Employing identities in organizational ecology

James N. Baron

This paper argues for greater attention to employment-based organizational identities in ecological theory and research. I define and explore three dimensions of particular relevance to labor market identities: sharpness/resonance, focus and authenticity. The paper offers some speculations regarding: (i) when labor market identities are most decisive for organizations; (ii) how product market and labor market identities interact; (iii) how employment-based organizational identities might be operationalized; and (iv) how greater attention to such identities would illuminate key issues in organizational ecology.

> Tell me thy company, and I'll tell thee what thou art.
> (Miguel De Cervantes)

> People are known by the company they keep.
> Companies are known by the people they keep.   (source unknown)

1. Introduction

In an impressive and compelling series of papers, Hannan and his colleagues have recently argued for a conceptual and methodological shift in population ecology, toward identifying forms based on socially coded identities (e.g. Pólos *et al.*, 2002). Identities, in their formulation, consist of combinations of codes that specify the properties an entity can legitimately possess. Insiders and/or outsiders, through devaluation of the entity in question, enforce violations of these codes. Their formulation suggests that organizational forms should not be delineated simply based on configurations of surface properties that cohere empirically. Instead, they argue for basing forms on recognizable identities—sets of interrelated rules, assumptions, beliefs, and premises that lead to prescribed patterns of behavior and whose violation exposes an entity to potentially adverse consequences.

This is by no means a trivial shift in thinking. To emphasize identity-based organizational forms has several profound implications. First, it places more emphasis on properties of organizations that are relatively tacit and elusive. Ecological studies have typically looked at surface structural arrangements and patterns of survival and performance, seeking to make inferences about how initial conditions and environmental shifts have altered the organizational landscape. The ecological tradition

has had a profound impact on the study of organizations in large part because of the precision of its models and measures. Yet the bases on which customers, employees, and other constituencies categorize and identify a specific organization within a field are likely to be less tangible or precise than, say, a particular enterprise's industry, products, scale or age.

Second, identities are only recognizable when rule violations lead to sanctions. This makes context incredibly important. The reach of a given identity is only as broad as the community that can recognize and enforce instances of code violation for that identity. The analogy to dialects comes to mind; presumably linguists can only be confident that they have identified meaningful dialects within a 'mother tongue' when those dialects correspond to meaningful communities based on geographical, social, or other criteria. This implies, for instance, that different external audiences are likely to have different form schemas for any given population of organizations—the salient bases of identity are likely to be quite different for investment analysts, government regulators, and employees, for instance. In the same vein, if codes are enforced differently from place to place, this suggests that analysts may need to tailor their typologies of organizational form to the specific locale and social context they are studying.[1]

As it turns out, a large-scale study of young technology companies in Silicon Valley in which Hannan and I (and others) have been involved—the Stanford Project on Emerging Companies (SPEC)—offers some potential insights into the bases and consequences of organizational identity. Although SPEC bears little resemblance to traditional ecological studies, either in terms of the topics examined or types of data gathered, I believe its findings have numerous implications for theory and research in organizational ecology. In this paper I will highlight several of the most important ones, particularly the importance of taking seriously organizational identities that emanate from the labor market, rather than the product market, which we found to be surprisingly important in our studies of high-tech start-ups in Silicon Valley.

2. The locus of organizational identity

Despite an increased focus on identity-based organizational forms, the organizational

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[1]An anonymous *ICC* reviewer worried that I might be encouraging the proliferation of ecological studies within each population, based on the diversity of audiences whose perspectives might be adopted in delineating organizational identities. The reviewer concedes that attention to such diversity is warranted for some behaviors and in some populations, but he/she worries that applying such notions generally 'could prove paralyzing for research'. Of course, the mere fact that is has proved expedient for ecological researchers to focus on particular bases of identity (products, legal forms, industry and geographical boundaries) does not make that approach the most valid one. I am reminded that roughly a quarter century ago, criticisms of status attainment and human capital orthodoxies in sociology and economics were met with a similar response—that it would simply prove paralyzing to scientific progress if efforts were made to examine a more diverse set of labor market outcomes (besides income and occupational status) or to study how labor market processes vary across countries, industries, organizations and other social boundaries.

ecology literature has for the most part persisted in operationalizing organizational forms in terms of legal, industrial, product market and/or structural distinctions. To be sure, such distinctions may correspond to salient identities in the minds of members and important outside parties. However, in work organizations, especially those that depend largely on knowledge and human capital, organizational identity frequently emanates most powerfully from the nature of the employment relations and personnel practices that bind workers to the enterprise. Employment practices guide the firm in selecting particular types of people with particular kinds of aptitudes and abilities to pursue particular goals in particular kinds of ways, motivated by particular kinds of rewards.[2] Organizational changes that alter the kinds of people, aptitudes, goals, orientations and/or motivations sought are especially likely to meet with resistance and opposition, due to the powerful interests members usually have in persistence of the *status quo*. Indeed, when employment relations are enduring, training investments are substantial and firm-specific, and knowledge requirements are high, the organization's human capital is often more of a constraint on its potential product portfolio than vice versa.

The point is probably self-evident in the academic context, where given the institution of tenure, a university's 'product offering' is profoundly affected by the employment relations it has established with its senior faculty. Yet to a considerable degree, the same is true in many other industries that depend fundamentally on developing and retaining the intellectual capital of their core employees, such as biotechnology companies, consultancies, law and accounting firms, and the like. Insofar as an organization's identity is wrapped up with the employment system and culture it has created, distinctions based on how organizations relate to the labor market—not simply or primarily to the product market—may be appropriate for studies seeking to assess whether changing organizational forms is disruptive.

Ecological studies have by no means ignored labor market concerns. However, their analyses have tended to explore the implications of organizational ecology for various labor market outcomes, such as intra- and inter-firm mobility (e.g. Haveman and Cohen, 1994; Haveman, 1995; Sørenson, 1999a,b; Phillips and Sørenson, 2003). Ecological studies also sometimes differentiate among organizational types—based on product or service offerings—in ways that relate to employment relations. For example, Baum and Singh (1994) defined competition among day care centers within the metropolitan Toronto market in terms of labor market overlap because childcare employees were licensed for children in specific age ranges. Similarly, distinctions among organizational forms within ecological studies—such as contrasts among newspapers of differing political affiliations—sometimes correspond to differences in the types of labor inputs on which each of the form relies. But one is much harder pressed to come up with examples of ecological studies in which employment

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[2]For some organizations, 'membership practices' may be a more appropriate phrase than 'employment practices,' because formal employment relationships may not exist between the organization and its key personnel. Examples would include some hospitals, voluntary associations, cooperatives, and the like.

relationships (or, more broadly, organizational cultures) are explicitly treated either as the primary axis of competition among organizations or as the central source of organizational identity.[3]

In this regard, organizational ecology is not unlike a variety of other literatures, which either overlook firms' relations to the labor market or else regard them as merely reflecting organizational positions within product markets. The fields of industrial organization economics and strategic management, as well as highly institutionalized industrial classification systems, have tended to encourage analyses that differentiate among organizations based largely on their product market situations. In a similar vein, studies of dualism and economic segmentation have contended that work organization and opportunity structures within firms largely reflect industrial structure and firms' locations within product market space (e.g. Averitt, 1968). According to this view, the market power of firms and industries is reflected in employment practices that provide superior opportunities, rewards and treatment to employees relative to sectors that approximate perfect competition. From this perspective, one might claim that labor market identities are epiphenomenal and therefore do not demand direct study.

Yet the evidence linking variations in firms' employment systems and personnel practices to variations in product market structure is far from overwhelming, whether assessed at the organizational level or by examining how workers' careers vary among economic sectors (e.g. Baron and Bielby, 1984). I believe there are strong empirical and theoretical grounds for arguing that ecologists ought to pay closer attention to employment-based identities. On the empirical side, research from the SPEC project has documented: (i) that high-technology firms in Silicon Valley exhibit quite disparate employment blueprints or labor market identities at founding; (ii) that those founding blueprints have enduring effects on organizations and organizational evolution; and (iii) that changes in those identities are highly destabilizing with regard to employee turnover, survival, and market performance (Baron *et al.*, 2001; Baron and Hannan, 2003; Hannan *et al.*, 2003).

