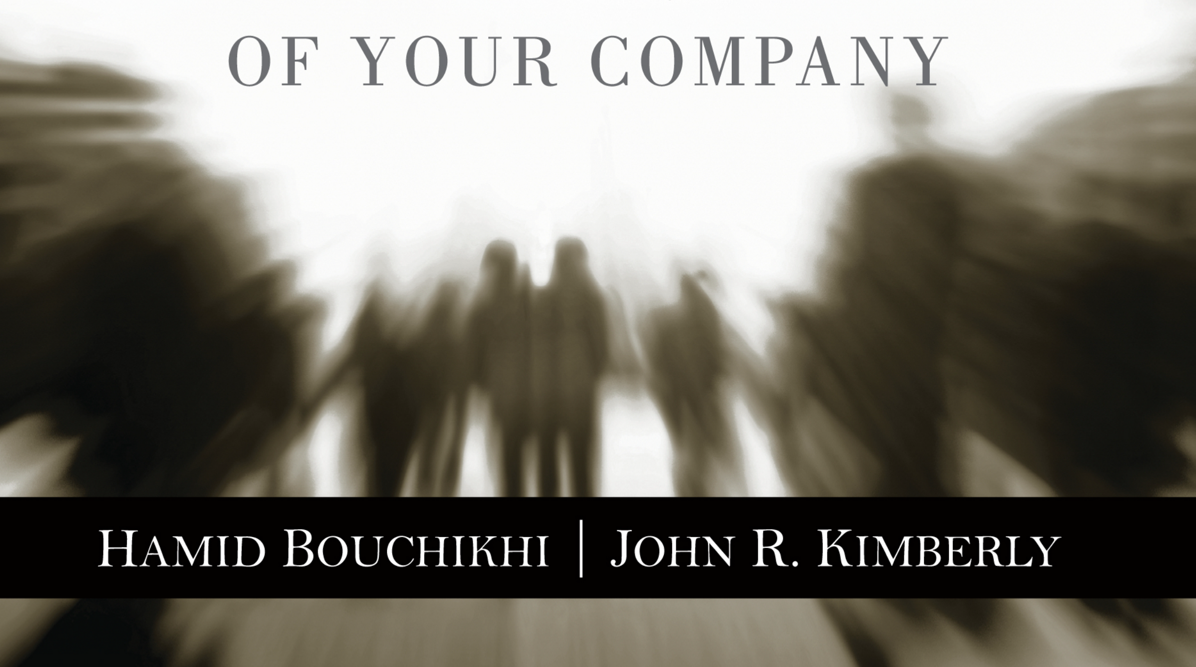
THE SOUL of the CORPORATION

HOW TO MANAGE THE IDENTITY OF YOUR COMPANY



HAMID BOUCHIKHI | JOHN R. KIMBERLY

THE
SOUL
of the
CORPORATION

THE SOUL of the CORPORATION

HOW TO MANAGE THE IDENTITY OF YOUR COMPANY

HAMID BOUCHIKHI | JOHN R. KIMBERLY

Vice President, Publisher: Tim Moore
Associate Publisher and Director of Marketing: Amy Neidlinger
Editor: Yoram (Jerry) Wind
Acquisitions Editor: Martha Cooley
Editorial Assistant: Pamela Boland
Development Editor: Russ Hall
Digital Marketing Manager: Julie Phifer
Publicist: Amy Fandrei
Marketing Coordinator: Megan Colvin
Cover Designer: Chuti Prasertsita
Managing Editor: Gina Kanouse
Senior Project Editor: Lori Lyons
Copy Editor: Progressive Information Technologies
Proofreader: Gayle Johnson
Indexer: Heather McNeill
Compositor: ContentWorks, Inc.
Manufacturing Buyer: Dan Uhrig

© 2008 by Pearson Education, Inc.
Publishing as Prentice Hall
Upper Saddle River, New Jersey 07458

Prentice Hall offers excellent discounts on this book when ordered in quantity for bulk purchases or special sales. For more information, please contact U.S. Corporate and Government Sales, 1-800-382-3419, corpsales@pearsontechgroup.com. For sales outside the U.S., please contact International Sales at international@pearsoned.com.

Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America

First Printing September 2007

ISBN 10: 0-13-259814-0
ISBN 13: 978-0-13-259814-9

Pearson Education LTD.
Pearson Education Australia PTY, Limited.
Pearson Education Singapore, Pte. Ltd.
Pearson Education North Asia, Ltd.
Pearson Education Canada, Ltd.
Pearson Educatión de Mexico, S.A. de C.V.
Pearson Education—Japan
Pearson Education Malaysia, Pte. Ltd.

Library of Congress Cataloging-in-Publication Data is on file.

This product is printed digitally on demand. This book is the paperback version of an original hardcover book.

Naima, I look forward to that next chapter
that we will write together.

—Hamid

To Barbie, whose faith that long days at the
CNIT would eventually pay off never wavered.

—John

Contents

Acknowledgments xii
About the Authors xiii

Introduction **Leadership Challenges in the Age of Identity . . . . xv**

Globalization xvi
Mergers and Acquisitions xviii
Spin-Offs xix
Disruptive Innovation xx
Deregulation xxi
Strategic Alliances, Organizational Networks, and Boundaryless Organizations xxiii
A Society of Organizations xxiv
Reputation and Accountability xxvii
The Advent of Alternative Social Identities in the Workplace xxix
The Self-Aware, Empowered Consumer xxx
The Pervasiveness of Branding xxxiii
Endnotes xxxv

Chapter 1 **The *I*Dimension* 1**

The *I*Dimension* 3
Identity Anchors 5
Balancing Contradictory Tensions in Identity 14
Endnotes 16

Chapter 2 **The Bright Side of the *I*Dimension* 19**
The Internal Benefits of Clear, Consistent, and Valued Identities 21
The External Benefits of Clear, Consistent, and Socially Valued Identities 24
The Virtuous Cycle 25
Endnotes 26

Chapter 3 **The Dark Side of the *I*Dimension* 27**
Narcissism 28
Identity Conflict 30
Drift 33
Fragmentation 35
Endnotes 38

Chapter 4 **Casualties of the *I*Dimension* 41**
Carly Fiorina 42
Jean-Marie Messier 45
Thomas Middelhoff 51
Philip Purcell 54
Endnotes 58

Chapter 5 **To Blend or Not to Blend: Identity Integration in Mergers and Acquisitions 61**
When the Sauce Curdles: The Case of DaimlerChrysler . . . 62
What Path to Follow? 65
Colonial Integration 67
Confederate Integration 68
Federalist Integration 72
Symbiotic Integration 73
The Four Models in Perspective 75
Endnotes 77

Chapter 6 **When Should the Cord Be Cut? Managing Identity in Spin-Offs 79**
The *I*Dimension* in Spin-Offs 80
Continuing Connection 81

Clean Breaks 83
Paradoxical Patterns 87
Why Spin Off? 89
Managing the *I*Dimension* in Spin-Offs 93
Endnotes 95

Chapter 7 Identity in Strategic Alliances and Joint Ventures 97

How Identity Issues Can Put Strategic Alliances at Risk . . . 99
A Framework for Handling Identity in Strategic Alliances . . 108
Managerial Implications 115
Endnotes 117

Chapter 8 Managing the *I*Dimension* at Organizational and Brand Levels 119

When Tying a Brand's Identity to an Organization's Self-Concept Destroys Economic Value 121
How Much Should Brand Identity Rely on Organization Identity, and Vice Versa? 124
Assessing the Relationships Between Organizational and Brand Identities 127
Managing Identity in the Transition from a Single Brand to a Brand Portfolio 130
Managing Organizational and Brand Identities After Mergers and Acquisitions 132
Endnotes 135

Chapter 9 Masters of the *I*Dimension* 137

Steve Jobs 138
Peter Saunders 141
Louis Gerstner 146
Carlos Ghosn 150
Endnotes 153

Chapter 10 Diagnosing Your Firm's Identity 155

Who Needs an Identity Audit? 156
Discovering Identity: A Generic Approach 158
Examples of Identity Audits 164

A Methodological Guide for Conducting an Identity Audit 167

Exploiting Secondary Sources 168

Interviews with Key Constituencies 169

Survey of Stakeholders 171

Endnotes 172

Chapter 11 Leading in the Age of Identity 173

Reinforcing the *I*Dimension* 175

Dealing with Identity and Identification at Individual and Group Levels 178

When the *I*Dimension* Must Change 179

Evolutionary Change in the *I*Dimension* 182

Revolutionary Change of the *I*Dimension* 184

The Benefits and Pitfalls of Evolutionary and Revolutionary Change of the *I*Dimension* 187

The Levers for Identity Change 188

Common Ingredients of Successful Identity Change 189

Endnotes 190

Epilogue 191

Index 195

Acknowledgments

The ideas developed in this book have emerged over many years and, more importantly, owe a great deal to our interactions with numerous colleagues, business leaders, students, and organizations of various sorts, including business firms, hospitals, universities, and churches.

The discussions led by Michel Berry and Jean-Marc Oury of the Paris School of Management inspired our early thinking about the role of identity in business life. Three workshops organized by our colleague David Whetten, of Brigham Young University, in Park City and Sundance reinforced our nascent interest and broadened our understanding of the power and challenges of using identity in the study of management.

Our conversations with Rob Cautilli, Bertrand Collomb, William Kriegel, John Paul MacDuffie, Lisa Reyerson, Jacques Ribourel, and Thérèse Rieul refined our understanding of identity as a multifaceted concept that can be applied usefully to multiple aspects of an organization.

The ideas and frameworks developed in the book carry the mark of our first-hand experience with several companies, including AFAT Voyages, Canal+, Johnson & Johnson, Lafarge, Philips Royal Electronics, Safran Group, SSL International, Wachovia, and Toyota.

Chris Bergonzi, editor of the MIT *Sloan Management Review*, Tim Moore of Pearson Education, and our colleague Jerry Wind of the Wharton School forced us to clarify our thinking and helped us to bring identity out of the academic arena and show how business managers can benefit from mastering what we have come to call the ***I*Dimension***.

Scores of students in the MBA courses we teach at Wharton, INSEAD, and ESSEC engaged with us in exploring the souls of the corporations with which they had first-hand experience, as did literally hundreds of participants in various Executive Education programs in which we tested and refined our thinking. We are grateful to them for helping give shape to the ***I*Dimension.***

Finally, Martha Cooley, Amy Neidlinger, Russ Hall, Lori Lyons of Pearson Education provided much needed and useful feedback as the manuscript moved toward publication.

Although we are ultimately responsible for the ideas you will encounter in the pages ahead, we continue to be amazed by and grateful for the eagerness of all these individuals and organizations to contribute to the final product. And we look forward to your reactions as well, as we continue to discover ways in which the power of identity can be harnessed in service of improved performance.

About the Authors

Dr. Hamid Bouchikhi is a professor of management and entrepreneurship at ESSEC, a leading European business school based in France. He is interested primarily in the human side of organizations and draws heavily on the social sciences. A native of Morocco who has crossed many geographical and mental borders and collaborated with firms from many parts of the world, Dr. Bouchikhi has developed a sharp awareness of identity and its influence on the conduct of business.

Dr. Bouchikhi's current research topics are in organization theory, corporate entrepreneurship, and managerial innovation, where he has authored and coauthored several books and articles in French and English. His English works have appeared in the *MIT Sloan Management Review*, *Harvard Business Review*, *Organization Science*, *Organization Studies*, *Organization*, and the *European Business Forum.*

Dr. Bouchikhi has been involved with several international public and private-sector organizations through consulting assignments, management development programs, and research projects. He is the founder and academic director of ESSEC Ventures—a center providing training, coaching, logistical support, and seed financing to nascent entrepreneurs in the ESSEC Business School community.

