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Identity reflexivity: a framework of heuristics for strategy change in hybrid organizations

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Abstract

Purpose – The aim of this research is to investigate the relationship between (dual) organizational identity and individual heuristics – simple rules and biases – in the process of strategy change. This paper offers a theory on identity reflexivity as a cognitive mechanism of strategy change in the context of organizational hybridity.

Design/methodology/approach – The authors draw on a 2-year ethnographic study at a Dutch social housing association dealing with the process of strategy change. The empirical data comprises of in-depth semi-structured interviews, ethnographic observations as well as secondary sources.

Findings – Conflicting identities at the organizational level influence heuristics at the individual level, since members tend to identify with their department's identity. Despite conflicting interpretations, paths of cognitive shortcuts – that the authors define as internal and external identity reflexivity – are shared by the conflicting identities.

Research limitations/implications – The findings of this research are subject to limitations typical of a qualitative case-study, such as possibly being context dependent. The authors argue that this research contributes to the understanding of how individual heuristics relate to organizational heuristics, and suggest that the process of identity reflexivity can contribute to the alignment of conflicting identities enabling strategy formation in the context of a dual-identity organization.

Practical implications – Understanding how managers with conflicting identities achieve agreements is important to help organizational leaders to pursue sustainability-oriented strategy change.

Social implications – Given the pressure experienced by mission-driven organizations to integrate multiple sustainability demands in their mission, understanding managers' decision-making mechanism when adapting to new, often conflicting, sustainability demands is important to accelerate societal sustainability transitions.

Originality/value – This paper addresses the process of new strategy design in the context of a socially driven business. This context fundamentally differs from the one addressed by the existing heuristics literature with respect to organizational environment and role, and specific competing demands.

Keywords Sustainability, Heuristics, Ethnography, Identity, Hybridity, Strategy change

Paper type Research paper



Introduction

Organizations addressing societal challenges often deal with a dual goal (Yin and Chen, 2019), such as an economic and a social goal, which, within the organizational boundaries, results in a dual organizational identity (Moss *et al.*, 2011). Identities specify the practices through which values are perused (Glynn, 2008). A dual-organization identity comprises of two identity dimensions which coexist in the same organization (Albert and Whetten, 1985). In many instances, these identities might be competing, as illustrated by hybrid organization scholars (Battilana and Lee, 2014; Besharov and Smith, 2014). This is often due to tensions between coalitions of organizational members supporting different logics – such as a financial logic, intended to sustain the organizations' economic stability, conflicting with a social-welfare logic, intended to support the accomplishment of the organization's social mission (Ashforth and Reingen, 2014). A growing research stream has suggested that, despite these conflicts, hybrid organizations are particularly effective in coping with situations of unexpected uncertainty and complexity (Almandoz, 2012; Ashforth and Reingen, 2014).

Yet, the strategic management literature largely agrees that when decisions are made to change towards sustainability-oriented practices, cognitive diversity of organizational members can be a barrier (Hahn *et al.*, 2014). It is not yet clear why hybrid organizations manage to change despite uncertainty and complexity and whether a dual organization identity impacts individual heuristics when organizations adapt their strategy to implement a new sustainability goal. While the hybrid organization literature highlights the challenges in decision-making deriving from identity differences among organizational members (Jay, 2013; Ashforth and Reingen, 2014), it does not yet explain the cognitive mechanisms that unfold in situations of uncertainty in such contexts. Drawing from the literature on heuristics, this study analyses these mechanisms. Heuristics are simple cognitive rules used to explain how individuals make decisions and solve problems (Kahneman *et al.*, 1982). The study of heuristics is particularly important when clear decision-making criteria are undefined (Artinger *et al.*, 2015).

The unpredictability of strategic choices in the context of sustainability-oriented changes is one example of uncertainty and is increasingly relevant in the management discourse. Given the urgency of social and environmental challenges, socially driven businesses are increasingly pushed to pursue diverse sustainable development goals. Thus, it is important to understand how these organizations adapt their strategy accordingly. In order to study the nexus between organizational identity and individual heuristics when strategic decisions aim to integrate new sustainability demands, we propose the following question: What is the role of a dual organizational identity in a manager's heuristics that unfolds in the process of strategy change and that is aimed at achieving new sustainability goals?

Through ethnographic observations, interviews, and archival data, we investigate this question in the setting of a social housing association in the Netherlands. The role of housing associations is to house those who are not able to afford appropriate dwellings, due to low income or impairing health conditions. Because of their important role in the Dutch economy, social housing associations are increasingly pushed to address nation-wide social challenges. These include climate change, refugees' requests for housing, and an aging population. Our research started in January 2017 and lasted for a period of 2 years.

Our findings highlight that, despite conflicting interpretations and visions between two predominant identities, paths of cognitive shortcuts – here conceptualized as internal and external identity reflexivity – are shared by the conflicting identities. Once a conflict in vision emerges, managers tend to argue using their personal experience to justify the view they have of the organization (internal reflexivity). Though opposing identities are biased against these arguments – displaying a tendency to reject them – they respond to personal experiences, by using arguments reflecting organizational roles and societal expectations (external reflexivity).

We structure the paper as follows: first, we introduce the theoretical background on heuristic and its link to organisational identity. We then explain the context, the motives behind our research approach, and the method. Subsequently, we present our findings. A discussion section follows in which we propose the process of identity reflexivity as a framework on the heuristics occurring in the process of strategy change. To conclude, we discuss key implications for practitioners and scholars, and offer avenues for future research.

Theoretical background

Heuristics in strategy

In strategic management, it is suggested that two main heuristics categories exist: those learned from experiences with the environment – often unconscious – and those designed by managers and consultants to facilitate decision-making – consciously designed (Bettis, 2017). The theoretical background of this paper refers to the first type, thus excluding parameters, tools or methods carefully designed to guide strategic decisions.

In psychology, heuristics are simple and efficient rules (Gigerenzer and Brighton, 2009), proposed to explain how people solve problems, make judgments, and take decisions regarding complex matters or incomplete information. The basic principle behind heuristics is that the human's cognitive system is limited, and therefore relies on shortcuts to simplify decision-making and problem solving (Kahneman *et al.*, 1982). Although heuristics are considered to be effective in the majority of everyday-life's problems, they are also believed to occasionally lead to erroneous assumptions and decisions (Kahneman *et al.*, 1982).

