

# Transparency and Identity

## Modeling Organizational Identity Dynamics

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# **Transparency and Identity: Modeling Organizational Identity Dynamics**

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## **Transparency and Identity: Modeling Organizational Identity Dynamics**

### **Abstract**

This paper presents a process-based theory of organizational identity dynamics. The view taken here is that organizational identity is an ongoing process that behaves like a conversation between the organizational self (as expressed by its culture) and images held by key stakeholders. This view is an extension by analogy of Mead's social identity theory in which he posits that individual identity is born of a conversation between the "I" and the "me". Processes linking organizational identity to culture and image (mirroring, reflecting, expressing and impressing) are described as are their inter-relationships in cycles of organizational identity construction. Interest in organizational identity is positioned with respect to recent concerns about the effects of increased levels of organizational transparency and the effects of transparency are examined as revelatory of two dysfunctions of organizational identity dynamics: organizational narcissism and loss of organizational self (or culture).

### Key Words:

Organizational identity  
Organizational image  
Organizational culture  
Organizational narcissism  
Organizational self  
Transparency

## **Transparency and Identity: Modeling Organizational Identity Dynamics**

Many changes in society are creating transparency across organizational boundaries and this is challenging our former understandings of organizational identity (Albert & Whetten, 1985; Cheney & Christensen, forthcoming). Some of this transparency is the result of exposure by the media, on the internet and by business analysts. For example, the media is taking more and more interest in the private lives of organizations and in exposing any divergence it finds between corporate images and organizational actions. As competition among business reporters and news programs increases, along with growth of business coverage in the media and on the internet (e.g., search engines devoted to business topics such as Dow Jones), this exposure is likely to intensify (Deephouse 2000). The urge to expose internal business practices is fed by business analysts, who now routinely supplement economic performance data with evaluations of organizational strategy, management style and organizational processes (as is shown in the literature on corporate reputation by Fombrun 1996; Fombrun & Rindova 2000). In addition, employees contribute to organizational transparency when they act, not only members of the organization's local community and society, but increasingly also as customers, investors and/or activists of various sorts. In engaging in these multiple roles, employees carry internal organizational issues beyond the organization's boundaries and thus add to their exposure.

Transparency is not only created by exposure but also by new forms of access, especially by organizational efforts to draw their external stakeholders into a personal relationship with them. For instance, just-in-time inventory systems, value chain management and e-business draw suppliers into organizational processes, just as customer service programs encourage

employees to make customers part of their everyday routines. This is similar to the ways in which investor and community relations activities make investors' and community members' concerns a normal part of organizational life. However, not only are employees persuaded to draw external stakeholders into their daily thoughts and routines, but these same external stakeholders are encouraged to think of themselves as members of the organization. For example, investors are encouraged to align their personal values with those of the companies to which they provide capital (e.g., ethical investment funds), while customers, via membership in customer clubs, are invited to think of themselves as members of the organization. Suppliers, unions, communities and regulators become partners with the organization via similar processes of mutual redefinition. Along with increasing levels of direct contact between employees and customers, suppliers, and cooperative partners, these changes give stakeholder groups greater access to the internal workings of the firm and render it transparent.

Organizational identity has always been conceptualized as a relational construct defined by contrasts such as between 'how we are' and 'how others see us' (Albert & Whetten 1985). However, transparency implies that these internal and external poles of comparison blend and interpenetrate each other to a degree never before realized. For example, due to transparency, organizational culture, once hidden from view, is now open and available for scrutiny by anyone interested in the company. By the same token, transparency means that the employees of the organization are more exposed than ever to the opinions and judgments (i.e., organizational images) held by other stakeholders. Transparency is making us aware of the extent to which organizational identity, like individual identity, is established and transformed through an ongoing conversation between the organization and all those who take an interest in it.

This paper will first explore the analogy between the personal/social self distinction in social identity theory, and the culture/image distinction in organizational identity, by arguing the need to consider culture as the organizational analog of the personal self in the construction of identity. After arguing in the next section that organizational identity needs to be theorized in relation to culture and image, we will develop a dynamic model of the processes that link identity, culture and image: mirroring, reflecting, expressing and impressing. We conclude with discussion of dynamism in conceptualizing organizational identity and a consideration of the organizational implications of transparency in light of this dynamic understanding.

### **Organizational Identity and Social Identity Theory**

Most research into organizational identity builds on the idea that identity is a relational construct formed in interaction with others, an idea that is usually traced to the theories of Cooley (1902), Mead (1934) and Goffman (1959) who theorized social identity in relation to personal identity (e.g., Tajfel & Turner, 1979; Albert & Whetten, 1985; Ashforth & Mael, 1989; Rao, Davis & Ward, 2000; see Brewer & Gardner, 1996 or Brickson, 2000 for reviews of the social identity literature and its contributions to organizational identity theory). In social identity theory, originally developed at the individual level of analysis, self-concepts are the product of both personal and social identities. When organizational identity is the phenomenon of interest, the question of identity is complicated by the relationship between individuals and their organizations, both of which are presumed to harbor identities.

Theories of individual identification with organizations have emphasized the relationship between self and organization in terms of individuals' self-definitions (Albert et al., 1998; Scott

& Lane, 2000; Hogg & Terry, 2000). For example, Dutton, Dukerich and Harquail (1994:239) defined organizational identification as “the degree to which a member defines him- or herself by the same attributes that he or she believes define the organization”. Or, as Pratt (1998:172) put it: “organizational identification occurs when an individual’s beliefs about his or her organization become self-referential or self-defining”. As these definitions illustrate, a self concept is assumed by individual level identity theorists.

