13

Change of Organizational Identity in Polish Enterprises[1]

Krzysztof Konecki

Abstract

This chapter is based on an empirical study of 186 Polish enterprises (mainly in the metal and textile industries) in 1998–99. The study focused on changes in organizational identity – that is, the set of characteristics that distinguish a given firm from others in its organizational environment. The chapter considers factors that affect organizational identity, such as privatization, the economic situation and leadership. It shows the context of organizational identity and factors posing a threat for the present identity of Polish industrial companies.

13.1 Introduction

The transformation of the ownership system and business environment in Poland has made it necessary for enterprises to reform their entire structure, that is, their strategy and mission, production programmes, organizational culture, human resource management, forward planning, ways of thinking about business and the firm, means of external and internal communication, and so on. These changes and their extent can be investigated with the help of economic, organizational, marketing or psychological methods, as well as from a sociological viewpoint. The concept of organizational identity and its change can be used to pinpoint changes in Polish industrial companies and the factors that have determined these changes. It allows for identification of those factors which managers and owner/managers can influence and those they cannot.

13.2 Organizational identity

Sociologists, psychologists and researchers on organization and management started to investigate organizational identity at the start of the 1990s. Their inspiration was the rapid acceleration of changes in the strategies, structures and operations of organizations in the West. Likewise the magnitude of the changes experienced by postcommunist economies has inspired studies in disciplines as diverse as economics, management science, political science, sociology and psychology. The study described below and the conclusions ensuing from it represent a continuation of this trend.

Postcommunist economies have always had a problem with their identity, and the same problem is faced by enterprises and formal organizations operating in these economies. However the need for these organizations to adapt their identity to the new market conditions and the opening of the economy to Western competition, and the problems ensuing from this, have received the attention of only a few researchers (Kostera, 1996; Obloj, 1998). The application of knowledge derived from social psychology, anthropology and sociology can create a new perspective on the transformation process in postcommunist economies that will allow us to investigate whether organizational phenomena of a psychosocial character are dependent on economic variables (profit, demand and so on). It will also allow us to examine the dynamics between different organizational variables, one of which is organizational identity.

Organizational identity encompasses not only the organization's basic values and other elements of its culture but also its production methods and programmes (Stuart and Whetten, 1985; Duton and Dukerich, 1991). For the organization's members, its identity becomes manifest in a cognitive scheme and their perceptions of the distinguishing characteristics of the organization, including its status in comparison with other organizations.[2] Consequently external events that put into question the distinguishing characteristics of an organization can threaten the perception of organizational identity held by the members of the organization (Duton and Dukerich, 1991; Elsbach and Kramer, 1996).

A crisis or turning point in the enterprise's history can induce major changes in the enterprise's internal and external relations. Such changes have both an objective dimension (changes in the management system or organizational structure) and a subjective one (the perception of these changes by management and employees) (Konecki and Fraczak-Konecka, 1998). It appears that turning points similar to those in individuals' lives can spark identity changes in organizations. They can be triggered by an economic crisis, privatization, an ecological disaster caused by the enterprise, criticism by the public and the mass media, tough competition, merger, the emergence of a strong leader and so on. Changes in identity can also take place in a planned and regulated manner, such as when organizational experts and consultants, assisted by the top management, restructure the enterprise methodically and by means of appropriate procedures (Ozynski, 1998).

Duton *et al*. (1994) suggest that a distinction should be made between two perceptions of organizational identity or two types of image of the organization:

- The perceived identity is based on organizational characteristics, which are considered by its members to be important, distinguishing and stable.
- The construed external image is based on organizational characteristics considered to be important, distinguishing and stable from an external viewpoint, that is from the perspectives of the organization's state-holders or the general public. This outsider's image of the organization reflects back onto the organization's members' perceptions. Similar to the individual 'I', the organizational self also depends on outsiders' perceptions. Using Cooley's term, this identity type could be called the organization's 'looking-glass self'.

The concept of construed external identity should be distinguished clearly from the concept of corporate identity, which is created for the purpose of a uniform perception of the organization's identity by its environment. In order to achieve an external standardized picture of the organization stress is laid on:

- Visual information about the organization, including its architecture, product design, packaging and so on.
- The style, principles and culture of the firm's activities and the values existing within the organization (Wojcik, 1997, pp. 87–8).

