

**What Makes an Organization Learn from Relationships:
a Communicational Approach**

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Abstract

Starting from the concept of relationship as a source of organizational learning, this paper explores what makes organizations fail to learn from relationships. In particular the focus is on organizational identity barriers which emerge within a relationship. From our viewpoint an identity based perspective is only indirectly discussed within the organizational learning literature without really explaining identity dynamics which occur in creating organizational learning limitations. To overcome this gap a communicational perspective is integrated in the organizational learning research tradition. Some propositions are formulated on the role of identity within the learning activities in relationships.

1. Introduction

According to the IMP network perspective, the concept of organizational adaptation and survival was developed considering the business network as the source of strategic innovation, knowledge and learning (Håkansson and Johanson, 2001). This shows the crucial role of actors' network relationships as sources of learning permitting to develop an innovative competitive advantage for the organization (Håkansson and Snehota, 1995). The present paper maintains this approach which considers relationships as a source of learning.

According to the INT perspective there are two main types of learning activities which take place in a relationship enhancing the organizational learning (Håkansson 1993) Learning using other actor's knowledge -have advice on how to utilize their resources such as products and services, and learning by collaboration or joint learning with one or more actors. Relationship is therefore a source of learning because it permits an organization to use the actor's knowledge to elaborate existing ideas as well as to collaborate with the actor to create new ideas. This means that relationship is a source of what in organizational learning are called exploitation activities - information and knowledge which permits to work on existing routines - as well as exploration activities - searching activities to discover something (for example March 1991). According to many authors in the organizational learning literature these two activities contribute to learning when a balance between them is reached (March 1991; Marengo 1993). Being relationships source of both activities, it contributes to reach this ideal status.

Other authors in organizational learning literature consider that these two activities, more than contributing to learning, are source of limits to learning. Their perspective is

that in reality this balance is really difficult to reach, since exploitation activities create others exploitation activities as well as exploration activities create others exploitation activities (see for example Levitt & March 1988). The present paper will consider this approach to organizational learning limitations. In particular it will discuss identity barriers to learning which can rise within exploitation or exploration activities taking place in relationships. This means that the paper will discuss which identity barriers create the impossibility to see a relationship as a source of what Dixon (1994) calls new information to challenge existing ideas, develop new perspectives and new action routines.

Why the present paper develops an approach centered in the organizational identity? The reason is that in the literature of organizational learning researches answer to the question “what limits the balance between exploitation and exploration activities” considering cognitive limitations (see for example Starbuck and Milliken 1988; Levitt & March 1988; Feldman 1989), prior learning (Argyris & Shon 1978; Miller 1993; Levinthal & March 1993), political games (Pfeffer 1981) and cultural and structural features of organizations (Dogson 1993; Hedberg 1981; Huber 1991; Levinthal & March 1993). But, it does not directly addresses identity issues which create organizational learning limitations and opportunities when a relationship takes place.

Our viewpoint is that multidisciplinary approach to learning limitations which integrates organizational identity literature permits to fill this gap. In the present paper organizational identity is defined as what organization’s members consider to be central, continue and distinctive of an organization which contributes on their definition of what kind of organization they work for (Ashforth & Mael 1996). More, organizational identity is defined as a social construction that derives from interaction with the others (Gergen & Davis 1985; Ashforth & Humphrey 1995; Ashforth & Mael 1996 Weick 1995;

Giddens 1991). Starting from this definition the role of organizational identity will be discussed in order to understand how it can create persistent exploitation learning behaviours.

This paper is organized as it follows. There is a first part where we will present the concept of exploitation and exploration activities in organizational learning in order to discuss identity role in organizational learning limitations. The objective of this part is to underline how identity is discussed within the organizational learning literature and to show that identity is not considered and explained in depth in organizational learning literature. The result of this part will be our viewpoint on how the role of identity barriers to learning is discussed in the organizational learning literature.

There is then a second part where we will explain more in depth the role of identity barriers according on how it is discussed in the organizational identity literature. This part will show that to explore identity barriers it is necessary to assume a post-modern approach to organizational identity. The result of this part will be the formulation of propositions to identify identity mechanism which limit learning in relationships.

Our approach opens a communicational perspective in the organization learning research tradition, proposing some path of research which could be interesting to continue.

