

# A Meta-Ethical Perspective on Organizational Identity

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**ABSTRACT.** Although much of the growing literature on organizational identity implicitly recognizes the normative nature of identity, the ethical implications of organizational identity work and talk have not yet been explored in depth. Working from a meta-ethical perspective, we claim that the dynamic, processual, and temporal activities recently associated with organizational identity always have an ethical dimension, whether “good” or “bad.” In order to describe the ethical dimensions of organizational identity, we introduce the balance theory of practical wisdom as a theoretical framework, and connect this theory to existing organizational identity concepts. We present an empirical case focused on an international paint company to illustrate the relevance of this theory for empirical organizational identity research. Our intention is to expand existing theory by bringing an aspect of organizational identity that has been tangentially acknowledged to the forefront, and by identifying it as a fruitful avenue for future theory development as well as empirical research.

**KEY WORDS:** organizational identity, practical wisdom, metaethics

## **Introduction**

In a context in which concern about corporate social responsibility and ethics has spurred new theorizing from scholars focused on a wide range of organizational domains, the normative power of organizational identity has attracted little surprisingly attention to date. As an important influence on decisions, actions and behavior within organizations, we consider identity to be an element of organizational life worthy of exploration through an ethical lens. Dynamic conceptualizations of organizational identity have led to process studies of identity construction such as “identity work,” which refers to ways in

which identity’s coherence and distinctiveness is formed, repaired, maintained, strengthened, or revised (Sveningsson and Alvesson, 2003). “Identity talk,” or the way organizational members choose to speak about their organization’s identity, might be considered one form of identity work. Identity talk frequently involves individuals making distinctions between their organization and an “other.” To the extent that these distinctions lead to the emergence of an organizational identity that subsequently guides decisions and actions of organizational members, identity talk cannot be considered value neutral. Indeed, it lends itself to ethical evaluations of “right” and “wrong” on the part of organizational members. However, in this somewhat uncharted territory, managers and scholars alike lack indications of how to understand the normative and evaluative claims that can be embedded in identity work and talk. In this article, we intend to provide a descriptive framework that may allow the beginning of such an exploration, drawing on Sternberg’s balance theory of practical wisdom. We use this theory to describe the ethical aspects of organizational identity, presenting an illustrative case study of an international paint company “Colours, Inc.” to underscore our claims. We conclude by outlining some implications for further scholarship in this area.

## **Implicit ethics of organizational identity**

From its original focus on the identification of a convergent set of central, enduring, and distinctive attributes of an organization (Albert and Whetten, 1985), the concept of organizational identity has evolved to span a broad variety of ontological and epistemological viewpoints, including functional-

ism/realism (e.g., Elsbach and Kramer, 1996), interpretative/constructionist (e.g., Pratt and Rafaeli, 1997), and semiotic/postmodern (e.g., Sveningsson and Alvesson, 2003). An important perspective within the field today is the focus on dynamic/fluid processes (Brown and Humphreys, 2006; Gioia et al., 2000) by which organizations develop a sense of self that provides some form of distinctive continuity across space and/or time (e.g., Clegg et al., 2005). Scholars operating within this dynamic paradigm have empirically framed organizational identity as a collective performance (Clegg et al., 2007), tension (Fiol, 2002), and even paradox (Pratt and Foreman, 2000).

These process studies of organizational identity are grounded in social constructionist theories of knowledge, and they mainly focus on questions of how organizational identities are formed and constructed (Cornelissen et al., 2007), including mimicking (Whetten and Mackey, 2002) or expressing and mirroring (Hatch and Schultz, 2002). Of particular interest are identity work or identity talk, which involve the development of discursive frameworks for the purposes of sensemaking about “self” and “other” (Clegg et al., 2007). To the extent that an organization’s identity draws on elements of a discursive collective identity with the ability to influence actions, it is appropriate to pay attention to discourse – rather than a set of cognitive held beliefs – as the salient unit of analysis (Hardy et al., 2005).

Although ethical questions have rarely been the explicit focus of scholarship in organizational identity to date, related concerns have emerged implicitly. In particular, attention to organizational identity-related actions and decisions of organizational members has led to some preliminary exploration of norms, values, and beliefs. Underlying questions such as whether the identity of an orchestra should be grounded in producing art or money (Glynn, 2000), or whether a health care system should be profit-driven firms or providers of patient care (Dukerich et al., 2002), bear upon fundamental issues of ethical value. Each such construction of an organization’s identity can impact actions and decisions in such organizations. For example, do I cooperate with other doctors? Do we fire an incompetent, yet famous, musician? In this sense, organizational identity may be thought of as a combined, stakeholder construction drawing on the values of “reference others” and informing the

identity of organizational members to varying degrees (Scott and Lane, 2000).