Two aspects of the SPEC study make these findings particularly striking. First, the sample consisted entirely of young high technology companies, all concentrated in the same region of the country, founded within a brief historical period. Second, it is challenging to think of contexts in which organization-building is likely to matter less, or organizational innovations to be easier to emulate, or change to be less disruptive than Silicon Valley during the bubble of the late 1990s. This is a milieu and time period in which one would not have expected very significant attention to or variation in organization building, given that entrepreneurs were generally thought to have short

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[3]For an exception, see Jesper Sørenson's article in this same issue (Sørenson, 2004). Some other exceptions to this generalization would include Hannan and Freeman's (1987, 1988) important work on labor unions—which focused explicitly on craft versus industrial logics—and recent simulation work by Carroll and Harrison (2002) and by Sørenson (2002), which has examined how differences in organizational cultures and labor market practices could affect competitive dynamics within populations of organizations.

time horizons, competition was typically viewed as primarily technological, and the firms and their environments were all relatively homogeneous. Moreover, the people who founded these endeavors are tightly connected by virtue of the abundant labor mobility, dense social networks and powerful brokers (venture capitalists, lawyers, and the like) that characterize Silicon Valley. Hence, it is fairly easy for organizational practices to be observed and copied by others.

The SPEC study thus provides evidence that organizations vary markedly in their labor market identities and that those variations are fateful, even in a setting where one might not have expected this to be very evident. On theoretical grounds, as I argue below, there are also compelling reasons to place more emphasis on human resource management as a core basis of organizational identity. Employment relations and organizational culture are likely to be among the most inert facets of an organization and thus fundamental to its identity; efforts to change them are likely to trigger enormous cascades throughout an enterprise in many arenas.

My argument is not that labor market competition invariably trumps product market competition in deciding the fate of organizations. For instance, when there is an abundance of labor relative to job openings, or labor markets are segmented geographically or socioeconomically, or when institutional factors such as unionization or government regulation promote isomorphism in personnel practices, differences in labor market identities may be muted and less salient for organizational evolution. Nonetheless, research paradigms, like organizations, often resist change, and it is not difficult to think of settings in which important variations in organizational identity exist along the labor market side that would be masked in a scheme that classified identities based on product markets. For instance, imagine three enterprises engaged in serving soup to the public: (i) a health-conscious urban restaurant that serves wholesome daily-prepared soups to a busy clientele of shoppers and businesspeople; (ii) a charitable soup kitchen that serves soup and other meals to the homeless and indigent;[4] and (iii) Pea Soup Andersen's in Buellton, California, a tourist attraction that showcases Andersen's split pea soup and other prepared foods that are for sale in groceries and supermarkets. Despite all being purveyors of soup, these enterprises not only have distinct missions, but they are also likely to vary markedly in their organizational designs, structures and processes, including importantly their labor market identities and organizational cultures. And although the enterprises admittedly tap rather distinct clienteles and labor pools, the overlap among the three groups is not necessarily zero.

Population ecologists sometimes recognize such distinctions by limiting the relevant population to for-profit entities or to specific organizational forms (e.g. 'commercial' versus 'mutual' telephone companies, or 'farm wineries'), based on differences in technology, regulatory constraints and the like. It seems no less compelling to argue that

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[4]The newly developed North American Industrial Classification System, which replaces the old Standard Industrial Classification system, explicitly distinguishes a separate category (6242) corresponding to 'Community Food and Housing, and Emergency and Other Relief Services'.

populations of competing organizations can and should be delineated based on offering similar employment relationships or requiring similar forms of human capital, rather than, say, based on producing the same outputs, employing the same technology, or facing the same governmental regulations. The organizational form 'university' is defined at least as clearly by the kinds of jobs and employment relations on offer as by the nature of the outputs that are produced.

Indeed, in some environments, it may be easier or more valuable for entrepreneurs launching new enterprises to fashion and sustain clear identities in the labor market than in the product market. This seems particularly true of service businesses, in which creating a distinctive kind of experience for the customer often necessitates specific ways of managing human resources. Companies like Nordstrom in retail, RE/MAX® in real estate, SAS® in computer software and Southwest Airlines® in transportation seem to be distinguished from competitors less by the specific products or services they provide than in the type of customer experience they seek to generate, in turn requiring distinctive human resource and cultural practices in managing employees.

3. Dimensions of organizational identity

Ecologists have recently proposed a number of useful and insightful ways of distinguishing among organizational identities. Here I would like to call attention to three particular features of an organization's identity that seem potentially of considerable relevance to labor market identities.

3.1 Sharpness and resonance

It may be helpful to think of organizational sharpness in cluster analytic terms. Suppose we were to ask a number of experts to rank or classify organizations on a set of dimensions thought to be central to their identities. On the product market side, for instance, we might ask investment analysts, major clients or consulting firms familiar with the landscape under study to identify the most salient dimensions along which enterprises vary in how they relate to customers. On the labor market side, we might ask human resource officers, recruiters and the like to do the same with regard to the bases of identity in how firms relate to their personnel. Having isolated the dimensions that resonate with the widest audience and that vary substantially within the population, we would then seek ratings on particular enterprises from multiple informants.[5] (Obviously, different constituencies, such as investment analysts versus key customers,

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[5]The utility of such an exercise obviously depends on the extent to which the informants doing the evaluation can meaningfully compare enterprises. Because a given employee has seldom worked for many of the firms in a given population, for instance, he or she is not necessarily in an ideal position to make relative assessments across organizations. On the other hand, in examining organizational labor market identities, one might wish to incorporate information on the labor force of each organization (e.g. its average score on items tapping individualism versus collectivism or need for structure versus tolerance of ambiguity) in the vector of dimensions along which firms are compared.

might characterize firms differently without this implying a lack of validity or reliability.)

We would be most confident in characterizing clusters as 'sharp' in a cluster analysis to the extent that they satisfy several properties:

1. There is homogeneity within clusters and heterogeneity among clusters on the key dimensions (i.e. the clusters are 'tight' and relatively few in number, relative to the number of cases).
2. There is high average distance among clusters.
3. The clusters have clear, well-recognized centers (or prototypical cases).

The task of defining organizational identities is somewhat akin to cluster analyzing organizations in a multidimensional space based on the characteristic value orientations of their key constituents (customers or clients, employees, etc.). When we characterize a group of organizations as sharing an underlying identity, this seems to imply: (i) homogeneity within clusters relative to between clusters on the key value dimensions; (ii) high average distance among clusters (e.g. the identity 'sweatshop' is sharper to the extent that it is contrasted with an identity such as 'high commitment work system', from which it is very distinct); and (iii) that we can distinguish clear-cut examples of the identity in question, preferably across a wide range of social settings.[6]

To illustrate, Figure 1 shows a hypothetical mapping of organizations based on two underlying cultural dimensions that could form the basis for labor market identities: collectivism versus individualism; and formalized versus informal. There appear to be four fairly distinct clusters in the figure, based on the fact that there are tight groupings of cases located at some distance from one another on the various dimensions. Our confidence in delineating these clusters as identities would be increased further if we could identify exemplary or prototypical cases within each cluster that would validate our interpretation of the groupings. For instance, suppose the shapes shown in Figure 1 corresponded as follows: diamond, Enron (*c.* 1999); pentagon, SAS Institute (software); triangle, Morgan Stanley (investment bank); heart, Toyota Motor Corporation.