Corporate identity does of course influence organizational identity, because that which is presented outside the organization (public relations) also influences the way in which employees perceive their firm.[3]

13.3 Research objectives and hypotheses

The main goals of the study presented below were as follows:

- To identify the main distinguishing characteristics of Polish enterprises in the textile and metal sectors.
- To find out what Polish directors thought foreign customers and competitors considered to be the distinctive characteristics of their enterprises.
- To find out what Polish directors thought Polish customers and competitors considered to be the distinctive characteristics of their enterprises.

An attempt was made to advance several hypotheses on the organizational identity and its determinants in the Polish context. They are exploratory in nature and could be used as a basis for further empirical testing.

- Hypothesis 1: Polish enterprises have a dual organizational identity: one constructed for Polish customers and the other for foreign customers.

The second hypothesis addresses the way in which Polish enterprises have responded to threats to their identity, particularly after 1990. These threats include privatization, acquisition by foreign or Polish firms, restructuring, stiff competition by foreign firms, criticism by ecological movements, and accusations by the mass media, the public and other stakeholders.

- Hypothesis 2: there is a trend among Polish enterprises to cling on to their old identity when faced with a threat.

Contrary to this hypothesis, it is generally thought that identity changes when it is threatened by any of the factors listed above (Duton and Dukerich, 1991; Elsbach and Kramer, 1996; Famielec *et al*. 1999; Aniszewska, 1999). Does a change in identity always take place when a threat emerges? Has this occurred in the metal and textile industries?

The next two hypotheses (3 and 4) will be tested to see whether structural variables (privatization, restructuring) influence changes in organizational identity or whether organizational leadership is the more important variable.

- Hypothesis 3: privatization is linked to a tendency to change the organizational identity.

It is commonly believed that the privatization of state-owned enterprises is a strong driving force in economic and organizational changes (Balcerowicz, 1992). Privatization, for instance, affects organizational culture, although its positive impact is not at all obvious (Konecki and Fraczak-Konecka, 1998).

- Hypothesis 4: strong leadership is linked to a tendency to change the organizational identity when there is a threat to the existing identity.

Research shows that strong organizational leadership can change the organizational culture to one that is better adjusted to the competitive environment (Konecki and Fraczak-Konecka, 1998). Theorists of organizational identity also claim that strong leaders are agents of change in respect of organizational identity, and adapt the organization's decision-making processes to the nature of the new identity (Strategor, 1999, pp. 522–5, 527–42, 571).

The fifth and the sixth hypotheses aim at preliminary verification of the impact of strength and type of organizational identity (utilitarian identity versus normative identity) on the formulation of a new organizational strategy.

Highly significant relationships sometimes exist between several structural variables. For example the structure should match the strategy (Strategor, 1999, pp. 287–95); the structure is dependent on the environmental culture (Konecki, 1994, pp. 25–35); the complexity of the structure depends on the firm's size and its technology and the structure is dependent on the complexity and uncertainty of the external environment (Strategor, 1999, pp. 287–95). We shall try to verify the following hypotheses in order to identify the relationship between structure, strategy and organizational identity.

- Hypothesis 5: the stronger the organizational identity the smaller the chance of formulating a new organizational strategy.
- Hypothesis 6: type of organizational identity (utilitarian versus normative) determines the likelihood of a firm formulating a new organizational strategy.

13.4 Research methods and description of sample

The main research methods were a mailed questionnaire and structured interviews with board members and specialists in firms throughout Poland. The main sectors studied were the textile and metal industries (including the engineering industry), which had been severely affected by the economic crisis in Poland. An attempt was made to obtain a balance between private firms, state-owned firms and firms with foreign investors (about 30 per cent each). Over 50 per cent of the firms had existed in 1990 and were chosen in order to establish how their identity had changed over a period of ten years. Thus it was a targeted sample. The questionnaires were mailed and interviews conducted between December 1998 and March 1999. The data obtained from 186 of the targeted firms were then processed statistically.

