

Organisational Purpose and Employee-Company Identification: A Relational Marketing Perspective

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Key words: Organisational Purpose, Employee-Company Identification, Social Identity

Methodology: Survey, Case Study, Structural Equation Modelling

Structured Abstract

Purpose

To investigate mechanisms by which organisational purpose may be driving company performance by extending understanding of relationalism and bureaucracy as drivers of employee – company identification

Design / methodology / approach

Data was collected from a large, multinational telecommunications company. The survey formed the bases of a quantitative case study. Assessment of the latent constructs and the hypothesised relationships was conducted using Structural Equation Modelling

Findings

We find that organisational purpose drives employee – company identification and that this relationship is negatively moderated by employee tenure. We further identify partial mediation of the organisational purpose to employee – company identification path by cultural conditions of trust. We test for but do not find support for job support as a mediator of organisational purpose and employee – company identification.

Research limitations / implications

The use of a single case study, while generating a large number of responses, none the less reduces the generalisability of the findings. The study does empirically test an under reported area and contributes to the definition of organisational purpose.

Practical implications

The study delivers clarity on the importance of developing organisational purpose in fostering greater employee – company identification. Job support is identified as a practical but bureaucratic managerial approach that is not shown to build employee – company identification.

Social implications

Purpose driven organisations engender high levels of contribution from employees that transcends boundaries that separate employee and organisation identities. Organisational approaches that facilitate this include freedom within roles and less

prescribed managerial approaches. The paper reflects (but does not explicitly measure) greater emotional fulfilment among employees in purpose driven organisations.

Originality / value

The concept of organisational purpose is further clarified in this study. The contextual conditions for effective organisational purpose, in terms of greater employee – company identification is described and measured. Empirical measurement of these associations has not been carried out in this context before, to the best of the authors' knowledge.

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Background and Conceptualisation

Organisational Purpose

The concept of organisational purpose has enjoyed renewed interest in recent years after some decades in the wilderness. The harmonious winds of organisational change that include greater organisational democracy, a shift away from hierarchical bureaucratic structures, emphasis of service-dominant, rather than goods dominant commerce and a crises of social license to operate based on unsustainable resources use and the exposure of illegitimate activity, have blown away legacy structures and left in their place a purpose-shaped hole in the governance landscape. While missions and vision have been part of the semantics of organisational thinking for much of the last century, organisational purpose is a separate, higher-level concept that represents the reason for the organisation's existence (Hurth et. al, in review). Whilst providing a 'north star' for the organisations is one of the core aspects of organisational purpose, it is not just any old ambitious goal that can be classified as a 'purpose' but, in line with recent conclusions about the concept itself, purpose is about the *meaningful* outcomes the organisation wants to produce. This meaning requires an orientation to positively impact the wellbeing of others and this fulcrum shift in emphasis brings a substantive change in behaviour and organisational outcomes. There are bold claims and some limited empirical research, regarding the effects organisational purpose has on traditional markers of organisational performance, including employee retention, customer loyalty and profitability (e.g. Gartenberg et al, 2016; EY & Harvard Business School, 2016), however a significant gap in knowledge exists around what mechanisms may be working to realise the effects observed.

Employee – Company Identification

A range of studies have highlighted the importance of Employee-Company Identification, a concept that rests on social identity theory (Ashforth and Mael 1998), on how employees operate in the workplace and the resulting effects on business performance. Mowday et al. (1983) focus on commitment as the result of an identity connection between an employee and its organisation including identity. Mael & Ashforth (1992) reconceptualised organisational identification and proposed an employee-identification scale. They defined organisational identification as "a perceived oneness with an organization and the experience of the organization's successes and failures as one's own" (1192:??). Smidts et al. (2001) examined the role of communication and perceived external prestige on identification. Homburg et al., 2009 provided evidence that Employee-Company Identification was a significant driver of customer-company identification ($t=2.96$, $p<.01$) and, via the resulting effects on willingness to pay, also positively effected a firm's financial performance. Whilst there's a lack of literature connecting Employee-Company Identification to purpose, studies exist (Berger et al. 2006; Rodrigo & Arenas 2008) which show CSR initiatives generate Employee-Company Identification, due to the emotional and psychological impact of pro-social activities (Kim et al. 2010) and the satisfaction of psychological needs (Bhattacharya et al. 2008).