Contrarily, a positive view on heuristics suggests that they help strategists to make decisions more effectively. Specifically, fast and frugal heuristics (Gigerenzer, 1992) challenge the view of irrational cognitive biases and conceives rationality as an adaptive tool (Artinger *et al.*, 2015). When individuals in organizations rely on adaptive heuristics, neglecting certain pieces of information rather than considering all possible options, it can lead to effective and accurate choices (Gigerenzer and Brighton, 2009; Gigerenzer and Gaissmaier, 2011). Building on this view, Bingham and Eisenhardt (2011) suggest that strategists learn heuristics to make more effective decisions, which are crucial to deal with uncertainty in highly transformative so-called “high-velocity” environments (Brown and Eisenhardt, 1997, p. 2).

The fast and frugal heuristic, however, has encountered criticism from organizational management theorists (Bettis, 2017; Loock and Hinnen, 2015), particularly for its lack of applicability in the context of strategy (Vuori and Vuori, 2014). Vuori and Vuori (2014), for example, highlight important aspects of strategy, such as the time frame and the context of decision-making. They argue that for strategy forming, the environment is not “high-velocity”, since managers dispose of days, weeks or even months to craft and decide on a new strategy. How environment and organizational contexts affect heuristics needs further exploration (Loock and Hinnen, 2015). Thus, the study of heuristics in different empirical contexts – such as the one of hybrid organizations – is beneficial to this purpose.

Furthermore, one of the ongoing debates on heuristics concerns the relationship between heuristics at the organizational and at individual levels and its (lack of) effects on strategy (Loock and Hinnen, 2015; Vuori and Vuori, 2014). Individual heuristics are those concerning cognitive biases or simple rules at the individual level. We refer to heuristics at the organizational level as simple rules shared by a group of individuals within the same organization. These can impact the overall organization's decisions and practices.

To join this debate, we seek to understand the relationship between (dual) organizational identity and its effects on individual heuristics in the process of strategy change. Past research supports the idea that social milieu affects individual decision-making, and that

heuristics are learned from experience (Guercini *et al.*, 2014) both as a result of individual and of social mechanisms (Garcia-Retamero *et al.*, 2013). The latter suggests that organizational environments, i.e. stakeholders, networks, departments, colleagues and managers, influence an organizational member's heuristics. With our research, we tackle these aspects proposing a multilevel perspective to heuristic mechanisms of managers in the process of strategy change. In the next section, we introduce organizational identity as a cognitive mechanism related to strategy.

Individual and organizational identity in strategy

Like heuristics, organizational identity has been linked to cognitive mechanisms of organizational members (Foreman and Whetten, 2002) and its relevance in decision-making has been widely acknowledged (Gioia *et al.*, 2010). In particular, organizational identity is considered to play a fundamental role in the process of strategizing (Irwin *et al.*, 2018; Wenzel *et al.*, 2020), due to its effects on interpretation (Bundy *et al.*, 2013; Gioia and Thomas, 1996). Organizational identity considers the question "who are we as an organization?" (Albert and Whetten, 1985), reflecting the organizational members' collective shared sense of identity (Corley and Gioia, 2004). Organizational members' understanding of identity affects the members' claims and associated actions, which in turn influences the members' understanding (Gioia *et al.*, 2010). Moreover, organizational identities can be seen as both enablers and barriers to change (Dutton and Dukerich, 1991; Gioia *et al.*, 2013; Ravasi and Phillips, 2011; Zilber, 2002), because individuals seek both homogeneity and distinction (Smith and Lewis, 2011) in their organizations. Although identity is claimed to be of little value when making routine or incremental decisions, it is indispensable when making fundamental decisions, such as strategic ones (Whetten, 2006). To overcome ambiguity, managers make sense of organizational identities by defining "who we are not" rather than "who we are" as an organization (Stanske *et al.*, 2020). Organizational members draw from "identity reservoirs" which are labels, claims, and attributes used by organizational members to describe their organizational identity (Kroezen and Heugens, 2012). These reservoirs persist overtime and can re-manifest (Kroezen and Heugens, 2019) even after an organization changed the course of their strategy "betraying" their original organizational identity (Ravasi and Philips, 2011).

In order to understand the relationship between heuristics at the organizational and at the individual level, it is helpful to review the relationship between organizational identity and individual identity. Most recent research suggests that an organizational member's identity is anchored to the environment surrounding the individual. In other words, what "I think" interacts with what "we think" through multi-level dynamic processes across institutional, organizational, and individual levels.

At the individual level, organizational identity can be defined as a reflexive process. Desrochers *et al.* (2004, p. 62), for example, conclude that "identities have been defined as reflexively applied cognitions about the self-in-role, meaning that our perceptions of our identities are influenced by what we think others think of us". For example, a social enterprises' choice to pursue B corps certifications has been explained with the concept of identity reflexivity, where entrepreneurs ask and respond to the question "What does my engagement in this activity (or pursuit of this goal) say about me?" (Conger *et al.*, 2018, p. 17). In these views, a search for legitimacy plays an important role in the process of identity reflexivity. Organizations that strongly rely on legitimacy, such as hybrid and non-profit organizations, are more at risk of facing an identity crisis (Whetten, 2006). While it is clear that there is a relationship between individual and organizational identity, the dynamics by which a dual identity influences an organizational members' cognition and how organizational heuristics are formed as a result of individual heuristics are underexplored areas of research to date.

Dual identity organizations

A socially driven business (such as housing associations) is by its nature characterized by a dual organizational identity (Moss *et al.*, 2011). A dual or hybrid identity distribution is often defined by the co-existence of a utilitarian and a normative identity (Foreman and Whetten, 2002) within an organization. Utilitarian identities perceive their organization to be oriented toward economic concerns. Normative identities perceive the organization's character to be oriented towards ideological and value-based concerns.

