A Typology of Entrepreneurial Communicators
Findings From an Empirical Study in E-Business

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The developing equity culture in Germany opened new possibilities for venture capitalists to invest in young capital-intensive E-businesses. During the last three years, the number of IPOs (initial public offerings) at the German technology segment Neuer Markt augmented dramatically and triggered a ‘gold digging mood’ among large parts of the national population. The parties involved – above all shareholders, academics, managers, analysts and journalists – believed that the Internet technology introduced completely different business laws. Doubts concerning deficit profit structures and unclear future perspectives were widely ignored or suppressed. This euphoric mood changed after the international technology stocks collapsed from March 2000 on. Until today, young companies are often accused of having consciously lead their various stakeholders astray by communicating false and fictitious information in order to create great expectations and realise fast and short-termed economic profits. To get a more differentiated picture of entrepreneurial communication, a typology of communicators was derived inductively, based on thirty-three semi-structured interviews. Data analysis focused on the reconstruction and interpretation of typical communication patterns. Descriptive results show that the accusation of conscious deception applies only for one of four types of communicators, the so-called impression manager. To understand the reasons for impression managers’ behaviour, some unique conditions of management during the Internet euphoria have to be taken into account.

Internet euphoria in Germany

The second half of the 1990s has brought considerable changes concerning Germany’s equity culture. Between 1992 and 1999 the number of Germans holding shares in companies increased by 25.6 per cent from just more than three million to more than five million (Deutsches Aktieninstitut 2001). An important impulse that triggered this development was given by the IPO of Deutsche Telekom in autumn of 1996 which was accompanied by enormous communication efforts on the part of the former German telecommunications monopolist. Eric Dobkin, head of equity capital markets at Goldman Sachs, summed it up aptly when he stated: ‘Germans spend 7 DM each month on bananas but only 1,22 DM on shares. Yet, it looks like they are finally entering the equity era’ (Der Spiegel 18 Nov. 1996, p. 35). This developing equity culture opened new possibilities for venture capitalists. They started to follow the US-American example of heavily investing in young capital-intensive E-businesses in order to lead them to an IPO and reap the profits from their increase in value.

The number of IPOs at the German technology segment Neuer Markt augmented dramatically and triggered some sort of a “gold digging mood”. To own shares and to buy and trade – at the best online – became fashionable and retail investors hoped for quick profits. Many academics and practitioners believed that the Internet technology introduced completely new laws of doing business. Instead of judging a company’s value and success on the basis of its profits new indicators were introduced like increase of staff and customers, online traffic, and market capitalisation. These developments were accompanied by euphoric media coverage. Doubts concerning deficit profit structures and unclear future perspectives were widely ignored or suppressed. Instead, founders were exalted as ‘a generation that is going to change the nation’ (Maier-Mannhart 2000). Thomas Haffa, founder of EMtv, was titled the ‘second Leo Kirch’ who can ‘go on from the success of a Walt Disney’ (Capital 2 Jan. 2000) and Time Magazine voted Jeff Bezos, founder of Amazon.com, ‘man of the year 1999’. This euphoric mood changed after the international technology stocks collapsed from March 2000 on. Shareholders sold off their shares and media coverage became more and more critical towards the end of the year (Boehringer 2001).

Until today, young companies are often accused of having consciously lead customers, shareholders and journalists astray by communicating false and fictitious information in order to create great expectations and realise fast and short-termed economic profits for themselves (see, e.g., Köhler 2001). Yet, this criticism concerning the founders’ corporate communication does normally not differentiate between different companies or lines of business, nor does it contain any self-criticism of third parties also involved in the Internet euphoria (e.g., mass media, financial analysts).

The results of an empirical study which we recently conducted on the corporate communication of young E-businesses in Germany and German speaking Switzerland show a more differentiated picture. We derived four types of communicators – the specialist, the diffuser, the impression manager, and the autist. Our research reveals that the accusation of conscious deception app-
plies only for one of those, the impression manager. Reasons for the behaviour shown by this type of communicator can be found in the complex interplay of firm characteristics, conceitedness, perceived social expectations and a lack of experience.