Dr. Bouchikhi has been a visiting professor at Keio University (Tokyo), at the Wharton School (Philadelphia), and at the University of Putra Malaysia (Kuala Lumpur, Malaysia).

Dr. John R. Kimberly is the Henry Bower Professor and Professor of Management, Health Care Systems, and Sociology at the Wharton School of the University of Pennsylvania and Visiting Professor at INSEAD in Fontainebleau, France. He is also Executive Director of Wharton's Global Alliance with INSEAD.

Dr. Kimberly has served as organizational consultant in several organizations in the public and private sectors: the Directorate for Science, Technology, and Industry, and the Directorate for Scientific Affairs of the Organization for Economic Cooperation and Development in Paris, France; the Office of Technology Assessment of the U.S. Congress; the Association of American Medical Colleges, the Robert Wood Johnson Foundation; and the Institute of Medicine of the National Academy of Science. His recent professional leadership activities include membership on the editorial boards of the Academy of Management Review, the British Journal of Management, and M@n@gement. He is the codirector, with Dr. A. Thomas McLellan, of the Center for the Organization and Management of Addiction Treatment, a joint venture between the Treatment Research Institute and the Wharton School that focuses on the business of addiction treatment.

Dr. Kimberly's research areas include organizational design, organizational change, institutional creation, health policy, and managerial innovation. His current projects deal with the content and consequences of firm identity, competition and collaboration among health-care organizations in local markets, the structure and mobility of managerial elites, and competition and change in business education. His most recent book, edited with Hubert Gatignon, was *The INSEAD-Wharton Alliance on Globalizing: Strategies for Building Successful Global Businesses*, published in 2004 by the Cambridge University Press.

He holds a Ph.D. from Cornell University and a BA from Yale University. His previous appointments were at Cornell University, the University of Illinois, and Yale University. He has held visiting appointments at Ecole Polytechnique, France; University of Paris-Dauphine; and Ecole Superieure en Sciences Economiques et Commerciales (ESSEC), Paris. From 1998 to 2002 he was also the Novartis Professor of Healthcare Management, INSEAD, and was responsible for designing and launching INSEAD's Healthcare Management Initiative. He is currently completing a book on the global diffusion of managerial innovation with Professors Gerard de Pouvourville at ESSEC and Tom D'Aunno at INSEAD.

introduction

Leadership Challenges in the Age of Identity

Welcome to the Age of Identity. The central premise of this book is that we are in the midst of a transition on a global scale from an era in which the vast majority[1] of individuals and human groups lived with a sense of clarity, continuity, and consistency about their identity—their notion of who they are and how others view them—to an era in which identity is increasingly problematic across all levels of human organization, from the individual person[2] to entire nations or civilizations.[3]

This shift has profound implications for leaders in all walks of life, and particularly in business. To some extent, identity issues and crises in religious, educational, or human service organizations, although potentially highly consequential, are not particularly surprising. These are, after all, organizations that have a strong sense of mission, and as traditional underpinnings shift, you might expect them to be particularly vulnerable to this increasing volatility. You might think that business organizations, with their strong economic orientation and their focus on the bottom line, would be more or less immune to identity questions. Not only is this not the case, but our thesis is that in the Age of Identity, businesses of all kinds are facing identity issues that they do not fully understand and are often ill-equipped to deal with.

The goal of this book is to sensitize you to the central importance of identity in your business and to give you some tools that will enhance your ability to lead in this new context. To set the stage, we highlight ten trends that have characterized the close of the twentieth century and that, together, have created an environment in which organizations of all sorts—businesses, churches, universities, and hospitals—have to cope with essential questions about who they are, who they want to be, and who they can be. Will you be effective as a leader in the Age of Identity? Do you understand the identity issues your business faces? Let's begin with the challenge of globalization.

Globalization

The transition from an environment in which the majority of businesses—especially small and medium-size—were confined to, and often protected in, domestic markets to an environment in which goods, services, and capital flow across borders simultaneously creates new opportunities and poses new challenges. Globalization enables firms to move freely into new markets and geographic areas, but it also brings to the surface questions about who they actually are.

The expansion of McDonald's outside the United States is a particularly good example of the business opportunities and identity challenges that accompany globalization. McDonald's operates the biggest restaurant chain in France and is led by a French management team. The restaurants are owned by French franchisees. Almost all supplies are sourced in France, and the workforce is obviously French. McDonald's France thus has all the attributes of a French organization and is certainly more French than many companies whose products or services are sourced outside of France. And yet McDonald's is widely perceived by French people, and treated by the French media, as an American company spreading “mal bouffe” (the French phrase for junk food) and threatening the French way of life.

In response to a European ban on imports of U.S. hormone-treated beef in 1999, the U.S. government heightened import tariffs on a variety of European products, including *Roquefort* and *foie gras*.[4] Because McDonald’s is identified so intimately with the United States, it was subsequently a natural target for the hostility and anger of the French Farmers Confederation, led by the colorful José Bové.

To change the French public perception of the company, the management of McDonald’s France launched a massive advertising campaign to stress that it sources 80 percent of its purchasing in France and Europe and that its purchasing power contributes to the welfare of thousands of French farmers.[5] Despite these efforts, the company is still identified with the United States, and the management of McDonald’s France has yet to square a difficult circle: persuading the French public that McDonald’s France, the organization, is French, although McDonald’s, the brand, is American.

The challenges faced by McDonald’s as it has expanded globally are hardly unique. The political and psychological resistance encountered by Chinese companies as they enter or make acquisitions in Western markets is the most recent, large-scale illustration of how identity can be a liability. Lenovo, the company that acquired the PC business from IBM, negotiated the right to continue to make and sell PCs under the IBM name for five years[6] after the transaction. However, a firestorm of controversy was created when Lenovo won a contract to supply computers to the U.S. government, with critics raising the specter of threats to data security posed by use of Chinese equipment. In another case, to overcome the liability of “Chineseness,” TCL, the second-largest manufacturer of TVs in the world, chose to market consumer electronics gear outside China through well-known Western brands under its full or partial ownership such as RCA, Thomson, and Alcatel.

Although its efforts to acquire the U.S. energy group Uncoal made a splash in the global media village, the China National Off Shore Oil Company (CNOOC) was hindered by its identification with the Chinese government. In an interview with the *Financial Times*[7] a few days after Chevron won the fight for the control of Uncoal, Fu Chengyu, CNOOC's Chairman and Chief Executive, acknowledged that his company failed to change the perception that it was operating on behalf of the Chinese government.

Mergers and Acquisitions

The spectacular growth of corporate mergers and acquisitions in the last quarter of the twentieth century reflects a relatively recent view of firms as commodities that can, and must, be bought, sold, and combined whenever such actions serve the interests of their shareholders. However, the consistently high rates of poor performance of mergers and acquisitions, as documented by dozens of empirical studies, have raised questions about the firm-as-commodity theory.

Although cultural differences are widely cited as a principal factor, little attention has been paid to the more important role of identity. Culture and identity are not synonymous. To illustrate, let's say that two firms with seemingly compatible cultures are merged. Management and employees in both firms value customer orientation, technological innovation, entrepreneurship, value creation for shareholders, and internal cooperation. From a cultural perspective, therefore, post-merger integration should be smooth. At a deeper level, however, we also find that the firms are viewed by their respective members as unique. This sense of uniqueness means that, comparatively, the firms are actually seen as quite different from one another. This view may have been reinforced by several years of intense rivalry between them. Throughout their histories, each of the firms defined its identity, in part, in opposition to the other. The identity of each firm is, to a significant extent, anchored in not being the other. Therefore, despite the fact that their cultures are expressed through similar values, merging them will be a daunting task.

Cultural alignment may mask deeper differences in identity, and for a merger to be successful, managers must find a way to make “one” identity out of “many.” Identity integration is achieved when insiders and outsiders “forget” about the identities of the original firms and come to see the result of their combination as a single reality. The challenge of achieving identity integration is dealt with in detail in Chapter 5.

Spin-Offs

The same shareholder value creation logic that has intensified merger and acquisition activity is also behind increasing numbers of corporate spin-offs. Spin-offs, however, have apparently been no more successful than mergers and acquisitions. A study of 232 spin-offs by S&P 500 companies in the 1990s conducted by the Booz Allen & Hamilton consultancy in 2002,[8] for example, revealed that 74 percent underperformed in the stock market. The authors attribute the high rate of failure to suboptimal strategic and financial management of spin-offs. More recent research, however, suggests that performance problems in spin-offs are attributable to more than flawed strategies and financial management practices, and in fact involve identity issues that require proactive management.[9] Even though some spin-offs hit the wall because they were set up to fail,[10] others may fail because the spun-off firm does not develop a viable identity of its own, independent from its former parent. Visteon (Ford) and Delphi (General Motors) are good illustrations of spin-offs where the spun-off companies failed to establish identities of their own, continue to be closely associated with their former parents, and share their destiny. On the other hand, Infineon (formerly a unit of Siemens) and Freescale (formerly a unit of Motorola) were more clearly separated from their former parents at the outset and have, more successfully, established themselves as independent, self-contained organizations. Chapter 6 explores the identity dimension in spin-offs and how managers can help a spun-off company develop an identity of its own.

Disruptive Innovation

The twentieth century ended with a flurry of technological and marketing innovation across major industries: steel, computing, telecommunications, financial services, retailing, health care, and imaging, to cite but a few. In each of these industries, incumbents who thrived on traditional technologies or business models were suddenly attacked by new entrants with very different views of the world—different objectives, strategies, and operating principles. Within the traditional strategic logic, all players are assumed to have access to the same strategic options repertoire, and what separates the winners from the losers is execution. However, this logic misses a significant factor: the way in which identity influences the strategic options that firms consider and implement.

In the steel industry, for example, large integrated steelmakers across the globe used all the strategic weapons at their disposal (consolidation, capacity reduction, exit from commodity low-margin market segments, process innovations) and yet were unable to contain a new breed of steelmakers, the "mini-mills." These mini-mills were built around much smaller and less costly plants and therefore could offer much cheaper prices. For integrated incumbents, it appears that the only effective way to compete against mini-mills would be to become mini-mills themselves or to exit the steel industry altogether. In either case, they would have to radically change who they are. Because changing identity is more difficult than adjusting strategy, large steelmakers have either died (as was the case for Bethlehem Steel[11]), consolidated with other integrated steelmakers to reduce costs and preserve pricing power,[12] or radically redefined themselves (as in the case of the German steel conglomerate Preussag, which morphed into a travel and leisure group [TUI]). What happened in the steel industry also occurred in the computer industry, where the makers of PCs overtook established makers of mainframes and minicomputers. Most of the latter either died (DEC) or reinvented themselves as service providers (IBM and Unisys). In the computer industry, as in the steel industry, identity issues were critical in determining winners and losers. Another example can be found in the imaging industry. Polaroid, at one time the worldwide leader in instant film, collapsed because it was too deeply tied to its conception of itself in instant film.

The examples of IBM and TUI show that disruptive innovation does not necessarily lead to the destruction of incumbent firms. Survival depends on the ability of senior management of the incumbent to sense when an innovation is potentially disruptive and to put their firm through the deep and often painful changes required to succeed in the new era. Those who fail to perceive the magnitude of the disruption and who fail to understand the inertial character of identity put the future of their firm at great risk.

