

The Role of Organisational Identity and Identification in Corporate Social Responsiveness Discussion Session IABS 2005

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Introduction

This discussion session draws on empirical data from mixed-method studies of two Australian firms in different industries about the role of organisational identity in catalysing the conditions for social responsiveness, and the effect of social responsiveness on organisational identity. The discussion session briefly presents the study background and findings, and then asks the group to consider new research questions related to the role of organisational identity and identification in explaining corporate social responsiveness. The operationalisation of research questions as empirical studies will be discussed.

Synopsis of research method

The studies examined corporate social responsiveness capabilities at two large Australian firms. A model of social responsiveness capabilities developed in earlier research was tested and triangulated through qualitative studies at two firms in different industries. Ten executives from BHP Billiton and eight from Westpac Banking Corporation participated in in-depth semi-structured interviews. No questions were asked about organisational identity or identification, but in response to the question, "Tell me about corporate social responsibility at your firm" numerous stories were elicited that related to participants' sense of identification with the firms in relation to their CSR. A survey subsequently completed by four levels of management at Westpac ($n = 245$, RR = 35%) therefore included the Mael and Ashforth (1992) instrument measuring identification as one of a number of variables aimed at establishing discriminant and predictive validity for the new construct of social responsiveness capabilities.

Background on two firms

Both firms are more than 150 years old and both played nation-building roles in the development of Australia in the nineteenth and twentieth centuries.

The nation builders

Westpac Banking Corporation

Westpac Banking Corporation was Australia's first company. Established as the Bank of New South Wales in Sydney in 1817, the Bank's purpose was to create a stable local monetary system to replace the bartering system in which rum was the principal lubricant of early colonial Australia's economic activity (Anonymous, 1936; Macarthur, 2001). Newspaper editorials in the 1820s described the Bank as "the salvation of New South Wales, [which] has given an impetus to its prosperity which will overcome every obstruction", and as "the people's bank" (Macarthur, 2001: 5). A later history said: "It is generally conceded that the establishment of the Bank saved the Colony from ruin" (Anonymous, 1936: 10). Throughout the 19th century, the Bank of New South Wales enjoyed an identity as a positive force in Australian society that protected its employees and supported economic development, especially in rural areas where much of Australia's wealth derived. Westpac's identity as the oldest of the "four pillars"¹ of banking in Australia, its sense of itself as a "universal bank", and the unique historic role of bank managers

¹ The "four pillars" refers to the Federal Government's anti-merger policy for Australia's biggest four banks as a means of ensuring competition. Oldfield, S. 2003. Four Pillars Look Rock Steady, *Australian Financial Review*: 56.

as “leading citizens” gave participants in this study a strong sense that Westpac has a special role in Australian society. One executive described the Bank’s historic identity as the ever-present “undercurrent of what it means to work at Westpac ... [which is a] sense of pride that it was the first company established in Australia and that [Westpac’s] history has been part of the social, economic and physical fabric of the [country] for so many years”.

BHP Billiton (BHP)

BHP Billiton is the world’s largest diversified resources company. It was created in 2001 from the merger of the Australian owned BHP (established in 1885) and the Anglo-South African company Billiton (established in 1860) (BHPBilliton, 2003). From 1885 BHP mined lead, silver and zinc at Broken Hill in outback New South Wales. BHP added numerous other sites through development and acquisition which, together with the steel manufacturing business begun in 1915, assured ongoing viability after the closure of the original site in 1939. The expansion into steel making was a critical turning point in the company’s history and identity. Opening the Newcastle steelworks, the general manager of BHP, Guillaume Daniel Delprat, emphasised the firm’s intention to contribute to national development by fostering a range of steel-reliant industries and contributing if necessary to the nation’s defence (Mawson, 1958: 186):

We mean to make the ploughshares, but at the same time, should any outside nation have the temerity to threaten the independence of this our own country, they will find us quite prepared to turn these ploughshares into swords (G. D. Delprat, 2 June 1915)

Over the twentieth century, the company grew to assume iconic status in Australian industry. The company held a “unique position not only in Australia, but possibly in the Western world. For, while there are many larger companies outside Australia, there is probably none so proportionately vast and pervasive in its country of origin” (Trengrove, 1975: vii). It was once called Australia’s seventh state (Trengrove, 1975: 225). As one executive explained:

Well there was always that story and I don’t know if there was a shred of truth in it, that the government used to set its budget depending on how BHP’s balance sheet was going to be looking that year because so much of the tax came from the company.

Social responsibility crises at both firms

Both firms faced crises of social responsibility in the 1990s.

