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LEADERS

The Identity Code: A Tough Nut to Crack

Synopsis:

Identity provides the human model of how a company works, just as economics provides the capital model of how a company works. In the context of strategy, ‘cracking the code’ on identity is a way for leaders to unleash the unique capabilities of the corporation — and turbo-boost performance in return.

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The Identity Code: A Tough Nut To Crack

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When CEO's wrestle with growth strategies, they are likely to search for ways to capitalize on existing strengths: on past experience that coincides with fast-growing markets, on businesses in which their companies are highly practiced, or on businesses with which their organizations are inherently comfortable. But in the elusive hunt for attractive avenues of growth, it is a corporation's identity that can offer fresh and powerful insights into strengths that constitute especially fertile, often unexplored territory.

Identity is the "corporate DNA"—the human model of how a company works, much like economics is the capital model of how a company works. In the context of strategy, "cracking the code" on identity is a way to take full advantage of the unique capabilities of a corporation.

In his classic 1963 *Harvard Business Review* article, "The Human Dilemmas of Leadership," Abraham Zaleznik wrote: "The exercise of leadership requires a strong sense of identity-knowing who one is and who

one is not . . . A sense of autonomy, separateness, or identity permits a freedom of action and thinking that is necessary for leadership."

Dr. Zaleznik's focus was on the individual, and the importance of identity is self-evident in this regard. Yet, this same sense of identity exists for companies, just as it does for people. Moreover, its influence on how a business grows can be profound.

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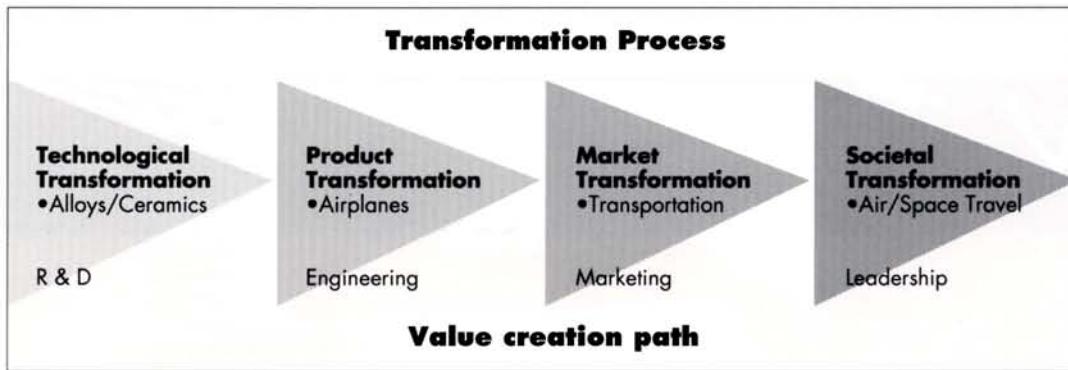
For example, in 1986 an international metals and chemicals company was considering diversifying beyond primary and fabricated products. The company had taken great strides in getting into more highly engineered, higher value-added products like fiber optics, aerospace parts and electronic substrates. Still, there was a question as to how to develop strategic business lines which would fuel significant new growth and at the same time make sense in terms of corporate "fit."

Amid ongoing activity aimed at assessing diversification opportunities, we were asked to conduct an identity study to help management pinpoint the "unique characteristics" of the corporation.

"How exactly do you get at these characteristics?" was the first question most executives asked us. What we said was, "If you stripped away aluminum, ceramics and chemicals, what is

it that your 55,000 employees could conceivably do? What are they good at? What are the unique skills, expertise and talents that you've honed over 75 years? How might you put them to good use?"

Where the prevailing view of the company pointed to such attributes as state-of-the-art, low-cost technology, a blossoming quality orientation and optimum plant capacity, the study defined this corporation's strengths in



terms of *capabilities*—deep-rooted skills and knowledge which explained what the organization was really “good at.” These included technological innovation, engineering, industrial marketing, project-oriented customer relationships and a long-standing talent for turning market leadership into societal contribution.