Deregulation

Sparked by the realization that state ownership and monopolies tend to inhibit competition, innovation, consumer choice, and cost effectiveness, the recent wave of deregulation and privatization around the globe has been highly disruptive for many established firms and their sense of themselves. As these efforts unfolded, many incumbent organizations, with identities forged under monopolistic conditions, found it difficult to compete effectively. Deregulation enabled the entry of new competitors with superior marketing, technological, operating, and managerial prowess and forced incumbents to face fundamental identity questions. A few industries that have been hit by massive deregulation include electricity, transportation, banking, and telecommunications. Companies that have successfully adapted to the new competitive environment were able to make the transition, more or less quickly, from thinking of themselves as monopolies serving the public good to viewing themselves as businesses that have to compete for the hearts and minds of customers on the basis of superior value propositions.

The threats to long-established monopolies posed by deregulation are well illustrated by the examples of AT&T in the United States and Electricité de France (EDF) in France. In the ten years following the 1996 federal deregulation act, AT&T went through several gut-wrenching strategic and operational changes aimed at defining a new AT&T. Although repeated downsizing, numerous reorganizations, and various investments, divestments, and spin-offs under Robert Allen (Chairman and CEO of AT&T from 1988 to 1997) raised hopes, AT&T did not find new life. Despite being hailed as an outstanding choice to replace an embattled Allen in 1997, Michael Armstrong was no more successful at establishing a viable identity for AT&T. After two good years in which AT&T's stock was carried to incredible heights by the dot-com tide, Armstrong witnessed the free fall of the stock price (see Figure 1), a trend that continued under his successor, David Dorman, who took the helm in 2002. In an ironic turn of events, AT&T was eventually swallowed by SBC, one of the Baby Bells forced out of its corporate family by the telecommunications act.

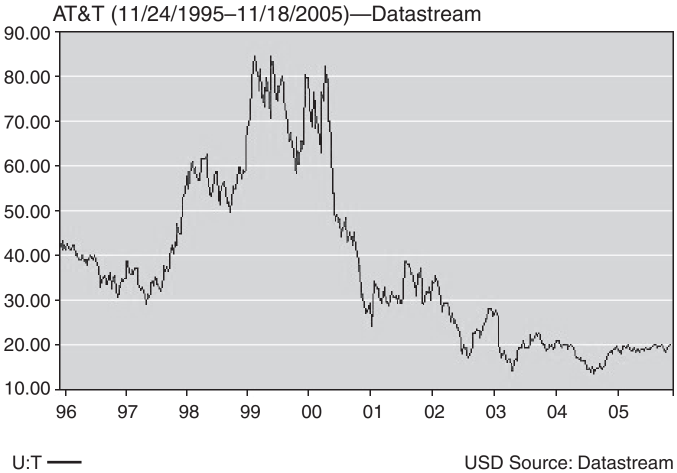


Figure 1 AT&T stock price after the Federal Deregulation Act

The challenges faced by EDF, the French electricity monopoly, provide another good example. The deregulation of electricity production and distribution in the European Union compelled the French government to open the domestic market for competition and to privatize EDF. However, the transition of EDF from a monopoly to a free-market player provoked numerous strikes and protests orchestrated by labor unions and leftist political parties. Although the center-right government led by Dominique de Villepin floated a portion of EDF shares on the Paris stock market in 2005, a law passed in 2004 does not allow the government to own less than 70 percent of the shares and voting rights in EDF. As a result, EDF today is neither a private company nor a public-sector organization. Furthermore, the ambiguity about the identity of EDF has exposed France to criticism from other European countries for several reasons:

- The French former monopoly is seen as behaving as a free-market player abroad, where it has made many investments and acquisitions[13] thanks to easy access to state aid and government-guaranteed borrowings.
- At the same time, however, electricity distribution is still a monopoly in France, and it is still difficult for a non-French competitor to enter the domestic market.
- It is impossible, by law, for a foreign investor to acquire a significant stake in EDF.

In contrast with EDF, which is still struggling to shed its public-sector identity and to embrace a free-market-based identity, other European companies such as BT (the former British Telecom) and Air France have successfully completed their metamorphoses and are leaders in global, highly competitive industries.

Strategic Alliances, Organizational Networks, and Boundaryless Organizations

The evolution in many industries from integrated, self-sufficient firms to networks of interdependent organizations blurs organizational boundaries and brings identity issues to the forefront. The typical biotechnology firm, for example, draws its revenue from partnerships with several big pharmaceutical companies that require strict firewalls to be erected between projects and teams to protect their investment. In the automobile and electronics sectors, the adoption of lean manufacturing with its zero inventory and just-in-time systems has led suppliers to build dedicated units and organizations on clients' assembly sites. A similar evolution is observable in information technology services, where outsourcing means that service providers build dedicated, permanent units with their own management structure on clients' premises.

People who operate in these new, "boundaryless" organizational contexts are often unclear about who their employer really is and where their loyalty must lie. When much of a firm's competitive advantage resides in the knowledge, skills, and commitment of its workforce, leaders must ensure that employees have no doubt who their employer is. And herein lies a major challenge. Although they have to open the firm's strategic, operational, and physical boundaries to enable close collaboration with multiple partners, managers must also erect thick *psychological* boundaries and build a distinctive organizational identity that people can identify with and feel loyal to regardless of who they work with on a daily basis or where they work from. The paradoxical demands of networks are taken to an extreme in virtual organizations. The more virtual an organization is, the more it must rely on psychological processes to create and maintain a sense of togetherness and belonging among employees who operate in multiple workplaces and time zones.

Chapter 7 elaborates further on identity issues in the specific context of strategic alliances that may or may not require the creation of a separate organization.

A Society of Organizations

A hallmark of the Age of Identity is the increased prevalence of organizations everywhere in society.[14] Organizations are involved in every aspect of our existence, from birth to death.

In traditional societies, individuals inherited much of their own identity from the social milieu (family, place of birth, tribe, religion) into which they were born. In an organizational society, individuals are defined by the organizations in which they participate. The firm, therefore, is no longer just a workplace but a socially and emotionally loaded entity. The firm has become, perhaps unintentionally, a supplier of individual and collective identities. This evolution brings new demands and responsibilities to management. When employees, and often other stakeholders, draw much of their sense of self from belonging to, or buying from, a particular organization, they tend to be anxious about and resist changes that may alter what, in their eyes, is the very soul of that organization.

Because they did not appreciate the significance of identity, the trustees of the Milton Hershey School Trust were surprised and overwhelmed by hostile reactions to the proposed sale of the trust's holdings in the Hershey Company (formerly Hershey Foods and Co.) in the summer of 2002. The trust owned 31.4 percent of Hershey's outstanding common shares and 76 percent of voting rights,[15] and it intended to diversify its holdings. At the time, analysts estimated that competition among potential buyers, including Nestlé, Kraft Foods, and Cadbury Schweppes, could lift Hershey Foods' price tag to as much as $12 billion.[16]

The decision to put Hershey Foods up for sale provoked a hostile chain reaction that took the trustees by surprise. Opposition to the sale came from many quarters: employees, residents, former trustees, high-profile alumni of the Milton Hershey School, judges, the Pennsylvania Attorney General, and the state's lawmakers. All feared that the sale of Hershey Foods to one of its major competitors not only would endanger 3,000 jobs but would also betray the legacy left by Milton Hershey, who dedicated his life to using business for the pursuit of common good. After two months of fierce fights in the courts and in the media, the trustees conceded defeat and declared that the trust's share of Hershey Foods was no longer for sale. You can get a sense of the depth of people's feelings about the sale in the following excerpt from a *Fortune* magazine story by John Helyar:[17]

> Late that night a resistance leader named Bruce McKinney got the news (of the canceled sale) at home. He went outside and clanged a bell to wake his neighbors with the glad tidings. They came out to dance and drink in front of the DERAIL THE SALE signs that lined the street. It was like V-J Day in Chocolatetown Square the next morning, with citizens whooping and drivers honking.
>
> The townspeople, you see, felt they hadn't just saved an estimated 3,000 jobs; they had reclaimed their legacy. Hershey is one of the last company towns in America in an age when most have gone the way of the nickel candy bar. But Hershey is much more than that. It's a unique place where company, community, and charity intertwine in a remarkable century-long social experiment.

The conflict surrounding the proposed sale reflected diverging definitions of Hershey Foods. To the trustees, Hershey Foods was a business that could be bought and sold as any other. They did not see the business as central to the philanthropic mission of the Hershey Trust. On the opposite side, employees, residents, and Milton Hershey school alumni viewed Hershey Foods as more than just a business and emphasized its centrality to the "social experiment" initiated by Milton Hershey and to the identity of the community that grew around the chocolate business.

Although the cool-headed analyst may have been appalled by the rejection of the price offered by Wrigley and Nestlé for the company's stock, people who drew their sense of identity and community from the company were more sensitive to a different calculus. To them, Hershey Foods was a central institution in their lives and thus could not be bought and sold as though it were a commodity.

To avoid the complications faced by the Hershey trustees, leaders must understand when a change initiative is likely to alter the essence of the organization in the eyes of key stakeholders. Leaders who pursue this sort of change must be prepared and able to deal with collective psychological and emotional phenomena that are very different in nature and implications from mechanical calculations of value creation.

Reputation and Accountability

In a society in which who makes a product has become as important as, if not more important than, the intrinsic characteristics of the product itself, leaders must ensure consistency between the firm's view of itself and how it is viewed in the outside world. Inconsistencies in these views will inevitably lead to problems.

A good example of the detrimental effects of misalignment between a firm's sense of itself and how it is perceived externally is the widely publicized controversy in which Degussa, a German chemical company, found itself embroiled during the construction of the Holocaust Memorial in Berlin.

After a TV documentary revealed that Degussa had owned Degesch,[18] the firm that supplied the Zyklon-B used by the Nazis in extermination camps, the foundation overseeing the construction of the "Memorial to the Murdered Jews of Europe" voted against using an anti-graffiti coating made by Degussa to protect the thousands of concrete slabs erected in memory of Holocaust victims.[19] The 22-to-1 vote by the foundation's trustees came after weeks of heated public debate and reflected the view, held by the trustees and a wide section of the general public, that the Degussa of 2003 was the same as the company that owned the maker of the deadly gas six decades before.

The trustees' decision came under criticism from many circles. In an interview with the German newspaper *Tagesspiegel,* Avi

Primor, the former Israeli ambassador to Germany, saw no rational reason for excluding Degussa from construction of the Memorial and added that "Degussa today has nothing to do with the Degussa of the Nazi era."[20] Peter Eisenman, a U.S. architect with a Jewish background, was less diplomatic. He criticized the decision as "political correctness" and said that "Germans today should not all continue to be held responsible for the actions of their parents."[21] In an interview[22] with National Public Radio (NPR), he added, "I think (the trustee's decision) is allowing us to be held hostage to history. And, you know, had I thought that this was an issue, I would never have gone into this project in the first place."

How should top management react to a potentially damaging crisis they neither provoked nor anticipated? Should they argue that equating Degussa with the Nazi Era was unfounded, or accept it? Dismissing the equivalence could be seen as additional evidence of the company's guilt. Accepting it, on the other hand, could upset employees and other stakeholders and threaten their identification with the company. The company's statement, made the day following the trustee's decision, shows how fine a line the company's leadership had to walk:[23]

> Degussa is aware of the past of its predecessor companies. Chairman Prof. Utz-Hellmuth Felcht comments: "Actively working through and coming to terms with the history of our company is a matter of central concern for us." ... Moreover, Degussa is one of the founding members of the "Remembrance, Responsibility and Future" Foundation...Today's Degussa Group employs a workforce of 48,000 worldwide—of all religions, including members of the Jewish faith. It is no easy matter to explain to the employees why they are facing this decision, given that they know about the history and also how the *"new"* [our emphasis] Degussa is actively working through and coming to terms with it.