Organizational norms and values are also frequently transmitted through narrative (Randall and Martin, 2003), a form of discourse of particular importance in constructing organizational identity (Brown, 2006). Identity claims may be depicted as morals embedded in well-told stories of the defining moments in an organization’s history (Kimberly, 1987), as the central themes highlighted in an organization’s biographical accounts (Czarniawska, 1997), or as a distinct set of organizing principles authored by formative organizational leaders (Buenstorf and Murmann, 2005). However, although each of these scholars has (indirectly) identified ethical considerations as relevant to the concept of organizational identity, none have addressed such considerations as a primary point of focus. We attempt to begin such an effort in the following section by articulating a meta-ethical perspective on organizational identity.

### **Organizational identity from a meta-ethical perspective**

Each of the various literature streams outlined above shares an orientation toward organizational identity as a dynamic, processual phenomenon. In this sense, specific performances or constructions of organizational identity are deemed appropriate – or not – by organizational actors within the relevant context for action or decision. Over time, elements of organizational identities become embedded and interwoven in the culture, value systems, and institutional norms comprising that context. Many elements take shape in relation to other identities, through acts of discursive comparison such as analogical reasoning (Statler et al., 2008). But precisely in reference to such processes of differentiation from an “other,” within contexts that can readily be described in terms of norms and values, organizational identity appears to have a distinctly *ethical* dimension. Indeed, the question “how should one relate to an ‘other?’” is quintessentially ethical. And yet, while this question may be debated implicitly or explicitly by organizational actors whenever they construct organizational identity, it has not yet been considered in ethical terms by organizational researchers.

This ethical responsibility appears even more relevant if we acknowledge that organizational identity is emergent, and has downstream impacts. As organizational members engage in identity work, contributing to the construction of the identities of their organizations, they navigate ambiguity and uncertainty. The decisions and choices that they make can have impacts in the near as well as the longer-term future, insofar as they alter or reinforce the organization's identity. If we assume that organizational identity is an emergent phenomenon, the outcomes of actions and decisions shape future choices and identity constructions. However, if organizational identity is contingent on individual actions, then the scale of potential impacts raises ethical questions about what people choose to do or not do, and about the responsibility or accountability that may correspond to such choices. If organizational identity is seen as something fluid, then the choices that people make based on values and norms can be conceptualized in terms of their ethical (or, non-ethical) character. As organizational identity is contested or called into question – i.e., “do we want to be this kind of company or not?” – people make choices and take actions based on notions of good/bad or right/wrong; yet, we lack theory to help conceptualize these ethical dimensions of organizational identity.

Miner and Petocz (2003) help clarify the nature of the theoretical contribution this paper intends to make. They define metaethics as a strand of inquiry that is “concerned with questions of the nature and objective existence of certain properties or qualities” (in this case, the moral/ethical properties identified as “right,” “wrong,” “good,” and “bad”). Following this definition, our meta-ethical claim is that organizational identity always has an intrinsically ethical dimension. Whenever organizational actors faced with uncertainty or decision ambiguity make reference to organizational identity, and decide that a certain course of action is appropriate, “right,” or “good,” such choices have an ethical dimension.

Miner and Petocz (2003) furthermore differentiate such meta-ethical claims from ethical theory. Whereas metaethics involves considerations relevant to the existence of ethical properties or dimensions of action, ethical theories seek either (a) to describe how people make such decisions or (b) to prescribe how people ought to make such decisions. In this sense,

our meta-ethical claim that organizational identity has an ethical dimension signals an opportunity to develop descriptive ethical theory about how that dimension plays out in practice. It may additionally call for prescriptive or normative theory about how that ethical dimension *should* be incorporated into organizational identity processes. In this regard, it is interesting to note that within the functionalist tradition of organizational identity research, scholars often assume that a core, enduring, and distinctive organizational identity is a useful or “good” thing (e.g., Voss et al., 2006), while neo-Marxist and post-modern scholars often portray organizational identity as a managerialist tool to control workers (e.g., Humphreys and Brown, 2002). This debate illustrates the difficulty of developing normative ethical theories about organizational identity without first having a clear understanding of what the relevant ethical properties of organizational identity might actually be.

Whichever side one may take in such a debate, from a meta-ethical perspective, it is apparent that the dynamic processes associated with organizational identity have an ethical dimension. In turn, the challenge for organizational theorists involves the development of descriptive and/or normative theories about what those ethical components are or should be.

### **Toward a descriptive ethical theory of organizational identity**

Responding to this difficulty, and by way of support for the meta-ethical claim that organizational identity practices have an ethical dimension, we now introduce an ethical theory that can provide descriptions of how that ethical dimension plays out in the study of dynamic, temporal, processual phenomena.