Cultural Conditions of Trust

Job satisfaction is a widely used measure that focuses on the role of the employee in the firm. We extend this conceptualisation to capture satisfaction with the role *and* additionally an affinity with the organisation. Cultural conditions of trust taps the employees' sense of their relevance and belonging in an organisation. The fit of the employee within the organisation is not simply a product of their level of competence at carrying out their required function but reflects how they relate to the organisation.

Job Support

Purpose-driven organisations often leave space for employees to contribute in original or unscripted ways to the activities of the organisation (Laloux 2014). Such a lack of clear structure can lead to uncertainty and job support is used here to measure the degree to which line managers support employees in their role and in the wider purpose agenda of the organisation. Administrative focus on the employee's task may draw focus away from purpose-driven agendas which tend to be more strategic, higher order agendas.

Tenure

Length of time within an organisation may lead to a closer affinity with the organisation and we consider this to be a factor driving employee – company identification.

Methodology and Findings

Only a small proportion of large global organisations have publicly declared that they have been pursuing becoming purpose-driven for a period significant enough to enable our investigation to be valid. As such we decided to focus on gathering a large sample in one organisation to provide preliminary contextualised insights that could then be investigated for replication elsewhere. The questionnaire was administered online in a large commercial global telecommunication organisation employing over 100,000 staff worldwide.

A pre-test of questions was undertaken with key stakeholders with several rounds of refinement to ensure the survey met with internal requirements. Changes made included minor adjustments to the terminology of non-standard scales and the exclusion of some contextualising questions to reduce survey length. The survey was further refined following a small test phase and a partial implementation phase where the full survey was rolled out to one large business unit. This phase attracted 234 responses. In these two phases, questions checking for survey length and any other issues was included. The global launch (which attracted a further 1200 responses) did not include these feedback questions. The total response rate of 1434 of which all were usable owing to the digital format requirement to complete all sections before submission. This response rate represents a 95% confidence level at a 3% interval and therefore allows results to be considered generalizable across the organisation.

Our findings indicate that organisational purpose drives Employee–Company Identification. We measured the effect of employee tenure on this relationship and counter intuitively found an inverse association. Longer tenure at the organisation had a significant negative moderating impact on the relationship between organisational purpose and Employee–Company Identification.

We hypothesised that cultural conditions of trust would mediate the relationship between organisational purpose and employee – company identification. We found that this partial mediation held true. We also reasoned that job support would act as a partial mediator of the organisational purpose to employee – company identification path. However, this partial mediation is not supported. Organisational purpose does seem to be a driver of job support but we find a non-significant relationship between job support and employee – company identification.

Discussion and Conclusion

Organisational purpose is a meaningful organisational agenda that connects the company's reason to exist with one that is humanly motivating and desirable at the level of identity affiliation. We find a significant direct link between organisational purpose and employee – company identification. This somewhat intuitive contribution is of value in that it has not been measured in this context before to the best knowledge of the authors. Additionally, it helps address claims regarding the role purpose plays in driving organisational performance by substantiating a core mechanism for this. Less intuitive is the mediating role of cultural conditions of change. We find that this combination of role and identity within the organisation facilitates Employee–Company Identification. Central to this is the transcendence of the boundary between role function and identity. We anticipated a similar mediating result from our construct of job support but found this mediation to be not supported. We consider that the bureaucratic nature of the intervention management that this construct represents (My line manager provides me with the tools and resources...mutually agrees upon clear and challenging performance goals...) runs counter to the recognition of individual identity as opposed to role identity within the organisation.

The paper contributes across several dimensions. Purpose, whilst heavily covered in the grey literature, has had little academic attention, hence we further contribute to the its conceptualisation. The use of cultural conditions of trust is novel. Empirical measurement of the mechanism by which organisational purpose may be driving company performance is very rare and not reflected at all in the context of identity theory. We describe the mediating role of cultural conditions of trust and contribute to understanding and application of social identity theory via Employee-Company Identification. Finally, we identify the limitations of managerial interventionist approaches in purpose driven organisations. Managerial support of this kind is widely accepted to be effective so the identification of a context in which it has a negative impact has clear implications for management practitioners.

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