Against the background of Westpac’s history and the traditional role of bank managers in society, government deregulation of financial markets in 1983 set up a chain of events that initially led to a decline in social responsiveness at Westpac, and a subsequent loss of public trust. Deregulation initially brought big financial gains for all the banks, but also led to rationalisation and the contraction of regional banking services throughout the 1990s, which in turn exacerbated economic decline in rural areas (Maine, 2000). Given Westpac’s roots in rural Australia, the Bank’s economic decisions were at odds with its espoused aspirations as this executive described:

The aspiration of course for the Bank was to be a universal bank and to accept its social responsibilities and to be ethical and to be fair. The reality of what we were doing was taking economic decisions and closing branches in rural Australia and literally removing what, for a lot of communities, was seen to be essential services in those communities.

The dissonance between Westpac’s historic role as a pillar of Australian society and its contraction of bank services and employee numbers while simultaneously making massive profits meant that by 1998, “there was public outrage and banks were pretty much page one news constantly. The community was up to their eye balls in what they saw as unethical behaviour of banks” (interview participant).

In addition to “public outrage” and constant media criticism, Westpac became the target in 1998 of environmental protests by The Wilderness Society, an environmental non-government organisation (Anonymous, 1998). Westpac was targeted because of its small, indirect shareholding in the Jabiluka uranium mine in the Northern Territory of Australia. Interview respondents described streets in the Sydney central business district on days of ENGO actions as being “choked” with protestors, heavy police presence, and traffic at a standstill. In addition to media criticism and environmental protests, the Bank’s employees behaved in ways that suggested they disidentified with the Bank (Battacharya & Elsbach, 2002). As explained by this executive, employees had “jumped the counter”:

In those days and the mid-90s, we had staff who used to bring a change of clothes to work so they didn’t have to wear their uniform in public ... they were ashamed to be seen to be working for a bank ... We had to understand that the staff had ... jumped the counter [to identify more strongly with customers than with their employer].

BHP also experienced a social responsibility crisis in the 1990s. Although BHP endured criticism of its environmental impacts from the 1960s (Guthrie & Parker, 1989), it was not until the 1980s that its failed tailings dam at the Ok Tedi gold and copper mine in Papua New Guinea (PNG) spurred a dramatic increase in concern (Hanson & Stuart, 2001). The damage from untreated tailings discharged into the Ok Tedi river, which began in the early 1980s, was not at first acknowledged and no changes to production methods were made for several years (Hanson et al., 2001). Efforts were made from 1990 to compensate or bring better economic benefits to local communities. Nevertheless, in 1996 BHP lost a much publicised lawsuit against it brought by OK Tedi villagers for environmental and social damage caused by the mine. BHP took the decision to exit Ok Tedi in 2000.

The crisis at Ok Tedi challenged BHP at the policy level to change its structure and systems. However, it also challenged employees at the individual level, because the company’s behaviour was at odds with “the whole concept of BHP in Australia”. An executive described how when the company “fell to pieces” employees found their sense of identification sorely tested, especially in social interactions outside the company:

I think people that were around during that time that had to go to the barbecues, and probably underneath it all, everyone feels like they want to work for a good company. And you’ve seen an example of it all fall into pieces and you’ve got to feel like you’ve got to try and justify it and it’s very hard to do.

Conceptual background

Organisational identity is the collective answer to the question “who are we anyway, as an organisation?” (Gioia, 1998: 21). Organisational identity comprises organisational character, distinctiveness and temporal continuity (Albert & Whetten, 1985) and it can provide a context for strategy (Ashforth & Mael, 1996; Barney & Stewart, 2000). Organisational identification describes the propensity of individuals to see themselves in terms of their membership of an organisation and is related to consistency between people’s values and their perception of their organisation’s values (Ashforth & Mael, 1989; Battacharya et al., 2002; Hogg & Terry, 2001). Organisational identification occurs when an individual’s self-perception is actively connected to the organisation’s identity (Elsbach, 1999), creating a sense of one-ness with the organisation (Mael et al., 1992) to the extent that an individual’s beliefs about his or her organisation become self-defining (Pratt, 1998). It is a powerful and desirable means of promoting organisational performance, as it is thought to enhance employee cooperation (Kramer, 1993) and potentially contribute sustainable competitive advantage (Stimpert, Gustafson, & Sarason, 1998).

Corporate social responsiveness requires firms to use value-based decision processes and to co-operate with stakeholders. Organisational action on social issues is more likely when the issues are salient to work-related identities (Pratt & Dutton, 2000). Thus, decisions by managers to

cooperate with either external or internal stakeholders may be influenced by the extent to which they identify with their organisations (Dutton, Dukerich, & Harquail, 1994).