The existence of such clear-cut prototypes or anchor cases would help to validate our interpretation of the clusters and the multidimensional space in terms of which we have classified organizational identities. The general impression of Enron in its heyday is that it was a highly competitive, individualistic 'deal haven' with relatively little formal structure. Conversely, Morgan Stanley appears to be a much more formalized version of the same individualistic culture. On the collectivistic end of the spectrum, Toyota

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[6]Pólos and colleagues (2002) correctly note that social identities entail sanctions when members deviate from code prescriptions. I am merely proposing here a way of operationalizing identities. My suspicion is that the empirical clusters that would be defined as identities by applying my criteria would overlap very highly with how they would delineate identities in a specific instance. Like them, I am suggesting that observers must have some basic sense that the groupings are meaningful, not just statistical aggregates: this is a precondition for sanctions to be involved and for elevating a mere 'cluster' to the status of an 'identity'.
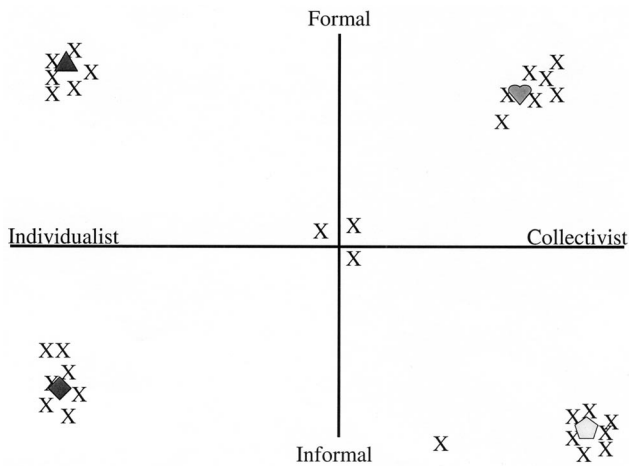
Figure 1 Hypothetical cluster map of organizational identities.

Motors comes to mind as an archetypal example of an organization that has a very collective culture but is highly formalized (structures, processes, procedures, etc.). Conversely, companies like SAS Institute have been frequently cited as examples of organizations with very strong collectivist cultures that lack much formal structure (e.g. O'Reilly and Pfeffer, 2000).

To be sure, the existence of clear exemplars or prototypes is not an essential requirement. However, institutionalists assert that notable, highly legitimate, high-status organizations frequently elicit imitative responses from other actors seeking to replicate some of that legitimacy (DiMaggio and Powell, 1983). The presence of such exemplars is likely to play an important role in legitimating organizational identities, as they represent the esteemed models that other enterprises seek to emulate. Somewhat less intuitively, identities might also be delegitimated most easily when they have crystallized around a well-defined exemplar, as it is easier to perceive drift in relation to a prominent prototypical case. The recent transformation of Hewlett-Packard has frequently been cited as conclusive evidence that the high commitment work system it epitomized has become an anachronism. In the same way, the fervor and zeal associated with recent post-mortems on Enron no doubt has something to do with that firm having served as a 1990s 'poster child' for an organizational culture of swashbuckling entrepreneurialism, fueled by high-powered incentives.

Identities may thus prove more stable, even if slower to emerge, when they are not centered on a limited number of visible prototypes. It is relatively easy to conjure up a mental image of what a New York garment manufacturer is like, but it is not very easy to think of a prototypical case. Presumably the strong social and ethnic ties among owners, as well as their geographical propinquity, renders an exemplar less necessary for the emergence of a clear identity; and those same factors are likely to make that identity highly robust to changes in the specific composition of the organizational population.

Conversely, imagine how profound and immediate the effects would be within higher education if Harvard University were to announce suddenly that it is no longer offering tenure to its faculty members.

Organizational identities are particularly powerful when they are not only *sharp* (in the above-described sense) but also *resonant*. What makes identities resonant is not simply that they are distinct, but that they capture or activate powerful distinctions along social, ethnic, religious, economic, political, and cultural lines. For example, the resonance of the distinction between craft and industrial unions had a great deal to do with the demographic differences between the workers represented by each type. The 'Digital Divide' has become a resonant distinction because of its association with class and ethnic boundaries. The identity 'Afghani restaurant' is probably not much sharper today than it was before September 11, 2001, but it is certainly more resonant. Indeed, as the literature on social movements has noted, the most resonant identities tend to be oppositional, defining a collectivity by virtue of its rival standing vis-à-vis another (mutually exclusive) identity or set of identities.

To cite another example, the organizational identity 'computer camp' is unlikely to be very sharp—in the sense of differentiating the orientations of key constituencies (campers, their parents, counselors) powerfully from other kinds of camps. Nor is it likely to be a very resonant identity. (The Digital Divide notwithstanding, the category 'computer user' does not activate much by way of social, cultural, economic, or political baggage; nor is it an oppositional identity.) Conversely, the organizational identity 'Jewish summer camp' is likely to be both sharper and more resonant.[7]

3.2 Focus

By 'focus' I mean how easily an enterprise can broaden (or weaken) its offering without running the risk of alienating its core clientele or being viewed by them as illegitimate. This dimension is a bit tricky because there seem to be two somewhat competing notions of 'focus'. Consider Cuban restaurants and Chinese restaurants, both of which clearly are distinct identities in terms of the product market. There also exist 'Cuban–Chinese' restaurants (in Cuba's Chinatown, in New York City and elsewhere). Imagine two different forms such enterprises could take. Restaurant A has two different sides to its menu, one offering a relatively comprehensive selection of Cuban dishes and the other offering an equally comprehensive selection of Chinese fare. In contrast, Restaurant B serves only dishes that fuse both Cuban and Chinese culinary elements.

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[7]I am using identity sharpness in a somewhat different sense than ecologists have done in recent work formalizing organizational codes and identities (Pólos *et al.*, 2002). In that work, the sharpness relation is purely hierarchical. For example, the identity 'Orthodox Jewish rabbi' is sharper than 'Orthodox Jew', which in turn is sharper than 'Jew'. The statistical image of sharpness I am employing incorporates that hierarchical relation (by definition Orthodox Jewish rabbis can't be more heterogeneous as a group than are Jews as a whole). However, my notion also enables one to make relative assessments about sharpness among identities that are not hierarchically nested. For instance, by my criterion the Nation of Islam is likely to be a sharper and more resonant organizational identity than is the NAACP or the Urban League.

How should we think about the relative focus of these different dining establishments? Which is more focused: Restaurant A or B? And how do A and B compare in focus relative to a restaurant that serves only Cuban or only Chinese food?

My claim is that Restaurant B serving Cuban–Chinese fusion cuisine is the most focused, followed by the pure-play Cuban and Chinese restaurants, followed by Restaurant A (offering Cuban dishes and Chinese dishes). The Cuban–Chinese fusion restaurant has elected to serve that subset of customers who like Cuban cooking and Chinese cuisine and who also value the effort at synthesizing those genres. The Cuban food or Chinese food purist would presumably have little interest in this restaurant. Put differently, it is not clear that an enterprise embarking on the mission of fusing Cuban and Chinese cuisine would subsequently find it easy to evolve toward a pure play Cuban or Chinese restaurant. Conversely, a restaurant serving two menus—one Cuban, the other Chinese—would likely not encounter much resistance if it either altered the mix slightly toward one cuisine or the other, or if it also added a third menu of dishes combining Cuban and Chinese cuisine.

In contrast, I assert that the eatery offering diners a choice of Cuban or Chinese meals is the least focused. It caters to customers who like either Cuban or Chinese food, except the subset who view the offer of the cuisine they dislike as delegitimating or disqualifying the eatery within the category of cuisine they do like.

The example underscores an important point: focus, which is a claim about identity, should not be determined solely on the basis of factor input heterogeneity. Both restaurants combining an offering of Cuban and Chinese food are likely to require a more heterogeneous set of factor inputs than the pure Cuban or pure Chinese enterprises. However, our argument is that the fusion restaurant has adopted a more focused or constraining identity than has the establishment taking a 'food court' approach.

The example also illustrates how focus may relate to resonance. We would expect that the more resonant the identities and categories are within an organizational field, the more difficult it will be for organizations to occupy intermediate or fusion positions. At the present time, for instance, it is hard to imagine an abundance of either investors or customers for the promising chef who aspires to launch a high-end eatery offering both classic American 'comfort foods' and Iraqi culinary specialties. As identities become more resonant within the field, focus becomes imperative.

