

To achieve a higher degree of identification one could interpret cell 4 (6.45%) as a value of potential. Cell 4 represents those respondents who are not identified with Nokia at all, but are moderately informed of Nokia's CSR. A more negative explanation would be that the passive group perceived the CSR information in such a negative way that they remained in the detractor group. However, although this group does not feel a sense of belonging to the Nokia community, they were at least informed of some CSR activities. According to cell 1, a high level of being informed does not lead to disidentification, thus more information could result in stronger feelings of identification. This could also apply to those participants in cells 5 (14.51%) and 8 (11.29%), though respondents in cell 8 have not obtained any awareness of Nokia's CSR.

Strikingly, the largest number of respondents were in cell 6 (22.58%). This cell represents employees who are highly identified with the Nokia community but who merely belong to the group of passives with respect to being informed about Nokia's CSR. Such a relatively large group is a strong indicator that it is not merely Nokia's CSR which builds strong bonds with employees. There must be other factors responsible for building attachment to the Nokia community. This interpretation is also supported by the results of cell 9. 11.29% are still members of the identification promoter group even though they have not been informed about Nokia's CSR initiatives at all.

Cell 7 covers the second largest group (20.96%). Those respondents were completely uninformed about Nokia's CSR and held no feelings of identification with the Nokia community. While one could argue in favour of the hypothesis (that without knowledge of Nokia's CSR initiatives no identification could result), but again we are still left with the problem of causality: are employees uninformed because they are not identified with Nokia, or vice versa?

### *5.3 Conclusion*

The results of the survey are inconclusive. On the one hand, cell 3 in combination with cells 1 and 2, as well as cell 7 support the hypothesis that employee identification with the Nokia community is related to the degree to which employees are informed of the company's CSR initiatives. However, cells 3 and 7 must be noted with reservation, since the results fail to display direct causality. On the other hand, cells 6 and 9 do not appear to support the hypothesis, suggesting that identification with the Nokia community may also derive from additional factors apart from Nokia's CSR. Therefore, the current study allows us to conclude that: CSR initiatives may have a positive effect on employee identification but are not the only component that contributes to such feelings of identification with an employer.

Accordingly, the present findings suggest the necessity for further research. In order to discover other reasons behind processes of identification, specific questions regarding why Nokia employees identify with the company would be one possible course of investigation. Another aspect that deserves further research is the way in which employees react to certain types of CSR initiatives. Against the background of the present thesis, CSR initiatives have been characterised according to a rather broadened understanding which subsumed different activities into a wide explanation of CSR initiatives. It would be worthwhile examining whether differing forms of CSR influence employee identification, for example corporate volunteering versus corporate sponsorships. Consequently,



a refined analysis would be required into the ways in which certain CSR initiatives evoke specific effects related to employee identification.

In addition, another facet that deserves attention is the NPS evaluation method. The results presented above were categorised according to specific thresholds in line with the NPS concept. As already mentioned in the discussion, different results and conclusions would have been reached if, for example, voters rating an 8 were counted as promoters.

#### *5.4 Guidance*

Given our overall objective of building stronger bonds with Nokia, what can be done in order to strengthen the awareness of CSR? I would suggest that guidance be provided with regard to employee attitudes towards CSR. In this respect, directions can be provided from two sides:

First, one aims at those employees who already regard CSR as beneficial, and who appreciate Nokia's engagement. This group of employees simply needs to be provided with further information on Nokia's CSR initiatives, although this should be done with moderation since too much information could result in counterproductive effects. Such information is already available and could be communicated through annual reports, regular newsletters or specific seminars dealing with Nokia's CSR issues. Moreover, if activities related to corporate volunteering involved employees more directly, this could allow employees to experience Nokia's understanding of CSR firsthand. This would also have the positive side effect of allowing employees to represent the company towards other stakeholders, such as customers or the local community. In particular, such guidance could apply to those employees represented in cells 3, 4, 5 and 6 – even though we cannot claim definitively that employee awareness of Nokia's CSR initiatives originates from their appreciation of CSR or because they are identified with Nokia, or whether it stems from some sort of disidentification because they are dissatisfied with Nokia's current policies. Put simply, if employees like CSR, more information on Nokia's CSR initiatives could be helpful for the achievement of identification with the community.

Second, attention could be paid to those employees who disregard CSR. Such employees would need first to be convinced of CSR before it could be used as a basis for building identification. In this case one could argue with the help of Maslow's hierarchy of needs (Maslow 1943): First basic physiological needs must be satisfied before one can seek to meet needs at higher levels. Accordingly, only in those cases where employees are, for the most part, satisfied and do not need to fear

major changes (such as the job loss) may they then see some sense in carrying out CSR initiatives. Otherwise, CSR initiatives would instead be counterproductive (e.g. employees may wonder why the company spends its budget on CSR rather than on its employees). As a consequence, in order to prevent employee irritation CSR ought to be in line with the current business processes as well as with that which the firm is communicating through its organisational identity. Again, put simply: if employees dislike CSR, Nokia should first try to improve employee recognition of CSR before using CSR initiatives as a driver to achieve identification. Such a strategy could apply to those respondents in cells 7, 8 and 9.

### *5.5 Limitations and Future Research Perspectives*

In addition to those areas above which deserve further research, another investigative approach could be to broaden the CSR-theme with respect to two issues:

The first issue can already be seen in other effects that result from CSR. Perhaps it is not only identification that can be built from a company's CSR, but also more positive employee-relevant outcomes which can contribute to a firm's well-being, such as problem solving capabilities, motivation or creativity. The second issue is that CSR does not only relate to employees but also impacts on other stakeholders, such as shareholders, customers, suppliers, and so forth. Most prominent research has been conducted on the link between CSP and corporate financial performance (see studies by Alexander/Buchholz 1978; Cochran/Wood 1984; McGuire et al. 1988; Waddock/Graves 1997; Vance 1975). According to the literature, other positive effects are also observed, such as building an overall positive reputation to various stakeholders, more customer loyalty, and a easier access to the capital market.

Finally, one should note that unobserved variables can also influence the degree to which a Nokia employee feels identified with the Nokia community. Certain types of people may identify more strongly than others with Nokia due to its CSR initiatives. For instance, highly competitive or achievement-orientated individuals may respond better to other performances, such as in the market or financial performance, rather than to those activities associated with CSR. This issue also deserves further investigation (see Carmeli et al. 2007: 987f.).

## 6. *Summary*

The present paper pursued two main objectives. The first objective was to review the correlation between CSR and OI from a theoretical perspective in order to provide answers to the core question of the paper, namely: To what extent do CSR initiatives achieve OI?

Section 2 dealt with the concept of CSR. Elements of both CSR and CC were examined in order to provide a broad understanding of the nature of CSR initiatives. Accordingly, we indicated that CSR is the more academic term describing the social responsibilities that business has to society, whereas CC is the more managerial term focused on concrete actions serving community relations. In this sense CSR initiatives were defined as actions that foster a socially based purpose or a stakeholder group. Employees were then identified as “first-class stakeholders” since, in many respects, they possess specific roles. Thus companies have a deep interest in building strong relationships with their employees. In order to reach this goal, it was suggested that CSR initiatives have the potential to achieve OI.

Therefore, section 3 focused on the concept of OI, concentrating on what OI is and why it is useful both for companies and individuals. Drawing on the well-known SIA, OI was defined as “a specific form of social identification” (Mael/Ashforth 1992: 105) and as a “perception of oneness with or belongingness” to an organisation (Ashforth/Mael 1989: 21). Next, the two main images that strengthen OI were pointed out: The perceived organisational identity is the individual’s own assessment of the organisation’s characteristics, whereas the construed external image describes the individual’s beliefs about what outsiders think of the organisation.

Section 4 served to bridge the previous sections and to elaborate on the core question of the paper. In order to provide an understanding of how OI emerges, a three-step functional process was proposed, one which determined that CSR initiatives act as the driver to trigger three available processes of affinity, emulation, plus categorisation and self-enhancement, which in turn result in OI. It was suggested that each of these processes can be activated by CSR initiatives. Moreover, findings from various scientific studies, as well as practice-orientated publications by well-known consultancies, similarly suggest that the CSR of a firm positively impacts upon the relationship between the company and its employees. In this respect the following final conclusion was drawn: the CSR initiatives of a firm may launch processes which lead to OI, and they also create an attractive image to which employees respond positively. Nonetheless it cannot be taken for granted that CSR initiatives are the only driver relevant for building employee identification, since the processes for

the emergence of OI, the scientific reviews, and the practice-orientated studies only focus on this precise link between CSR and OI.

Such findings are supported to some degree by the empirical testing that has been carried out in co-operation with 1492 GmbH and Nokia. The second objective of the paper was to provide additional insights into the theoretical review with the help of an empirical survey. For reasons of simplification the design of the survey was reduced to only two variables: information and identification. Building upon the underlying hypothesis that employee identification with the Nokia community is related to the degree of being identified about the company's CSR initiatives, Nokia employees responded to two questions corresponding to these two variables. The results did not revealed definitive answers. Nevertheless the results are suitably open to reflect the findings of the theoretical review. Insofar CSR initiatives may have positive effects on employee identification, but they are not the only component that contributes to feelings of identification with one's employer.

This brings us to the limitations of the present paper. Given all the challenges confronting companies at the beginning of the twenty-first century, employee identification is a key factor for success. In light of our theoretical review and practical survey, the chances that CSR initiatives positively contribute to OI are relatively good. However, the consideration of only one driver for OI does not sufficiently take into account the range of factors involved in the creation of identification. This aspect deserves further research. A similar conclusion applies to CSR, since the facets are more diverse than was assumed, in terms of the broadened understanding used in the present paper. Accordingly, further study is needed to determine which specific CSR initiative achieve the greatest levels of identification.

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**THE  
ORGANISATION**

**Responsibility**

# One for All and All for One!

How Individual Responsibility Leads to Corporate Success

Yannik Bendel, Isabell Jehle, Eva Pecher, André Schmelzer, and Maximilian Schwefer

*Keywords*

*Network Corporation, Prospective Responsibility, Collective Intelligence, Innovativeness,*

This paper will suggest that individual responsibility in network organisations presents an essential factor for corporate success. Corporations constantly struggle to deal with increasing complexity and a rapidly changing market environment. Centralised leadership then becomes overstrained in its attempts to find solutions for current challenges. Increasingly more processes slip into a state of unaccountability because fewer and fewer persons feel responsible for them. This is where the decentralised structure of a creative network can do better, since it is more adaptive and thus more successful in such an environment. In the context of networks, individual responsibility is identified as the basis for social relations and as a motor for innovation. Responsibility attains a new significance, which can be an enriching addition to mainstream concepts in corporate responsibility.

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## *1. Introduction*

The aftermath of the current financial crisis has proved devastating. After the initial shock wave, it seemed unavoidable that questions would be raised and attempts made to identify those responsible for this economic disaster. What can we learn from the mistakes and what can we do to avoid making them again? Who was finally in charge? Who is to blame now? Who should pay for it? The answer from a traditional organisational perspective is unsatisfactory: Only a few are responsible and only to a very limited extent.

Amid the crowd of CEOs, board members, investment bankers, politicians, and scientists, we are hard pressed to remember anyone taking responsibility for the crisis, or admitting a failure to do so. Rather than being the tip of the crisis, we would suggest that this mindset likely represents one of its root causes.

Interestingly enough, there is a decisive difference in the way companies such as Google, Apple or Amazon have faced the crisis compared to other older, more bureaucratic companies such as GM, Siemens or even Toyota. Why is it that some do better, while others struggle for existence? We will argue that one of the answers can be found in the organisational structure of such corporations. There is an increasing demand for flat hierarchies and organic leadership due to their advantages in agility and flexibility. Networks seem more able to adapt to an ever-changing environment and to master informational chaos. But what does it take for a network organisation to be successful? Or conversely: what is it that makes them so successful? We will argue that one of the essential factors is a new organisational concept, one which incorporates a different notion of responsibility. This shift in the paradigm of responsibility can be seen as a move away from a view where “few are responsible in a hierarchy” to one where “everyone is responsible for everything in a network”.

History presents us with several constructive approaches. At the end of the twentieth century, Hans Jonas argued that a readjustment of the conception of responsibility was needed due to the changing nature of human actions in a modern, technology-driven age. Growing complexity and humanity’s dangerous, self-destructive tendencies reinforced the need for prospective responsibility. This future-oriented concept of responsibility will be very useful in regard to network organisations.

In order to find answers to questions regarding a new understanding of responsibility, we will begin by providing a definition of “responsibility” in general and then of “prospective responsibility” in particular. We will then deal with that fundamental question regarding the purpose of an organisation. This will then lead us to a detailed examination of the structure of a network organisation,

its characteristics, and its different influences. We will show that a particular understanding of the individual is basic to the network concept. Consequently, we move on to scrutinise the function of individual responsibility in network organisations. This leaves us finally to ask how a new sense of responsibility can be developed. Throughout the paper we will argue that the success of a network approach is essentially determined by the level of individual responsibility for two reasons: first we argue, that the network idea ultimately rests on a concept of prospectively responsible co-workers; and second, responsible co-workers provide a significant contribution to the innovativeness of a corporation.

## ***2. Conceptualisation of Responsibility***

The term “responsibility” is so central and widely discussed in philosophy, and especially in moral theory, that it is impossible to provide a single valid definition. Instead, what we will provide is a selected overview of different understandings of responsibility. To differentiate the approaches, we will use the multi-modal system developed by Lenk and Maring: Somebody (e.g. person, group, organisation, society) is responsible to somebody (e.g. individuals, nature, future generations) for something (e.g. action, results, means) in front of an authority (e.g. societal, moral, juridical) evaluated on the basis of certain criteria (e.g. reference system of norms, values, maxims) (cf. Lenk / Maring 2004). If we reframe it as the question “Who is responsible to whom, for what, under which authority and with reference to which criteria?” we notice that there is an explicit etymological connection between the term responsibility and response (lat.: respondere). When asked, one should be able to give good reasons for one’s actions; one must be able to justify those actions.

One of the most influential, contemporary practical philosophers to write on the concept of responsibility is Peter French. French’s main contribution can be found in his discussion of those who can be held responsible. Thus French clearly addresses the first mode. He gives a clear presentation of the reasons why both individuals and groups or organisations can be held responsible. While traditional concepts regard responsibility as a necessary presupposition of practical life, French describes responsibility as a set of practices used by people to specify and conceive of individual and especially social behaviour (cf. French 1994).

Perhaps the most famous scholar to address the second mode (“responsible to whom”) is Hans Jonas, who proposed a new principle of morality: “Act so that the effects of your action are

compatible with the permanence of genuine human life” (Jonas 1974, 13). According to Jonas, the prospective imperative of responsibility is relevant in a moral sense and also for the sustainable handling of innovations. Based on the fear of negative consequences, Jonas sees decision-making behaviour strictly grounded in risk-aversion (Heuristics of Fear), especially with regard to the use of new technologies (cf. Jonas 1979). The fear of consequences should counter the unevaluated optimism that some feel concerning new technologies. This restrictive interpretation of prospective responsibility might prevent some mistakes, yet unconditional risk aversion also impedes creativity and innovation and thereby constrains positive developments as well.

As to the issue of what a subject should be responsible for, Harald Mieg distinguishes three different conceptual meanings of responsibility (cf. Mieg 1994): (1) Responsibility can be regarded as accountability for actions. Accordingly, one who is found guilty of misconduct or false behaviour is obliged to face conviction or to give an account for his or her morality. For example, it may be argued that a captain is responsible for a shipwreck; he is seen to be the one who ought to be held responsible for that consequence. (2) Apart from this retrospective understanding, responsibility can also be seen in terms of duty. To ask about one’s responsibility means gathering information about what one ought to be doing. On the one hand, there are duties that apply to everyone of a certain age, such as responsibility for taking care of one’s own health. On the other hand, there are also duties that some assume due to their role in society. For example, a parent is responsible for taking care of his or her child. This prospective concept is expressed in normative phrases. The relation between retrospective and prospective responsibility can be illustrated as follows: First an action takes place that leads to a positive or negative result; those who either could or could not fulfil their duties are then held responsible. Since it is a parent’s responsibility to care for his or her child (prospective), that parent will be held accountable if the child is harmed (retrospective). (3) Responsibility can be interpreted as a legitimisation for the use of power. For example, a work position in a hierarchical organisation is connected to the dimension of responsibility. The more power one has, the more responsibility one will eventually have to assume.

A closely related classification is used by Goodpaster and Matthews (1982). They shift attention towards the fourth mode, to those instances which provide a vantage point for identifying responsibility. In a causal sense, responsibility refers to an action in the past. A person is held accountable for the consequences caused by his or her actions. Responsibility, in a rule-following sense, depends on the socially expected behaviour associated with certain roles. Similar to the prospective approaches presented above, such responsibility can be interpreted as a duty, or as being in charge of something.



With regard to decision-making processes, an individual is considered responsible if he or she is reliable and takes certain moral criteria into account. This interpretation of responsibility aims to understand responsibility for society in a way that is proactive and not explicitly expected.<sup>1</sup> Unlike Jonas, Goodpaster and Matthews also emphasise, that taking on responsibility can be understood as a voluntary act that does not have to be based on mere duty.

Finally, with regard to the last mode, Max Weber's distinction between the ethics of responsibility (Verantwortungsethik) and the ethics of conviction (Gesinnungsethik) represents one of the most fundamental contributions to differentiate between the criteria on which actions can be judged. According to the ethics of responsibility, it is only the consequences that give meaning to their corresponding action (cf. Sung 2008). In contrast, the ethics of conviction only take into account the motivation, intention or aim of an action rather than the actual result. "This concept of personality finds its "essence" in the constancy of its inner relation to certain ultimate "values" and "meanings" of life" (Weber 1975, 192).

Of all these concepts, this final differentiation is the one most essential for our working definition. Despite the extensive academic discussion about the responsibility of groups, with respect to the first mode, we will concentrate on the responsibility of individuals. Our purpose is to identify how individual responsibility leads to economic success. Therefore our subject is not the corporation that takes responsibility but every single co-worker. We will work with a concept of responsibility that provides a clear framework for social interactions, flexible behaviour and creative thinking in network organisations. As for the second mode (identifying those to whom one is responsible), this paper will focus on the immediate environment surrounding organisations and society. To promote innovation, flexibility and self-contained work we believe that a prospective interpretation of responsibility is essential. Quite contrary to concepts of responsibility in terms of accountability, we look instead to future actions which must either be induced or prevented (third mode). In the same way, following Goodpaster and Matthews we understand responsibility not only as linked to the fulfilment of duties but also as a voluntary act (fourth mode). For our purposes, it is less important to distinguish between the "ethics of responsibility" and the "ethics of conviction" (as found in the final mode). Thus in summary, we will emphasise responsibility as a future-oriented,

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1 Carroll proposes a prospective approach which considers the responsibility of a company as a moral entity. According to Carroll, corporate social responsibility consists of three concepts: social responsibility, modes of responsiveness, as well as the stakeholder and social issues involved. According to the second of these concepts, a company practices social responsiveness if they anticipate social changes and needs and modulate their corporate strategy accordingly (Carroll 1979).

voluntary act of individuals in their immediate environment. In this way, responsibility provides the groundwork for sustainable decisions in a complex world.

### ***3. The Purpose of Network Organisations***

#### *3.1 Why Form an Organisation?*

From an organisational perspective, we must try to understand the underlying motivations which drive people to build organisations. While the individual reasons or motives for engaging at all in such productive activities are diverse (cf. Drucker 2007), they are finally irrelevant for our explanation of an organisation's purpose. Instead, we will simply assume that people do want to engage with others, and on that basis attempt to show how this eventually leads to the development of an organisation. A philosophical and rather intuitive approach would suggest that individuals can achieve more in collaboration than they can on their own. Thus they depend on social institutions, such as trust or the law, in order to escape from the Hobbesian *bellum omnium contra omnes*: the war of all against all. In the twentieth century, Ronald Coase and Oliver Williamson transposed these ideas into economic terms and developed explanations for the existence and structure of organisations. Their approach was the foundation for the ongoing success of new institutional economics, and encompassed several important points. First, for any economic transaction a form of co-ordination needs to be chosen. That choice lies between a market and a hierarchy (i.e. organisation) and is dependant upon the respective transaction costs. In the case of market transactions, the costs of search and information, bargaining and contracting are primary. The use of organisational structures reduces these costs, but raises others, such as overhead costs or the costs of inefficient resource allocation (cf. Coase 1937). Second, market participants establish permanent relationships through integration into one organisation in order to prevent a loss of their specific investments. However, there is a risk of exploitation if one of the contracting parties depends on the loyalty of the other, after having incurred substantial costs. An opportunistic partner may exploit the dependency of the investor through renegotiation or blackmail (so-called "hold-up"). When potential investors assume such opportunism and anticipate a loss, they will refrain from investing. The more specific the investments, the higher are the potential costs of exploitation. Merger into a single organisation reduces the risk of hold-up. This merger of investor and beneficiary interests on a long-term basis

decreases the incentive for mutual exploitation (cf. Williamson 1975). This approach explains why some investments or transactions are more efficient when located within the protective structures of an organisation.

From a societal perspective, the purpose and legitimation for forming and maintaining an organisation is the contribution of value creation for that particular society. If the organisation fails to do so, its legitimation is revoked and the organisation can be dissolved. In contrast to non-profit organisations such as hospitals or churches, a company must be profitable. It must maintain those resources entrusted to it and, ideally, use them for growing wealth. Companies that diminish the common wealth by wasting resources lose their legitimation and are eliminated through the market. Particularly in demand-driven markets (prevalent in the economies of industrialised nations), it is customers who are critical in that market process. Through their purchasing decisions, customers collectively determine what is valuable for society and how profitable a company will be. They will decide on and pay only for those products or services that create value for them. Thus, societal value creation and profitability are strongly intertwined, and it is ultimately the customers who evaluate both aspects of a company's performance and thereby strongly determine the societal purpose of that organisation (cf. Drucker 2007: 35ff.).

### *3.2 Why Form a Network Organisation?*

In modern, dynamic market environments traditional organisations struggle to fulfil fast-changing customer demands. Complex markets require complex problem-solving capabilities. This is where hierarchical, bureaucratic and slow-paced organisations fail. A network organisation is a particular form of organisation—one which offers a particular way of creating value in the economic system by being adapted to exactly these fast-changing circumstances of our time. Ideal-theoretical networks are constituted by a number of decentralised entities connected in a dynamic mode. These interconnected objects form a system. A network organisation is a form of co-ordination, bringing together economic activities through social interaction. Usually, this organisational structure is not hierarchically predetermined but develops non-paternalistically, pursuant to special requirements. In our examination of different network levels, we will differentiate between internal and external networks (see Figure 1).

In internal networks, individuals establish their co-operative relations by contracting (cf. Coase 1937) or through mutual trust since it is neither practicable nor reasonable to secure every kind

of interaction on the basis of contracts. This is why trust is central to network organisations, since control and sanctions in networks are more informal and implicit rather than formal or explicit. This supports flexibility and enables faster learning processes. Co-workers share knowledge and interact on projects which are subsystems within the organisation (cf. Luhmann 1984); they work together to reach particular aims; they co-operate and reach joint decisions. Thus these interpersonal, reciprocal and mutual relationships constitute the internal structure of a network.