Gioia, Schultz and Corley (2000:65), generalized the notion of a self concept to organizations when they stated that:

. . . a sense of continuous formulation and preservation of the self through interaction is essential to notions of individual identity. This is an important recognition not only for individuals but also for organizations, because organizational identity is constructed via similar processes of interaction with outsiders – for instance, customers, media, rivals, and regulatory institutions.

These researchers positioned organizational identity as the analog of the organizational self and, in arguing that there is adaptive instability in organizational identity, defined the process linking the organizational self to the images of it held by others:

[Adaptive instability] builds upon the process . . . wherein organizational identity forms the basis for the development and projection of images, which are then received by outsiders, given their own interpretations, fed back to the organization in modified form, and subsequently affect insiders’ perception of their own identity (Gioia, Schultz & Corley 2000:74).

Extending the psychological concept of self to organizations carries with it some heavy epistemological and ontological baggage. For example, one of the key identity-defining meanings associated by stakeholders with an organization is that of being a member or of belonging, that is, of having an insiders’ versus an outsiders’ perspective (Albert & Whetten ,1985; Albert et al., 1998). The importance of membership status -- of defining inside versus

outside points of view -- for the formation of organizational identity can perhaps best be articulated with reference to a distinction Mead made between the 'I' and the 'me' in regard to individual identity formation.

Mead defined individual identity as emerging from a conversation that occurs between 'I' (the subject having consciousness) and 'me' (the object of that consciousness). Thus, the question of identity arises from our human capacity to know ourselves as both subjects and objects, that is, from the perspective of an insider (the personal self) and from the perspective of an outsider (the social self as seen in the eyes of others). The condition of transparency confirms that Mead's insight about identity emerging in conversations between the 'I' and the 'me' can be extended to organizational identity. That is, due to transparency, the personal/social, subject/object and inside/outside aspects of organizational identity interpenetrate one another to such an extent that they can no more be theorized in isolation than can Mead's I and me in regard to individual identity (see figure 1).

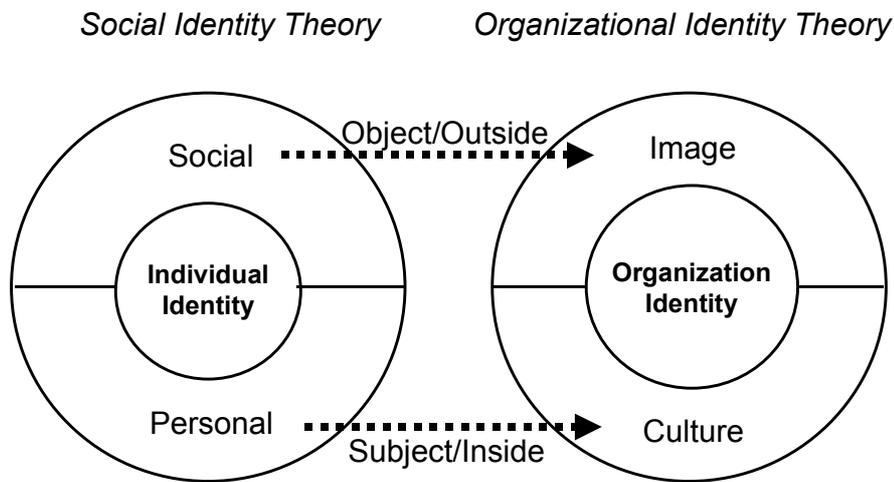


Figure 1. The analogy between theories of social and organizational identity.

However, we do not wish to collapse distinctions such as subject/object even though some postmodernists have done so on the grounds that it is language that creates these distinctions in the first place (e.g., by the differential grammatical positioning of subject and object in sentence structure). For instance, Bauman (1996:18) argued that identity forms around linguistic constructions (I/you, we/they) and so it is the product of language (see also Gergen, 1991; Hall, 1996). Our view is that our physical bodies orient us non-linguistically to questions of personal versus social selves and inside versus outside points of view because the body gives us a spatial-temporal reference point from which to experience and express these differences. Thus it is not language alone that produces the experience of subject and object or inside and outside; these experiences are also a product of physicality. Moreover they are fundamental to defining a position from which to speak: language can construct ‘I’ or ‘you’ only insofar as *somebody* constructs and uses a language with the words ‘I’ and ‘you’ in it.

Our position is that language and physicality play off of one another and therefore neither should be privileged. Thus, organizational identity is defined or constructed not only in relation to the meanings associated with the organization by its stakeholders (its images), but also in relation to its symbol-laden artifactual nature (its culture). The organization's artifactual nature gives it both a physical and a symbolic presence that offers a reference point around which all its stakeholders can and do form meanings *and* around which they meaningfully organize their work activities. However, we also need to acknowledge that personal and social organizational selves are not fixed or mutually exclusive entities. The interplay of meaning and artifact brings personal and social selves into conversation, just as Mead argued with respect to the 'I' and the 'me'. It is this conversation that constructs identity.