Whether sharpness *per se* inhibits fusion is less clear and seems likely to depend on community ecology and evolutionary stage. The coexistence of sharp identities may inhibit fusion early in the evolution of a population, when legitimation processes are still dominant; once competition is well entrenched among firms pursuing each identity, the juxtaposition of sharp identities may actually fuel efforts at fusion, as entrepreneurs seek out unpopulated niches. But when identities are both extremely sharp and resonant, middle-ground or fusion positions may be very perilous to occupy. Instead, entrepreneurs are more likely to pursue even more focused and specialized identities within their master category, as a way of segmenting or partitioning the market. In a community abundantly populated with Israeli and Iranian restaurants, for

instance, we would not expect to see a fusion between the two cuisines, given the cultural, political, religious, and other divisions corresponding to the two cuisines. Rather, we might expect to see establishments developing more focused subidentities within each cuisine: eateries offering only vegetarian food, using only home-grown ingredients, preparing all dishes at the customer's table, and the like.

Table 1 shows some examples of two types of organizations, restaurants and camps, classified by the degree of identity sharpness/resonance and focus. A generic summer camp (food court) has neither a very sharp nor focused identity, relative to the population of camps (restaurants); it is not highly constrained in the set of activities it could add or subtract from its portfolio, nor is it likely that the values or orientations of its key constituencies would differ markedly from those of the population as a whole. Computer camps and oyster bars are examples of enterprises with a focused but not very sharp identity; each is constrained in terms of the product offerings it can make available without calling into question its identity, but one expects only modest differences in the values and orientations of their key constituencies relative to the population as a whole.

Jewish summer camps illustrate organizations with relatively sharp but unfocused identities. The number of activities that YMHA camps would be precluded from adding or subtracting is fairly small, relative to a generic summer camp. On the other hand, the Jewish summer camp has a fairly sharp and resonant identity (at least in certain social contexts): its constituencies are likely to differ significantly from the general population in terms of values and orientations that are central to organizational identity; moreover, the identity corresponds to social, cultural, and religious distinctions that are quite salient. Within the domain of restaurants, a comparable example is the soup kitchen serving homeless persons: this identity implies relatively little constraint in legitimate product offerings (say, relative to a generic coffee shop), but the constituencies are likely to differ markedly from the population as a whole, and the boundary between 'homeless' and 'not homeless' corresponds to powerful socioeconomic distinctions.

Table 1 Two dimensions of identity: focus and sharpness/resonance

Identity sharpness and resonance	Identity focus	
	Lower	Higher
Lower	Generic summer camp Coffee shop or food court	Computer camp Oyster bar
Higher	Jewish summer camp (e.g. YMHA, YWHA)	'Seeds of Peace' (international youth camp for conflict resolution)
	Soup kitchen for the homeless	Kosher–Soul Food fusion cuisine

In the labor market context, focus concerns the ease with which an enterprise can broaden (or weaken) its employment offerings without running the risk of alienating its core workforce or being viewed by them as illegitimate. For example, among the SPEC companies, the firms that Hannan, Burton and I characterized as embracing the Star or Commitment blueprints seem to have more focused labor market identities than do firms whose senior leaders espoused an Autocracy, Bureaucracy or Engineering blueprint.[8] Emerging companies founded along Star or Commitment lines are constrained in their ability to scale up by virtue of needing to limit their hiring to specific pools: 'stars' and 'true believers,' respectively (see Baron *et al.*, 2001).

3.3 Authenticity

A third dimension of identity, of particular importance for labor market based identities, is what I will call *authenticity*. What I have in mind here is a distinction similar to what Parsons characterized as the distinction between two forms of rationality in Weber's conception of social action: *Zweckrationalität*, a pure rational orientation to absolute values, involving a set of commands or obligations on behalf of those who belong to the enterprise; and *Wertrationalität*, rational analysis of means and ends, as well as trade-offs in terms of relative payoffs and costs of alternative courses of action (Weber, 1947: 115–118). An organizational identity that is authentic precludes certain alternatives from consideration simply on the grounds that they would not be genuine or thinkable, even if they might be profitable.

Consider again the contrast between a soup kitchen serving the homeless and an urban eatery serving freshly prepared soups. We would tend to view the former as having a more 'authentic' product market identity than the latter. Serving soup to homeless people is a means of doing good works, not of making a profit. To be sure, a commercial soup restaurant might engage in activities aimed at trying to bolster claims of authenticity (emphasizing that soup is healthy food, for instance). Nonetheless, authenticity refers to the power of the organization's commitment to clientele and mode of relating to its constituencies, not simply to the stability of its product offerings, clientele, and mode of operating. The most authentic identities—or credible commitments—are ones that invoke a non-economic logic for action, inasmuch as they require that actors do certain things that cut against their narrow self-interest (and not do certain things that might further their own interest).

Notice that in this example, there is not a one-to-one relationship between authenticity and flexibility with regard to products and customer segments. The soup kitchen is presumably more constrained in its clientele than is the commercial health-food soup eatery, which will serve anyone capable of paying. Conversely, within the constraints of their respective customer bases, it is easier to imagine the soup kitchen broadening its service offerings in certain respects than the commercial soup kitchen. A nurse on the premises offering various health services would no doubt be easier to imagine in the soup kitchen than in the commercial soup restaurant (where the

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[8] I am grateful to László Pólos for noting this connection

presence of such a health care professional might indeed reduce the appeal of the soup being offered . . .). Similarly, a soup kitchen that decided one day to offer cheeseburgers to its patrons would presumably confront fewer raised eyebrows than would the offer of cheeseburgers from a health food restaurant specializing in soups that 'taste good and are good for you too'.

3.4 Identity Strength

When we speak of strong organizational identities, I believe we generally mean identities that are sharp/resonant, focused, and authentic. Each of the three dimensions—sharpness/resonance, focus and authenticity—is intended to apply both to an organization's identity in product market space and in labor market space. Carroll and Swaminathan (2000) have discussed, for instance, how large beer manufacturers were constrained in responding to the increased demand for micro-brewed products because of questions about the authenticity of their brewing practices. In the same vein, when the bank holding company BankOne® decided to venture into online banking in the relatively early days of the internet boom, it did so by creating a completely separate organization and identity, Wingspan Bank, presumably out of concern that a staid Midwestern bank might not be viewed as an authentic and credible presence in electronic commerce and online banking.

The dimension of authenticity seems particularly important for labor market identities. 'High commitment' enterprises, for instance, face formidable constraints in seeking to exclude particular subgroups (occupations, sociodemographic groups, etc.) from the explicit or implicit contract that specifies the covenant between the employer and employee—for instance, by relying on temporaries, contract labor, and the like (e.g. Pfeffer and Baron, 1988). Because employment relations are so often viewed as a reflection of management's core beliefs and values—not merely as instrumental means to some pragmatic end—an organization that treats different groups of employees very differently risks a loss of credibility with each. To be sure, firms can and do segment their human resource practices to accommodate diversity in the kinds of jobs and workers involved. My point is simply that in so doing, they risk compromising perceptions of authenticity relative to an organization whose human resource system reflects some abiding set of enduring values that are presumed to permeate the enterprise.[9]

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[9]Authenticity is also likely to be critical to the formation of stable identities within intermediate regions of the identity space. Note that in Figure 1, several firms are located near the point where the vertical and horizontal axes intersect—that is, at intermediate points on the individualism–collectivism and formal–informal dimensions. Mobilizing a group of actors who are 'extremely average' is of course a possibility, but not an easy trick to pull off. ('Extremely average' could in principle be a sharp identity, but this would require being so noticeably and consistently average that observers could identify that fact.) Moderation or being intermediate must be converted into an authentic, principled stand, rather than an expedient compromise or the absence of a view. The existence of a legitimate prototype that embraces this identity is also likely to encourage its development and persistence. The image of Jimmy Stewart as a revered actor who embodied the virtues of the Average Man comes to mind as an example.