The majority of respondents occupied the highest organizational positions (directors/presidents 57.0 per cent, management board members 12.4 per cent), which ensured that their knowledge of and information on their enterprises were reliable. The remaining respondents were managers or specialists. Most respondents were male (73.3 per cent). Their length of service in the sample firms (including in managerial posts) averaged 12 years and their average age was 44 years.

Of the completed questionnaires, 46.2 per cent were from the textile industry, 44.1 per cent from the metal industry and 9.7 per cent from other industrial sectors. In 1998 the enterprises on average employed 256 persons compared with 422 in 1990.

The final sample included 18.3 per cent of firms with foreign capital and 76.3 per cent with full Polish ownership. The firms were also divided into two categories: state-owned enterprises (35 firms, or 18.8 per cent) and private firms (151, or 81.2 per cent). This categorization enable us to examine the impact of ownership form on other variables.

The age of the firms averaged 28 years (private firms 23 years, state-owned firms 50 years). However the average duration of their present legal form amounted to only 10 years (seven years for private firms and 25 years for public enterprises), which reflected the considerable structural–legal transformations that had occurred recently. Firms had not only changed their legal form but also tried to adapt themselves to changes in their environment by changing their production programmes. However these changes were not significant and about half of the firms had not changed their product range. More changes had occurred in the metal industry than in the textile industry, and in state-owned enterprises than in private firms. State-owned enterprises had experienced a stronger need for change than private firms, which had already adapted themselves to the new market situation.

Over 50 per cent of the enterprises assessed their general financial situation as good or very good. However 36.6 per cent were coping with stagnation and a deteriorating market situation. The financial situation of enterprises with foreign capital investment was similar to that of enterprises with only Polish capital but, the situation in the metal industry was better than in the textile industry, with 63.4 per cent of firms in the metal industry being in a good or very good position. The financial situation in private firms was better than in state-owned firms, with almost 61.6 per cent of private firms assessing it as good or very good, compared with 42.9 per cent of state-owned enterprises.

The main competitors of the sample firms in both sectors were domestic enterprises whose product range had not changed since the socialist times, and domestic producers who had recently entered the market. The firms also experienced significant competition from foreign enterprises: 20.9 per cent in the textile industry and 14.6 per cent in the metal industry. Firms with foreign investors felt a stronger competitive pressure than did domestic enterprises.

On average the sample firms exported 18.4 per cent of their output, but some exported as much as 90 per cent and for one firm it was 100 per cent.

13.5 Research findings

We shall now consider how organizational identity was defined and constructed in the sample firms, and the differences in this respect between state-owned and privately owned ventures. The main identity characteristics perceived by members of the firms were as follows:

- 'Perfection' and 'high-quality products' were more frequently cited in private enterprises than in state-owned ones.
- 'The enterprise's trademark' and 'the enterprise's position in the market' were more frequently cited in state-owned enterprises than in private ones.
- 'Highly qualified personnel' was more frequently cited in private enterprises than in state-owned ones.
- 'Job security' was more important in state-owned enterprises than in private ones.

Thus quality and qualified personnel were at the centre of private firms' identity, while the enterprises' trademarks and job security were ranked highly in state-owned firms.

We shall now address hypothesis 1: Polish enterprises possess a dual identity: one constructed for Polish customers and the other for foreign ones 'construed external identity'. The most important identity characteristics for all firms in relation to foreign customers and competitors were perfection and high-quality products, followed by low product price and reliability. All four characteristics were more important in private firms than in state-owned ones.

Construed external identity in relation to Polish customers was almost identical to that for foreign customers, with perfection and high-quality products ranking top, low product price second and the firm's trademark and its position in the market third. Hence hypothesis 1 is disproved: Polish enterprises do not have a dual external identity in relation to Polish and foreign customers. This may be due to the fact that to some extent the firms had adapted to operating under global conditions. The internal image of Polish enterprises was positive and the characteristics most frequently cited – perfection and high-quality products indicate that Polish enterprises are heading into the right direction and adopting international operating standards.