2. Organizational identity limits to learning within the organizational learning literature

Organizational learning literature underlines that organizational learning emerges around the organization capability to handle the balance between exploration and exploitation activities (March 1991; Marengo 1993). Exploitation activities presume

informational and searching activities which are finalized to use relevant current knowledge. Characteristics of exploitation activities are routines, refinement, knowledge sharing activities finalized to the elaboration of existing ideas.(March 1991; Levinthal & March 1993). Exploration activities – both in the organization and in the network - presume informational and searching activities which are finalized to discover something using experimentation, free association (March 1991). According to theories of organizational adaptation and survival organizations should find a balance between exploitation and exploration activities in order to achieve equilibrium in the organizational dynamics necessary for learning adaptation and survival (Hedberg 1981).

As underlined in the introduction, despite being an ideal status, the balance between exploitation and exploration is really difficult to achieve in reality (Levinthal & March 1993; March 1999), because they are “mutual causal systems” (Maruyama, 1968) leading to a persistent exploration or exploitation learning behaviour – what Levinthal and March consider vicious cycles for learning. The difficulty to achieve a balance between exploitation and exploration represent itself either in the simultaneous (Hedberg et al 1976; Thushman & O’Reilly 1996), multilevel and sequential models (Lounmaa & March 1987) of learning. In each of these models there are different elements which contribute to limit the balance between exploitation and exploration activities. For the purpose of this paper only organizational identity will be presented and explained as one of these elements which are considered to interplay in the balance paradox.

In the simultaneous model identity barriers to the balance emerge because there is the difficulty to overcome a unique static shared identity which does not integrate the multiples structures and interpretation of experience which simultaneously emerge

(Thushman & O'Reilly 1996). This contributes to enforce exploitation activities damaging exploration ones (Hedberg 1976). As a consequence identity does not change and is enforced in its stability.

In the multilevel model identity barriers to the balance emerge because the impossibility to integrate within the overall organization the specialized competencies and their different interpretation of experience created by the multiple organizational activities (Hannan & Freeman 1984). This difficulty contributes to strengthen the dominant rules and cognitions, which is why different interpretation of events cannot emerge in the organizations. This means that new interpretation of experience stay at the peripheral level limiting exploration activities in the overall organization as well as identity change.

In the sequential model identity barriers to the balance emerge because organizations privilege for long periods or exploitation or exploration cycles which are difficult to overcome because of the difficulty to change beliefs and identity in each stage of the organizational life (Quinn & Cameron 1983). Beliefs and identity tend to stay the same for a long time and change only when a disruption takes place (Miller & Freisen 1980) such as for example a new leadership. With its values, rules and dominant features the new leadership comes to interrupt the cycle (Starbuck et al. 1978).

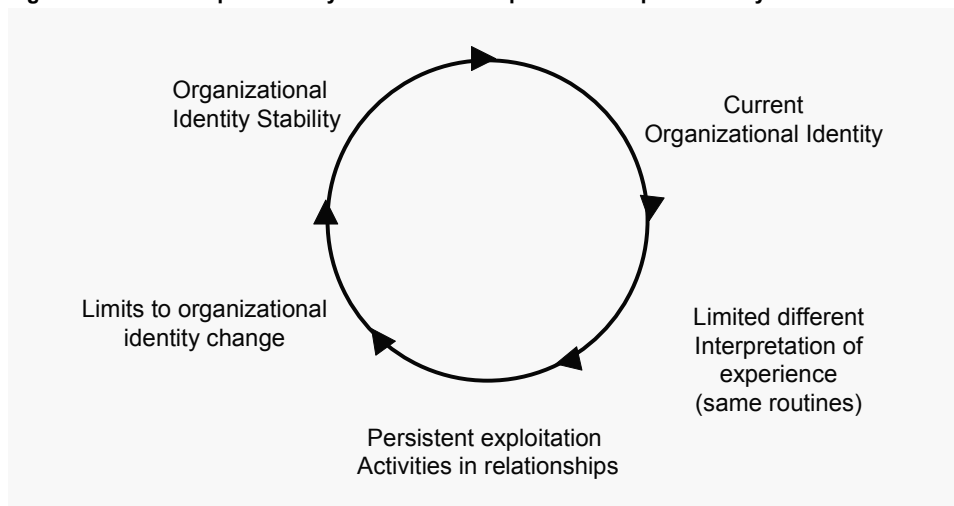
Our viewpoint is that there is a common line in these three models. Identity has a role within organizational learning because it does not helps organizations to shift from what Argyris and Schön (1978) call single-loop learning – individuals change their actions without having an effect in the individual's more fundamental beliefs and values - to double loop learning – individuals change their actions but also their beliefs and values. Our view is that in these three models identity barriers are discussed in terms of:

(1) The difficulty to overcome a static identity. Since Identity does not change, limits to interpretation emerge because values and beliefs are not changed. This is how exploitation behaviours of organizations persist within the relationship;

(2) The difficulty to overcome interpretation barriers to experience created by identity. The organizational identity creates some implicit guidelines to interpret experience. Since these guidelines limit interpretation of experience, they do not contribute to identity changes. Exploitation behaviour of organizations persists within a relationship.

We argue therefore that there is a positive relationship between: limits to identity change/identity stability / current identity / limits to different interpretation of experience / persistent exploitation behaviour in a relationship (see figure 1). This cycle can be considered a vicious one, because it shows that identity limits the organization within persistent exploitation behaviours in relationships.

Figure 1: Vicious loop of identity which creates a persistent exploitation cycle



As a consequence of this analysis our first proposition:

Learning in relationships is limited by identity because identity locks the organization within exploitation learning behaviours. This happens because the identity vicious cycle - limits to identity change/identity stability / current identity/limited interpretation of experience /persistent exploitation activities (figure 1)- creates persistent exploitation behaviours in relationships.

Despite discussing implicitly this vicious loop, the organizational learning literature does not discuss what hides behind this vicious loop of identity, or what creates it. Identity mechanisms limiting identity changes as well as identity mechanisms limiting different interpretation of experience are not explained at all.

For the purpose of the paper a multidisciplinary approach to organizational learning based on the literature of organizational identity will be developed in order to fill this research gap.

The identity vicious cycle will be analysed as it follows. First will be analysed what is the enabling factor behind identity change. Once it has been identified the analysis will focus on what limits this mechanism. Then, there will be an insight on how these mechanisms limiting identity changes consequently limit interpretation of experience creating a persistent exploitation behaviour in organizations.

3. What enables identity to change?

An overview of the organizational identity literature shows that only a post-modern social construction perspective of identity stability permits to address the issue of identity change and its basic enabling factor. In the next paragraphs this will be explained more in depth.

Some authors and students in the organizational identity literature do not consider identity stability as an important element within organizational learning. These authors privilege the characterization of identity as an enduring or stable notion (see Albert and Whetten 1985; Collins & Porras 1994). The same approach is developed among students and authors on corporate identity defining it as a strategically internal and external self representation of a company based on the core distinctive values (see for example Birkigt & Stadler 1986 in van Riel 1995, Marguelis 1977).

According to Gioia, Schultz and Corley (2000) these authors have a modernist approach to organizational identity and consider identity as the centre anchor that endures and preserves its distinctiveness despite the need of organizations to change. This approach therefore considers that organization should learn to change but should somehow remain the same (Gagliardi 1986). More, it considers that organizational identity never really changes in its origins (see Albert and Whetten 1985; Collins & Porras 1994). From their viewpoint an organization can learn even if identity changes do not take place. This means that their viewpoint is different from the one presented before of the learning literature, which considers identity as a factor limiting identity and therefore somehow tied to it.

Others authors in organizational identity literature - the post modernist approach – consider that identity stability and learning are two concepts which are tied one with the other. They consider these two concepts as they are presented in the organizational learning literature. Identity stability can limit organizational learning because core beliefs and values create rigid and closed boundaries limiting to the present routines and identity (Miller 1993). Their approach differentiates between enduring identity and identity having continuity (Ashforth and Mael 1996), presuming that whereas identity expresses the enduring core of an organization over time, the interpretation of those core values are not necessarily stable over the time. As a consequence the

enduringness of the identity becomes the synonymous of continuousness. This means that their approach, differently from the modernist one – addresses the issue of identity change. How? What is the enabling factor within identity change? To explain that it is necessary to explain their approach to identity more in depth.

