



Optimal Distinctiveness: On Being the Same and Different

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Eric Yanfei Zhao¹ and Mary Ann Glynn²

Abstract

Optimal distinctiveness is a theory that emphasizes actors' drive to be both "the same and different at the same time" (Brewer, 1991, p. 475). Originating as an approach to explain individuals' self-construals, the theory has expanded over time to embrace the organizational level and beyond, becoming a major area of research where organization theorists and strategy scholars can converse. In this paper, we briefly review the historical and contemporaneous approaches to optimal distinctiveness and note an increasing trend of contextualizing optimal distinctiveness. While encouraging, this trend has fallen short of accounting for four important contingencies that significantly shape optimal distinctiveness and its underpinning mechanisms: organizational hybridity, societal culture, temporal contingencies, and benchmarks for gauging optimal distinctiveness. We discuss these four contingencies and propose corresponding conversation starters to guide future research. These conversation starters have the potential of further enhancing our understanding of optimal distinctiveness, broadening optimal distinctiveness scholarship into new domains, and helping inform and resolve challenges organizations face in pursuing optimal distinctiveness.

Keywords

competition, conformity, differentness, distinctiveness, legitimacy, optimal distinctiveness, sameness

At first blush the concept of optimal distinctiveness presents itself as a paradox: an organization must simultaneously be both the same as and different from its peers in its competitive set. And yet, we can resolve the seeming contradiction by recognizing that optimal distinctiveness

¹Kelley School of Business, Indiana University, Bloomington, IN, USA

²Carroll School of Management, Boston College, Boston, MA, USA

Corresponding author:

Eric Yanfei Zhao, Kelley School of Business, Indiana University, 1309 E 10th Street, Bloomington, IN 47405-7000, USA.
Email: ericzhao@indiana.edu



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is a site where organization theory (OT) meets organizational strategy. OT anchors the construct of similarity, in that an organization's sameness derives isomorphically from organizational needs to be legitimate, to be categorized as one kind of organization and not another, and to be recognized as a credible member of the market category with which it identifies. Organizational strategy anchors differentness, in that it derives from organizational needs to compete effectively, to be maximally different from rivals, and to gain advantages in the market. Thus, optimal distinctiveness alerts us to how organizations confront competing pressures to be simultaneously similar to and different from their peers (Deephhouse, 1999) and, in parallel, the conjunction between OT and strategy, respectively.

Indeed, optimal distinctiveness represents one of the most vibrant areas of research where organization theorists and strategy scholars can seriously converse with each other. On the one hand, Durand and Haans (2022, in this issue) propose that "the theoretical and empirical focus in the literature has disproportionally been on the 'distinctiveness' side of the 'optimal distinctiveness' coin." Reflecting this, we observe that optimal distinctiveness has been studied under an umbrella of terms that reflect its strategic focus, including strategic plurality (Glynn, Barr, & Dacin, 2000), strategic similarity (Deephhouse, 1999), competitive conformity (Chen & Hambrick, 1995), and strategic conformity (Finkelstein & Hambrick, 1990). On the other hand, scholars argue that optimal distinctiveness research has embraced an OT orientation from the very beginning, as reflected in the notion of legitimate distinctiveness (Navis & Glynn, 2011), and has over time anchored primarily on the OT literature and paired with major OT theoretical frameworks, such as categories and categorization (Barlow, Verhaal, & Angus, 2019; Haans, 2019; Zhao, Ishihara, Jennings, & Lounsbury, 2018), institutional logics (Zhao, Fisher, Lounsbury, & Miller, 2017), institutional theory (Taeuscher & Roth, 2021; Zhao et al., 2017), identity and identity work (Grimes, 2018; Navis & Glynn, 2011; Zuzul & Tripsas, 2020), and cultural entrepreneurship (Lounsbury &

Glynn, 2019), in conceptualizing and resolving the sameness–differentness tension (see Zhao, 2022 for a synthesis of the literature).

Building on these advancements, we believe optimal distinctiveness has the potential to become a conducive platform where strategy and OT scholars, and the management community more broadly, can engage a productive conversation, and this potential has yet to be fully unleashed. Indeed, as Davis and DeWitt (2021) observed, a significant "divide between strategy and organization theory" still exists. Similarly, Greve (2021) argued for the "necessary interaction between research based on organizational theory and strategic management." Optimal distinctiveness is perhaps one of the most promising and generative topics where strategy and organization theory scholars have substantively engaged each other and thus has great potential of addressing the divide between the two disciplines (Zhao et al., 2017; Zuckerman, 2016).

