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Przedsiębiorczość i Zarządzanie
Wydawnictwo SAN – ISSN 1733-2486
tom XIV, zeszyt 9, ss. 133–144

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Concept of organizational identity in family business

Abstract: Research on family businesses has undergone rapid development in the past two decades. Broadly speaking, such companies perform in a distinctive way and create specific organizational cultures, identities and images. The paper has several aims. First, to present the proposed meaning of family business, second to discuss concept and model of organizational identity and show the relations in between of organizational identity and culture third to characterize the identity and culture in family businesses.
Key-words: organizational identity, family business, image, model of organizational identity, organizational culture.

Introduction

Organizational identity is a relatively new concept that emerged from the ideas of organizational culture. Family businesses from their background are strongly involved into family values that has the consequences in area of identity. The objective of this paper is to establish the concept of organizational identity in family business and discuss its characteristics. The construction of the paper has three stages: present the proposed meaning of family business, discuss concept and model of organizational identity, show the relations in between of organizational identity and culture, characteristic of identity and culture in family businesses.

1. Meaning of Family Business

One of the key cognitive problems requiring a solution before the beginning of empirical research began was formulation of an operational definition of a family SME, which would make it possible to identify such entities.

Family SMEs may be defined based on different criteria. It is relatively easy to define an SME, and in fact a definition formulated by the European Union has been adopted. In fact, there is no consensus on the criteria distinguishing family businesses, although the most often indicated criteria are: family structure of the entity's ownership, strategic control exercised by a family, participation of family members in managing the enterprise, and the involvement of more than one generation in running the enterprise [Handler 1989, pp. 257–276]. M.C. Shanker and J.H. Astrachan draw attention to the fact that the definitions of a family enterprise cover a continuum. The broadest definitions adopt a very general and vague description of a family business, based on the following criteria: control over strategic decisions and the intention to keep the enterprise under the control of a family. According to a slightly narrower definition of a family business, the founder of the business or his / her descendants run the business, which remains under the proprietary control of the family members. By contrast, narrow definitions, apart from the above mentioned criteria, require: direct involvement of more than one family member in business management and a multi-generational structure to the enterprise. Depending on the adopted definition, family enterprises are the source of 12%, 30% or 49% of the national income of the US economy (Table 1) [Schanker, Astrachan 1996, pp. 107–119]. Thus, the differences are of great importance, but even adopting a narrow definition of a family enterprise we end up with a large group of business entities.

Table 1. Family business definitions depending on the level of family involvement

Criterion	Broad definitions	Medium definitions	Narrow definitions
Ownership structure	Large family share	Controlling family shares	Majority family shares
Strategic and management control	Minimum strategic control	Strategic control and participation in management	Strategic control and full management
Inter-generational structure	Not required	Planned family succession	A multi-generational entity
Involvement of family members	Low	Medium	High
Percent of produced GDP in the USA	49%	30%	12%
Employment in the USA	59%	37%	15%

Source: own work based on M.C. Shanker, J.H. Astrachan, *Myths and Realities: Family Businesses' Contribution to the US Economy – A Framework for Assessing Family Business Statistics*, "Family Business Review", vol. 9, no. 2, 1996, pp. 107–119.

Among the most important criteria allowing definition of a business entity as a family enterprise are: ownership, management, family involvement in the enterprise and family succession. R.K.Z. Heck and E.S. Trent compare the criteria in relation to subject literature (Table 2).

Table 2. Summary of definitions of family enterprises, based on the subject literature.

The essence of definitions according to the listed authors	Variables researched in the National Family Business Survey 1997
1. Ownership or management	The status or structure of ownership, joint ownership, co-owners and those making key decisions or having control or ownership of shares.
2. Involvement of the family in the enterprise (system correlations)	Number of family members working in the family enterprise, paid and unpaid relatives who do not live in the same household.

3. Family succession (intergenerational transfer)	Generations in the family enterprise, the planned change of ownership structure in the family enterprise within 5 years, striving to keep the enterprise within the family in the future.
4. Multi-criteria	Combination of at least two criteria listed in points 1, 2 and 3.