This statement shows that the company's leadership was aware that a rational, analytical reaction to the crisis would not be appropriate in a highly charged emotional context. The chairman did not seek to challenge the identification between the old and the new Degussa on rational grounds. Instead, he empathized with those who felt offended by the company's involvement in the Memorial and sought, at the same time, to reassure employees by stressing the "new," guilt-free Degussa.

The decision to change the company name of the well-known cigarette manufacturer Philip Morris to Altria illustrates a different—and, in our view, less effective—handling of identity in a context where accountability and reputation issues occupy a central place in a firm's life. As the tobacco industry came under attack almost everywhere across the globe, the management of Philip Morris adopted a new name, hoping to reduce the company's exposure to negative comments. This kind of maneuver can buy time, but its effects will not last long, because the company remains committed to cigarette manufacturing and the high margins it provides. Altria will continue to be perceived, internally and externally, as a cigarette company and will continue to be held accountable for the consequences of its behavior. To change its public perception and reduce its accountability, Altria would have to go through genuine identity change, either by exiting the tobacco industry altogether or, at least, inventing a radically different, less controversial, way of making and selling cigarettes.[24]

The Advent of Alternative Social Identities in the Workplace

In the industrial age, workers were grouped and managed within occupational categories represented by unions in collective bargaining processes with management. Individuals belonging to the same occupational category received the same rights and were subject to the same obligations.

The decay of this model over the past few decades is persuasively argued by Michael Piore of the Massachusetts

Institute of Technology (MIT) and his colleague Sean Safford of the University of Chicago in an article published in a recent issue of the journal *Industrial Relations*:[25]

> Under the New Deal era of collective bargaining, the broader storyline—the one with which workers ultimately identified—presumed the Weberian distinction between the rational economic realm and the irrational social realm...It is impossible in today's world to imagine one's work career without incorporating one's social context into it: that is, such aspects of life as parenthood, health, and the social stigma that may attach to one's race, religion, or gender.... Social identity, in this context, serves as a ready alternative to a work-centered plot and, therefore, to work identities as an axis of mobilization. (p. 319)

The trends encapsulated in this quote from Piore and Safford entail new challenges for management and labor unions. The interpenetration of social and economic spheres enables multiple social identities to be carried into the workplace. These social identities put new claims on management for recognition and tailored treatment and challenge the foundations of occupational-based labor unions. In the Age of Identity, business leaders need to be alert to and manage the identity of the organizations they are entrusted with. At the same time, they are increasingly under pressure to acknowledge and respond to the manifold social identities carried into the workplace or projected onto the organization by outside groups.

The Self-Aware, Empowered Consumer

The salience of multiple identities within the workforce is paralleled by increased self-awareness among consumers for whom buying and consumption decisions are becoming occasions for expressing, asserting, and reinforcing personal and social identities. Even though the share of "identity-based" consumption is still low, it is growing and will inevitably challenge mainstream suppliers of products and services to reckon with the identities of customers who feel increasingly empowered as a result of the following factors:

- The availability of products and services that are explicitly designed to fit with their self-identity
- The availability of real-time information on competing products and their suppliers
- The availability of opportunities to communicate instantly with other members of their reference groups

To cope effectively with this trend, managers need to master "identity marketing."[26] Consider, for example, the challenges posed to Coca-Cola and PepsiCo by the rapid growth of Mecca Cola, a soda launched in France in 2002 by a Tunisian-born lawyer. The militant founder wanted to offer French Muslims an alternative to Coke and Pepsi, pledging, in the process, to give 10 percent of the profits to Palestinian charities and another 10 percent to charitable works in Europe.

As long as the new soda was not available through mainstream French retail channels and could be bought only in ethnic stores, the market leaders, Coca-Cola and PepsiCo, did not need to worry about its popularity within a small consumer segment that identifies strongly with its militant agenda. But the swift international expansion of Mecca Cola can no longer be ignored by established competitors. The company recently relocated its headquarters to Dubai, in the Middle East, and is building a large industrial complex. The company is now marketing a range of soft drinks in 64 countries and sold 1 billion liters worldwide in 2005.[27] The founder boasts that Mecca Cola has become the third-world brand for cola after Coca-Cola and Pepsi.[28]

The success of Mecca Cola and the proliferation of other militant soda brands have forced Coca-Cola and PepsiCo to reconsider their marketing and advertising strategies in Arab and Muslim countries. In a story commenting on the legacy of former Coca-Cola Chairman and CEO Douglas Daft, the *Financial Times* wrote:[29]

> Mr. Daft also consciously played down Coca-Cola's American image. Its Coke brand has been a particular target for Muslims fighting against perceived American imperialism. Several private cola brands, including Mecca Cola, have emerged in the region to challenge Coke's business. Now the company has adopted a "think local, act local" mantra throughout its sales and marketing teams. Rather than depend on the Atlanta headquarters to create one advertising theme, Coca-Cola's local offices create commercials tailored to local tastes and sensibilities.

In addition to producing local commercials, Coca-Cola is said to counter Mecca Cola's assaults through pricing power, credit facilities, and other weapons that its size and economies of scale afford it. Will this be enough? The long-term answer will depend on how deep and how long the new competitors will be able to capitalize on Arab-Muslim self-awareness and turn consumers away from established brands by merely presenting themselves as ethnically compatible Arab-Muslim products.

Our view is that Coca-Cola and PepsiCo and other mainstream businesses threatened by identity-based competition must learn how to compete on this new terrain. Commercials featuring local faces are a step in the right direction, but this may not be enough. To cope effectively with identity-based competition, mainstream players must consider launching brands anchored in the same identity or react on the basis of alternative desirable identities. To Coca-Cola and PepsiCo, the first strategy means working with local business partners to launch brands that can make comparable, though less radical, identity claims and that will have easier access to technologies, marketing expertise, and mainstream retailing channels. The second strategy means competing on the basis of alternative social identities within the

Arab Muslim world. One can think, for example, of brands that would appeal to women or to the large section of the population that thinks of itself as modern but feels equally distant from radical nationalistic, often fundamentalist, claims and Western lifestyles.

The Pervasiveness of Branding

Because traditional references and labels are losing their effectiveness in defining individuals, organizations, and even countries, a focus on branding has become a central feature of the Age of Identity. In business, the need for effective branding is compounded by intensifying competition between firms offering increasingly comparable products and services. In this context, the identity of the firm that makes and stands behind a product or service is becoming as important as the intrinsic attributes of that product or service.[30] Corporate branding, a fast-growing activity, enables leaders to use the firm's identity as competitive weapon. In addition to competitive differentiation, leaders use corporate branding to position the firm favorably vis-à-vis its stakeholders: current or prospective employees, investors, analysts, journalists, or activist groups. Business leaders who are attracted to corporate branding should know, however, that corporate branding is a double-edged sword and can sometimes make them easy targets for adverse activist groups. The following quote from an article published by Naomi Klein in *The New Statesman* captures the paradox of branding:[31]

> I doubt this current surge of anti-corporate activism would have been possible without the mania for branding. Branding, as we have seen, has taken a fairly straightforward relationship between buyer and seller and—through the quest to turn brands into media providers, art producers, town squares and social philosophers—transformed it into something much more intimate. But the more successful this project is, the more vulnerable these companies become to the brand boomerang. If brands are indeed intimately

entangled with our culture and identity, then, when they do wrong, their crimes are not easily dismissed as another corporation trying to make a buck. Instead, many of the people who inhabit these branded worlds feel complicit in their wrongs, both guilty and connected. And this connection is a volatile one, akin to the relationship of fan and celebrity: emotionally intense but shallow enough to turn on a dime.

If you are tempted to use the identity of your firm as a basis for competitive advantage, you need to be aware of some common risks and pitfalls:

1. Be sure that the organizational identity projected through branding efforts is real. If it is not real, if it is mere sloganeering, your competitors, or other unfriendly stakeholders, may turn these branding efforts against you. Failure to observe this rule exposed the British Petroleum Company (BP) and its top management to a storm of criticism after an explosion at the Texas City, Texas, refinery in 2005, where 15 workers lost their lives. The following quote[32] provides a good illustration of how BP management's presentations of BP as a "green" and socially responsible company are being used against it in the media:

> Another day, another battering for BP. The final report from the US Chemical Safety Board on the Texas City refinery explosion in 2005 made some pretty unpleasant reading for the UK supermajor, which prides itself on corporate social responsibility. Men working 29 days of continuous 12-hour shifts, as was highlighted in the review, sits uneasily with claims of a safety-first regime. Many of the report's findings have been aired before and BP "strongly disagrees" with some of the conclusions, but the tragedy in which 15 people died has been one major wake-up call—both for BP and the industry.

2. Ensure the consistency of corporate branding efforts targeted at various stakeholders. The risk in adapting each message to its recipients is that multiple, and sometimes conflicting, images may be projected, leading to confusion in the marketplace.

3. Carefully align your own behavior and decisions with the organizational identity claims you make inside and outside the firm.

4. Strive to realize synergies between handling identity at the level of the organization as a whole and at the level of the individual brands under which your firm's products and services are marketed. Chapter 8 deals with this topic in more detail and suggests managerial strategies for maximizing synergies between organizational and brand identities.

This introduction highlighted a number of trends that together constitute significant challenges for firms doing business in the Age of Identity—challenges that confront leaders of these firms with tough questions about the essence of the organizations for which they have responsibility. Although these trends represent different and, *a priori*, unrelated phenomena, they have one thing in common: They are about changes in the business environment that leaders cannot respond to by merely adjusting business strategies or operating systems and routines. To respond effectively to these changes, leaders have to reach much deeper, to the firm's identity, and determine whether it is an asset they can leverage to bring about change (as you will see in Chapter 2) or a liability they must address to avoid being obliterated by new competitors (as discussed in Chapter 3). To assess how much of an asset or liability your firm's identity might be, you first need to know precisely what identity is. So read on.

Endnotes

1. Although uncertainty about the identities of some individuals and groups is probably as old as mankind, it must be stressed that identity used to be problematic only for individuals and, often oppressed or suppressed, minorities in societies whose mainstream had little doubt about collective and individual identity.

2. The British sociologist Anthony Giddens discusses issues of individual identity in late modernity. His arguments are developed in *Modernity and Self-Identity,* a book published in 1991 by Stanford University Press. Richard Sennett elaborates on the same phenomena in his popular book *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism* (1998, W.W. Norton & Company).

3. An insightful discussion of these identity issues in the twenty-first century can be found in two books by Samuel Huntington: *The Clash of Civilizations* (1997, Simon & Schuster) and *Who Are We? America's Great Debate* (2004, Simon & Schuster).

4. *Dow Jones Business News,* August 31, 1999: "French Farmers Protest Against McDonald's, U.S. Trade Sanctions."

5. *La Tribune,* August 20, 1999: "McDonald's France achète 80% de ses produits agricoles dans l'Hexagone."

6. *Financial Times,* November 9, 2005: "Anatomy of a Deal."

7. *Financial Times,* November 8, 2005: "CNOOC Bloodied but Unbowed."