The second research goal was to determine the way in which the sample firms responded to threats to their identity (the general feeling that their identity was being undermined). As stated earlier it is commonly believed that such threats emanate from the following: privatization, acquisition by other firms, including foreign ones (Famielec *et al.*, 1999, pp. 126–31), restructuring, strong international competition (Aniszewska, 1999), criticism of firms by ecological organizations, and criticism of firms by the press and others. The hypothesis tested here is: there is a trend among Polish firms to cling on to their old identity when faced with a threat.

Our results show that organizational identity had changed in 51.7 per cent of the firms since 1990. The data also shows that most enterprises (70.4 per cent) had not experienced a threat to their identity. What threats had been felt had been stronger in state-owned enterprises than in private firms. The more that privatization had caused changes in identity, the more it had been perceived as a threat (correlation coefficient 0.16, $p < 0.05$ – see Appendix 13.1). However privatization was also seen as offering a chance to change the firm's identity, although this was not always fully realized (0.18, $p < 0.09$). Identity changes tended to take place in younger firms, with the correlation between firm age and identity change between 1990 and 1998 reaching 0.25 ($p < 0.01$). The main elements of threat were stiff competition from foreign firms and the necessity of restructuring the firm.

Hence we can verify the hypothesis: there is a general tendency among Polish firms to maintain their existing identity. External pressures do not always arouse anxiety or prompt reflection on possible changes to organizational identity, so there is no direct correlation between a general feeling of threat and identity change (Aniszewska, 1999), rather this change is produced by other factors. In general, threat to identity correlates positively with changes to the organizational structure and strategy, indicating that threats cause changes to be made to the firm's operations but not to its identity. Crises, an adverse economic situation, privatization or continuing public ownership may pose a threat to the identity of firms, but they do not necessarily cause an immediate change to the existing identity. However younger firms have inherited a smaller burden from the past (for example the pre-1990 organizational culture and structure) and are therefore more likely to change their organizational identity (Appendix 13.1).

We shall now test the third hypothesis: privatization is linked to a tendency to change organizational identity. The data on structural variables show variations between state-owned and private enterprises. Identity characteristics such as job security, the firm's trademark and its position in the market were cited more frequently in state-owned enterprises than in private ones. Conversely characteristics such as perfection, high-quality products and qualified personnel were cited more frequently in private firms than in state-owned ones. Many of the top managers of the sample firms claimed that their employees were generally proud of these identity characteristics (60.5 per cent), although 51.7 per cent of the respondents said that certain characteristics had changed. Fewer changes had occurred in state-owned enterprises than in private and privatized ones.

The results show that privatization had little effect on identity: 22.0 per cent said that privatization had had no effect on identity; 8.6 per cent admitted that changes had occurred but only in certain characteristics, and only 6.5 per cent stated that privatization had changed the firm's identity entirely). These data indicate that in the view of top management, privatization alone was not sufficient to cause a change in organizational identity. It should be noted, however, that there were major differences between the definitions of organizational identity presented by private and state-owned enterprises, as well as differences between the satisfaction they derived from their identity. It appears that identity had tended to change less in private firms as the need for such change had not been as great as in the state-owned enterprises. Likewise the degree to which privatization had threatened the existing identity was less in private firms (–0.13, $p < 0.09$). A correlation also exists between privatization and identity change between 1990 and 1998 (0.18, $p < 0.09$). With regard to hypothesis 3, therefore, it can be said that structural variables such as ownership form produced highly differentiated results. Although privatization was objectively connected to identity change the respondents did not perceived it as an important cause of change. We turn now to hypothesis 4: strong leadership is linked to a tendency to change the organizational identity when there is threat to the existing identity. According to 60.2 per cent of the respondents, strong leadership had had a significant effect on identity change, although the influence of strong leaders had been greater in private firms than in state-owned ones (0.17, $p < 0.05$) as managers of the latter were constrained by numerous social and organizational factors. The overall results were as follows:

- Strong leadership influence: 34.9 per cent.
- Rather strong influence: 25.3 per cent.
- Hard to say: 12.9 per cent.
- Rather weak influence: 4.3 per cent.
- Very weak influence: 2.7 per cent.

These results will be easier to understand when the variable 'strength of organizational identity' has been considered.

