Corporate Identity and Employee Behavior Management in Kazakhstan: Contrasting Experiences of Indigenous and Multinational Companies

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This paper explores the opinions and approaches of multinational and indigenous companies on corporate identity and employee behavior in Kazakhstan. Data were collected through fifteen in-depth interviews with mid to senior level managers in a range of different multinational subsidiaries and local companies. There were several significant differences in perceptions and approaches related to corporate identity and employee behavior management between Kazakh-owned and international companies. There are important implications for those practitioners charged with hiring, developing and retaining employees as well as those who must align employees with the company’s culture, identity and practices. Policy, strategy and workforce development specialists in HR related areas will find the paper of interest and value. This is the first study of its kind on corporate identity and employee behavior management in Kazakhstan and as such is highly original and fills a gap in the existing literature.

INTRODUCTION

Kazakhstan is young and rapidly developing country that gained its independence in 1991 after the collapse of the Union of Soviet Socialist Republics (U.S.S.R.). For more than seventy years Kazakhstan was shaped by Soviet communism and only in very recent years has it embraced free market economics and western business practices. During Soviet times, private property and private business were illegal and heavy penalties applied for miscreants. Corporate identity, therefore, is a very recent concept to Kazakhstani business and is very much in its embryonic stage. It follows that the literature on corporate identity in Kazakhstan is almost non-existent.

Kazakhstan is the ninth largest country in the world and is located in the north of Central Asia and shares borders with Russia in the north, China in the east, Kyrgyzstan and Uzbekistan in the south and part of Turkmenistan in the west. The geography is a mosaic of landscapes stretching from the Caspian Sea to the Altay Mountains and the plains of Western Siberia to the oases and deserts of Central Asia.

After declaring independence, Kazakhstan, with a population of approximately sixteen and half a million people, passed through a transition period which required a series of political and economic changes. Today Kazakhstan is a constitutional republic with a strong presidency. The head of state, Nursultan Nazarbayev, supports diplomatic relations with all United Nations Organization (UNO) countries. The mainstream of the domestic policy is based on a blend of liberal and socialist policies that
aim to support economic and political development while fostering a competitive and diverse market place.

The government of Kazakhstan has focused considerable attention on developing quality tertiary educational institutions of an international standard. This has been an important aspect of broader economic and commercial development that has underpinned Kazakhstan’s ongoing journey to modernization. The improving stock of human capital, along with geographical position and political stability, has attracted many international companies to establish regional offices in Almaty, Kazakhstan’s business center. Companies which have taken advantage of Kazakhstan’s strong economy and increasing prosperity include: Ernst and Young, Price Waterhouse Coopers; Proctor and Gamble, KPMG and Deloitte. The presence of multinationals introduced western trends in the way of doing business.

LITERATURE REVIEW

The significance of corporate identity to business success has become increasingly appreciated in recent years for a variety of reasons. Many international companies find the concept of corporate identity a key element for company prosperity. In the age of severe competition, many industries find the need to define organizational uniqueness to be profitable and recognizable because organizations have realized that a strong identity can help them align with the marketplace, attract investment, motivate employees and serve as a means to differentiate their products and services (Melewar and Karaosmanoglu, 2006). Corporate identity itself is a broad term that consists of several dimensions. Although empirical research shows that there is a huge variety of categories of corporate identity, there is still a lack of a singular clear or unifying definition (Balmer and Greyser, 2003).

Melewar and Karaosmanoglu (2006) have defined seven dimensions of corporate identity: corporate communications, design, culture, structure, industry identity and corporate behavior while Lambert (1989) introduced the “iceberg” of corporate identity as having two levels: that which can be seen and that which is below the surface. Elements visible to the public that are above the surface include corporate name, logo, design and color palette, whereas things below the surface that are not visible to outside parties are communications, corporate culture, structure and behavior.

Organizations have realized that building a strong identity can help consolidate competitive advantage. For example; it can help them align with the marketplace, attract investment, motivate employees and serve as a means to differentiate their products and services (Melewar and Karaosmanoglu, 2006). Identity is now widely recognized as an effective strategic instrument and a means to achieve competitive advantage (Schmidt, 1995). Over the last 25 years the various definitions of corporate identity were reviewed based on the research by a number of commentators (Melewar and Jenkins, 2002; Balmer and Soenen, 1999; Olins, 1990a, b). The evolution of corporate identity meant that the term became associated with a wide range of functions including business strategy, philosophy of key executives, corporate culture, behavior and corporate design which are both interdependent and unique to each organization (Van Riel, 1997).