Following Mead's ideas, we will model organizational identity as the joint product of a dialogue resulting from continual interplay between inside and outside perspectives on the organization (e.g., 'this is how we are' in dialogue with 'this is how others see us'). In doing so we acknowledge that the positions of 'insider' and 'outsider' can only be symbolically determined by reference to an organizational self. What is more, we take the organizational equivalent of the body to be its material culture, recognizing that the organizational analogue of the individual self also includes the symbolic field that gives material culture its meaning. Thus we take the personal organizational self, by analogy, to be both the material and symbolic culture of the organization, and the social organizational self to be the images stakeholders form of the organization. But we also acknowledge that individuals and organizations have their differences, even though in the social identity theory we are drawing from both are constructions of collective understanding and so these differences are downplayed. The analogy we make

between individual and organizational selves is, therefore, limited to seeing both as social constructions and our model is, of necessity, grounded in an interpretivist philosophical position (see Hatch & Yanow, forthcoming for further explication of this position).

Reasoning by analogy from social identity theory, our position is that if (material and symbolic) organizational culture is to organizational identity what the personal self is to individual identity, it follows that, just as individuals form their identities in relation to both personal and social definitions of self, organizations form theirs in relation to culture and image. And even if personal and social selves are purely linguistic constructions, as postmodernists have argued, these constructions and their relationships are intrinsic to raising the question of identity at all. Without recognizing differences between personal and social definitions of self, or by analogy culture and image, we could not formulate the concepts of individual or organizational identity (i.e., who we are vs. how others see us). Therefore, we have taken culture and image as integral components of our theory of organizational identity dynamics. We argue that organizational identity is neither wholly cultural nor wholly imagistic, it is instead constituted by dynamic processes that interrelate the two. We will now describe these dynamic processes and explain how they operate.

### **Organizational Identity Dynamics**

In this section we will define the processes of organizational identity dynamics by describing how organizational identity is interpenetrated by images held by others and cultural self-definitions. The processes and their relationships with the key concepts of culture, identity and image are illustrated in figure 2. In the organizational identity dynamics model, stakeholder

images are related to cultural self-understandings in two ways. First, the processes of mirroring organizational identity in stakeholder images and reflecting on ‘who we are’ describe the influence of stakeholder images on culture. Second, the processes of expressing cultural self-understanding and projecting our identity to impress others describe the influence of organizational culture on the images others hold.

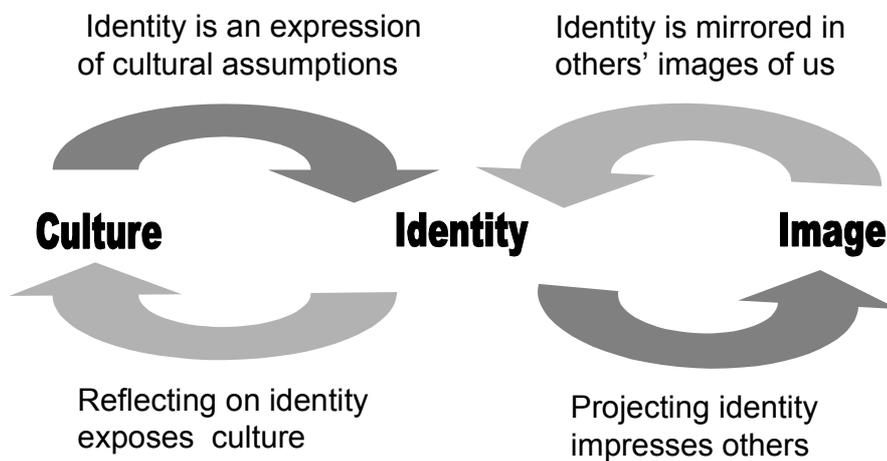


Figure 2. The Organizational Identity Dynamics Model

### **Identity Is Mirrored in Others' Images of Us**

In their study of the Port Authority of New York and New Jersey, Dutton and Dukerich (1991) found that when homeless people congregated in the Port Authority's bus and train stations, the homeless problem became the Port Authority's problem in the eyes of the community and the local media. Dutton and Dukerich showed how the negative images of the organization encountered in the community and portrayed in the press encouraged the Port Authority to take

action to correct public opinion. They suggested that the Port Authority's organizational identity was reflected in a mirror held up by the opinions and views of the media, community members and other external stakeholders in relation to the problem of homelessness and the Port Authority's role in it. The image the organization saw in this metaphorical mirror was contradicted by how it thought about itself (i.e., its identity). This led the Port Authority to act on behalf of the homeless in an effort to preserve its identity and to change its organizational image.

On the basis of their study Dutton and Dukerich (1991) claimed that the opinions and reactions of others affect identity through mirroring and further suggested that mirroring operates to motivate organizational members to get involved in issues that have the power to reduce public opinion of their organization. Thus, Dutton and Dukerich presented a discrepancy analysis, suggesting that, if organizational members see themselves more or less positively than they believe that others see them, they will be motivated by the discrepancy to change either their image (presumably through some action such as building homeless shelters) or their identity (to align with what they believe others think of them). These researchers concluded that we "might better understand how organizations behave by asking where individuals look, what they see, and whether or not they like the reflection in the mirror." (1991:551). In regard to defining the mirroring process in terms of the link between identity and image, Dutton and Dukerich (1991: 550) stated only that:

. . . what people see as their organization's distinctive attributes (its identity) and what they believe others see as distinctive about the organization (its image) constrain, mold, and fuel interpretations . . . Because image and identity are constructs that organization members hold in their minds, they actively screen and interpret issues like the Port Authority's homelessness problem and actions like building drop-in centers using these organizational reference points.

