

Organizational Identity Dissonance in Organizational Decline and Turnaround

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The paper presents a model integrating organizational identity dissonance and organizational decline and turnaround. It specifies three sources of organizational identity dissonance – decline, which is further sub divided into severity, pace and period; change in organizational identity attributes due to internal or external causes of organizational decline; and identity attributes as cause of decline. Three types of turnaround strategies are possible based on the congruency of the turnaround actions with organizational identity - identity congruent, identity conflicting and identity transforming turnaround strategies. The turnaround strategies are contingent on the level and antecedents of dissonance. When decline is caused by identity characteristics, identity conflicting turnaround strategy leading to identity change leads to performance improvement, otherwise it aggravates the dissonance and decline increasing the risk of failure. Identity congruent turnaround strategy is appropriate for decline caused by external events. Identity transforming turnaround strategy is most appropriate when the decline is caused by a combination of internal organizational identity attributes as well as external events. It is also a strategic choice independent of the turnaround context. The paper concludes with implications for theory and practice and gives directions for future research.

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