External network structures are constituted by the enterprise itself, the entities around it and the connections between them. A network organisation that is strongly connected with such surrounding

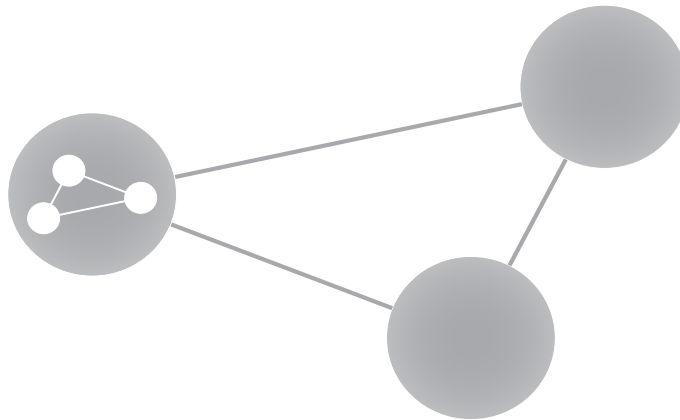


FIGURE 1: INTERNAL AND EXTERNAL NETWORKS (OWN SOURCE)

entities can be seen as a distinctive element of an associative<sup>2</sup> biotope (cf. Glasl 1994; Lievegoed 2004). In the same way, networks between single competence entities of various enterprises are possible. They form so-called strategic networks (cf. Aderhold 2004). An example of a connection within an external network could be a contract between a supplier and a production company, or stakeholders voicing their interests in the activity of a corporation. An external network structure can be very extensive and thus hard to identify. It can be seen as the whole societal context. Often an

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2 According to Glasl/Lievegoed, the associative phase represents the fourth phase of organisational development, where the firm acts as part of a network of interdependent co-operative relationships between organisations.

order of priority exists between the different entities and their relation to the company. Prioritisation is needed to manage the complexity of the external structure and its relations.

Both structures depend on social relations to function and even to exist (see also 4.1). Based on these relations, the external and internal structures of a network organisation are strongly intertwined. External changes often require internal reorganisation and adaptation through the destruction of the accustomed structures. New projects arise because new problems must be solved. External connections are established or dissolved as needed. As a consequence, binding social relations represent the overall structure of the network organisation.

### *3.3 Approaches to Network Theory*

Having looked at purposes and structure, we can now focus on the diverse theoretical influences on the concept of network companies. Since there are various interacting academic approaches, we will not try to offer one single definition of a network, but rather characterise the concept according to its origin, and do so in an interdisciplinary way.

Chaos theory has an impact on the basic perception of complex systems. Dynamism and non-linearity are constitutive for this concept (cf. Smith 1994). A dynamic network organisation is itself regarded as a complex system that cannot be completely commanded, nor can its future actions be predicted.

System theory contributes to network theory by articulating a structural framework for integrated networks. The patterns of systems and subsystems illustrate the complex relations inside and outside of a network and the interdependency between the parts of a system (cf. Luhmann 1984). A large field of research can be found in the relation between natural and anthropological systems.

Bionic theory tries to adopt systems from nature. Such an approach had already been taken in ancient times, for instance in Plato and Aristotle's descriptions of the state (cf. Aristotle 1994; cf. Bloom 1968). Today, this approach has been applied to network organisations. The enterprise is regarded as a flexible organism which reacts in real time to complex problems and changing circumstances. An organism possesses organs that constitute the whole system. The organs and the organism exist coherently and in harmony. If a decisive organ is damaged, the entire organism is harmed.

Swarm theory, as a research area within bionic theory, deals with the management of large and complex systems with minimal control between the interacting entities. This self-organised behaviour

of large numbers of co-operating agents which interact with the help of simple principles can be observed in social insects such as ants. The self-organisation of a biological system<sup>3</sup> means that patterns form within the system without external influence. This can also be observed in schooling fish or in the synchronised flashing of fireflies (cf. Bonabeau 2003 et al.). Swarm research is relevant for the theory of collective intelligent behaviour that forms a constitutive part of current network theory.

Cybernetics concentrates especially on these self-regulatory functions of the system that we observe, for example, in swarms (cf. Foerster 1962). Its background is described by formal logic: cybernetics uses binary syntax for its strategies and decision-making processes. This interdisciplinary science investigates the control, communication and regularisation of complex systems, and deals with the co-ordination and harmonious interaction of a system's components. Feedback is central here for each act of regulation. In the case of enterprises, feedback mechanisms represent a main part of the system's homeostasis<sup>4</sup> (self-regulation) (cf. Beer 1959). Such self-regulation is a functional part of any living organism and ensures the stability of the whole system (for example, respiration increases when the human body is under strain [cf. Beer 1959]). Cybernetics also deals with the relation between biological and digital or mechanical information systems. A network is essentially determined by communicating agents, which form a system for the exchange of information. The theory of automatic systems in cybernetics is closely related to the topic of artificial intelligence and to computer science.

The computer sciences, such as robotics, combine the modelling of artificial agents with observations from nature, for example in the modelling of swarm robotic systems. The field has also seen trials in the modelling of intelligent collective behaviour by artificial intelligence (cf. Kube/Zhang 1992).

Both game theory, in economics, and decision theory deal especially with the problem of the emergence of co-operative relationships between different rational agents in a network. The reciprocity of co-operation, given repeated interaction, assures co-operative behaviour over the long-term (cf. Osborne 2004). These approaches to network theory may be based on the idea of collective intelligence, as for example in the case of swarm theory (cf. Bonabeau 1999 et al.).

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3 Bonabeau et al. state that self-organisation is the basis of those central features of a biological system observed in nature. When this thesis is applied to large complex organisations, multi-objective optimisation problems can be solved more effectively because different solution paths can be explored at the same time. Hence the chances of finding a global optimum increase.

4 Beer categorises the enterprise and the human brain as very complex probabilistic systems, a classification based on its regulative type. The organisation adapts to changing circumstances and learns from experience. That ability is referred to by the term homeostasis.

The theory of collective intelligent behaviour assumes that groups formed by individuals acting collectively are apparently intelligent, even when individual decisions can be considered irrational (cf. Malone 2009 et al.). In a network organisation, collective behaviour can be more intelligent than individual behaviour within a hierarchy. Current scientific research, for example by Malone et al. from the Massachusetts Institute of Technology, uses the biological analogy of genes and the genome to describe this framework. Genes can be divided into different types: “crowd” genes, “creating and deciding” genes or “collaboration” genes. They are combined into genomes of a complete collective intelligence system. It is possible that genes change in order to form a complete genome. Malone uses this idea to develop numerous examples of collective intelligence in practice<sup>5</sup>, but focuses on web-enabled collective intelligence. Google, Wikipedia and Amazon can be found among the principal examples. During the editing process of existent Wikipedia articles and the creation of entirely new entries, decisions are essentially made through a process of collective intelligence. Only the deletion of articles is supervised by a hierarchical order, in accordance with votes from particular sub-groups (cf. Malone 2009 et al.: 12). This example showed that reliance on the “crowd gene” was important for web-enabled collective intelligence. According to Malone et al., when motivation emerges in networks it stems from the love and glory genes rather than from money, as in traditional organisations. For example, there is no reimbursement for reviews of products or sellers on Amazon or eBay. Networks profit from the collective intelligence of its self-motivated co-workers.

None of the presented approaches alone characterise the network concept, rather they interact with and inspire each other. What they share is a concentration on the individual, collective intelligence and social relations. Individuals play a major role in a network, and thus deserve closer attention.

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5 They began their work with an online wiki named “Handbook of Collective Intelligence” hosted by the Massachusetts Institute of Technology, Center for Collective Intelligence.

## ***4. Individual Responsibility in Network Organisations***

### *4.1 Contributions of Individual Responsibility to a Network*

It is important to note the impact of each individual on a network organisation in terms of collective intelligence and social relationships. We suggest that in order to succeed in both fields, individuals must take on responsibility. In this section we distinguish between two functions of individual responsibility.

First, responsibility can be identified as the fundamental precondition of social interaction in networks. As noted above (3.2) trust between individuals is vital for co-operation in a network (cf. Luhmann 1968). Prospective responsible behaviour of individuals, as defined in section 2, creates an environment of trustworthiness, which is a pre-condition for trust itself. Repeated responsible behaviour contributes positively to the reputation of a co-worker. Reputation then signals stability in behaviour to other co-workers and increases trustworthiness. Prospective responsibility and trust can be seen as the cohesiveness between individuals.

Second, individual responsibility is a driver for collective intelligence. If responsibility is a prospective act, then a high level of reflection is certainly involved. Self-contained work without mechanic task fulfilment requires the co-worker to think before acting. We argue that through an awareness by every single co-worker of what he or she does (and why), a collective consciousness can arise which contributes to the collective intelligence. The more intelligent a network, the more likely it can adapt in innovative ways to an ever-changing environment. Reflective, self-organised and responsible individuals are crucial for the innovativeness of organisations.

Both benefits of individual prospective responsibility signify major contributions to the success of a network organisation. Since the cultivation and support of responsibility offers competitive advantages, in the following section we will ask, and answer, three questions regarding the improvement and further elaboration of individual responsibility: (1) what role does a common vision play as a precondition for responsibility in the organisational context?; (2) what are the implications for information policy, especially with regard to ensuring that co-workers are enabled to make responsible decisions?; and (3) what kind of individual mindset is required in a network organisation?



#### *4.2 A Strategic Condition for Individual Responsibility: Common Vision*

As argued in section 3, the legitimisation of an organisation for being an integrated part of society can stem from its value contribution. In the same way, the legitimisation for an individual to be an integrated part of an organisation is his or her contribution to the collective process of creating value. Therefore, making a contribution is the prospective responsibility of each co-worker, or, following Jonas, this is even his or her duty. The duty to contribute involves a duty to reflect, evaluate and share the intentions behind one's own actions, and to do so from an organisational perspective.

To ensure an individual's contribution to a productive collaboration without central planning, command and control, a common vision is needed. The commitment to this vision co-ordinates the innovative and creative activities of autonomous individuals. "Every enterprise requires commitment to common goals and shared values. Without such commitment, there is no enterprise. There is only a mob" (Drucker 2008: 23). But where does this common vision come from? It is not predetermined by an authority or external power, but emerges from the group of co-workers themselves. In a network company the consciousness of a common goal evolves from the process of frequent reflection and communication by the individuals within that network. Reflection means that each co-worker should regularly think through how he or she and the network could best contribute to the organisational purpose.

"To get any results requires, from each member, independent responsibility and initiative. At the same time each member must try to know what goes on through the entire system and to keep the common goal in mind. Executives, especially, must always see their own assignment clearly in the perspective of the whole project" (Drucker 2008: 453).

By constantly sharing and discussing one's personal visions, mutual ideas and common goals become apparent. Important here is the growth of a long-term orientation that promotes consistency and stability to decisions and actions. This assures the sustainable development of the organisation, its intrinsic motivation, mutual trust and the collaboration of its co-workers.

### *4.3 An Operational Condition for Individual Responsibility: Information Management*

One restriction on the adoption of personal responsibility arises from an individual's information horizon: that knowledge about what is going on inside and outside the company and what the possible consequences of a particular action or decision may be. In order to balance interests a co-worker must first be aware of them and then, second, know how they are influenced by his or her decisions. Information regarding circumstances and causalities, divergent interests and their interdependencies are required if one is to assess the possible overall result. The question then becomes: Who is responsible for ensuring that such information is at hand when needed? Should the decision-maker be tasked with gathering this information? Must the affected stakeholders provide relevant information, or should the information be managed centrally? In these times of advanced information technology the critical issue is not the quantity of information but its quality. To ensure the significance and relevance of the information, the decision-maker, those affected as well as people with relevant experience must all take care to maintain information. One perspective alone is not sufficient. In line with the network's fundamental structure, each person bears an informational responsibility. This has major implications for the handling of information inside and outside an organisation.

First, each person in the organisation must consider and communicate what information he or she needs. Second, each person ought also to assess what other individuals or entities (specifically those whose decisions may affect him or her) need to know about his or her situation. Third, co-workers should also think about necessary information for those situations in which they are not directly involved. Finally, each person must make sure that this information eventually reaches those who need it. Drucker notes that in this context responsibility means that:

“Everyone has to know, who is depending on him for what information and on whom is he depending. More important than superiors and subordinates, who have official tools to require information, are colleagues with whom one has to coordinate. Information responsibility to oneself is still largely neglected. That is, everyone in an organisation should be constantly thinking through what information he or she needs to do the job and to make a contribution” (Drucker 2008: 453).

Co-workers who form project groups and who take pleasure in a lively community are an enormous gain to such corporations. Successful networking is dependent on a more direct and faster concept of social interaction and knowledge exchange. In a corporation's information policy, the idea of the privileged possession of information should be replaced by a new openness to providing relevant knowledge to all persons at any time. IT-tools, which enhance communication processes and efficient data management, became indispensable for daily business. Since our decisions rely on the quality of information, such technical innovations directly influence the ways in which people can act responsibly. This again is an essential part of network thinking: increasing the speed of information communication and feedback based on that information promotes a stronger feeling of togetherness.

#### *4.4 A Personal Condition for Individual Responsibility: Autonomy*

In the end, it is the individual who must creatively process all this information. In addition to the informational horizon, the level of individual responsibility is also restricted by the individual's own mindset. The network idea ultimately rests on a conception of autonomous co-workers. Working together in a network requires a new mindset, one significantly different from that in hierarchical structures. Co-workers can no longer be just an executing part of the corporation, but must act autonomously on the basis of a common vision. Co-workers are required to understand themselves as individual and valuable parts of the entire network. Here, to act responsibly means acting in accordance with the values of the corporation while also making autonomous decisions.

One precondition of individual autonomy is the authority freely to decide how to use resources to attain the goals of the network organisation. Each co-worker is now held accountable and responsible for all his or her decisions, as they are no longer made by a supervisor. This mindset enables the autonomous individual to act in a self-regulated way.

In this way, we see how autonomy, freedom and responsibility are interconnected. Immanuel Kant had already noted the inseparable connection between freedom, the autonomy of the individual and a universal principle of morality.

“Now the idea of freedom is inseparably connected with the conception of autonomy, and this again with the universal principle of morality which is ideally the foundation of all actions of rational beings” (Kant 1785: 452).

Autonomous decisions entail that co-workers will be confronted with more questions to answer and more choices to be made in everyday business. The process of striving individually for

new ways to solve existing problems, and to satisfy future demands, is what we call creativity. In network organisations prospectively responsible and truly creative co-workers are those who think for themselves, who share their ideas, believe in the shared vision, and thus contribute to the overall success of the organisation. Network organisations must provide an environment for successful creative work. There seems to be few situations where creativity is not intrinsically associated with freedom: innovative people, such as artists, musicians or scientists are connected with an individualistic concept of life. Creative space must be granted to all who are working on innovative solutions to intricate problems (cf. Gardner 2007 et al.: 64f). Innovative companies mine for new ideas and strive for an open culture that encourages, measures, and rewards innovative thinking. Constant monitoring of changes in needs, new knowledge, and unexpected successes or failures provides opportunities for innovation.

For this to work there must be a level of organisational freedom that ensures diversity, since homogeneity (with its tendency to level differences) can be counterproductive for the innovativeness of a corporation. If people agree unanimously on certain ideas, the process of reflection is more likely to end, which in turn will lead to an opposition to new ideas from outside. It is precisely this reflection and openness which determines the innovativeness of a corporation. Thus, in networks with a strong common vision the celebration of diversity is important. This open and flexible environment with autonomous, self-regulative and creative individuals is the essential basis of collective intelligence.

It should be noted here that this strong concept of individuality is entirely different from an understanding of self-centred individuality, which easily ends in egotism and insular thinking. In fact, a sense of community is essential for the functioning of networks. It is the insight into the limitation of solitary actions which shows the value of co-operative work. The decisive step of converting creativity into innovation is not an individual but rather a group effort.

This means that if a network organisation wishes to provide such an environment, it must offer more freedom than hierarchical structures. This can be achieved by reducing the levels of control and regulation. Yet what arises from the resulting lack of stability, security, unambiguity and homogeneity is a beneficial and increased level of collective intelligence. It emerges spontaneously and compulsively if we understand collective intelligence as the result of autonomous individuals creatively contributing to a common goal or vision.

## 5. *Conclusion—The Triad of Responsibility, Innovativeness, and Success*

This paper sought to shape awareness for the significance of responsibility in the context of network organisations. We highlighted two functions of prospective responsibility. On the one hand, it creates an environment of stability and trust among co-operating individuals, functioning as a precondition of any interaction. On the other hand, such innovativeness is an important factor for corporate success in a fast changing market environment and times of increasing complexity.

The fundamental idea, that there is a connection between innovativeness and success, is anything but new. What we have tried to show in this paper is that there is also a linkage between responsibility and corporate success, a view commonly advanced by large sections of the CR-research community<sup>6</sup>. Mainstream CR-theory views responsibility primarily in light of the connection between a corporation and its environment that is, an external reference. In this case business would embrace responsibility because of the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Our paper explored the concept of responsibility with regard to its significance for the functioning of networks and their levels of innovativeness that is, an internal perspective. We argued that the level of individual responsibility determines the success of a network. In addition to the standard approach to CR-research, this could offer another perspective on the value of responsibility.

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6 The term CR-research includes the scientific research on topics of Corporate Social Responsibility (CSR) and Corporate Responsibility (CR) in general.

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**THE  
ORGANISATION**

**Values**



# Corporate Values: Valuable or Worthless?

Nokia's Journey Towards Becoming a True Network Organisation

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*Keywords*

*Values, Networking Corporation, Four Modes of Work*

Do corporate values matter in a web 2.0 world? And, if they do, how can we ensure that they stay valuable? This essay will begin by examining theoretical definitions of the concept of “value“ in the context of philosophy, sociology and economics. This will then lead into a concrete investigation of the way in which values could be understood and dealt with in a corporation, using the example of Nokia's movements towards fulfilling their value statement. As part of Nokia's constant search for efficiency, they have taken an interest in the growing trend towards “network organisations“. In order to support Nokia in the process of defining and re-assessing their corporate values, we have designed a survey tool and will present this in the last section of this essay.

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## ***1. Introduction***

It is not easy to give a general definition of the concept of “value” as it is used in many different ways. In his book, *Value and Norm – A Conceptual Analysis for Sociology*, Rüdiger Lautmann (1971) claims to have identified almost 400 different definitions of “value” in over 4000 essays and books. Is there only one “right” definition? How have the definitions differed throughout history, and how do they differ across the various scientific disciplines, such as philosophy, sociology, and economics? In order to lay a sound theoretical basis, we will examine some of these definitions of “value” in section two. In the third section, we will elaborate upon the ways in which values and their influence have been dealt with in the real business world by outlining Nokia’s journey to develop their value canon: Engaging You, Achieving Together, Passion for Innovation, Very Human.

But what does the corporate value “Being Human” mean? Is it that every individual employee is more human? Does being more human imply acting in a more human way? Is a catalogue of corporate values only useful as a marketing tool or can it really guide employee action? We are convinced that those corporate values which are closely aligned to the individual values of employees will result in higher individual, and thus corporate, productivity. Therefore we developed a questionnaire (section 4) in order to find out (1) whether employees are actually familiar with Nokia’s corporate values, and (2) which individual values they hold. By comparing the results of those two sections we will gain insight into the level of correspondence between the individual values and Nokia’s values, and can then offer a range of supported recommendations.

## ***2. Values***

### *2.1 Values in Philosophy*

In the philosophy of logic, value is considered to be plurivalent. Value can either be understood as a predicate variable or as an individual variable. The former addresses value as a criterion, ascribing value or rightness to something. The latter expresses the quality of an object, whether it is important to people or not. In order to determine whether an object is good or not, it would have to be compared to a fixed standard or benchmark defined earlier. In moral philosophy, these ideas of the right (benchmark) and the good (thing)

“... span the greater part of the field of moral philosophy. They conceptualize basic phenomena in human life: the good, that men are purposive or goal-seeking beings who have desires and aspirations; and the right, that men carry on their lives in groups that require some modes of organization and regulation involving practices, rules and institutions. [...] The history of the relation of the good and the right in ethics is thus the history of the relation of these conceptual frameworks [i.e. the goal-seeking and the juridical framework] and their transformation under the growth of human knowledge, the changes in social and cultural forms, the emergence of varying human purposes, and the refinement of philosophical theory” (Edel 1973: 173f).

At this point, it will be helpful to provide a short chronological overview of the main schools of thought that have shaped humanity’s understanding of the meaning of values. This will allow us to show that values are far from being absolute entities: Change, or even a decline in values is not only a modern problem but also an ancient one.

In the fifth and fourth centuries BC, the Sophists neither believed that there were such things as universally valid values, nor did they consider values as being benchmarks for human behaviour. The only benchmark was the human being itself. Only the individual was important and the enforcement of his or her interests (cf. Hillmann 2003: 17).

In the doctrines of the Greek philosophers Socrates, Plato, and Aristotle there is a strong sense of teleology. The good, as an individual variable, can either be external and grasped through learning and the accumulation of knowledge (Socrates) or be located internally within the human self, as with Aristotle’s notion of *eudaimonia*, which can be understood as happiness. Human beings cannot help but value this good and strive for it.

“Valuable” as a predicate variable also touched on the way in which this good could be achieved. For example, Socrates connected that which is right to communal life. For him, it was valuable to take part in the society one lives in and to respect the rules of social interactions. For Aristotle, there was also an ideal order of the political community that best supported its members in their quest for happiness. Focus was placed upon virtues, those individual character traits that one had to have in order to live a fulfilling life. Similarly, in Socrates’ speech in the *Symposium*, Plato elaborates on the concept of love (*eros*) as a searching of the soul for the everlasting possession of the good (cf.

Plato 385 BC: 80). Correspondingly, his theory of right can be described as “an order in the soul which enables it to move toward the good” (Edel 1973: 175).

While these understandings of “values” will not change greatly over the following centuries, one can observe a clear shift towards religious conceptions. The Aristotelian idea of teleology remained, but the goal became salvation and divine unity with the One. Christian thinkers such as Augustine and Thomas Aquinas described the right as staying on the path to salvation, resisting those temptations which tempt a human being along the way.

The following periods were characterised by increasing secularisation and a growing focus on the individual, thus away from a destined path to a divine good. In the seventeenth century, teleology disappeared. Thomas Hobbes characterised the good completely in terms of individual desire. In their natural state, all human beings were seen to possess an unlimited egoism of desire. The good then becomes the object of endeavour and, for the first time, something which mirrors personal choices and preferences. Here we have value in the sense of an individual variable, as described above. However, in light of the Hobbesian conception of the human being, a value is not compatible with a good and valuable life in society, as we would see it today. A true communal life with shared values is neither possible nor wanted since such a communal life would entail not only advantages for the individual but also restrictions on their quest to fulfil their egoistic desires. The system of rights would only consist of those principles of human relations which allow as much co-operation and peace as is needed for pursuing egoistic aims. These principles were called natural laws, since all reasoning human beings would recognise them as essential for social order – so long as those individuals take into account what they have learned through their experiences of living together with others.

In the eighteenth century, David Hume and Adam Smith relativised Hobbes’ very negative conception of the human being as an egoistic rational being by emphasising the important role played by sentiments as motivators for action: “Reason is, and ought only to be the slave of the passions, and can never pretend to any other office than to serve and obey them” (Hume 1739: 295). The character of the good also changed: although it still satisfies human desire, Adam Smith was convinced that the satisfaction of one’s individual desires need not occur at the expense of everyone else. The good satisfies an individual’s desires but there is, apart from the self-regarding good, also an other-regarding good. Adam Smith argued that there is an invisible “hand of Providence [that] will guarantee that each man’s pursuit of his own good will produce an effect of enhancement on others’ good” (Edel 1973: 178). This appreciation of the well-being of others is the essential link

between value at the individual level and the constitution of our modern concept of value at the society level – both as an object (“the good”) and as a criterion (an act is good if it helps to satisfy both my desire and also the desires of others).

In summary, there is neither a universally valid understanding of the notion of “values”, nor does it have a general place and significance in the lives of people. At the latest, since the seventeenth century “values” have ceased to be useful solely as guidelines to keep individuals on the path to a “good” life. The aim of constructing a society with rules and laws of human coexistence, and of ensuring the participation of each and every individual in that society started to become increasingly valuable to humanity.

## *2.2 Values and Norms in Sociology*

Social life is only possible if individuals develop a feeling for the community that unites all members (cf. Durkheim 1893: 53). Values in society can be seen as a general framework which encourages people to adjust their acting and thinking in social groups. Values create a collective notion of that which is desirable in life while also featuring collective as well as obligatory elements (cf. Abels 2007: 15). They indicate a widely accepted array of the ways in which people do and should interact in general. Durkheim (1893) sees values as social facts or institutions which can be regarded as a collective conception of the good. In contrast, norms are a conception of what is right. Norms incorporate and specify values but have a more obligatory character connected to positive or negative sanctions. To a certain degree, both values and norms direct human actions and make interactions between people in society predictable (cf. Durkheim 1893: 434).

