

# The Dark Side of Organizational Identity

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## Abstract

There is a darker side to every individual, social group, organization and society. This paper explores the dark side of organizational identity, a construct that has been gaining importance in both research and practice. Organizational identity defined as the central, enduring and distinguishing characteristics of an organization (Whetten, 2006), has a strong relationship with long term high impact decisions; sense making in organizations; experienced reality of organizational members; organizational change; resources, capabilities and competitiveness; leadership; organizational structure, strategy and culture; projected image and reputation; organizational response to crises; and mergers, acquisitions and spin offs (Albert and Whetten, 1985; Corley and Gioia, 2004; Corley et.al. 2006; Ravasi and Schultz 2006; Ravasi and van Rekom 2003; Soenen and Moingeon, 2002; Whetten 2006; Whetten and Godfrey, 1998). Past theoretical and empirical contributions have not looked at the probable negative, anti human and anti social effects of organizational identity. There is a need to explore and elaborate the significance of the dark side effects for greater clarity of the impact of organizational identity on individuals, organizations and society. This conceptual essay elaborates on four probable themes of the dark side of organizational identity – *obsessive integration, obsessive differentiation, merging of individual-organizational identities, and vicious cycle of organizational identity, projected image and reputation.*

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## Introduction

Organizations are considered as one of the most influential factors in the evolution of human civilization. Even though human beings have been living in groups, the advent of division of labor and task specialization has radically changed the process and consequence of organizing human beings among others. The modern organization denoted by authority based on roles and expertise, de-linking of ownership and management, mass production, and use of technology have been praised as God's gift to man kind. The rapid development of the western nations in the last few centuries compared to India and China who were major contributors to the international economy has been attributed to their *organizational* ability and use of technology. More interestingly, the modern management practices have been taken for granted and never or rarely questioned in terms of the negative consequences. Questions, if raised were in terms of achieving organizational objectives and not in terms anti social or anti human issues. Whenever a management practice was found deficient, it was only replaced by more elaborate theories and complex practices. For example, when scientific management was found wanting human relations evolved. And in the same way grand theories like principles of management gave way to contingency and later configuration theories. So mostly any negative consequence or anti human or anti social consequence of a theory, an organizational variable, or management practice were considered an opportunity to build knowledge and competencies. Hence questioning the status quo, not necessarily in terms of generalizations but in terms of the hidden, suppressed, and oppressed outliers has been a scholarly activity. In line with the above I would like to explore the negative, anti human and anti social consequences of organizational identity i.e. the dark side of organizational identity. Organizational identity is one of the most promising variables in organization studies and has been slowly gaining momentum over the last twenty years (Whetten, 2006). It has captured the imagination of many organizational scholars and practitioners as it is expected to explain the hereto unexplainable variance in variables as broad and different as organizational performance, strategy, culture, empowerment, creativity, entrepreneurship, change, etc. The field is consolidating with a clear single definition emerging and clarity on associated

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terminology (Whetten 2006). Identity at the organizational level is also considered in terms of brand identity, corporate identity, and visual identity (Hatch and Schultz, 1997 & 2002; Ravasi and van Rekom 2003; Soenen and Moingeon, 2002). The identity is pervasive in brand management, strategy as practice, organization studies, mergers and acquisitions, organizational change, design management, etc. (Ravasi and van Rekom 2003; Ravasi and Schultz 2006; Whetten and Godfrey, 1998). Greater understanding of the dark side effects of organizational identity would enable better theory building and improved practice.

### **The Dark Side – A Review**

The dark side indicates the negative, anti social and anti human aspects of a certain organizational dimension. In the past researchers have looked at the dark side of leadership (Conger, 1990), entrepreneurship (de Vries 1985), CEO succession (de Vries 1988), executive appraisal (Gioia and Longenecker, 1994), economic development (Devine, 1995), and marketing and consumer behavior (Hirschman 1991).

The dark side studies look at the negative effects in terms of organizational effectiveness, individual effectiveness or ethical behavior. Some look at the anti social effects and rarely do people look at anti human effects. The anti human effect of bureaucracy is well established. Anti social consequences of technology, change, development, and globalization have also been studied. Recently a major thrust has been on business ethics and corporate social responsibility (Conger, 1990; de Vries, 1985 & 1988; Harrison, 1998; Hirschman, 1991; Karn and Highfill, 2004).