There are three overarching paradigms of ethical theory from which to choose: consequentialism; formalism; and virtue theory. Both consequentialism and formalism determine the ethical value of action in terms of a principle (of utility, and of free will, respectively) that holds true irrespective of the circumstance. In contrast, virtue theory emphasizes the degree to which value remains contingent, shaped by culture, history, and tradition. Thus, we suggest

that of the three primary philosophical ethical theories, virtue ethics (Koehn, 1995, 1998; Hartman, 2008; Moore, 2002; Solomon, 1992, 2000, 2003) is the most sensitive to emergent phenomena – such as organizational identity – which appears to be grounded in culture, history, contingency, and ambiguity. Furthermore, as virtue ethicists locate the value of action in the individual performance of virtue (rather than the effect or outcome of action, or in the degree to which the action instantiates a formal rule), they tend to focus primarily on the individual practices that appear to exhibit *practical wisdom*.

Aristotle (1962) defined practical wisdom (Greek “*phronesis*”) as the virtuous habit of making decisions and taking actions that serve the common good, especially in the face of ambiguous or uncertain circumstances. Drawing on this definition, the term “practical wisdom” refers to an optimal (i.e., “virtuous”) practice of dealing with organizational challenges. The concept of practical wisdom does not, therefore, refer to “the right answer” or to “the capacity to generate the right answer” – i.e., it refers neither to a piece of knowledge nor to the person who might have it – but instead, to a habituated pattern of human actions or a “wise practice.” According to this definition, the manager whose actions exhibit the quality of practical wisdom remains constrained to some extent by fate, luck, and contextual circumstances – and yet, precisely in view of such circumstances, s/he acts in such a way as to enact the well-being (Greek “*eudaimonia*”) of the organization.

There is a rich tradition of business ethics scholarship exploring the relevance of practical wisdom to diverse phenomena, including management education (Clegg and Ross-Smith, 2003) and leadership (Holliday et al., 2007). Organizational theorists have begun to use the concept of practical wisdom to describe how strategists and leaders deal ethically and effectively with uncertainty (Tsoukas and Cummings, 1997; Wilson and Jarzabkowski, 2004). However, the relevance of the concept to organizational identity has not yet been established.

Recent scholarship has focused on the exercise of practical wisdom in relation to strategy under conditions of uncertainty (e.g., Statler and Roos, 2006), by drawing on psychologist Robert Sternberg’s balance theory of wisdom. Following the meta-ethical

claim that organizational identity practices have moral or ethical properties, Sternberg’s balance theory of practical wisdom can be used to describe with considerable precision how the ethical dimension of organizational identity plays out in practice. The “balance theory” (Sternberg, 1998, 2001, 2004) refers to practical wisdom as:

...the application of intelligence, creativity, and knowledge to the common good by balancing intrapersonal (one’s own), interpersonal (others’), and extrapersonal (institutional or other larger) interests over the long and short terms, through the mediation of values, so as to adapt to, shape, and select environments. (Sternberg, 2004, p. 287)<sup>1</sup>

According to this conceptualization of practical wisdom, any action based on tacit knowledge and mediated by values would exemplify the common good at the level of practice precisely to the extent that two distinct balances are struck: (1) balance of interests, and (2) balance of responses to the environment. The balance of interests involves intrapersonal (i.e., self, whether in terms of prestige, power, money, or knowledge), interpersonal (i.e., group or social, again in various terms) and/or extrapersonal (i.e., institutional or transcendental) interests (Sternberg, 2001, p. 231). The balance of responses involves adapting (i.e., conforming to existing circumstances), shaping (i.e., changing existing environmental circumstances), and selecting (i.e., choosing entirely new circumstances for action) (Sternberg, 2001, p. 231). The balance theory addresses the habituated aspects of wise practice in terms of tacit knowledge. Furthermore, the balance theory indicates that every expression of tacit knowledge has an intrinsically ethical dimension to the extent that it is mediated through values. Finally, the balance theory uses the term “common good” to describe the ethical value associated with practically wise action.

