Organizational Identity and Sustainable
Competitive Advantage:
Combining Resource Based View and
Configuration Approach

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Abstract
Researcher applies the organization identity concepts to configuration (Miller, 1987 & 1996) and resource
based approaches (Barney, 1991 & 2002) of sustainable competitive advantage and develops propositions
for organization identity (Albert & Whetten, 1985; Gioia, 1998) as a source of sustainable competitive
advantage in terms of (a) configuration of identity characteristics — homogeneity, complexity, intensity,
abstractness and fluidity, (b) simultaneous loose and tight coupling of these organizational characteristics,
(c) organizational identity statements as configuration of critical dimensions of organizational purpose and its
context, (d) organizational image is perceived to be valuable and worthy of a premium (e) organizational
image promotes positive identification and is perceived to be of comparably higher value by prospective
employees and existing employees.

Key Words: Organizational Identity, Resource Based View, Configuration Approach, Sustainable, Competitive
Advantage

Introduction
Sustainable competitive advantage is the Holy Grail in strategic management research and practice, the bone
of contention in many a theoretical debate and the seed of inquiry for both researchers and practitioners.
Sustainable competitive advantage eludes definition but can be broadly defined as the quality of an
organization that enables it to outperform its competitors and sustain above normal returns (Peteraf,
1993). Porter states “competitive advantage grows fundamentally out of value a firm is able to create for its
buyers that exceeds the firm’s cost of creating it.” (1985). Porter’s analysis was at industry level and he
assumed homogeneity within an industry and also imitability across organizations. From industry analysis
and competitive strategy, strategy research evolved to the resource based view of the firm in the 90s (Barney
1991). Barney postulates high performance as a function of both competitive positions in industries and

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endowments of valuable resources. These resources are heterogeneously distributed among firms and unique to each. Resources that are complex, casually uncertain and ambiguous tend to be unimitable and lead to sustainable competitive advantage (Barney 1991 & 2002). Much of strategic management research in recent years focused on identifying unique, valuable, complex and unimitable resources such as organizational processes and socially complex resources.

Configuration approach evolved as an extension of the organizational contingency between strategy, structure, environment and performance and is holistic and non linear (Meyer & Tsui 1993; Miller 1986, 1987 & 1996). The complex relationships between the strategy, organizational characteristics and performance are better captured in configuration approaches (Miller 1986). Traditionally configuration approaches develop conceptual typologies or empirical taxonomies, but Miller (1996) suggests the study of configuration as a quality for competitive advantage. Configurations as a quality of organizations are socially complex phenomena and hence there is merit in considering configuration as a complex source for sustainable competitive advantage.

Organizational identity helps management to focus on strategic issues, manage resource allocation process and motivates members to enhance organizational effectiveness and performance and hence can be a source of sustainable competitive advantage (Stimpert, Gustafson & Sarason 1998). Fiol (1991 & 2001) considers organizational identity to be a core competency of the organization. Organization identity can be a negative, neutral or positive resource for competitive advantage (Whetten & Godfrey, 1998).

**Organizational Identity and Sustainable Competitive Advantage**

Organizational identity is a socially complex resource that can be the source of sustainable competitive advantage by allowing an organization to do things that its competitors cannot do, do some things better than its competitors and preventing it from succumbing to fads (Reger 1998). Organizational identity is the members' shared answer to the question 'who are we as an organization?' (Gioia 1998). Albert and Whetten (1985) in their landmark paper defined organizational identity as the characteristics of the organization that are collectively claimed to be central, distinctive and enduring. Later empirical studies found that organizational identity is flexible, less central and even less distinctive than originally defined (refer Corley 2004 for a review). However there is an inherent need among organizations to maintain continuity in their identity over past, present and future and be distinctive (Whetten & Mackey 2002). The need for continuity ensures that even if the shared labels remain the same, the meanings associated with the labels evolve and adapt to the changing requirements of the environment, (Gioia et al. 2000). This paper assumes that organizational identity is distinctive and continuing.

Stimpert et al (1998) argue that organizational identity can be a source of sustainable competitive advantage by the following — a. identity is defined and described by the image held by the stakeholders and an identity that creates a distinctive and particularly attractive image in the minds of customers have a significant positive reputational impacts that can be a source of sustainable competitive advantage, b. identity helps management to focus on most significant or important strategic issues, c. identity is a major influence on the resource allocation process and is tightly coupled with organizational processes and assets, and d. identity can be motivational.

Researcher argues that organizational identity is a socially complex resource that can be source of sustainable competitive advantage, due to the configuration of its characteristics. Organizational identity is characterized by homogeneity (shared beliefs about the organization's identity), intensity (strength of conviction/belief & degree of positive affect towards identity), complexity (number of beliefs & the number of identities), abstractness (extent of use of abstract language in identity), content (what the identity is), and context (the internal and external context). There are inherent contradictions in assuming coherence among these characteristics. Organizations that have a simple vision and values that are shared by its members survive longer (Collins & Porras 1994). Hence an organizational identity that is homogeneous and evokes intense positive affect will endure over time. It is not rigid and permanent but malleable and continuing (Gioia et. al. 2000).