8. Lucier, C., J. Dyer, and G. Adolph. 2002. "Breaking Up Is Hard to Do—and to Manage." *Strategy+Business,* 28:1–4.

9. Corley, K.G. and D.A. Gioia. 2004. "Identity Ambiguity and Change in the Wake of a Corporate Spin-Off." *Administrative Science Quarterly.* 49:173–208.

10. This is the case of spin-offs for which the main motive is to rid the parent company of a doomed business unit or to clean its balance sheet.

11. Bethlehem Steel was liquidated in 2003 after selling industrial assets to International Steel.

12. The combination of Arcelor and Mittal Steel is a perfect illustration of this path. Arcelor was formed by merging the French Usinor with the Spanish Arceleria and the Belgian Arbed. Mittal Steel grew through successive acquisitions and consolidations of ailing steelmakers in Eastern Europe and the United States.

13. In Europe, EDF made full acquisitions or bought significant stakes in electricity utilities in Germany, Hungary, Italy, Poland, Spain, and the United Kingdom. EDF is also actively involved in Africa, in the

Americas, and in Asia. In 2004, EDF generated $17.5 billion in revenue (out of $47 billion) outside France and $4 billion (out of $12 billion) in earnings before interest, taxes, depreciation, and amortization (EBITDA). Source: The EDF Group, *Annual Report,* 2004.

14. The advent of a society of organizations was first articulated by William Whyte in his classic book, *The Organization Man* (1956, Anchor Books). For a more recent discussion of the role of organizations in society, see Perrow, Charles. 1991. "A Society of Organizations." *Theory and Society,* 20:725–762.

15. The *Wall Street Journal,* July 25, 2002: "Sweet Deal: Hershey Foods Is Considering a Plan to Put Itself Up for Sale."

16. Dow Jones News Service, August 7, 2002: "Hershey School Group Requests Lawmakers to Stay Any Sale."

17. *Fortune* magazine, October 14, 2002: "Sweet Surrender. There Was Much Rejoicing When the Town Founded by Milton Hershey Blocked the Sale of His Chocolate Company. But Was It Really a Victory?"

18. Degussa owned, until 1986, a 42.2 percent share in Degesch, which delivered Zyklon-B cyanide tablets to the Nazis for use in the death camps' gas chambers.

19. *Western Daily Press,* October 27, 2003: "Holocaust Firm Banned."

20. *Agence France Presse,* October 29, 2003: "L'architecte du mémorial de l'Holocauste soutient le groupe chimique Degussa."

21. *Agence France Presse,* November 5, 2003: "Nazi-Linked Firm Helped Build Holocaust Memorial Foundation."

22. NPR Radio, October 31, 2003: *All Things Considered.*

23. Degussa company press release, October 28, 2003.

24. Ways to change public perception may include inventing a nicotine-free cigarette, or allocating a large portion of the profits to a charitable foundation dedicated to cofunding health care for heavy smokers, among other options.

25. Piore, M., and S. Safford. 2006. "Changing Regimes of Workplace Governance, Shifting Axis of Mobilization, and the Challenge to Industrial Relations Theory." *Industrial Relations,* 45:299–325.

26. For a discussion of identity marketing, see Reed II, Americus, and Lisa Bolton. 2005. “The Complexity of Identity.” *MIT Sloan Management Review,* 46/3:18–22.

27. *FOOD,* May 24, 2005: “‘Mecca Cola’: A Sign of the Times.”

28. Mecca Cola company Web site (www.mecca-cola.com), accessed March 20, 2007.

29. The *Financial Times,* March 10, 2004: Wall Street is convinced that Steven Heyer, the company’s president and chief operating officer, is the man for the top job. But the board is conducting an unprecedented external search, and some believe Heyer has other goals.

30. On the benefits and approach to corporate branding, see Aaker, David A. 2004. “Leveraging the Corporate Brand.” *California Management Review*, 46/3:6–18.

31. Klein, Naomi. 2000. “The Tyranny of the Brands.” *The New Statesman,* 129/4470:25–28.

32. Upstream: “BP living dangerously,” March 23, 2007.

chapter 3

The Dark Side of the *I*Dimension*

Do you remember Digital Equipment Corporation (DEC)? This company challenged IBM's supremacy with minicomputers that occupied less space, were less expensive, and were easier to operate than IBM mainframes. At the height of its glory in the 1970s, DEC was seen by many as a daring innovator poised to take over Big Blue and lead the world computer industry. Fast-forward to 1998, and you see a struggling DEC being swallowed by a conquering Compaq[1] that planned, as a starter, to slash 15,000 of DEC's 53,500 jobs. Fast-forward again to 2007, and DEC no longer exists. It has disappeared both as an organization and as a brand. The consistent, enduring, and distinctive identity that served DEC so well in the 1960s and 1970s became a trap from which it was unable to escape.

As the example of DEC so clearly illustrates, the multiple benefits of a consistent, distinctive, and enduring identity—its bright side—can become liabilities if top management is unwilling or unable to see beyond issues of strategy and operations and appreciate its potential dark side. To help managers cope with the dark side of identity, this chapter pinpoints a number of common dysfunctions and suggests ways to address them.

Narcissism

As with individuals, organizations are prone to narcissism. Organizations fall into narcissism when their owners, employees, and key stakeholders converge around a clear and consistent identity for the organization, draw pride from belonging to or dealing with the organization, and remain committed to their definition of the organization despite signals, weak or strong, that the organization's identity may no longer be adequate or viable.

To illustrate, let's go back to the DEC story. Many observers and management scholars have glossed over the case and put forward several explanations as to how the company came to such a sad ending. Harvard Professor Clayton Christensen contends that DEC, like many other technology firms, failed because it did not predict the disruptive change introduced by the pioneers of personal computing.[2] This theory is plausible and can be applied successfully to many other cases. However, the disruptive change theory does not offer a convincing explanation as to why many firms fail to predict, or most of the time just acknowledge, disruptive technological innovation.

To get to the roots of a firm's failure to foresee and adapt to change, we need to leave the realm of economics and strategy and consider the relationships between identity and performance. When a firm is perceived as successful, its stakeholders are led to attribute good performance to some inner attributes of the organization. In the process, they increase their commitment to the organization as it is. The narcissistic loop is reinforced as more success brings about more faith in and commitment to the identity of the organization. At extreme levels of narcissism, organizations become inward-looking and shut down adverse feedback channels.

Organizational self-absorption is not specific to the technology sector. Moulinex, the French maker of small appliances, fell victim to the same syndrome that failed DEC. Moulinex was founded in the aftermath of World War II by Jean Mantelet, a self-taught engineer. Mantelet had a simple yet strong vision: offer French households innovative, quality kitchen appliances at a moderate price and create as many jobs as possible in France. To achieve his vision, Mantelet built an organization where growth, innovation, cost leadership, and job creation formed the core of its identity. As a result of Mantelet's vision and the unique organizational identity he defined for the organization, Moulinex enjoyed several decades of continuous international growth and profitability. In the process, the company developed a sense of itself—confirmed by external perceptions—as a leading, innovative French industrial company. This self-concept did not enable Moulinex and its stakeholders to cope with a changing environment in the early 1980s—market saturation in Western countries and new competition from low-cost Asian countries. Despite growing adversarial evidence, Jean Mantelet, his loyal management team, and the employees were unable to think of Moulinex as something other than a highly successful small-appliance company with a strong French industrial base.[3] Their inability to challenge the company's deep-seated identity ultimately led to its liquidation in 2002.

Managers can help their firms avoid chronic narcissism by maintaining feedback channels and forcing internal and external stakeholders to acknowledge dissonant information from the environment. Louis Gerstner will long be remembered for forcing IBM to admit that it was no longer the sole rainmaker in the information technology (IT) sector[4] and broadening its self-concept beyond mainframes.

Identity Conflict

Identity conflict occurs when influential stakeholders hold, and are committed to, competing, equally clear, and mutually exclusive views of the soul of the same organization. As a result, the firm is continuously torn between conflicting objectives, business strategies, and operating principles.

A good example of identity conflict can be seen in the Catholic Church. The election of Pope Benedict XVI brought into the spotlight a set of issues that have been tearing apart the Catholic Church for many years and that bear profound consequences for the perennial identity of the Church. Reformists, worried about the decline of the Church in Western societies, urge adaptation to life in modern societies by abolishing the obligation of celibacy for priests, allowing the ordination of women, and taking a more inclusive attitude on birth control and homosexuality. Conservatives, on the opposite side, contend that the "Laws of God" are immutable and that the Catholic Church should not align itself with society when it deviates from the Laws of God. The debate between the reformists and the conservatives conveys deep conflict about the very essence of the Catholic Church. The conservatives agree that the Church would likely gain more followers and priests if it took a softer stand on societal issues but object that the Catholic Church would lose its essence. Reformists believe the contrary. The Catholic Church would lose its essence as the House of God if it failed to live in the world and did not engage with humanity as it is.

Conflict about identity is a common fact of business life, even though it may not involve as many emotions as is the case for the Catholic Church. In the business world, Jacques Nasser's forced departure from Ford Motor Company revealed a deep conflict between the historical emphasis on car manufacturing in Ford's identity and the consumer-oriented service company promoted by Nasser:[5]

> At the start of last year we reconfirmed our commitment to being the world's leading consumer company for automotive products and services. Our vision makes customers the foundation of everything we do and superior shareholder returns the ultimate measure of our success. When you view your business from the customer's perspective, you shift from a "transaction" mentality to a "relationship" headset—from merely selling a vehicle to providing an ongoing stream of automotive-related products and services that suit a customer's needs over a lifetime.

The conflict between Nasser's view and other stakeholders' views of Ford (employees and unions) was eventually resolved when the Ford family stepped in, ousted Nasser, and put Bill Ford at the helm of the organization. Nasser's ousting and his replacement with Bill Ford signaled, internally and externally, that Ford was going back to its industrial roots and emphasis on making products. Bill Ford made this clear in the first annual report following the transition at the helm of the company:[6]

> One of the great advantages we've always had is that we're not another nameless, faceless corporation. The Ford family involvement has given the Company a special relationship with the people who work here. Our dealer and supplier partners also are part of our extended family. Many of them have been with us since the beginning and have been a part of the Ford success story.
>
> In 2001, we lost focus on the critical elements of products and people. It cost us dearly. But difficult times provide an opportunity to re-examine core values and to take bold action. We have done both. In November of last year we put a product-focused leadership team with a proven record of strong results in place.

Reasserting its historic identity, however, was not enough to get Ford back on track. Bill Ford was replaced as CEO by Al Mulally in the fall of 2006.

The decision to put Hershey Foods up for sale revealed, in a different way, conflicting understandings of the firm's identity. The Hershey Fund trustees viewed Hershey Foods as a typical business that could be sold without consequences for Hershey's social mission, because the social mission formally resides at the level of the Trust, not the firm. On the opposite side, the employees and the local community viewed the ownership of Hershey Foods by the Hershey Trust as integral to its identity.

The battle between the management of Nestlé, the Swiss food conglomerate, and the employees of Perrier is another illustration of how bitter the conflict about identity can get. The managers of Nestlé are promoting the idea that Perrier is a water brand that is not necessarily tied to Vergeze, France, the location of the spring used to fill Perrier bottles. Fearing that this theory of Perrier might mean fewer jobs and investment in Vergeze, unions and local politicians have been lobbying the European Union (EU) Commission for a general ruling about "place of origin" that would prohibit Nestlé from bottling Perrier elsewhere.[7] As can be seen in the following quote from the daily newspaper *Le Figaro,* the theory linking the essence of Perrier to Vergeze found sympathetic ears and advocates in the French government:

> The French industry minister, Patrick Devedjian, said yesterday that Perrier mineral water is geographically specific in that it comes from springs in Vergeze in southeastern France. Speaking in the French senate, the minister claimed that, if Perrier's owner, the Swiss food giant Nestlé, decided to sell water from other springs under the Perrier brand, consumers would not be fooled. Mr Devedjian also acknowledged, however, that Perrier is not legally linked to the Vergeze site.