Neither the concept of norms or values has always been the same. Max Weber (1904) noted that in human history values were mostly related to time-specific views of the world. Because social groups tend to generalise their own value concepts, they overlook the cultural dependency of values (cf. Weber 1904: 81). Georg Simmel (1900) recognised that a value as such cannot be a natural characteristic. Things become valuable only because people give them meaning and quality (cf. Simmel 1900: 23). In structural functionalism<sup>1</sup> values have – if anything – the task of maintaining

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1 Structural functional theory “holds that society is best understood as a complex system with various interdependent parts that work together to increase stability. For most of the twentieth century the structural functional perspective (also called functionalism) was the dominant sociological approach in the US and Western Europe. Although the label structural functional theory has subsumed multiple perspectives, there are a few basic elements that generally hold for all functionalist approaches in sociology: social systems are composed of interconnected parts; the parts of a system can be understood in

social structures, acting as components between individuals and social systems. In this respect, social balance is achieved when individual orientations and cultural values correspond.

Another important factor in social systems is communication. Indeed, communication represents the basic principle underlying the way in which people organise themselves in a society. As George H. Mead (1973) noted, the creation and development of values also takes place through communication. Human beings enter into relationships with each other, respond to mutual behaviour and create common symbols with which they give sense to their actions (cf. Mead / Morris 1973: 299). If certain reactions appear frequently in society, they become habits and eventually binding forms of behaviour (cf. Durkheim 1893: 435). For social behaviourists, values evolve from a process of learning experiences. During childhood, individuals connect need-driven actions with the subsequent feedback gained from those involved. Those responses provide social orientation as to what is right and wrong. Eventually, such repeated feedback creates an intrinsic understanding of values and leads to the development of a moral consciousness (cf. Mead / Morris 1973: 33).

To conclude, in sociology values function as basic structural components for societies since the majority of society's members have internalised them. Values are apparent in individual personalities and are institutionalised as norms in social structures (cf. Parsons 1960: 170ff).

### *2.3 Values in a Corporation*

Businesses rely on society as the seedbed for potential customers, and conversely society needs businesses to progress, “[t]hus, business must acknowledge society’s existence and society’s growing demand for more ethically responsible business practice” (Joyner 2004: 298). Since companies include many different people who may not share a code of values, employee beliefs may differ with respect to the ways in which situations should be handled. It may well be that the most obvious definition of corporate values is “the melding of all the values of the members of [...] [a] workforce that creates [...] [the] current work environment” (Heathfield 2008). However, a body of corporate values should not only be a gathering of individual values (of values that represent

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terms of how each contributes to meeting the needs of the whole; and social systems tend to remain in equilibrium, with change in one part of the system leading to (generally adverse) changes in other parts of the system“ ([http://www.sociologyencyclopedia.com/public/tocnode?query=structural+functional+theory&widen=1&result\\_number=1&from=search&id=g9781405124331\\_chunk\\_g978140512433125\\_ss1-289&type=std&fuzzy=0&slp=1](http://www.sociologyencyclopedia.com/public/tocnode?query=structural+functional+theory&widen=1&result_number=1&from=search&id=g9781405124331_chunk_g978140512433125_ss1-289&type=std&fuzzy=0&slp=1) [25/04/2009])

the individual employee), but should also consist of values that represent the corporation itself as an independent entity.

This is why it is essential for all members of a corporation to agree upon a set code of values which exemplifies the desirable behaviour to be applied and sought after within the company. Such a corporate value code guarantees stable relationships both within the company as well as towards external stakeholders such as customers, suppliers, or the public. Communication between those separate parties is improved since each party will at least have a general idea of how others will (re-) act and can therefore plan their own actions accordingly.

Joyner and Payne (2004) argue that an ethical code of business is not only required for orientating company employees but also for increasing a company's success. Blanchard (1998) goes even further, claiming that "[m]anaging by values – not by profits – is a powerful process that will set [...] a business on the path to becoming [...] a 'Fortunate 500' company" (Blanchard 1998, in: Joyner 2004: 297). It has been shown that ethical decision-making and a strong orientation towards achievement are not necessarily mutually exclusive. In fact, Glover (1997) found that particularly those employees who claimed to have a stronger orientation toward achievement would make more ethical choices compared with those who were not so performance orientated (cf. Glover 1997: 1325). Bowman and Haire (1975) also argued that excellent organisations tend to do all things well (cf. Bowman / Haire 1975, in: Glover 1997: 1325), covering both social responsibility and financial performance.

Values play a significant role in today's corporations. In part, this is due to way in which modern Western society has evolved into a society of saturated markets and more or less exchangeable goods, and where a corporation's image gains increasingly more influence over consumer decisions. Among image factors such as "quality of products and services" or "customer orientation", "ethical behaviour" also plays a very important role. Executive personnel have begun to realise just how much influence employees have on the factor of "ethical behaviour" and how important it is to improve employee engagement, since "employees who are truly engaged, are more productive, dedicated, and conscientious; they are more willing to stay with an organization; and they can tolerate limited periods of lower work satisfaction and stay highly committed".<sup>2</sup>

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2 PowerPoint presentation, "Engagement and the Listening to You Process at Nokia", September 2008 (company confidential)

Furthermore, as elaborated in the study “Werte schaffen Wert” (Values Create Value) conducted by Booz Allen Hamilton (2003), employees also adhere to informal control mechanisms, contributing to the avoidance of employee deviance without a bureaucratic superstructure.

These findings have been widely recognised in the business world. Today, many companies will announce “What we stand for” or “Our Values”. But the purpose of these publications is not always clear. Klemm et al. (1991) offer two views:

“one is that it is primarily for external public relations and the other is that it is to motivate staff within the company. These uses are not mutually exclusive, but there is some confusion as to the primary purpose of the mission” (Klemm et al. 1991: 73).

In fact, from an academic point of view, it is even unclear what such a statement should include (cf. Klemm et al. 1991: 74). Contents differ in their length (ranging from a few sentences to a few pages) and in their addressed goals (such as desired performance levels or outlines of the company’s overall activities). In most companies, an internal impact is often noted and ranked higher than an external impact. For instance, in their survey dealing with the goals of such mission statements, Klemm et al. found that “improved staff morale” was ranking higher than “improved public image” (Klemm et al. 1991: 76). Despite an undeniably positive, external influence, this study suggested that the intentions of establishing a corporate value code were mainly directed towards giving all employees clear goals and a greater understanding of long-term company targets.

### ***3. The Nokia Value System***

#### *3.1 Nokia’s Development Process*

Prior to 2006, Nokia’s corporate values were reviewed every five years without a significant influence on employee attitudes and actions. The new “Nokia Way” (an embedded value-system) is not a simple pathway but a dynamic, action-guiding vision influenced by all stakeholders. The main goals behind changing the former value approach were aimed at achieving a higher degree of employee identification with the company as well as a value adjustment between different parts of



this international company. The challenge Nokia sees itself facing arises from its transformation into an internet- and service-oriented company. Based on research focussed on current and future market situations, and carried out by both external vendors and internal departments, Nokia undertook structural changes in sections of its internal governance structure. A large part of the refining work took place in the corporate value system. The crux of the matter looked at ways in which 58,000 employees could be involved in this process and incorporated into the debate on values.

Thus three years ago, Nokia experimented with a programme aimed at including as many employees as possible. Apart from different HR-methods, the core of the programme was influenced by new trends in web 2.0 and social networking. The development of a new corporate value system can be divided into four parts:

1. Preparation Phase
  - “Tickets to mars” – Viral recruitment system
2. Development Phase
  - “Nokia Way Café” – “The World Café” conversation pattern
  - “Nokia Way Jam” – a 72-hour online discussion
3. Engagement Phase
  - “Value-Shop” – Wiki-based discussion platform
  - “Value Photo Contest” – Creativity competition
  - “Values Make a Difference” Initiative – Creative video hub
4. Post-Check Phase
  - “Listening to You” Survey – Annual employee survey
  - Poll surveys – General quarterly surveys

### *3.2 Preparation Phase*

In line with Nokia’s attempt to build a flexible, vertically integrated organisation, the first step in developing a reformed value system involved viral recruitment. To launch this phase, about 5,000 fictional “Tickets to Mars” were randomly distributed around the company. The intention was to invite employees across the whole company to participate in the “Nokia Way Café”. Two coloured luggage tags were attached to the tickets: a green tag for a positive aspect of the Nokia culture that is seen as essential to recreate the spirit of Nokia on a new planet, and a red tag for a negative aspect

that could be abandoned without regret. The distribution started with a few hundred tickets handed out to a small number of people. Their task was then to distribute those tickets to colleagues whom they trusted. The viral distribution extended the conventional bottom-up approach as it could be seen as a complete non-hierarchical method where trust instead of status functioned as the main criteria.

### *3.3 Development Phase*

The “Nokia Way Café” refers to a 50-day period in 2007 at “The World Café”<sup>3</sup>, held in 16 different locations worldwide. “The World Café” was a conversational process aimed at gaining knowledge of those aspects that are most important in the lives of employees, including their work and community, particularly as they moved between groups and shared ideas. It served to evoke and make visible the collective intelligence of the group, thus increasing people’s capacity for effective action in pursuit of common aims. Between 150 and 300 people were involved in each café, bringing together a total of 2,500 employees to discuss a number of topics ranging from the background and motivation of corporate values to ideas and suggestions for improvement.

In May 2007, the final café took place in Helsinki with representatives from each local café. Their task was to teach each other about the lessons they had learned and to recreate their insights using expressive techniques such as drama, art and music. At the end of the event, one CEO and approximately 50 senior leaders joined the workshop and provided a positive evaluation of the four values that emerged from the world café sessions. Thus the four Nokia values were born:

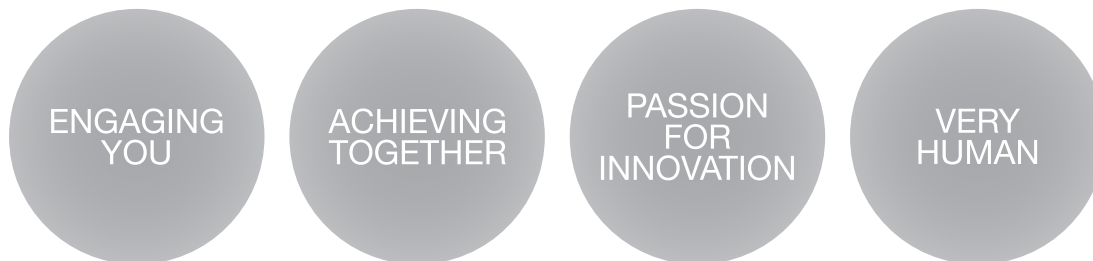


FIGURE 1: THE FOUR NOKIA VALUES (OWN FIGURE)

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3 Detailed information available at: <http://www.theworldcafe.com/>

An annual strategy sharing event was then used to launch these values worldwide.

The next significant step, the “Nokia Way Jam”, also took place in May 2007. All employees, including factory workers, were invited to engage in a debate on these values. In total, 9,000 people were involved. The main goal of the event was to develop a collective strategy for Nokia, one guided by the key question: “In a world where everyone can be connected, what do we need to do in order to be a very human company that delivers very human technology?”

Qualitative surveys after each café as well as sample surveys after the “Nokia Way Jam” served to verify the substance of the results and deliver feedback about the initial expectations and dispositions both before and during the workshops.

### *3.4 Engagement Phase*

An important requirement set out by Nokia was that the process of developing new corporate values should be a collective effort in order to minimise the distance between values and actual common practice. Therefore, during the development phase a film crew was hired to produce short films. These two- to three-minute films showed the outcomes of each café, and were then passed on to the next café. These films were then uploaded to the internal “VideoHub” platform, which made it possible for thousands of Nokia employees to discuss and comment upon the results.

Another tool aimed at keeping people connected was the so-called “Value-Shop” – a wiki-based discussion platform. It encouraged Nokia employees to post ideas about communication exercises, processes and practices aimed at implementing these values locally as part of their everyday work procedures.

In June 2007, an internal photo competition invited employees to submit images and slogans that represent the renewed corporate values in action. About 22,000 employees, including 10,000 factory workers, participated either by submitting their pictures on a web-based tool or by voting and commenting on other pictures. As a result of this wide attention and broad interest, new ways were created for sharing the different associations with Nokia’s four values, e.g. on screensavers, printed on office walls and in official Nokia reports and brochures.

An on-going initiative called “Values make a difference” began in January 2008. Over 150 Nokia employees from 40 countries took part in a number of training sessions focussed on creating short stories and filming them using Nokia devices. By creating a “Nokia reporters’ network”, Nokia sought to develop the story-telling competencies of their employees and to enhance their understanding of the power of Nokia devices. The underlying task was to keep track of those values that actually influence daily work, and to provide further experience of the “web 2.0” way of working. The 90-second films were uploaded to the VideoHub and quickly began stimulating many discussions about the meaning and application of Nokia’s values. To date, about 100 films have been submitted with over 100,000 viewers.

### *3.5 Post-Check Phase*

A selection of measurement tools were introduced in the after-run process to keep track of current developments in the discussion. One, called the “Listening to You Survey”, is an annual survey aimed at gathering employee feedback.

Nokia frequently uses different survey techniques, such as snapshot and satisfaction surveys, to ensure their quick reaction to sudden changes and to the rise of innovative ideas. In order to attain a higher degree of comparability, Nokia makes use of accounting norms provided by the Information Technology Steering Group<sup>4</sup> as well as the Corporate Leadership Council Norms<sup>5</sup>. Additionally, Nokia has developed specific survey questions aligned with the integrated values approach.

As part of the quarterly, general poll process, two out of twenty questions are directed at company values in order to regularly recheck their impact. Corporate values tend to play a significant role particularly in developing departments. Project teams are asked to reflect upon both the impact of Nokia values during their work process, and on how the end product communicates the Nokia culture to the consumer.

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4 The Information Technology (IT) Steering Group provides management oversight of the IT function. This includes the allocation of scarce IT resources through the setting of priorities and IT policies, resolving significant IT project issues, and communicating critical needs to the President and the Board of Trustees.

5 The Corporate Leadership Council is composed of senior executives with a shared commitment to stewarding enterprise-wide, human resource management. This council offers a set of unique services and tools designed to assist HR leaders with their most pressing managerial, communications, and decision-making challenges.

## ***4. Our Project***

### *4.1 The Design of Our Survey*

During our work with Nokia, we saw impressive efforts to create true value statements by engaging most employees in the process. Any corporation as large as Nokia will experience natural changes at regular intervals. Thus Nokia has developed some measurement tools in order to keep a regular check on the impact that corporative values are having on employee actions. This is highly important since new employees are often unfamiliar with the possibilities that Nokia has provided in order to give employees a voice in the company. More importantly, since they also tend to be unfamiliar with the corporate values, they are therefore unlikely to act in accordance with them. For these reasons, employees are encouraged to take part in initiatives such as “Values make a difference” (cf. p. 9) in order to learn and then implement Nokia’s values into their actions. Not all companies are so considerate – only 11% specifically question new employees (cf. Terpitz 2008).

As there are so many different survey tools that have been designed for each specific part of the process, we decided to focus on a questionnaire which could be applied in the Post-Check Phase. In addition, we focused on designing the questionnaire in such a way that it would be both specific enough to mirror the opinion of every participant and general enough to be applicable to everyone: new employees, as well as long-time employees. We also aimed to keep it “short and simple” in order to increase the response rate. The maximum time an employee would have to spend on the questionnaire was to be 10 to 15 minutes. The requested personal data is limited to the respective gender, age, department, and position. This information will be used to identify correlations and are not supposed to trace back individuals. Therefore the recipients are asked to tick one of four age ranges (under 30 years, 31 - 40 years, 41 – 50 years, above 50) as well as one out of different department groups (among others: Business and Operational Management, Communications, Corporate Development, Design, Human resources, Information Technology) and position groups (among others: Project Manager, Business Development Manager, Engineer, Product Manager, Service Manager) . Our main goals in the first part of the survey were to evaluate how familiar employees were with Nokia’s corporate values. The second part then went on to test whether the employee’s individual values differed from the corporate values.

To test familiarity with the four Nokia corporate values, we decided to develop a questionnaire containing ten values – six of which were randomly chosen (such as teamwork or independence)

and four of which were reformulations of Nokia's corporate values, phrased in a way to ensure that they blended with the rest. However, our goal was not to alter the meaning. Our hypothesis was that only those employees who had memorised and also truly understood the meaning of the corporate values would be able to identify those values without problem. Those four values were reformulated as follows:

- “Being Human” into “Humanity”
- “Passion for Innovation” into “Innovativeness”
- “Achieving Together” into “Corporate Feeling”
- “Engaging You” into “Engagement”

The second part of the questionnaire aimed at examining whether these corporate values still operated as guiding values. Since the corporate values emerged from the moral- and value-concepts of approximately 58,000 Nokia employees, our hypothesis here was that the individual values of each employee should be largely congruent with the corporate values. Again, we used ten values, yet this time the corporate values were no longer directly included but rather expressed through the selected ten values. For instance “Passion for Innovation” could be expressed through other values such as “Teamwork”, “Fast Pace” and “Creativity”. We provided definitions of those values in order to avoid misunderstandings: for example, “Teamwork” was defined as “Satisfaction achieved through developing new ideas and projects along with co-workers and accomplishing goals together”.

For each of these ten values, we created three questions that would mirror the meaning of the selected values, producing 30 questions in total. For each of these questions, the participants were asked to give an answer ranging from “1” (not important at all) to “5” (very important). If “Respect” – defined as “satisfaction achieved through a tolerant and responsible way of treating others and being treated equally” – is very important to an employee, that employee should rate the the following questions with at least a “4” (important):

- How important is work in which you ...
  - ... know that others consider your work as important?
  - ... are looked up to by others?
  - ... add to the well-being of others?

If “Leadership” – defined as “satisfaction achieved through making decisions, guiding and influencing the attitudes and opinions of others” – is very important to an employee, that employee should rate the the following questions with at least a “4” (important):

- How important is work in which you ...
  - ... can guide a team towards a shared goal?
  - ... plan and organise the work of others?
  - ... use leadership skills?

If “Fast Pace” – defined as “satisfaction achieved through work that must be completed rapidly and efficiently” – is very important to an employee, that employee should rate the the following questions with at least a “4” (important):

- How important is work in which you ...
  - ... can improve working procedures?
  - ... work efficient without long waiting hours?
  - ... can get rid of repetitions?

The correspondence between these ten value groups and the four Nokia values will be calculated using an algorithm. The algorithm will be evolved with the support of Nokia’s Organisation Development & Change Department, which was mainly in charge of the value development process. We prepared in advance a model for an ideal outcome of the questionnaire for each Nokia value; i.e. for “Being human” all questions concerning teamwork needed to be answered with four or five, whereas all questions concerning creativity (which is not important for this corporate value) could be answered with one or two. After the completion of the survey, individual results can be compared against these four “model outcomes”. The evaluated data will now show which values each individual considers to be important in their working environment and whether or not those values correspond to Nokia’s four corporate values.

## 4.2 *The Four Modes of Work*

In addition to this particular purpose, our survey could also be used to assess Nokia's development towards a network organisation – a development that is accompanied by changes in the concept of work.

The “four modes of work” concept (Glasl 1994) aims to describe different levels of employee self-responsibility as well as the different levels of interaction between employees. The four modes are as follows:

- Entrepreneurial mode
- Differentiation mode
- Integration mode
- Association mode

The purpose for differentiating between these four modes of work was to emphasise development towards a global and network-based market system, one that influences both work behaviour as well as the skill-set required of employees. The long-term idea was to create a completely new understanding of work in general, and of the influence of employees in the development of a company. A single employee in the network no longer has a clear job definition; instead, he or she is entirely responsible for choosing the field of work, its time and place as well as the team-members required to complete that particular project. The aim is to use personal initiative as a means to achieving a higher degree of identification with the project as well as an improved use of individual talents and skills. Everyone plays an individual role in improving the company, but all are interconnected and interdependent on one another.

On Nokia's journey towards becoming a web- and service-oriented company, such an approach could act as a helpful motif for the systematic transformation of their internal structures and working procedures. Nokia encompasses many different fields of work, ranging from innovation and production to management and service. Different patterns of behaviour and different values are associated with each field, and all four modes of work are currently in place across this wide range of jobs. In this respect, our survey could be used as a supportive tool in order to analyse the needs and values in each of the different modes. To do so, all work fields would first need to be assigned to one of the four modes. Yet this type of categorisation would also extend to each employee



depending on their position, work field, tasks, responsibilities and network-role. Our survey could be administered within each of these clustered groups. One could then determine which of Nokia's corporate values were more important in each of the different modes.

The results of this mode-clustered survey could then be used to improve discussion about general value-statements and the varying prioritisation of corporate values at Nokia. When using a general statement of corporate values, it is often difficult to connect with each different group of workers, particularly given their different relationships with Nokia. With our tool it will be possible to examine the extent to which individual employee values diverge from the four corporate values, and to break down this information across employees in each different area. This could help to identify where improvements need to be made. Furthermore, the same method for creating corporate values (described above) could then be repeated for members of those work modes where the degree of difference was highest. In this way, one could ensure a higher level of identification for every Nokia member, irrespective of their field, and thus help Nokia reach its long-term goal: to become a true network company.

#### *4.3 Possible Survey Results*

It is not only the importance of the four modes of work that varies as a company develops; an understanding of what is valuable also changes over time (as outlined in section 2) since society and the business environment are constantly undergoing transformation. This is where our survey tool could be applied: As Nokia is on its way to becoming a network organisation, the mode-clustered survey could be used to assess organisational change with respect to the four modes of work, and the general survey could be employed to review the influence of constant changes in the business environment upon Nokia's corporate values. In this context, the surveys could produce four possible results:

Result 1: Satisfactory results are obtained for the first part of the survey (assessing employee familiarity with Nokia's corporate values) as well as for the second part (evaluating the importance of values for guiding action). This would indicate that no active, non-scheduled measures for improvement are required since both new and long-term employees have memorised, understood, and implemented the corporate values.

Result 2: Unsatisfactory results are obtained for the first part, yet satisfactory results are acquired for the second part. This would indicate that while long-term employees have not memorised the

corporate values, they have nevertheless understood their meaning and act in accordance with them. As for new employees, either the same applies, or, if they have not participated in Nokia's engagement process, they already possess a value canon similar to Nokia's own corporate values. Either way, this would still be considered a satisfactory outcome since it would mean that the recruiting process was successful in identifying suitable new employees. Minor measures could be implemented in order to improve the result of the survey's first part, i.e. only in order to make the actual corporate values more conscious to employees. This could be achieved through training programmes, posters or short movies.

Result 3: Satisfactory results are obtained for the first part while results from the second are unsatisfactory. Assuming that employees can still identify with the corporate values, this result indicates that long-term employees have become acquainted with the corporate values but have not internalised them. Likewise, new employees are already familiar with Nokia's value canon, have understood its meaning, but do not yet know how to implement it. In this case, additional workshops would need to be held with similar goals to those described above for the "VideoHub" and "Value-Shop".

If these measures have been undertaken and the results of retesting fail to display a significant improvement, Nokia would have to consider the possibility that employees have memorised and understood the corporate values but can no longer identify with them. Reasons could lie either in the shifted importance of the four modes of work or in the natural change of the comprehension of what is valuable. If this is the case, even expansive workshops will not succeed in helping employees internalise those old values or adopt them as guiding principles. The process of finding new, contemporary corporate values must be started over.

Result 4: Both parts of the survey produce unsatisfactory findings. If nothing were done to implement changes in Nokia's value canon, then this would be the result if the survey was re-administered in future. Not only can these old values no longer guide action, they will also become less and less visible in everyday life and, as a result, be forgotten.

To conclude, if Nokia hopes to prevent its corporate values from becoming empty catchwords, we would recommend that the entire four phase-process (described in the previous section) be repeated, at best before arriving at result 4. This repetition of the whole process may occasionally lead to the development of different value canons. In this case, it would not necessarily mean that there was a problem with the old corporate values or with the tools used in the process. Rather, it may suggest that everything is working perfectly well, since the tools were not designed to coerce

employees but to mirror natural changes in employee opinions and attitudes, as well as providing opportunities for value integration.