The change and continuity in organizational identity are not distinct but exist simultaneously as a duality in organizational identity narratives (Chreim 2005). For this duality to exist an organization's identity has to be complex enough to hold many beliefs of identity or many identities together, and the narratives are to be abstract enough to provide for changes in meanings associated _
An organization that has survived for long and outperformed its competitors then would have had a homogeneous and intense organizational identity, which at the same time had been complex and abstract enough to survive over time. Then organizational identity necessarily would have to be simultaneously loose and tight coupled for it to survive long and be a source of sustainable competitive advantage (Orton & Weick 1990).

**Proposition 1a:** Organizational identity is a source of sustainable competitive advantage if it is

- **homogeneous** enough to prevent identity dissonance;
- **intense** enough to promote strong identification and positive affect towards it;
- **complex** enough to hold a number of beliefs of identity or number of identities together;
- **abstract** enough to permit meaning making in a variety of diverse contexts; and
- **fluid** enough in content to match changing contexts.

**Proposition 1b:** Loose and tight coupling of organizational identity characteristics are sources of sustainable competitive advantage if homogeneity and intensity are tightly coupled; and complexity, abstractness and fluidity are loosely coupled and these couplings exist simultaneously.

**Organizational Identity as Configuration of Purpose and Context**

Member claims on what is central, distinctive and enduring about the organization can include some dimensions of the organizational characteristics (Albert & Whetten, 1985; Dutton & Dukerich 1991; Elsbach & Kramer, 1996; Gioia 1998; Golden-Biddle & Rao 1997). These could be dimensions of organizational vision, culture, structure, systems, processes, products, stakeholders, or the environment. Along with the "who are we?" organizational members reflect on the purpose of the organization's existence and the nature of the organizational context. These are in the nature of the questions 'what is the purpose of our existence?' and "what is the nature of the world we exist in?" Answers to the former question give direction for purposive managerial action, resource accumulation, resource-environment configuration over time and prevent cognitive dissonance under environmental stress; and the latter embeds the organization in its historical antecedents, founder aspirations and style, founding conditions, environmental uncertainty, leadership style and stakeholder expectations. When the answers to the two questions are integrated, they embed the organization's existential quest in a network of interdependent relationships with the external world. If this embedding is considered as central and enduring, they provide a means where an organization is in dynamic interaction with its internal and external context with a clear direction for movement. The dynamic interaction would ensure that an organization is competitive through continuous adaptation and the clarity of purpose would sustain the competitive advantage over time under changing environmental conditions. The three self reflective questions are inter related and inter dependant and in a special case, (where organization identity includes critical dimensions of purpose and context) differentiate the organization, maintain continuity over time, give direction for the continuity and embed the distinctive continuity in its context.

**Proposition 2:** Organizational identity is a source of sustainable competitive advantage, if organizational identity claims include critical dimensions of its reason for existence and interdependencies with its context.

**Organizational Identity as Configurational Roots**

Organizations are effective when their internal organizational characteristics match the environment (Mintzberg, 1981). Burns and Stalker (1961) found that under stable environmental conditions organizations with mechanistic characteristics were most effective and under dynamic environmental conditions organizations with organic characteristics. If the level of environmental uncertainty and organizational differentiation and integration are at same levels then the organization tends to be most effective (Lawrence & Lorsch, 1967). The organizational characteristics such as its structural elements, culture, management systems and management styles along with many others form a gestalt. This gestalt or configuration is not limited to the internal characteristics but also includes the environmental variables and effectiveness (Miller, 1987 & 1996). The configuration of internal organizational characteristics, external environment and effectiveness is unique, depends on the organization's history, cannot be causally attributed to
any specific variable, conditions or managerial action and complex because of the intricate and complex interactions amongst the variables (Miller & Whitney, 1999). The configurations are observed as patterns at a particular level of abstraction so that there are only a limited number of configurations that are observed in the organizational population. The configuration is level dependent and is not exhaustive across levels, i.e. organizations exhibiting same configuration at one level are likely to have unique patterns among lower level variables. This unique nature of configurations depends on the history of the organizations. The founder — his aspirations, style of management, choices, founding environmental conditions, the past critical managerial decisions, accumulation, choice and combination of resources, and changes in leadership, stakeholder expectations and environmental conditions determine the nature of the configuration (Ketchen & Thomas, 1993; Ketchen & Combs, 1997; Meyer & Tsui, 1993; Miller, 1982, 1986, 1987, 1990 &1996; Miller & Friesen, 1984). The configuration is a complex network of interdependencies over time of various aspects of the organization and very difficult to attribute causality for a specific configuration at a specific level (Miller 1996). Some configurations are rare and valuable in that the organizations remain competitive over time under changing environmental conditions. Thus a configuration can have competitive advantage by its unique combination of organizational characteristics matching the environmental needs.