Identification is manifested when employees make decisions that are in the firm's interests; that is, their decision-making processes are guided by the organisation's values and goals (Schrodt, 2002). Reciprocally, through discursive processes in which behaviour shapes identity (Kuhn & Nelson, 2002), the enactment of social responsiveness may increase organisational identification. Further, the process of dialogue between organisations and their environment can help organisations maintain and confirm their identities (Cheney & Christensen, 2001). Therefore,

H1: *Corporate social responsiveness will be related positively to organisational identification.*

Evidence for the role of organisational identification and identity in corporate social responsiveness

The ability of organisational identity to provide a context for strategy was clearly recognised by BHP Billiton's former CEO Paul Anderson. "You have to address the issue of who we are before you can really address strategy, because the 'who we are' tells you what raw material you have to pursue a strategy ... You have to figure out ... what are you and what kind of possibilities does it create."

BHP's strong identity "was a flag that people could rally around". Anderson recognised the power of the company's identity to actively create strong bonds of identification. He explained his approach thus:

There is nothing so powerful in human minds as wanting to belong ... And, BHP was an ideal situation for that, because it was an icon, it had been around for a long time. People felt strongly to start with, and they really just wanted something to believe in. It was like a group of religious zealots who had lost their messiah and were just looking for another one.

A strong organisational identity was cultivated based on values that emerged from a company wide exercise to develop the BHP Charter (mission statement). Social responsibility is "definitely part of the definition of 'who we are'" according to Anderson and other executives participating in this study. Particularly at the site or operations level, an executive explained, "there is a very keen awareness of the need to work well with the community because you [are] in each other's business every day."

BHP's distinctive and enduring organisational identity as a pillar of Australian national development thus formed a receptive foundation for a social responsibility strategy.

At Westpac, the mounting dissatisfaction of various stakeholders, the negative media coverage, the environmental protests, and the behaviour of employees led eventually to a reflective process at the most senior levels of the organisation, in which images held by stakeholders about Westpac began to "leak into organisational identity" (Hatch & Schultz, 2002). In other words, senior managers saw an image of Westpac held by the community which did not fit its conception of itself as "ethical and fair" and they began to question the Bank's self-definition, as this quote illustrates.

In 1998 we set about accepting the fact is what we were actually doing didn't actually cut very well with the aspirations of the company or what we actually want to do. We've got 180 years of attachment to the community. We've seen them through recessions and everything else, depressions. We were there - - we grew up with rural Australia ... We started a process of engaging the board and everyone really coming to grips about what underpinned the issues ... what did the corporation aspire to do or tell ourselves we were doing and what were we actually doing ... I can recall the board saying we're going to embark on this corporate social responsibility in a big way and re-define what it means for us.

A firm that acts on its social responsibilities maintains ongoing dialogue with its stakeholders, and is accountable for social impacts, often by producing a social report. In one of numerous anecdotes volunteered by interview participants, Westpac eventually produced a social report that provided employees with the opportunity to bask in the reflected glow of praise by external stakeholders; after years of criticism, employees finally saw an image of their firm reflected back to them by stakeholders, that made them feel good about belonging to Westpac. Research suggests that when images held of a firm by external stakeholders are reflected back to internal stakeholders, organisational identity enters a dynamic whereby the ongoing dialogue between the firm and its stakeholders helps define the firm (Hatch et al., 2002). When a firm's identity is co-created by "insiders" and "outsiders", the likelihood increases that stakeholder issues will be recognised and acted on. It appears that the social reporting process had a positive effect on employees by strengthening their organisational identity because of the interaction of self-reflection induced by the reporting process and reflected images engendered by the response of stakeholders to the social report.

The impact of stakeholder's responses on employees is also explained by social identity theory, which suggests that individual identity is formed in part by how people define themselves in terms of the groups that they belong to (Ashforth et al., 1989; Hogg et al., 2001; Tajfel & Turner, 1986). The sense of self that is derived from organisational membership may be "more pervasive and important than ascribed identities based on gender, race, ethnicity, or nationality" (Hogg et al., 2001: 2). Individual needs for self-esteem, self-knowledge, social interaction (Deaux, Reid, Mizrahi, & Cotting, 1999), and uncertainty reduction (Hogg & Terry, 2000) can be served by identification with an organisation. When employees feel that they belong to a high-status organisation they feel pride in their organisation and loyalty towards it (Mael et al., 1992; Tyler, 2001).