## **5. Summary**

This paper aimed to provide an overview of different notions of value in philosophical, sociological, and economic theory, as well as to offer a practical example of the process by which Nokia arrived at their corporate value statement. As we have shown in section 2, the concept of value, either as “the right” (benchmark) or “the good” (a thing), has changed over the course of history: that immanent teleology fundamental in ancient Greek philosophy also remained visible in medieval schools of Christian thought, though the ideas of the good itself as well as of virtues as means to reach that good were transformed. Increasing secularisation led to a growing focus on the individual, especially evident in Hobbes’ work. However, this negative picture of humanity was later relativised and values at the individual and social level were then reconciled.

In the social sciences, this interdependence between the individual and the social level has been thoroughly analysed. According to social behaviourists, values evolve from a process involving learning experiences and communication. Responses to an individual’s behaviour from other members of his or her social group provide an orientation of what is right and wrong. Repeated feedback then creates an intrinsic understanding of values and establishes a basic structural component for society. Values are apparent both in the individual’s own personality and as institutionalised norms in the social structure.

Since companies are also social structures, values also play an important role in business life. But corporate values are not simply the greatest possible congruence of the employees’ individual values. In the last part of the second section, we outlined the relationship and responsibilities that companies have as separate entities towards their employees, and focused on the purpose and impact of company value statements.

In section 3, we described Nokia’s innovative attempt to create and implement corporate values from the bottom up. It was an innovative approach because Nokia recognised the capabilities and symbiotic effects of the “High Tech – High Touch” principle. “High Tech” refers to web 2.0 techniques and high-performance internet platforms such as the “VideoHub” and the “Nokia Way Jam” . They go hand in hand with Nokia’s current attempts to gain ground in the service

and internet market. Employees became more familiar with social networking techniques via such interactive programmes, which simultaneously encouraged personal involvement. “High Touch” refers to personal engagement and interactive participation in the development process. As a result, it seems that the high commitment throughout the entire company has allowed Nokia’s values to act as a serious culture-defining instrument. A significant number of employees were engaged in the process through blog entries, comments and creative contributions, ensuring that values were kept alive and open for discussion. The Nokia way of “connecting people” – a representative statement for a globally operating IT company – presupposed the redefinition of Nokia’s corporate culture. In short: Corporate values do matter, especially in a web 2.0 world.

Finally, we presented our own concept of a survey aimed at assessing corporate values and “post-checking” their influence on employee actions. As the survey has not yet been administered, we could only discuss theoretical results and develop hypothetical suggestions for improvement in each case. In order to use this tool effectively, it would need concentrated scientific revisions. However, the central idea could be elaborated and we are confident that it could be put to effective use as part of Nokia’s efforts to become a truly network driven company.

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**THE  
ORGANISATION**

**Transparency**

# On Transparency

## The Benefits of Open Communication Policies for Customer Relations

Simon Kehrer and Moritz Lechleuthner

### *Keywords*

*Transparency, Strategy, Relationship Marketing (RM), Customer Retention, Corporate Communication, IASD Framework*

This paper seeks to develop guidelines which would enable corporations to implement communication strategies based on transparency. It is assumed that creating long-term relationships with customers is an effective way to attenuate severe competition in high-velocity markets. Transparency is considered as a strategic instrument to achieve this objective. First, it will be shown that transparency can affect customer retention in a multichannel way. An IASD framework will then be developed in order to offer corporations a useful guideline for creating their own communication strategies. This framework aims at releasing of any kind of information that provides a good reason for customers to be loyal to the corporation. Therefore, transparency is shown to be a crucial component in the strengthening of customer retention.

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## *1. Introduction*

Transparency is a keyword of the twenty-first century. The 2007 financial crisis marked a preliminary peak in society's perception of the increased need for transparency. Indeed, this development is supported by an observation of current trends. In his 2009 "Memorandum for the Heads of Executive Departments and Agencies", Barack Obama reiterated the importance of transparency and openness for a democratically elected government (cf. Obama 2009). The International Monetary Fund (IMF) has developed a "Code of Good Practices" to encourage transparency in monetary and financial policies (cf. IMF 2009). The German Corporate Governance Codex contains the explicit recommendation that stakeholders advance transparency in their actions (cf. Regierungskommission Deutscher Corporate Governance Kodex 2007). These prominent examples reflect a growing societal demand for adequate disclosure in general. Citizens demand more openness of their governments; governments require more information from financial institutions, and stakeholders want more transparency from their corporations. These trends are evident and the changes are already visible. Some states in the USA, such as Missouri, are disclosing their public spending on official websites. Governments have articulated legal constraints that force systemic (system-relevant) institutions in particular to disclose their actions. And in Europe almost seventy percent of all companies that articulate stakeholder principles strive for transparent behaviour and good stakeholder communication (cf. Kaptein 2004: 21). This latter aspect is the subject of this paper.

Our focus lies on one particular stakeholder group, namely customers. Our thesis is that transparency offers a variety of prospects with respect to building lasting relationships with customers and fostering company viability. We connect the idea of transparency with programmes for customer retention and suggest that a consistent and coherent communication policy is crucial for building close-knit customer relations. Transparency is shown to be a communication strategy that can reveal its particular strengths for major players in high-velocity markets.

This paper will proceed as follows: In section two we will start with a definition of high-velocity markets, a modern kind of business environment which exacerbates business operations. In order to attenuate severe competition in such business environments, we suggest strengthening customer retention (2.2). Transparency is considered as a strategic instrument to achieve this objective. In section three we will distinguish possible meanings of transparency and offer a foundation based upon a concise analysis of the desired area of application. After having introduced the term, reasons for the present rise of transparency will be analysed (3.2). We will then discuss the economic and



ethical implications of transparency. In 4.1 we refer to the various implications of transparency within the context of relationship marketing. It will be revealed that transparency leads to higher customer retention. In 4.2, we examine the morally enabling nature of transparency. In section five, our own IASD framework will be introduced. It aims at assisting corporations to implement communication strategies based on transparency. By revealing issues that lie in the customers' interest, but have not yet been addressed by the corporate communication policy, this framework (conceptualised as a four step guideline) seeks to make transparency a potent and sustainable corporate asset. Eventually, each corporation must judge for itself whether the IASD framework suits its communication strategy.

## ***2. High-Velocity Markets***

### *2.1 Definition*

A market is considered to be high-velocity when market conditions change rapidly. The origins of today's high-velocity markets can be found in the substantial changes of information and communication technologies of the last decade. Computer, software and telecommunications have grown in a complex, almost chaotic, way (cf. Mathieu 2004: 3).<sup>1</sup> The result is a business environment with decreased costs for information access and processing (cf. Zerdick/Picot/Schrape et. al. 2001: 150). New opportunities for product and pricing strategies emerge (cf. Wirtz/Vogt 2001: 118ff). Furthermore, there are effects on the relationship between market participants and contestants. New possibilities in networking, and its heightened specialisation, increase the importance of collaboration between distributors and partners (cf. Mathieu 2004: 4). On the one hand the forging of alliances and the establishment of flexible networks on different levels of value creation become important strategic elements (cf. Picot/Neuburger 2001: 30). On the other hand there is intensive competition which results from a higher rate of technological innovation and diffusion (cf. Bettis/Hitt 1995: 8). The consequence is an abbreviation of cycles of development and production (cf. Iansiti 1995: 37; Iansiti/MacCormack 1998: 176; Wirtz 2001: 172). Time to market becomes a crucial competitive factor. The resulting high-velocity market tends to display four general characteristics:

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1 Information and communication technologies are all digital technologies, which support the effective allocation of data and information (cf. Stähler 2001: 160).

- Fast technological change
- Short product life cycles
- Rapidly evolving consumer expectations
- Frequent launches of competitive moves

## *2.2 How to Compete in High-Velocity Markets*

Companies in high-velocity market environments must face these challenges. In order to “stay in the game”, they can either spend significant resources on competing with rivals, or reduce competition by retaining their current customers, by sustaining long term relationships with them. We are convinced that customer retention can assist in the attenuation of those challenges which arise in high-velocity markets. We hold this thesis for the following reasons: existing customers have already been convinced at least once; therefore, the effort needed to foster existing relationships is lower than that required for acquiring new customers. This suggests that the cost of retaining existing customers is relatively low. In fact, Peters found that “it takes on average five times as much time, money and effort to gain a new customer as it does to retain an existing one” (Peters 1988). And Reichelt and Sasser have shown “that just a five percent increase in customer retention could generate a massive net present value profit increase” (Reichelt/Sasser 1990: 105ff). Godson argues that existing customers are more likely to enter into collaborations, are less price-sensitive, make business planning easier, are more likely to give referrals, and are more forgiving (cf. Godson 2009: 75ff). Given these supporting statements, we are confident about the viability of our thesis.

We further suggest that paying significant attention to customer retention is particularly important for major players, i.e. companies with a high market share. Not only because they have the most customers to lose, but also the most to keep. Herein lies a great opportunity: Since major players have a considerable number of customers, they should focus on strengthening relations with them in order to avoid exhausting competition in high-velocity markets.

### ***3. Transparency***

#### *3.1 Theoretical Background*

The term derives from the Latin word *transparentem* (“show light through”), with *transparere* from the Latin *trans-* (“through”) and *-parere* (“come in sight, appear”) (cf. Skeat 2005). A figurative sense, “easily seen through”, is first attested in 1592, which suggests that it has been used in English to denote diaphaneity or pellucidity since at least the fifteenth century (cf. Hood 2006: 4).

Transparency is the opposite of secrecy. Secrecy means deliberately hiding one’s actions, whereas transparency means deliberately revealing them. This definition creates its explanatory value through its conceptual counterpart. Yet secrecy and transparency are not either/or conditions but two ends of an information continuum (cf. Florini 1998: 50ff). Here the term transparency contains an element of volition, or choice, encouraged by changing attitudes about what constitutes appropriate behaviour. Making choices about information availability is the crux of our transparency approach.

One of the central themes of corporate governance developments in both theory and practice has been the attempt to limit information asymmetries or to specify information flows between agents. What is called “transparency” in other fields tends to go under the title of “disclosure” in commercial contexts (cf. Hood 2006: 17ff). The degree of information disclosure determines the perception of how transparent a corporation acts. The element of trust is crucial, because corporations who act transparently can be held accountable for their actions. The more a company tries to act transparently, the less opportunity there is for mistrust to stress the relationship between its stakeholders. This conviction is reflected for example in the German Corporate-Governance Codex, whose goals include more transparency in addition to more efficiency and a consolidation of stakeholder rights (cf. Heuskel 2004: 105). In fact, it has been argued that without transparency in corporate governance, accountability would not exist in any meaningful way (cf. Mallin 2002: 253; Turilli/Floridi 2008: 90). Accountability is a vital element of trustworthy relationships, thus acting transparently towards stakeholders should be the goal of any corporation. Up to this point, we lack an explanation of using a definition of transparency as a strategy appropriate to corporations in high-velocity markets. We need to search for a more dynamic aspect, and must take a closer look at the role of transparency within relationships.

“Relationship transparency can be deemed a complex construct related to the actors as well as the interaction process between them. [...] [It] can be defined as the degree up to that each party subjectively feels informed about the relevant characteristics of the counterpart’s input and output of the relationship” (Eggert/Helm 2000: 5).

This definition clearly distinguishes the term transparency from mere information disclosure, mostly processed via standardised reporting (cf. Vaccaro/Madsen 2009). Moreover it suggests that delivering the right information leads to a state of certainty in a relationship. Yet it should be noted that a corporation’s level of transparency is dependent upon individual perception, and therefore reflects a subjective evaluation (cf. Sutton-Brady 1997: 6). That perception is dynamic such that it can be influenced, for example, by corporate behaviour. Conversely, a customer’s perception of a corporation’s information policy constitutes how transparently the firm acts, and that again has a considerable impact on their relationship. Hence, all these described aspects feed into the connotations surrounding the term transparency.

### *3.2 Drivers of Transparency*

As noted in the introduction, there has been a recent boom of social interest in transparency. Yet if this is so, why did transparency not attract that attention much earlier? With regard to our area of application we must ask why customers did not demand more transparency in the past. There are various explanations, but they seem to be built upon two general assumptions that can be associated with different research areas.

First, there is the emergence of new information communication technologies (ICT). This development can be characterised by an “increase of the amount of information transmitted per unit of time and the reduction of information transmission costs” (Vaccaro/Madsen 2006: 146). In particular, due to their multidirectional character, the diffusion of web-based technologies has allowed corporations to be more transparent. The internet’s versatility — ranging in applications from weblogs, online communities and forums, as well as video sharing websites — empowers individuals to inform, communicate and organise in a way unimaginable 20 years ago (cf. Tapscott/Ticoll 2003: 28ff).

A second premise discussed in stakeholder engagement research as well as in the field of corporate communications refers to society's increased awareness of business activities. Provoked by recurrent scandals, for example regarding accounting practices (at Enron), production preconditions (Nike) and product ingredients (Nestlé), customers want companies to provide more information about the way they are doing business. Since information is strongly related to communication, it can be argued that "external audiences demand more and more communication" (Christensen 2002: 165). Merging both lines of argument, the imperative for corporations to be transparent becomes even more evident:

"Indeed, if ICT could allow the transmission of any kind of information, it is necessary to understand why today the 'civil' society, and in particular customers, receives only a restricted group of information regarding a firm's activities" (Vaccaro/Madsen 2006: 146).

But things are changing. People are receiving an increasing amount of information as corporations have augmented their disclosing practices. On a practical level there are three reasons which explain this development (cf. van Riel 2000: 158). First, there are legal regulations which force organisations to reveal more information, for example with respect to mandatory financial or social annual reports. Then we have the mass media and their increased alertness on matters in the business world. The final reason is the rising power of consumer groups, which brings us to the concept of ethical consumerism — a point that will be addressed below.

The rise of transparency in the last decade, and presumably even more so in the decade to come, also seems to rely on the tendency of the "net generation"<sup>2</sup> to bring their modified outlook and self-confidence regarding new ICTs with them into the workforce and marketplace. Combined with the desire among today's young professionals for individuality and free choice, it is presumed that "they will scrutinize firms and other institutions like never before" (Tapscott/Ticoll 2003: 32).

When transparency is understood as a measure of precaution simply to avoid stakeholder pressure, then it would mean nothing other than the implied costs of running a business. Of course, while there are costs related to increasing transparency, as we will see in the next section, transparency can also provide certain benefits, which go beyond the mere avoidance of harm.

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2 According to Tapscott/Ticoll 2003

## 4. *Implications of Transparency*

### 4.1 *Transparency in the Context of Relationship Marketing*

In literature oriented towards practical management, transparency is often depicted as a rather undifferentiated and foggy opportunity to “drive purchases” (Vaccaro/Madsen 2009: 7) and to “enjoy better financial performances” (Tapscott/Ticoll 2003: 73). In this chapter some attention will be paid to the various direct and indirect impacts of transparency within the context of relationship marketing (Figure 1).

First mentioned in the early 1980s, relationship marketing (RM) has gained a lot of ground within these last two decades (cf. von Loewenfeld 2006: 213). Unlike traditional, more analytic marketing conceptions that focus on the classic 4Ps (price, product, place and promotion) (McCarthy 1975), RM incorporates the relationship between a firm or a brand and certain stakeholders and extends the conception to a more personal dimension. Berry and Parasuraman state that RM attracts, develops and retains customer relationships (cf. Berry/Parasuraman 1991: 133). In the following, transparency is considered as a prerequisite and crucial component to build customer relationships.

#### 4.1.1 *Transparency, Trustworthiness and Trust*

It is usually thought that transparency enhances trust<sup>3</sup> (cf. Heuskel 2004) or that “trust depends on transparency” (Tapscott/Ticoll 2003: 77). This is explained by the disciplinary effect of transparency. According to O’Neill, the concept of trustworthiness refers to the company’s actions, whereas trust is then shown by customers. Because transparency is considered to improve trustworthiness, institutions and office-holders should make information public, thereby providing a background which allows outsiders to assess and possibly sanction their behaviour (cf. O’Neill 2006: 76ff.). Transparency is considered a precondition for trustworthiness and trust, but it also depends on trustworthiness since “firms cannot be transparent unless they are trustworthy” (Tapscott/Ticoll 2003: 77). As obvious as this seems at first glance, it should be taken into account that transpar-

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3 There are numerous views and applications of the concept of trust across academic disciplines. Following most psychological research, it is understood as an individual psychological state (belief, attitude or disposition) regarding a direct object of trust concerning certain characteristics of the trustee (cf. Dirks/Ferrin 2001; Komiak/Benbasat 2004), also founded in some philosophical examination (cf. Jones 1996). We will choose a relatively broad, but for our proposal more than sufficient, definition of trust, namely as “an expectation that one can rely upon another person’s action“ (Dirks/Ferrin 2001: 451).

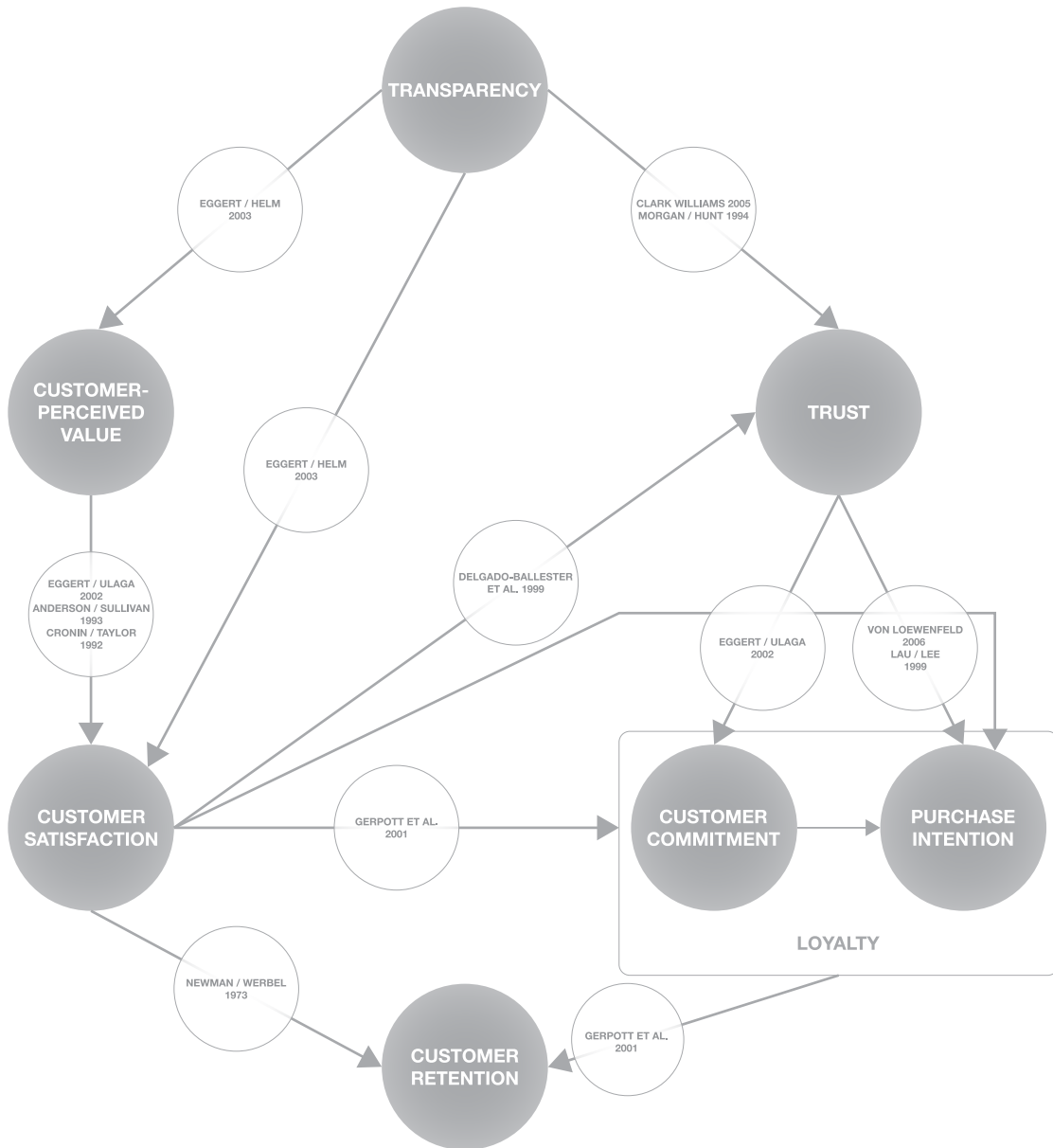


FIGURE 1: FROM TRANSPARENCY TO CUSTOMER RETENTION (OWN SOURCE)

ency does not imply inevitable and complete openness. This is why companies can be relatively open regarding issues they feel comfortable about, while remaining opaque in other contexts. Trust is often separated into cognitive trust and emotional trust. Here, cognitive trust would refer to a customer's expectation that a company will have those necessary characteristics which allow it to be relied upon, whereas emotional trust would refer to the extent to which a customer feels comfortable relying on a company or brand.<sup>4</sup> Given this distinction, transparency might lead to higher emotional trust irrespective of the degree of initial trustworthiness.

Empirical support for the connection between transparency and trust was found in a study examining the effects of trust on "structure, function and organisational transparency" (cf. Clark Williams 2005). The findings suggest that restoring trust in public companies correlates to the management's integrity and willingness to be open (cf. Clark Williams 2005: 365f.). In their "commitment trust theory", Morgan and Hunt (1994) argue that the communication of valuable information is a key driver of trust.

While there are limitations to the quantification of trust, we feel that the above research strongly supports a positive correlation between transparency, trustworthiness and trust. That thesis is consistent with the broader business literature and also provides a solid basis for our purposes.

#### *4.1.2 The Mediating Role of Trust: From Trust to Loyalty*

Trust is a necessary precondition for almost every kind of human interaction. It also plays an important role in economic development. The basic correlation between trust and national economic growth has been revealed in a study indicating that high-trust societies show higher investments and growth rates (cf. Zak/Knack 1998).

The role of trust as a mediator has been recognised in various contexts in management and social psychology (cf. Vlachos et al. 2008: 174). With regard to the objective of this paper, we will restrict our analysis to the impact of trust on customer loyalty, which is assumed to result in customer retention.

Loyalty in its broadest sense means "a consumer's firm and unchanging friendship, support and belief in an organisation, or its products, brands and services and a propensity to act in support of these feelings" (Gordon 2009: 102). Whereas the first part of this definition refers to an emotional

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<sup>4</sup> For closer explanations concerning the distinction between cognitive and emotional trust, see Komiak/Benbasat 2004.



commitment, the latter highlights the resulting behavioural response. We will apply the term as a two-part concept, consisting of a psychological or emotional bond (customer commitment) and the repurchase intention. Our thesis is that the former leads to the latter (cf. Delgado-Ballester/Munuera-Aleman 1999: 1240). Several studies provide empirical support for the suggestion that trust affects loyalty, where the latter has been understood either as an emotional bond or as a purchase intention. Lau and Lee, for example, state that trust in a brand contributes to “behavioural intention to loyalty” (Lau/Lee 1999: 359). Their data reveals that trust in a brand is highly related to trust in a company. In his so-called “Brand Community Model”, von Loewenfeld stresses the meaning of affect-based trust on customer loyalty (von Loewenfeld 2006: 229) and Delgado-Ballester and Munuera-Aleman (1999) make a case for trust affecting customer commitment.