The post modernist approach bases on a definition of identity as a social construction which derives from interaction with the others (Gergen & Davis 1985; Ashforth & Humphrey 1995; Ashforth & Mael 1996 Weick 1995; Giddens 1991). This means that there is the necessity to foster a continuous sense of continuity in the self representation of an organization which is the result of a continuous formulation and preservation of the self through interactions inside and outside the organization. These authors assert that relationships permit to respond to the necessity to foster a continuous (see Gioia; Shultz; Corely 2000) or an incrementally adaptive (see Dutton & Dukerich 1991) sense of continuity in the self representation of an organization over time. In other words the relationship with an external actor is an important element within identity change. According to Dutton & Dukerich (1991), Gioia & Shultz & Corley (2000), the organizational identity changes thanks to external relationships, because they permit to preserve the self through interaction. The internal interpretation of organizational members of what the identity externally is interpreted– what van Riel, Smidts and Pruyn (2001) call Perceived External Prestige - motivates organizational members to react and act and change their values and beliefs(Gioia, Schultz, Corley 2000). This means that the identity discrepancy perceived within a relationship is the enabling factor of identity change. As a consequence the post modern approach to organizational identity stability permits not only to address the issue of identity change, but also to stress the relevance of the relationship as a source of identity change and therefore learning.

Despite addressing the issue of identity change these authors do not address the problem of what limits the mechanism of preservation through interaction. The answer to this question will permit to identify what kind of identity mechanism limit identity changes, and therefore to explain interrelationships between each part of the vicious cycle of identity. In the next paragraphs some propositions will be formulated on these topics.

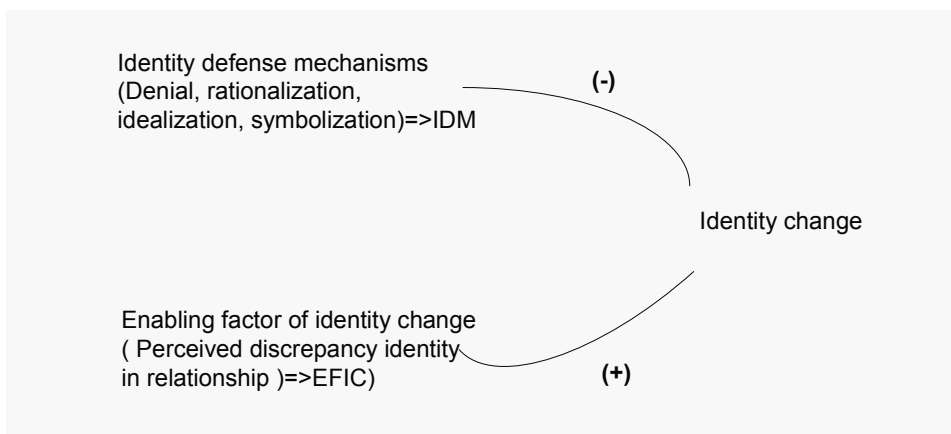
4. What blocks the enabling factor of identity change?

Looking at the organizational identity literature it is possible to identify some defence mechanisms in identity which are discussed as elements which limit to identity change and learning. Our approach is to show the interrelationships of these defence mechanisms with the enabling factor of identity change.

There are four psychodynamic factors influencing negatively the process of learning in organizations (Brown & Starkey 2000): organizational members deny the information that threatens the present habits, values and activities (Miller 1993; Argyris 1982 Schwartz 1987 in Brown & Starkey 2000), rationalize it categorizing with past selective principles (Douglas 1987 in Brown and Starkey 2000), idealize present values (Laughlin 1970 in Brown and Starkey 2000, Gagliardi 1986) and utilize symbols related to the current identity (Gabriel 1991 Schwartz 1985 in Brown and Starkey 2000). When information threatening an organization's collective self esteem emerges, it is ignored, since these defence mechanisms emerge. The reason is that new information provokes anxiety related to identity change. As Brown and Starkey explain, these mechanisms rise because organizations employ them in defence of their present self concept, the present identity, without which they could not face the fundamental anxiety which emerges when new information threatens past habits, knowledge and actions.

Although Brown and Starkey present these defence mechanism as limits to identity change and learning, they do not consider them together with the enabling factor of identity change. In figure 2 defence mechanism and enabling factors are considered together, visualizing them as opposite forces which impact on identity change.

