Chapter 3

Identity and image dynamics – managing social exclusion in profitable way

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Introduction

The above statement has long been established as the canonical view of economic reality, and it has only been a couple of years since we thoroughly started to contest and debate this world-view. Grasping this, we focus on two aspects about the above perception in detail: First, a suggestion to redefine the term 'market' in a more up-to-date fashion, second, the debunking of the suspicious correlation between 'no money to spend' and 'no money to be made'.

Common sense rather than economic theory, we refer to 'the market' as a construct describing the exchange of goods and services between producers and consumers. In a world without effective and efficient markets, the first individuals to start exchanging goods, services and money would inevitably create such a market. By having products that fit our needs and prices for those products that correspond to our income levels, we created that market, but we implicitly also drew this particular market's boundaries. The exclusion of those others outside the market's boundaries, therefore, is not intentional, but arbitrary.

The notion that this 'other' group of people, which we have come to refer to as the 'Bottom of the Pyramid' (BoP), face substantial limitations in their participation in any market activities. This is mainly due to failing to establish pathways of including them in the market exchange activities rather than their lack of spending capacity. Consequentially, we readily subscribe to the idea that they do not want to because they cannot, instead of trying to find a way to tapping into those markets. In fact, research suggests that individuals on those markets have no more or less propensity to buy branded products than any other person (D'Andrea 2006). But just as us as individuals, leading managers are often unable to think outside these boundaries when looking for opportunities − adhering to the traditional perspective while not being aware of this arbitrariness.

The second aspect ties directly into this thought. Even if we buy into the idea that there can be demand for our products and services (or a variation thereof), most companies still avoid entering BoP markets out of the indoctrinated managerial understanding that cost plus benefits *must* equal price. The alleged correlation between being unattractive customers because of no money to spend is again to be challenged by a change of focus on the subject. The goal has to be changing the mindset of decision-makers and employees alike throughout the company, and turning away from an income-focused mentality towards a mentality of affordability ("price minus profit must equal cost"), which would lead to a fundamentally changed perception of the BoP. It is not about how much money they have, but, about how to create the capacity for them to consume.

Both considerations ("there is demand, but no supply because of price barriers" and "lowering price barriers by innovation, rather than subsidization and/or economies of scale") are flipsides of the same coin. Once a company decides to resolve market boundaries and expand into BoP markets, the question arises of how to do just that. Most research is concerned with the questions of 'if' and 'how to' and its consequences and benefits (e.g., innovation leverage, or structural and economic benefits for BoP markets). What usually does not get much attention are the psychological and sociological implications. These of course inevitably have an impact on all kinds of areas, from managerial decision-making to organizational identification to stakeholder perception and management. From an organization's perspective, the questions "how does operating in a BoP market make us look" and "how does it change who we are?" are essential as it is not only the basis but also a justification for all further decisions and actions.

In this chapter, we therefore look more closely at the issue of BoP activities from the perspective of organizational identity construction and change, as well as related questions of image and reputation and their dynamics. We then systemize several areas where both BoP and identity streams can benefit from theoretical insights from one another and highlight promising venues for future research. Our contribution lies in establishing an interface between organizational identity and image to the BoP related publication stream.

1. Theoretical framework: Identity, image and reputation

1.1. The identity question

Conceptual contributions are substantially influenced by our theoretical perspectives and research paradigms. Identity research in the field of organization theory is mainly based on S. Albert and D. Whetten's (1985) seminal work on organiza-

tional identity. They characterize the concept of identity as the central, enduring, and distinctive (CED) traits or claims of an organization – those that set it apart and help its member distinguish themselves as a group from others. These 'pillars of identity' are set out to answer the reflected in the fundamental question "who are we as an organization?" We chose organizational identity as a starting point for the discussion because it serves as the centerpiece of a much broader network of related terms and conceptions.