After introducing our methodological approach we present a typology of young E-business communicators in the times of the Internet euphoria. In order to understand the impression managers’ communication style, we furthermore discuss some of the unique conditions those companies had to face at that time, as well as the consequences that resulted thereof.

Methodological layout of the research project

The following discussion is based on the results of an empirical study on the management and content of corporate communication of young E-businesses. For the purpose of this study, our definition of corporate communication follows van Riel’s concept of organizational communication (van Riel 1995, p. 12). Corporate communication, then, comprises all forms of communication with external stakeholders in traditional and new media (Porak/Geissler/Einwiller 2000).

The firms, which were in different phases of the corporate life cycle (for an overview see Gomez & Zimmermann 1999) were based in Germany and in the German speaking part of Switzerland. E-businesses were defined following the definition of Whinston et al. (2001) as companies that in spring of 2000 belonged to one of the following industry clusters: Internet infrastructure providers, producers of Internet applications, intermediaries, electronic commerce companies. A company was considered to be young when it had maximally reached the stadium of beginning expansion within its corporate life cycle at this point in time. Companies were 5 years old on average depending on their basis of financing (see figure 1).

Due to the topic’s novelty and a lack of academic research on corporate communication particularly of ventures we chose a mainly inductive and interpretative methodological approach to data collection and analysis (Miles & Huberman 1994). Following the premises of methodological constructivism (Lorenzen 2000), the research focused on the reconstruction and interpretation of typical patterns of communication.

Sampling for the main study was conducted theoretically. The sample was sought to be as heterogeneous as possible regarding the following criteria: age, stage in corporate life cycle, industry cluster, legal form, home country, and market position. The population from which the companies were selected comprised the respective E-businesses listed at the SWX New Market/Zurich, stock corporations within the E-business sector of the Swiss Interactive Media Association, members of the German Multi Media Association (Deutscher Multimedia Verband) that were listed at the Neuer Markt/Frankfurt, as well as the winners of several founder contests by Bain & Company, Focus Money (Germany), Bilanz, and Innonet.ch (Switzerland).

For the main study we selected fifteen German and eighteen Swiss companies. Company representatives were interviewed in the first half of 2000, applying a semi-structured problem-
centred questionnaire. Questions aimed to reveal the management (e.g., Bruhn 1997; Cutlip, Center & Broom 2000; Dozier & Ehling 1992; Röttger 2000) and message creation of corporate communication (e.g., Birkigt, Stadler & Funk 1994; Galtung & Ruge 1965; Mayer & Illmann 2000; Moore 1995) as well as to find out about the company’s overall development (Harmon 1999; Kulicke 1993; Pleschak, Sabisch & Wupperfeld 1994; Rüggeberg 1997). The qualitative content analysis of the interview protocols followed the method proposed by Mayring (2000): the protocols were structured in order to reveal and derive typical action patterns in corporate communication. Classification was based on some of the deductively derived categories contained in the questionnaire as well as on the basis of categories which were inductively derived from the data.

**PR-Typology**

The four types of young communicators that were identified empirically describe the characteristics and the functional significance of corporate communication. Methodologically they are to be understood as descriptive ideal types (Mayring 2000: 74). They can be presented by means of a two-dimensional matrix: The dimension content focus indicates whether the corporate messages focus on quality aspects (target group specific design, feedback mechanisms etc.) or quantity (frequency of communication); the dimension communications management differentiates between the rational management of corporate communication on the one side and emergent, that is intuitive, emotional, and experience-based ‘muddling-through’ on the other side (Mintzberg & Waters 1985, see fig. 2).