Identity duality often results in competing demands, such as the need for financial viability versus the need to solve social and environmental problems (Battilana and Lee, 2014; Besharov and Smith, 2014). Research on hybrid organizations has largely focused on conflicts between external demands and competing internal organizational identities, given that hybrid organizations combine identities, forms and logics that would conventionally not go together (Battilana *et al.*, 2017). An identity-based approach (Foreman and Whetten, 2002) argues that these conflicts are inherently identity conflicts related to individual knowledge, competences and social relations, which all influence one's decision-making process (Wry and York, 2017). This literature also states that these are unfolding at the individual level rather than at the level of the organization. Research of hybridity also highlights the role of multiple categories – defining how an organization is perceived – blended in one organization (e.g. the educational and the financial categories of a university) arguing that organizational members might identify themselves with one category which is more salient to them than others (Hsu and Elsbach, 2013; Wry *et al.*, 2014). Identification is “what a member perceives the identity to be and what they think it should be” (Foreman and Whetten 2002, p. 618). The preference of an organizational member to identify with one category instead of another might be the result of exposed experiences to a specific category, encountered frequently in one's everyday life (e.g. an asset manager identifying with the need for financial survival more than with the educational mission of a university institution because of their role). Despite these conflicts and complexity, hybrid organization scholars largely agree that hybridity entails an ability to cope with complexity, uncertainty (Almandoz, 2012), and to successfully innovate by navigating paradoxical demands (Jay, 2013). While in the strategic management literature, identity conflicts and ambiguity often hinder change by creating a situation of crisis (Corley and Gioia, 2004), organizations dealing with hybridity can benefit from identity duality (Ashforth and Reingen, 2014). Hence, hybrid organizations (characterized by coexisting utilitarian and normative identities) offer a unique and relevant context to understand whether conflicting identities (that is, managers/employees with utilitarian or normative beliefs) can share heuristics and how these two concepts are interrelated.

To understand whether and how conflicting identities affect a manager's heuristics in strategy change, we chose to longitudinally analyse a hybrid organization in transition that is dealing with conflicting social drivers, as is explained in the following sections.

Research context and approach*Case organization*

This study uses the case of a Dutch social housing association as an exemplar of a well-established type of hybrid organization (Nieboer and Gruijs, 2016). Social housing associations are private organizations providing low-income tenants with affordable housing (Dewick and Miozzo, 2004). In the Netherlands, 70% of rented houses belong to social housing associations, amounting for almost a third of the total residential stock (Centraal Bureau voor de Statistiek).

The unit of analysis is the management team of the Dutch housing association, hereby named Alpha. Alpha has approximately 200 employees and owns and manages a portfolio of circa 20,000 houses, situated throughout the northern region of the Netherlands. In 2015, the

CEO set the “energy neutral” goal, aiming to transform its entire portfolio to meet the energy-neutral standards. “One house per day” is Alpha’s energy neutral campaign, stating that by 2030 all 20,000 houses will be transformed – either refurbished or demolished and rebuilt – to meet energy neutral standards. In the Netherlands, this goal is ambitious, since housing associations are bound to less strict energy efficiency requirements by the Dutch energy agreement (Sociaal-Economische Raad, 2013).

As a result of the energy neutral goal, Alpha gained visibility as a front runner in the energy transition of social housing in the Netherlands. Between 2015 and 2018, approximately 600 houses have been refurbished or newly built in order to meet energy neutral standards.

However, as reported by several of Alphas’ employees, the first interventions encountered negative feedbacks from the tenants (see Table 1). In 2016, the CEO therefore decided that it was time to redefine the strategy with a focus on poverty alleviation. In 2017, the process of strategy change began and lasted for a period of 9 months. As we explain below, we have observed this process through ethnographic research (see Figure 1).

Methodology and data collection

Through an abductive approach (Dubois and Gadde, 2002), this study adopts the ethnographic method (Fetterman, 2010). One of the main reasons for choosing ethnography to explore heuristics is to observe the organization’s members acting in their natural environment. Heuristics in decision-making happen when individuals deal with ongoing everyday-life situations in their natural surroundings (Bodner et al., 2019). Heuristics concern conscious and unconscious cognitive mechanisms which result in decisions that can be observed (Gigerenzer and Gaissmaier, 2011). Observations are therefore crucial in explorative studies on decision-making mechanisms. For example, exclusively relying on in-depth interviews may result in biases because respondents may offer socially desirable answers where opinions do not match with behaviour and real-world ongoing decisions (Silverman, 2011). This study therefore uses a combination of different methods to collect information about decision-making processes including participant observations, in-depth formal (recorded) and informal (non-recorded) interviews and archival documents enabling triangulation of data. Throughout the 2-year ethnography, the lead author observed different settings. Initially, she joined the organization, observing the strategy department. She then participated to the process of foresighting and decision-making during a trajectory of strategy change restricted to the organization’s management team. After interviewing the organization’s managers, interviewees were selected through theoretical sampling (Strauss and Corbin, 1994). Applied to this case, it implied that the lead author interviewed the managers and employees from different departments varying in function (see Figure 3) and choosing interviewees to re-interview depending on the information missing during data analysis (Glaser and Strauss, 1967). On average, each interview lasted about 50 min. The interviews were performed in Dutch to allow interviewees to speak their mother tongue. The formal interviews were audio-recorded and transcribed and then imported into Atlas.ti where they were categorized and coded by the lead author. In total over 200+ pages were imported and analysed (see Table A1).

Data analysis

Starting from the empirical data, through open coding (Strauss and Corbin, 1998) we begin by identifying first order codes (see Figure 2) – information-centric – and second order themes – theory-centric – and aggregate dimensions – categories providing new theoretical insights (Gioia et al., 2013). By identifying predominant financial versus social discussions and conflicts in our analysis, we recognized the identity distribution typical of hybrid

organizations (Jay, 2013). These include conflicting internal and external demands (see second order codes in Figure 2). This allowed us to categorize the types of conflicting demands in the managers' discourse during the meetings on strategy change. Second, we recognized that the main arguments supporting either the financial or the social logic were expressed by different individuals but found homogeneity among members of the same department. Following Foreman and Whetten (2002), we therefore clustered and conceptualized these two identities as the utilitarian and the normative identities, respectively (see Table A2). Third, we categorized the types of arguments used to agree and disagree with a given idea, by identifying words and concepts mentioned and the meaning attributed to it by the different managers. Of the 18 second-order themes identified, 7 were selected which emerged from both the interviews and the participant observation pertinent to the theoretical concepts emerging, as explained above. We subsequently focused the analysis on three aggregate dimensions, namely: conflicting demands, conflicting visions, and identity reflexivity. We explain these in the findings section.

We start by showing the types of conflicting demands and categorize the arguments provided by the employees to justify or confute such demands. We then explain the co-existence of different identities, that is, the utilitarian and normative identities, and relate it to the organizational structure. Subsequently we show the managers' discourse around the process of strategy change. After explaining the type of response of each identity with which we categorized the managers, we finally present the concept of identity reflexivity.

Conflicting demands and sustainability tensions

Our analysis first highlights the identification of complex societal problems triggering the need for strategy change. At the start of the strategy change trajectory, different reasons to change strategy were mentioned by the managers involved (see Table 2). These were related to both external factors (such as demographic change) and internal factors (mainly regarding the employees' ways of implementing Alpha's new goal and its acceptance inside and outside the organization).