We argue that the mirroring process has more profound implications for organizational identity dynamics than is implied by Dutton and Dukerich's discrepancy analysis. These implications stem from recognizing that the mirror that organizations look into is a metaphorical one. When you look in an actual mirror what comes back to you is a reflection of your appearance. However, when an organization looks in the metaphorical mirror, it sees its appearance refracted through the eyes of (images held by) others (Fombrun, 1996; Rindova, 1997). What others say about an organization is based in *their* images, so when an organization looks to others to see itself, it looks not at a reflection of its own image, but at refractions of its image through the opinions and judgments of others. This means that organizational identity is at least partially socially constructed through interactions between organizational members and those who give them feedback about the organization.

However, the notion of identity is not just about reflection in the mirroring process, it is also about self-examination. The Port Authority case also shows how negative images prompt an organization to question its self-definition. Along similar lines, Gioia, Schultz and Corley (2000:67) suggested:

Image in its multiple guises provides a catalyst for members' reflexive examination of their organizational self-definition. Image often acts as a destabilizing force on identity, frequently requiring members to revisit and reconstruct their organizational sense of self.

And as we have argued already, matters of organizational self-definition are also matters of organizational culture.

### **Reflecting on Identity Exposes Organizational Culture**

Organizational members not only develop their identity in relation to what others say about

them, but also in relation to who they perceive they are. As Dutton and Dukerich (1991) showed, the Port Authority did not simply accept the images they believed others held of them, they sought to alter these images (via the process of projecting identity in order to impress others to which we will return in a moment). We claim that they did this in service to a sense of themselves that departed significantly from the images they believed others held. In our view, what sustained this sense of themselves as different from the images they saw in the mirror is their organizational culture. We claim that once organizational images are mirrored in identity they will be interpreted in relation to existing organizational self-definitions that are embedded in cultural understandings. When this happens, identity is reinforced or changed through the process of reflecting on culture that is stimulated by concern with organizational identity issues.

The reflexivity we are discussing is not the academic concern with the role of the researcher or of the research community in the production of research subjects (Van Maanen, 1988; Hatch, 1996; Hardy et al., 2001), but the essential reflexivity referred to by Marcus (1994:568, citing Watson, 1987) as an “integral feature of all discourse (as in the indexical function of speech acts); one cannot choose to be reflexive or not in an essential sense – it is always a part of language use.” Holland underscored the universality of reflection in human beings and connected reflection processes to assumptions. As Holland (1999:467) put it, “An important function of reflexive analysis is to expose the underlying assumptions on which arguments and stances are built.” We argue that reflecting on organizational identity exposes the underlying assumptions that reveal organizational culture.

We see reflexivity in organizational identity dynamics as the process by which organizational members understand themselves *as an organization*. In other words, the tacit

understandings that give cultural symbols their meaning also give the organization as a whole meanings that become more explicit as members reflect on questions of their organizational identity. These tacit understandings are what Schein (1985/1992) referred to as basic assumptions, and thus we argue that reflections on organizational identity expose the cultural assumptions (and values) of the organization. Once exposed, explicated cultural assumptions and values become material artifacts that can be used as symbols to express who or what the organization is, thus contributing to its identity (see figure 2).

### **Identity is an Expression of Cultural Assumptions**

One way an organization might make itself known would be to incorporate its organizational reflections in its ongoing discourse, that is, to speak about itself. Czarniawska's (1997) narratives of institutional identity are an example of one form such organizational self-expression could take. But organizational identity narratives are only one instance of the larger category of cultural expression as we define it. All meanings associated with the organization by its members offer symbolic material (cultural artifacts) from which organizational expressions can be formed.

Organizational cultures have expressive powers by virtue of the grounding of the meaning of their artifacts in the symbols, values and assumptions that cultural members hold and to some extent share. This connection to deeper patterns of organizational meaning is what gives cultural explication of assumptions in artifacts their power to communicate believably about identity. Practices of expression such as corporate advertising, corporate identity and design programs (e.g., Olins, 1989), corporate architecture (e.g., Berg & Kreiner, 1990), corporate dress

(e.g., Rafaeli & Pratt, 1993; Pratt & Rafaeli 1997), and corporate rituals (Rosen, 1988; Schultz, 1991), when they make use of an organizational sense of its cultural self as a referent, help to construct organizational identity through self-expression.

Part of the explanation for the power of artifacts to communicate about organizational identity lies in the emotional foundations of culture. Expression is linked by some philosophers to emotion (e.g. Croce, 1909/1995; Scruton, 1997: 140-170) though it has also been associated with intuition (Croce, 1909/1995; Collingwood, 1958; Dickie, 1997). Referring to Croce, Scruton (1997:148) claimed that when a work of art “has ‘expression,’ we mean that it invites us into its orbit.” These two ideas -- of emotion, and of an attractive force inviting us into its orbit - - suggest that organizational expressions draw stakeholders to them by their emotional force or appeal. Or, as Scruton (1997:157) put it: “The expressive word or gesture is the one that awakens our sympathy” and in our sympathy with organizational expressions lies our connection to the organizational identity that this process helps to construct.

However, organizational identity is not only an expression of organizational culture. It is also a source of identifying symbolic material that can be used to impress others in order to stimulate their awareness, attract their attention and interest, and encourage their involvement and support.