Sternberg’s balance theory of practical wisdom thus provides a preliminary, descriptive ethical theory of organizational identity. In the spirit of Cornelissen et al.’s (2007) call for more integrated approaches to identity study, the various elements of the balance theory of wisdom draw together different strands of previously separated organizational identity scholarship for the purpose of developing a richer theory. More specifically, each of the three

TABLE I  
Connections between organizational identity and the balance theory of practical wisdom

Organizational identity-related concepts	
Balance of interests	
Extrapersonal interests	Organizational identity is influenced by <i>construed external image</i> (Dutton et al., 1994) and external <i>stakeholders</i> (Scott and Lane, 2000)
Interpersonal interests	Organizational identity is socially constructed by organizational members through <i>discourse</i> (Hardy et al., 2005), <i>narratives</i> (Brown, 2006), and/or <i>contestation</i> (Coupland and Brown, 2004)
Intrapersonal interests	Organizational identity may stimulate organizational <i>identification</i> (Ashforth and Mael, 1989), and the positive identification of individuals to in-groups or <i>social identity</i> (Tajfel and Turner, 1985)
Balance of responses	
Adapting	Organizational identity as fluid in response to <i>feedback</i> (Gioia et al., 2000), renegotiated following <i>identity threats</i> (Elsbach and Kramer, 1996), or revisited in response to <i>critical incidents</i> (Oliver and Roos, 2007)
Shaping	Organizational identity as an <i>asset</i> or resource (Barney, in Reger et al., 1998, p. 117) that can influence outward-facing behavior or <i>corporate identity</i> (Van Riel and Balmer, 1997), as well as <i>branding</i> (Kärreman and Rylander, 2008)
Selecting	Organizational identity as a decision-making <i>lens</i> or <i>filter</i> influencing interpretations (Dutton and Dukerich, 1991), a <i>frame</i> for resource employment (Glynn, 2000)

levels of the balance theory corresponds to an identity-related concept (see Table I). In terms of the balance of interests, *extrapersonal* sets of interests, such as perceived external stakeholder views (Scott and Lane, 2000) or *construed external images* (Dutton and Dukerich, 1991), have been identified by organizational identity scholars as important influences on the way organizational members describe their organizations. *Interpersonal* interests have been accounted for in studies of processes of the social construction and contestation (Coupland and Brown, 2004) of organization identity through discourse (Hardy et al., 2005) and narratives (Brown, 2006). Finally, *intrapersonal* interests have been considered in terms of organizational identification by scholars (Ashforth and Mael, 1989) who draw on social identity theory (Tajfel and Turner, 1985) to examine how individuals identify with their organizations in cognitive, affective, and evaluative ways.

In terms of the balance of responses, the *adapting* response refers to the more fluid aspects of organizational identity which can change in response to feedback (Gioia et al., 2000), changing external opportunities or threats (Elsbach and Kramer, 1996), or during critical incidents (Oliver and Roos, 2007). The *shaping* response inverses this relationship and

focuses on organizational identity as an asset or resource (Barney, in Reger et al., 1998) that can serve as the basis for changing the world outside the organization through corporate identity (Van Riel and Balmer, 1997) or branding (Kärreman and Rylander, 2008). Finally, the *selecting* response relates to the way in which organizational identity can serve as a lens influencing interpretations (Dutton and Dukerich, 1991) and framing organizational resource allocation (Glynn, 2000), possibly leading organizational members to choose different directions for their organization. For a summary of these connections between Sternberg's balance theory of practical wisdom and organizational identity research, see Table I.

In reflection on the significance of this descriptive ethical theory of practical wisdom, we should be clear that no particular set of interests or responses to environments is ethically good or bad *a priori*. Similarly, the metaphor of a balance does not indicate that some "middle ground" exists that should be identified in advance without consideration of the context for action. From a meta-ethical perspective, the balance theory allows us to describe what may constitute ethical, that is, *wise* organizational identity practices.

We present this ethical theory of organizational identity in view of the distinction drawn (Miner

and Petocz, 2003; O'Fallon and Butterfield, 2005) between prescriptive/normative and descriptive business ethics research. Descriptive ethics is "concerned with how people actually make ethical decisions—what steps they take, which moral principles they invoke, and what other factors influence their decisions" (Miner and Petocz, 2003, p. 12). In contrast, prescriptive/normative ethics "attempts to provide statements about what is right/wrong, what ought/ought not to be done, and is concerned with specifying processes and strategies that should be followed" (ibid, p. 12). In light of this distinction, the balance theory of practical wisdom provides, like any other substantive ethical theory (e.g., consequentialism, formalism), an explicit characterization of ethical value (i.e., as a balance of interests and responses). This characterization could be applied normatively to prescribe certain behaviors and proscribe others, but it can also be used to describe behaviors, including the practices associated with organizational identity work. In the following section of this article, we attempt to illustrate how the balance theory of practical wisdom can be used to describe the ethical dimension of organizational identity processes by focusing on a particular organization.

### **Case illustration: identity work at Colours, Inc.**

#### *Methodology*

In order to illustrate how theory can be used to describe the ethical dimension of organizational identity, we provide an empirical example of one group of senior managers' effort to explore characteristics of their organization's identity. Following the typology outlined by Butler (1997), we provide this illustration to demonstrate the importance of ethical theory for organizational identity, as well as to build from and expand on Sternberg's concept of practical wisdom. This illustration was selected due to the particularly rich nature of organizational identity work surfaced by the central intervention involved. It responds in particular to the call for greater focus in organizational identity research on artefacts, close contact between researcher and reality, and accounts from different people (Clegg et al.,

2007). However, we should also note that because the case illustration involves a discussion in which a three-dimensional medium is introduced, it deliberately exaggerates the visual metaphorical performance for emphasis.