Past research clearly highlight the importance of understanding the dark side effects of organizational phenomena. These effects may not be significant in most of the issues remaining as outliers and minor effects. However it cannot be assumed that every theory and model has only minor negative effects. Theory building and empirical research is required to clarify the dark side effects and their prevalence.

### **Organizational Identity and Related Constructs**

Organizational identity is a collective self definitional construct, defined as the central, enduring and distinguishing (CED) characteristics of an organization (Albert and Whetten, 1985; Whetten, 2006). It is the total sum of answers given by organizational members to the question ‘who are we?’ or ‘who are we as an organization?’ Organizational identity is considered as the shared view of organizational members, a mental framework common to all employees or a collective cognitive model of the organizational members. It can also be construed from organizational narratives or considered as the identity of the organization as the social actor (Chreim, 2005; Corley et. al. 2006; Ravasi and Schultz, 2006; Whetten, 2006). Organizational identity evolves and tends to be stable over time. It evolves as the collective self definition based on the employees’ sense making of their every day experiences through the organizational culture lens (Hatch and Schultz, 1997). Identity mirrors cultural understandings and reflecting of experiences embeds identity in the culture; identity also mirrors the images of others and expressed identity leaves impressions on others (Hatch and Schultz, 2002). The image held by the stakeholders is based on their experiences. Both the identity and the image are influenced by the leadership and vision (Hatch and Schultz, 1997). Crises strengthen organizational identity, as members refer to it to respond to issues that threaten organizational identity (Dutton and Dukerich, 1991).

The managers act to influence the organizational self image across the organization, the projected image to the external world and the reputation of the organization (Whetten and Mackey, 2002). Organizational identity is also a source of sustainable competitive advantage as it is a scarce resource (Fiol, 2001 and Whetten and Godfrey, 1998). Organizational identity and strategy are interrelated such that identity ‘is enacted and expressed via strategy, and inferred, modified or reaffirmed from *strategy*’ (Ashforth and Mael, 1996). Organizational identity can be single or multiple. If an organization has two conflicting identities in equilibrium it is called hybrid

identity. Hybrid identities can be ideographic (different parts of the organization have different conception of the organizational identity) or holographic (both the identities are held together simultaneously across the organization) (Albert and Whetten, 1985). Multiple identities enable organizations to successfully response to multiple and conflicting stakeholder expectations and successful management of these enhances the competitive advantage. Reduction in identity plurality is ‘influenced by *support of critical or powerful stakeholders, issues of intensity and legitimacy, future strategic value, and existing level of resources*’ (Pratt and Foreman, 2000). Conflicting identities within an organization can arise from identity differentiation across professional groups, hierarchical levels, different shifts, different functions or locations (Corley, 2004; Glynn, 2000).

Organizational identity plays a pivotal role in normatively regulating behavior. Managers use symbolic mechanisms to promote an elite identity and this elite identity promotes self discipline to achieve high standards of performance, attract and retain talent, gain reputation and provide ‘*ontological security*’ enabling employees to work in ambiguous situations. Organizational members willingly subjugate subjectivity to an elite organizational identity and perpetuate the elite identity by managing themselves and management of meaning (Alvesson and Robertson, 2006).

Organizational identity thus has major interactions with leadership, employee behavior, sense making, organizational response to crises, organizational structure, strategy & culture, stakeholder management, image and reputation.

### **The Dark Side**

The dark side effects can be considered along four themes. Obsessive integration is an inward looking theme, obsessive integration is outward looking, merging of individual-organizational identities theme is the interaction between the individual and the organization, and the vicious cycle of organizational identity, projected image and reputation theme is the interaction between organization and environment.

#### ***Obsessive Integration***

Obsessive integration happens when an organization’s CED characteristics are highly cohesive and integrated into a monolithic singular identity and the whole organization strives to maintain it as such at any cost. The identity achieves an iconic status with in the organization. Organizational members are socialized into accepting and subjugating their subjectivity voluntarily. A strong, dominant and clear identity provides an organization with clear direction under crises, ability to take quick long term decisions, manage multiple and conflicting expectations of the environment and stakeholders, and manage ambiguity and uncertainty in the environment. However, when the singular identity becomes all encompassing it leads to

