



From the library of The Identity Circle — Insights and ideas about leading, managing and living through the lens of identity.



The Identity Effect: Learning from the Inside Out

Synopsis:

When it comes to building employee engagement and business performance, companies often look to others for best practices. For the most part, we're 'outside-in' learners. What new research shows, however, is that having a strong identity is a prerequisite to engagement – and that learning from the inside-out is where to start.

The Identity Effect: Learning From the Inside Out

BY LARRY ACKERMAN

Greater self-awareness leads to higher engagement and better business results and can drive the learning and performance agenda.

As a human phenomenon, the concept of identity has been studied for decades. Psychologist-philosophers Carl Jung and Erik Erikson, Harvard Business School Professor Abraham Zaleznik, behaviorist Abraham Maslow and renowned psychoanalyst Sigmund Freud all made identity a centerpiece of their professional pursuits.

Further, all these experts came to one main conclusion: A healthy sense of personal identity is vital for success. People inevitably do better when they have a strong center of gravity that, like a rudder, keeps them steady — no matter what the weather brings.

When it comes to organizations, however, the subject of identity is less studied and its impact far less documented. Still, conventional wisdom holds that companies with strong identities will fare better than those that lack this important, if elusive, asset. When it comes to creating value — which is something distinctive that customers will genuinely want and be willing to pay for — it seems logical that identity would play a role.

But how much does identity matter? How can we learn to translate our instincts about identity into actions that allow us to harness this force and use it to its fullest advantage?

Testing the Identity Hypothesis

In 2000, consumer products and services company Dow Chemical faced a multifaceted growth challenge: It needed to spur top-line growth beyond its 3 to 4 percent tracking of gross domestic product. To do so, management believed the company needed to strengthen its relationships — not only with customers, but also with its up-and-coming talent, who were responsible for current as well as future performance. Dow's management understood that growth would

need to reflect how Dow created value in the marketplace as a single, unified enterprise.

Cracking the code on Dow's identity was the place to begin. The identity discovery process included analyses of the company's 102-year history as well as its present-day operations. During this process, it became clear that while chemicals, plastics and agricultural products may have been what Dow made, they didn't represent the company's real business: consumer essentials. This insight led to changes not only in Dow's value proposition to major customers, such as Procter & Gamble, but also in three mission-critical areas: the basic values the company adopted to help align its culture with its identity; its competency modeling system; and its leadership development practices.

Ten years later, Dow's redefined identity informs both its mission statement and its 2015 sustainability goals. Further, the company's annual growth rate has increased to an average of 13 percent.

However, despite these and similar positive results that identity initiatives have produced over the years, the ability to quantify the impact of identity has remained elusive. Until now.

About a year ago, The Identity Circle LLC, a research, consulting and professional services organization, launched the Identity Impact Survey to test the hypothesis that identity strength influences employee engagement and business performance. Recognizing that individual identity strength and organizational identity strength were distinctly different forces, The Identity Circle designed the survey to measure the impact of each independently as well as together. The survey polled nearly 2,000 respondents from five companies representing a range of sizes, scopes and industries — from a global vision care company to an institutional food services provider.