We gathered data from a global company in the paint industry "Colours, Inc."<sup>2</sup> over a period of 8 months. During this time, we maintained close contact with senior executives via meetings, conference calls, and e-mails; additionally, we reviewed internal organizational documents related to the company's customer strategies. The centerpiece of our data collection process was a facilitated intervention using "serious play" (Roos and Victor, 1999; Roos et al., 2004; Statler and Oliver, 2008) among 20 senior managers in the context of a management retreat, in which participants constructed and discussed three-dimensional models of the identity of their organization. During this event – described in more detail below – participant-observation notes were prepared and the session was captured on videotape. On the basis of the rich descriptions generated, we developed preliminary interpretations of the data that we presented to the executives for verification. The findings that we present here incorporate the feedback provided by these executives.

Commonly used psychological theories suggest that identity becomes particularly salient when it is explicitly addressed and reflected on (e.g., Moshman, 1998). When members of an organization describe their identity, they make implicit claims about what they deem to be salient characteristics, and these claims both enable and constrain possibilities for action. We, therefore, devote particular attention in our interpretations below to the data gathered through the serious play intervention method because it was on those occasions when the organizational members were both enacting and reflecting on their organizational identity.

#### *Situated organizational identity work at Colours, Inc.*

From the time of its founding in the 1920s in Germany, Colours, Inc. had remained a closely held family business selling industrial paints. Beginning in the 1960s, the company had begun a large-scale and highly successful international expansion. By 2004,

roughly three-quarters of the company's employees were located in some 30 other countries around the world, and a combination of mergers and organic growth had led the company's revenues to approach US\$1 billion.

Concern about the quality of some of the paint company's customer relationships around the world led the company to initiate what was referred to as a "customer-focused strategy" in 2003. A senior human resources manager from Colours, Inc. contacted us to explore how this new strategy might affect or be affected by the identity of the organization. Together with the human resources manager, we developed a 2-day workshop – as part of an established management development program – aimed at helping a diverse group of managers from various country operations better understand their role in implementing the new strategy by inviting them to build representations of the organization's identity and its customers.

In February 2004, 20 participants gathered at a site located in one of Colours, Inc.'s newer markets for the 2-day session, which was facilitated by one of the coauthors in collaboration with an additional facilitator. The participants were divided into two groups of ten, each of which included participants from a variety of different company operations, although the company's "international operations" were disproportionately represented in Group 2. The session began with warm-up exercises to familiarize participants with the building materials and how they could be used to convey complex ideas. The warm-up exercises concluded with all the participants constructing individual models of their jobs, which they presented to the other members at the same table for discussion. Several participants found this particular exercise valuable enough to keep the model they had built separate for future reference.

Following the warm-up activities, each participant was asked to build an *individual* model of Colours, Inc.'s identity and present it to their group for discussion. Individuals in both groups included some critical views about Colours, Inc. in their constructions; an occurrence that several participants indicated to facilitators during the break surprised them.

Subsequently, each group was asked to work collectively to build a group model representing the identity of Colours, Inc. Group 1 built a single

consolidated model of company identity, which eliminated everything of a critical nature that had been included in the individual models. The model consisted only of a "peacock,"<sup>3</sup> "heart," and "family" to represent to organization's identity. When challenged by the facilitator about the fact that their critical comments were not evident in the group model, several individuals simply pointed to the three core symbols and said "it" was all contained in these elements. Indeed, these three symbols appeared to include a variety of meanings. The role of "family" in the company's identity was particularly complicated, as at times it referred to the founding family, a "family-style" way of working internally, or even treating customers like "family." Similarly, the heart symbolized at different times implied compassion and supportiveness within the company, a kindly and helpful attitude toward customers, or even concern and respect for environment. The peacock symbol seemed to include strong elements of a brand identity, but also adaptability, friendliness, family connection, and professionalism.

The model constructed by Group 2 was quite different. Group 2's model was a more elaborate and analytical representation of the organization's structure and values, including a symbol representing its German cultural heritage. Several critical elements – for example, overly complex processes – were also included, but no mention was made of peacocks or hearts. In particular, one participant from China insisted that these symbols were simply not relevant in her part of the organization.