Managers can cope with identity conflict either by maintaining a workable balance between the present forces or by clearly favoring one view of the firm. Contrary to a widely held opinion, conflict is not necessarily a bad thing. After all, it is common for different parties to hold somewhat different views of the same organization. Furthermore, the presence within the same organization of different views of its identity can enable it to present itself in different ways at different times to different constituencies. The question, then, is a matter of degree. As long as conflicting views of the organization do not generate confusion, paralysis, or a high level of detrimental infighting, managers should not be overly worried by lack of consensus on the essence of the firm.

When conflict about the identity of the organization reaches a threatening level, managers should support the view of the organization that they see as the most viable. For example, one part of the management team of a British multinational company viewed the firm as a participant in the health-care industry, while another viewed it as a consumer products company. Although it was softly expressed, the conflict about the firm's identity went along with questions about where and how the company should pursue future growth. To settle the matter, the CEO articulated a clear vision of the company as a maker of "branded consumer products distributed through retailing channels." To enforce the company's new identity, the CEO divested all the businesses that did not fit with the company's new definition, regardless of their performance.

Drift

Drift occurs when an organization with a clear and consistent identity progressively loses focus and its original sense of self. Drift settles in and often goes unnoticed. It usually happens when managers develop new activities, enter new markets, acquire other firms, and involuntarily blur the clarity and consistency of the firm's identity. Kmart and Boeing are good illustrations of gradual drift. In its efforts to challenge Wal-Mart's supremacy and to sell everything to everyone, Kmart ended up with a blurred identity and became synonymous with persisting poor performance. When the board of directors appointed James B. Adamson to bring the company back from Chapter 11, he was very articulate, in an interview given to *Business Week,* about the need to first clarify Kmart's identity:

> One of the key things we have to decide is, should we carry a little bit of everything for everybody, or do we really have to be more dominant in categories the customers are coming to us for? And that we have to answer very quickly...*The issue is: Who is Kmart?* I want to take the time and figure it out, and analyze the research, what our store managers are saying, what our employees are saying about why do customers come to Kmart? Where do we let down? And what are our strengths? Because as you go through that process, which is going to be an exhaustive process, it affects every tentacle of this company. We already have exclusive brands within our company. We already have a presence in the urban market. We have pieces, but the issue is how do they all fit together, and what makes sense going forward?[8]

Boeing is another case of a large corporation experiencing an identity drift. In its efforts to "distance (Boeing) from its identity as just an aircraft company,"[9] management moved corporate headquarters to Chicago, away from its historical base in Seattle, and engaged Boeing in major projects far from its historical core business in civil and military aviation. Among other initiatives, Boeing worked on a program to revolutionize the nation's air traffic control system by deploying satellites and extended a plan to distribute movies to theaters via satellite. These projects did not materialize,[10] and the company has been taking one hit after another: revelation of corrupt practices in the defense contracting business, the threat of losing leadership in civil aviation to Airbus, and an embarrassing affair between former Chairman and CEO Harry Stonecipher and a female employee. The net result of the process is that Boeing is no longer the civil aircraft manufacturer that it used to be, but it is still hard to figure out what the new Boeing is.

Managers can cope with drift by working to clarify the firm's identity. They can, for example, put an end to drift by reaffirming the organization's historical identity. Steve Jobs' comeback at the helm of Apple has reconciled the company with its historical identity anchored in innovation and design. Apple almost sank under Jobs' predecessors' efforts to make it into a me-too maker of PC gear without the necessary volume and cost structure to compete against IBM, Dell, or Compaq. Managers can reconcile a firm with its historical identity by divesting recent acquisitions, by refocusing on its traditional markets and customers, or, in extreme cases, by changing its ownership structure to give the founders, or the guardians of its philosophy, more weight in governance and decision making. This approach is no guarantee of success, however, as the case of Ford illustrates.

The opposite strategy for treating drift is to articulate clearly a new identity for the firm and to pursue its implementation forcefully and consistently. This is exactly what Jean-Marie Messier did for former Compagnie Générale des Eaux—a water distribution company that had become a hodgepodge of more-or-less related businesses ranging from telecommunications, book and magazine publishing, real estate, private hospitals, and cable TV to waste management and electricity generation. To end the confusion generated by decades of frantic diversification, Messier articulated a vision for Vivendi as a global media and communications company and sought to align its portfolio, business strategies, and operations accordingly. As we will show in the next chapter, however, the difficulties encountered by Messier in executing the new vision for Vivendi suggest that revolutionary identity change is a risky proposition.

Fragmentation

Organizations experience identity fragmentation when individuals and groups come to identify more with subunits than with the organization as a whole. When this occurs, the bonds between employees and the organization as a whole are weakened. The typical consequences of high levels of fragmentation are a loss of common purpose and mutual support across units and the firm's inability to deal with and to be recognized by its environment as a single organization. In a French multinational company, North American employees continued to identify with their local affiliate for several years, and in some cases several decades, after the acquisition of their business by the French parent. As a result, the French side complained about the Americans' lack of loyalty and commitment to the "group," while Americans felt that the French parent was too remote geographically and culturally and looked like an exclusive club. The psychic divide has very concrete consequences. North Americans resented coordinating their strategies (such as competitive pricing) with their European partners and minimized their involvement in global strategic initiatives decided at the Parisian headquarters.

Fragmentation is dysfunctional when local identities come into open or tacit conflict with the established identity of the organization and may, in extreme cases, provoke schism. Although schism is more frequent in faith- or ideologically based organizations, it is also observable in business life. The circumstances leading to the creation of St. Luke's, a leading British advertising agency, are a good illustration of schismatic fragmentation. The company was founded in 1995 after Andy Law, manager of the London branch of the Chiat/Day advertising agency, and his colleagues rebelled against the sale of the parent company to Omnicom, which merged it with TBWA. The London team felt betrayed and could not identify with the new parent they were told to join. Instead of complying with Jay Chiat's order to facilitate the merger of the UK operations, Andy Law led a rebellion and persuaded his colleagues to work with him to create an organization that would better reflect their "quest" for independence and equality. After much arm-twisting with corporate headquarters, Law and his colleagues were able to buy out the London office and establish St. Luke's. The company they built is equally owned and governed by its employees following the "one man, one voice" principle and is driven by the quest for independence, creativity, and fun.[11]

Managers should understand and accept that some level of fragmentation is inevitable and corresponds to the universal tendency of human beings to identify with their immediate work or social groups. Every individual draws his or her identity from several groupings and layers of social organization. The same individual can view him- or herself as a mother or father, as a lawyer, and as an American without necessarily experiencing these identities as conflicting or inconsistent. To enable multiple identities to thrive within the same organization, leaders must ensure that the different identity layers present in their firm complement and fit well with each other so that the same employee can identify with a professional community, with a business unit, and with the overall company, and yet experience these identities as mutually supportive. Managers should balance fragmentation and aggregation, promoting and protecting local identities when necessary, and reinforcing a common identity to maintain a feeling of togetherness and being part of the same project.

Like fragmentation, narcissism is inevitable and necessary. Every organization meets challenges—from its competitors, customers, investors, or regulators—to its goals and to the way it does business. Therefore, it needs a fair level of narcissism to confront these challenges in a self-confident and effective way. Without narcissism, there can be no self-esteem.

Similarly, some debate and reasonable conflict about identity are good for preventing the organization from falling into the traps of unjustified narcissism. Some organizations, such as educational institutions, hospitals, charities, and churches, are continuously torn between social purpose and economic viability. The tension reflects the presence of conflicting identity anchors that, if not balanced effectively, can lead to confusion and, ultimately, organizational decline.

To conclude this review of identity dysfunctions, it is important for managers to recognize that, like individuals, organizations necessarily experience tensions in their identity. The healthy organization is not one that has a perfectly clear and accepted-by-all identity. Actually, such an organization may never exist. Rather, a healthy organization balances tensions in its identity. Although identity, unlike strategy, does not fall entirely within managerial jurisdiction, managers sensitive to the importance of identity can also make a difference in this area.

Endnotes

1. The *New York Times,* May 7, 1998: “Compaq Said to Plan Cuts in Digital Jobs.”

2. Scott, A., and C. Christensen, 2005. “How You Can Benefit by Predicting Change.” *Financial Executive*, 21(2):36–42.

3. By comparison, the Dutch Philips company transferred all small-appliance manufacturing to Asia in the early 1980s.

4. In forcing the company to face up to the new realities, Gerstner was greatly helped by the record losses endured by IBM under John Akers and the prospect of bankruptcy.

5. Ford Motor Company, *Annual Report,* 2000, pp. 4–5.

6. Ford Motor Company, *Annual Report,* 2001, p. 4.

7. *Le Figaro,* March 18, 2005.

8. Excerpt from an interview published in *Business Week*, March 14, 2002.

9. *Financial Times*, October 21, 2003: “Boeing Turns to the Benefits of Diplomacy: Career Diplomat Thomas Pickering Faces a Tough Task in Helping the US Giant to Change Its Culture.”

10. *Crain's Chicago Business*, March 14, 2005: "A Chicago Jinx? Boeing's Bad Landing."

11. Andy Law left St. Luke's in March 2003, following disagreements with the managing directors of the London office about internationalization. However, the company's identity has remained, so far, anchored in the ownership structure and operating principles defined by Law and his colleagues at the time of its founding.

Index

A

Accenture, 89
accountability, xxix-xxxi
acquisitions. *See* mergers and acquisitions (M&A)
Adamson, James B., 34
Aeroflot, 112
AeroMexico, 112
AFAT Voyages, 157
Age of Identity, xvii-xviii, 178
  branding, xxxv-xxxvii
  influence of I*Dimension, 192
  organizations, xxvi, xxviii-xxix
  social identities, xxxii
Agilent, 87-89, 94
Air France
  deregulation, xxv
  identity integration, 77
    confederate model, 68-70
  identity management, 112
Airbus Industrie GIE (Groupement d'Interet Economique), 99-101
Akers, John, 146-149
Alcatel, 87
Alitalia, 112
Allen, Robert, xxiv, 85
alliances. *See* strategic alliances
Altis Semiconductor
  spin-offs and identity, 91-92
Altria
  brand/organizational identity, 120
    interdependence, 125
  identity change, 180
  reputations, xxxi
ALZA, 72-73
Amelio, Gil, 138
America West, 127
Andersen Consulting, 89
AOL, AOL Europe, and AOL Time Warner, 111-112
Apple
  brand/organizational identity, interdependence, 125
  and Compaq, 35
  and Dutch Consumer Electronic, 138
  identity anchors, 5
    aggregation and fragmentation, 13
    designed, 6
    internal, 8
  identity clash, 145
  identity drift recovery, 35
  identity, reinforcing, 177

  - and John Sculley, 176
  - and Steve Jobs, 137-138, 140-141, 151-152
- **Arcelor, 8-9**
- **Armstrong, Michael, xxiv**
- **Arnault, Bernard, 73**
- **Arnst, Catherine, 85**
- **Arthur Andersen, 89**
- **AT&T**
  - brand/organizational identity, interdependence, 126
  - deregulation, xxiii-xxv
  - spin-offs and identity, 85, 87
- **Aventis, 186**