3.5 Relationships among the three dimensions: some examples

To be sure, the three dimensions of identity are likely to be associated with one another, particularly in the labor market context. For instance, one suspects that authenticity is difficult to sustain without sharpness or focus. Nonetheless, the three dimensions appear conceptually separable, at least in principle. Table 2 provides some illustrative examples of the different combinations of labor market identities associated with the three dimensions. A traditional bureaucracy (e.g. the Department of Motor Vehicles) or classical capitalist factory illustrates a labor market identity that is neither sharp, nor focused, nor authentic. A sharper version of such a model is the sweatshop or caste-based employment system, such as some of the software 'body shops' that utilize Indian, Russian and other forms of inexpensive programming talent.

A typical bureaucracy or factory is not highly focused in its hiring practices: the model (by design) is not terribly exclusive in terms of the sorts of people who can fit in. A more focused model is represented by organizations that either take a 'niche' approach to the labor market or rely on narrow credentialism. For example, for some years the Hastings College of the Law in San Francisco—part of the University of California system—has hired a significant fraction of its teaching faculty from the ranks of retired attorneys and judges who are interested in staying engaged with the law. This model of academic staffing has both its unique sources of flexibility (less reliance on long term contracts or tenured faculty) and constraint (unanticipated illnesses and deaths during the academic year), but it certainly entails greater focus in terms of the kinds of people who can be recruited, relative to a typical law school. Another example is some industrial unions which, in the absence of a natural skill monopoly, have sought

Table 2 Some examples of varying labor market identities

Sharpness and resonance	Authenticity			
	Lower authenticity		Higher authenticity	
	Lower focus	Higher focus	Lower focus	Higher focus
Lower	Bureaucracy, factory (e.g. DMV)	Niche player, credentialist (e.g. Hastings Law School, some industrial unions)	'Troop', 'troupe' (e.g. army, symphony orchestra)	Academy, high commitment (e.g. HBS, SAS Institute)
Higher	Sweatshop, caste (e.g. software 'body shops')	Elite star (e.g. I-banking)	'Congregation' (e.g. ServiceMaster, Mary Kay)	Clan, guild (e.g. craft union)

to establish sharp entry barriers to their ranks at the same time that they champion diversity in the interests of not alienating any potential constituency from their membership. A sharper, more resonant version of the same approach is the 'elite star' model found in many investment banks and some biotechnology companies. Clearly, reliance on elite sources of labor entails a highly focused approach to human resource management; to the extent that elite status overlaps with gender, racial, or other distinctions, the identity is likely to evince sharpness and resonance as well.

Each of the examples described thus far has involved labor market identities with relatively low authenticity—that is, how the organization attracts, secures, manages, and treats its people is viewed simply as a means to an end. The right hand side of Table 2 provides some examples of comparable identities that display greater authenticity. Military troops and artistic troupes (as well as some engineering 'skunkworks') come to mind as examples of identities that are high on authenticity but not distinctively high on sharpness or focus. Each individual is expected to contribute his/her part toward a complex overall effort, but it is contribution to the overall effort, rather than individual brilliance, that is valued, and in that regard adherence to prescribed codes of conduct is essential. (There are things that a professional soldier, artist or engineer simply would not do, even if ordered to, because to do so would be unprofessional.) A 'congregation' model illustrates a sharper, more resonant version of this identity. Service companies like ServiceMaster and Mary Kay, which have a strong religious foundation and recruit personnel from their current employees, exemplify organizations having highly authentic and quite sharp identities (associated with their noneconomic mission) but relatively little focus in the labor market model (indeed, they frequently design roles and provide training in order to maximize the potential labor pool).[10]

The academy and many high commitment work systems illustrate labor market identities that are highly focused (i.e. only those with the appropriate credentials and/or values can be considered) and authentic (how people are treated is viewed as governed by principles that transcend mere expediency). The identity may or may not be sharp (e.g. if the organization provides social activities and other benefits that encourage fraternization, this will encourage sharpness). But it is generally not highly resonant; indeed, many organizations in this category champion diversity and seek explicitly to minimize any sense of 'exclusiveness' associated with membership. A more resonant and sharper version of this labor market identity is the clan or guild model, such as the traditional craft unions (printers, longshoremen, etc.). Recruitment of friends and family, exclusion of women and people of color, and strong overlap between work and nonwork roles make the identity sharp and resonant; craft control of job assignment and training opportunities ensures high selectivity and focus; and the authenticity of

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[10]To be sure, these strong culture organizations exhibit some degree of focus to their labor market identities. Yet in contrast to clans, guilds, high commitment work systems, academies, and the like—which tend to emphasize their own distinctiveness and are often somewhat elitist—such 'congregation' firms tend to emphasize the ordinariness of their people, whose spirit and fervor drives them to accomplish extraordinary things.

the identity is reflected in the use of terms such as 'brotherhood' and 'brethren' to describe their membership.

I do not mean to suggest that this typology is comprehensive, or that the classification of specific organizations or institutions into particular cells is obvious or straightforward. The utility of the typology will ultimately be revealed by the insights that it does or does not generate in future theoretical and empirical work. The examples are intended only to accomplish certain things:

1. To demonstrate how diverse employment 'logics' can be identified, which vary on the three dimensions.
2. To show that the dimensions of sharpness, focus, and authenticity, which can be (and have been) applied to product market identities, can also be used to characterize distinct labor market identities.
3. To encourage future theoretical, empirical, and simulation work that examines how organizations adopting different labor market identities might be expected to adapt and evolve, and how these identities might be expected to compete against one another in different kinds of ecologies.

4. Product market versus labor market identities

Assessing whether product market identities, labor market identities or both are salient in particular settings is likely to open up promising theoretical and empirical avenues for organizational ecology.

4.1 The salience of labor market identities

It is possible to identify briefly some circumstances under which labor market identities are likely to be particularly salient:[11]

1. *When human capital is key to competitive advantage and/or the labor market is highly competitive.* It seems self-evident that the architects and leaders of organizations would devote more time and resources to crafting a distinctive labor market identity when human capital plays a crucial role in competitive advantage and when recruitment and retention of talent is most difficult.
2. *When the prospective labor force is diverse.* As Hannan (1988) has noted, socio-demographic diversity among the pool of potential organizational members affects the diversity of organizational forms that can flourish within a given setting.
3. *When diverse organizational models are readily available to those who are building and managing enterprises.* For example, when the architects of new organizations differ along social, ethnic, cultural, occupational, and other lines, they are likely to bring

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[11]Note that the Silicon Valley labor market examined in the SPEC project seems to embody most of the following attributes, with the possible exception of circumstance 4. This may explain why we found such strong evidence that employment blueprints varied among companies, were costly for firms to alter, and had significant consequences for organizational evolution and performance.

more varied conceptions of employment relations to the process of organization-building, resulting in more varied and salient labor market identities. Similarly, when customers, suppliers, analysts, regulators, and others who participate in a specific organizational sphere bring diverse organizational conceptions to the table, a more varied menu of labor market identities is likely to evolve.

4. *When employment relationships tend to have long duration.* When employees are highly mobile, this diminishes the value of labor market identity and increases the flow of information among employers, which is likely to diffuse employment practices and thereby mute differences in labor market identities across competing organizations. Of course, causality may well go in both directions here, as the existence of diverse and distinctive labor market identities is likely to facilitate screening and sorting, thereby improving the match between people and employment situations, reducing turnover.

5. *When there is a high degree of 'closure' or social density among employees in the labor market.* Developing and sustaining a distinctive labor market identity is, in essence, the construction of a reputation. Reputations are more likely to develop and persist when the members of a community interact intensively and repeatedly (as in Silicon Valley, where it is alleged that everyone has network ties to everyone else), and when there are mechanisms for transferring reputations across generations. In the employment context, institutions such as labor unions can accomplish this function. So too can business media coverage of firms' employment practices (e.g. annual rankings of best places to work, top companies for working mothers).

