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The Relationships Among Manager-, Employee-, and Customer-Company Identification: Implications For Retail Store Financial Performance

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Abstract

Based on the premise of an interpersonal "chain of influence" with respect to organizational identification, we posit a relationship between company managers, employees, and customers with respect to organizational identification with the retailer. Specifically, we hypothesize that the level of a store manager's identification with the retailer is positively related to the level of their store employees' identification with the retailer, which in turn is positively related to the level of customers' identification with the retailer, which results in increased levels of store financial performance. We investigate these relationships using data from 306 retail stores within a single retail chain.

Keywords: Organization identification; Self-identity

Retailers face increasing pressure from stakeholders to show improved performance across an array of financial metrics linked to store performance. Both common sense and conventional wisdom indicate that store employees play an important role in influencing these outcomes. For example, *ceteris paribus*, more knowledgeable employees, or those that "go the extra mile" to satisfy customers, are thought to generate higher levels of sales. Hence, managers commonly attempt to hire employees they believe to possess these attributes. However, there may also be more subtle variables at play. In recent years, there has been particular interest in the notion of internal branding, suggesting that firms can enjoy better performance when employees strengthen their *identification* with the organization and buy into the firm's strategy.

Organization identification is commonly conceptualized as the degree of overlap between the individual's self-concept and perceptions that he or she holds regarding the target organization (Bergami and Bagozzi 2000; Dutton, Dukerich, and Harquail 1994; Mael and Ashforth 1992). For example, Mael and Ashforth (1992, p. 104) define organization identification as "the perception of oneness with or belongingness to an organization, where the individual defines him or herself in terms of the organization." To date, most organization identification research has been conducted within the context of employee–employer relationships. Findings show that employee organizational identification is positively related to outcomes such as long-term commitment, public praise, and support for the organization (Elsbach 1998). More recent research has focused on organization identification within the context of customer–company relationships. Here, research shows that customer identification with an organization is positively related to positive word-of-mouth, favorable attitudes toward the company, company loyalty, and purchase intent and behavior (Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya and Sen 2003; Lichtenstein, Drumwright, and Braig 2004), variables generally recognized as antecedents to the corporate bottom line.

A premise of the present study is the notion that one person's level of identification with a company may serve as an influence for that of another's. For example, all else being equal, it seems plausible to suggest that employees who work for a more highly identified manager will be more likely to strengthen their identification with the company than those who work for a less identified manager. Similarly, we might expect customers who interact with more highly identified employees to be more likely to respond with higher levels of identification to the company than customers who interact with less strongly identified employees. To the extent this "chain-of-effects" is

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operative, the company can reap important benefits. We would expect those customers who patronize stores with more highly identified managers and employees to become more highly identified themselves, thereby spending more and enhancing store profitability. Our study assesses this possibility by using a multi-source matched sample of (1) managers, (2) customer-service employees, and (3) store customers, and relating them to each other at the store level and also to store financial performance.

Interpersonal influence on organization identification

Pratt (1998) provides a description of two basic routes by which an individual's identification with an organization may be influenced: (1) modification of perceptions of self-identity to more closely match perceptions of the organization, and (2) modification of perceptions of the organization to more closely match perception of one's self-identity. The first route is hypothesized to occur largely through emulation and relates to a match between one's perception of the company's identity and one's *idealized* sense of self. It occurs when individuals encounter an attractive target organization and for reasons of self-enhancement, they are motivated to modify their self-concept to be more similar to their perception of that target. In describing organizational identification that may occur by this route, Glynn (1998, p. 242) states that "employees who view their organizations as enjoying high performance or positive accolades might be pulled to identify themselves with these favorable attributes."

The second basic route to organization identification identified by Pratt (1998) occurs when individuals modify perceptions of the target organization to be similar to them based on *a priori* perceptions of self. Identification via this route may occur as individuals learn more about the organization and consequently modify their perceptions of the organization to be more consistent with their perceptions of self. For example, a person who perceives herself to be very socially conscious and chooses to work for a particular company may learn from her supervisor that the company is more socially conscious than she previously realized, thus increasing her identification.

We should note that employee identification with the employing company may occur for reasons other than interpersonal influence. For example, some employees may self-select to work for a particular company because there is an overlap in their *a priori* perceptions of company identity and *a priori* perceptions of self, e.g., "Ben and Jerry's is socially responsible, I am socially responsible, I would like to work for such a company." As our hypothesized effects are premised on the notion of changes in organization identification due to interpersonal influence, we concern ourselves here with situations where manager and employee identification serve to influence employee and customer identification, respectively. As a self-selection dynamic is not consistent with interpersonal influence, our approach is to provide evidence that between-group relationships persist even when control variables consistent with a self-selection dynamic (as well as other third-variable explanations) are taken into account.

Hypotheses

Manager and employee organization identification

Our first hypothesis is based on the simple premise that all else being equal, employees who work for more highly identified managers will themselves become more identified than employees who work for less identified managers. Bartel (2001) provides a rationale that supports this hypothesis when she contends that individuals (managers) who identify with their work organization see their own self-interest intertwined with the organization's interests. As such, they work to maintain high standards, perceive a sense of group trust and reciprocity, work persistently to ensure organizational success, and are more prone to engage in more instrumental and interpersonal cooperative behaviors with fellow employees. These manifestations or correlates of organization identification lead us to the following contention, based on the premise that the manager is seen to some degree as "the company" to their subordinates: to the extent manager identification is high, the company will be seen as a more attractive target for identification for employees who have self-selected to work for the company. Moreover, we also contend that such manifestations of organization identification, when performed by a manager, also inherently serve as the manager's endorsement of the organization's identity as perceived by employees, thereby affecting the perceived attractiveness of the organization's identity to employees.

Beyond these influences, there also appears to be additional instrumental and non-instrumental reasons to suggest that highly identified managers relay new information to employees, whatever that information may be, in a manner that enhances employee organizational identification. Regarding instrumental reasons, managers want their employees to perform at their highest levels, and the more that an employee perceives a company to "be like me," the stronger their organizational performance will be. For example, Glynn (1998) has examined this effect by focusing on in-role and extra-role employee behaviors. Regarding non-instrumental reasons, as highly identified managers are "true believers," they can be expected to get some utility from the mere act of speaking favorably and spreading positive word-of-mouth behavior about the company. It is inherently satisfying for more highly identified managers to speak favorably about the company. In so doing, managers are more likely to position the company as a more attractive target for employee identification. While positive word-of-mouth behavior has been found to be an outcome of customer organization identification (Ahearne, Bhattacharya, and Gruen 2005), there is reason to believe that managers may also get utility from speaking in favorable terms about a corporation with which they identify. Thus, we hypothesize a positive relationship between managers and employees with respect to company identification.

H1. The relationship between a manager's organization identification with their employing company and that of their employees is positive.