B

- **Baby Bells, xxiv**
- **Bang & Olufsen**
  - brand/organizational identity, 120
    - *interdependence, 125-126*
  - identity anchors
    - *convergence, 11-12*
    - *designed, 6*
  - identity change, 180-181
  - recognition, 24
  - success factors, 19
- **Barnholt, Ned, 87**
- **Beko, brand/organizational identity**
  - interdependence, 124
  - relationships, 128
- **Bellamy, Adrian, 143-144**
- **Ben & Jerry's**
  - brand/organizational identity, 120
    - *interdependence, 125*
    - *relationships, 130*
  - identity anchors, 162
    - *designed or emergent, 6*
  - success factors, 19
- **Benedict XVI, Pope, 30**
- **Bertelsmann AG**
  - identity management, 111-112
  - and Thomas Middelhoff, 51-54
- **Bertelsmann Springer Verlag, 53**
- **Bertelsmann Stiftung, 53**
- **Bertelsmann Verwaltungsgesellschaft (BVG), 53**
- **Bertelsmann, Carl, 52-53**
- **Bestfoods, 130**
- **Bethlehem Steel, xxii**
- **Blackstone Group, 84**
- **The Body Shop**
  - brand/organizational identity, 120
  - identity, reinforcing, 177
  - identity anchors, designed, 6
  - and Peter Saunders, 137-138, 141-144, 146
  - recognition, 24
  - success factors, 19
- **Boeing**
  - and James McNerney, 174
  - identity drift, 33-34
- **Booz Allen Hamilton, 79**
- **Boudette, Neal, 51**
- **boundaryless organizations and identity, xxvi**
- **Bouygues Telecom (BT), 113-114**
- **Bové, José, xxiv**

BP (British Petroleum Company), xxxvi

brand/organizational identity, 119-121
- after M&As, 132-134
- economic value, 121-123
- interdependence, 124-127
- relationships, 129-130
- single to multiple brands, 130-132

branding, xxxv-xxxvii

Branson, Mark, 134

British Airways, 70

British Petroleum Company (BP), xxxvi

British Royal Mail. 10-11

British Telecom (BT), xxiii, 102

Brofman family, 50

BSN
- brand/organizational identity, interdependence, 126
- evolutionary change, 182-183
- identity change, 181

BT (Bouygues Telecom), 113-115

BT (former British Telecom), xxv, 102

Buckley, George, 174, 176

BVG (Bertelsmann Verwaltungsgesellschaft), 53

C

Cadbury Schweppes
- identity anchors, 5
- identity crisis, xxvii

Canal+, 48

Canone, 5

Catholic Church, 30

Cerberus, 64

CES (Consum Electro Corp.), 164-165

CGE (French Compagnie Générale des Eaux)
- identity management, 112
- and Jean-Marie Messier, 35, 45-49, 51

Chiat, Jay, 36

China National Off Shore Oil Company (CNOOC), xx

Chirac, Jacques, 50

Chollet, Gerard, 50

Christensen, Clayton, 28

Chrysler. *See* DaimlerChrysler

CNOOC (China National Off Shore Oil Company), xx

Coca-Cola Company
- consumer self-awareness, xxxiii-xxxv
- Glaceau, 2
- I*Dimension, 1, 4

colonial model, identity integration, 67

Compagnie Générale des Eaux (CGE)
- identity, 150
- identity change, 180-181
- identity management, 112
- revolutionary change, 184

Compaq
- and Apple, 35
- and Carly Fiorina, 44

computer industry and disruptive innovation, xxii-xxiii

Conecto, 158

confederate model, identity integration, 68-72

Consignia, 10-11

- **Consum Electro Corp. (CES), 164-165**
- **consumer self-awareness, xxxii-xxxv**
- **Continental Airlines, 112**
- **Corcoran, Elizabeth, 83**
- **corporate identity change, 179**
- **corporate rebranding, 179**
- **Credit Suisse First Boston (CSFB), 57**
- **CSA, 112**

D

- **Daft, Douglas, xxxiv**
- **Daimler-Benz, 62-64, 130**
- **DaimlerChrysler, 62-64**
  - brand/organizational identities, single to multiple brands, 130-131
  - identity integration, 62-65
  - revolutionary change, 186
  - strategic alliances, 100
- **Danone, 143**
  - brand/organizational identity, interdependence, 126-127
  - evolutionary change, 182-183
    - *benefits/pitfalls, 187*
  - identity change, 180-181
- **de Villepin, Dominique, xxv**
- **Dean Witter, Discover & Co.**
  - identity integration, 71
  - and Philip Purcell, 54-58
- **DEC (Digital Equipment Corporation)**
  - disruptive innovation, xxii
  - identity's dark side, 27-29
- **Degussa**
  - identity, inner or external, 163
  - reputations, xxix-xxxi
- **Dejouany, Guy, 46**
- **Dell Computers**
  - and Apple, 35
  - and IBM, 149
- **Delphi (General Motors)**
  - spin-offs, xxi
  - spin-offs and identity, 81, 83, 94
- **Delta Airlines, 112**
- **Demircan, Eric, 124**
- **deregulation and identity, xxiii-xxv**
- **Deutsche Aerospace, 100**
- **Deutsche Telecom, 98, 102-104**
- **Devedjian, Patrick, 32**
- **DHL, 11**
- **Dickson, Chip, 79**
- **Digital Equipment Corporation (DEC)**
  - disruptive innovation, xxii
  - identity's dark side, 27-29
- **Diller, Barry, 50**
- **Discover & Co.** ***See*** **Dean Witter, Discover & Co.**
- **Dorman, David, xxiv**
- **Dormann, Jürgen, 186**
- **Dr. Scholl's, 74**
- **Drucker, Peter, 194**
- **Dumas, Fréderique, 50**
- **Dutch Consumer Electronic, 138**

E

- **EADS (European Aeronautic Defence and Space), 100-101**
- **Eckstein, Elke, 91**

Eisenman, Peter, xxx
Electricité de France (EDF), xxiii-xxv
Equant, 103
EUCAR, 114-115
European Aeronautic Defence and Space (EADS), 100-101
European Breweries, 183
Evian, 183

F

Federal Deregulation Act, xxiv
federalist model, identity integration, 72-73
FedEx, 11
Felcht, Utz-Hellmuth, xxx
FIAT, 114
Fiorina, Carly, 41-45, 87-88, 145, 176
Fisher, Richard, 55
Ford (Visteon), xxi
Ford Motor Company
  brand/organizational identities. single to multiple brands, 130-131
  identity conflict, 30-31
  spin-offs and identity, 81-83
Ford, Bill, 31
Fourtou, Jean-René, 186
France Telecom, 98, 102-104
Freescale (formerly unit of Motorola), xxi
Freescale Semiconductor, spin-offs and identity, 83-84
French Compagnie Générale des Eaux (CGE)
  identity management, 112
  and Jean-Marie Messier, 35, 45-49, 51
French Farmers Confederation, xix
French Rhone Poulenc, 74
Fu Chengyu, xx
Fuji-Xerox and Fuji Photo Film, 110-111

G

Gallois, Louis, 101
Gates, Bill, 7
GE (General Electric)
  evolutionary change, 182
  identity change, 181
  identity integration, colonial model, 67
  and James McNerney, 174
General Motors (Delphi), xxi
General Motors (GM), 63, 81, 83
Generale Biscuit, 183
Gerstner, Louis, 29, 137-138, 146-152
Ghosn, Carlos, 64, 69, 71, 137-138, 150-152, 176-177, 194
GIE (Groupement d'Interet Economique, Airbus Industrie, 99-101
Glaceau, 2
Global One, 98, 102-104
globalization, xviii-xv
GM (General Motors), 63, 81, 83
Goizueta, Roberto, 1
Gournay, Patrick, 143
Gross, Dr. Barry, 108
Groupement d'Interet Economique (GIE), Airbus Industrie, 99-101
Grove, Andy, 148
Grundig, 124

H

Hampton General Hospital, 107

Hanawa, Yoshikazu, 152

Harley-Davidson
- brand/organizational identity, 119-120
- success factors, 19

Hawker Siddeley, 100

HCC (Health-Consumer Co.), 166-167

Helyar, John, xxviii

Hershey Company
- Hershey Foods, identity anchors, 5
- Milton Hershey School Trust
  - *identity, xxvii-xix*
  - *identity anchors, 11*

Hershey, Milton, xxvii

Hewlett, Bill, 88

Hewlett, Walter, 44

Hewlett-Packard
- and Carly Fiorina, 42-45, 176
- identity anchors, 6
- identity clash, 145
- spin-offs and identity, 87-89

Hindo, Brian, 174

Hoechst
- identity integration, symbiotic model, 74
- revolutionary change, 185-186

Honda, 119

***The HP Way: How Bill Hewlett and I Built Our Company*, 45**

I

***I*Dimension*, 1-3, 5**
- brand/organizational identity, interdependence, 124-127
- casualties, 41-42
  - *Fiorina, Carly, 42-45*
  - *Messier, Jean-Marie, 45-49, 51*
  - *Middelhoff, Thomas, 51-54*
  - *Purcell, Philip, 54-58*
- dark side, 27
- evolutionary change, 182-184
  - *benefits/pitfalls, 187-188*
- identity, internal and external, 192
- identity anchors, 5-6
  - *aggregation and fragmentation, 13-14*
  - *balancing contradictory tensions, 14-16*
  - *convergence and divergence, 11-13*
  - *designed or emergent, 6-7*
  - *internal or external, 7-9*
  - *sameness and uniqueness, 9-11*
- identity audit, 156-158, 170
  - *discovery process, 158, 160, 162-163*
- identity integration, 64-65
- identity management, 115-117

    influence on companies, 192
    joint ventures, 98-99, 104
    leadership, 173, 175
    levers for change, 188
    masters, 137-152
    necessity for change, 179-180, 182
    reinforcing, 175-177
    revolutionary change, 184, 186
        benefits/pitfalls, 187-188
    spin-offs
        identity, 80-84, 86-89
        identity management, 93, 95
        reasons for, 89, 91-93
    strategic alliances, 97, 99, 106, 108
    successful change ingredients, 189-190

IBM
    and Apple, 35, 138
    broadening self-concept, 29
    and Digital Equipment Corporation (DEC), 27
    disruptive innovation, xxii-xxiii
    evolutionary change, 182
    identity anchors, 8
    identity change, 181
    Lenovo, Chinese globalization, xix
    and Louis Gerstner, 137-138, 146-152
    spin-offs and identity, 91

identity. *See also* brand/organizational identity; social identities
    acquisitions, xx-xxi
    Age of Identity, xvii-xviii
    alliances, xxv
    asset or liability, 192
    boundaryless organizations, xxvi
    branding, xxxv-xxxvii
    consumer self-awareness, xxxii-xxxv
    dark side, 27
        conflicts, 30-33
        drift, 33-35
        fragmentation, 35-38
        narcissism, 28-29
    deregulation, xxiii-xxv
    disruptive innovation, xxii-xxiii
    evolutionary change, 182-184
        benefits/pitfalls, 187-188
    external benefits, 24-25
    globalization, xviii-xx
    individual and group levels, 178-179
    internal and external, 192
    internal benefits, 21-23
    joint ventures, 98-99, 102-104
    leadership, 193
    levers for change, 188
    mergers, xx-xxi
    necessity for change, 179-180, 182
    organizational networks, xxv