Yet, organizational identity has been characterized as an elusive and somewhat mudded or even 'confused' concept (Whetten 2006; Corley et al. 2006), based on the fact that it is widely applicable and therefore also rooted in several, largely unrelated streams of research (Dowling, Otubanjo 2011). Only recently have we begun to apply an interdisciplinary approach without restricting the discussion to one field of interest (Ravasi, van Rekom 2003; van Rekom, Corley & Ravasi 2008) and structure our understanding and related terminology to provide a common discursive framework (Brown et al. 2006; Corley et al. 2006).

This clarification helps guiding future research, but the lack of common language and its proximity to other widely researched phenomena such as identification (Ashforth, Harrison, Corley 2008) or culture and image (Fombrun, Shanley 1990; Gioia, Schultz, Corley 2000; Hatch, Schultz 2002). This has also led to decades of intertwining and mixing up with related (and even unrelated) constructs (Falkenreck, Wagner 2010). Two of these constructs, reputation as the 'strictly external' counterpoint to the 'strictly internal' organizational identity, and image as the connecting piece linking both.

Albert and Whetten's approach presupposes an understanding of both origin and level of analysis. Many of the concepts underlying organizational identity research can be traced to Social Identity Theory (SIT), pioneered by H. Tajfel (1972; see also Tajfel, Turner 1979; Tajfel, Turner 1986). SIT, being most influential on the individual level of analysis (Ashforth, Harrison, Corley 2008), laid the foundation for understanding how individuals establish, perceive and evaluate group memberships and differentiate between members and outsiders of the group. The knowledge of being part of a group (cognitive element), the value and emotional significance of being part of that group (evaluative element) as well as the emotional investment of a person are key to forming a group identity (Tajfel & Turner 1979; Haslam & Ellemers 2005).

This of course resonates on the organizational level as well: group identities are understood as shared identities (outside the individual) and distinguish between groups, while individual identities are unique to a person and help to distinguish

between individuals (Brewer, Gardner 1996). Identity has even been attributed on a meta-organizational level to strategic groups (Peteraf & Shanley 1997; Anand, Joshi & O'Leary-Kelly 2013). On the organizational level, we find two predominant approaches:

1. The organization's identity viewed as a process of social construction, in which members of the organization create the organization's identity through interaction and dialogue (e.g., Ashforth & Mael 1989).
2. The social actor view, which assumes that the organization creates its own identity through its actions, independent of individuals' influence (e.g., King & Whetten 2008).

Adopting the CED traits for our own argument, we have to ask which of these aspects would be influenced by or actively influence BoP activities the most, and in what form. As the first pillar, the issue of centrality is mainly discussed within the context of hybrid or multiple identities (Pratt & Foreman 2000; Fiol 1991; Golden-Biddle & Rao 1997). As centrality would require the organization to have a core or center of shared identity that is universally agreed on, the notion that there can be multiple identities is contested by some. Yet, Albert & Whetten (1985) already introduced the concept under the term hybridity, implying either that each member of the organization shares or recognizes multiple organizational identities or that different identities are held by different members of the organization.

The second pillar, the enduring character of identity, is concerned with the question whether something can be considered part of the identity if it changes. While Albert & Whetten (1985) initially dismissed the idea that identity change can happen quickly (if at all), this 'continuous' aspect has since been contested by many researchers. While certainly the most hotly debated aspect of identity, the concept of adaptive instability tries to reconcile both approaches (Gioia, Schultz & Corley 2000): The basic assumption here lies in the separation of labels and meanings. While the labels attributed to the organization remain stable (e.g. 'we are sustainable'), the meaning, or interpretation of this label is dynamic.

Distinctiveness, the third pillar, can be grounded on Tajfel & Turner's (1986) observation that group identities are both relational (in a descriptive way, saying "we are different from Y") and comparative ("we are better/worse in comparison to Y"), ultimately leading to the creation of a positive distinctiveness. Even though it is treated here, in the context of organizational identity, as a collective phenomenon (whereas in SIT it is discussed on the individual level), the implication of the distinctiveness feature of identity remains the same. Discussing distinctiveness with an external view (as a feature of a company, product or ser-

vice), e.g. differentiation as a means to generate competitive advantage, is ultimately not much different from internal distinction of employees towards the organization. Comparison can be implicit or explicit (Harquail & King 2003), while the process of comparison does not happen between isolated characteristics, but distinct sets of characteristics (Albert & Whetten 1985).