Autists finance themselves primarily by cash-flow. As a result these companies have only limited financial resources at their disposal. To acquire projects of reference is an important prerequisite to gain first earnings. Expenditures made in the early phases of the company’s existence are basically restricted to the areas of product or service development and sales. Therefore the primary goal of communication is to acquire customers and business partners through social networks and word-of-mouth. Communication activities are neither planned nor controlled. The firm does not hold any media relations because it either fears too much demand from potential customers which it could not (yet) satisfy, or it assumes that mass media are not interested in small sized companies not listed at a stock exchange. Thus, building up relationships with journalists is believed to be condemned to failure from the start. The third reason for the lack of media relations particularly holds for autists in Switzerland: the geographic restriction and economic isolation of the country are seen to hold responsible for the fact that mass communication would be only of minor significance for business success. In autistically communicating firms the CEO is responsible for the overall communication, has a technical background (engineer or information scientist) and has neither any experience in professional communication nor sound knowledge in business administration. The CEO is normally also the founder of the firm and tends to regard her target groups just as technology-loving as herself. Correspondingly, the messages emphasise the technical features of the product or service (under development) and hint to completed reference projects. When asked to judge their own communication in retrospect responses are positive as well as negative. If companies did not aim at growing quickly the strategy to solely rely on word-of-mouth and social networks is regarded sufficient to support that goal. However, when a company followed a strategy of growth it is considered appropriate and necessary to start establishing media relations at a very early stage. A certain level of public visibility can furthermore support internationalisation. When entering a highly competitive foreign market the competition on products that companies face at home is extended by one on corporate images and brand names. A company that starts professionalising its communication not until entering a foreign market looses a

<table>
<thead>
<tr>
<th>Content Focus</th>
<th>Quality</th>
<th>Quantity</th>
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<tr>
<td><strong>Specialist</strong></td>
<td>„Professional communication is an economic necessity“</td>
<td>„Impression Manager“</td>
</tr>
<tr>
<td><strong>Impression Manager</strong></td>
<td>„Quantity is key“</td>
<td></td>
</tr>
<tr>
<td><strong>Diffuser</strong></td>
<td>„Intensive interaction with change agents is the key to success“</td>
<td>„Autist“</td>
</tr>
<tr>
<td><strong>Autist</strong></td>
<td>„We don’t need CC“</td>
<td>„We still need to learn CC“</td>
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![Figure 2: Types of young E-business-communicators (1999 to spring 2000)](image-url)
lot of precious time. Another negative consequence resulting from lacking media relations was the negative media coverage after the breakdown of the international technology segments: autists could not effectively counter for want of stable contacts with journalists. In their view, their firms were erroneously referred to as ‘dot.coms’ and subsumed under the founders who’s businesses had economically failed.

The diffuser, named after diffusion theory (e.g., Rogers 1995), is in the seed phase of its corporate life cycle. This type of firm is primarily financed externally – yet, contrary to the impression manager, without venture capital. Its industrial product or service excels by a high degree of innovation and/or technological complexity. The diffuser tries to prepare market entry by means of intensive, target specific, and interpersonal communication with so called change agents (scientists, opinion-leading special-interest journalists) and early innovation-oriented customers (early adopters, Moore 1995). Corporate communication is merely perceived as an instrument for sales promotion. These two primary target groups are seen as multipliers with a high demand for information who at the same time still show reservation regarding the innovation. Therefore communication primarily aims to reduce existing fears and information deficits in order to legitimise the business activities. This ‘softening up’ before commencing large scale communication efforts is perceived as inevitable for later sales success. It is explained by the fact that consumers are only willing to buy a new product if people they trust in their personal environment can persuade them of the sense and usefulness of the innovation. The main communication instruments of the diffuser are press meetings and talks at external conferences as well as establishing educational relations with universities and colleges. The CEO is the one responsible for corporate communication. As technical engineer she works in close co-operation with a manager specialised in marketing and sales. Communication activities are neither planned nor controlled in a rational manner. The companies interviewed judge their going forward as successful at that time.