One of the integral parts of corporate identity is corporate behavior. Moreover, some researchers assert that corporate identity is shaped by the company’s behavior (Korver and van Ruler, 2003; Melewar and Storrie, 2001; van Recom, 1997; van Riel, 1995). Corporate behavior is the way a company acts, which is based on its corporate culture and values. Just as individuals are judged by their actions, companies can be judged by the way they operate. This behavior could, amongst other things, refer to interactions amongst employees, between employees and management as well as between employees and other external stakeholders (Holtzhausen and Fourie, 2009). According to Melewar and Karaosmanoglu (2006) corporate behavior is an intangible aspect of corporate identity that includes corporate, employee and management behaviors.

Many academics suggest that management behavior; that is the communication and actions emanating from top management, can have a significant impact on corporate identity (Fritz et al. 1999; Hatch and Schultz, 1997). Managers can create the conditions that allow (or otherwise) a company’s participants to exercise and cultivate their knowledge manipulation skills to effectively contribute to the
performance of the company (Crawford, 2005; Politis, 2002). In addition, Holtzhausen and Fourie (2009) believe that managing the behavior of management is more realistic than controlling the behavior of each employee which is implied anyway when relationships with external stakeholders are managed.

Management behavior depends to a significant extent upon leadership style. It is inferred that leaders must attach a high value to knowledge, encourage questioning and experimentation through staff empowerment, and facilitate experimental learning for knowledge acquisition (Castiglione, 2006). As a result management has an opportunity to build an atmosphere that enforces desirable employee behaviors in exchange for possible rewards. Nguyen and Mohamed (2010) stated that during the process of organizational formation the founder of the company creates the organization, which reflects the founder’s values and beliefs. In addition, managers should remember that their actions are imitated by employees, so they should lead by example. Top management’s style of dealing with employees is crucial for employee satisfaction and employee involvement in entrepreneurial activities (Huang and Lin, 2006). Another composite of organizational behavior is employee behavior. According to Stuart (2003), more and more attention is being directed toward what the company is and how it wants to position itself in relation to all its stakeholder groups, especially internal stakeholders such as employees. Holtzhausen (2008) showed that non-visual elements of corporate identity, especially the company’s values and objectives, influence employer-employee relationships. Employee behavior refers to interactions amongst employees, between employees and management as well as between employees and other external stakeholders (Holtzhausen and Fourie, 2008).

Overall job satisfaction and elements of employee satisfaction have traditionally identified as important elements of organizational management, behavior and development (Cranny et al., 1992; Vecchio, 1982; Locke, 1976; Lofquist and Dawis, 1969; Smith et al., 1969). According to Equity Theory (Adams, 1963) employees evaluate the fairness of their labor exchange with their employer on the basis of their perception of equality between personal gains (pay, recognition, job satisfaction, opportunity and advancement) and personal inputs (time, effort, knowledge and skills). A willingness to participate in the relationship is centered on trust. Trust has several core dimensions, namely integrity, dependability and competence that together form the basis of the employee-employer relationship (Bronn, 2007; Welch, 2006; Jo and Shim, 2005; Grunig et al., 2002; Grunig, 2000; Grunig and Hon, 1999).

Some researchers define corporate behavior as separate from and distinct to employee and management behavior (Melewar, 2005). However, the present research paper takes a holistic approach to behavior in order to address corporate behavior as a single and interwoven fabric of the corporation’s behavior, the employee’s behaviour and manager’s behavior. According to Bass (1985) leaders work with their organizational cultures and maintain consistent rules, procedures and norms. Leaders and followers share mutual interests and a sense of shared fates and interdependence (Bass and Avilio, 1993). With contingent reward leadership behaviors, employees are motivated and directed to achieve expected standard of performance in exchange for the promised reward which may include satisfactory performance, pay increases, praise and recognitions, better work assignment (Yukl, 2006). The firm’s representation of itself, through visual presentation and outward behavior, is within the firm’s control (Leitch, 1999; Lambert, 1989; Topalian, 1984). As a result, management needs to know how to manage corporate behavior to establish a certain perception of the company’s image.

A company’s values, meanwhile, demonstrate its commitment to its stakeholders and the environment in which it operates in all aspects of its business ventures. Further; values represent the true essence of a company and are manifest in the company’s stakeholder behaviors and, ultimately, reflected in business performance (Korver and van Ruler, 2003; Melewar and Wooldridge, 2001; Kiriakidou and Millward, 2000).