Source: R.K.Z. Heck, E.S. Trent, *The Prevalence of Family Business from a Household Sample*, in: "Family Business Sourcebook", ed. C.E. Aronoff, J.H. Astrachan, J.L. Ward, Family Enterprise Publishers, Georgia 2002, p. 610.

The analysis suggests that the dominant definitions relate family business to the criterion of ownership or management. It is quite common to use definitions that mention the involvement of the family in the enterprise, as well as combining two or more criteria. Theoreticians rarely define family business using family succession as the key criterion.

Adapting the definition of 'family enterprise' to Polish conditions, one should pay attention to the limited possibility of using the succession criterion. Most Polish family enterprises are owned by the first generation, i.e. the enterprise's founders, which results from the fact that in most cases they are entities set up during the time of the nation's 1990's transformations, so the oldest of these are only 20 years old. It seems then, that the key criteria should be family involvement, management and family ownership. As such, a rather careful definition of 'family enterprise' was taken, which assumes that more than one member of the family is involved in the enterprise and that it is necessary for at least one family member to have a considerable influence on the enterprise's management, as well as proprietary shares (but not necessarily a majority).

Thus, the following definition was proposed: *A family enterprise is each entity in the sector of micro, macro and medium enterprises, of any legal form, registered and acting in Poland, in which:*

– At least two family members work together,
– At least one family member has a considerable influence on management,
– Family members hold shares.

2. Organizational identity

Individual and collective identity is one of the most important concepts used in modern social sciences and humanities. The concept of 'identity' itself is deeply rooted in the interpretative-symbolic paradigm, as it was commonly used by the creators of this current of modern thought, such as G.H. Mead and

H. Blumer [Mead 1975]. The originators of symbolic interactionism described identity as the 'concept of the self' [Brittan 1977, p. 102, based on: Bokszański 1989, p. 12–13], a symbolic interpretation of individuals, referring to who they believe they are and who they would like to be [Tomé, Bariaud 1980, p. 61, based on: Bokszański 1989, p. 12], all subject constructs, referring to oneself, which is not a simple sum of the elements, but their synthesis [Bausinger 1983, p. 337, based on: Bokszański 1989, p. 12]. 'Identity' is a significant notion for the social sciences, but it is ambiguous and forms a 'family of words' [François 1980, p. 345, based on: Bokszański 1989, p. 13]. Of the extensive literature and research concerning identity, one has to mention the classics: G.H. Mead, H. Tajfel and J. Turner [1979], and E. Goffman [1981]. The interactionist understanding of identity stemmed from sociology, but with time, it spread to social psychology, cultural anthropology and management science. In each of these sciences it occupies a level characteristic of their research issues, for example, psychology is more concerned with individual identity, sociology and anthropology with collective identities, while management science with organisational identity.

The postmodern and critical approaches to the issue of identity developed together with post-structuralism, thanks to M. Foucault, J.-F. Lyotard, J. Derrida [Foucault 2000]. The most important aspects of the postmodern understanding of identity are related to defragmentation, deconstruction, internal contradiction and paradox. On the other hand, the critical understanding, closely related to postmodernism, emphasises the understanding of identity as a kind of 'prison' for 'ego', which disciplines and sanctions the forms of expression. In the critical sense, identity, although disintegrated, can be subject to different forms of manipulation, which conceal the striving for dominance and wielding power [Czarniawska, Höpfl 2002].

In management science, the notion of 'organisational identity' is relatively new, appearing only in the 1980s and starting to spread at the end of the 20th century. Perhaps this is the reason why interpretative, postmodern and critical approaches to organisational identity are being developed at the same time.

Research into identity, conducted within social psychology and sociology, concerned the creation and development of the 'social self' by individuals. Should it be referred to the level of a collective actor, meaning the organisation?