Figure 2: Forces within identity change



From here our second proposition:

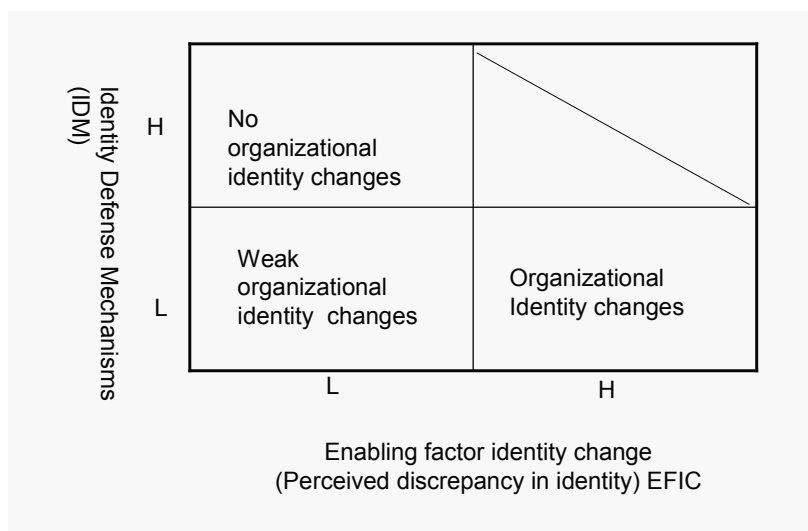
The vicious loop of identity which creates persistent exploitation cycles does not take place when enabling factors of identity change are higher than the identity defence mechanism. This is true because identity change takes place.

Our view is that these forces are strictly related one with the other. The willingness to preserve the self esteem limits the willingness to preserve the self through interaction. In other words, the willingness not change identity due to a high self esteem (defence mechanisms) blocks the willingness to solve the discrepancy perceived in the relationship between internal and external perception of identity. This assumption is visualized in figure 3.

As you see we argue that there are three levels of identity changes depending on the interrelationships between IDM and EFIC. They are: (1) complete static identity which depends on a high level of IDM and low EFIC in relationships; (2) a weak organizational identity change which depends on a low level of both IDM and EFIC in relationships; (3) a changing identity which depends on an high level of EFIC in relationships and a low level of IDM.

High IDM and high EFIC are not possible to exist together in reality, because they are two opposite forces.

Figure3: Interrelationships between opposite forces of identity change, identity stage changes



From here our third proposition:

There are three main interrelationships which take place between defence mechanism limiting identity change and the enabling factor of identity change change. They permit to categorize identity change within three levels. (figure 3).

Depending on the level of identity change the persistent exploitation behaviour can be changed.

The value of this proposition is that these interrelationships underlines the feasibility for an organization to begin an identity change process. If in an organization the perception of identity discrepancy is higher than the defence mechanisms it means that it can easily begin an identity change process. If not an identity change process can become an issue.

So far, the analysis has only partially shown the relationships behind the vicious cycle. In the next paragraph an analysis will show what limits or enables a different interpretation of experience.

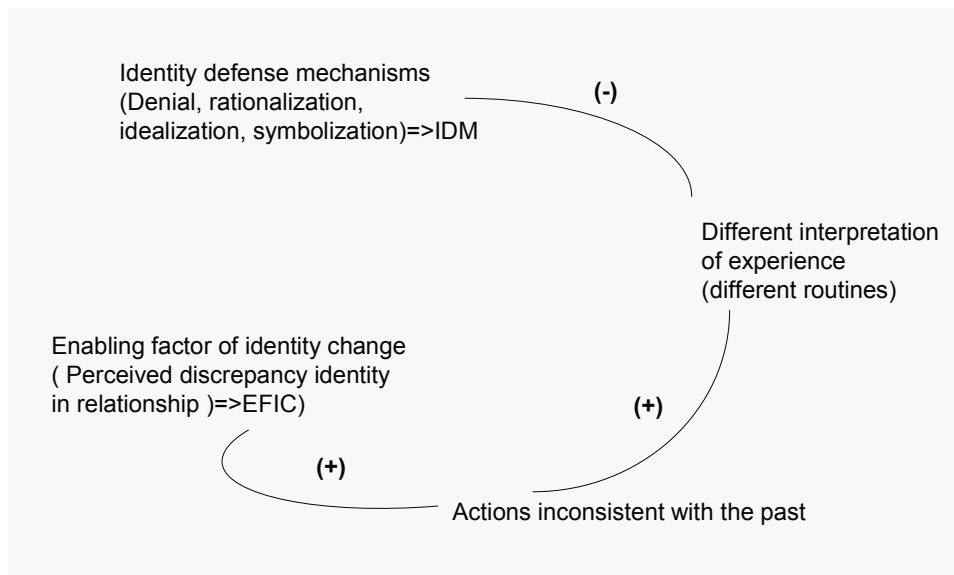
5. What limits or enables interpretation of experience?