- single dimensional view across the organization, very high clarity of ‘who are we?’, ‘what is the purpose of our existence?’ and ‘how do we do things here?’ i.e. clarity, consensus and commitment on organizational identity, organizational vision and organizational culture.
- strong passion for maintaining status quo, inertia and resistance to change, and inability to adapt to environmental change
- intolerance of alternative and multiple views within the organization and hence low creativity, innovation and entrepreneurship
- group think with all its associated ill effects
- a single minded purpose of organization is to propagate the identity

In one of the top management institutes in India obsessive integration was observed in the 1990s. It was one of the best, celebrated within and outside India. The identity characteristics constituted – one of the best, contribution to nation, and academic scholarship. Over a period of time, complacency and a sense of infallibility set in. Intellectual inbreeding led to faculty becoming averse to any new view. Questions threatening the identity were not even allowed in the institutional discourse. New faculty were carefully selected and socialized, rebels were sent out,

leadership was made to bow, and stakeholders were co-opted into accepting the dominant view. The dominant identity which was earlier a source of energy and the context for vision and vibrant meaning for living experience of the faculty, students and staff became dysfunctional and disconnected the institute from the environment and the larger society.

### ***Obsessive Differentiation***

Obsessive differentiation occurs in an organization when it assumes an elite view of itself and its identity and disallows any reference to its similarities to other organizations. Organizational identity serves to differentiate it from other organizations. The process of differentiation involves categorization through similarities with other organization and serves a categorical imperative. Identity also has broader function of distinguishing the organization, i. e. not only differentiation it from others but also distinguishing as *special*.

The distinguishing function enables imagination, hope, progress, and growth in the organization. It also helps organizational members to cope with menial and routine tasks, and improves self esteem, identification and commitment.

When distinguishing or keeping the organization special becomes the purpose of existence of the organization, it becomes obsessive differentiation. The organization's strategies, inter organizational interactions, stakeholder management, and management of environmental are directed towards distinguishing itself from others. This obsessive differentiation leads to

- wastage of resources – financial, human, and intellectual resources are deployed in maintaining the distinguishing characteristics
- organizational structure, systems and business processes are designed more to distinguish then for effectiveness
- efficiency is low as many best practices are discounted and wheel would reinvented again and again in different forms
- develops into an anti-identity, which is dysfunctional

A new B school was started in the 1990s by a professor who left one of the best institutes in the country. Due to his negative experiences and his distaste for the elite identity if this institute, the institute he started acquired an anti-identity to that of the best institutes. The new b school is growing fast, acquiring a reputation and considered one of the best emerging b schools. The reputation was gained by its advertisements and other marketing efforts that targeted the best institutes' faculty, pedagogy, students and alumni. Even though there is success in the short term with the image of the under dog fighting the establishment, the anti-identity does not have any essence and is basically dysfunctional.

Another example is one of the top management institutes in India. This institute is a part of a larger group of institutes but tries its best to state to itself and others that it is different. Since it was started two decades later this one carries the identity of the step child. Even though it has been accepted as next to the best, the institute tries to differentiate itself as the best and also as apart from the group it belongs to. The expression of being different has gone to such an extent that the institute has resorted to taking irrational and ineffective decisions which are dysfunctional. The decisions are being taken just to distinguish itself from other similar institutes. In the process, many best practices are discounted throwing the baby with the bath water.

### ***Merging of Individual-Organization Identity***

Excessively strong organizational identity sometimes leads to an individual's identity merging with it or vice versa. It is usually observed in the case of i. a founder in a young organization, ii. a strong leader shaping / transforming an organization, and iii. an employee with weak sense of self is overwhelmed by the multi pronged attack of organizational communication, socialization, or long association.

When an organization is started by a strong entrepreneur, it tends to take on the identity of the individual. As the organization grows, the organizational members collectively construct the organizational identity. Many of the CED characteristics are likely to be those that were promoted by the founder. Since it is the founder's vision that is guiding the organization it serves a function

in aligning the organizational leadership, vision and employees' sense making. It is possible that the organizational identity rather than being constructed socially is built around the founder's identity and reflects it. The difference between the individual and the organizational identities are difficult to distinguish. This leads to issues in terms of

- succession of leadership
- tendency to be stuck at lower stages of organizational life cycle
- lack of professionalism
- lack of space for individual for identification and expression

The second possibility is when a strong leader transforms an organization, if there is little participation and emotional involvement within the organization then it is likely that the leader's identity is reflected in the emerging identity. Sometimes an autocratic leader's actions induce his vision and style forcefully and due to the high emotional intensity the emerging identity of the organization is indistinguishable from the leader's identity. This leads to the same problems as mentioned above.