13.5.1 Strength of organizational identity

'Strength of organizational identity' concerns familiarity with the firm's history and the pride that is derived from its mission and position in the market, as well as employees' identification with their firm. This concept was examined with the help of the following questions. (The indices used were a modified version of those in Gioia and Thomas, 1996, pp. 396–7.)

- Does top management feel strongly about tradition and know the history of the firm?
- Do managers feel proud of the firm's goals and mission?
- Does top management feel that the firm holds a significant position in its sector?

- Does top management possess an explicitly defined set of goals to be achieved by the firm?
- Are there managers in the firm who know its history and tradition well?
- Does the firm have employees who identify strongly with it?

The answers to the above questions were measured according to a five-point scale. The most positive answers pointed to a strong identity, and all the results correlated quite strongly with one another. Almost all correlations were above 0.50 and the significance level was also very high: 0.001. The average strength of organizational identity amounted to 4.2 on the five-point scale (4.02 in state-owned enterprises and 4.25 in private firms).

We shall now look at the correlation of the variable 'strength of organizational identity' with other relevant variables. The stronger the organizational identity the more changes in identity were due to strong leadership (0.27, $p < 0.01$). Identity is created by top managers and only they are able to change it.

Strong identity also implies better and more open communication with the external environment and the firm's personnel, which is confirmed by the correlation between identity strength and the number of promotional instruments implemented (0.16, $p < 0.05$). This finding corresponds with the results obtained by Gioia and Thomas (1996, pp. 396–7), who found that strong organizational identity influences the interpretation of organizational problems in respect of strategy as well as policy. Firms with a strong organizational identity are more proactive and more inclined to effect changes. Furthermore our data show that the stronger the influence exerted by leaders on changes, the larger the variations in identity between 1990 and 1998 (0.32, $p < 0.01$). Thus we can partially confirm our fourth hypothesis and state that strong leadership is linked to changes in identity, but only when the existing identity is strong. Threats to identity do not play any role in this relationship.

As implied above, the stronger the organizational identity the more promotional instruments are used (0.16, $p < 0.05$). Firms with a strong organizational identity are more inclined to be open to the external environment and to use such instruments as brochures, media interviews, press releases, press conferences, sponsorship, and so on. These instruments help to create an image and make the firm better known to the public and other stakeholders, which in turn tends to make employees proud of their firm (0.22, $p < 0.01$).

The sample firms frequently used the following kinds of promotional instrument: participation in trade fairs (21.8 per cent), brochures (20.9 per cent) and press releases (15.2 per cent). The least regularly used instruments performed a public relations function: open-door days (1.4 per cent) and press conferences (1.4 per cent). Internal instruments such as in-house news bulletins and broadcasts (0.7 per cent) were used extremely rarely. Polish firms are obviously less interested in internal communication with their employees than they are in external communication instruments, which tend to be more closely related to marketing than to public relations and creating an image. This assertion is supported by the fact that 80.1 per cent of the sample firms did not have a public relations department or a press spokesperson. Of the firms that did have PR departments, 11.4 per cent were state-owned and 19.2 per cent were private. Moreover 80.6 per cent of firms did not use PR agencies. Of those which did, 16.7 per cent were private and 9.7 per cent were state-owned. More firms with foreign capital investment used PR agencies (23.5 per cent) than did firms without (12.7 per cent).

In summary, foreign capital investment and private ownership produce a slightly stronger tendency to use PR agencies, but in general public relations is a minor consideration among Polish firms. With regard to marketing promotions, there are no major variations between the use of promotional instruments by state-owned and private firms.

13.5.2 Identity type

Two types of organizational identity can be distinguished: a utilitarian type (U) and a normative type (N). The utilitarian type is oriented towards the market, competition and profit. The normative type is focused on organizational symbols and culture, and on hierarchical rules and procedures. These concepts were investigated by means of the following questions:

- Should, according to top management, your firm compete aggressively with other firms? (U)
- Are symbols, formal meetings and ceremonies important for the functioning of your firm? (N)
- Are salaries usually fixed by the management board for particular departments according to the annual performance of those departments? (U)
- Are financial profits the only measure of success for your firm? (U)

- Is concentration on explicitly formulated executive procedures a mission of your firm? (N)
- Is there a common conviction in your firm that attention should be paid to marketing, advertising and public relations? (U)
- Do cuts or increases in salaries depend on the performance of particular departments or sections? (U)
- Is cost effectiveness the main criterion for changes in the firm's activities and administration? (U)
- Are economic effects the most important criteria determining the fulfilment or otherwise of the firm's mission? (U)
- Are strict procedures, formal rules and subordination to a hierarchy important elements in the success of your firm? (N)

The answers to the above questions were measured on a five-point scale (using indices adapted from Gioia and Thomas, 1996, pp. 396–7). Correlations between the results of the above questions were also examined.