- organizations, xxvi, xxviii-xxix
- reinforcing, 175-177
- revolutionary change, 184, 186
  - *benefits/pitfalls, 187-188*
- spin-offs, 80-81
  - *clean breaks, 83-84, 86-87*
  - *cooperation, 81-83*
  - *identity management, 93, 95*
  - *paradoxical patterns, 87-89*
  - *reasons for, 89, 91-93*
- strategic alliances, 97, 99, 101, 104-108
  - *identity management, 108, 110-113, 115-117*
- successful change ingredients, 189-190

identity anchors, 5-6
- aggregation and fragmentation, 13-14
- balancing contradictory tensions, 14-16
- convergence and divergence, 11-13
- designed or emergent, 6-7
- discovery process, 159-160, 162-163
- internal or external, 7, 9
- sameness and uniqueness, 9-11

identity audit, 155-158, 192
- discovery process, 158, 160, 162-167
  - *secondary sources, 168-169*
- guide, 167-168
- interviews
  - *key constituencies, 169-170*
  - *stakeholders, 171-172*

identity change, 193

identity integration, 62-65
- colonial model, 67
- comparison of models, 75-77
- confederate model, 68-72
- federalist model, 72-73
- managing, 65-66
- symbiotic model, 73-74

IKEA
- identity anchors
  - *aggregation and fragmentation, 13*
- identity change, 180-181
- recognition, 24
- success factors, 19-20

Infineon Technologies
- spin-offs, xxi
- spin-offs and identity, 91

INSEAD, 74

Intel, 148, 6

Isdell, Neville, 1-2

Ive, Jonathan, 141

J

Jaguar, 130

Jobs, Steve, 8, 35, 137-138, 140-141, 151-152, 176-177

Johnson & Johnson
- brand/organizational identity, relationship, 129
- identity integration, federalist model, 72-73

joint ventures, 98-99, 102-104

K

- **Karnitschnig, Matthew, 51**
- **Kehoe, Louise, 42**
- **Klein, Naomi, xxxv**
- **Kleisterlee, Gerard, 184**
- **KLM**
  - identity integration, 77
    - *confederate model, 68-70*
  - identity management, 112
- **Kmart, 33-34**
- **Korean Air, 112**
- **Kraft Foods**
  - brand/organizational identity, interdependence, 125
  - identity crisis, xxvii
- **Kronenbourg, 183**

L

- **L'Oréal, 146**
- **Lagardère Group, 100**
- **Law, Andy, 36-37**
- **leadership, 193, 173-175**
- **Lehman Brothers, 79, 81**
- **Lenovo**
  - Chinese globalization, xix
  - spin-offs and identity, 91
- **Leven, Gustave, 123**
- **Lexus, 131-132**
- **Livermore, Ann, 42**
- **London International Group, 74**
- **Lucent Technologies**
  - spin-offs and identity, 85, 87
  - strategic alliances, 104-106
- **LVMH**
  - brand/organizational identity, 120
    - *relationship, 129*
  - identity integration, federalist model, 72-73

M

- **M&A (mergers and acquisitions), 61**
  - brand/organizational identities, 132-134
  - identity, xx-xxi
  - identity integration, 62-65
    - *colonial model, 67*
    - *comparison of models, 75-77*
    - *confederate model, 68-72*
    - *federalist model, 72-73*
    - *managing, 65-66*
    - *symbiotic model, 73-74*
- **Martin, Andrew, 2**
- **Mack, John, 55-57**
- **Mantelet, Jean, 29**
- **Marconi, 185**
- **Mary Immaculate Hospital, 107-108**
- **Mayer, Michael, 84**
- **McDonald's**
  - globalization, xviii-xix
  - identity anchors, 5
- **McGinn, Richard A., 86-87**
- **MCI, 102**
- **McKinney, Bruce, xxvii**
- **McKinsey**
  - identity anchors, 10, 13
  - success factors, 19-20
- **McNerney, James, 174-175**
- **Mecca Cola, xxxiii-xxxv**

Medco, 92-93
Mercedes-Benz, 62-64, 130-131
Merck
  identity anchors, emergent, 7
  spin-offs and identity, 92-93
mergers and acquisitions (M&A), 61
  brand/organizational identities, 132-134
  identity, xx-xxi
  identity integration, 62-65
    colonial model, 67
    comparison of models, 75-77
    confederate model, 68-72
    federalist model, 72-73
    managing, 65-66
    symbiotic model, 73-74
Messier, Jean-Marie, 35, 41-42, 45-49, 51, 150, 180-181, 184
Michelin and Carlos Ghosn, 151
Microsoft
  and IBM, 149
  identity anchors, emergent, 7
  identity integration, colonial model, 67
Middelhoff, Thomas, 41-42, 51-54
Miller, Robert S., 82
Milton Hershey School Trust
  identity, xxvii, xxix
  identity anchors, 11
Mitsubishi Motors, 62-64
Mittal Steel, 8-9
Mittal, Lakshmi, 8-9
Morgan Stanley
  and Philip Purcell, 54-58
  identity integration, 71
Morris, Betty, 1-2
Morrison, Scott, 43
Motorola, 83-84
Motorola (former Freescale unit), xxi
Moulinex
  identity and economic value, 121-123
  identity audit, 168
  identity's dark side, 29
Mulally, Al, 31

N

Nabisco, 183
names, changes in, 180-181
narcissism, 28-29
Nasser, Jacques, 30
National Semiconductors, 138
Nestlé
  brand/organizational identity, 120
    interdependence, 125
  and Perrier, 123
  Perrier's identity conflict, 32
  identity anchors, 5
  identity crisis, xxvii-xxviii
Nissan Motors
  brand/organizational identity, after M&As, 133-134
  and Carlos Ghosn, 137-138, 150, 152
  identity integration, 76-77
    confederate model, 68-69
  identity, reinforcing, 177

Nokia
  evolutionary change, 182-183
  identity change, 180-181
Northwest Airlines, 112
NTT DoCoMo, 113-115

O

O'Neal, Rodney, 82
Omnicom, 36
One Equity Partners and Polaroid, 122
One World, 112
***Organization and Environment*, 13**
organizational identity. *See* brand/organizational identity
organizations. *See* boundaryless organizations

P

P&G (Procter & Gamble)
  brand/organizational identity, relationships, 120, 128-129
  identity integration, symbiotic model, 74
Packard, David, 45, 88
Pay TV Corp. (PTC), 165-166
PCC (Philips Consumer Communications), 105-106
PepsiCo
  competition with Coca-Cola Company, 1
  consumer self-awareness, xxxiii-xxxv
  identity anchors, 5
Perrier
  brand/organizational identity, interdependence, 125
  identity and economic value, 123
  identity conflict, 32
Petters and Polaroid, 122
Philip Morris, xxxi, 180
Philips Consumer Communications (PCC), 105-106
Philips Electronics
  and Apple, 138
  evolutionary change, 184
  strategic alliances, 104-106
Piore, Michael, xxxi-xxxii
Platt, Lewis E., 42, 44
Polaroid Corporation, 121-123
Pope Benedict XVI, 30
Preussag, xxii
Procter & Gamble (P&G)
  brand/organizational identity, relationships, 120, 128-129
  identity integration, symbiotic model, 74
PSA, 114
psychological boundaries, xxvi
PTC (Pay TV Corp.), 165-166
Purcell, Philip, 41-42, 54-58

Q–R

Range Rover, 130
Rank Xerox, 110-111
Renault, 65
  brand/organizational identity, after M&As, 133-134
  identity integration, 76-77
  identity integration, confederate model, 68-69
reputations, xxx-xxxii
Rheims, Bettina, 49

Rhone-Poulenc (RP), 185-186
Riboud, Antoine, 126, 181, 183
Riverside Health System, 107-108
RJR Nabisco, 147
Roddick, Anita and Gordon, 141-144
RP (Rhone-Poulenc), 185-186
Russo, Patricia, 87

S

Safford, Sean, xxxi-xxxii
Samsung, 119
Sanofi-Synthelabo, 186
Saunders, Peter, 137-138, 141, 143-146, 176-177
SBC
  brand/organizational identity, interdependence, 126
  deregulation, xxiv
Schacht, Henry B., 86
Schrempp, Jürgen, 62-63, 65, 75
Schweitzer, Louis, 69, 71, 150-151
Sculley, John, 138, 145, 176
Seagrams, 48-49
Seat, 130-131
self-awareness of consumers, xxxii-xxxv
Sentara Health System, 107
Seton, 74
SFR, 112, 116
Siemens
  evolutionary change, 182
  spin-offs and identity, 91
Siemens (former Infineon unit), xxi
Simpson, Lord, 185
Skoda, 130-131
Sky Team, 112-113
Slim Fast, 130
Smart, 62
Snow, Jr, David B., 92
social identities, xxxi-xxxii
Sony, 120
Source Perrier
  brand/organizational identity, interdependence, 125
  identity and economic value, 123
Southwest Airlines
  identity anchors
    designed, 6
    external, 8
  success factors, 19-20
  virtuous cycle, 25
spin-offs and identity, 80-81
  clean breaks, 83-84, 86-87
  cooperation, 81-83
  identity management, 93, 95
  paradoxical patterns, 87-89
  reasons for spin-offs, 89, 91-93
Spindler, Michael, 138
Spinetta, Jean-Cyril, 69, 77
Sprint Corporation, 98, 102-104
SSL-International, 158
St. Luke's, 36-37
stakeholders, 171-172
Star Alliance, 112
Starbucks
  recognition, 24
  success factors, 19-20
  virtuous cycle, 25
steel industry, xxii

Stonecipher, Harry, 34
strategic alliances, 97-101, 104-108
  identity, xxv
  identity management, 108, 110-113, 115-117
Streiff, Christian, 101
StudioCanal, 50
success factors, 19-21
Sun Microsystems, 138
symbiotic model, identity integration, 73-74

T

Tagliabue, John, 47
TBWA, 36
TCL Multimedia Technology Holdings
  brand/organizational identity, 119-120
    interdependence, 124-125
    relationships, 128
  Chinese globalization, xix
Telecom Italia, 103
tobacco industry, xxxi
3M
  evolutionary change, 182-183
  and George Buckley, 174, 176
  identity anchors, emergent, 6
  identity change, 180-181
  leadership challenges, 174-175
Toll Collect, 62
Toyota, 63
  brand/organizational identities, single to multiple brands, 131-132
  evolutionary change, 183
  identity anchors, 5
    sameness and uniqueness, 10
  success factors, 19-20
TUI, xxii-xxiii
Tully, Shawn, 79

U

UBS, 134
Uncoal, xx
Unilever, brand/organizational identity, 120
  interdependence, 125
  relationships, 129
Unisys, xxii
Universal Studios, 50
UPS, 11
US Airways, 127

V

Veolia
  identity change, 180
  spin-offs and identity, 89
VFW-Fokker, 100
Villepin, Dominique de, xxv
Visteon (Ford), 82
  spin-offs and identity, 81-83, 94
  spin-offs, xxi
Vivendi
  evolutionary change, 185
  identity change, 180
  identity management, 116
  and Jean-Marie Messier, 35, 47-48
  spin-offs and identity, 89-90
Vivendi Environnement, 89, 180

Vivendi-Universal, 112
Vodafone, 112, 116
Volkswagen, 63, 130-131
Volvo, 130

W

W.L. Gore
  identity anchors, designed, 6
  success factors, 19, 21
Wal-Mart, 33
Weber, Joseph, 12
Wegmans, 10
Welch, Jack, 174
Williamsburg Community Hospital, 107
Wohleen, David B., 82
Wrigley Company, xxviii

X–Z

Xerox. *See* Rank Xerox
Young, John, 44