After these constructions were completed and fully discussed within the groups – a process that took nearly 1.5 hours – each of the two groups then took turns describing its identity representations to the other. At this point, strong disagreements between the groups ensued, leading several group members to become visibly tense and upset. Individuals from Group 1 found Group 2's construction overly complicated and critical. Several members of Group 2 commented that Group 1 appeared to be living in a "dream world."

This concluded the end of the first day of building, and that same evening all the participants were invited to a large and generous dinner hosted by a leading company manager, and also attended by a member of the founding family. In his welcoming comments, this individual made explicit mention of

“peacock identity,” in addition to the close-knit familial feeling of the organization.

In the morning of the second day, the participants were invited to revise their identity constructions from the previous day. Group 2 appeared to regret having built a model of Colours, Inc. that showed the organization in a somewhat critical and complex light. Their interactions were notably more subdued and pensive than they had been during the group construction and presentation on the previous afternoon. Enthusiasm and energy seemed to return when the group set about vigorously revising and simplifying their own construction to focus on more traditional identity symbols such as the peacock and the company’s logo. This revised construction represented a complete backtrack from the group’s assertion the previous day that their organization was highly complex, and that the peacock need not be included in its identity representation.

The next step was to invite both groups to construct models of what they deemed to be their most important customers, and place these models around their organizational identity construction. The intention was to illustrate important attributes of the customer relationships and reflect on how important customers viewed Colours, Inc.’s various identity attributes. Participants at each table then modified their collective identity constructions to incorporate customer perspectives, and presented their results to the other group. The placement of customer models demonstrated that some customers were close to the company because of a perceived shared set of values, while others were in a semi-close but noncommitted relationship with Colours, Inc., and still others were actually very distant from Colours, Inc.’s identity representation.

During this process, there was much discussion of – and some disagreement about – changes in customer demands, their implications for Colours, Inc.’s identity, and their impact on how Colours, Inc. develops and manages its business. Some participants believed customers found Colours, Inc.’s traditional symbols irrelevant, while others believed these were of critical importance. Group 1 hurriedly removed these customer constructions after the “customer model-building” part of the session was declared over; however, they very carefully left the three core symbols untouched in the middle of the table. Group 2 also removed the customer repre-

sentations quickly; however, they also took the opportunity to radically simplify their organizational identity representation to include just a few core elements, including peacock, heart, and family. In doing so, they overrode objections from the Chinese woman, who commented that her customers were far more interested in obtaining the lowest price than with these identity symbols.

In the final step of the serious play activities, individuals built constructions of what they most needed to keep in mind as they proceeded with efforts to implement a customer-focused strategy. These models were intended to take the rich insights of the identity and customer analysis and engage these with participants’ specific leadership development goals.

## Discussion

In accordance with the theories of organizational identity that frame our considerations here, the organizational identity work presented in the case is dynamic, temporal, and processual.

We will now use the balance theory of practical wisdom as a conceptual framework to describe the ethical dimension of the organizational identity processes in the case. Specifically, we will describe how actors balanced different interests and responses to the environment (Sternberg, 2001).

### *Balance of interests*

During the Colours, Inc. retreat, the importance of *extrapersonal* interests first became apparent due to the explicit focus on considering customer interests. Participants believed that their customers viewed the organization’s identity symbols such as the peacock in a variety of ways – for some, it was thought to be quite important, while for others, it was perceived as irrelevant. The importance they placed on taking the external customers’ interests into account was evident when they modified their identity constructions to focus even more intently on the peacock, heart, and family. Nonetheless, both groups sought to remove the extrapersonal customers at the first opportunity. Their acknowledgement of customers was also mediated by the founding German ideals of



the organization, as illustrated by the use of a national symbol in the second group's construction. The surprise that participants expressed in realizing how *differentiated* the company's customers really were led the group to rethink its consideration of the extrapersonal interests of customers as a homogenous whole, in favor of focusing on subgroups and even individual customers separately. The diversity of the customer base was increasing, and within that diverse group, demands were also changing.

In terms of *interpersonal* interests, the importance of the "family"-style way of working was emphasized for Colours, Inc., combined with the heart representing a compassionate, mutually supportive way of working. These values were strengthened by the speech given by the founder's grandson at the end of the first day. The debate between the two groups concerning the veracity of the use of these core symbols to fully describe the organization's identity – combined with the second group's decision to backtrack and adopt these symbols – provided further evidence of the balance of interpersonal interests. Nevertheless, some voices were largely ignored, such as the Chinese woman's comment that her customers were only really interested in lower prices rather than the organization's identity attributes. Indeed, key terms and concepts (e.g., family, national culture, and history of the firm) held contradictory meanings for different members of the team, and these diverse interpretations appeared relatively dispersed among the team members. Interpersonal interests appeared quite dynamic, especially in view of the shift from criticism to conformity that occurred over the course of the event, with one group backtracking, and the other group removing all the critical reflections from its organizational identity representation.