The average value of the utilitarian identity was 3.41 (state-owned enterprises 3.25, private firms 3.45) on the five-point scale, and that of the normative identity was 2.82 (state-owned enterprises 2.76, private firms 2.83). Thus it can be stated that the sample firms possessed a rather utilitarian identity (market-oriented), but the strength of this identity was not great, particularly in state-owned enterprises.

We shall now look at the correlation between the utilitarian identity and other variables (Appendix 13.1). The stronger the utilitarian identity, the more promotional instruments were used (0.22, $p < 0.01$). Enterprises oriented primarily towards the market, profit and cost effectiveness were more open, communicated more fully with their stakeholders and wished to convey their image to the maximum number of customers. The opposite was true of firms with a normative identity – the higher the value of the normative identity indicator, the fewer promotional instruments were used (–0.31, $p < 0.001$). These firms were less open towards the external environment and did not necessarily wish to communicate with it.

It appears that it is easier to be utilitarian when the financial situation is favourable – the better the financial situation of the sample firms, the more utilitarian their organizational identity (0.16, $p < 0.05$) and the larger the budget for promotion and PR (0.13, $p < 0.09$).

Our results also show that the longer the length of service of top management (the average was 12 years), the more utilitarian the firm's identity (0.17, $p < 0.05$). This is a very interesting finding because managers with long years of service in planned-economy organizations are often stereotyped as being resistant to change and innovation, and as lacking a market orientation. In fact the reverse is often true and experienced managers can be flexible, open to change, have a strong marketing and profit orientation, and see the value of advertising and public relations. Moreover they know their firms better and can respond better to the demands made by the market. They also have a better understanding of the constraints on action for their firms in given sectors. The positive correlation between length of service and utilitarian identity is confirmed by two further correlations. The longer the length of service, the more changes were made to the firm's organizational structure (0.24, $p < 0.05$) and the more likely it was that a new corporate growth strategy was introduced (0.17, $p < 0.05$). Frequent changes in top management mean that managers are not well acquainted with their firms and are slower to adapt to new market situations.

13.5.3 Formulating a new corporate strategy

This section addresses our fourth and fifth hypotheses. Hypothesis 5 – the stronger the organizational identity the smaller the chance of formulating a new organizational strategy – was not confirmed by the correlations (Appendix 13.1) and can therefore be rejected. However a change in organizational identity between 1990 and 1998 was correlated with new strategy formulation (0.17, $p < 0.09$), so there is some relationship between strategy and identity change.

With regard to hypothesis 6 – type of organizational identity (utilitarian versus normative) determines the likelihood of a firm formulating a new organizational strategy – strategies had been formulated by 49.8 per cent of the sample firms and the utilitarian type of identity was significantly correlated with this variable (0.19, $p < 0.05$).

Actions of a utilitarian nature can be observed in the strategies employed by the sample firms: market-oriented activities (38.8 per cent), restructuring and reorganization (30.0 per cent) and investment (14.9 per cent). Market-oriented activities featured more prominently in private firms (43.6 per cent) than in state-owned ones (38.8 per cent). The connection between market orientation, strategy change and utilitarian identity is confirmed by the positive correlation between 'chance of formulating a strategy' and 'number of promotional instruments used' (0.28, $p < 0.01$). The correlation between 'restructuring and reorganization' and 'chance of formulating a strategy' is also very strong (0.46, $p < 0.05$). Changes had taken place in

54.8 per cent of the firms, with restructuring as a strategic activity being more important in state-owned enterprises than in private firms. Investment was also an important element of strategy. Thus with regard to hypothesis H6 we can state that utilitarian identity is connected with the formulation of new strategies.