FIGURE 1: RETURN ON IDENTITY STRENGTH GROWS SIGNIFICANTLY AS GROUP SIZE INCREASES

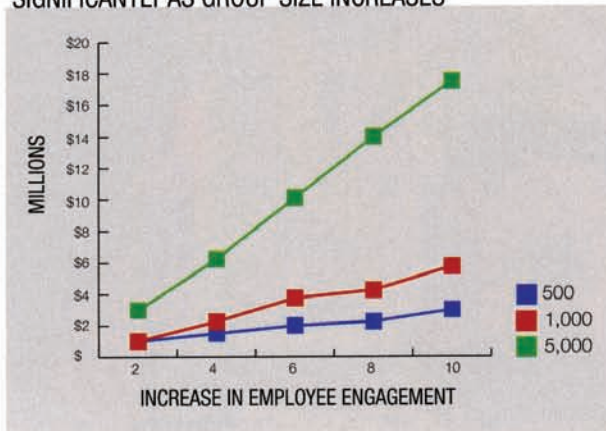


FIGURE 2: THE IDENTITY LEADERSHIP MATRIX

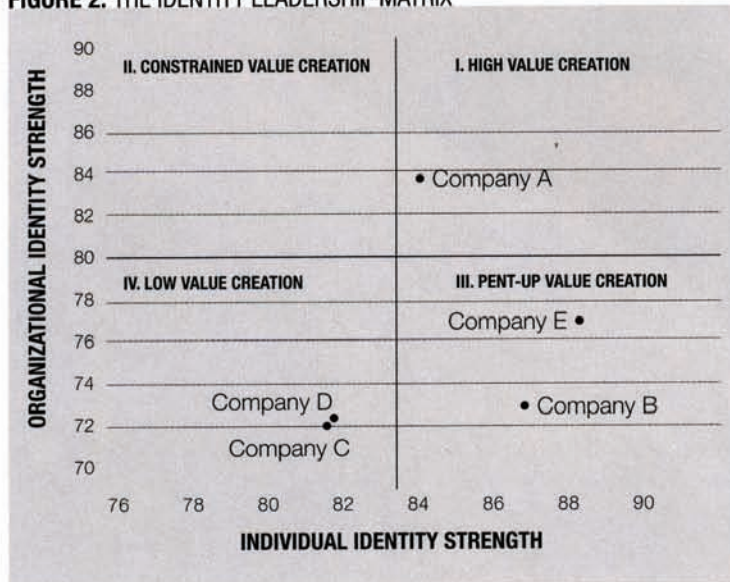


FIGURE 3: DEFINING THE IDENTITY LEADERSHIP MATRIX QUADRANTS

<p>Quadrant II: Constrained value creation</p> <ul style="list-style-type: none"> • Handcuffed financial performance • Inefficient strategy deployment • Limited innovation • Overpromise, underdeliver on brand • Low-traction culture • Lower investment value 	<p>Quadrant I: High value creation</p> <ul style="list-style-type: none"> • Superior financial performance • Effective strategy deployment • Efficient innovation • Strong brand • Strong culture • High investment value
<p>Quadrant IV: Low value creation</p> <ul style="list-style-type: none"> • Subpar financial performance • Ineffective strategy deployment • Depleted innovation • No meaningful brand • Dysfunctional culture • Low investment value 	<p>Quadrant III: Pent-up value creation</p> <ul style="list-style-type: none"> • Limited financial performance • Inefficient strategy deployment • Limited innovation • Brand confusion • Diffuse culture • Lower investment value

According to the survey results, correlations between identity strength, employee engagement and business performance were high, indicating that company identity drives value creation. Five key findings contributed to the proof:

1. Identity strength is a leading indicator of business performance due to its significant impact on employee engagement.
2. Increases in identity strength translate into revenue growth and other economic benefits (Figure 1).
3. Organizational identity strength is more influential than individual identity strength in driving employee engagement and business performance. Their combined effect, however, is greater than either alone.
4. When it comes to engagement, identity strength transcends specific workplace practices.
5. Employees often feel their companies don't have strong identities.

The last finding, while troubling, actually presents an opportunity for companies to create additional value. The Identity Leadership Matrix (Figure 2) characterizes the identity strength of each surveyed company, and Figure 3 highlights areas for improvement.

Learning From the Inside Out

We often assume that learning from others is the way to go. We study other companies' successes and other leaders' best practices — we even ask our customers what they think of us in order to improve performance. For the most part, we are outside-in learners.

But before we can really benefit from others' experiences, we need to know who we are. We must establish a center of gravity to accurately assess whether what's right for someone else is also right for us.

Our identities constitute those centers of gravity, yet we've taken few steps thus far to tap the knowledge and power identity holds. For many organizations, defining identity constitutes a performance frontier that is ripe for exploration and application.

Identity vs. Mission or Brand: What's the Difference?

Think about identity, mission and brand in terms of cause and effect. Identity is a cause; mission and brand are effects. So are vision and purpose. Identity, on the other hand, is the bedrock of how an organization creates value — the proprietary contribution it makes in the marketplace.

From this perspective, identity provides the roots from which all of these other platforms — such as mission and brand — grow. It lends them authenticity and integrity. Without identity at their core, these vital elements lack staying power: They are subject to the winds of change, as executive teams come and go.

In this respect, the identity discipline is strategic inno-

vation on a grand scale. Think about it: Does manufacturing company Ingersoll Rand create value simply by being a “diversified industrial supplier,” or does it do it by turning work into progress for customers? Does Fidelity Investments make money by “offering financial services,” or by celebrating individualism and personal choice? These redefinitions open up new avenues for engagement and value creation.

What CLOs Can Do

Based on the results of the Identity Impact Survey, there are three steps chief learning officers can take now to help their organizations capitalize on the effects of stronger organizational identity.

Put identity on the management agenda. CLOs should first define the term “identity” to ensure everyone is on the same page. According to the research, identity is the unique combination of characteristics that reveal the company’s value-creating potential. Next, learning leaders should suggest that executives at all levels address a few key questions about identity:

- What is the identity of our company?
- Are we managing to this reality?
- How has our identity influenced our strategy, culture and performance to date?

Asking these questions can be a revealing exercise, highlighting business needs such as clarity of purpose or new marketing strategies.

Include “identity education” in the leadership development process. Learning about personal and organizational identity can deepen engagement by eliciting employees’ innate creativity, vision and drive. It can be especially useful in retaining high-potential talent, whose need to personally connect with the mission of the enterprise is critical to eventual leadership success.

Make identity strength a balanced scorecard metric. Since its impact is pervasive and transcends individual functions, identity offers a unique way to comprehend organizational performance and potential. Low scores can help uncover areas for increased inside-out learning.

In looking to expand their impact in strategically meaningful and lasting ways, CLOs should make the assessment and application of identity a discipline for thinking, behavior and communication.

Albert Einstein once said, “Problems cannot be solved at the same level of awareness that created them.” The results of the Identity Impact Survey give CLOs a framework to realize a heightened sense of self-awareness, which ultimately will enable them to understand and address those problems in a fresh, comprehensive and lasting way. **CLO**

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