One of the possible influences on the evolution of an organization is the collective cognitive map carried by the managers, which enables sense making and strategic decisions. A collective sense of 'who we are?' envelops and contains managerial decision-making and choices in resource accumulation and combination. Even though the evolution of configuration is complex and causally indeterminate, organizational identity acts as a seed for this evolution by providing the necessary cognitive resources over time and limiting the possible paths. When organizational identity holds critical dimensions of its purpose and context within it, it provides clarity for manifestation of identity in terms of organizational characteristics. This clarity in manifestation enables an organization to sustain its competitive advantage over time, under changing environmental conditions. In a special case where organizational identity statements are purposive and contextual the competitive advantage is sustainable overtime under changing environment.

Managerial decisions are guided by their sense making of the context (internal and external) and the clarity of purpose. The decision choices and development of the complex configuration is guided by the organizational members' sense of 'who we are?' which enables continuity and to some extent stability of the sense of the organizational self over time. Thus organizational identity acts as a seed for the organizational configuration.

Proposition 3: Organizational identity is a source of sustainable competitive advantage, if organizational identity claims manifest in the configuration of organizational characteristics — its structure, culture and processes.

Organizational Identity, Image and Sustainable Competitive Advantage

Organizational identity is expressed to the stakeholders and the external environment as organizational image and defined as what the members want the stakeholders to consider as the organization’s identity (Whetten & Mackey 2002). Stakeholders provide feedback on these identity claims in terms of the reputation the organization has in the environment. If the customers and the context find the organization’s reputation valuable then the organization charges a premium for its association and can be a source of sustainable competitive advantage.

Proposition 4: Organizational image (hence organizational identity) is a source of sustainable competitive advantage if it is perceived to be valuable and worthy of a premium.

Organizational Identity, Identification and Sustainable Competitive Advantage

People are a source of sustainable competitive advantage to an organization (Pfeffer 1994). Attracting and retaining talented employees is one of biggest challenges in modern times. Prospective employees are attracted to an organization if they positively identify themselves with the organizational identity's proxy - its image. If the positive identification is more valuable than their identifications with other organizations, then these prospective employees are likely to join this organization. A larger pool of prospective employees enables an organization to select the best talent and leads to sustainable competitive advantage. An employee remains in an organization only as long as he positively identifies with the organizational identity or its
essence in terms of vision or values, and this identification is more valuable than identification with other prospective employers’ identities or their proxy - images.

**Proposition 5a:** Organizational image (hence organizational identity) is a source of sustainable competitive advantage, if it promotes positive identification and that identification is perceived to be of comparably higher value by prospective employees.

**Proposition 5b:** Organizational identity is a source of sustainable competitive advantage, if it promotes positive identification and that identification is perceived to be of comparably higher value by employees.

**Conclusion**

Resource based view has extended strategic management research from industry analysis to resources, capabilities and competencies (Barney, 2002): Configuration approach, a holistic and non-linear approach to organizational analysis provides immense opportunities for conceptual development as a quality of organizations and hence a source of sustainable competitive advantage (Miller, 1987 & 1996; Miller & Whitney 1999). Organizational identity, the essence of an organization helps focus management to focus on strategic issues, resource allocation process and motivates members in enhancing organizational effectiveness and performance and hence can be a source of sustainable competitive advantage (Stimpert, Gustafson & Sarason 1998).

Organization identity concepts to configuration and resource-based approaches of sustainable competitive advantage are employed and developed propositions for organization identity as a source of sustainable competitive advantage in terms of:

- Configuration of identity characteristics — homogeneity, complexity, intensity, abstractness and fluidity,
- Simultaneous loose and tight coupling of these organizational characteristics
- Organizational identity statements as configuration of critical dimensions of organizational purpose and its context,
- Organizational image is perceived to be valuable and worthy of a premium,
- Organizational image promotes positive identification and is perceived to be of comparably higher value by prospective employees and existing employees.

These propositions are not exhaustive and there are opportunities for conceptual development in extending quality of configuration as a source of sustainable competitive advantage. The following configurations can be studied as sources of competitive advantage — configuration of organization identity, image and reputation (Gioia, Schultz & Corley, 2000; Whetten & Mackey, 2002); configuration of multiple facets of the organizational identity - professed, projected, experienced, manifested and attributed identities (Moingeon & Soenen, 2002); configuration of organizational identity, strategy, structure and culture (Hatch & Schultz 1997 & 2002); configuration of multiple identities, environment and effectiveness (Albert & Whetten, 1985; Pratt & Foreman, 2002; Corley, 2004); configuration of dimensions of organizational identity and identification (Ashforth & Mael, 1989 & 1996; Ravasi & van Rekom, 2003; Edwards, 2005); and configuration of organizational, brand and corporate identities.

This paper is just an exploration in combining two of the major perspectives on competitive advantage with organizational identity conceptualization. Hopefully, empirical findings and further elaborations would add to the existing literature on organizational identity.
References


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