Underlying these particular strengths was a pervasive competence which we described as a “genius for transformation.” For instance, the company showed a marked ability to regularly convert base materials (e.g., metals, ceramics, polymers) into new products, products into new markets (where the company was nearly always the leader), and markets into societal change based on scientific precedent. Aluminum, for example, was converted into can sheet, which revolutionized the packaging industry which, in turn, fundamentally changed food preservation techniques.

Based on our research, we presented management with a series of strategic options which flowed directly from the “identity strengths” we had identified. These options were far-reaching. In many ways they challenged conventional assumptions about the economic potential of the corporation, but always in clear sight of the firm’s capabilities and business needs. In brief, we presented these options as follows:

- *The Power Option:* The corporation is one of the most capable non-utility generators in the world. The concept was to build directly on the company’s years of experience and management skills in dealing with electric power.

- *The Industrial Services Option:* The firm’s strength in process technology was really seen in how it implemented new plant engineering and construction. The concept here was to build on inherent excellence in industrial services and perhaps develop a set of subsidiaries in the future, to be combined with remaining internal operations.

- *The Government Contracting Option:* The company’s active interest

in the aerospace industry fitted in logically with its goal of developing downstream markets for metals and chemicals. But if a company is to be successful in the government market, it will need a separate group to build the necessary accounting systems, marketing, skills base and security policies, and one that can quickly and easily take advantage of the corporation’s leadership heritage. The concept here is to be a leader or join with a leader.

- *The Bio-Engineering/Bio-Technology Option:* Bio-engineering is to the ’80s what, for instance, aluminum was to the 1880’s. The company has a demonstrated talent and passion for discovering “major-impact” products with broad societal implications. The concept is to replicate the corporation’s first generation in a whole new field. It is to say that the company is more than a “materials science” company. At its core it is a company that creates value through superior applied science. And biotechnology fits the company’s innate pioneering, inventive style.

In each case, it didn’t take long for the company’s corporate development staff to start coming up with specific acquisition possibilities that could potentially bring one or more of these strategic options to life. In this instance, identity stimulated fresh thinking about *external* business opportunities. But identity can be equally powerful in identifying internal opportunities.

Make the Drugs, Sell the Cure

Sometimes companies get too close to themselves and attractive business situations can go unnoticed. We were engaged recently to help a pharmaceutical company get a better handle on its identity, to help it understand more clearly how it creates value—that is, how it makes a unique contribution in the marketplace. Its focus was on becoming one of the top global competitors in the ’90s.

What we discovered was that the company is distinguished by three basic capabilities that cut across virtually every part of the firm: scientific discovery, medical innovation and a

“quality interface system.” Ironically, though, few people, including insiders, saw the company as innovative. “Medical innovation” is an innate talent—worth in excess of \$500 million over ten years—that had gone unrecognized for decades here. So in this case, smart strategy meant taking a fresh look inside, from an identity perspective, before looking outside.

But turning strategy into reality poses a consummate leadership challenge, for it requires getting employees not only to embrace corporate objectives but most often to behave in different ways, as well. It is no wonder that strategic change, mergers and acquisitions particularly, usually send shudders down the back of employees, since it means new goals, new superiors, new performance expectations, even new “values” which employees must somehow make their own.

“Approaching strategy through the eyes of identity helps lessen such resistance to change because identity-based strategy derives from the very people whose work lives hang in the balance. ‘Corporate’ identity bridges strategy and culture by solving economic problems from a human perspective.”

In sum, then, understanding how identity and strategy work together means looking at identity as part of a wheel that in turn picks up speed as the productive power inherent in a company’s unique capabilities is unleashed. It is these capabilities that determine how a company creates proprietary value in the marketplace and, in return, wealth for its shareholders.

To “crack the code” on identity is to crack the code on new ways to create value. But doing so takes a willingness to re-think what corporate identity is and how it can serve corporate objectives. It means taking a fresh look at an organization’s strengths and asking simple-sounding questions about what a company is really good at. Above all, it means putting identity squarely at the center of any equation for strategic growth.