#### 4.1.3 *Transparency, Customer Value and Satisfaction*

Some remarkable relations between the concepts of “relationship transparency”,<sup>5</sup> customer perceived value and customer satisfaction can be found within the transparency relationship framework developed by Eggert and Helm (2003). First, it is suggested that transparency leads to a higher customer perceived value. Customer perceived value is “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml 1988: 14).<sup>6</sup> This reduces transaction costs, related to the search for information about the company and its competitors (cf. Eggert/Helm 2003: 104). Second, there is support for the proposition that relationship transparency directly increases customer satisfaction (cf. Eggert/Helm 2003). This suggests that the actual quality of a product or service has a larger impact on customer satisfaction than a customer’s pre-existing expectations. In the following sections, we will understand customer satisfaction as a measure of how far a customer’s expectations regarding a product or a service have been met, depending on the expectations as well as actual quality (cf. Gerpott et. al. 2001: 254).<sup>7</sup> Furthermore, customer perceived value can be seen as the cognitive complement for the (affective)

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5 Eggert and Helm (2003) use of the expression “relationship transparency” is generally consistent with our understanding. What they seek to emphasise is the subjective character of an individual’s perception of being informed.

6 This definition is used for the sake of clarity, and does not differ from the crucial point being made in Eggert/Helm’s own illustration of the concept. According to Eggert/Helm, customer value can be defined as the trade-off between the multiple benefits and sacrifices of a vendor’s offering, as perceived by key decision-makers in the customer’s organisation.

7 There are different views regarding whether customer satisfaction either refers to “the degree of discrepancy between actual and expected quality” (Anderson 1994: 20) or is merely grounded on actual perceived performance regardless of any pre-experience expectation (cf. Tse/Wilton 1988: 205). For a cogent discussion see e.g. von Loewenfeld 2006.

customer satisfaction construct (cf. Eggert/Ulaga 2002). This connection has also been revealed by studies from Anderson and Sullivan (1993) and Cronin and Taylor (1992).

#### 4.1.4 *Loyalty, Customer Satisfaction and Customer Retention*

Sometimes loyalty and customer retention are understood equally but, as was pointed out in the previous section, loyalty reflects the intention to purchase whereas customer retention describes the actual bonding (from a company's perspective) which can also be achieved without the customer's willingness to maintain the relationship, e.g. due to mobility barriers (cf. Gerpott et al. 2001: 253). Likewise, there is some interference between loyalty and the concept of customer satisfaction. But it would be just as wrong to assume that satisfied customers must be loyal (even if they are so just on the grounds of boredom), as it would be to think that loyalty necessarily implies satisfaction (cf. Gordon 2009: 84; Apergis 2008: 163). With this in mind, it is evident that the classic link between satisfaction and customer retention, as it has been extensively conceptualised until the 1990s,<sup>8</sup> is not strong enough to explain customer retention (cf. Hennig-Thurau/Klee 1997: 738ff).

With empirical support from the German telecommunication market, it is rational to assume that satisfaction and loyalty are both determining factors of customer retention in a two stage causal chain: Satisfaction is a prerequisite for loyalty in the sense of customer commitment, which determines customer retention (cf. Homburg/Bruhn 1998: 8–10; Gerpott et al. 2001). Additionally, Anderson and Sullivan (1993) as well as Eggert and Ulaga (2002) display the direct impact of satisfaction on customer repurchase intention.

#### 4.2 *Ethical Aspects*

Transparency is frequently treated as an ethical principle or concern. But given more careful consideration, it seems less obvious that being transparent is ethical in the same sense, for example, as helping the needy. The question at hand is why it should be praiseworthy to act transparently. Philosophers dealing with the ethical nature of transparency put the question as follows: Is it valued intrinsically or instrumentally?<sup>9</sup>

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8 There are a few studies (cf. Newman/Werbel 1973) using real purchase data to examine the satisfaction-retention relationship, which only detect a very weak correlation.

9 To avoid misunderstandings, it is important to note that the intrinsic/instrumental-dichotomy does not address the motives for acting transparently but merely the value of the concept.

A first, rather complicated argument against the “intrinsic” position basically states that there seems to be “an optimal level of transparency which is less than maximum transparency” (cf. Heald 2006: 60). This view is based on the assumption that there exists a danger of over-exposure, making transparency less desirable. But if the worth of a value depends on its degree or scale, it cannot be appraised intrinsically, but only instrumentally. A problem related to this argument relies on the fact that the notion of optimality already implies an instrumental view, which raises the danger of circularity.

A more elaborate reasoning is provided by Turilli and Floridi, who hold that being transparent is not ethical per se, as “the act of disclosing information does not necessarily imply ethical consequences” (Turilli/Floridi 2008: 90). For example, guests and celebrities on a tabloid talk show may disclose intimate details about themselves without the act having any ethical dimension since “the subjects have nothing of substance that it is in the public interest to reveal” (Sturges 2007: 4). Conversely, transparency becomes enabling if the announced information influences an ethical principle (Figure 2).

“Information transparency is ethically enabling when it provides the information necessary for the endorsement of ethical principles (dependence) or when it provides details on how information is constrained (regulation)” (Turilli/Floridi 2008: 90).

Ethical principles that depend on information disclosure are, for example, accountability, responsibility and safety. For instance, without Ford’s 2001 recall of 13 million Firestone tires that “were prone to spontaneously blow out”, millions of road users would have been endangered (cf. Turilli/Floridi 2008: 90). The issue of responsibility seems to be slightly more complex: People can only see a company’s corporate responsibility (CR) efforts if that company is acting transparently (cf. Graafland/Eijffinger 2004: 404); otherwise such responsible action cannot pay off, making it unlikely to be done. But responsibility is not limited to the company level. By disclosing information about employment and production conditions, transparency also enables individuals to become so-called ethical consumers who integrate moral considerations into their purchase decisions.

Privacy and security represent two principles that morally regulate the flow of information. For example, a company’s employees can claim various privacy rights regarding working hours, personal information or salaries and thereby create a conflict with the company’s desire to be transparent (cf.

Vaccaro/Madsen 2006). The principle of security can restrict information disclosure if it allowed other individuals to commit fraudulent or dangerous actions:

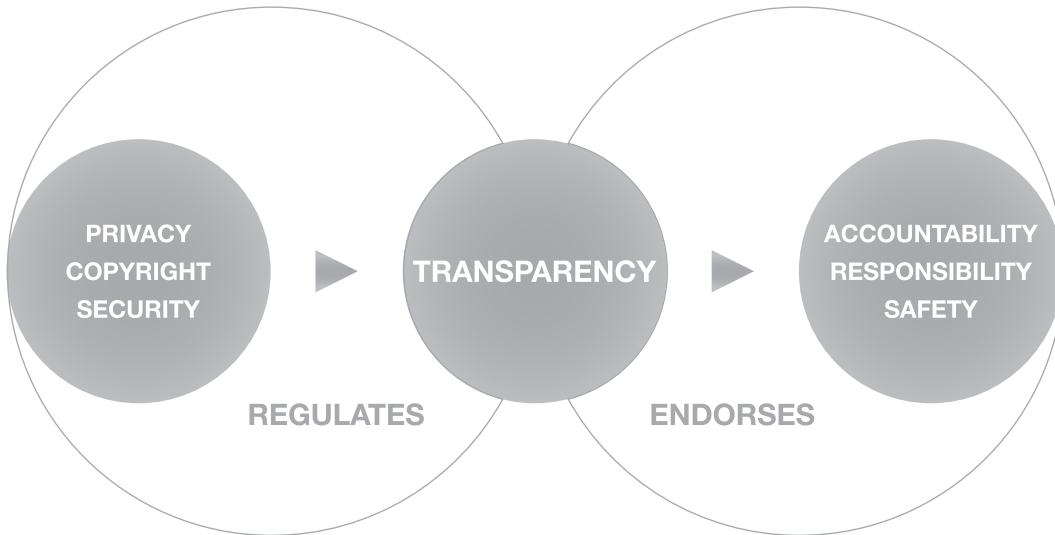


FIGURE 2: RELATIONS OF DEPENDENCE AND REGULATION BETWEEN ETHICAL PRINCIPLES AND TRANSPARENCY (FOLLOWING TORILLI/FLORIDI 2008)

“For example, a nuclear electric-generating facility which has shared detailed information about its productive plants could be attacked easily by terrorists attempting to cause a nuclear disaster” (Vaccaro/Madsen 2006: 152).

For transparency to be morally enabling, it is crucial that it be applied responsibly. This represents a further dimension in the relation between transparency and ethics; what we call the ethics of acting transparently. If a company discloses untrue, altered or misleading information, this would impair the ethical principles outlined above. Taking this into account, disclosed information must be audience-sensitive in terms of enabling an audience to understand, assess and respond to what has been communicated (cf. O’Neill 2006: 82). One way towards this goal might be to provide evidence of how the relevant information has been gathered or produced (cf. Turilli/Floridi 2008:

91ff). In the end, there seems to be no other option than carefully to consider on a case-by-case basis the ethical consequences of the announced information. Therefore, even if transparency is not valued intrinsically, when it is reasonably applied it becomes a highly relevant ethical issue that can lead to various desirable outcomes for an organisation as well as for society as a whole.

## **5. *The IASD Framework***

In the previous sections transparency had been depicted as a powerful feature from a theoretical position. We have shown that transparency offers various opportunities, not only in terms of accountability but also in how it affects customer relations. Yet little has been said so far regarding its manner and means, specifically: which kind of information should be announced, and in which way. This is what the IASD framework seeks to address. By establishing a foundation for company behaviour, we aim to provide management with a strategic framework which goes beyond mere communication policies.

Although consumers demand more communication, this is not to say that they want to be flooded with every possible piece of information; consumers simply have a limited capacity for information processing (cf. Christensen 2002: 165). This represents both a challenge and an opportunity for communication strategists, namely to find a proper and unique way to prepare the right information via the right channels. Here transparency offers the potential to become the key value driver of the next business generation.

The transparency approach is arranged as a four step framework:

- Identify relevant issues
- Analyse the corporation's reporting practices
- Synchronise consumer expectations and disclosure policies
- Develop sound strategies for appealing communication

### *Identify Relevant Issues*

With the higher-ranking objectives of transparency in mind, it becomes clear that any information a company discloses should refer to an issue that is valued by its (potential) consumers. Since these

issues constitute the starting point of the whole undertaking, they must be detected very carefully and, at best, on an empirical basis.

Referring to what customers value represents not only a new dimension of customer orientation but also another approach in the field of CR or corporate citizenship (CC): Instead of choosing CR-projects on grounds of personal relationships or unclear principles, the company should rely on what customers actually value. These philanthropic and economic motives can establish powerful strategic alliances.

### *Analyse the Corporation's Reporting Practices*

In a second step it becomes necessary to provide a systematic analysis of the organisation's actual communication practices. The core issue is whether the information the corporation announces corresponds to the issues the audience wants to be informed about. To gain a precise outlook on the state of the company's communications we recommend developing a clear picture of those places where information is transferred to consumers. In addition to corporate websites, financial schemes, social reports, and other mandatory announcements, organisational data is also transmitted in personal messages and third party statements such as press reports. It is important to bear in mind that a consumer's perception of a company does not rely on any discrete message, but on the entirety of all information in circulation.

### *Synchronise Consumer Expectations and Disclosure Policies*

After an assessment of current practices, our next step seeks to connect the communication policy with customer expectations. Two cases are logically possible: the relevant issues are either addressed in the organisation's communications or not addressed (actual condition). In both circumstances the same crucial question applies: Is the information in question fit to be disclosed (nominal condition)? According to this condition, information is fit to be disclosed if and only if it is conducive to the maintenance or growth of the organisation's reputation, which must be considered on a case-by-case basis against criteria such as the quality of a competitor's information disclosure or audience sensitivity. This relationship between these actual and nominal conditional dimensions can be illustrated in a four box matrix (cf. Figure 3). Consumer relevant information that is disclosed, and is also suited to disclosure, is in the top left box; such information poses no

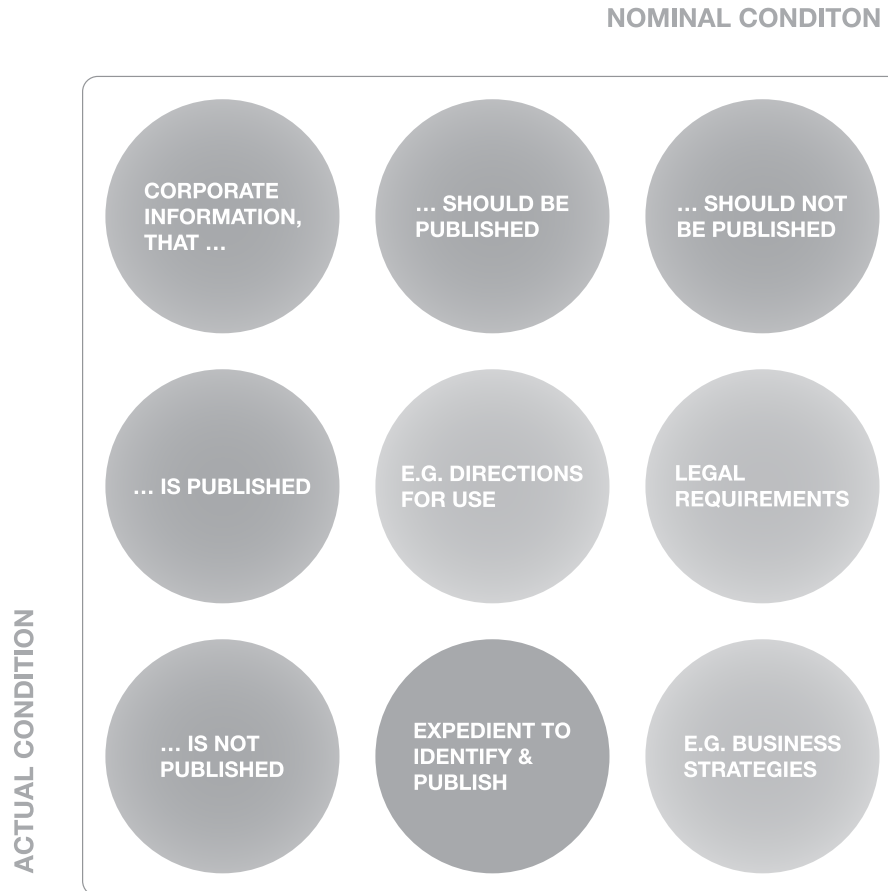


FIGURE 3: CORPORATE INFORMATION MATRIX (OWN SOURCE)

problems. Yet some disclosed information should not be disclosed (top right box).<sup>10</sup> In this case, any disclosure must be reconsidered. It is important to note that this does not necessarily mean that the information should be hidden, as this would be only the second best solution. On the contrary, it is the strength of this framework to encourage decision makers to reconsider business practices in accordance with economic constraints. For example, if consumers are interested in environmentally

<sup>10</sup> Nevertheless in some cases companies must disclose such information due to legal requirements (top left box).

friendly production methods, then it might not be appropriate at the moment to draw attention to a company's difficulties in this area (e.g. if its emission rates are too high). But it is certainly appropriate to explore how emissions could be reduced, and this could offer an issue suitable for communication. Nonetheless there is also information that a company does not, and should not, reveal (lower right box). Information concerning strategic objectives or specific knowledge (e.g. Coca-Cola's brewing-formula) is almost never suited to disclosure as it neutralises any competitive edge (cf. Heuskel 2004: 107). The bottom left field contains data that has not yet been announced but should be immediately. This is the most attractive category and should be tackled first by every company. We are convinced that every organisation has relevant capabilities or achievements that stand out from the crowd and which could benefit from heightened exposure. Addressing this area would provide considerable benefits with almost no costs.

#### *Develop Sound Strategies for Appealing Communication*

The last step in this framework addresses the means of disclosure: If a corporation knows what should be disclosed, how should it then be done? While developing precise instructions for corporate communication would lead us far beyond the scope of this article, we can mention a few fundamental aspects. First, for communications to be appealing, the information needs to be prepared with this goal in mind. Simply releasing the detailed pages of reports is rarely the best method for gaining the attention of customers. As the New York Times columnist John Schwartz has observed:

“The disclosure forms run dozens of pages, with so much swirling data and paper that they form a cloud, like the foil chaff that fighter jets drop to confound radar” (Schwartz 2007).

This is what some authors refer to as a carpet-bombing approach, which induces high user costs by providing a lot of irrelevant data (cf. Hess 2007: 466). Those costs to the user could be reduced by providing data which is easily understandable and comparable to the reports prepared by competitors (cf. Elkington 1999: 172). The assignment of third-party intermediaries also supports the plausibility and quality of a company's reporting practice (cf. Hess 2007: 466).

Second, we suggest using a narrative approach. When information is packaged in stories, this not only supports the human capacity to handle it, but also makes the information more memorable and easier to believe while creating greater enthusiasm (cf. Shaw 2000: 183). This is particularly



important for a consumer's assessment of CR efforts, which strongly depend on perceived underlying motives and intentions (cf. Vlachos et al. 2007: 171). Therefore, organisations should develop a responsive attitude in order to enable a dialogue that makes the corporate story a dynamic entity (cf. Van Riel 2000: 157, Elkington 1999: 172).

## **6. Conclusion**

This paper sought to introduce transparency as a strategic instrument aimed at strengthening customer retention. After detailing the ways in which transparency affects customer retention, we developed the IASD framework: a 4 step implementation guideline that is intended to assist companies to craft sound strategies for appealing communication. By synchronising consumer expectations with disclosure policies, the IASD approach aims at disclosing any kind of information that would encourage customers to maintain loyalty to a corporation. The aim is to provide a strategic framework to support corporate behaviour: By starting from a customer perspective, corporations are encouraged to reconsider their business practices in order to make them more suitable to disclosure. For this reason, the approach goes beyond mere communication policy. Instead of communicating what is happening, it finally encourages a corporation to actualise that which it is communicating.

Although this idea may seem at first to bear some risks, we believe that such a strategy can ease the effects of competition and may generate a competitive advantage over the long-term. Major players in high-velocity markets will have the most to gain from such an approach. We suggest that these corporations, which already hold the largest share of customers in their particular market, should focus on strengthening their customer relations by adopting communication strategies based on transparency.

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**THE  
ORGANISATION**

**Communities  
of Practice**



# Communities of Practice

Utilising Social Capital in Organisations

Judith Rudolph

*Keywords*

*Communities of Practice, Social Capital, Organisational Performance, Community Development*

Communities are common to us all. However, only recently have business consultants and executives shown interest in communities of practice as an alternative way of creating and organising knowledge within organisations. This paper examines the ways in which communities of practice drive organisational performance. The concept of social capital will serve as the theoretical framework for explaining the advantages and operational needs of communities of practice. On this basis, practical managerial advice is given on how to support community structures efficiently.

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## ***1. Introduction***

Our lives have always been influenced by communities of different kinds. Everyone participates in a variety of them: at home, at school, at university or at work. Communities are common to all of us. However, it has only been recently that the business world has taken an interest in communities of practice as an alternative way of creating and organising knowledge within organisations. Communities of practice can be defined as “groups of people informally bound together by shared expertise and passion for a joint enterprise” (Wenger/Snyder 2002: 1). They are informal “self-organising systems” based on the “intrinsic value of membership” that span a firm’s traditional boundaries of hierarchy and function (cf. Sharratt/Usoro 2003: 188). Companies successfully integrating and supporting communities of practice have a potential competitive advantage over traditionally organised firms. According to Smith and Farquhar, communities of practice “improve organizational performance by enabling an organisation to capture, share and apply its collective knowledge” (Smith/Farquhar 2000: 17). Other authors have also identified communities of practice as motors of innovation and as an effective way to share, combine and create knowledge (cf. Wenger/Snyder 2002, Nahapiet/Goshal 1998, Lesser/Storck 1991).

It is the aim of this paper to explain the effects of communities of practice on organisational performance and to give advice upon their practical utilisation. To this end, the theoretical section of this paper aims to familiarise the reader with the concept and dimensions of social capital that can be utilised through communities of practice. Building upon this theoretical basis, ways to successfully employ communities of practice in an organisation will be examined. Therefore, Wenger’s life cycle model of communities of practice is considered and enriched with practical managerial advice.

## ***2. Theoretical Background***

### *2.1 Defining Communities of Practice*

In the introduction, we have already offered a definition of communities of practice as “groups of people informally bound together by shared expertise and passion for a joint enterprise” (Wenger/Snyder 2002: 1). Let us now take a closer look at the concept’s two key terms: community and practice.

Communities are distinguished from other social entities by their level of “embeddedness” (Uzzi 1996: 676), which describes the “relational quality of interactor exchanges” (Uzzi 1996: 676). Communities consist of cohesive connections and strong actor bonds. Trust, mutual understanding and reciprocal behaviour are important aspects of community life that will be explored in more detail in the following section.

Practice, on the other hand, relates to the “dynamic process through which individuals learn how to do their jobs by actually performing tasks and interacting with others performing similar tasks” (Lesser/ Prusak 1999:6). This illustrates the functional heart of communities of practice: cross-organisational collaboration directed at achieving a common goal, interest or task. Dynamic exchange among community members leads to continuous learning and the open exchange of new ideas and practices. However, which theoretical concept can we use to explain the value of communities of practice to an organisation? Therefore a closer look is taken at the concept of social capital.

## *2.2 Communities of Practice, Social Capital and Economic Performance*

Communities of practice are drivers of social capital, allowing both its creation and utilisation within organisations (cf. Lesser/Storck 2001: 834). Social capital has been widely discussed by sociologists, economists and political scientists alike. However, with regard to communities of practice, to date only a few contributions have been made. Nahapiet and Goshal offer the most compelling definition of social capital for understanding the ways in which communities of practice add value to an organisation. They define social capital as “the sum of the actual and potential resources embedded within, available through, and derived from a network of relationships possessed by an individual or social unit” (Nahapiet/ Goshal 1998: 243). Furthermore, they distinguish three major elements of social capital: structural, relational and cognitive dimensions (cf. Nahapiet/Goshal 1998: 243). Discussing these dimensions in relation to communities of practice gives us a good idea how the utilisation of social capital positively affects organisational performance.

### *2.2.1 The Structural Dimension*

The structural dimension relates to the “overall pattern of connection between actors – that is whom you reach and how you reach them” (Nahapiet/Goshal 2002: 244). Communities of practice are characterised by strong, direct linkages. In order to understand how this structural pattern influ-

ences organisational performance a classical hierarchy is compared to a community structure. Strict hierarchical structures are characterised by links, which always have an up or down orientation: they connect a node of a higher hierarchical level with one of a lower level. Consequently, every node has at most one link up to a node in a higher level. In contrast, a community structure is characterised by equal links among all members: everyone is directly connected. Comparing the two structures and assuming that each structural node has similar communication capacities, the hierarchical structure is unable to effectively utilise the collectively available information and knowledge capacities. Information load is unequally distributed. A bottleneck in higher levels requires the sending of information along the hierarchy in condensed form, inevitably losing part of the initial message. In contrast, the community structure distributes information more equally, utilising the collective information capacity of the whole organisation. If we take a look at the information processing structure, the hierarchical model is characterised by a linear information gathering and execution process. Community structures, however, rely on a rather chaotic system of linkages and non-linear ways of channelling information.

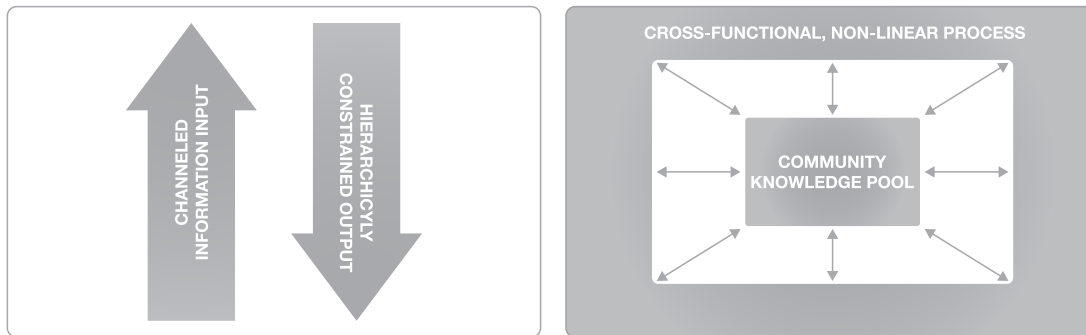


FIGURE 1: LINEAR VERSUS NON-LINEAR KNOWLEDGE CHANNELLING STRUCTURES  
(OWN SOURCE)

Whereas hierarchies are more or less static, community structures are subject to constant changes. This structural community attribute has two effects: firstly, cross-functional linkages between people of different information clusters are established and secondly, the information gathering process is optimised by connecting people of diverse backgrounds with similar problems. The connection

of different information clusters allows access to a wider pool of information resources: people are better informed. The linkage of a diverse group of people with similar problems increases the likelihood of an innovative solution and thus paves the way for new and better combinations of existing knowledge. Consequently, the structural dimension illustrates that communities of practice enhance the ability of organisations to collaborate successfully. A well informed community directs organisational competences to the places where they are most needed. This optimises the ways in which knowledge recourses are used and helps an organisation to fulfil its envisaged strategic aims.