While discussing the introduction of the energy neutral goals, different arguments were used about the impact of the ambition on Alpha's tenants. For Alpha, refurbishing all houses to meet energy neutral standards implied a drastic reduction in the total housing stock. The divestment of a part of Alpha's housing stock was needed to fund the investments for zero-energy refurbishments. Demographic changes, such as aging of the tenants, and cities' gentrification were driving Alpha to reorganize its assets and to work in favour of the zero energy plans. The setting of the energy neutral goals, however, registered a negative social response. This was recorded through negative newspaper articles, tenants' protests, and damaging behaviour in and to Alpha's dwellings.

Our data shows that environmental and social goals emerged as contrasting and as complementary goals (see Table 3). Financial considerations are often used to both support the environmental target or to argue against it.

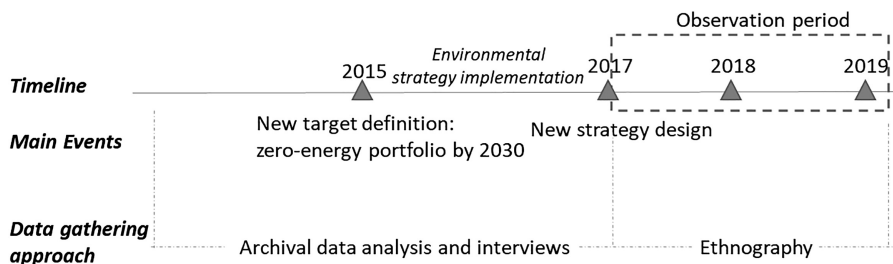


Figure 1.
Timeline of data
collection process

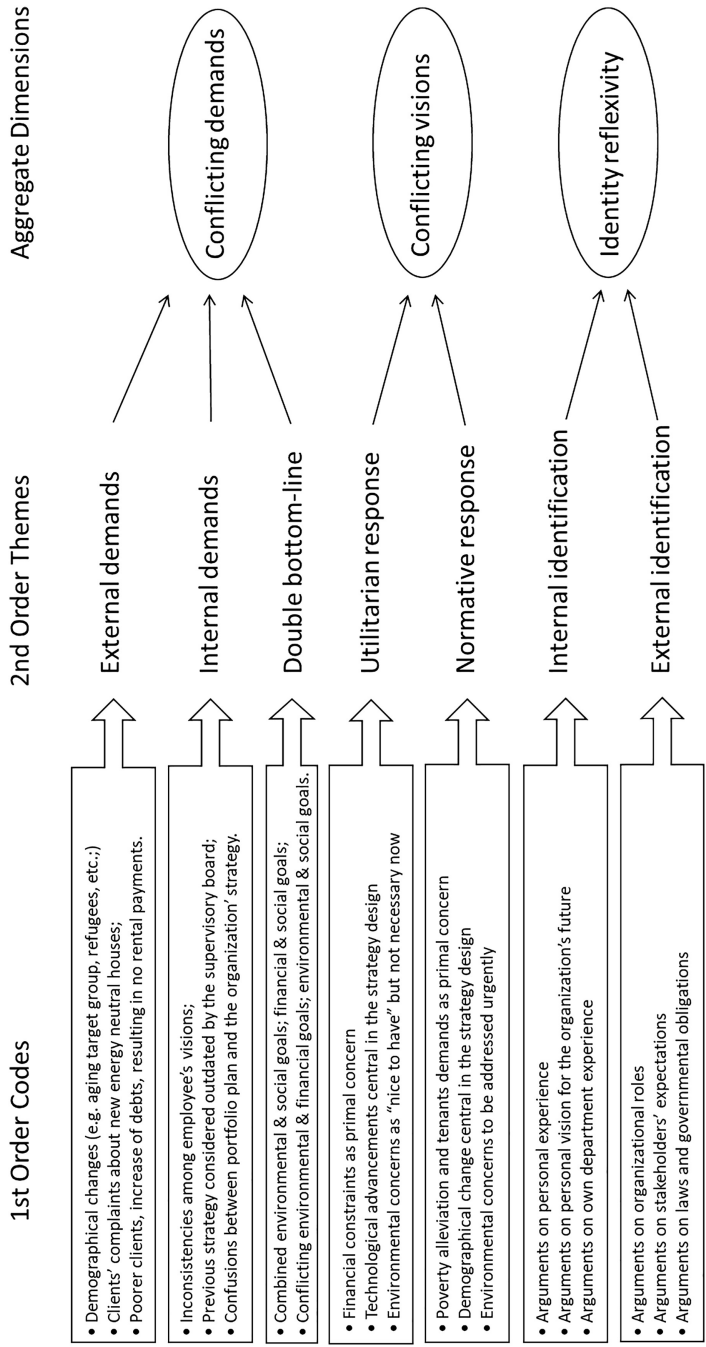


Figure 2.
Data structure. First-
order codes, second
order themes and
aggregate dimensions
based on
ethnographic data

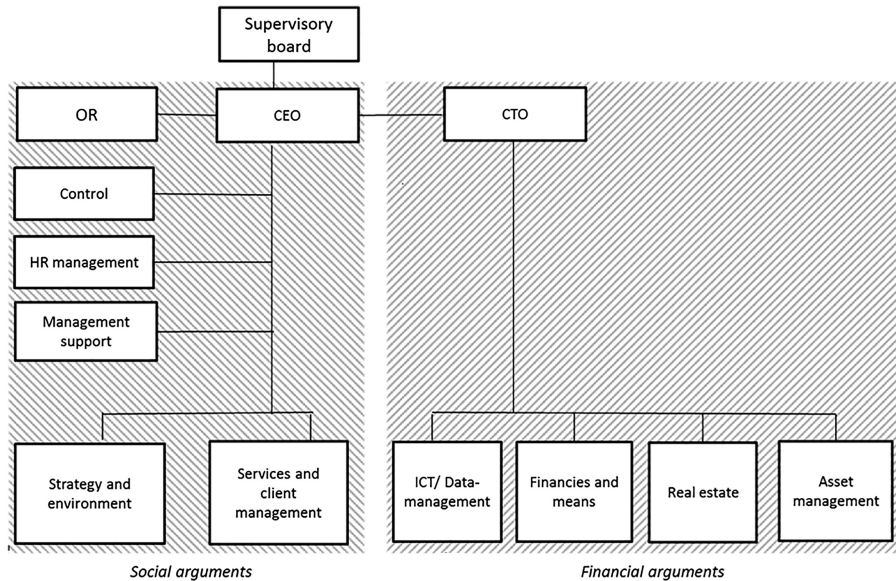


Figure 3. Alpha's organizational structure and clustering of arguments

Problems to be addressed with the new strategy	
External	Internal
(1) Demographical changes: aging target group, refugees rising, shrinkage etc.	(1) Inconsistencies among employee's visions
(2) Clients' complaints about new energy neutral houses	(2) Previous strategy considered outdated and "never truly embraced" by the supervisory board
(3) Poorer clients, increase of debts, resulting in no rental payments	(3) "Confusions between portfolio plan and the organization' strategy"