13.6 Conclusions

Our study has shown that the organizational identity of over 50 per cent of Polish firms in the metal and textile industries has changed since 1990. The findings for the main identity characteristics are as follows:

- Perfection and high-quality products are perceived as more important to organizational identity in private firms than in state-owned ones.
- The firm's trademark and the firm's position in the market are valued more highly in state-owned enterprises than in private firms.
- Highly qualified personnel are more characteristic of private firms than state-owned ones.
- Job security is more important in state-owned enterprises than in private firms.

Those firms which operate in international markets do not have a dual external identity in relation to Polish and foreign stakeholders or to their perceived organizational identity.To some extent this reflects their adaptation to operating under global conditions.

There is a general tendency among Polish firms to maintain their existing identity in the face of external pressures such as tough competition, particularly foreign competition, market and legal pressure, change in ownership form (privatization) and economic downturns. Hence there is not a direct correlation between a general feeling of threat to organizational identity and identity. However threats to identity correlate positively with changes to the organizations structure and strategy.

Our results show that ownership form has a large effect on the nature of organizational identity and that it correlates significantly with many other variables. For example strong leadership is more likely to result in identity change in private firms than in state-owned enterprises, and the stronger the leadership the stronger the changes in identity. Structural changes and strategy reformulation occur more frequently in state-owned enterprises, which are characterized by less satisfaction with their existing identity and more financial difficulties than private enterprises, having been forced by the market and legal regulations to carry out bigger changes.

Privatization is not an important cause of change to organizational identity, although it can present an element of threat to identity, especially in state-owned enterprises.

PR and promotional activities are rather weakly developed in Poland. However the stronger and more utilitarian the organizational identity, the more promotional instruments are used, the better the firm's financial situation and the more frequent the formulation of new strategies. Firms that are oriented primarily towards the market, profits and efficiency are more open and seek better communication with their stakeholders. They are not afraid of the external business environment and try to present an optimum image to the maximum number of customers.

In summary, a strong utilitarian identity and strong leadership are the main factors in identity change and strategy building, and these factors are more likely to be found in private firms. Hence future studies should take more note of leadership strength, and strength and type of organizational identity. Likewise managerial attention to these factors will allow firms to cope better with market competition. On the basis of the data presented in this chapter and the possibility of influencing some of the variables considered, we recommend the following to managers who wish to change their organization's identity:

1. A broad spectrum of public relations and promotional instruments should be used to support organizational changes.
2. The selection of top managers should be careful and thorough in order to ensure that they have strong leadership skills.
3. The privatization of as yet unprivatized enterprises will offer the chance to change the organization's identity.

Appendix 13.1 Correlation table

Variable	*Utilitarianism*	*Normativeness*	*Promotional instruments*	*Pride in firm*	*Privatization*	*Leadership*	*Size (1990)*	*Size (1998)*	*Economic situation*
Identity strength	0.00	–0.10	0.16*	0.22**	0.09	0.27**	–0.06	–0.09	0.11
Utilitarianism		–0.23**	0.22**	0.11	–0.07	0.08	–0.13	–0.02	0.16*
Normativeness			–0.31***	–0.03	0.02	–0.08	–0.05	–0.08	–0.11
Promotional instruments				0.07	0.10	0.16*	0.23**	0.30***	0.13~
Pride in firm					0.01	0.10	0.01	0.02	0.31***
Privatization						0.01	0.35***	0.37**	0.03
Leadership							–0.09	–0.06	0.23**
Size 1990								0.82***	–0.09
Size 1998									0.02