### **Projecting Identity Impresses Others**

In their work on corporate reputations, Rindova and Fombrun (1998) proposed that organizations project images to stakeholders and institutional intermediaries (e.g., business analysts and members of the press). In its most deliberate form identity is projected to others, for example, by

broadcasting corporate advertising, holding press conferences, providing information to business analysts, creating and using logos, building corporate facilities, or dressing in the corporate style. Relating these projected images to organizational identity, Rindova and Fombrun (1998: 60) stated:

Projected images reflect not only a firm's strategic objectives but also its underlying identity. Images that are consistent with organizational identity are supported by multiple cues that observers receive in interacting with firms.

Whereas strategic projection, or what others have called impression management (see below), is a component of organizational identity dynamics, Rindova and Fombrun (1998) also noted that projection can be unintentional (e.g., communicated through everyday behavior, gestures, appearance, attitude):

Images are not projected only through official, management-endorsed communications in glossy brochures because organizational members at all levels transmit images of the organization.

Thus expressions of organizational culture can make important contributions to impressing others that extend beyond the managed or intended impressions created by deliberate attempts to convey a corporate sense of organizational identity. This concern for the impressions the organization makes on others brings us back from considerations of culture and its expressions (on the left side of figure 2) to concerns with image and its organizational influences (shown on the right side of the same figure).

Ginzel, Kramer and Sutton (1993:229), in their study of the ways that organizational audiences shape organizational impression management efforts, argued that impression management is "an interactive process involving organizational actors (top management) and the targets of their influence attempts (the members of the organizational audience)". Citing Pfeffer

(1981: 4) they noted that, in the impression management field, impression management is defined as:

. . . organizational leaders [being] held responsible for making sense of an organization's actions and promoting its image to individuals both within and outside the organization. If . . . organizations are socially constructed systems of shared meanings, then one of top management's primary tasks is to provide 'explanations, rationalization, and legitimation for the activities undertaken in the organization'.

However, they claimed that the impression management field has been overly focused on interpretations provided by top managers. The position Ginzler, Kramer and Sutton (1993: 248) took is:

. . . an organization's image is not created or sustained solely by top management. In addition, it illustrates the power that organizational audiences often have to shape such accounts. Because of their power, organizational audiences often do not passively accept the various accounts offered by top management. Instead, they claim the right to participate in the process of managing the organization's image. Thus, an organization's image represents a collaborative social construction between an organization's top management and the multiple actors who comprise the organizational audiences. A particular interpretation of an organization's image may be proposed by top management, but that interpretation must in turn be endorsed, or at the very least not rejected, by their various audiences if it is to persist.

Of course there are other influences on image beyond the identity the organization attempts to impress on others. For example, one of the determinants of organizational images that lies beyond the organization's direct influence (and beyond the boundaries of our identity dynamics model) is the projection of others' identities onto the organization, in the Freudian sense of projection. Assessments of the organization offered by the media and business analysts, and the influence of issues that arise around events such as oil spills or plane crashes, may be partly or wholly defined by the projections of others' identities and emotions onto the organization ("I feel badly about the oil spill in Alaska and therefore I feel negatively toward the organization I hold responsible for the spill"). Thus there are many potential effects on organizational images that

intersect with the organization's efforts at impressing others. These influences will likewise be counted or discounted by the organization when it chooses self-identifying responses to these images in the mirroring process. This counting or discounting of others' images is part of the reflecting process that relates organizational identity back to organizational culture.

The role of audiences in interpreting and thereby constructing organizational images argues that organizational efforts to impress others are tempered by the images those others form and mirror back to the organization as input to further reflecting, expressing and impressing processes. And this brings us to a point of readiness for discussing the model of organizational identity dynamics (shown in figure 2) in its entirety.

### **The Dynamism of Organizational Identity Processes**

The way that we have drawn the identity dynamics model in figure 2 is meant to indicate that organizational identity occurs in a sequence of processes that continuously cycle within and between cultural self-understandings and images formed in the eyes of others. As Jenkins (1994:199) put it: "It is in the meeting of internal and external definitions of an organizational self that identity, whether social or personal, is created". Our model helps to specify the processes by which the meeting of internal and external definitions of identity occurs. Based on this model, we would say that at any moment identity is the immediate result of conversation between organizational (cultural) self-expressions and mirrored stakeholder images, recognizing, however, that whatever is claimed by members or other stakeholders about an organizational identity will soon be taken up by processes of impressing and reflecting which feed back into further mirroring and expressing processes and thus organizational identity is continually formed

and transformed. This is why we insist that organizational identity is dynamic -- the processes of identity do not end but keep moving in a dance between the various constructions of organizational selves and the uses to which they are put.

At this point we must acknowledge that pieces of the full identity dynamics model have been suggested before. Sociologists Garfinkel and Woolgar offer a description of the ways in which the processes of mirroring, reflecting and impressing intertwine, while aesthetic theorists Croce and Scruton offer material useful to describing how expressing, reflecting and impressing are interrelated. As their understandings are in many ways more integrated than our own discussion up to this point we find them helpful in encouraging dynamic thinking.

Garfinkel (1967) introduced the notion of reflexivity into sociology and Woolgar (1988) developed his ideas into the distinction between benign introspection and constitutive reflexivity. According to Woolgar (1988:22) benign introspection entails loose injunctions to ‘think about what we are doing’” and he claimed that “an exercise in introspection is usually concerned with improving the adequacy of the connection between analysts’ statements and the objects of those statements.” On the other hand, constitutive reflexivity is awareness that “authors and readers constitute and form part of the scenes they describe”, or, in Garfinkel’s words: “Members accounts . . . are constituent features of the settings they make observable” (1967:8, quoted in Woolgar, 1988:22).