Table 1. The needs for a new strategy as reported by the interviewees

Since the first housing renovation projects, a number of tenants complained about the interventions. Some employees perceived that the energy neutral goal was going against the core mission of the organization, while the CEO justified the goal as "doing something good for them (the tenants)". This is exemplified by the following quote.

Employee D – We say that we stand for the tenants, but to reach the energy neutral goal we might need to increase their rent, within the allowed limits of course, or move them to new houses and we forget that they are a vulnerable target group.

By mapping the managers' and employees' discourse on the environmental target in the organizational chart, it is possible to identify a dominant normative identity among the members of the strategy department, the service department, and the client department. Other departments (that is, the real estate, the asset management, the financial and the IT departments) displayed a different orientation, associated with phrases such as "It costs too much" or "It is not technically feasible", aligning with a utilitarian identity (Foreman and Whetten, 2002).

Figure 3 shows that the two groups of departments report to different directors. This suggests that the organizational structure and reporting lines co-determine the implementation and acceptance of the new strategy. This led us to conclude that in the

Table 2.
Combined sustainability demands for the pursuit of the 2030-energy neutral strategy: interviewees' example quotes

Social and environmental	Environmental and financial	Social and financial
Employee C – We help the people through energy efficient homes and we also invest in green innovation [. .]	Employee C – <i>If we only improve the house and get to an energy label B, then we have to do it again after a few years because in 2050 we have to be energy neutral anyways</i>	CEO – <i>They (tenants) don't see the potentials of it, they just don't know [. .] I want to get the cost down for our tenants [. .] If you make them saving energy than you help them reducing their monthly expanses, it doesn't mean their rent has to increase</i>
Employee E – We are not designing it (house) for our clients of today, we do it for our clients of tomorrow	Employees C – <i>If they (tenants) save money in energy, they would be able to pay us the rent</i>	Employee C – <i>What favour would we do to our tenants if we need to refurbish the houses again?"</i>
Employee D – Energy neutral houses are a tool to improve our tenants' life, they are not our goal	Employee A – <i>Other housing association are only doing minor interventions, like a solar panel on the roof, but our intervention is comprehensive and future-proof</i>	Employee A – <i>Doing it now will save us from having to do it all over again in a few years' time and investing twice on renovation. Other housing associations are now starting to follow our example</i>

Same word – different interpretations		
Concept	Meaning 1 (normative managers)	Meaning 2 (utilitarian managers)
House availability Dwellings	Manager D – <i>Houses suitable to meet the specific needs of the tenants in a tailored manner</i> Manager A – <i>Living, liveable housing</i>	Manager B – <i>Number of houses we can offer to the tenants</i> Interim CEO – <i>Houses, our real-estate asset</i>
Poverty fight	CEO – <i>Help them (tenants) leaving their precariat state</i>	Manager B – <i>Assure they pay their bills at the end of the months</i>

Table 3.
Examples of different interpretations per type of manager

Different wording – same meaning		
Concept 1 (utilitarian managers)	Concept 2 (normative managers)	Meaning
Vision forming	Strategy forming	Drafting the future role of housing association, understanding whether Alpha will be able to fulfil it and if not, what changes are needed
Our goal	Our means	Achieving 100% energy neutrality by 2030

context of a dual-goal organization dealing with complex problems that result in conflicting demands, organizational members tend to identify with the vision of their department or their division rather than with the mission of the organization.

Organizational response: conflicting identities

Similarly to the individual identity distinctions made above, the managerial visions for the organization differ according to the department to which they belong.

The strategy trajectory started with foresighting desirable future scenarios for 2030. The main questions focused on the lifestyles of Alpha's target groups and on technological innovation of the housing sector. The forecasting outcomes were grouped into three main domains: social change, technological predictions, and environmental sustainability.

The managers clustered as utilitarian tended to bring forward technological developments, whereas the normative ones considered societal impact the primary element of the forecast as shown in Figure 4. Both identities included environmental sustainability aspects in their forecasts.

After the initial sessions (that were intended to draw scenarios for the future), the objective of the subsequent workshop was to relate the role of Alpha to the scenarios. The following three questions were asked: (1) If this scenario X were to happen, what will our role be and will we be able to fulfil it?; (2) If not, how can we prepare for the future?; and, (3) What is our “why”?

As shown with example quotes reported in Table 4, the different types of managers, previously clustered as either utilitarian or as normative managers, would display different interpretations as well as different solutions to problems.

Our findings suggest that managers tend to be negatively biased towards solutions proposed by managers that belong to an identity different than their own, and that they sought to argue against them, looking for alternative solutions (see Table 4).

Shared heuristics: identity reflexivity

Once a conflict in vision emerges, managers tend to argue using their personal experience to justify the view they have of the organization (internal reflexivity), irrespectively of whether or not they were considered to display utilitarian or normative responses. The following quotes highlight this finding:

Manager B – I come from a poor family and I managed to get to a different position because I worked hard. We do not do them (the tenants) any favour by giving them extra money.