### 2.2.2 *The Relational Dimension*

The relational dimension reflects the “assets created and leveraged through strong relationships and actor bonds” (Nahapiert/Goshal 1998: 244). According to Granovetter the strength of relational ties depends on the time spent together, the emotionalism and intimacy of the connection as well as the amount of reciprocal services (Granovetter 1973: 1361). By definition, communities of practice consist of “strong, cross-cutting personal relationships” that provide the basis for a common identity, the evolution of trust and community norms (Nahapiert/Goshal 1998: 243).

Identity matters, because it enhances the community members’ commitment to promote the collective common good (cf. Uzzi 1996: 679). Identity constitutes an important “motivational asset” contributing to the success of communities of practice in the production of economic value (Nahapiert/Goshal 1998: 254).

Trust itself is a multi-dimensional concept and a thorough analysis of its meaning is beyond the scope of this paper.<sup>1</sup> However, three aspects of trust are given further attention: expectation, risk and competence. Trust is a leap of faith that all exchange partners will act in a fair, benevolent manner. Taking this into account, trust reduces the risk of opportunism by establishing expectations of good behaviour that further long term cooperation. Trust allows predictability and assurance in a world of uncertainty and incomplete information about motivations and intentions of others (cf. Mistzal 1996: 18). As Powell puts it: “Trust reduces complex and uncertain realities far more quickly and economically than prediction, authority, or bargaining” (Powell 1990: 305). On the other hand trust makes people vulnerable to their trust partners, who have a great deal of knowledge about their personal strengths and weaknesses. Consequently, trust includes the risk of being abused (cf.

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1 Kramer 1999 gives a good introduction about the role of trust in organisations. Furthermore, Luhmann 1988, Coleman 1994, Mayer et al 1995 and Child 1998 illuminate different, important aspects of the concept of trust.

Lahno 2001: 171). Therefore, trust cannot be enforced. It needs time to develop among exchange partners who freely choose to commit themselves to the informal codes of trust.

In the case of communities of practice, competence plays an important role in the creation of trustful relationships. Competence implies that a person is knowledgeable and has the capabilities to work successfully on the specific tasks at hand. Competence also spans the interpersonal dimension, covering for instance the competence to listen to others or the ability to work in a team. Competence leads to reputation that makes information credible and reliable. Trusting in the abilities of others is a crucial factor in communities of practice. Strong collaboration, information and knowledge exchange only functions if the partner is reliable and if that partner's information is credible. Thereby trust "secures communication" (Misztal 1996: 10) by assigning value to the exchanged information. This value consists both in the credibility and meaningfulness of the given information.

Norms can be seen as a governance asset. Taking into account that communities of practice are mostly run on an equal footing and not by a single governor, norms help to ensure smooth operation. Norms specify "how a person is, or persons of particular sort are expected to behave in given circumstances" (Homans 1974: 96). Once in place norms have a self-enforcing character: the expectation the norm creates is safeguarded by the community, which collectively ensures compliance with that norm. This contributes to behavioural patterns of reciprocity and consistency which in turn contribute to effective collaboration in communities of practice.

### *2.3 The Cognitive Dimension*

The cognitive dimension refers to "resources providing shared representations, interpretations, and systems of meanings among parties" (Nahapiet/Goshal 1998: 244). This dimension illustrates one of the most important conditions that must be met in any functioning community of practice. Community members require "absorptive capacities" (Cohen/Levinthal 1990: 228) that enable them to understand and interpret information and knowledge flows. From a constructivist perspective there exists a natural "cognitive distance" between people (cf. Noteboom/Gilting 2004: 8). Individuals develop their own cognitive representation of the world leading to different ways of knowledge absorption. Diversity is often noted as a key to learning and innovation. However, the diversity of thoughts and ideas cannot be utilised if people have diametrically opposed cognitive representations. Consider a very simple example: two people from different cultural backgrounds are supposed to work together. One person identifies a single nod as yes whereas the other reads the

same gesture as no. Without a common understanding and a shared code of what yes and no means, the communication between those two persons is impossible. The same applies to any community of practice. Functioning communities require a minimum of common cognitive ground. This must not be confused with conformity among members. Moreover, it means a “common culture” that bridges the “cognitive distance” of community members (Noteboom/Gilsing 2004: 8).

### ***3. From Theory to Practice***

#### *3.1 The Community Life Cycle Model*

The theoretical section above illustrated those different aspects of social capital important for understanding the functions and opportunities of communities of practice for organisations. The structural dimension shows how communities of practice optimise information diffusion and allow a more efficient use of available internal capacities. Considering the relational dimension, we see that social relations make information credible and reduce the risks related to opportunism. Finally, the cognitive dimension indicates the need of a common cognitive ground within communities of practice. The cognitive and relational dimensions are strongly connected. Cognitive proximity has an ultimate influence on the quality of social relations. It enhances the ability of community members to understand each other in order to utilise the community as a collective information pool. Thus knowledge becomes interpretative and actionable. This allows for the combination of knowledge in new and better ways, which then in turn opens up business opportunities through innovation. The question remains how organisations can successfully support and integrate communities of practice. Therefore, we will discuss the management needs of different community-development stages drawing upon Wenger’s life cycle-model of communities of practice (cf. Wenger 1998).

Wenger differentiates five phases of community development: “potential, coalescing, active, dispersed and memorable” (Wenger 1998a: 3). In order to clearly indicate community of practice levels of maturity and link them to relevant management tasks this paper prescinds from Wenger’s original categorization. Instead a distinction between the early stage, the development stage, the activity stage, the adjustment stage and the dissolution stage is suggested.

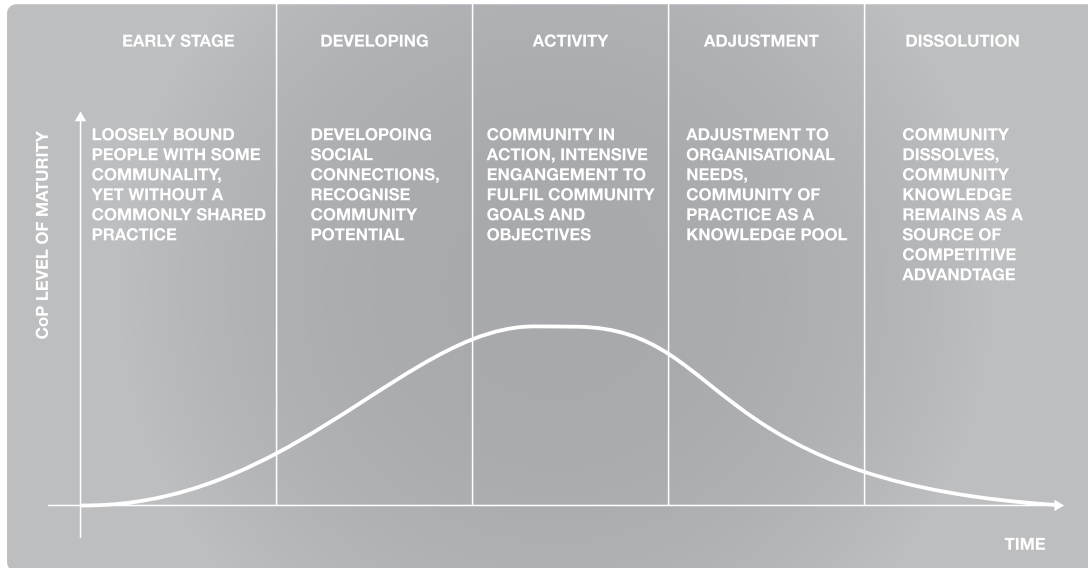


FIGURE 2: FIVE STAGES OF DEVELOPMENT (CF. WENGER 1998A: 3)

### 3.2 Managerial Challenges in Different Community Development Stages

The Early Stage: Most cases show that before communities of practice evolve, there already exists a loosely bound network of people with similar interests, tasks or responsibilities. These informal connections can be found in most organisations. However, they do not necessarily transform into communities of practice. In order to support community development, managerial support is needed. Typical management tasks in the early stage include:

- Identifying existent informal networks that may have potential as communities of practice;
- Selection of the right people, those who have a common cognitive ground and are willing to openly share their knowledge;
- Finding a community supporter;
- Spreading the community idea within the organisation;
- Supporting a culture of open exchange.



The Development Stage: Strong relations need time to develop. In the second stage, it is important that there is a space for this development. Therefore, supportive infrastructure for the community is needed. This may include a common intranet page, a regular newsletter, virtual as well as face-to-face meetings. The managerial task would be to “nurture” the community in order for it to realise its full potential (Wenger 1998: 7). Typical management tasks in the development stage include:

- Providing the necessary space for social connections to evolve;
- Offering supportive infrastructure: intranet pages, newsletter, blogs, virtual or face-to-face meetings;
- Defining community goals and boundaries in a joint manner.

The Activity Stage: In the activity stage, the community has found a common goal and purpose and, ideally, knowledge flows freely among its members. The community addresses the common needs of its participants and solves problems collectively. The management effort required here is to maintain the community as an open space in order to avoid group lock in effects. As Wenger puts it “a community needs to balance its sense of ownership with receptivity to new people and ideas” (Wenger et al. 2002:105) Furthermore, a continuous evaluation process of the community as well as feedback loops need to be introduced. Ideally individual incentives will be matched with community incentives in order to support the realisation of collective goals. Typical management tasks in the activity stage include:

- Aligning individual and community incentives;
- Trying to maintain a diverse, open minded community population;
- Installing feedback loops;
- Sharing community best practices throughout the organisation;
- Recognising community efforts.

The Adjustment Stage: Communities of practice are informal, free-flowing entities subject to continuous internal and external challenges. Consequently, it may be necessary to re-configure the community goals and adjust them in accordance with the actual needs and concerns of the organisation. From a management perspective it is important to listen to community members and their assessments. Questions that should be considered are: Is the community still on track? Do

conflict mechanisms exist to solve disputes among community members? What is the inside and what is the outside perspective of the community? What is the overall level of satisfaction with the community's way of working? Typical management tasks in the adjustment stage include:

- Assessing ongoing community efforts;
- Acknowledging achievements and necessary improvements;
- If necessary, helping the community to re-adjust;
- Aligning individual and community incentives;
- Trying to maintain a diverse, open minded community population.

The Dissolution Stage: Communities of practice dissolve for various reasons. The shared practice or information becomes irrelevant due to technological developments; they may merge with other communities or disappear due to structural re-organisations. At this stage it is important to recognise the community's efforts and its achievements. Best practices should be shared throughout the organisation and former members encouraged to spread the community's ideas within the company. Typical management tasks in the dissolution stage include:

- Final evaluation of community success;
- Communicating achievements company-wide;
- Codifying existent best practices;
- Thinking about ways to utilise the created social capital in other contexts;
- In the case of community mergers, assisting in the transition phase.

#### **4. Conclusion**

This paper discussed communities of practice from both a theoretical and practical perspective. The theoretical section highlighted the meaning of communities of practice and their relation to social capital. With regard to the structural, relational and cognitive dimensions, it was shown that communities of practice have a considerable advantage over hierarchical organisations when organising and creating knowledge. They enable the utilisation of social mechanisms for successful collaboration and make knowledge actionable. Innovation and process optimisation positively

influence economic performance, making communities of practice a valuable organisational asset. In order to utilise this asset accordingly, managerial efforts required along the life cycle of a community were discussed. In conclusion, communities of practice should remain an important topic on the agendas of business executives and scientists alike.

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**Knowledge**

**THE  
ORGANISATION**

# Mapping Knowledge – Strengthening Trust

A Tool To Visualise And Manage Knowledge And Relationships

Sebastian Görgl, Pascal Ludwig, Markus Walz, and Clara Welteke

*Keywords*

*Knowledge Map, Recruiting, Knowledge Management, Trust, Evaluation*

This article introduces a knowledge management tool for visualising the connections and relationships between that knowledge held by Nokia's employees and associates. The paper begins with a general overview and definition of knowledge and its importance for business organisations, and then proceeds to analyse three different knowledge management approaches taken by respected international companies. Strengths and weaknesses in these concepts are identified, and based on these results we introduce our own idea: the knowledge map. We argue that knowledge and information within companies should not be directed by centralised decision makers but should be organised in a free, fast and efficient way by the employees themselves. Furthermore, we emphasise the role of trust and first generation contact for recruiting. In order to visualise knowledge and trust relationships we propose designing a sophisticated web based framework.

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## ***1. Introduction***

An investment in knowledge always pays the best interest.

— Benjamin Franklin (1706–1790)

More than ever in today's business world, knowledge is a critical factor for future success. Our world is changing. Technological innovations bring new opportunities for individuals and companies alike. As Bob Dylan famously wrote in his 1963 song *The Times They are A-Changin'*, 'you better start swimmin' or you'll sink like a stone for the times they are a-changin'.' In today's complicated environment companies must learn and acquire relevant knowledge if they are to "swim".

Future business success will rely heavily on the ways in which companies choose to design constructive and fruitful environments for employees and customers to exchange knowledge, not only goods and services. Since knowledge is a crucial resource for companies, individuals must learn to share information efficiently and quickly, and companies must build a framework to enable this. On their way to becoming service companies, organisations will have to reshape their knowledge management systems and adjust the attitude of their members. People will need to learn that only by sharing their information and knowledge openly with others can they be successful in the future. Individuals often keep specific knowledge for themselves in order to sustain a supposed competitive advantage. It will be important for companies to promote this change in attitude. To modify a famous saying: What companies know is a drop, what they do not know is an ocean. It is essential to explore the ocean of their employees' knowledge.

With its focus on technology, telecommunication, and innovation, and its operation in a highly competitive market, a modern network organisation such as Nokia must place particular demands on its employees and knowledge management systems:

- A network organisation depends on efficient methods of sharing and distributing knowledge, since each department is not an autocratic entity but operates in a cluster of interrelated units.
- In order to maintain an innovative edge over the competition, the rate at which new knowledge is generated must be at the highest level possible.
- Fierce competition requires extraordinary efficiency, which in turn demands that the most skilled employees be identified and distributed appropriately among the firm's projects.



We have identified three practical focal points that encompass these demands and can be addressed by our knowledge tool. Each of these foci can be traced back to a set of guiding principles, namely that implicit and latent knowledge must be uncovered and made accessible, and that explicit knowledge must be organised and displayed.

- Evaluation aims at identifying an employee's actual skills.
- Recruitment aims at allocating the right people to the right tasks.
- Knowledge management deals with distributing, uncovering, and generating knowledge inside the organisation's boundaries.

In this paper, we will outline a concept which seeks to help organise knowledge management in a way that is faster and more efficient than that offered in the classical centralised planning systems. In section two we introduce our understanding of the concept of knowledge and take a closer look at the characteristics of knowledge according to this definition. Our perspective is expanded to other disciplines in order to classify different kinds of knowledge, and yet will focus especially on the importance of knowledge as factor for production. In the third section the importance of knowledge management is described and illustrated using the example of three international companies. Each example has identifiable and specific strengths and shortcomings. Finally, in the fourth section we will develop our own approach, the knowledge map, as a novel knowledge management tool for service companies such as Nokia. The knowledge map will assist in the evaluation and management of knowledge, and can be used to recruit employees for specific tasks or projects. In addition, our system visualises the relationships between employees in the same way as friendships in social network sites. In this way, mutual trust can be identified and visualised.

## ***2. What is Knowledge?***

### *2.1 From Single Signs to Knowledge*

Sir Francis Bacon claimed that knowledge is power (Bacon 1597). A modern version of this statement could be: Knowledge can help attain power. There is much discussion on the extent to which

we have evolved into a knowledge society. We live in an age where knowledge is not only more important than physical strength, but also a crucial factor for success in organisations.

To define a coherent concept of knowledge, we start with the smallest unit of content we can find: single signs, characters or numbers. If we put these together in sequences or sentences, we obtain data. Data is useless without a context for its interpretation and evaluation. When data is placed into the context of a certain problem, sequences and sentences become information. Finally, the purpose-orientated integration of information in a larger context creates knowledge. Thus the definition we will use is that “Knowledge is purpose-orientated, linked up information” (Rehäuser/Krcmar 1996).

This definition has various implications for our understanding of knowledge. First and foremost, knowledge is related to a particular purpose and is contextual. In addition, it presupposes knowledge of other knowledge: knowledge about its origins and prior knowledge levels, such as the language skills that were needed in order to embed knowledge into a context and for a purpose. If the value of information lies in its applicability for decision-making and action, as suggested by knowledge management discussions (Herbst 2000), it must always have a practical reference. According to this definition, knowledge is certainly not “objective” because it is dependent upon different contexts and purposes. The epistemological search for true and justified knowledge is not our concern here.

## *2.2 The Classification of Knowledge*

Knowledge plays an important role in philosophy, sociology, psychology, the cognitive sciences and economics. These sciences use different criteria to define the various aspects of the concept of knowledge. Knowledge can be created, acquired, stored and distributed by individuals, groups, organisations and societies. Some philosophers have claimed that knowledge must be true and justified (cf. Pritchard 2007; Steup 2001). Yet for economists, knowledge is a means for an end, namely for efficient production (Picot/Franck 1998). Educators discuss the acquisition of knowledge while cognitive scientists analyse the storage and processing of knowledge in the human brain. Knowledge is a concept with various meanings and contexts. Therefore we need to derive a definition of knowledge that distinguishes precisely between different approaches while defining issues that are relevant for knowledge network systems in organisations.

One criterion, used particularly in epistemology but also in the cognitive sciences and linguistic studies, deals with the origin of knowledge. Noam Chomsky questioned whether knowledge is

purely acquired or partly innate (Chomsky 1965). The distinction between a priori and a posteriori knowledge suggested by Immanuel Kant provides another approach to this criterion of origin. A priori knowledge proceeds from theoretical deduction compared to knowledge a posteriori which is derived from observation or experience and is not the same as innate knowledge.

Another criterion, used especially in psychology and the cognitive sciences, is the availability of knowledge. Implicit (embodied) knowledge is not consciously available to, and hardly expressible by, individual persons. Nevertheless it can play an important role in organisations, particularly when they seek to work efficiently and generate innovations. Implicit knowledge, such as traditions, inherited practices, implied values, and prejudgments, also constitute a crucial part of scientific knowledge (Polanyi 1966). A large part of unconscious habits or linguistic knowledge is also implicit. In contrast, explicit knowledge can be expressed and stored by human beings (e.g. knowledge in documents or human skills). Apart from the distinction between implicit and explicit knowledge one can also distinguish between long-term and short-term knowledge. Long-term knowledge can be subdivided into declarative and procedural knowledge, where declarative content refers to facts and is expressed by statements, while procedural knowledge refers to actions which may also be inexpressible (e.g. how to ride a bicycle). Declarative knowledge can be divided further into semantic knowledge, which is abstract general knowledge, and episodic knowledge, which is always bound to a certain situation (Anderson 1976).

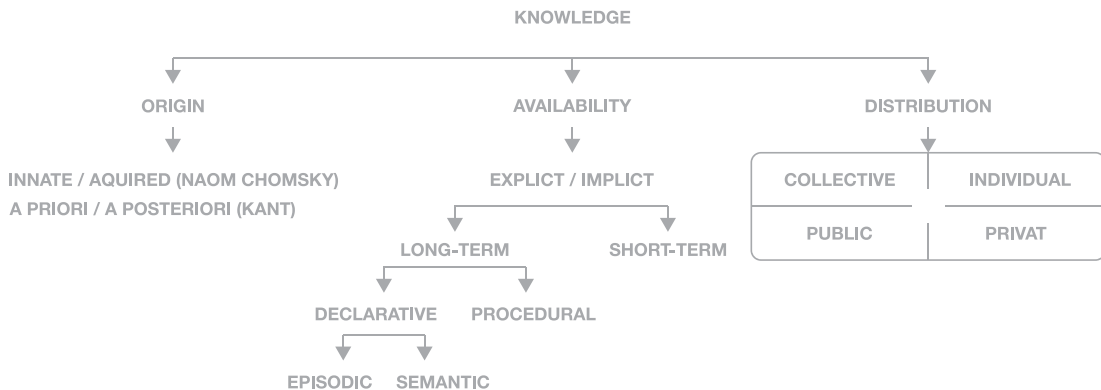


FIGURE 1: KNOWLEDGE CLASSIFICATION (OWN FIGURE)

Crucial for our purposes here, as well as in sociology and knowledge-economics, is the criterion of the distribution of knowledge, be it in society or in an organisation such as Nokia. Knowledge can be individual or collective, private or public. Collective knowledge, in contrast to individual knowledge, only exists in a group rather than in every single individual. It can be either private or public. Public knowledge is available to the general public in contrast to private knowledge that excludes certain groups. Individual knowledge can be provided to the public by the individual or kept private.

It can be beneficial for (individuals in) organisations to keep their individual knowledge private in order to maintain a competitive advantage (e.g. knowledge about new innovations). However firms can also benefit from a public knowledge network. Such a network, whether it includes only employees or suppliers and customers, can connect and thereby expand the individual knowledge of associates within a firm and thus generate a sort of collective knowledge, since individual knowledge is shared with and revised by everyone within, though also outside, the company.

### *2.3 Knowledge as an Economic Factor of Production*

Knowledge is purpose-orientated. One purpose of knowledge in organisations aims at the efficient combination of various other factors for production. From an economic perspective, factors for production are variables on which the capability to produce goods and services depends. Labour, capital and land are the factors for production mentioned in classical economic literature. In the classical understanding of knowledge as human capital, labour, capital and land are expanded by a fourth factor, namely knowledge about their efficient application (i.e. human capital). But this is not the only meaning of knowledge in modern organisations, where it can encompass details about associates as well as information about materials, production processes or customer characteristics. In order to create a corporate recruiting and knowledge management tool, we need to distinguish between information about associates and the knowledge and skills within, or held by those associates.

When compared with other factors, we find that knowledge bears some characteristics that make it more difficult for business management to rely upon. Nor is it easy to plan for the availability of the right kind and quantity of knowledge at the right time and place. This is because:

- The human affinity to communicate and the intangibility of knowledge tends to make it diffuse. This makes it difficult to keep confidential knowledge private;

- Knowledge is not arbitrarily expandable since access often depends on the goodwill of human gatekeepers. Access to private knowledge necessarily requires trust<sup>1</sup> by the provider that the receiver will not misuse the obtained information;
- It is difficult to judge the price and value of knowledge, which leads to problems when attempting to quantify of the contribution that knowledge makes to success.

In spite of these points, positive attributes outweigh the difficulties.

- Because of its intangibility, knowledge is extremely mobile compared to other factors of production.
- Connections among employees emerge on the foundation of trusted acquaintances. By making their knowledge about each other and their trust relationships public, employees are able to identify relevant information.
- Competitive advantages can be obtained through a prominence of knowledge. Hayek has already understood competition as a discovery process that opens up new knowledge and facilitates imitation (Picot 1988: 223).

#### *2.4 Knowledge — a Precious Resource in Corporations*

Land, labour and capital are no longer regarded as crucial bottlenecks among the factors of production. Due to the growing importance of knowledge, business management must act accordingly and regard information as a primary resource and initial point for further planning. If we apply the three steps of the classical management process (planning, implementation and control) to the subject of knowledge, then the strategic and rational management of information requires actions and methods to identify, acquire, develop, distribute, utilise and maintain knowledge (Probst/Raub/Romhardt 2003: 28–33). The main task becomes allocating the right quality and quantity of necessary knowledge to the right employees at the right place and at the right time, as well as identifying and acquiring that knowledge which is essential for the future (Augustin 1990: 23; Krcmar 1992; Probst/Raub/Romhardt 2003: 29).