We argue that both of Woolgar’s forms of reflexivity are implicated in the construction of organizational identity depicted in figure 1. Benign introspection (‘thinking about what we are doing’) occurs alongside and as an implication of impressing stakeholders in order to influence ‘how others see us’, while constitutive reflexivity (what we have called reflecting in

the organizational identity dynamics model) is an extension of the mirroring process whereby organizational members' interpretations of how they are seen in the mirror are processed into reflections about 'who we are' which, in turn, are contextualized by organizational culture and its inherent structures of meaning. Of course, organizational culture contributes to the expressing process by providing much of the symbolic content (derivative of material culture) of both. Thus, beyond mirroring, impressing and reflecting, we believe the process of expressing organizational culture must also be a part of organizational identity dynamics.

Scruton (1997) defined expression using a comparison between the intransitive and transitive uses of the term, a distinction we consider to be on a par with Garfinkel/Woolgar's benign and constitutive reflexivity. His distinction helps to relate organizational expression to the processes of impressing and reflecting discussed above. According to Scruton (1997:158), in the transitive sense expression is "part of the process of evincing or communicating something," whereas in the intransitive sense it "might also be an expression *of* something: a state of character, for example, or an emotion." We claim that both transitive and intransitive expressions help to form, and become part of, an organization's identity. When expression is considered as part of the process of projecting something, such as occurs in impression management, it is in the transitive sense of evincing or communicating something. Expression in the intransitive sense, on the other hand, feeds into the reflection process when it serves as a reference point for interpreting the organizational culture. In terms of the model shown in figure 2, organizational expression in its transitive mode feeds into the identity projecting/impressing process when symbolic meaning embedded within the artifacts and symbols of organizational culture travels beyond that culture but retains its associations with the organization.

While these extensions of our thinking from sociology and aesthetics suggest further refinements to our dynamic mode of theorizing, we leave them for future development and turn instead to the implications of our model.

### **Transparency and the Dysfunctions of Organizational Identity Dynamics**

It is our thesis that, when organizational identity dynamics are permitted free interplay, a healthy organizational identity results from the balance of processes that integrates the interests and activities of all relevant stakeholder groups. However, it is also possible for organizational identity dynamics to become dysfunctional in the psychological sense of this term. This happens when culture and images become disassociated (see figure 3) – a problem that amounts to ignoring or denying the links between culture and images that the condition of transparency makes so noticeable. In terms of the organizational identity dynamics model, the result is that identity is constructed only in relation to either organizational culture or stakeholder images. When this occurs, the organization is vulnerable to one of two dysfunctions: either narcissism or loss of (cultural) self.

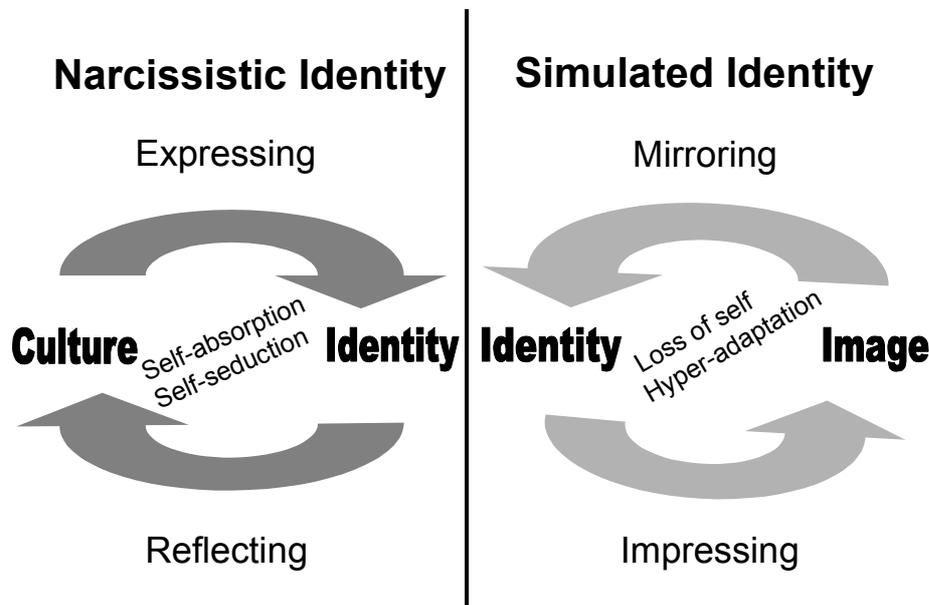


Figure 3. Sub-dynamics of the Organizational Identity Dynamics Model and their potential dysfunctions.

### **Narcissistic Identity**

An observation made by Broms and Gahmberg (1983) and Christensen (1994; 1997) is that those most aware of and attentive to the external messages an organization sends (e.g., corporate advertising, public relations) usually turn out to be members of the organization. These researchers have referred to the phenomenon of organizations speaking to themselves through messages ostensibly targeted at others as autocommunication. In terms of the organizational identity dynamics model, autocommunication amounts to almost total reliance on the processes shown in the left half of figure 3. That is, organizational members infer their identity on the basis of how they express themselves to others and, accordingly, reflect on who they are in the shadow of their own self-expressions. What initially might appear to be attempts at impressing outsiders via projections of identity turn out to be expressions of cultural self-understanding feeding

directly into reflections on organizational identity. Even though organization members may espouse concern for external stakeholders as part of their cultural self-expression processes (“Our company is dedicated to customer service!”), we claim that ignoring the mirroring process by not listening to external stakeholders will lead to internally focused and self-contained identity dynamics. Brown (1997; Brown & Starkey 2000) diagnosed this condition as organizational narcissism.