1.2. Image and reputation

Image, in a broader sense than identity, centers on how organizational members think others see their organization (Dutton & Dukerich 1991). Following Brown et al.'s (2006: 102) unifying terminology, the term image itself can be broken down into intended image ("What does the organization want others to think about the organization?") and construed image ("What does the organization believe others to think about the organization?"). In line with Brown et al. (2006) we argue that members of the organization should be distinguished from other stakeholder groups when it comes to the perspective of the organization, thus necessitating a differentiation not only between organizational identity and reputation, but also image and reputation. Following this approach, reputation would reflect what stakeholders actually think of the organization.

More broadly Alvesson (1990: 375f.) describes image as both the 'inner picture' of an object (i.e., organization) as well as its communicated attributes. He refers to it as the 'sense image' and 'communicated image' (1990: 376). He also observes that distance to the object factors prominently into the relevance of organizational image: Close proximity implies external stakeholders have a complex and relatively unbiased opinion of the organization. Therefore, image only becomes relevant with distance from the focal object. The more complex, distant and big and the object (e.g. a multinational company), the more difficult it is to encompass it.

Reputation is the external perception that organizations are (positively) distinctive within their peer group (King & Whetten 2008). External perception of reputation is an attribution process stemming from stakeholder evaluation (Elsbach 2006). Stakeholders' assessment and attribution is a process that follows institutionalized rules (Rindova, Frombrun 1999), in part based on organizational image and, consequentially, identity (Frombrun, 1996; Brown et al., 2006).

Even though identity takes on the role of the basis of the argument, image can be viewed as the centerpiece. The question whether an understanding of one's own identity (whether on an individual or organizational level) is a necessary prerequisite to asking "who do others see me/us?" or not, is merely philosophical. Understanding that both questions are of equal importance – and the realization that both questions cannot be isolated from one another – is mandatory when it comes to defining oneself. Reputation then serves as the mirror, a reflection of reality, showing 'how it is' and helping to unearth discrepancies between how we see ourselves, how we want to be seen and how we are truly seen.

2. Brand personality as a factor of organizational image

The predominant belief is that organizational identity and image are shaped by internal norms and values as well as external actions and expressions of the organization's self. It comes as no surprise that such an approach entails the suggestion that corporate actions are in some form attributable. Yet we rarely witness organizations being assessed by headlines they make (as would be one logical way to observe organizational behavior from a birds- eye view). Especially when looking at the BoP with its focus on B2C markets, it is much more obvious to attribute an image to an organization by means of their brands – in other words, brand management has an influence in shaping the intended image of the organization and hence exert indirect influence on organizational identity. Multiple brands of a company and their identities (referred to as 'brand personalities') would merge with other aspects, such as projected norms and values and corporate actions to shape the perceived image of the organization. To date, no attempt has been made to reconcile both the 'corporate action' and 'brand' approaches (or test whether both are reconcilable at all).

Further, bearing in mind that the 'identity question' is always self-referential, a brand can have no own point of reference. A brand is attributed with a constructed personality that corresponds with the self-identity or social identity of the group that the brand is marketed towards (Aaker 1996; Dowling 2006; Boje 2008) – it is meant to provide a relevant and engaging context to make sense of the company's character and behavior and provide context for understanding organization's motives behind the design, marketing and visual identity (Roddick 1991). In brand management, the term identity (or personality) is often associated with tangible and/or visible attributes that shape its perception (Olins 1989; van Riel & Balmer 1997; Brun 2002).