The relative importance of product market identity versus labor market identity is also likely to vary considerably within specific organizational populations. Consider the examples shown in Table 3. For three types of organizations—apparel, auto manu-facturers and business schools—the table shows (admittedly speculative) examples of organizations that appear to vary in the strength of their product market identities and labor market identities. The examples in the table demonstrate that organizations within an industry can vary in the strength of their product market identity and labor market identity, and that those variations are independent, at least conceptually, of status and form of governance (public versus private). The differences in Table 3 are consistent with the enormous variation we encountered in studying the organization building process among SPEC firms, even among organizations founded in the same locale, industry, and time period.

4.2 Implications for survival and evolution

It is interesting to note that the organizations listed in Table 3 as having relatively strong labor market identities all place a strong emphasis on customer service or seek to embellish the perceived quality and value of what they produce through the caliber of the process by which it is produced and/or delivered. The intense, aggressive, competitive culture of the Chicago Graduate School of Business (Chicago GSB) complements its distinctive brand, which emphasizes application of formal analysis and

Table 3 Product market and labor market as distinct bases of organizational identity: some (speculative) examples from apparel, auto manufacture and business schools

Product market identity	Sector	Labor market identity	
		Stronger	Weaker
Stronger	Apparel	Patagonia	Nike
	Auto manufacture	Porsche	Audi
	Business schools	Chicago GSB, Simmons, HBS	Simon (Rochester)
Weaker	Apparel	Levi Strauss	HAGGAR
	Auto manufacture	Toyota	Nissan
	Business schools	Kellogg (Northwestern)	Haas (UC Berkeley)

economic principles to managerial issues. (Market principles figure heavily in the ways both students and faculty are managed.) The types of recruiters who are drawn to the Chicago GSB covet not only the particular curriculum that its MBA graduates have experienced, but also the socialization process they have gone through by virtue of spending several years within that culture. And the school's website proclaims proudly how its culture serves as a competitive advantage in the war for faculty talent:

> What makes the Chicago GSB faculty great? An intense, exhilarating climate of discussion and debate attracts the best minds. With no departmental boundaries, cross-disciplinary collaboration flourishes, inspiring and improving ideas.
> (http://gsb.uchicago.edu/dynamic.asp?nNodeID=8; 10/7/03)

Kellogg is widely known for its cooperative culture, which many recruiters seem to believe increases the attractiveness of Kellogg graduates independent of any distinctiveness in the curriculum. It is easy to envision a 'type' of student or faculty member that would (not) fit into each of these organizational cultures. But it is quite a bit harder to envision a type of course offering that would not fit the Kellogg brand than it is for the Chicago GSB.

Strong product market identities typically rely on claims of authenticity. In particular, the cell in Table 3 that combines a strong product market identity and relatively weak labor market identity seems to consist of organizations that primarily embrace design and engineering of some sort. Nike is legendary for being obsessed about maintaining the authenticity of its brand, so much so that the founder and CEO still insists on personally approving any decision that involves putting the trademark Nike 'Swoosh' on a product (P. Knight, Nike Founder and CEO, personal

communication). Audi's website is a pantheon to automotive engineering, in fact defining its 'Audi Corporate Culture' in such terms:

> Pioneering technology and designs that repeatedly set new standards. Plus a century of tradition. Read about the evolution of a company that has shaped automotive history and find out more about the philosophy behind the design and technology. You will come to understand why the Audi brand can justifiably claim a heritage of 'Vorsprung durch Technik' [Progress Through Technology] . . . Design culture at Audi is the challenge not simply to give a product shape, but to make it the very image of the brand.   (http://www.audi.co.nz/company/company.html)

Similarly, the website for the University of Rochester's Simon Graduate School of Business Administration appears to emphasizes the distinctive (economic) principles that underlie the design of its curriculum, rather than something special about the organization or its culture *per se*:

> One of the nation's finest small business schools [the Simon School] emphasizes the principles of economics in teaching students how to manage firms successfully in a free-market system . . . What is unique about the Simon M.B.A. is the extent to which economics of organizations and markets is used as the integrating framework of the curriculum. For the study of global management, the discipline of economics provides a framework and a common language that transcends cultural differences. It overcomes the problems that plague many larger schools with their separate functional areas and faculties—the lack of integration. All Simon School faculty use this basic framework in their research. Economics is used as the language of business to shed light on how organizations, markets and people behave. This allows them to work easily with their colleagues on inter-disciplinary problems and to integrate this research in the classroom.[12]

Among companies with strong product market identities, differences in the strength of labor market identity are captured nicely by comparing how the websites of Audi versus Porsche tout potential employment opportunities:

> AUDI: the name Audi stands for high-quality vehicles with advanced technology and progressive design . . . Audi engineers are continually striving for better solutions and new ways that are typical of Audi. (http://www.audi.com/com/en/company/company_perspective/ company_perspective.jsp; 10/7/03)

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[12]http://www.simon.rochester.edu/programs/faqs_ft.aspx (10/7/03). The school's website does make reference to collaborative teamwork in describing the institution, but this seems to be a generic feature of business school websites.

To attract qualified people, Audi pays competitive salaries, offers fringe benefits unmatched by their North American competitors, and provides uncommon opportunities for personal and professional growth. (http://www.audiusa.com/careers; 10/7/03)

PORSCHE: Innovation and emotion mean progress . . . . Porsche is fascination. Porsche not only promises a world of experience, Porsche's products and services guarantee it. This has produced a company culture which is transferred from the employees via the vehicles to the customers. (http://content2.us.porsche.com/prod/company/philosophy.nsf/usaenglish/whowearebrand; 10/7/03).

At Porsche, we are totally committed to developing the potential of our workforce. In the pursuit of success, we recognize (sic) that our staff are our most important asset. To support this endeavour, we have much to offer. (http://193.175.5.130/english/usa/company/jobs/opportunities/default.htm; 10/7/03).

People are the real engine (emphasis in original). Our company has always been characterized by its staff. It is in manual work—which is still, as ever, greatly valued—that the true ability and the real emotions can be found. At Porsche, creativity and courage are required, but they are also promoted. And we know that our employees make use of the opportunities they are given . . . Our size and organizational structure allows short communication routes and decision-making, as well as a pragmatic solution to problems that occur. They allow for unbureaucratic co-operation between different departments. This means varied activities in which everyone can develop individually. Work content and areas of responsibility are individually tailored. All of this taken together, the orientation of work to the person, and the size and independence of our company, characterize our work as a team. (http://193.175.5.130/english/usa/company/jobs/companyculture/default.htm; 10/7/03)

The quotation above regarding Porsche's small scale and independence suggests that claiming a strong labor market identity may impose constraints on the scalability and governance structure of organizations. Growing too large or diversified, or merging with drastically different enterprises, may compromise the perceived authenticity of the labor market identity the organization has sought to establish.

An especially fruitful area of theoretical and empirical inquiry involves examining how the evolution of organizational populations and the life chances of individual organizations vary among the four cells of Table 3. Some commentators, such as Collins and Porras (1994), have claimed that products or technologies provide an unstable foundation on which to build enduring organizations. In their view, early attention to organization- and culture-building promotes long-term adaptation and performance,

insulating firms from the uncertainties associated with technologies, products, and markets.

Of particular interest is how firms occupying the upper left-hand cell in Table 3 benefit from and/or are constrained by their strong identities with regard to both the product market and the labor market. High quality, niche manufacturers like Patagonia (for a sketch of their culture, see http://www.patagonia.com/culture/main_our_culture.shtml; 10/7/03) and Porsche may flourish in stable environments by virtue of their strong product brand and distinctive human resource practices yet be powerfully constrained by those same identities when dramatic environmental changes occur [for a similar argument and supporting evidence, see Sørensen (2004)]. Does a strong labor market identity offset the potential pitfalls that Collins and Porras associate with having a strong initial product market focus? Or does it sometimes have the opposite effect, constraining even further the ability of the enterprise to adapt to rapid changes in its environment? There are abundant opportunities for further research, using both statistical and simulation techniques, that examines how the bases and strength of identities interact with features of the environment in shaping the evolution and life chances of organizations.