Following Freud (1914), Brown claimed that narcissism is a psychological response to the need to manage self-esteem. Originally an individual concept, Brown (1997:650) justified its extension to organizations on the basis of a collective need for self-esteem:

. . . organizations and their subgroups are social categories and, in psychological terms, exist in the participants’ common awareness of their membership. In an important sense, therefore, organizations exist in the minds of their members, organizational identities are parts of their individual members’ identities, and organizational needs and behaviors are the collective needs and behaviors of their members acting under the influence of their organizational self-images.

Brown then defined narcissism in organizations as a psychological complex consisting of denial, rationalization, self-aggrandizement, attributional egotism, a sense of entitlement and anxiety. While noting that a certain amount of narcissism is healthy, Brown (1997:648) claimed that narcissism becomes dysfunctional when taken to extremes:

Excessive self esteem . . . implies ego instability and engagement in grandiose and impossible fantasies serving as substitutes for reality.

Or, as Brown and Starkey (2000: 105) explained:

. . . overprotection of self-esteem from powerful ego defenses reduces an organization’s ability *and* desire to search for, interpret, evaluate, and deploy information in ways that influence its dominant routines.

As Schwartz (1987; 1990) argued on the basis of his psychodynamic analysis of the Challenger

disaster, when taken to extremes, organizational narcissism can have dire consequences.

In the terms of model presented in figure 3, narcissistic identity develops as the result of a solipsistic conversation between identity and culture in which feedback from the mirroring process is ignored, or never even encountered. No real effort is made to communicate with the full range of organizational stakeholders or else communication is strictly unidirectional (emanating from top management). An example is provided by Christensen and Cheney's (2000:265) account of organizational self-absorption and self-seduction:

Large corporations and other organizations have become so preoccupied with carefully crafted, elaborate, and univocal expressions of their mission and 'essence' that they often overlook penetrating questions about stakeholder involvement.

What is more, as Christensen and Askegaard (2001: 297) point out, the problem of organizational self-absorption is exacerbated by a "cluttered communication environment, saturated with symbols asserting distinctness and identity" where "most people today only have the time and capacity to relate to a small fraction of the symbols and messages produced by contemporary organizations". These researchers claim that stakeholders rarely care about projections by organizations concerning who the organization is and what it stands for. When organizational members are absorbed within self-referential processes of expressing who they are and reflecting about themselves, external stakeholders simply turn their attention to other, more engaging organizations. Their violated expectations of involvement and of the organization's desire to adapt to their demands will cause disaffected stakeholders to withdraw attention, interest and support from companies that they perceive to be too self-absorbed.

However, Christensen and Askegaard (2001:297) also note that "In a society characterized by an absence of traditional forms of community . . . organizations . . . are

important sources of identification and their symbols have become important signifiers of belongingness”. Thus, it is important not to take the assumption that stakeholders do not care about organizational belonging and the symbols projected to them too far. To the extent that individuals cope with the numerous cries for their attention by affiliating with a small set of selected organizations, the narcissistic organization risks losing supporters to its competitors as a result of underattending the communication function (believing it to be adequate already).

This loss of support is what happened to Royal Dutch Shell when it narcissistically ignored criticisms from environmentalists concerned with the dumping of the Brent Spar oilrig into the North Sea. The subsequent spread of negative images from activist groups to the general public and to Shell customers shows one effect of living in a transparent society. Shell’s initial denials and rationalizations clearly fit the description of dysfunctional narcissism provided by Brown (1997), whereas their subsequent attention to two-way communication via their innovative Tell Shell program (an interactive website designed to solicit stakeholder feedback) represents one way the company tried to combat narcissism.

### **Simulated Identity**

The obverse of the problem of paying too little attention to stakeholders is to give stakeholder images so much power over organizational self-definition that cultural heritage is ignored or abandoned. Ignoring cultural origins leaves organization members unable to reflect about their beliefs and values and thereby renders the organization an empty vacuum of meaning to be filled by the steady and changing stream of images that the organization continuously exchanges with its stakeholders. This can lead to what Brown (1997) described as the other extreme of

narcissism: the case where “inadequate protection of collective self-esteem will expose the organization to fears and anxieties that militate against self-confident action” (Brown & Starkey, 2000:105). It is tantamount to restricting identity dynamics to the right side of the model shown in figure 3. The organizational equivalent of loss of self (i.e., loss of culture) occurs when the processes of mirroring and impressing become so all-consuming that they are disassociated from the processes of reflecting and expressing depicted in the left half of the figure.

The kind of self-contained identity dynamics found on the right side of the organizational identity dynamics model was described by Alvesson (1990:373) who argued that “development from a strong focus on ‘substantive’ issues to an increased emphasis on dealing with images as a critical aspect of organizational functioning and management” is a “broad trend in modern corporate life”. In his view:

An image is something we get primarily through coincidental, infrequent, superficial and/or mediated information, through mass media, public appearances, from second-hand sources, etc., not through our own direct, lasting experiences and perceptions of the ‘core’ of the object (Alvesson 1990: 377).