In this paper, we aim to show the potential for optimal distinctiveness research to serve as such a platform by identifying several topics that need further scholarly attention. To this end, we first briefly review the historical and contemporaneous approaches to optimal distinctiveness and highlight its emerging, yet insufficient, focus on the contextualization of the sameness–distinctiveness tension. Our core argument is that optimal distinctiveness functions as a conceptual guardrail, enabling competitive differentiation but hemming it in with conformity, so as to endow an organization with legitimacy. However, the functioning of this guardrail varies depending on four important contextual contingencies that have been underexplored to date: organizational hybridity, societal culture, temporal contingencies, and different benchmarks for gauging optimal distinctiveness. We argue that these four aspects of context are critical in enhancing our understanding of optimal distinctiveness and accordingly propose four possibilities for future research which we present as conversation starters. These conversation starters have the potential of not just advancing the optimal distinctiveness conversation per se but

also opening up avenues for bridging optimal distinctiveness research with contemporary OT topics (e.g., hybridity), broadening optimal distinctiveness research into new domains (e.g., international business), and further integrating OT and strategy research (e.g., competitive dynamics).

Historical and Contemporaneous Research on Optimal Distinctiveness

The genesis of research on optimal distinctiveness lies in Marilyn Brewer's classic work on individual self-construal: "Social identity," she wrote, speaks to "a fundamental tension between human needs for validation and similarity to others (on the one hand) and a countervailing need for uniqueness and individuation (on the other)" (Brewer, 1991, p. 477). While optimal distinctiveness research has a strong social psychological root, it was Deephouse who extended this framework to the organizational level. In particular, Deephouse (1999) articulated strategic balance theory, proposing that firms face "a trade-off between conforming and differentiating" (p. 153) and resolve this trade-off by being "as different as legitimately possible" in organizational strategies (p. 147). At the time that Deephouse was writing, scholarly interest in institutionalism was on an upward trajectory. Provoked by the question, "What makes organizations so similar?" (DiMaggio & Powell, 1991), the response—institutional isomorphism—became synonymous with optimal distinctiveness's notion of sameness, and industry peers' average strategies were considered important benchmarks for gauging sameness and differentness. Glynn and Abzug (2002) extended the initial strategic focus (e.g., asset strategies) to the symbolic realm, showing that organizational names can serve as an important source of legitimacy (also see Zhao, Ishihara & Lounsbury, 2013).

While institutionalism set the stage for the conforming aspects of optimal distinctiveness, strategic management addressed the differentiating aspects. The latter offered a stark counterpoint to the homogenizing forces emphasized

by institutionalism in that it focused on how organizations distinguish themselves from their peers by exploiting what makes them distinctive, unique, and valuable (Barney, 1991). Noteworthy in this stream is work by Oliver (1991, 1997), who advanced the theoretical integration of the institutional and strategic perspectives, arguing that strategic management would restrict organizations' range of strategic responses to institutional forces. Accordingly, optimal distinctiveness is conceptualized as operating at the intersection of OT and strategy and functioning as an important guardrail in managing the sameness–differentness tension.

This view of optimal distinctiveness's function as a guardrail is also reflected in the vibrant literature on cultural entrepreneurship. In their theorization of cultural entrepreneurship, Lounsbury and Glynn (2001, p. 552) explicated optimal distinctiveness's role in enabling entrepreneurial wealth creation: "Entrepreneurs strive for 'optimal distinctiveness' . . . to balance the need for strategic distinctiveness against that of normative appropriateness . . . and other industry-level structural factors that may cause organizations to become more homogeneous." They argued that the primary vehicle for achieving optimal distinctiveness is through identity, manifested in the entrepreneurial story. Similarly, Navis and Glynn (2011, p. 480) identified comparable guardrails when they postulated that entrepreneurial identities become legitimately distinctive when "they consist of legitimating claims that align the entrepreneurial endeavor with expectations arising from institutionalized conventions and consist of distinctiveness claims that distance it from such institutionalized conventions in ways that are meaningful."

Building on this pioneering research, optimal distinctiveness has developed into a vibrant stream of research at the intersection of OT and strategy and has attracted significant scholarly attention in the past few years. Studies of optimal distinctiveness have emphasized the tension implied in an organization's positioning in the market, of being not too similar/conforming nor too different/competitively distinctive.

Throughout the concept's evolution, theories of optimal distinctiveness have emphasized the trade-offs between the two seemingly contradictory poles of sameness and differentness while advocating that a balance be struck between the opposing pressures. This has been observed in a variety of organizational contexts, from entrepreneurship to the emergence of market categories to audience evaluations of mature organizations. Thus, significant advancements in studying optimal distinctiveness are clearly evident, and optimal distinctiveness has been shown to represent a common problem that organizations wrestle with across a broad range of contexts.