	Structure	*Strategies*	*Firm's age*	*Exports*	*Length of service*	*Ownership form*	*Identity variations*	*Identity threat*	*Foreign capital*	*Identification*
Identity strength	–0.06	–0.03	0.02	0.04	0.00	–0.12~	–0.05	–0.11	–0.04	0.57***
Utilitarianism	0.13	0.19*	–0.08	0.00	0.17*	0.11	0.26**	–0.01	0.08	–0.01
Normativeness	–0.05	–0.05	0.00	0.00	–0.11	0.03	–0.12	0.10	0.07	0.00
Promotional instruments	0.21**	0.28**	0.27**	0.04	0.08	0.00	0.24**	0.01	0.10	0.11
Pride in firm	–0.01	0.01	–0.07	0.12	–0.14~	0.22**	0.21*	–0.06	0.00	
Privatization	0.12	0.04	0.31***	0.13~	–0.01	0.24**	0.18~	0.16*	–0.16*	–0.06
Leadership	0.04	0.21**	–0.02	0.05	0.08	0.17*	0.32**	0.01	–0.04	0.17*
Size 1990	0.26**	0.19**	0.46***	0.16*	0.15*	–0.09	–0.04	–0.05	–0.12	0.02

Appendix 13.1 continued

	Structure	*Strategies*	*Firm's age*	*Exports*	*Length of service*	*Ownership form*	*Identity variations*	*Identity threat*	*Foreign capital*	*Identification*
Size 1998	0.24**	0.21*	0.40***	0.26**	0.16*	–0.05	0.02	–0.10	–0.12	0.00
Financial situation	–0.07	0.05	0.00	0.00	0.00	0.23**	0.15	–0.32***	0.06	0.23**
Structure		0.46*	0.30***	–0.05	0.24**	–0.25**	0.07	0.19**	0.03	0.03
Strategies			0.26**	0.00	0.17**	–0.12*	0.17~	0.30***	–0.02	0.01
Firm's age				0.06	0.34***	–0.34***	–0.25**	0.00	0.10	0.00
Exports					0.04	0.06	–0.08	–0.05	–0.10	0.08
Management length of service						–0.30***	–0.04	–0.08	0.09	–0.13~
Ownership form							0.10	–0.13~	–0.20**	0.19**
Identity variations								0.13	–0.08	0.06
Identity threat									0.12	0.03
Foreign capital										0.04

Notes: ~ $p < .09$; * $p < .05$; ** $p < .01$; *** $p < 0.001$.

Notes

1. This chapter is based on a study entitled 'Organizational Identity of Polish Enterprises. Consequences of Privatization', supported by the Research Support Scheme of the Open Society Support Foundation, grant no. 1143/1998.
2. Qualitative studies are particularly useful in identifying these characteristics. A case study of a Japanese company showed that the company's uniqueness as a feature of its identity commonly experienced by employees is based on three factors: (1) general feeling of uniqueness (a common cultural assumption developed, for example, during the employees' training; (2) organization of work (activities at the shop-floor level were not overly controlled by managers, which permitted a degree of autonomy, aided communication and promoted the development of good relations between employees); and (3) forms of address (non-hierarchical forms of address and language, which helped to create a good organizational climate). On the other hand the organizational structure (autonomous subsidiaries) and promotion system was not commonly felt to be an element of organizational identity. Rank and file employees, unlike managers, did not perceive that these characteristics were specific to the company and argued that in this respect their company was no different from other Japanese firms. However, the absence of trade unions in the company and their inability to exert an influence on wage levels, were perceived as part of the company's unique identity (Konecki, 1994, p. 145–59).
3. According to organization sociologists, organizational identity can be maintained through the practice of 'self-referential closure'. The marketing or public relations department, through its marketing research, image analysis and advertising, creates a 'mirror' in which the organization can look at itself to assess, confirm and recognize itself as a culturally distinct entity that is simultaneously interested in needs of the market (Christensen, 1995, pp. 666–7). 'Numerical statements compiled by the organization and graphs concerning market trends, competitive position, sales forecasts, accessibility of raw materials, and so on, are, in fact, projections of interests and concerns of the organization itself. They reflect the way in which the organization understands itself. It is by means of this process of referring to themselves that the organization's members can intervene in their own functioning and, thus, participate in building and preserving their own identity' (Morgan, 1997, pp. 281). Thereby, the marketing function helps the organization to protect and confirm its identity of a customer and market oriented organization. Marketing also relies on proactive activities (for example products innovations and relaunches), which try to anticipate future customers' needs. Thus, the organization could get ahead of the market dynamics, thereby preventing that an unexpected change in customers' needs could bring about a crisis for its identity.

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