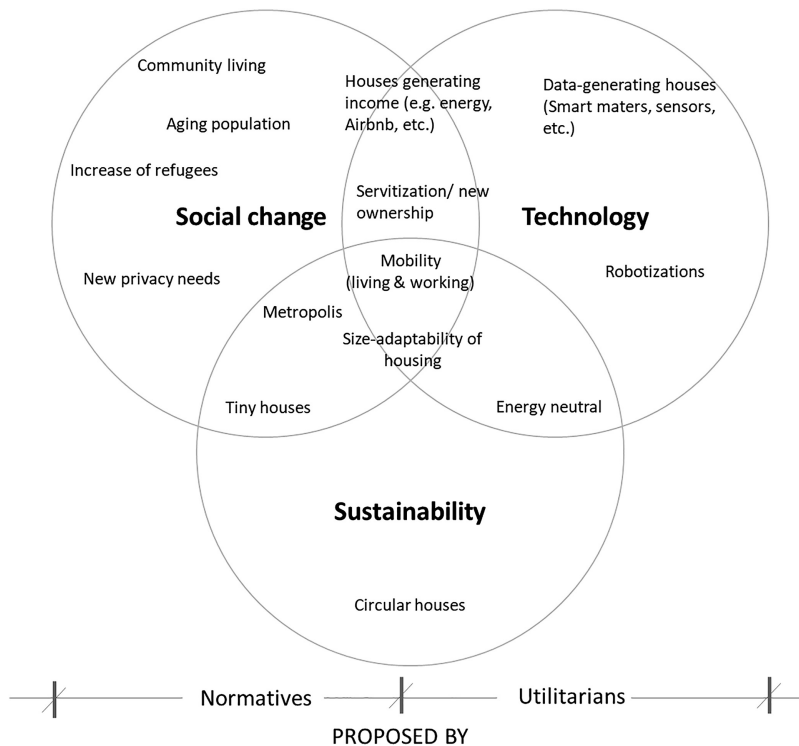


Figure 4. Forecast examples proposed by Alpha’s “utilitarian” and “normative” managers

Table 4.
Responses to enigmas
that emerged in the
process of strategy
change

Problem	Normative managers	Utilitarian managers
Strategizing without CEO	Manager D – <i>Only because we are in a phase of transition it does not mean we should let the CEO start from scratch. We can offer him a good base to build upon</i>	Manager B – <i>We do not need to take new responsibilities nor we should take any decision at this stage</i>
Involving stakeholders in strategy forming	Manager D – <i>We should not work alone and in the strategy; we should include our stakeholders now to make sure we meet their needs in the future</i>	Manager C – <i>I wonder if we can at all. They have specific requirement for us that we need to fulfil, these are pretty straightforward</i> Manager E – <i>But we do it if they ask, not because we spontaneously have to go to them</i>
Strategy outcome	Manager A – <i>Our strategy is intended to be future-proof and thus challenging whether what we do now is right or needs to be changed, this is what we need to do now. It is OK at this stage to draw a vision of the future development; we do not need to be specific</i>	Manager B – <i>Our people are operational and our stakeholders concrete. And that's not a bad thing. Our impact is made by 5% of strategy and 95% of its execution. We have workers that want to have a clear direction we should be more concrete</i>

Manager D – I rely on my parents' help for my child and I feel our target group is often missing such sense of community. (. . .) Our houses have the potential to provide care for elderly, support for single mothers or even income generating means for the most vulnerable.

Manager F – what our target cares about is to have a roof, that's it. I have been working for decades in the sector and I know that tenants will complain if they find a bin full of garbage or a dirty street.

When responding to personal experiences, arguments to support decisions are put forward reflecting on organizational roles and societal expectations (external reflexivity).

Manager D – The model we follow brings together people, bricks, and finances. We are much more than brick-providers.

Manager B – This is perhaps what we want, but there are things we get asked by our network and this then needs to be restricted to what we can and should do as an organization.

Manager F – We want to make sure our neighbourhoods are safe and well-maintained and our houses complete. And that's exactly what the law is asking from us.

These considerations offer the conclusion that in the case of conflicts between identities, personal experiences and stakeholders' expectations are used to build arguments for or against the proposed vision to reach consensus.

We hereby propose identity reflexivity as a core heuristic mechanism in the process of strategy change for dual identity organizations. With this we mean that in the process of crafting a new strategy, the managers implicitly – or explicitly with the help of the strategy workshops – reflect on their norms, values, and beliefs, and use this in the discussion with managers that have different norms, values, and beliefs. In what follows we explain this mechanism in more detail.

Despite the emergence of different interpretations between different types of managers (see Table 4), we find that all managers use similar cognitive mechanisms when strategic decisions are made. During the process of strategizing, the managers referred to personal experience and personal views to justify the strategic choices they proposed. Additionally, they related these choices to “what is expected from us” in society. By relating their personal expectations to their perceived expectations of Alpha (internal reflexivity), and to their perception of Alpha's clients' expectations (external reflexivity), they either approve or reject the arguments of the opposing identity.

Despite having different identities and thus different ways of seeing a problem, the managers go through the process of internal and external identity reflexivity (see Figure 5), i.e. they ask themselves, (1) Does this dilemma/solution align with my department struggle? (departmental compass) (2) Does it align with what I think we should do? (personal compass) (3) Does it align with the organizational mission? (4) Does it align with our stakeholders' expectations? (legitimacy compass).

Discussion

This study identified identity reflexivity as a core heuristic mechanism in the process of strategy change in dual identity organizations. Identity reflexivity is similar to but also different from the concept of identification. Foreman and Whetten (2002, p. 618) define identification as “what a member perceives the identity to be and what they think it should be” and relate this to the concept of identity comparison, defined as the members' evaluation of the organizational identity based on their own identity (Dutton et al., 1994). However, in contrast to the concept of identification, we argue that the organizational members' perception of the clients' expectations also shapes organizational identities, and they might be different to what members think the organizational identity should be. Managers acknowledge these differences and introduce these key arguments in the decision-making process. Hence, we identify and highlight the importance of internal and external identity reflexivity in the process of strategy change for three main reasons: (1) to highlight the multilevel character of identification and of identity comparison, (2) to underline its process-nature, and (3) to understand the conditions with which decision-making takes place. Internal identity reflexivity concerns the perception of organizational members of what the organization should do based on their own norms, values, and beliefs. External identity reflexivity is different from the concepts of legitimacy and societal expectations. Instead, it concerns a member's perception of legitimacy based on the member's identity (see Figure 6).