Many researchers opt for transferring the notion of identity to the level of community, including organisations. R. Jenkins uses the notion of collectively shared identities [Jenkins 1996]. M.J. Hatch and M. Schultz, referring to G.H. Mead's concept, claim that organisations have identities ('subjective self' and 'objective self') [Hatch, Schulz 2004, p. 380]. J. Dutton and J. Dukerich describe the process of the reflection of organisational identity in the organisa-

tion's image [Dutton, Dukerich 1991, pp. 517–554]. Thus, one can see that the concept of identity is becoming rooted in the theory of management science.

Organisational identity is the answer of organisation members to such questions as 'Who are we as an organisation?' and 'Who we would like to be?'. If we assume that an organisation is something more than a collection of individual actions, it seems logical to look for the social manifestations of organisation such as culture, management, strategy and structure. Describing identity as a 'symbolic, collective interpretation of people who form an organisation, referring to what organisation is and what it would like be' seems clear. However, in order for the notion to be fruitful, it is necessary to distinguish identity from culture, image from organisational mission and vision.

In stable conditions, organisational identity remains the subject of a collective, often implied agreement. The issue becomes explicit only in case of tensions and changes, when the questions of key values re-occur and contradictory visions of the organisation's development clash. S. Albert and D.A. Whetten postulated regarding the effects of research, being a result of a collective agreement and concerning values, organisational culture, action philosophy, orientation, market position, the domain of the activity, mission, vision and organisational membership, as manifestations of organisational identity [Albert, Whetten 2004, p. 90]. Thus, organisational identity should fulfil three key criteria: firstly, the criterion of determining key organisational features. Organisational identity should reflect its essence, the basic existential issues, around which the agreement between organisational members was built. Secondly, the criterion of differentiation: organisational identity is created when the organisation's members feel distinct from others. They identify themselves with the organisation, define their boundaries, the criteria for membership and exclusion. Thirdly, the criterion of temporal continuity: an organisation is integrated by legal and managerial conventions, which are maintained thanks to the belief of organisational members and other people from the environment that there is a continuity of organisation's existence, despite the occurring changes [Albert, Whetten 2004, pp. 90–91]. These three criteria proposed by S. Albert and D.A. Whetten can be supplemented with the fourth. 'Organisational identity' is a supra-individual and social phenomenon. The distinguishing sense of existence, maintained by the organisation members in time (esprit du corps) is a manifestation of the functioning of a social group, and not only of chosen individuals (such as owners, managers or other interested parties).

Is it possible to analyse the social aspects of organisation without the notion of 'identity'? B.E. Ashforth and F. Mael suggest that the process of gaining social identity is the prerequisite for undertaking any group action.

The 'psychological group' is defined in the categories of membership. Identifying oneself with a group is also the most important mechanism of participation. Of the manifestations of the emergence of social identity one can point to the group's sense of difference, striving for its maintenance, and the group prestige [Ashforth, Mael 2004, pp. 134–142]. The notion of identity is closely related to identification, which means identifying oneself with a group. Theories of social identification enrich the understanding of organisational identity. However, as it is in the case of most research into organisational culture and leadership, identifying oneself with the organisation used to be confused with the internalisation of its values and involvement. Identification with a group means identifying oneself with it, while internalisation is the acceptance and assimilation of values shared by the group. Identification with an organisation does not have to lead to the internalisation of the organisational values, while identification with the whole organisation does not condition identification with its members. Involvement refers to making a relatively large effort while working for the organisation, the source of which can be, but does not have to be, identification with a group. Distinguishing these three notions allows us to point to identification as a source of organisational identity, and to internalisation as a mechanism of its consolidation and spreading to trainees. Organisational identity is created in the processes of communication and negotiation of meanings, which implies it is strongly rooted on the level of groups and teams, while, according to many authors, its presence on the level of whole large organisations gives rise to theoretical problems [Ashforth, Mael 2004, p. 150]. Thus, it seems that the topic of identity should not be omitted in the analyses of the organisation's functioning. The remaining question is whether there is any purpose in the creation of the theory 'organisational identity', understood as a whole, and studying the processes of the creation, maintenance and changes of group identity.