According to a study conducted by Dutton & Dukerich (1991) on identity role within issue interpretation, interpretation of experience and routines change only when actions which are not consistent with the past are decided within organizations (Weick 1988; Child & Smith 1987). They explain that these actions are decided by organizational members only when they are considered to correct any identity discrepancy perception in relationships. This means that the enabling factor of identity change represent also an enabling factor for the existence of actions which are inconsistent with the past. As a consequence the enabling factor of identity change is also the enabling factor of a different interpretation of experience.

As explained before, Brown and Starkey consider identity defence mechanism as mechanism which limits new information to be accepted by organizational members. They therefore block any information which can threaten current habits and values. They can therefore be considered as a negative force to a different interpretation of experience.

Under the light of these assumptions it is possible to visualize the forces limiting a different interpretation of experience (figure 4).

Figure 4: Forces limiting a different interpretation of experience



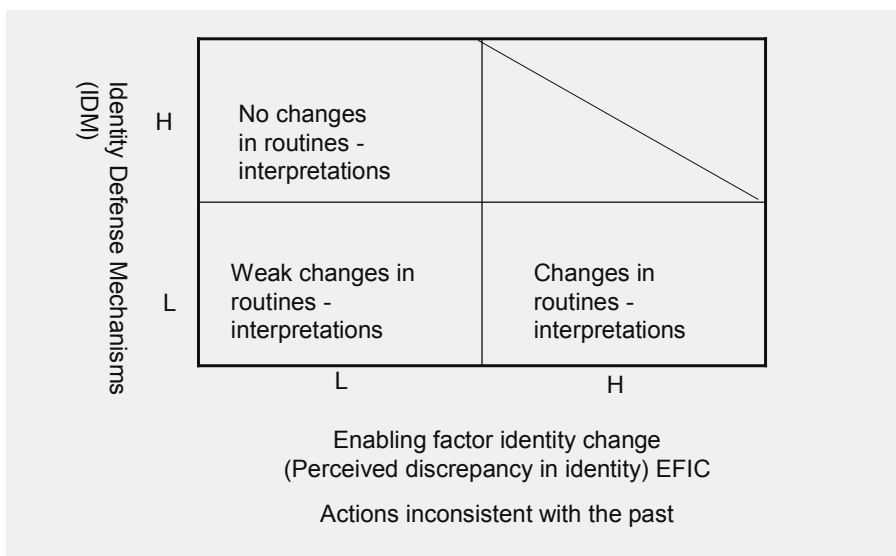
From here our fourth proposition:

The vicious loop of identity which creates persistent exploitation cycles does not take place when enabling factors of identity change and actions inconsistent with the past are higher than the identity defence mechanism. This is true because a different interpretation of experience is possible.

We argue that these forces are strictly interrelated one with the other in the following way, creating 3 levels of limits to a different interpretation of experience (1) no changes in interpretation of experience which depends on an high level of IDM and low level of EFIC and a low level of actions inconsistent with the past; (2) weak change in interpretation of experience which depends on a low level of IDM, EFIC, and inconsistent actions with the past; (3) changes in interpretation of experience which depends on an high level of both EFIC and inconsistent actions with the past and a low level of IDM.

High IDM and high EFIC/ inconsistent actions are not possible to exist together in reality, because they are opposite forces.

Figure 5: Interrelationship between opposite forces limiting a different interpretation of experience.



From here our fifth proposition:

There are three main interrelationships which take place between defence mechanism and actions inconsistent with the past/ enabling factors of

identity change. They permit to categorize limits to interpretation of experience within three levels. (Figure 5).