A further related issue is the regulation of corporate behavior and the methods employed to this end. Today more and more companies focus attention on ethical concerns as a key foundation stone for business practice (Svensson and Wood, 2011). This focus is variously the need to establish ethical structures, processes and performance measures in the organization. “Corporate ethics” relates an internal emphasis on the gap between the management’s ethical actions and behavior and the staff’s perception of the management’s ethical actions and behavior in ongoing business practices (Svensson and Wood,
Studies have found that having an ethical code, or code of conduct, do have a positive impact on the ethical actions and behaviors of organizations (Adams et al., 2001; Schwartz, 2001; Wotruba et al., 2001).

Nijhof et al. (2003) suggest that a code once written is not enough by itself to ensure a responsible ethical organization. A number of researchers have proposed the use of training programs as a means of institutionalizing ethics within corporate business practices (Trevino and Brown, 2004; Rampersad, 2003; Schwartz, 2002; Maclagan, 1992; Laczniak and Murphy, 1991). The code has to be communicated to staff effectively and provide good examples of what is required. Rushton (2002) suggests that progress towards an ethical organization that is meaningful and real can only be achieved when the corporate leaders bring about these changes.

Cai and Wheale (2004) emphasize that a company’s strength lies in the shared values between the company and its various stakeholders and the confidence of all that the company will adhere to these “promises”. By specifying the roles and responsibilities of the members of the corporation and by spelling out the rules regarding decision making, corporate governance becomes closely related to organization behavior (Sivakumar, 2006). Corporate philosophy tries to balance between materialism and idealism (Omron.com, 2007). Meanwhile, Sheng (2004) explains that the most critical contradiction in many companies exists between profit making and pursuit of an ideal.

RESEARCH APPROACH

The research project was comprised of four stages. The first stage was a study of relevant literature. This provided the context within which to situate the current project. It also highlighted pertinent themes and issues pursuant to this study. The second stage involved the gathering and analyzing of data from participating companies. For this purpose qualitative research methodology was employed. The information was collected through in-depth, structured interviews with managers in Kazakhstani and international companies. The third stage of the research project was to discuss the findings of the research. And finally, the paper provides reflective recommendations and comments about the creation of successful corporate identity.

Qualitative research methodology was chosen because the primary aim of the research was to gather an in-depth understanding of manager perceptions of corporate identity. The pre-prepared, structured, one-on-one interview was deemed most appropriate. Using available alternative approaches, it was felt, would not better achieve the research objective. The interview tool seeks the views and opinions of practitioners based on their experience and knowledge. Qualitative research methods, the authors assume, better encourage a broader, more diverse range of data emanating from a single question than would a survey instrument, for example. The interview casts a wider net and this results in data that can be most useful to future researchers exploring the same topic areas.

Interviews were conducted with fifteen representatives of local Kazakhstani companies and multinational subsidiaries operating in Kazakhstan. The group of participants is homogeneous in the sense that interviewees were selected according to like criteria. Managers had a similar number of direct reports, were at similar levels of seniority in their organizations and all had a core role involved in some aspect of employee centered work as opposed to work centered on products, services, technology, logistics or customers, for example.

The participants included six managers in indigenous Kazakhstani companies and nine managers in the local subsidiary of multinational companies. The companies represented operated in: construction; travel; marketing; hospitality; FMCG; banking and financial services.

FINDINGS AND DISCUSSION

During the interviews a set of six common questions were put to each respondent. The answers were diverse; however some interview participants expressed similar ideas about aspects of corporate identity. The first question sought to define the meaning of corporate identity in the company of the interviewee.
The main purpose of the question was to identify what participants perceive corporate identity to be comprised of and to discern any differences in understanding between respondents.

The term “corporate identity” was new to the majority of the respondents, although most of the multinationals correlated the meaning with business uniqueness and the company’s reputation. There was strong consensus amongst interviewees that corporate identity is an important aspect of a company’s success, because it distinguishes the company from its rivals. On the other hand the question provoked big variety of examples. Respondents from the Kazakh-owned companies perceived the main components of corporate identity as visual elements including, corporate dress code and quality of products and speed of services. Managers from the multinationals noted nonvisual elements including strategic planning (price policy), reputation, and relationships outside and within the company, degree of openness, professionalism and flexibility of staff and corporate culture.

One interviewee from a Kazakh-owned company said: “In the travel business uniqueness of service is essential because the product cannot be differentiated, whereas the main source of qualified service is business behavior and strategy”. Another manager in an indigenous firm said corporate identity was the “speed of completing work and flexibility of staff are key items of corporate identity”.

The second question sought to identify the main participants in defining the company’s corporate identity. The main purpose of the question was to understand the extent to which corporate identity building was conceived as a participative and collaborative process across the business. Secondly, the question sought to identify the key actors in identity building in the participating companies.