The lower right-hand quadrant of Table 3 also seems like an especially perilous position to occupy, especially for specialist firms. If a one-product firm has neither a clear identity *vis-à-vis* the product market nor a clear labor market identity, it is difficult to imagine how such an enterprise would be sustainable or adaptable. Under what circumstances, then, would firms knowingly choose the lower-right hand quadrant of Table 3? Interestingly, the three different examples shown in that quadrant—Haggar in apparel, Nissan in automobiles and the Haas School of Business at the University of California at Berkeley—seem to have in common a reputation for affordability, for being providers of 'quality at a fair price' for their respective goods or services. None of the three is especially viewed as a clear industry leader in design or innovation, but each is widely respected for its operational excellence, dependability, diversity of product offerings and relatively low costs.[13]

4.3 Identities, path dependence and inertia

The relative salience of product market versus labor market identities, as well as which one (if either) emerges first, is likely to be extremely important in understanding organizational evolution. For instance, elsewhere Hannan and I have summarized some preliminary data on the sequencing of formative events in the histories of the SPEC

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[13]For instance, Haggar's website describes its corporate culture largely around Competence, defined as 'our core skills in marketing, production, distribution—the abilities, knowledge and expertise it takes to operate our business' (http://www.haggar.com/people/company.profile.html; 10/7/03) and brags of being 'as skilled at financial management as we are at making clothes' (http://www.haggar.com/company/milestones.fin.html; 10/7/03). A Google search for 'Nissan & reputation' reveals numerous websites touting the company's reputation for quality, reliability, dependability, production excellence, and low cost.

companies (for details, see Baron and Hannan, 2003). Those results suggest that an initial focus on creating a labor market identity versus a product market identity was quite fateful in the evolution of the SPEC firms. Product-driven companies were considerably more likely to alter their labor market model over time.[13] This suggests that the early-mover advantages which technology-based companies might garner by being quick to forge a clear product identity are counterbalanced by at least two potential disadvantages: failing to embrace a coherent organizational blueprint initially and/or having to modify the blueprint significantly at a later date, both of which turn out to affect subsequent performance adversely (see Hannan *et al.*, 2003). In contrast, companies that focused early on organization-building were more likely to retain their initial labor market identity.

The SPEC data also support the broader conjecture that authentic identities must be established early in the evolution of an enterprise. When organizational architects seek to have their ventures perceived as having an authentic identity with respect to products or employment practices, they presumably must signal this early. Carroll and Swaminathan (2000) have described the barriers faced by established, mass production brewers in trying to capitalize on the growing popularity of microbrews. In the same vein, firms that alter an established labor market identity in order to capitalize on the presumed popularity of a different approach (such as high commitment work systems, incentive pay, etc.) risk being viewed by current and prospective employees as mercenary or duplicitous, rather than authentic in their commitment to a set of principles governing the employment relationship.

Future theoretical and empirical work differentiating between product market identities and labor market identities is likely to produce additional insights into the sources and types of organizational inertia. Table 4 applies the hierarchy of inertial forces outlined by Hannan and Freeman (1984) to each type of identity separately, specifying particular organizational features that are likely to be inert and contentious to alter. I suggest that goals—identified by Hannan and Freeman as the most inert domain of complex organizations—correspond primarily to 'mission' in establishments defined along product market lines, and to 'vision' in enterprises defined along labor market lines. With respect to what Hannan and Freeman termed 'forms of authority,' I assert that altering the formal architecture is most contentious in an organization whose identity is primarily product-based, because decision rights are vested in roles and structures. In contrast, altering culture is what is most problematic in organizations focused on labor market identity, because legitimate authority depends on underlying cultural premises and values. With respect to what Hannan and

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[13] 'Product-driven' companies were operationalized as those whose founders reported that the announcement or sale of a first product was the earliest event to occur among a list of early milestone activities, such as legal incorporation, receiving financing, getting a patent, etc.) Among such enterprises, 35.5% retained their founder's model and 19.4% changed on all three dimensions, whereas corresponding percentages for the rest of the sample were 52.7% and 0.9%, respectively ($\chi^2 = 18.84$, df = 3, $P = 0.001$).

Table 4 Hierarchy of inertial forces[a]

		Focus of identity	
		Product market	Labor market
More inert	Goals: 'the bases on which legitimacy and other resources are mobilized'	Mission	Vision
	Forms of authority: 'within the organization and the basis of exchange between members and the organization'	Formal architecture (roles and structure)	Culture (premises, values)
	Core technology: '. . . especially as encoded in capital investment, infrastructure, and the skills of members'	Skills, capital	Social relations, routines, knowledge
Less inert	Marketing strategy: 'the kinds of clients . . . to which the organization orients its production and the ways in which it attracts resources from the environment'	Channels of distribution and supply	Channels of recruitment and enculturation

[a]Based on Hannan and Freeman (1984: 156).

Freeman call 'core technology', I contend that it is tangible skills and capital that are difficult to alter or replace when identity is focused on the product market; for enterprises whose identity is defined in relation to the labor market, it is more likely to be contentious to disrupt social relationships, informal routines, and tacit knowledge. Finally, Hannan and Freeman placed 'marketing strategy' at the bottom of their hierarchy of inertial forces. This dimension concerns how organizations procure resources, including legitimacy, from their environment. I argue that when identity is oriented toward the product market, the most difficult and costly aspects of marketing strategy to alter concern channels of distribution and supply. In contrast, when identity is oriented toward the labor market, channels of recruitment and enculturation are likely to be especially resistant to change.

Table 4 suggests another interesting implication of distinguishing product market versus labor market identities (I am indebted to Glenn Carroll for noting this implication). Recent work formalizing ecological arguments has operationalized inertial forces in terms of the cascading effects that changing specific features has as those changes ramify throughout organizations (Hannan *et al.*, 2002). According to this view, the most core features of organizations are those that, if altered, generate the broadest and deepest cascades of ancillary changes in other arenas. It seems fair to say that both scholars and practitioners are inclined to think that it is more disruptive and

contentious to change the features listed in the rightmost column of Table 4, corresponding to labor market identities, than it is to alter the features in the column corresponding to product market identity. For instance, changing cultures is often thought to generate broader and deeper cascades throughout an organization than does changing formal structure, and changing social relationships and tacit knowledge is widely perceived as creating deeper cascades than does changing specific skills or pieces of capital equipment. This suggests that identities oriented toward the labor market may be more central and resistant to change than are identities focused on the product market. If so, we might encounter even stronger support for many ecological predictions about the disruptive effects of changes to the organizational core if we were to delineate identities based on labor market considerations, rather than solely on product market considerations.

4.4 Labor market identities and density dependence

A focus on labor market identities also raises some intriguing questions relating to the models of density dependent legitimation and competition that have dominated organizational ecology in recent years (Carroll and Hannan, 2000). Focusing principally on product market competition, ecologists have documented a now familiar pattern of increasing density leading first to legitimation (i.e. promoting births) and then to competition (i.e. fueling mortality). For example, imagine an emerging industry consisting solely of the eight organizations shown in the lower left hand quadrant of Figure 1. Suppose that the ninth entrant could elect to locate: in that same quadrant, close to the diamond-shaped organization; in the locations occupied by any of the other geometrical shapes (triangle, heart, and pentagon) in the figure; or at the point where the two axes in Figure 1 cross. Do we have any predictions about which location is likely to be more hospitable?