We discovered that when managers of a hybrid organization identify with one of the predominant logics (such as the financial versus social one, that is, the utilitarian versus the normative logic), their arguments and interpretations use this logic and bias their decision-making processes and judgments. They use identity reflexivity as mental shortcuts, consisting of quick jumps among the ideas different members have of the organization, their

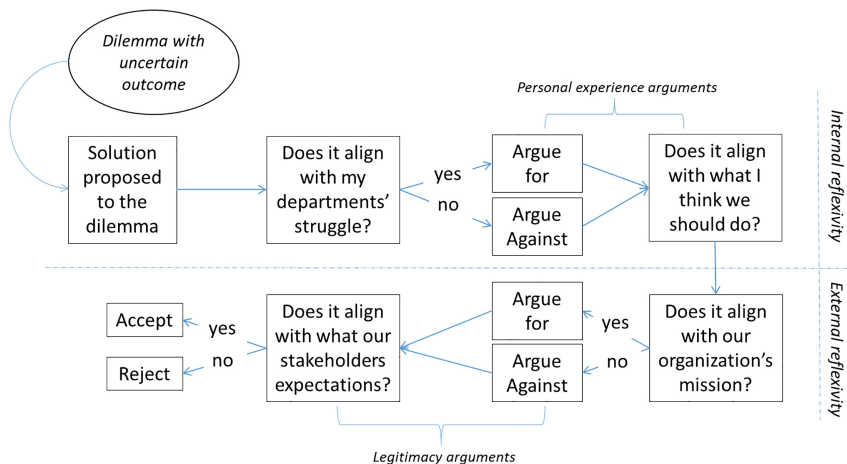


Figure 5. Identity reflexivity in the process of strategy change

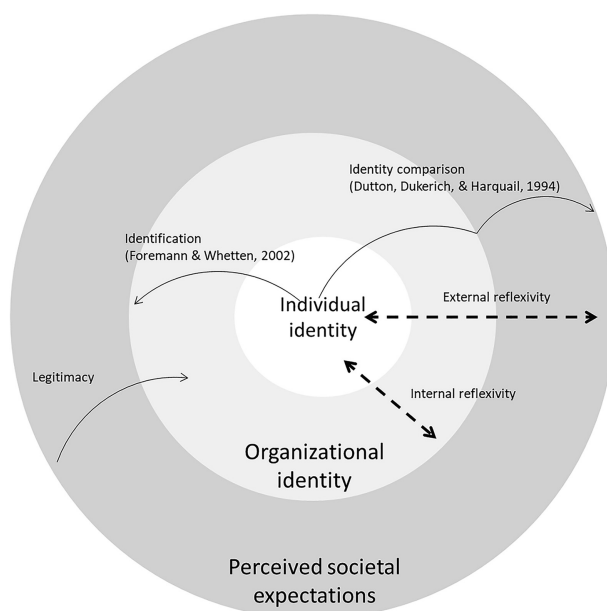


Figure 6. External and internal reflexivity of and across societal, organizational, and individual levels

personal views and what they think the organizational stakeholders expect. When managers are used to interacting with their stakeholders, they learn their preferences and these stakeholder preferences increasingly become embodied in the managers' understanding. Like a ping-pong ball, the cognitive process consists of jumping from one level to another in mental shortcuts, which manifests itself in biased interpretations and biased argumentations.

Conclusions

Our longitudinal case study was designed to understand whether and how conflicting identities impact managers' heuristics in the process of strategy change aimed at integrating a new sustainability goal. Our research context allowed us to investigate (1) conflicting heuristics at the individual and at the organizational level; (2) how these heuristics unfold in the process of strategy change. To this end, we analysed a social housing association that is characterized by a dual-goal identity, and that undertakes a strategy change process induced to integrate a new sustainability goal. Within this organization, we identified an identity distribution similar to the one reported by hybrid organization studies (Jay, 2013). We therefore use the identity types as indicated by Foreman and Whetten (2002) in our abductive analysis.

Our findings suggest that individuals' heuristics are strongly influenced by the organizational (dual) identity and that despite conflicting interpretations and different visions –consistent with their identity categorization – identity reflexivity is a common denominator. Although heuristics concern cognitive mechanisms and are therefore difficult to attribute to a group of people or to the organization, we argue that they relate to the organization through identity. From individual heuristics, these mechanisms unfold at the group level meaning that the group shares the same heuristics.

The ability to change and to adapt (strategy) to new environmental or social challenges is compromised if there is a lack of shared understanding of the new sustainability goal.

This ultimately originates from a dampened pro-social or pro-environmental identity among employees in general and among managers in particular. If identities, resulting in different visions, interpretations and desires, are not shared among the members of the management team in the process of strategizing, decisions are difficult to make. Identity reflexivity functions as heuristic and facilitates this process, helping to build arguments leading to decisions in the pursuit of social, mission-driven goals. We highlight that the process of individual identification with one's department biases the decision-making process, resulting in individuals rejecting solutions or opinions proposed by departments that reflect a different identity than their own. Yet, to make sense of conflicts, individuals use personal experience and organizational legitimacy as heuristics. This process facilitates strategizing.

These findings might explain why hybrid organizations – that are inherently used to dealing with dual identities – are particularly effective at coping with situations of unexpected uncertainty and complexity (Almandoz, 2012). As the existing literature suggests, they seem to be benefitting from, rather than being hampered by, conflicts that derive from organizational duality (Ashforth and Reingen, 2014) compared to other types of organizations in which identity conflicts (Corley and Gioia, 2004) or cognitive diversity of organizational members can hinder change (Hahn *et al.*, 2014).

This study makes several empirical and theoretical contributions. To begin with, we offer new empirical evidence concerning the ongoing debates about the applicability of the view of Bingham and Eisenhardt (2011) on heuristics in the context of strategy. Although it can be argued that the context of a careful strategy change, such as the one of Alpha, is not “high-velocity” (Vuori and Vuori, 2014), the view of heuristics as a learning and as an adaptive process, is supported by our empirical observations for multiple reasons. First, at an organizational level, the need for a new strategy emerged as Alpha's response to an environmental change, in an effort to adapt to the societal demands, improving its legitimacy and social impact. Second, the compartmentalized homogeneity of the members' identities across departments – i.e. their interpretations of the energy neutral strategy and their predominant identification with either the financial or with the social organizational identity – provides important evidence that the interactions between individuals influence adaptive organizational behaviour. Third, Alpha's employees' daily decisions are often guided by the fear of compromising legitimacy. Alpha learned how to gain (and lose) legitimacy, through experience and trial and error (e.g. via libelling newspaper articles, tenants' protests, and damaging behaviour in and of Alpha's dwellings). Hence, we therefore propose a multilevel perspective linking individual heuristics to the organizational and social perception dimensions.

Another important contribution of our research concerns the understanding of the complex phenomena of hybrid organizations. In fact, this study is one of the few addressing competing social demands in the context of hybrid organizations, adding to this literature that primarily focusses on the conflict between a social goal and financial sustainability. As such, we provide new foundations for the understanding of the increasingly important phenomenon to integrate multiple sustainable development goals into one organizational strategy.