3. Model of Organizational Identity

The question of the differentiation between organisational identity and culture is problematic. The descriptions of organisational culture are so broad that they usually cover the organisational identity, at least to a certain extent. Comparing the descriptions of organisational culture to the criteria for defining organisational identity, one can see similarities, but also a number of differences. All quoted definitions concern temporal continuity and social constitution of organisational culture, which is also a description of organisational identity. Additionally, more recent definitions fulfil the first criterion, describing culture, similarly to identity, as key values ('essence'). The difference is the lack of a criterion that would distinguish organisations based on a unique

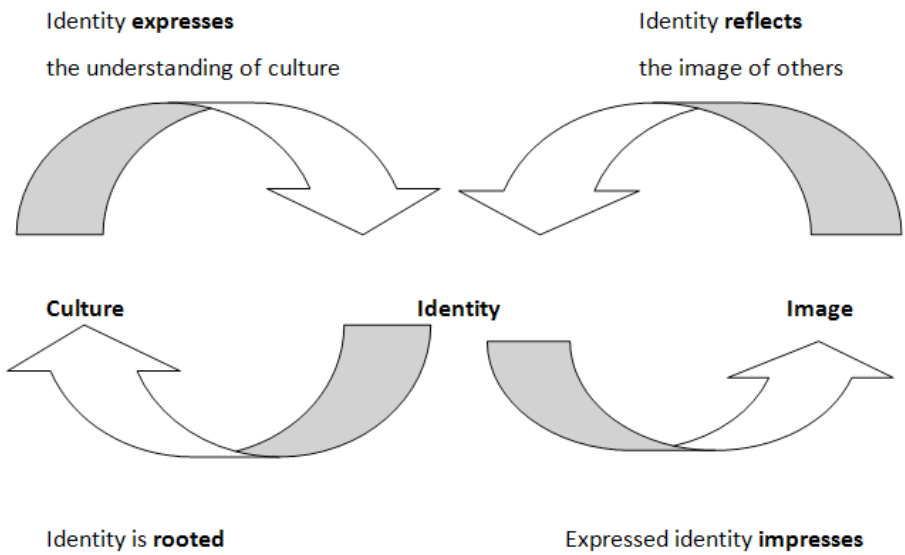
configuration of values, which is a feature of identity. Despite the fact that the definitions of organisational culture and identity are similar, it seems that it would be useful to distinguish these two notions. Strategor distinguished culture from identity, locating culture on the level of the symbolic space (ideas, values, norms, beliefs, myths), and identity on the level of the individual interpretation of this space – the external image (imagination, passion, inhibitions) [Strategor 1997, p. 503]. This definition refers to the psycho-social understanding of identity.

Deliberations on relatively permanent and key values distinguishing organisations refer not only to the notion of organisational identity, but also mission, vision, corporate culture and image. It is necessary to distinguish these notions and find common points.

Organisational mission and vision are notions drawn from strategic management, and they are defined in different ways. L.W. Rue and P.G. Holland believe that mission determines the essence and meanings of the organisation's existence by formulating its most general aims and fields of activity [Rue, Holland 1989, pp. 7–8]. According to J. Brilman, vision is a short formula, detailing the main organisational vocation and aims [Brilman 2002, p. 79]. The organisational mission should be based on organisational culture and identity, although it has to include only those values that are considered as worthy of spreading, in order to create a positive organisational image. Vision is usually created by the managers, but it does not need to be spread and serves as a projection of the organisation's development, based on the chosen aims and values. Thus, both these terms are close in meaning, referring to realised, forward-looking and expressed aims and key values. Mission and vision are purposefully created, realised and usually spread with the aim to be fulfilled in the future. Thus, mission is different from organisational identity, although it often plays an important role in its formulation [Leuthesser, Kohli 1997, p. 59]. One can see the relationship between the mission of an organisation and its identity and culture. Organisational culture and identity are based on the key values, and are created thanks to the correlations between spontaneous and intentional collective activities.