5. Limits of the theoretical framework based on defences mechanisms

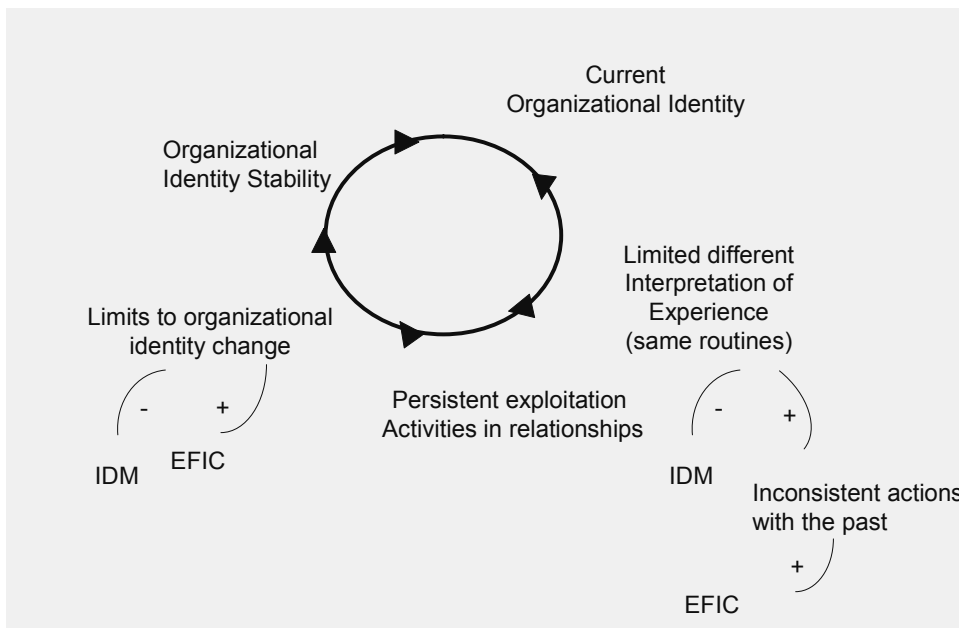
This approach implies a spontaneous question: how can an organization start these defences mechanism if it is composed by many individuals who would start these defence mechanism for their own self esteem? Brown and Starkey base their hypothesis on the assumption that the psychodynamic concepts of individual identity can be translated to the one of organizational identity. They justify their approach considering that individuals use institutions to reinforce individual mechanism of defence against anxiety (Jaques 1955 in Brown and Starkey 2000). This is how they would preserve the organizational identity in favour to their personal one. Although this would be an interesting debate, the present paper does not want to comment and criticize this approach, taking as valid the logics behind these defences mechanism.

6. Conclusions

The approach of the present paper permits to do some interesting final considerations. First, it permits to consider that organizational learning literature raises the issue of organizational identity as a limit to learning without really addressing it. An interesting area of research can be developed considering the vicious cycle of identity which takes place in a relationship, locking organizations within exploitations behaviours in relationships.

Second, the paper proposes a better understanding of the role of identity stability within learning limitation, since it gives a possible explanation of why the vicious cycle takes place. Defence mechanisms of identity are proposed to be the origin of both identity limitations to change and identity role within limits to interpretation of experience (see figure 6)

Figure 6: What is there behind the vicious cycle of identity change – persistent exploitation activities



Third, what we consider to be the most interesting outcome, the analysis of the identity barriers to learning permits to understand how relationships contribute to organizational learning. The analysis has shown that external relationships are the source of the enabling factor for identity change. Identity change takes place when identity discrepancy is perceived in a relationship. Relationship is therefore not only the source of persistent exploitation mechanism, but also input for identity change. They can therefore impact on the identity vicious cycle as well as defence mechanism of identity do. Further research in this topic is needed to understand which relationship dynamics and dimensions are there behind it, as for example a research which integrates Grunig (2002) Grunig & Hon's (1999) relationship indicators.

Fourth, The analysis permitted also to identify an interesting area of research within organizational identity change topic. The value of this proposition 3 is that it permits to understand the feasibility for an organization to begin an identity change process. As explained in the text, If in an organization the perception of identity discrepancy is higher than the defence mechanisms it means that it can easily begin an identity change process. If not an identity change process can become an issue. Our viewpoint is that this approach would permit to categorize which companies can face an identity change process.

Apart from these specific final considerations a more general consideration can be done concerning research on identity change. The review of the organizational identity literature has shown that more research on identity change would be needed to better understand identity role within learning of organizations. In fact the following questions remain open: how far can identity change? Which other enabling factors of identity change are there? Which other limiting factors are there for identity change? Identity change can be only be slow or also fast?

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