Regarding *intrapersonal* interests, several Colours, Inc. participants struggled to reconcile the very different opinions other participants expressed about the organization with their own personal views. Several individuals clearly identified personally quite closely with the peacock, family, and heart, and resisted at an emotional level the notion that these values might no longer be considered relevant for the organization. Other participants seemed to express no intrapersonal interest in the core identity symbols themselves; rather, they indicated stronger interest in generating greater short-term revenues for

their own parts of the business through simply offering customers lower prices. Thus, whereas participants initially exhibited tension and distress, following the moving speech by the founder's grandson, they became more subdued and pensive, exhibiting emotion in an apparent moment of catharsis as the company symbol was represented on the table.

#### *Balance of responses*

Focusing on the responses component of the balance theory of practical wisdom, we now interpret the various ways in which the organizational identity processes in the case balanced adaptation to the existing environment, shaping of the existing environment, and selection of new environments in which to act (Sternberg, 2001).

Colours, Inc. largely resisted *adapting* to environmental signals represented by differentiated customer representations and participants from non-German operations. The participants demonstrated a strong desire for internal conformity and conflict avoidance, which on a micro level led the two groups to adapt and push relatively quickly toward a convergence of views on organizational identity representations. On a macro level, this convergence in views could be seen as a decrease in the variety of adaptive responses for the organization. In this sense, the fact that participants clung to this symbol in opposition to all evidence to the contrary indicated a relative lack of adaptability. Indeed the organization's core symbols appeared increasingly irrelevant to a growing customer base, but rather than identifying and discussing emergent change, representations were simplified to eliminate complexity and reduce conflict.

The Colours, Inc. participants' projection of the organization's core identity attributes on the market – for example, treating customers like "family" – presents evidence of *shaping* responses. A manager from the Russian operation claimed that his clients were highly attracted to these identity attributes, commenting that his customers "liked our family values." However, the debate about whether these attributes worked to differentiate them in the market in places such as China provided further evidence that the group was potentially capable of shaping the

environment. But again, the team members appeared less prone to reach out and shape the environment, and more likely to react by pulling back from change.

As a profitable and growing company, Colours, Inc. planned to continue its international expansion to new markets, and in this respect the group seemed to be *selecting* new markets in which to thrive. However, these selective organizational responses appeared to be restricted due to the organization's attachment to the core identity representations of the peacock. The selection of international markets was a choice that participants did not question during the retreat – instead, they seemed to agree that there was going to be more selection of international markets in the future. But precisely in this light, participants continued to struggle to balance the extent to which, based on that selection, they would be forced to adapt to the environment, or in turn, shape the environment by projecting into the marketplace the values that were woven into their organizational identity. A summary description of the ethical dimension of Colours, Inc.'s organizational identity appears below in Table II.

## Conclusion

In introducing the balance theory as a means for describing the ethical dimension of organizational identity, our intention has been to expand existing theory by bringing an aspect of organizational identity that has been widely acknowledged, but which remained peripheral, to the forefront, and by identifying it as a fruitful avenue for future theory development as well as empirical research. We acknowledge that the fact that the case analysis draws on a relatively short (albeit intensive) period of identity work means that the data we have analyzed of less value than an in-depth longitudinal study might be. However, we present the case analysis as an illustrative example of what a possible description of Colours, Inc.'s identity work may look like through a balance theory lens, rather than as an effort to induce new theory, generalize to other settings, or make specific prescriptive comments about the firm. In this light, we note several potential implications related to: (1) existing and future organizational identity research; and (2) existing and future business ethics research.

Regarding organizational identity research, we noted some divergences among scholars operating in the functionalist organizational identity tradition who tend to acknowledge the benefits of organizational identity, contrasted with neo-Marxist/post-modern scholars who have critiqued it. While it is not the intention of this paper to weigh in on one perspective over the other, we note that this debate is an example of normative ethical theorizing without the benefit of a clear meta-ethical statement what these ethical properties are.

A broad implication of this article is that such ethical considerations should be taken into more careful and systematic consideration by organizational identity researchers. In the case example studied here, a balance of interests was enacted in practice through the inclusion and/or exclusion of impressions and perceptions of specific stakeholders – their “reflected stakeholder appraisals” (Scott and Lane, 2000) – in the recursive representation of the organization's identity. A balance of responses was struck in practice as organizational members recursively enacted the relationship between their shared identity and its environment, a process that occurs as organizational members struggle to articulate descriptions of an organization's identity that incorporate elements of its construed external image in the face of environmental constraints (Gioia et al., 2000).