M.J. Hatch and M. Schultz clearly distinguish culture, identity and image of an organisation, pointing to the correlations between these elements. Organisational culture is neither fully culture-conditioned, nor fully dependent on the organisation's image, as it is formed by the correlations between these two spheres (Figure) [Hatch, Schultz 2000, pp. 24–25].

Figure 1. Organisational identity dynamics



Source: M.J. Hatch, M. Schultz, *The Dynamics of Organisational Identity*, in: *Organisational Identity. A Reader*, ed. M.J. Hatch, M. Schultz, Oxford University Press, Oxford – New York 2004, p. 379.

The correlations between organisational culture, identity and image are reflected in four interpretative processes, which take place between these spheres. The first is the mirroring of the organisation's images, created by others within its identity. Mirroring links the organisational image (the way it is seen by others – the environment) with its identity. The second is the process of the reflection of identity in the organisational culture. Identity leaves its mark on the shape of the organisation's values, norms and cultural patterns, and so it has to be set in culture. This leads to the expression of organisational culture in identity. Organisational culture is known and spread by the expressions of identity, based on culture. On the other hand, identity impresses others by the image. The whole model forms feedback [Hatch, Schultz 2004, p. 379]. It seems that it would be useful to add mission and vision, which are a kind of idealised image of an organisation and its future, although in most cases it is created for internal purposes.

4. Family business culture and identity

Carrying out different classifications of organizational culture of the family business enables reflection on the previously identified compounds with identity and image. As can be seen in most of the dimensions of organizational

culture of family businesses make specific configuration for each other. The most characteristic is the corporate culture of "young" family businesses controlled by the first generation. In subsequent generations of culture is changing the identity of the family may be blurry in the process of professionalization. Comparing frequently occurring in family characteristics features of organizational culture on can identify: (1) the tension between two strong subcultures, (2) personalization organizational ties, (3) paternalism, (4) a low level of formalization and bureaucratization, (5) entrepreneurship in family businesses managed by the founder , and (6) hermetic family cultures. This usually translates into a strong and distinctive identity of the organization, which is the source of identification for family members, but often creates a sense of alienation and identity blur for employees not belonging to the family. A strong identity and culture associated with the person of the founder in many businesses leads to a crisis over succession. Analysis of the cultural sphere in the surveyed family businesses indicates the consistency of organizational culture and organizational identity among family members and possible tensions between familial and non-familial subculture in these entities. It is interesting to identify inconsistencies in the image of surveyed family companies. The issue of "familiarity" and familism, although it is essential, it is often camouflaged. Employees of family businesses are reluctant to admit their family roots because of associating it with stereotypes of nepotism, cronyism and lack of professionalism ("mom & dad business"). The image strongly emphasized a strong community, stability and continuity of the entities that are considered to be an essential precondition of credibility among customers and business partners (Table 3).

Table 3. Organizational culture and identity and image of the family business

Criterion	Organizational culture	Identity	Image
The core values, „existential" issues	The development of the family, a source of self-realization of owners and their families	Community of interest and excitement based on family ties strengthened economically	Emphasized good of organization, camouflaged family values
A sense of separateness members of the organization	Hermetic, inbred culture	A strong sense of community and individuality	The perception depending on the environment

A sense of continuity in the organization	Personalistic culture, stabilized by management	Successful succession gives continuity and sets a series of changes of identity	Orientation to the tradition, continuity, stability and persistence
A sense of community (esprit du corp)	Built on community ties and values	Particularly strong among the members of the dominant family	Emphasis on unity and community camouflaging the presence of subcultures

Source: own study.

Summary

In conclusion, the analysis of organizational culture and the attached corporate identity and image of the family carried out in this study leads to the characteristic of specificities of the cultural area of family businesses in Poland. It turns out that the surveyed companies represent similar types of organizational culture and face similar problems of identity. Thus, highlighting the family businesses in the cultural sphere seems to be deliberate procedure that can be used for better understanding and improvement of such entities.

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