The specialist is already expanding and pursues corporate communication in the most professional manner compared to the other types of young communicators. The primary goal of communication is to continuously and if necessary individually attend to the main target groups: the company’s customers and investors, special-interest journalists, financial analysts, and business partners. Media relations hold a significant role within the scope of corporate communication. Considering its advanced stage within the corporate life cycle the company shows an increasing division of labour which is also reflected in the way that the communication department becomes more and more sophisticated and influential within the company. Normally the person responsible for communication and her employees have several years of experience either in marketing or sales. The company employs various public relations and advertising agencies that are specialised in technology-oriented companies. Management is strict and the agencies’ activities focus primarily on implementation. Because of her financial accountability towards the investors and the legal reporting standards the communication manager is keen on a precise and economically oriented planning and controlling of communication efforts (‘communication must pay off’). Corporate messages are of factual as well as of emotional nature. This way of communicating is described as the result of a learning process. As in the case of the autist, the specialist communicated sparsely at the beginning of its business activity. The increase in professionalism is explained by high pressure coming from the market (IPO, fierce competition) as well as by demands from the target groups. Journalists are perceived as demanding when it comes to depth and seriousness of both the information flows and personal relationships. At the same time, an unpredictability in media relations is observed due to economic pressures and journalists’ colleague orientation; cultivation of media relations is judged correspondingly high. Because of its high news value the success of an IPO is perceived as greatly dependent on the amount and tone of media coverage. Today, however, the trade press revises its evaluation criteria. After the international technology stocks collapsed journalists now seem to generally deprive E-businesses of competence irrespectively of their actual success. Specialists therefore claim that the main task of a communication manager now should be to respond to those new criteria, which are primarily financial facts and figures, and make those the subject of communication.

The impression manager, finally, is in its early stage of market entrance up to beginning expansion and receives financing primarily by venture capitalists. This company is exposed to high competition and aims at fast growth. Until March of 2000, the obligation to quickly go public was seen as a prerequisite for receiving venture capital. Therefore impression managers’ main target groups are customers and consumers as well as future investors. The primary goal of corporate communication is to create widespread and short-term attention in preparation of the near IPO. Communication instruments are primarily guerrilla-public relations, aggressive and provocative advertising on high impact print media, TV-channels, and billboards as well as appearances in television programs. Media relations are mainly restricted to the writing and distribution of press releases as well as single visits to editorial offices which are organised by a PR agency. The massive advertising campaigns are financed by the venture
capitalists: the impression manager spends up to 80 percent of the whole budget for communication efforts. The management team and the permanent staff are dominated by marketing personnel. However, the person responsible for communication as well as her employees are usually unqualified and/or have no former experience in the field of corporate communication. For that reason the planning and implementation of corporate communication is mainly delegated to public relations, event- and advertising agencies. But in contrast to the specialist, the impression manager is greatly hindered in managing those agencies because of the deficits in professional qualification and communication experience of staff members. The planning is rather short-termed and controlling is restricted to the collection and preparation of media-clippings. The communication’s tone is largely emotional and metaphorical. The messages focus on the founder, the management team, as well as the history and business idea of the firm.

At first, the communication effects were positive: venturesome investing behaviour, euphoric media coverage, fast growth of companies’ familiarity, to name just a few, were accompanied by an expansion of German business news and media as well as increasing advertising revenues for the mass media (Ahlswede 2000; ZAW 2001). New establishment of agencies and an exodus of personnel from established companies to image laden start-ups followed (Meier 2000). However, after the technology stocks collapsed, bankruptcies and take-overs as well as impression managers’ reproaches by the German advertising council (Deutscher Werberat) and media’s boycotts of advertisements lead to a loss of credibility of the whole line of business (Forster & Rothfuss 2000; Deutscher Werberat 2001). Today, declining circulation of investment periodicals, falling advertising revenues, the informal contacts between business journalists and financial analysts as well as potential role conflicts of journalists who are also stock owners move the mass media and its representatives itself into the centre of discussion (Jacobi & Müller 2001; Stahr 2001; Wolff 2000).

Despite the persistent criticism of the impression manager’s communication practices we can still judge her behaviour as rational if we shed light on the special circumstances under which she had to communicate.

Impression managers’ conditions for communication

Young companies are faced with specific problems when starting-up their business (Huang & Brown 1999). These problems count independent of the industry sector, and essentially apply for all of the companies that took part in the study. Above all, the persons interviewed mentioned three aspects. First, the management team very often is inexperienced in starting-up and managing businesses. Second, ventures have difficulties hiring qualified and experienced personnel (in the field of corporate communication). Third, companies are faced with general legal conditions of electronic business that are full of loopholes, with an insufficient infrastructure for founders (lack of advisory service, credits, research support, etc.) and a high density of regulation in the field of industrial law. As a result, the founders are roped into administrative jobs that take up a vast amount of their time.