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<sup>1</sup> The importance of mutual trust for recruiting is essential and we will discuss this aspect in more detail in sections 3 and 4.

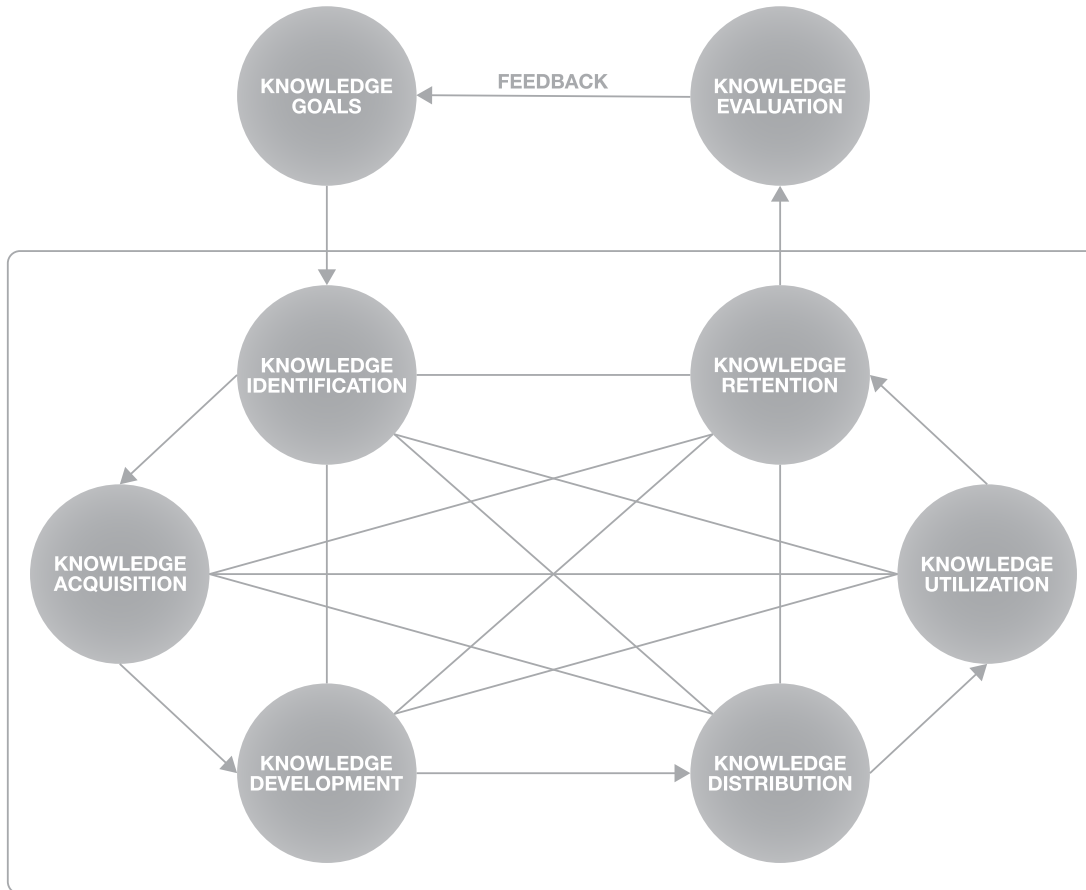


FIGURE 2: "CLASSICA" KNOWLEDGE MANAGEMENT PROCESS  
 (SOURCE: PROBST/RAUB/ROMHARDT 2003: 32)

In order to accomplish this task, knowledge management executives must evaluate the demand for information. They must then match the demand with the supply of information. Furthermore, a knowledge manager must decide how information seekers will receive that needed information (Picot/Franck 1998: 609ff).

We believe that this process of managing information is inappropriate since it relies on a classical management paradigm which assumes that knowledge, like any other resource, can be

controlled and allocated by a knowledge manager. Thus, classical management always implies a certain degree of target-oriented configuration and centralised supervision (Hungenberg/Wulf 2004: 24). This top-down approach does not cohere with the attributes of knowledge. It is too inefficient to administrate knowledge by first analysing the demand for information and only then distributing it through a central institution or authority. Since knowledge tends toward diffusion, it is hard to control. The concepts of the “demand” and “supply” of information suggest a more decentralised bottom-up approach. As in market economies, where consumers pursue their own individual plans and aim at satisfying their own needs, the employees of knowledge-based companies should be able to seek out needed information themselves. The main role of knowledge management is to support employees in their search for information by providing an appropriate structure within the company that guarantees access to a wide range of information. In hierarchical settings organisational borders limit the free flow of information. Thus, information systems should be able to create bridges between all parts of the organisation. The development of virtual information<sup>2</sup> and prediction markets<sup>3</sup> is a first step in that direction.

### ***3. Corporate Benchmark***

#### *3.1 Standing on the Shoulders of Giants*

In March 2009, we conducted a series of interviews with three preselected companies about their knowledge and recruiting systems, since we believed that a sound proposal could not have been made on the grounds of academic deliberations alone. Concrete input from existing systems was sought in order to refine an otherwise abstract theoretical approach. We selected the companies according to the following criteria:

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- 2 Virtual information refers to information stored in electronic format and delivered without regard to its location and time. Virtual information is composed of digital information and electronic resources transported through computer networks. Libraries organise information electronically providing access to virtual information through various networks such as the internet and the world wide web.
  - 3 Prediction markets are speculative markets created for the purpose of making predictions. Assets are created whose final cash value is tied to a particular event (e.g., whether the next US president be a Republican) or parameter (e.g., total sales next quarter). Current market prices can then be interpreted as predictions of the probability of the event or the expected value of the parameter. Prediction markets are thus structured as betting exchanges, without any risk for the bookmaker.

- They use a sophisticated method for evaluating their employees.
- They successfully exist in an environment that has a higher than usual demand on qualified human assets.
- They employ an advanced knowledge management system.

Each prospective candidate would need to display promise in at least one of these criteria. Our final selection fell on Rio Tinto Alcan, (the world's largest aluminium producer; hereinafter referred to as Alcan), a management consulting firm, and a leading IT-company. The last two organisations requested anonymity but are among the top five worldwide in their respective sectors. Each of these companies embodies one of the three “focal points” mentioned above: Alcan utilises a classic, solid evaluation and career management tool; the consulting firm is an expert in recruiting employees in a project-based work environment; and the IT-company uses an ingenious knowledge management system.

### *3.1.1 Alcan*

Alcan uses what they call the “Individual Performance and Career Management System” (IPCM). Every employee possesses an individual assessment profile. That employee can only retrieve his or her own profile and the profiles of those employees he or she supervises. The system's core is an annual performance review that every supervisor must conduct together with his respective subordinates.

#### *Function*

The main goal is to support an employee's personal evaluation and development. Promising employees are advanced, rewarded, or shifted to more promising positions within the company. The motive here is to create an incentive which will encourage the employee to bind him- or herself to the company on a long-term basis. Additionally, it is important for checking if an employee adheres to a defined set of company values. These values are defined by the company and strongly follow business objectives.

#### *Implementation*

During the performance review, employees should recognise what is expected of them, how they can fulfil these expectations, what their capacities are and how they could improve themselves



(e.g. through training programs). The IPCM process is a joint effort between employees and their supervisor. Employees begin with a self-evaluation of their performance regarding business objectives and competencies. The results of this procedure, as well as future career planning, are then discussed with the supervisor. The supervisor may propose changes, if he or she considers the employee's self-evaluation to be erroneous or inaccurate. The employee receives additional time (at least one week) to examine the results of the review. If both parties agree on an outcome, the results are set and cannot be changed retroactively. If the employee disagrees with the outcome the results can be amended in another session.

### *Discussion*

Alcan's IPCM is a very good example of a classic, formalised evaluation tool. While the profile is sophisticated and detailed, the procedure itself has its weaknesses. The success of the performance review is largely dependent on the soft skills of both the supervisor and the employee. Is the former willing to openly criticise the employee? What if they are peers (former co-workers)? Is the supervisor able to offer constructive criticism, or willing to foster the employee's career if it means losing that person to another department? How well developed are the employee's self-evaluation skills? How well can he or she cope with criticism?

In contrast to the IPCM, our own tool does not include career management. However, our central concern here is that this top-down approach not only lacks evaluation through peer groups but suffers from an information delay since the information provided in the review is only updated once a year.

### *3.1.2 Management Consulting Firm*

The consulting firm employs a dichotomous approach towards knowledge management and profiling. On the one hand, an internal wiki (where everybody can participate) is maintained for knowledge management purposes. On the other hand, every employee is represented through an information profile. Recruitment for new projects is conducted on an application basis.

### *Function*

The wiki has a clear purpose, namely to create a way for gathering and storing valuable project experience and everyday questions in a format that is easy to access. The profile is part of the firm's recruitment system and a true contact profile.

### *Implementation*

The personal profile of each employee is a full-grown phone book application. Complete information can be found about an employee's education, work experience, language skills, personal interests, and contact information. Another page describes the projects which that employee has realised. The most peculiar aspect of the profile is its complete lack of any reference to performance, though this data does exist. Project performance is measured and evaluated on a regular basis but access to this information is severely restricted to the respective project leaders. This is done to maintain a high degree of fairness, especially towards new and inexperienced employees. Any recruitment for new projects is done through an application letter, where the applicant explains why he or she should be accepted. Additionally, the new project leader may directly contact former project leaders to enquire about the applicant's performance.

### *Discussion*

It was surprising that although the consultants operate in a highly stressful, competitive, and performance driven setting, prospective project members are not selected through a thorough grading system. Instead a combination of informal door-knocking and application writing is used. Apparently, even in times when corporations have access to performance reviews and extensive diagrams of efficiency levels, people still prefer to rely more on subjective estimations, so long as they have sufficient trust in the source. This matches our assertion in section two that knowledge is highly dependent on human provision and the reliability we attribute to its source.

Yet the separated wiki approach does not appear as valuable to us as the recruiting approach. Wikis can easily suffer from neglect if the whole wiki process is not painstakingly monitored and deliberately encouraged. Wikis are basically knowledge stores. Maintaining a wiki means that an employee must take a step back from what he or she has currently worked on and switch to "wiki-mode", analysing those areas where his or her contribution best fits into the wiki's structure, formulating an entry, and then counter checking it for consistency with other entries. All of this is very time consuming and bears the risk of being perceived as not worth the effort. How the risk

of negligence can be diminished by an integrative approach will become apparent in the solution by the IT-company.

### *3.1.3 IT-company*

The IT-company uses a profiling phone book system for contacting and recruiting. Since their profile system is very similar to the consultant's solution, it does not need further elaboration. However, the way the IT-company integrates the management, distribution, and creation of knowledge is extremely developed and ingenious. They use a unique tag system in combination with a slimmed down blogging instrument and "grouping" similar to social networks such as Facebook.

#### *Function*

The tag system's main goal is to organise, distribute, and expand knowledge among the organisation's members. The blogging tool creates room for individual employees to ask for advice, to voice opinions, and to offer solutions to others. The grouping tool does likewise.

#### *Implementation*

The tagging system is the selling point that distinguishes this system from others. Every employee has the ability to tag certain items. These may be documents, websites or even co-workers. A tag is a little mark, which consist of one catchword that denotes the content of the tagged object. As soon as an employee wants to tag something he or she must name a handful of reference words by which the document or website can then be identified by an internal search engine. If, for example, an employee stumbles upon a remarkable website about bananas she might decide to tag it with the words "banana", "fruit", and "vitamin B". Anybody who decides to look up "fruit" in the internal search engine will probably find the banana website. The system is smart enough to reference and offer further related tags, e.g. "Others who have visited x found y helpful". If a majority of users finds a certain tagged item unhelpful, it will eventually become crowded out by a more successful item since the latter is receiving more tags.

Moreover, the system greatly emphasises synergy and communication. The phone book profile provides a way to link directly to certain websites or documents. It is even possible to trade browser bookmarks. It tries to connect as many applications with each other as possible. Software suites already in use, such as Lotus Notes, are modified to provide these tagging features. The slimmed

down blogging interface, as well as the “grouping” feature (where individuals can form and join groups with certain topics), emphasises mutual problem solving.

### *Discussion*

The system represents a refreshing departure from the conservative wiki approach to knowledge management. It is easier to maintain than a wiki, since most of its use stems from tags rather than full articles. Given the amount of time needed for a wiki entry, this may potentially deter employees from sharing their insights. If an employee wants to make a lengthier contribution, he or she can use the microblog or the “grouping” feature. Nonetheless, this approach still requires some form of commitment. If nobody tags, nobody profits — a malady which affects most similar systems. Here this threat is counteracted by firmly integrating the system into the daily work routine, and by piggy-backing upon existing software already in use.

As an interesting side note and a preliminary of what is to come: This company has gone a long way to establish an elaborate knowledge management and profile system. Yet it has not pursued the same path when recruiting employees for projects. We were told (similar to the consulting firm) that the key element in choosing the right person for the right assignment does not rest in the profile alone. While the profile is a helpful addition, the decision ultimately comes down to trusting the recommendations of one’s peers and the influence of informal social networks.

### *3.2 Bridging the Gap*

Let us summarise the most important lessons we have learned conducting these interviews. These lessons have greatly influenced the way in which we have constructed our own knowledge tool.

#### *Evaluation:*

- An exhaustive evaluation approach is slow and cumbersome.
- An approach that builds on the classic worker-supervisor relationship may prove unreliable since it depends too much on the individual leader skills and the integrity of a single person.
- Our knowledge tool should support an evaluation method that is faster to conduct, easier to update, and more reliable in its results than the latter approach.

- The knowledge about an employee's qualifications may be easier to access via a decentralised system that taps into other sources of public and private knowledge about the employee, such as peer groups.

*Recruitment:*

- The parties involved greatly favoured informal recruiting approaches that use peer recommendations and social networks.
- These informal recruiting methods should be supported by our knowledge tool.
- Because of the subjective nature of these recommendations, we need a method to ensure the reliability of the information, e.g. via trust.

*Knowledge Management:*

- Successful knowledge management requires elaborate tools.
- These tools should support many different strategies to problem-solving and data management in order to cater to different types of employees.
- We should adopt such tools as well, but ensure that they are available to as many employees as possible.
- As with any tool, our system is only effective when it is used. To encourage its use, it needs to be as broadly integrated into day-to-day business as possible.

#### ***4. The Knowledge Map***

##### *4.1 Nokia's situation*

In knowledge-based companies, an employee's value mainly depends on the degree to which his or her personal skills and expertise can foster the company's performance. But excellent skills and profound expertise will only be applied in the right place if the right people are hired for the right projects. We assume generally that a large part of a worker's knowledge has not yet been fully

explored. Therefore, our focus will lie on the recruiting of existing employees for internal projects. In this situation, the following two questions arise:

1. What kind of know-how is relevant for Nokia in order to manage knowledge and recruit associates efficiently?
2. How can a project manager find the right people for a certain project or task within the corporation?

Simply relying on information in a CV or gained through work experience is not enough. Moreover, people tend to embellish and exaggerate their qualities when applying for promising projects. Therefore, the challenge of finding the right people is deeply connected with trust and face-to-face social networks. Project managers tasked with choosing employees from a pool of experts, all of whom seem qualified for the job, need reliable information about the skills and efficiency of the applicants. This reliable information can only be obtained through personal social networks. More precisely, only first generation contacts are suitable for assessing qualifications, since a third person's judgement about an individual can only be interpreted correctly if one knows the assessor and his or her value basis. All other oral information about individuals which is gained indirectly over two or three acquaintances, is more in line with hearsay and rumour than with reliable statements about a person's qualifications.

#### *4.2 The Nokia Knowledge Concept*

In this context we use a broad definition of knowledge. The information that we consider important in order to recruit associates for projects and to tap into their knowledge is as follows:

- The associate's educational career as well as work and project history are already utilised as obvious indicators for qualification and should in fact be taken into account.
- Furthermore there are special skills and private knowledge concealed in the personal history of associates which remain undiscovered and unused.
- Language ability, personal achievements or experiences (e.g. with crises), as well as soft skills and secret talents make all the difference.

- Finally, trust is important. This is inherent in the social networks within the corporation and is reflected in the relationships between employees.

Nokia has neither a standardised internal recruiting procedure nor a knowledge management system. Our idea is to combine these two features into a powerful tool: the knowledge map. The aim is to be able to identify experts for a certain field of work and to visualise the results of the search request on an interactive world map. It shall be possible to visualise connections between these experts as well as to look for direct contacts who know these people personally. The aim of the knowledge map is to facilitate the recruiting process as well as to enhance the amount of knowledge and information that is directly accessible for everyone within the company. Basically our system consists of three components: an employee's profile in the Nokia phone book, a tag system including a search engine, and a virtualisation tool.

#### *4.3 Expanding the Nokia Phone Book*

Each employee has a personal page in the company's phone book where others can find his or her contact information, field of expertise, position within the organisation as well as the person to whom he or she reports. We suggest enhancing these personal pages through the addition of certain features. First, each employee should add information about his or her educational career, work history and project history. In addition to the time and location of the project, the project history could also contain information such as the importance of the project (measured by budget), and individual performance (measured by 360° feedback). In addition to these data the employee should specify his or her field of expertise. Another entry would give employees an opportunity to introduce themselves and to make some statements about their own personal history. Employees also have the opportunity to share files and bookmarks which they may find relevant for other people within the company. A microblog<sup>4</sup> can be used to post information for other colleagues about projects or problems the employee is currently dealing with. The microblog functions as a decentralised wiki for technical topics or other subjects of interest. Compared to a centralised wiki it has the advantage that each user feels more motivated to take care of their own personal blog, rather than to write articles for a centralised wiki. Finally, each profile contains a tag cloud where each person could see

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<sup>4</sup> A microblog is a blog wall that is embedded in the personal facebook page.

what others are generally interested in, the fields in which they are an expert, and the knowledge he or she is currently seeking. The tag cloud would develop step by step, either when the individual adds tags to his or her own profile, or when this is done by other persons from the network.

#### *4.4 The Tag System*

Each employee has the opportunity to tag him- or herself and other employees, as well as documents or websites on the company intranet. Persons are tagged for their specific skills or knowledge. But users only tag things that they find interesting or relevant for their work. Thus, an evaluation of the available information must first take place. Once the tag system has been established, each important document and website is surrounded by a tag cloud which offers a first impression of the particular topics related to that document or website. As mentioned above, a tag cloud for persons is more complex. Here the tags will be subdivided into three categories indicating field of expertise, the kind of information the person is seeking, and tags that reveal what the person is generally interested in. A search engine enables users to search for these tags or catchwords. If needed, the search results can then be filtered into “people”, “documents” and “websites”. In addition to the search results, the search engine will be able to create cross-references by displaying the people, documents or websites that are related to the initial search request. In this way, it is not necessary that the user knows the exact catchword or tag.

#### *4.5 The Visualisation System*

The goal of the visualisation system is to picture how knowledge, represented through experts, is distributed within the corporation. The visualisation system allows users to search for people that have the same tag combination, and are thus regarded as experts in a certain field. The results of the search request are then plotted on a world map. The map itself shows which of these people are linked to each other, or share the same social network as the user who is sending the request. The visualisation of connections between people is highly relevant for the recruiting process, because additional and more reliable information can be gathered about people who are known indirectly via first generation contacts. Thus, one is quickly able to contact those people who can give more detailed information about the qualification of a certain employee. The visualisation of social networks can be achieved by importing existing contacts from mobile phone or e-mail clients. Another



possibility is to import all Facebook friends who work for the same company. In order to make a qualified statement about the intensity of the connection between two people, we suggest using the frequency of communication as an indicator. This assumption relies on the idea that people who communicate more often with each other also know each other better. Lines on the map between those who communicate frequently will be thicker than the connection between those people who only communicate infrequently. The frequency of communication could be measured by using passive data (e.g. the number of phone calls or emails exchanged between employees). Since the use of this data can easily raise concerns and criticism regarding employee privacy, we suggest that the collection and usage of personal data should only occur once individual consent has been granted.

## ***5. Conclusion***

We have shown that our concept of the knowledge map can help Nokia on their way to becoming a service company. Our integrative tool offers a more efficient way for managing knowledge. Our main points can be summarised as followed:

- Evaluation: Employee knowledge and skills can be visualised through the mapping tool and through the visualisation of trust relationships.
- Recruiting: Employees with specific skills or knowledge can be identified more easily. Furthermore trust relationships, and thus first generation contacts, become recognisable.
- Knowledge management: The microblog and up-to-date data make it easier to manage knowledge.

Through our tagging system, knowledge is evaluated by employees. Irrelevant knowledge is efficiently separated from relevant knowledge. The tags categorise knowledge, making it is easier to find knowledge when it is needed. When complemented by the microblog, search time for detailed information will be reduced. In addition, the microblog will be better maintained since employees are directly responsible for their personal pages and are freed from producing lengthy articles or texts. Furthermore, the visualisation process enables the construction of knowledge clusters based, for example, on thematic or regional categories. In addition the visualisation of social networks shortens recruiting time and strengthens trust relationships. After a successful internal implementation, thought could be given to the (limited) integration of suppliers and customers into this knowledge network.

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**Digital  
Freedom**

**THE  
ORGANISATION**

# Digital Freedom

## How Guidance Supports Autonomy

Jennifer Feyer, Moritz Orendt, Johannes Tholl, and Claus-Marvin Troemer

### *Keywords*

*Positive Freedom; Choice Overload; Choice Guide; web 2.0*

Inventions such as the internet, mobile phones and social communities have significantly increased the number of choices available to consumers. Our paper aims to illustrate the paradox that by reducing such choices, positive freedom can actually be enhanced. This new concept will be referred to as “digital freedom“. To create new business opportunities, companies such as Nokia must accept the challenge imposed by the rise of new technologies. This paper begins by sketching out the different concepts of negative and positive freedom. The importance of choice is then introduced, focusing on the negative factors of choice overload and the burden of choice. This leads us to the presentation of a possible solution: that choices should be limited in order to reduce such negative factors. This framework is applied in section four where the core concept of “digital freedom“ and its implications are discussed. The paper closes with concrete sample applications using Nokia as an example.

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## *1. Introduction*

Particularly in Western societies, liberty tends to be perceived positively. There are few people who would not desire at least a small amount of freedom. But if we take a closer look, we find that freedom is not a specific value in its own right, nor one which should always be maximized (cf. Krings 1977: 88). Hobbes predicted a very unappealing end for states with overall and unrestricted freedom: if there were no laws and contracts limiting individual behaviour then societies would cease to exist. A brutish war would emerge with everybody fighting against everyone. This would end in a Hobbesian jungle, where individual lives would be “solitary, poor, nasty, brutish, and short” (Hobbes 1661: 89). Such a world would no longer contain any of those freedoms originally striven for. This contradiction, well known as the paradox of freedom, shows that freedom only exists within specific limits (cf. Jaspers 1976: 89 / Baron v. Freytag Löringhoff 1977: 39). Where this line should be drawn is a question that has been asked since the beginnings of Western culture.

There have been many attempts to classify different definitions of freedom. In this paper we will distinguish between negative and positive freedom. This distinction goes back to Kant and was further examined by Isaiah Berlin in the 1950s (cf. Berlin 1958: 7). In this paper the terms liberty and freedom will be used interchangeably.

This paper will illustrate that an increase in positive freedom will lead to a completely new understanding of our freedom of action concerning the digital world. This understanding will be referred to as digital freedom. We hope to illustrate that companies such as Nokia will need to pay close attention to this area in the development of new business opportunities.

We will begin by elaborating on the different concepts of negative and positive freedom. We will refer to important historical theories and authors and then outline our main results. This will be followed by an introduction to the importance of choice, with a particular focus on the negative factors of choice overload and the burden of choice. We will then present a feasible solution, showing how choices can be limited to relieve such negative factors. This framework is applied in section four where the core concept of digital freedom and its implications are then specified. Using concrete sample applications, we highlight ways in which Nokia can benefit from our concept.