Table 1. Summarizes the above perspectives of an organization's engagement in the BoP markets

Dimension	Employees view	Non-BoP Customers view	BoP Customers view	Organizational view
Centrality	Confusion in the dimensions of: • technology (high-end versus robust technologies), • target market, • relevant competitors	Any evaluation in the continuum between denial (customers who pay a premium price to distinguish themselves other social classes) and appreciation and pride (customers valuating the social progress)	Self-perception as coequal partner in the production and consumption process needs to be established and maintained	Scale effects are likely to become one of the most critical success factors
Positive distinctiveness	Pride of being engaged in in the inclusion process	Overcoming the ever repeating 'luxury' positioning of ordinary products and services	Opportunity of fair valuation of own achievements	Opportunity for sustainable and 'modern' achievements
Enduring character of identity	Need for a re-orientation	Need for a re-orientation	Opportunity for a re-orientation	Core markets as well as the business model might shift in a medium to long-term perspective
Image/Reputation	Any improvements might forester work motivation, commitment, and loyalty	Subject to further research	Likely to be positive	Subject to further research conserving der positioning before serving BoP markets and adopting the relevant business models
Brand personality	Subject to further research: Which are the conditions of a positive change?	A core change of the brand personality might be appreciated	A core change of the brand personality might impact the attitude toward the brand in a negative way	Opportunity for developing new brand personalities

From the Table it becomes evident, that from an organizational point of view, entering the BoP markets and adoption the relevant business models goes along with a lot of opportunities. However, the entries in the columns of the employees' perspective as well as the customers' perspectives (both Non-BoP and BoP) are propositions indicating a clear need for further research providing empirical evidence.

Conclusions

Companies deciding to enter these markets are presented with a unique set of threats and obstacles on the one hand, but also the opportunity to expand from the oversaturated and low-margin markets of developed economies into huge clusters of untapped and eager customers-to-be. Yet, many decide against such a step. The impediment to enter these markets mostly stems from two types of forces.

There are several relevant questions that need to be answered concerning the dimensions of organizational identity in relation to BoPs, with CED as a main issue. Not only could the engagement in BoP activities itself influence the perception of these core elements of identity by the organization's members, (that is, influence both centrality and facilitate change of the organization's identity), as they start to see themselves in a different light or move towards a different understanding of who they are. Subscribing to the multiple-core paradigm of centrality, it could also lead to the creation of peripheral identities of lead to a splitting up of the understanding of identity altogether, depending on whether one is directly in contact with and perceiving organizational performance within a BoP market. This particular aspect has to be stressed because, unlike any other multi-national strategy, BoP, as initially described, requires a certain managerial approach that could well devolve onto other members of the organization and in turn become measurable as it manifests in the collective identity views.

The enduring characteristic of identity supplied both a sketch of the current debate surrounding changeability and dynamism of a core element of the organization and as a link between identity and related constructs. Moving from the strictly internal view of identity towards external perception, organizational image can either passively witness this influence or actively influence identity in this scenario. As the overall reputational gain has been mapped out, the relevance of image as the 'bridge' between identity and reputation figures prominently into the debate.

Both intended and construed image provide fertile ground for further investigation into the topic. While the possible identity-influencing aspects discussed above mainly happen subconsciously, the process of intended and construed image creation happens on a much more aware and open level of self-reflexivity.

What, then, constitutes organizational images? Adopting Alvesson's approach to bridge the issue of brand personality and organizational image can be a starting point. While few researchers investigated the link between brand personality and organizational image, it could hint at divergences in perception and, subse-

quently, framing. It remains unclear how much of the organizational image is truly constructed by observing organizations' actions and activities, as this usually does not include management of brand personalities. Our proposition is that brand personality has a much bigger influence on organizational image than actions of organizations if viewed from an external perspective.

In consequence, this implies that not the importance of the organizational image is directly related to proximity to the organization (as suggested by Alvesson), but also that the perspective of the actor perceiving the image (either internal or external) has a direct effect on the means of perceiving the image. Put it bluntly, if external stakeholders construct an image of the organization, they most likely do this through interpretation of brand personalities, while internal stakeholders are probably more influenced by the actual organization's actions and values. The implication would be that members of the organization would be differently affected by BoP activities, while the eventual outcome (i.e., the interpretation of the organization's image) could in fact be similar or even identical.

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