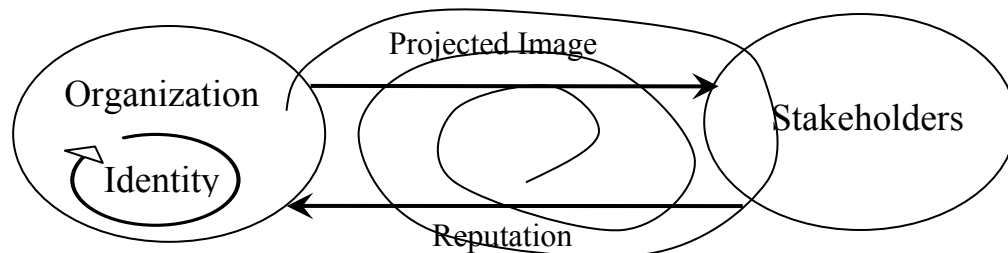
In the third case, an individual merges into the organization; his social identity becomes so dominant that his self identity lacks strength. A strong identification is found to be useful in increasing commitment, providing clarity under ambiguity and uncertainty, job satisfaction, etc. When the identification is total that the individual's self is subsumed then the essential humanness is lost. This is emotionally, psychologically and socially dysfunctional. This is observed in some of the IT companies, where the only life for an individual is the life within the organization. The organizational life encompasses his personal, social, and professional dimensions including the recreational and procreation in some cases.

***Vicious Cycle of Organizational Identity, Image and Reputation***

Organizational identity, projected image and reputation are inter-related. Organizational identity is the socially constructed, shared view of the CED characteristics. The projected image is the communication by the organization to the stakeholders and the larger environment on specific aspects of the CED characteristics. The projected image can be the same as the identity or it can be different. It is a choice made by the management or the dominant group within the organization. Reputation is the environmental feedback to the organization on its projected image. These three are in equilibrium under normal conditions.

Managers resort to active management of the organizational image by projecting only specific

Figure 1. Organizational identity, image and reputation



Adopted from Whetten and Mackey (2002) p 401.

aspects of the identity to ensure continuity of the reputation even if there is a mismatch between stakeholder expectations and organizational identity expression. The reputation management becomes a vicious cycle if the identity expression and projected image are not congruous. The image management project if unchecked becomes part of the organizational identity and there is a gross difference between the identity and the projected image. Managers have high stakes in the organizational reputation and hence they try to manage it even if it means crossing ethical, moral

and legal boundaries. The projected image is the imagination of the management or dominant few solely fabricated to manage the reputation. The reputational feedback now is totally disconnected from actual reality of the expression of the identity. Since the reputation has been managed, there is increased stake for the managers to further manage it even at the cost of further distancing it from the organizational reality. This vicious cycle goes on and on taking the expression of identity and reputation further apart. This becomes dysfunctional and leads to

- gross misrepresentation of the organization through miscommunication
- creates a sense of infallibility, misjudgment and wrong decisions
- unethical and illegal behavior are institutionalized
- reputation management becomes the sole purpose of existence
- organizational death / closure when stakeholders intervene

The Enron fiasco is an apt example of such a vicious cycle. Enron initially gained a reputation for fast growth and high returns. When it was unable to sustain it, managers fabricated stories of growth to maintain the reputation, believing that they would be able to revert back. The fabrication and cheating became ingrained that it became the objective of the organization rather than its business objectives. The vicious cycle continued till the environment sensed the difference in the projected image and expression of the identity and consequentially led to death of the organization and abrupt end to the careers of the high flying managers.

### **Conclusion**

There is a tendency among management academicians and practitioners to take a construct as good and nothing but good. As Hitler proved to leadership, there is a dark side to every human phenomenon. This paper traced the dark side of organizational identity, in terms of obsessive integration, obsessive differentiation, merging of individual-organizational identities, and vicious cycle of organizational identity, projected image and reputation. The themes discussed above are not exhaustive but clearly highlight the importance of understanding the dark side of organizational identity. With the increasing importance given to organizational identity, brand identity, corporate identity, visual identity, image management and reputation, it is critical that the negative, anti human and anti social effects of these are clearly understood.

### **References**

References are available with the author.