For scholars of business ethics, our use of the balance theory of wisdom provides an initial indication of how the ethical dimension of organizational identity practices can be described, but significant questions remain about how, exactly, organizational identity representations might shape individual choices and actions. At a general level, we acknowledge not only that other conceptualizations of practical wisdom besides Sternberg's could be used, but that other streams of virtue ethics as well as other traditions of ethical theory could be drawn onto shed light on the ethical dimension of organizational identity. More specifically, we believe that one possible avenue for such research would be to examine role modeling (Moberg, 2000), specifically the ways in which role models serve to shape individual decisions and choices related to their actions. Similarly, organizational identity could be fruitfully approached by researchers interested in ethical decision making (cf, O'Fallon and Butterfield, 2005; Trevino, 1985). Distinct factors such as gender, value

TABLE II  
Describing the ethical dimension of organizational identity at Colours, Inc.

	Organizational identity-related concepts	Identity work in Colours, Inc.
Balance of interests		
Extrapolational interests	Organizational identity is influenced by <i>constructed external image</i> (Dutton et al., 1994) and external <i>stakeholders</i> (Scott and Lane, 2000)	Limited debate on relevance of identity symbols for increasingly diverse and international clientele
Interpersonal interests	Organizational identity is socially constructed by organizational members through <i>discourse</i> (Hardy et al., 2005), <i>narratives</i> (Brown, 2006), and/or <i>contestation</i> (Coupland and Brown, 2004)	Conflicting views suppressed by “family” identity discourse
Intrapersonal interests	Organizational identity may stimulate organizational <i>identification</i> (Ashforth and Mael, 1989), the positive identification of individuals to in-groups or <i>social identity</i> (Tajfel and Turner, 1985)	Strong attachment to identity symbols, tension and distress expressed at potential changes
Balance of responses		
Adapting	Organizational identity as fluid in response to <i>feedback</i> (Gioia et al., 2000), renegotiated following <i>identity threats</i> (Elsbach and Kramer, 1996), or revisited in response to <i>critical incidents</i> (Oliver and Roos, 2007)	Less complimentary attributes such as excessive complexity raised and identity symbols criticized as a “dream world”; both critiques later withdrawn
Shaping	Organizational identity as an <i>asset</i> or resource (Barney, in Regeer et al., 1998, p. 117) that can influence outward-facing behavior or <i>corporate identity</i> (Van Riel and Balmer, 1997), as well as <i>branding</i> (Kärreman and Rylander, 2008)	Discussion of how to shape emerging markets by projecting identity-related values
Selecting	Organizational identity as a decision-making <i>lens</i> or <i>filter</i> influencing interpretations (Dutton and Dukerich, 1991); a <i>frame</i> for resource employment (Glynn, 2000)	Prioritization of traditional markets over new ones

orientation, education, work experience, nationality, etc. have been shown to shape ethical decision making processes, and these same factors may well shape, or be shaped by, organizational identity practices. To the extent that organizational identity has been found to influence decision making (e.g., Dutton and Dukerich, 1991), the connection between organizational identity and ethical decision making may benefit from additional exploration.

In this article we explicitly remained in the descriptive realm, leaving open a series of questions about whether the organizational identity practices described in the case were, in fact, “wise” or

“good.” Thus, another implication of this article is that business ethics scholarship of a more prescriptive nature appears needed in this area. Indeed, organizational identity is a significant influence on what people do in organizations. As such, it is open to use and abuse – but given its fluidity, multiplicity, etc., it can be very difficult to evaluate its ethical significance. Without developing a prescriptive theory of organizational identity, we suggest that leaders who seek to develop more ethically sensitive organizations would be well advised to look not only to the lawyers, auditors, and keepers of ethical codes of conduct, but additionally to the rich diversity of

factors and variables associated with organizational identity. In that regard, this article provides the initial sketches of a map that may be used by practitioners seeking to explore how the identity work that takes place in their organizations stands in relation to their strategies for governance and corporate social responsibility.

## Notes

<sup>1</sup> Other researchers in the field of psychology have characterized practical wisdom as an expert knowledge system (Baltes and Kuntzman, 2004), as the application of intelligence, creativity, and knowledge (Sternberg, 2004), and as an integration of cognitive, reflective, and affective personality characteristics (Ardelt, 2004). Practical wisdom has also been associated with positive human qualities such as good judgment skills, psychological health, humor, autonomy, and maturity (Ardelt, 2004). Educational psychologists have further emphasized the importance of imagination for the development and exercise of wisdom (e.g., Noel, 1999). We choose Sternberg's notion because it allows us to focus on balancing as a practice that can be enacted in different spheres of organizational life.

<sup>2</sup> The organization's name and other sensitive information have been disguised to preserve confidentiality.

<sup>3</sup> A colorful bird was used as the logo, referred to in this article as the "peacock."

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