According to Alvesson, the conditions under which image replaces substance are produced by distance (geographical or psychological) from the organization and its management which in turn is created by organizational size and reach, by its use of mass communication and other new technologies, and by the abstractness of the expanding service sector of the globalizing economy. When image replaces substance, ‘the core’ of the organization (its culture) recedes into the distance, becoming inaccessible.

Alvesson’s thesis was that when managers become concerned with the communication of images to stakeholders their new emphasis replaces strong links they formerly maintained to their organization’s cultural origins and values and this ultimately leads to organizations

becoming purveyors of non-substantial (or simulated) images. In his view, such organizations become obsessed with “the culture of the consumer” which drives them toward producing endless streams of replaceable projections in the hope of impressing their customers. Du Gay (2000:69) took this argument further, claiming that organizational life (i.e., the organizational culture) is being replaced by what he labels an “enterprising self” for whom “the market system with its emphasis on consumer sovereignty provides the model through which all forms of organizational relations [will] be structured”. Applied to our identity dynamics model, the organizational obsession with consumer images based in the right half of figure 3 mirrors a market system that, at the extreme, becomes the only culture anyone knows.

In such situations organizations lose the point of reference that their organizational culture provides and thus they enter what Baudrillard and others described as “hyper-reality” (Baudrillard 1988, Eco 1983). In his book *Simulacra and Simulation*, Baudrillard (1994) described hyper-reality as the end stage of the evolution of images. According to Baudrillard, images have evolved through four stages. In stage one, the image represents or stands in for a profound reality and can be exchanged for the depth of meaning the image (or sign) represents. In stage two, the image acts as a mask covering the profound reality that lies hidden beneath its surface. In stage three, the image works almost alone, in the sense that it masks not a profound reality, but its absence. Finally, in stage four, the image bears no relation whatsoever to reality. There is neither reference nor representation. The image becomes “its own pure simulacrum”. In Baudrillard’s (1994: 5-6) words:

Such is simulation, insofar as it is opposed to representation. Representation stems from the principle of equivalence of the sign and of the real (even if this equivalence is utopian, it is a fundamental axiom). Simulation, on the contrary, stems from the utopia of the principle of equivalence, *from the radical negation of the sign as value*, from the sign

as the reversion and death sentence of every reference. Whereas representation attempts to absorb simulation by interpreting it as a false representation, simulation envelops the whole edifice of representation itself as a simulacrum.

In hyper-reality, the relationship between images and their former referents is broken - images no longer represent cultural expressions, but become self-referential attempts to impress others in order to seduce them. Eco (1983:44) gave the example of Disneyland where you are assured of seeing “alligators” everytime you ride down the “Mississippi”, which would never happen on the real Mississippi. When reality gives way to hyper-reality like this, identity becomes a simulacrum. In terms of our identity dynamics model a simulated identity emerges when projections meant to impress others have no referent apart from their reflections in the mirror, that is, the organizational culture that previously grounded organizational images has disappeared from view. In their attempt to manage the impressions of others, organizational members take these images to be the only or dominating source in the construction of organizational identity. In his introduction to the works of Baudrillard, Poster (1988:6) argued that a simulated identity “ is different from a fiction or a lie in that it not only presents an absence as a presence, the imaginary as the real, it also undermines any contrast to the real, absorbing the real within itself”. This implies that images are taken by the organizational members to be the organizational culture and that it never occurs to them to ask whether image represents culture or not.

In spite of the seductiveness of the seduction argument, we believe its proponents go too far. It is our contention that transparency mitigates against organizational identity as pure simulacra by re-uniting culture and images, or at least by exposing a lack of connection between cultural expressions and projected images. Just as stakeholders will turn away from extremely

self-absorbed, narcissistic organizations, so, we believe, will they find they cannot trust organizations with simulated identities. On the margins, some organizations will thrive from the entertainment value of having a simulated identity (what will they think of next?), but the need to support market exchanges with trust will pull most organizations back from the abyss of pure simulacra.

## **Conclusions**

In this paper we have provided an argument for theorizing identity as a sequence of processes that travel between cultural self-understanding and images formed in the eyes of others. We have demonstrated how transparency contributes to identity dynamics by giving stakeholders access to the organization as well as exposing the organization to them. Finally, we suggested two dysfunctions that can occur in organizational identity dynamics when transparency is denied or ignored leaving the organization either with culturally self-referential identity dynamics (narcissistic identity) or overwhelmed by concern for image management (simulated identity).

It is our view that knowing how organizational identity dynamics works helps organizations to avoid these dysfunctions and thus should increase their effectiveness.

Based on our model, organizations should strive to nurture and support the processes relating organizational culture and images. An understanding of both culture and images is needed in order to encourage a balanced identity able to develop and grow with the changing conditions and people of the organization. This requires awareness in the organization that the processes of mirroring, reflecting, expressing and impressing are part of an integrated cycle in which reflections on the organization's culture build on mirrored images from external stakeholders,

just as attempts to impress stakeholders relate to cultural expressions based in the organizational self. This, in turn, requires maintaining an open conversation between top managers, organizational members and their external stakeholders, and keeping this conversation in a state of continuous development where all those involved are ready to listen and respond. We know that this will not be easy for most organizations, however we are convinced that awareness of the interrelated processes of identity dynamics is an important first step.

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