Apart from those general problematic circumstances, especially the impression manager shows a great deal of overestimation of the own potentials as well as of the market’s ("today everybody is a market leader in something"). Another influencing factor on the impression manager’s corporate communication are the perceived social expectations. Journalists are regarded as entertainers. IPO, personification, elite persons, meaningfulness, and unexpectedness seem to be the most important news factors. Current research in business journalism supports the founders’ perception: on-site investigation on fast-moving issues is declining and financial analysts get increasingly cited directly. Emotionalization and personification of news, the declining separation of news and personal opinion, and the use of magazine elements are considered to be indicators for the increasing popularisation of the trade press. Finally, deficient professional education of business journalists together with an unspecific job profile as well as insufficient possibilities for further training can be observed (Mast 1999; Schatz 1999). Apart from this, the perceived expectations of the financiers greatly influence the communication, too. The main goal that guided venture capitalists until the middle of 2000 – as perceived by the founders – was profit maximisation. Therefore, an early mediated IPO, extensive and positive media coverage, as well as mass communication by means of advertising campaigns already beforehand were seen as necessary requirements for receiving funds. Interviews with financial experts support this perception and, at the same time, show that the trade press serves as an important amplifier of investment decisions of venture capitalists (Strunck & Geissler 2001).

Finally, all of the persons involved – companies, academics, journalists, financiers – were lacking the necessary experience in order to adequately assess companies and business models in digital markets. It remains to be seen whether the impression manager’s typical form of communication is going to catch on again.

Conclusion

After the technology stocks collapsed, entrepreneurs in E-business are heavily criticized today for their corporate communication in the times of the Internet euphoria in Germany. How-
ever, only one type of companies we interviewed, the so called impression managers, has consciously com-
unicated distorted information to its tar-
get groups. Possible reasons for that can be found in the special circum-
stances those companies were confronted with at that time. The past events point out to a number of issues to be studied concerning young E-busi-
nesses’ corporate communication until the rise of another Internet euphoria:

- In fast-moving sectors corporate communication is exposed to a high degree of time pressure and to an unpredictable environment. A one-
sided focus on the financial commu-
nity and a volatile stock market en-
vironment tempt into selective event management and render a sudden loss in credibility probable.

- Today, in the periods before their postponed IPOs, (not only) impression managers have to struggle with an image of lacking seriousness. The halo-effect of competitors’ negative image calls for an active and timely issue management on the part of all players in the industry sector.

- Despite these negative developments concerning press coverage and image formation, a high disre-
gard of legal demands for the trans-
parency of stock corporations (see, for example, the German stock ex-
change act [Börsengesetz] and the equity trading law [Wertpapierhan-
delsgesetz]) can be observed up to this day.

- Eventually, the necessity to establish internal competencies before out-
sourcing corporate communication becomes evident.

**Endnotes**

1 The following criteria for quality in qualitative research proposed by Mayring (1996: 119ff) have been met: documentation of procedure, argumentative validation, conduct by rules, closeness or research object, communicative validation, triangulation.

2 See http://www.communicationsmgt.org/commu-
nicationsmgt/communicationsmgt.nsf/pages/
participants.html.

3 Interview partners were the person responsible for corporate communication and/or the Chief Executive Officer (CEO) of the firm; interviews lasted between 45 minutes and three hours. We talked to the firms at a time when many had not yet fully realised the end of the Internet eupho-
ria (summer of 2000). It can be assumed that a later point of data collection would have lead to somewhat different results.

4 The classifying categories for the firm character-
istics were: life cycle stage, professional back-
ground of the management team members, headquarter location, sources of financing, tech-
nical features of the product(s)/service(s); catego-
ries for the communications management were: target groups, communication manager, external perception of target groups, goals and instru-
ments of corporate communication, organisa-
tional structure, staffing, planning and control-
ling of communication; categories for message creation were: perceived news factors of press and TV coverage, main topic of the messages, formal design.

5 Whereas the types described so far occur in both countries researched, the self-projector could be found mainly in Germany. Possible reason for this might be differences between Germany and Switzerland concerning the media landscape and equity culture.

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