Not only has the literature burgeoned, but it has also gained in sophistication, nicely investigating optimal distinctiveness in interesting and important ways. One major advancement in this literature is that it has not simply demonstrated the existence of the sameness–differentness tension in different contexts but also increasingly contextualized this tension by problematizing its nature and strength. Researchers have illuminated the relationship between strategic positioning and performance by accounting for the underlying legitimacy and competitive pressures, the different sources and strengths of these pressures, and how the sources and strengths of these pressures vary across contexts and over time (see Zhao, 2022). Different approaches have been proposed in contextualizing how optimal distinctiveness functions as a guardrail and addresses the tension between sameness and differentness. One approach is to show how sameness and differentness can be orchestrated across multiple features within the same practice, e.g., the breadth versus depth of corporate social responsibility activities (Zhang, Wang, & Zhou, 2019). A second approach focuses on the compensating and complementary effects of different types of strategic practices. For instance, Miller, Amore, Le Breton-Miller, Minichilli, and Quarato (2018) showed that family firms conform to industry financial norms to compensate for the potential illegitimacy discount associated with family governance (e.g., Miller, Le Breton-Miller, &

Lester, 2013). A third approach examines how firms combine strategic practices with symbolic gestures to become optimally distinct, as evident in Younger and Fisher's (2020) study of new ventures' image formation. A final approach examines how organizations can manage firm-level strategies (e.g., collaboration with peers) in combination with broader environmental conditions so as to optimally distinguish themselves and enable success (Gupta, Crilly, & Greckhamer, 2020; McKnight & Zietsma, 2018).

Although these approaches have played important roles in advancing optimal distinctiveness research, they tend to focus on discerning and theorizing polarities of sameness and differentness, and they commonly propose resolving this tension by separating and addressing the two pressures through different organizational dimensions. More recently, studies have gone beyond this approach of polarizing and compartmentalizing and instead examined different contexts that function as conditional factors, i.e., contexts that can influence the nature and relative strengths of the poles underpinning optimal distinctiveness which in turn affect the relationship between strategic positioning and performance. These contextual contingencies can range from micro-level individual or personal characteristics, such as status (Prato, Kypraios, Ertug, & Lee, 2019; Syakhroza, Paoletta, & Munir, 2019), to more macro-level organizational characteristics, such as ownership (Ge & Micelotta, 2019; Zhang et al., 2019) or governance structures (Miller et al., 2018), as well as even higher-level structures, such as the market categories themselves (Barlow et al., 2019; Gehman & Grimes, 2017; Haans, 2019).

We build on and extend this recent effort by proposing four additional avenues to further contextualize optimal distinctiveness research. Specifically, we consider how optimal distinctiveness plays out (1) in organizations' hybridization process, (2) across different societal cultures, (3) over different temporal contingencies, and (4) against different benchmarks. These four avenues are derived from our understanding and review of the optimal distinctiveness literature, but we do

not claim that they represent an exhaustive list of contextual contingencies. Instead, we aim to use these four avenues as conversation starters that can motivate more extensive discussions on the contextualization of optimal distinctiveness. We hope these conversation starters can serve as springboards for bridging optimal distinctiveness research with contemporary OT topics (e.g., hybridity), broadening the optimal distinctiveness conversation into new fields (e.g., international business), and further integrating OT and strategy research (e.g., competitive dynamics).

Further Contextualizing Optimal Distinctiveness: Four Avenues for Future Research

Optimal distinctiveness and organizational hybridity

One important context that is critical for understanding and resolving the sameness–differentness tension is that of organizational hybridity (Battilana & Lee, 2014; Zhao et al., 2017). A hybrid organizational identity consists of elements that ordinarily do not go together (Albert & Whetten, 1985); as such, it carries inherent tensions that can parallel those in optimal distinctiveness. Hybridity, as it is typically conceptualized, involves managing trade-offs between economic and social aspects of an organization's identity. This theme features prominently in research on social enterprises (e.g., Battilana, Sengul, Pache, & Model, 2015; Golden-Biddle & Rao, 1997; Smith & Besharov, 2019; Wry & Zhao, 2018), including those that balance financial interests against social concerns as broad as financial inclusion (Cobb, Wry, & Zhao, 2016; Zhao & Wry, 2016); community service (Almandoz, 2014), general social interests (Yan, Ferraro, & Almandoz, 2019), and religious concerns (Gümüşay, Smets, & Morris, 2019).