There was a noticeable difference in opinion between the Kazakh-owned companies and the multinational subsidiaries. The indigenous companies tended to identify individuals as the key architects of corporate identity while the managers in multinationals identified groups and saw the responsibility for sculpting identity as far more shared. For example; the managers in local firms spoke of the CEO, HR Director, Planning Director or company owner as ultimately formulating corporate identity. They noted that these people have more authority or are looked up to by others as role models. Managers in multinationals spoke of teams such as the employees, management team, sales and logistics personnel and the HR department. One said that “human resources create the atmosphere and culture in the company”.

The third question sought to explore what kind of behaviors the management of the company expects from employees in order to support corporate identity building. The question sought to uncover whether the very different corporate histories of local and international firms was evidenced in perceptions of desirable employee behaviors. Further; whether these behaviors are consistent with the needs of corporate identity building or whether they are more peripheral or transactional behaviors unlikely to advance corporate identity.

Two significant observations were made of the data. Firstly, Kazakh-owned companies, according to the managers interviewed, tended to place emphasis on compliance and job-centered behaviors: professionalism in doing work, meeting deadlines, feasibility, flexibility, accountability, punctuality, personal presentation, polite and careful attitude toward clients and customers. The managers interviewed from multinationals, however, spoke of strategic, less tangible behaviors such as innovation, creativity, reputation-building and decision making. The second discernible difference was that managers in the Kazakh-owned firms mostly determined desired employee behaviors in terms of what others expect rather than what the company itself has promoted. For example; these managers spoke of behaviors that are demanded by customers and clients. In contrast; none of the managers in multinationals spoke of client or customer expectations when nominating the most important employee behaviors for identity building.

The forth question investigated corporate methods that are used to inspire compliance with the desired employee behaviors. The question was designed to reveal the extent to which respondent companies nurtured and encouraged the behaviors they sought as opposed to cajoled and demanded them. Secondly, the question intended to explore the range of different techniques companies were employing for this end.

An interesting revelation from the interviews was again the difference between the opinions of local and international companies’ respondents. Local companies, according to the sample, find monetary policies to be the most effective tool in order to reinforce desired behavior. For example, some companies
use financial bonuses but also punitive measures such as salary reduction and fines. The interviewees from local companies also focused heavily on the desire to control, force and demand the behaviors they expect from their employees. One respondent, for example, mentioned that their company specifically seeks to hire flexible, usually young, candidates, whose behavior can be controlled easily. Conversely, although managers from multinationals also spoke of monetary policy in response to the question, there was no mention of punitive measures and no desire to coerce behavioral compliance. These managers spoke of encouraging and incentivizing behaviors they sought through rewards.

A further difference between multinationals in Kazakhstan and Kazakh-owned companies according to the research findings is the codification of desired behaviors. Managers from the multinationals spoke of having rather sparse code of conduct documents for employees. Furthermore, these codes focused mostly on the legal and regulatory requirements of employees in accordance with the laws and industry codes pertaining to the particular industry of the company. In contrast, Kazakh-owned companies were found to have significantly more dense and prescriptive code of conduct documents. These documents appeared to focus far more on the minutiae of employee presentation such as dress regulations. One manager, for example, noted that even the permissible height of female employee heels is specified in their code of conduct document.

The penultimate question was designed to identify the desired behaviors that the managers being interviewed expect from their managers. This question intended to identify consistencies and inconsistencies between the behavior the respondents expect of their subordinates and the behavior they expect of their superiors in the context of identity building. Ideally, it is supposed, corporate identity will be advanced where expectations of behavior are consistent across the organization from top to bottom. In other words, desired behavior is not associated with rank or title but is intrinsically and inherently valued as a universal way of conducting oneself.

There was no clearly identifiable or significant difference between multinational and Kazakh-owned companies in relation to this question. Indeed; a wide range of diverse and disparate responses were given. Many responses were consistent with those behaviors the respondents had cited as desirable in their subordinates yet several respondents appeared to expect quite different behaviors of their managers than their reports. For example; while managers in Kazakh-owned companies were enthusiastic about the role of monetary policy in compelling their subordinates to comply with desired behaviors, they did not mention monetary policy at all in regards to their own managers.

Many stressed the importance of managers displaying strong inter-personal behaviors such as understanding, support, compassion, encouragement and empathy. It is significant and interesting that when the interviewees spoke of the behaviors they expected of their managers in order to support corporate identity, they spoke very personally; focusing often on their own personal needs. This is in contrast to the behaviors they saw as important for general employees which were largely skill, knowledge or compliance based. “It is enough to hear the words “thank you” in order to improve diligence” expressed one interview participant, by way of example. Another respondent from an international company said protection and support from the manager were desirable behaviors. Others spoke of being able to talk over problems with their managers and receiving constructive feedback. It was mentioned that trust in relationships with managers creates sincere relationships that improve the performance and loyalty of employees Furthermore, it was noted that employees value objective evaluation from their manager because this is one of the best ways to encourage the desired behavior.