Thus, qualitative evidence was obtained at two firms for the impact of identity on corporate social responsiveness.

The survey study at Westpac quantified the strength of this association, $F(1,226) = 39.147, p < .001, E^2 = .148, \beta = .421$, confirming Hypothesis 1.

Further, each of the dimensions of corporate social responsiveness was also strongly, significantly and positively related to organisational identification.

Stakeholder engagement. $F(1,226) = 23.447, p < .001, E^2 = .094, \beta = .272$

Value attuned communication. $F(1,226) = 24.622, p < .001, E^2 = .098, \beta = .303$

Dialogue. $F(1,225) = 13.536, p < .001, E^2 = .057, \beta = .137$

Ethical business behaviour. $F(1,226) = 33.70, p < .001, E^2 = .13, \beta = .30$

Social accountability. $F(1,226) = 25.325, p < .001, E^2 = .101, \beta = .269$

Discussion and future research directions

As old Australian firms, both Westpac and BHP Billiton played a central role in national development which became part of organisational identity (Albert et al., 1985). The response of both firms to events in their business environment in the 1990s led to a reduction in social responsiveness which was interpreted by employees as contrary to the historic identity of the firm. When each company eventually determined to become more socially responsive, each company's leadership was acutely aware of the need to align corporate behaviour with "the well-spring of a deeply entrenched culture" (Westpac) or "a flag that people could rally around" (BHP Billiton).

Organisational identity influences how members perceive issues and what they will do about them (Dutton & Dukerich, 1991); that is, it can influence whether and how the organisation acts on its social responsibilities. For these firms, organisational identity provided "traction and

relevance and sustainability” (Westpac) for the social responsibility strategy. In this study, the social responsiveness strategy that emerged from the firms’ identity increased organisational identification because it was congruent with employees’ values and enhanced their self-esteem. In other words, organisational identity increased social responsiveness, which in turn, increased organisational identification. These relationships are depicted as Figure 1.

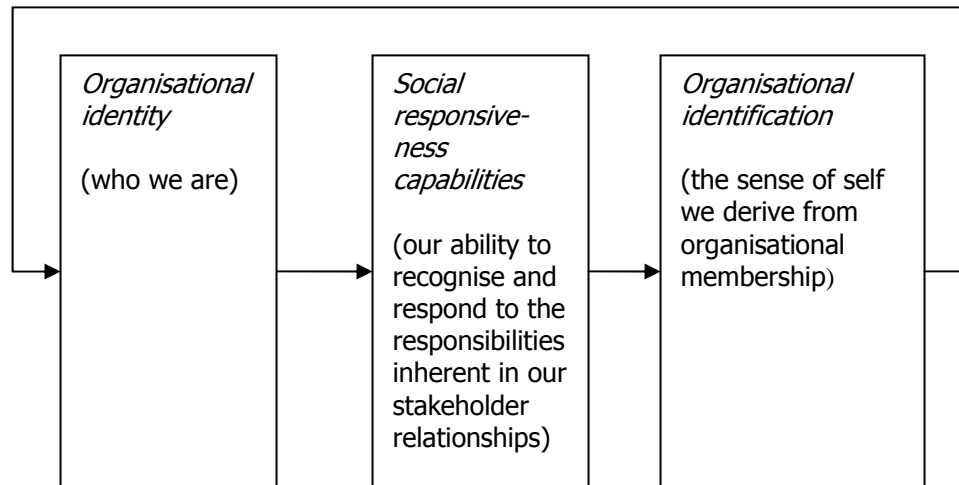


Figure 1 An identity and identification-based model of social responsiveness

Despite a large amount of theory development in the field of organisational identification, there is relatively little empirical research (Foreman & Whetten, 2002). This is even truer for work exploring the link between organisational identification and corporate social responsiveness, notwithstanding the important theoretical contributions of Dave Whetten (e.g. Whetten & Godfrey, 1998; Whetten & Mackey, 2002) .

Many future research directions beckon. For example, given the importance in modern firms of creating favourable identities (Cheney et al., 2001), future studies may consider empirical questions such as how organisational identity mediates the contribution of social responsiveness to organisational performance, or to reputation. What kinds of identity-based claims will have more relevance for leveraging social responsiveness capabilities into competitive advantage? Under what conditions and to what extent will organisational identity-based social responsibility strategies create reputational risks and rewards? Given that identity can underpin collective action by stakeholders (Rowley & Moldoveanu, 2003), can organisational identity serve as a basis for firm-stakeholder collaboration and innovation and what social impacts might be produced?

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