Also, and in relation to the previous contributions, the heuristics literature mainly focusses on firms striving to increase their competitive advantage (Bingham and Eisenhardt, 2011; Eisenhardt and Martin, 2000) or organizational rent (Amit and Schoemaker, 1993). With this study, we complement existing heuristic debates by studying heuristic mechanisms of non-profit organizations and to understand what types of heuristics are found in the context of hybrid, socially driven organizations. Given the general increase in studies of sustainable and hybrid organizations, we expect that the debate on heuristics will soon be broadened towards organizations that proactively pursue multiple sustainable development goals.

Furthermore, with this study we link organizational identity to heuristics in a context that is typically characterized by conflicting identities. In organizational studies, research on heuristics and organizational identity to some extent has developed in separate tracks. The hybrid organizational context of our study gave us the opportunity to investigate the interplay between decision-making and identity in the process of strategy change. Specifically, we observed and analysed the role of identity in integrating new and different sustainability demands within an organization that deals with conflicting identities due to their hybrid nature. With this research, we foster the proposition that identity is bound to the concept of interpretations, connecting it to the framework of [Foreman and Whetten \(2002\)](#) and expanding it to the concepts of identification and identity comparison. This research therefore also offers guidelines for new studies of for-profit organizations that aim to integrate new sustainable development goals in their strategy.

Theoretical implications

Research on organizational identity has increasingly been seeking understanding on the interplay between organizational identity and strategy ([Gioia et al., 2013](#); [Ravasi and Philips, 2011](#)). This work yields important insights on how organizational members react to the identity-strategy misalignment ([Wenzel et al., 2020](#)), draw from identity reservoirs ([Kroezen and Heugens, 2019](#)), and face organizational ambiguity by defining “who we are not” ([Stanske et al., 2020](#)) to facilitate strategizing. We add to this debate by contextualizing it to the context of identity duality, offering a heuristics perspective. This is relevant for circumstances of identity conflicts which are different from situations of identity ambiguity. Identity duality is unambiguous and essential to the healthy functioning of hybrid organizing ([Ashforth and Reingen, 2014](#)). Yet, it can hamper agreements and change. Our framework explains identity reflexivity to illustrate how organizational members do and do not reach agreements to solve strategic dilemmas. Our framework on identity reflexivity also contributes to the literature on heuristics by broadening our understanding on how individual and organizational heuristics are linked ([Loock and Hinnen, 2015](#)).

Managerial implications

When developing strategies for new environmental or social goals, different and conflicting demands are at play. Managers' identities influence the process of strategizing. Despite having different identities and thus different ways of seeing a problem, they go through the process of internal and external identity reflexivity. Management teams are recommended to be aware of this process, and of the tendency of individuals to be biased by their departmental identity and, therefore reject solutions or opinions proposed by departments that reflect a different identity. A personal map of reflective processes may guide this awareness. Each manager could systematically map the difference between their personal vision, the departmental vision, the organizational mission, and the perceived societal expectations. Understanding how these align (or not) among different managers in a team could facilitate the process of organizational strategizing and to manage identity conflicts. These differences could be shared among colleagues within and across departments. This allows for an enhanced recognition of personal biases and interpersonal differences which helps establishing mutual agreements which are beneficial for the diverging poles of the hybrid spectrum.

Limitations

The findings of this research are subject to limitations typical of a qualitative case-study: our analyses and findings are possibly context specific and therefore not suited for generalization. More specifically, the context related limitations might be attributed to the

particular sustainable demands that are addressed by the case organization, that is, the ambition to combine energy transition and social impact in the setting of the specific type of hybridity of the case organization. Although the context of this study is the one of a hybrid organization, the findings might be relevant to all types of organizations. Businesses are continuously confronted with conflicting demands, which often manifest in identity conflicts (Corley and Gioia, 2004). Other empirical contexts could acknowledge that identity reflexivity unfolds in the process of strategizing when strategy dilemmas create tensions and conflicts. Future research could investigate whether the type of the identity bias – that is, rejecting opinions and ideas proposed by managers who identify with a different identity than the one they identify with – are to be considered as either positive or negative heuristics. Our study is not taking a stance in favour of or against positive or negative heuristics because our research method was not designed to analyse the effects of these decisions. Instead, we designed our study in order to analyse the “how” of these decisions, that is, the observable cognitive mechanisms in a context of hybridity (i.e. dual-identity). Our data show that identity preferences unfold into judgments and biases (Kahneman and Tversky, 1996) but we limited our study to the heuristics of strategy change and not to its (negative or positive) effects, exempting from analysing whether these biases may result into systematic errors or more effective choices. We can conclude, however, that these biases made managers quickly reject strategies suggested by organizational members identifying with the opposing identity, that is, a manager supporting financial logics rejecting strategic propositions suggested by a manager identifying with the social logic.

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Table A1.
Research and data
collection events
at Alpha

		Number of formal interviews
Interviewees (9)		
Strategy and environment manager		3
Relation manager		2
Communication manager		3
Innovation manager		1
Interim director		1
Asset manager		1
Portfolio manager		2
Related initiatives outside the region		1
Selected archival records (32)		No. of documents
Strategy document		9
Portfolio plan		3
Neighbourhoods master plan		3
Business plan		4
Project proposal		7
Internal presentation		7
Observations (118)		Number of events
Strategy meeting	Sporadic	8
Thematic meeting	Every 4 weeks	ca. 10
S&E meetings	Every 2 weeks	ca. 30
Observation in office (7–8 hours/day)	1–2 times per week	ca. 125 days
Meetings/activities with Alpha's stakeholders	Sporadic	6

Table A2.
Additional information
on managers

Subject	Department	Normative vs. utilitarian
Manager A	Service and Client Management	Normative
Manager B	Real Estate	Utilitarian
Manager C	Asset Management	Utilitarian
Manager D	Strategy and Environment	Normative
Manager E	Financial and Means	Utilitarian

About the authors

Angela Greco is a scientist at the Strategic Analysis and Policy department of TNO, the Netherlands Organization for applied scientific research. Prior to this position she was a postdoctoral researcher at the Ivey Business School at Western University. She obtained her PhD from the Center for Sustainable Entrepreneurship at the University of Groningen, Campus Fryslân Faculty. She holds a Master of Science in Civil Engineering from Delft University of Technology where she specialized in the area of sustainable buildings. She completed the Honors Leadership Program at Leiden University. Her research focuses on the role of hybrid organizations in sustainable development and on participatory approaches for user-centred design. Angela Greco is the corresponding author and can be contacted at: a.greco@rug.nl

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