Equality was also mentioned as an essential behavior of management. In employees’ judgments, according to some respondents, respect is another behavior that leads to effective identity building for a company. There were several examples of respect given by respondents including politeness and willingness to greet employees in the morning. A further desirable behavior was found to be professionalism. Professionalism was linked to employee expectations that their managers have advanced competencies to properly lead the business. Finally, a majority of the respondents in some way expressed that they have to feel valued by their manager as qualified and important member of the staff.

The final question addressed whether respondents perceived that there exists a gap between expected employee behavior and actual behavior and, if so, whether this, in their opinion, correlates with the
company’s reputation. All interviewees believed that there existed a gap in their company between the desired employee behaviors and the actual behavior of employees to a greater or lesser extent. Furthermore, all interviewees observed that if the gap between expected behavior and desired behavior were smaller, then those things which contribute to strong corporate identity would be improved and as a result corporate identity would be enhanced. One manager in an indigenous company noted that: “It is sometimes difficult to understand the reasons why particular employee behaviors are enforced, although later in most cases the decisions of management are vindicated.”

CONCLUSION

The research found that the interpretation of corporate identity and employee behavior management is largely interpreted differently by multinational companies compared with Kazakh-owned companies. Kazakhstan is not merely a new country; it is practically and psychologically embracing a new ideology: capitalism. The considerable differences discussed in this paper are testament to the legacy of more than seven decades of communism. The multinationals in Kazakhstan have brought with them the benefit of long-standing international exposure to experimentation with evolving management models and practices. They also represent the product of commercialization and competition. In this sense, their understanding of, and approach to corporate identity is far more consistent with best practice as discussed in the literature review. Indeed; many of the practices of Kazakh-owned companies as revealed through the research seem most unlikely to contribute to any meaningful strengthening of corporate identity in those companies.

The presence of multinational subsidiaries in Almaty has brought a number of benefits to the city in terms of economic stimulus, regional importance and local employment. However, some of the benefits have yet to be realized and one of these is the lessons that may be learned by local, Kazakh-owned companies. While indigenous companies cannot and should not attempt to mirror all aspects of internationals, they can develop commercially and can modernize business operations by observing how international companies build their uniqueness and reputation through corporate identity management. Central to this is how Kazakh companies interact with their staff and develop employee-management relationships. Developing a strong corporate identity is premised upon the quality and approach to internal governance.

The research found several areas where Kazakh-owned companies could improve business practices to further development of their corporate identity. Firstly, based on the research Kazakh-owned companies have to re-evaluate what they perceive corporate identity to be. Currently, it seems that the prevailing view is out of step with accepted understandings. Rather than focusing on small, transactional details or job tasks that are best monitored by the job holder, Kazakh managers should focus on strategic human assets and how they can be leveraged for identity building. This means harnessing things like innovation, creativity, knowledge and skills and using them to differentiate the business; to create a unique enterprise.

Kazakh-owned companies, the research indicates, need to also adopt a more inclusive and participative approach to identity building. The task must be shared by all employees rather than be dictated by a few based on job title. Further, policy, especially monetary policy and hiring policy, should be adapted to encourage and nurture identity building behaviors rather than attempt to coerce behavioral compliance through negative hiring and punitive financial measures. Indigenous firms can also develop code of conduct documents that focus less on dictating personal grooming and more on what employees really need to know about getting on with their work. The more prescriptive the code of conduct, the more restrictive it is of ingenuity, creativity and innovation. Ultimately, it is precisely these qualities, enacted by employees who are empowered and valued, that become the genesis of good identity building initiatives.

The authors acknowledge that this study has several limitations. Firstly, the data were collected only in one city, Almaty, and that the experience of firms in other cities such as the capital city of Kazakhstan, Astana or regional cities such as Pavlodar or Shymkent may have returned different findings. Indeed;
Almaty is unique in Kazakhstan as being by far the most exposed city to western influence and commerce. Additionally, the sample size and single qualitative methodology perhaps also limit the conclusions which may be drawn from the findings. Combining the interviews with a more expansive self-administered survey instrument would undoubtedly have been rewarded with much more data. Notwithstanding these limitations, the research has provided useful and worthy insights into the subject matter and the foundation has been laid for further, more robust exploration of the themes and issues investigated in this research project.

REFERENCES


