

European Business Forum 2001/2002 Winter pp. 89-90.

Identity Management

"Identity Is Destiny" (2000, San Francisco, Berrett-Koehler Publishers) *Lawrence D. Ackerman*

Based on his decades long consulting experience with big companies (Alcoa, Fidelity, Xerox, Korn/Ferry International, Maytag, etc.) Ackerman explores the laws of identity in business. In a nutshell, identity governs value, which produces wealth, which fuels identity. He breaks with the narrow interpretation of corporate identity (names, logotypes, and advertising tag lines) and provides a broad conception that puts identity at the heart of corporate functioning.

Identity, suggests Ackerman, is the inescapable centre of gravity around which corporations are organised. Corporate identity answers vital questions: Who are we? What do we stand for? What is our potential for creating values? How do we realise that potential?

He strongly emphasises the importance of relationships, arguing that these are only as strong as the natural alignment between the identities of the participants. This statement has wide ranging consequences.

The *stakeholder theory* views the company as functioning in a multidimensional and conflicting world of diverse stakeholders (owners, managers, employees, customers, suppliers, competitors, governmental bodies, local communities, the natural environment, etc.) Ackerman's theory suggests that only those relationships in which the identity of the company and the identities of stakeholders are compatible with each other will be

successful and durable in the long term. Stakeholders often have identities which are simply irreconcilable with the identity of the company in which case negative, hostile and conflicting relationships ensue. But at the same time companies and their stakeholders cannot choose each other freely and the cost of separation can be high. So what is to be done?

Ackerman's advice is that companies should build what he calls 'relationship advantage' with stakeholders by aligning their diverse interests through identity. Corporate and human beings continuously reinterpret their identities via appreciation and action. Identity is not fixed, rather it is unfolding in successful and unsuccessful relationships. The recent repositioning effort of BP as "Beyond Petroleum" is a prime example of changing corporate identity.

Corporations as well as humans should therefore change their identities if these are in irreconcilable conflicts with the basic ecological and social realities of the world in which they want to live and prosper. To be authentic and legitimate in our age companies should, as James Robertson suggests, be "conserving" (meaning business should contribute to the conservation and restoration of the ecology of the natural world and "enabling" (should contribute to the enhancement of the capabilities and self-development of people).

For Ackerman the term "identity-based management" requires the company to be managed according to its true identity. "Doing so calls for leaders who liberate identity, stewarding it and giving it room to run. The first task of all managers, then, is to understand the identity of their organisation. ...Once identity is clear, it is everyone's job to exploit business factors in a way that serves identity so they will become natural allies in the continual process of profitable growth through institutional achievement."

The most intriguing question concerning identity-based management is whether it pays and in what sense. Is it rational to pursue one's own identity in economic life? *James March, David Messick* and other leading decision scientists contrast rationality-based

decisions with identity-based decisions. Agents are rational if they are able to achieve their own chosen goals. In other cases agents follow rules to satisfy their sense of identity.

For Ackerman identity is rationality. Identity-based management results in grand efficiency: not efficiency in operation alone, but the efficiency that comes with all parts of the enterprise working in sync. Identity also leads to integrity in the sense of wholeness or completeness that allows for business diversity while reinforcing the economic and social value of the institution. Finally, identity assures endurance that is continuing performance over time. Economic rationality and corporate identity are not mutually exclusive; rather they presuppose each other.

For people and organisations who follow their identity Ackerman says there is an "unshakable strength that comes from being authentic and true to one's self, rather than being fake or fabricated simply to please others. Such strength breeds a confidence that is born of being wholly comfortable with who you are - and who you are not."

Putting together relationality, identity, and authenticity Ackerman has opened a new territory in economics and management, which gives a fresh perspective on corporate and human beings and their successes and failures.

References: March, James: *A Primer on Decision Making: How Decisions Happen*. 1994. The Free Press. New York.

Messick, David & Tenbrunsel, Ann. E. (eds.): *Codes of Conduct. Behavioral Research Into Business Ethics*. 1996. Russell Sage Foundation. New York.

Robertson, J.: *Future Wealth. A New Economics for the 21st Century*. 1990. Cassel

Laszlo Zsolnai is a Professor at the Business Ethics Center, Budapest University of Economic Sciences (CEMS)