## ***2. Theoretical Background***

### *2.1 Negative Freedom*

Berlin defines negative freedom as follows: “I am normally said to be free to the degree to which no man or body of men interferes with my activity” (Berlin 1958: 7). It is important to note here that freedom from only covers coercion by others. If I am not able to jump five metres high or run 100 metres in six seconds, this does not mean I have no freedom. “Coercion implies the deliberate interference of other human beings within the area in which I could otherwise act” (Berlin 1958: 7). Obviously there is a trade-off between my own negative freedom and the negative freedom of others. Many attempts were made to define minimum freedom in this trade-off. The roots of understanding freedom can be traced back to the ancient Greeks. The social idea of freedom has existed since the seventh century B.C., arising with the legal differentiation between free people and slaves (cf. Krämer 1977: 239). In the fifth century B.C. the Greco-Persian wars marked a real breakthrough for freedom as a political concept (cf. Diller 1968: 640 / Gelzer 1973: 30). At that time we find the development of ideas such as autonomy (as a synonym for self-control) and democracy (as a synonym for the self-regulation of citizens), terms which have maintained the same significance as freedom since then (cf. Aristotle/ Krämer [IV 4, VI 2] 1977: 240). Even at that time, Plato and Aristotle had already mentioned the threat of too much freedom and its accompanying decrease in control. Such social systems were called anarchical and were seen as a possible result of democracy (cf. Aristotle [IV 14] Plato [557 B]).

John Locke’s 1689 *A Letter Concerning Toleration* is seen as a fundamental contribution towards a liberal concept of freedom. Locke argues that it is irrational to force one’s religion on unbelievers and that every person should have the right to practice his or her own religion (cf. Locke 1689: 18). A year later he published his *Two Treatises of Government*, which sparked a shift into a modern understanding of freedom (cf. Strauss 1956: 259). He writes that life, freedom and property are inalienable rights of the individual. A first realisation of his ideas can also be found in the United States Declaration of Independence. A further important step in the development of the definition of negative freedom can be found in John Stuart Mill’s article *On Liberty*. There Mill developed the “harm principle”, drawing a line between different trade-offs:

“The only purpose, for which power can be rightfully exercised over any member of a civilised community against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant” (Mill 1859: 8).

## *2.2 Positive Freedom*

In contrast to negative freedom is positive freedom, freedom to, which is defined by Berlin as follows: “For the ‘positive’ sense of liberty comes to light if one tries to answer the question, not ‘What am I free to do or be?, but ‘By whom am I ruled’ or ‘Who is to say what I am, and what I am not, to be or do?’” (Berlin 1958: 15). Positive freedom comprises the ability to be one’s own master and to take responsibility. This might sound trivial but it will be fundamental for our further examinations, since one is not always certain of one’s own preferences. Charles Taylor assumes one must take positive freedom into consideration if a concept of freedom is to stay plausible – negative freedom cannot stand in its own right (cf. Taylor 1988: 121).

The Social Contract, written by Jean-Jacques Rousseau in 1762, can be seen as a first attempt at positive freedom. The article opens with the famous words “Man was born free, and everywhere he is in chains” (Rousseau 1762: 3). Rousseau argues that the individual, as part of a society, is subjected to many unwritten rules that are against his real nature. Therefore a new social contract is needed to fulfil the so-called “general will” which is of superior importance. If anybody refuses to submit to this “natural freedom”, “he will be forced to be free” (Rousseau 1762: 19). This represents a major problem for the concept of positive freedom: If there is a possibility that the individual acts contrary to his or her inclinations, any authority has the opportunity to impose their doctrines upon that individual. This main argument against the concept of positive freedom will be referred to as the argument of forced confidence.

## *2.3 Freedom in Liberalism*

Freedom is not only a term of historical importance. Humanity has also achieved great individual and political freedom. The constitutional democracies in Europe and Northern America resulted in societies committed to liberalism (cf. Christman 2002: 6). Such a “society is one that is, or attempts to be, an open society, a free and tolerant environment where the widest possible range of



pursuits are allowed, consistent with equal such opportunities for everyone” (Christman 2002: 94). Freedom and autonomy are core values. Since law regulates interaction and interference between individuals, negative freedom (freedom from) is ensured. But the state is not required to ensure freedom to. Such attempts will only result in situations which would be a target for the argument of forced confidence. Thus, it is up to each individual to fulfil their own positive freedom. Our further enquiries will therefore focus on positive freedom and how it can be achieved more easily.

### ***3. Freedom and Choice***

#### *3.1 The Importance of Choice*

As mentioned above, one important aspect of positive freedom (freedom to) is to do what one wants. This implies that such decisions are actually made by individuals themselves. Choice is crucial for realising positive freedom and its importance should not be underestimated (cf. Schwartz 2007: 99).

Two values are generally attributed to choice: an instrumental and an expressive value. The first allows each person to pursue exactly those objects and activities which live up best to his or her own preferences, given real-world restrictions such as financial constraints. According to the philosopher and economist Adam Smith, this secures the most efficient production and distribution of society’s goods. Or in this words: “A competitive market, unhindered by the government and filled with entrepreneur’s eager to pinpoint consumer’s needs and desires, will be exquisitely responsive to them. Supple, alert, unfettered by rules and constraints, producers of goods and providers of services will deliver to consumers exactly what they want” (Schwartz 2007: 100). The second expressive value appears at least as important as the first. Choice acts as a mean to convey one’s personality. For example, one expresses his or her identity by choosing clothes. An adequate range of opportunities is required to express one’s identity. Therefore, “[e]very choice we make is a testament to our autonomy, to our sense of self-determination” (Schwartz 2007: 101).

It is not surprising that in modern societies the common view is often that “the more choices the better”. Added options are assumed to be better, because people who care for more options will benefit from these additional possibilities. People who do not care can always ignore these options (cf. Schwartz 2007: 19). But is it really true that choosing out of a tremendous amount of options

is better than choosing out of a moderate number of options? We will examine a psychological study to clarify this.

### 3.2 Choice Overload

The social psychologists Iyengar and Lepper mistrusted the general assumption that more choices are always beneficial. They discovered one methodological characteristic shared by all prior studies: The number of options in those experiments which supported the advantages of choice, was always small, typically between two and six alternatives (cf. Iyengar/ Lepper 2000: 995). Thus, they designed their own study and scrutinised consumer behaviour in a supermarket. A tasting booth was set up, displaying either an extensive (24) or a limited (6) range of distinct flavours of jam. They observed the reactions of the customers in an up-scale grocery store on two Saturdays. The initial attractiveness of the bigger tasting booth rated higher, with 60% of consumers stopping, compared to 40% who stopped at the smaller one. But only 3% of the first tasting booth's customers actually bought a jam, in contrast to 30% of the consumers of the second one (cf. Iyengar / Lepper 2000: 997). It seems that the greater number of alternatives overtaxed the consumer. Consumers were simply not able to choose out of such a tremendous number of options. Consequently, they generally preferred not to buy jam. Further studies have supported the existence of such a choice overload (cf. Iyengar / Lepper 2000: 998). We can illustrate this psychological phenomenon in the following figure.

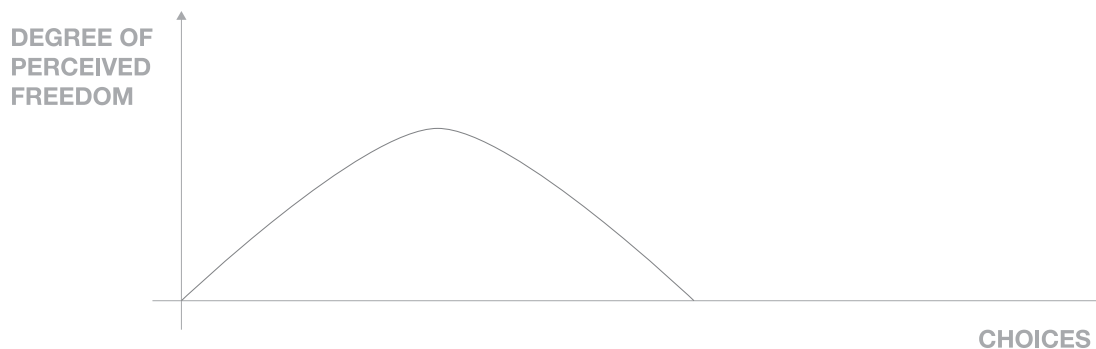


FIGURE 1: DECREASING DEGREE OF PERCEIVED FREEDOM (OWN SOURCE)

This appears at first to be confusing. Earlier generations fought for more choices. Why should choice overload the individual? To resolve this question, we need to examine the details of the decision-making process.

### *3.3 The Burden of Choice*

Several steps are needed to make good decisions. First, preferences need to be identified. Second, the importance of each preference must also be evaluated. Third, options must then be arranged. Fourth, the individual must evaluate how likely each option is to meet those initial preferences. Fifth, one must choose the best option (cf. Schwartz 2007: 47). For each of these steps time is needed. But time is a scarce resource in a busy world. If there are too many options to assess, such as 24 sorts of jam, the individual will become distressed and will often try to avoid the decision in order to save time.

Moreover, “[o]ne of the costs of any option involves passing up the opportunities that a different option would have afforded” (Schwartz 2007: 120). In economic theory, these opportunity costs are defined as the missed opportunity of the second best option. The psychological reality is different because the distinct options people are considering possess multiple features. Several options must be considered as second best regarding their individual features. Consequently, more alternatives from which to choose result in the perception of more opportunity costs. Hence the chosen option lessens satisfaction. The greater variety of choice diminishes our well-being (cf. Schwartz 2007: 121).

If a decision does not turn out well, people may feel regret. There are two different types of regret: post decision regret caused by the result of a decision, and anticipated regret which is experienced even before a decision is made by expecting better but missed alternatives. These two forms of regret have a negative effect on decision-making: “Anticipated regret will make decisions harder to make, and post decision regret will make them harder to enjoy” (Schwartz 2007: 148). The more options available, now or in the future, the more probable it is to experience regret. Schwartz has found that people who regret more are less happy, less optimistic, less satisfied with life and more depressed (cf. Schwartz 2007: 148). Thus a great number of choices decreases the well being of the individual. Since too much choice diminishes well-being in the different ways described above, this prompts individuals to avoid decision-making. This behaviour results in a decrease in positive freedom. People should not shy away from their choices but rather enjoy them. An analysis by the psychologists Cooper, Patall and Robinson illustrates that decisions will be most beneficial if there

are three to five options to choose from (cf. Patall et al. 2008: 295). In an ideal consumer world, consumer liberty would consist in choosing out of this range of product alternatives. However since we only have the real world, what can be done to improve positive freedom?

### *3.4 The Fulfillment of Positive Freedom*

To improve positive freedom, the number of choices must be reduced. Others cannot impose these restrictions, since autonomy is of great importance for Western societies. Otherwise this concept of freedom would face the challenge of forced confidence. Therefore, while restrictions must both be set in place and removed, this must be done by no one but by individuals themselves. At first glance, this seems contradictory and even impossible: before we can withdraw an opportunity, we first need to consider it. The process of eliminating alternatives overburdens the individual and nothing is simplified. The only way out of this dilemma is to develop a system which chooses exactly in line with the individual's own choices. The individual needs to be relieved from the negative effects of choosing. A recommendation system must make decisions which eliminate options based on criteria defined by the individual user. To realise this idealised positive freedom, we will use the development of new technologies and examine the possibilities of creating such a recommendation system. Such a system would not then be subject to the critique of forced confidence. The impact of the internet on positive freedom will be examined below in order to develop further steps towards achieving a larger degree of positive freedom.

## **4- Digital Freedom**

### *4.1 The Opportunities of Internet*

New technologies appear to increase the degree of positive freedom. Search engines such as Google or Yahoo! give users access to a wide range of information. Google Maps and Google Earth allow users to explore the world, and worldwide, cross-continental shopping is now easier via the internet. E-mail, instant messaging and social communities such as Facebook enable users to keep in touch with friends all over the globe. The opportunities offered by the internet have increased enormously

over the last ten years. Yet as discussed in section three, too many possibilities do not enlarge positive freedom but rather diminish it.

Digital freedom is a concept which uses a choice guide to help the individual gain an overview of the numerous opportunities arising out of such new media. It uses the internet to strengthen positive freedom. Digital freedom can be achieved by uniting intelligent search-engines and social networks. The emerging choice guide is defined as a general principle which frees the individual from choice overload through a process of the self-determined reduction of choice. With the aid of community-based knowledge, it becomes possible to predict which opportunities best fit our future choices.

Our aim here is to implement a system which accumulates knowledge, as expressed in the vision of Jimmy Wales, the founder of Wikipedia: “Imagine a world in which every single person on the planet is given free access to the sum of all human knowledge” (quoted from Komus 2008: 145). As a result of so much information, guidance will be required in order to avoid choice overload. Our recommendation is to downsize the relevant options to a number of five. Such a small number still enables the individual to make an autonomous decision. The danger of decreasing positive freedom is minimised since the individual is no longer overstrained with a large amount of possibilities. Figure 2 illustrates this connection between the degree of freedom and the number of choices.

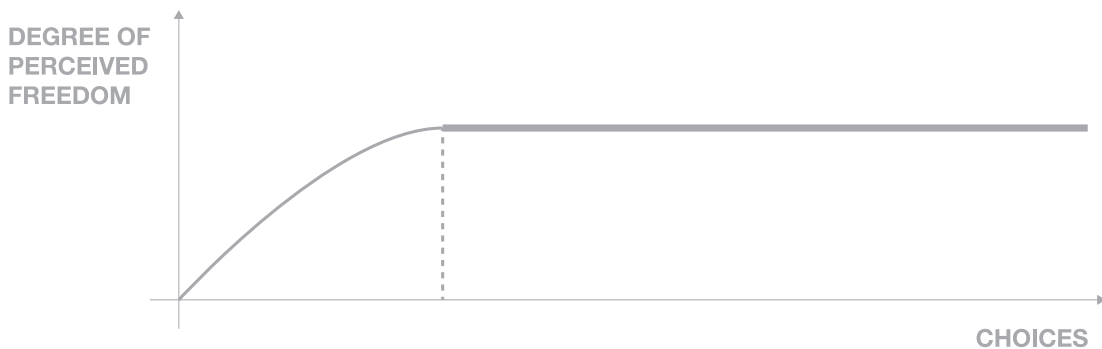


FIGURE 2: STABILISED DEGREE OF PERCEIVED FREEDOM (OWN SOURCE)

## 4.2 *Illustration*

In the following section we illustrate how community related knowledge could work:

A young couple, called Alice and Bob, spend their vacation in New York. They want to spend a nice evening together. As they are not very familiar with New York's nightlife, they look for a tool, helping them to decide where to go. We assume that Alice and Bob possess a GPS mobile phone with internet access. According to their current location 216,000 possible recommendations for the evening are displayed. At this point our concept of digital freedom as a choice guide intervenes to protect the couple from choice overload in the face of so many options. Above, the choice guide was introduced as a general principle to prevent choice overload. In this example it can be imagined as a mobile service run by Nokia, which is pre-installed on every new phone sold since 2010. Step by step, the specifications made by Alice and Bob reduce the number of options. The couple begin by choosing between restaurants, then restrict the results further to restaurants within a one-kilometre radius.

Finally Alice and Bob choose to see only those recommendations made by people they trust or those with similar interests. Here the advantages of search engines and social communities are united. It is currently quite common for other users to rate products online (for example, on Amazon's website). Unfortunately, those evaluations are fairly anonymous. Such evaluations are subjectively biased and run the risk of giving misleading recommendations. How can the individual evaluate whether the rating of an unknown user fits with his or her own preferences? That is why it is important to personalise these evaluations. In each decision-making process, users commonly seek the advice of friends or experts. Our approach integrates such behaviour into our choice guide. This choice guide displays five options recommended by the user's immediate friends or by those friends' friends. The network of social contacts is divided into several levels with close friends being on the highest level. Levels vary in accordance to the user's relationship with that person.

With the help of this system the individual still makes autonomous decisions. Our approach is to ease the difficulty that arises from the trade-off between many opportunities on the one hand and the difficulty of choosing from those options on the other. However, such a solution does not

imply any kind of external authority, thereby defending it from the critic of forced confidence. The autonomy of the individual always remains a foremost consideration. The choice guide expands only in accordance with the data supplied by the user. Alice and Bob entered their own preferences (to go to a restaurant) and entered their own excluding criterion (all restaurants outside a radius of one kilometre). The choice guide uses these selection criteria to deliver corresponding results. The results are also transparent to critical evaluation. Since it is the individual who knows his or her friends, the individual can evaluate their relevance.

In the end, users can decide between five options. Those downsized options relieve the individual from choice overload and enable him or her to make consistent choices. The user's autonomy is secured, while the decision-making process is strengthened and simplified.

### *4.3 Economic Benefits*

The advantages gained by the choice guide described above can be applied to a variety of search processes. The same procedure can be used for simplifying choices in every decision related to commodities or services. The potential benefits for a company running such a service are considerable. Several possible options are available for marketing the choice guide: One method would be to charge per hint, allowing the customer to pay each time the choice guide is used (cf. Cunningham 1999: 125). The amount charged would depend on the required data volume of the choice process (cf. Silberer 2002: 32). Payment via regular fees (such as an easily calculated flat rate) could also be an option. However, the most interesting opportunity would arise out of the sale of advertisements.

The main advantage of our choice guide arises from the possibility of behavioural targeting. When using the system, customers would reveal relevant personal data. This would make for easier delivery of specific advertisements which fit the user's interests. Users will also benefit since they are only provided with relevant advertisements, leading to increased spending, a trend already observable in social communities such as Facebook (cf. E-Marketer 2008: 78). The selection of different types of advertisement concepts depends on the specific business concept. In the following, we will discuss sample applications which might be of relevance to Nokia.

## ***5. Sample Applications***

### *5.1 A New Way of E-Learning*

Our approach to digital freedom is especially important for decentralised education. Great opportunities can be realised in an education system which provides the individual with information about those approaches which supply the best personal benefit (cf. Scheffler 2000: 81). Every lesson unit in such an e-learning system would be evaluated in accordance with personal learning success. After a short period of adjustment, the system would know the individual's learning behaviour. Is it better to learn acoustically or visually? Are multiple-choice tests or index cards preferred? How often does a unit have to be repeated until the user attains a score of at least 80 percent? In a next step the learning behaviour would be compared to the behaviour of other people that are in the user's circle of acquaintances or who fit the user's behaviour. It would then be possible to make suggestions about topics and lesson units which would best fit the user's interests, current knowledge and learning behaviour.

Digital freedom is an important part of such a project. To ensure the user's participation, it is important to strengthen his or her intrinsic motivation. This can be achieved by perceived freedom (cf. Parall 2008: 298). One possibility for realising this autonomy would be to give the user the opportunity to decide which distinct characteristics should shape his or her learning process. For example, does the user want to know 95 percent of the new vocabulary in Spanish or is 75 percent enough? The other aspect of digital freedom, which is realised in "E-Learning 2.0", is the diminishment of offered options. Again choice overload is avoided.

Nokia could use "E-Learning 2.0" for in-house training. Global companies are constantly faced with the need for continuing education. With every new product line or new software application in-house training is needed. Decentralised training would save significant expenses for such companies and would stimulate a thirst for knowledge.

### *5.2 Local Press*

Publishing houses, especially those publishing newspapers, have come under increasing pressure since the emergence of the internet. Many local newspapers have become insolvent due to rough competition. Blogs and online news might be good substitutes for national press, but are not so



well suited for local newspapers. Currently there is no satisfactory web portal, which provides people with news about events in their hometown. The co-operation of local newspapers with social communities will enable readers to find articles they are interested in. Such a news system would evaluate which friends have equal interests and which news items they have already read and rated. News items that fit best the user's interests can be displayed in a personal area of a web page.

This solution promotes digital freedom as well. Since local events are usually talked about among friends, high commitment is ensured. Therefore, the system is able to ensure an optimal selection of local news, thus avoiding choice overload. Such a business idea could be realised quickly since the needed technology already exists. With the help of this concept Nokia services can be integrated even more into people's everyday lives.

### *5.3 Knowledge Community*

In the area of knowledge management, the replacement of anonymous recommendations by personalised information is beneficial for individuals and companies alike. Companies could establish internet communities as hybrids between social communities such as Facebook and knowledge maps.<sup>1</sup> For example, if a sub-organisation in Nicaragua has to be established, the "Knowledge Community" will be searched for employees familiar with Latin American law. The advantage of such a "Knowledge Community" consists in the personal relation between the employees. If one person knows the other, it will be easier to estimate the quality and reliability of the recommendation. Moreover, work becomes more pleasant and efficient when it takes place on a personal level.

The approach to digital freedom applies to this project as well: choice overload is avoided by narrowing the selection of relevant persons to those who have a relation to the employee looking for specialists. By being able to evaluate advice obtained through the "Knowledge Community", the individual is empowered to fulfil his or her positive freedom. Potential benefits here for Nokia are high because knowledge management is especially relevant for global companies. If Nokia possessed a knowledge management system more effective than other companies, it would lend Nokia a competitive advantage.

#### *5.4 University Advisor*

Young school graduates suffer under a choice overload due to the many fields of study from which they then need to choose. We suggest a choice guide that helps them to find a degree programme which fits their personal skills and interests. Many students drop out of university because their degree programme is contrary to their expectations. This involves high opportunity costs of wasted time.

Digital freedom provides an answer here as well since a choice guide could be fed by the individual's preferences. The generated results would be consistent with one's own interests. The offered options would be recommended by people who already live in that city and have already chosen that particular degree programme. Users can benefit from the experiences of others and choice overload is avoided since options are reduced only to those which are suitable.

### **6. Conclusions**

The emergence of the internet and its growing importance for everyday life can, as paradoxical as it might seem, lessen our positive freedom. The internet imposes important challenges on the concept of positive freedom. As a result, choice overload has to be reduced by using different steps to limit the variety of possible choices in accordance with individual preferences. We called this concept digital freedom. A choice guide would then make choices exactly like the person in question. It eliminates options based on criteria defined by the individual. In order to achieve such a preselection we make use of new technologies and survey the possibilities to create such a recommendation system. For knowledge companies such as Nokia, the implementation of such systems is of great relevance and promises high profits. Our possible sample applications for Nokia illustrate that the implementation offers a wide range of opportunities such as the discussed combination of knowledge-maps and social communities, improvements for the local press, the university advisor and new concepts for e-learning.

While our approach emphasises the feasibility of the introduced sample applications, it is also supported theoretically by modern, post-Enlightenment philosophy. The concept of positive freedom goes back to Kant. In the twentieth century, famous philosophers such as Isaiah Berlin and Charles Taylor further promoted the definition of positive freedom. This theoretical background provides the necessary analytical foundation for our sample applications for Nokia. Nokia's long-

term competitiveness could be promoted further if such theoretically supported and practicable applications were to be realised.

In the future, those companies wishing to become, or maintain their status as a knowledge company will have to meet the challenges imposed by new digital technologies. Limiting choices in order to gain more freedom appears to be both a sensible and widely applicable approach. While the development of precise business plans is beyond the scope of this paper, we hope to have illustrated the feasibility of our concept. To realise the concept of digital freedom in an elaborated project, co-operation with companies will be necessary.

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*“It is astonishing how forward-thinking the themes discussed in this book are. They are broadening the organisational horizon and cover interesting strategic thoughts that are based on profound research about future socio-economic developments. Academics in managerial language, inspiring and utile: an intriguing combination.”*

Maximilian Kammerer, Nokia Vice President Organisational Development and Effectiveness

*“This book provides valuable insight into the world of management in multinational corporations. Giving students the opportunity to gain these insights directly is innovative to say the least. The topics that are discussed in this book highlight the relevance of accomplished research for organisational practice.”*

Prof. Dr. Rainer Hegselmann, University of Bayreuth

*“Philosophy is the attempt to interpret and understand human existence. This is a reflective process that precedes every true learning. Therefore only philosophy can correct economics, which is an aberration as discipline. The primacy of economics over society is as distorted as the primacy of matter over mind. Every attempt to tame the demonised economics like it is done in Bayreuth, has my full support. This challenge can only be mastered by philosophy. This book is a contribution to re-establish the balance where economics serves society and not the other way round.”*

Michael Hengl, C.E.O. and founder of 1492.//