Existing ecological work suggests that early entrants benefit from locating in the lower left hand quadrant, while processes of legitimation are binding. Later entrants, facing intense competition pressures, might be better served by staking out a distinctive, less crowded location. Yet numerous considerations make the decision considerably more complex in the domain of labor market identities. For instance, some kinds of employment identities, such as 'high commitment' and 'elite star' systems, are strongly prone to adverse selection; later entrants will be drawing from the pool of talent that was already passed over by earlier adopters. Moreover, in selecting a labor market identity, cost, speed, and scalability concerns are obviously crucial in many settings. Hence, entrepreneurs often must make difficult tradeoffs between selecting an employment model that is feasible and workable today, even if it will require substantial transformation down the road, versus investing in a scalable labor market identity up front, thereby hopefully avoiding the dislocations that would be associated with subsequent transformations. An entrepreneur contemplating whether to create a distinctive type of labor market identity also must assess whether he or she has the ability to appropriate the returns from creating that identity. High levels of labor market

mobility may make a high commitment work system unduly risky; tax rates, labor unions, cultural values and a host of other factors could undermine an entrepreneur's efforts to bring a distinctive 'star' system to a context where it has not previously been prevalent. Formulating and testing hypotheses that address such concerns ought to be a high priority for future work on organizational ecology.

5. Operationalizing labor market identities

I have suggested there is much to be gained by incorporating organizations' relations to the labor market in conceptualizing organizational identities. Let me briefly suggest several research strategies that might be fruitful toward that end.

First, experts in recruitment, such as headhunters, tend to have quite elaborate schemas for differentiating among competing firms within a given labor market sector (e.g. Finlay and Coverdill, 2002). Their cognitive maps could provide a useful template for approximating the dimensions that underlie labor market identities and the clustering of enterprises within that multidimensional space. Those subjective data could be supplemented with objective information on the extent of labor market overlap among organizations, as reflected, for instance, in the overlap in their applicant pools and recruitment sources, as well as in the magnitude of inter-firm transfers (for some relevant arguments and examples, see Baty *et al.*, 1971; Sørensen, 1999a; Wade *et al.*, 1999).

Another potentially promising approach for operationalizing labor market identities is to employ the Q-sort methodology that O'Reilly, Chatman, and Caldwell (1991) used to examine organizational culture and person-organization fit in diverse organizational settings. They developed and validated an instrument called the Organizational Culture Profile, which contains 54 value statements that generically capture individual and organizational values, such as flexibility, adaptability, being competitive, being team oriented, being analytical, being rule oriented, and the like. Raters are asked to sort cards containing these descriptors into a normal distribution, with items at one extreme representing the attributes that are most characteristic of the focal organization, items at the other extreme representing the least characteristic attributes, and the bulk of attributes being located in the middle of the distribution. One could imagine soliciting ratings from senior managers, from recruitment professionals, and/or employees themselves, which could be used to dimensionalize and cluster labor market identities within a set of competing enterprises. Data of this sort from multiple raters for multiple firms could be used to characterize, among other things, the sharpness and resonance of labor market identities within a population.[15]

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[15]Sharpness might be operationalized in terms of how homogeneous a given identity is on the key value dimensions, relative to organizations in the population as a whole, as well as how discrepant that identity is from the population average. (In a population where there is wide variation on 'competitiveness,' for instance, and a relatively low mean on that dimension, an identity characterized by high competitiveness, with little variation, would seem especially sharp.) Resonance of identities could be examined by calculating the extent of 'identity segregation' among the socio-demographic groups that are most salient.

Finally, several promising approaches to the measurement of identity on the product market side seem to have potential applicability to labor market identities as well. For instance, Ruef (2000) analyzed discourse from MEDLINE among actors and observers in healthcare, quantifying the occurrence of specific institutionalized organizational forms and health-related activities that constitute discourse within that field. By analyzing patterns of co-occurrence among forms and activities, he was able to identify the dimensions that underlie the phenomenological space of healthcare and the clustering of forms within it. In a similar vein, Hsu and Podolny (2002; also see Hsu, 2002, 2003) have recently undertaken content analyses of movie reviews, showing that both films and motion picture genres can be clustered based on their overlap in the terminology used by reviewers to describe them. (Films and genres overlap to the extent that similar words are used to describe them, where similarity among words can be measured by the degree of overlap in their respective synonyms.) They use these techniques primarily to identify various properties of the schemas used by reviewers to characterize quality within particular market segments (e.g. film genres), such as how numerous and well developed the dimensions are along which quality is evaluated. They posit that market uncertainty is lowest when the dimensions along which quality is assessed are few and well developed.

Their methodology could presumably also be used to cluster firms and identities (analogous to their films and genres) and to identify the primary dimensions along which such distinctions are organized within specific markets. Applying semantic techniques of the sort that Ruef and Hsu and Podolny have developed to the study of labor market identities could be extremely illuminating. A number of sources—including company career websites, recruitment materials, and company handbooks—could provide invaluable raw material for such semantic analyses of textual materials describing organizational cultures and labor market premises.

6. Conclusion

Assertions that we live in a 'knowledge economy' and that 'human resources are the ultimate source of competitive advantage' have become hackneyed. Yet such assertions contain more than a kernel of truth, and there is a real sense in which our conceptual and methodological apparatus for studying organizational evolution lags behind that reality.

To be sure, there has been increased recognition of how employment systems and personnel flows within and between enterprises affect the evolution of organizations and populations (e.g. Sørenson, 1999a,b) and vice versa (e.g. Haveman and Cohen, 1994; Haveman, 1995; Phillips, 2001). But ecological theory and research has so far done relatively little to grapple with the more fundamental fact that for many firms and industries today, competition is based largely on organizational capabilities and how one mobilizes and manages human resources. If culture and labor market identity

are at the very core of contemporary organizations—critical for strategy, survival, innovativeness, and performance—then students of organizational evolution can ill afford to ignore them in conceptualizing and operationalizing forms or in examining how core changes affect evolution.

Accordingly, I have argued for greater attention to how organizations relate to the labor market as a primary basis for distinguishing organizational identities and forms. I have suggested several dimensions along which identities (including those defined in relation to the labor market) are likely to vary; some ways in which distinguishing labor market identities is likely to enhance our understanding of organizational processes, such as inertia; some possible determinants and consequences of the strength of organizations' product and labor market identities; and some possible methodological strategies for capturing labor market identities. Hopefully, some of these ideas will prove useful in future theoretical and empirical work.

Implementing some of these suggestions is likely to prove challenging, however. I recognize that ecologists seeking to reconstruct the history of an organizational population would usually face much tougher sledding in trying to characterize how a given enterprise has defined its culture and related to the labor market at different points in its evolution than in characterizing the flow of products/services it has offered over time. To the extent that competition in labor markets is circumscribed by occupation, geography and other such social boundaries, our strategies for conducting and analyzing samples of organizations may also need some rethinking. It is by no means clear that SPEC would have revealed such contrasting labor market identities among Silicon Valley technology start-ups, or documented such profound effects of those identities and efforts to alter them on the performance of firms, had the project constructed a nationally representative, industry-specific sample or sought to recon-struct exhaustively the history of every firm that had ever existed within a particular industry sector. When the critical resource over which organizations compete is human capital, competition is likely to be localized by region, occupation and other socioeconomic distinctions. This should be reflected appropriately in key decisions regarding sampling, methodology, conceptualization and measurement.

The stream of research initiated by Hannan and Freeman roughly a quarter century ago has profoundly shaped the research agenda in numerous areas of social science— not just the study of complex organizations, but also more recently such fields as social stratification and inequality, economic sociology, political sociology, and social movements. I suspect the next quarter century will witness increasing application of ecological thinking to broader sociological topic areas, along with increasing attention to the sociopolitical and cultural consequences of competition within and between organizational populations. In this paper, I have sketched some very preliminary thoughts about one direction in which such efforts might venture. One thing is clear: maintaining the extraordinary standard of scholarship that Hannan and Freeman set and consistently met in their own work will represent quite a formidable challenge for those of us who wish to build on their legacy.

Acknowledgements

Address for correspondence

James N. Baron, Graduate School of Business, Stanford University, Stanford, CA 94305-5015, USA. Email: baron-james@gsb.stanford.edu.

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