Given their apparent internal incompatibility, hybrid identities are sometimes managed by separating the conflictual components. For instance, Glynn (2000) revealed such hybridity-induced conflict in her study of the 1996 Atlanta Symphony Orchestra strike, where the inherent

incompatibility of the organization's utilitarian and aesthetic elements surfaced and precipitated the musicians' work stoppage. At the symphony, she found that the compartmentalization of these two identities—economic (carried by the administration) and the aesthetic (carried by the musicians)—functionally kept the conflict at bay. However, when the administration decided not to tenure six musicians (whom the musicians judged to be tenurable), the musicians perceived a breach, i.e., an over-reach of the administrator's responsibilities that extended far beyond the administrative role. This approach to hybridity appears to be consonant with optimal distinctiveness studies demonstrating that optimal distinctiveness may be achieved by spatially separating the locus of conformity versus that of differentiation imperatives.

The form of hybridity that Glynn (2000) found at the symphony is what Albert and Whetten (1985, p. 271) described as an ideographic or specialized form “in which each internal unit exhibits only one identity” and is compartmentalized. However, spatial separation is not the only approach to hybridity. An alternate form of hybridity is one “in which each internal unit exhibits the properties of the organization as a whole. . . we label the holographic form” (Albert & Whetten, 1985, p. 271); here, the conflictual elements are integrated into an individual's role. Although the ideographic form is more common, the holographic describes some organizations (Battilana & Dorado, 2010). For instance, Golden-Biddle and Rao (1997, p. 594) investigated the effects of a holographic identity, “one diffused throughout the organization. . . [which can] generate significant intra-role conflict for role incumbents” when confronted with contradictions. There was a breach in expected role behavior—here, between being vigilant monitors versus friendly colleagues in a nonprofit medical organization—which was resolved quite differently from that in Glynn's case. Rather than the open conflict of the different camps that Glynn (2000) observed, Golden-Biddle and Rao (1997) demonstrated that the different camps teamed up and worked in concert to restore

order and repair identity, redressing the seeming incompatibility.

Applying these notions of hybridity to the management of optimal distinctiveness suggests that the way in which the sameness and differentness dimensions are held in an organization has important implications for the ripening of latent conflicts, their resolution, and the “relative adaptive advantage” of an organization to survive and compete strategically in the market (Albert & Whetten, 1985, p. 271). When the polarities of optimal distinctiveness are held separately and ideographically in different divisions, such as in the care and science divisions of a medical education organization (Dunn & Jones, 2010), or in separate organizational units, such as corporate strategy and R&D, more specialized knowledge and diverse approaches to sameness and differentness are possible. However, conflicts across the different domains is more likely, with political infighting over the “very soul of the institution” (Albert & Whetten, 1985, p. 272). By contrast, when the polarities of optimal distinctiveness are held jointly by members holographically (e.g., Golden-Biddle & Rao, 1997), conflicts create confusion about the very identity or soul of the organization but may be resolved through consensus, as members share overlapping or common characteristics.

Beyond the different types of hybridity, we also speculate that the initial emphasis on the incompatible and frictional nature of hybrids might arise from the fact that studies on hybridity have generally focused on the nascent or founding stages of organizational development when polar differences might be starker. We redirect attention to more mature organizational or industry stages when hybrids are embedded in contexts that may, with some effect, institutionalize the hybrid form and legitimate it. Indeed, with their increasing prevalence, some hybrid forms are becoming more common, more easily recognized, and more widely viewed as legitimate—essentially, institutionalized and sanctioned, both internally and externally by key audiences. Anchoring on Scott’s (1995) conceptualization of institutions as

composed of cultural-cognitive, normative, and regulatory pillars, Glynn, Hood, and Innis (2021) theorized that the degree of institutionalization in the hybrid field affects the legitimacy of organizational hybrids within it.

By extension, we propose that the institutionalization of hybrid forms in the organizational field can serve as a touchstone for judgments of sameness and differentness in the optimal distinctiveness of organizations. This is because cognitively, institutionalized exemplars or prototypes serve as sensemaking standards against which sameness (and differentness) can be evaluated. Normatively, institutionalized expectations and rules can reduce ambiguity and eliminate (or significantly lessen the impact of) the penalties associated with deviations or differences. Finally, regulatory mandates can formally recognize and legalize forms so as to credential sameness. The latter includes forms like B Corporations, which Grimes, Gehman, and Cao (2018) point to as claims that an organizational identity is simultaneously distinctive and legitimate.

The institutionalization of hybrid identities across the cultural-cognitive, normative, and regulatory spectrum offers legitimate templates against which organizations can either enhance their conformity or dampen the penalties associated with differentiation. Moreover, examining the role of institutionalization in assessing optimal distinctiveness helps clarify how organizations manage hybridity during more stable periods, a topic that has received limited attention thus far (Glynn et al., 2021). Focusing on hybridity at differing levels of institutionalization points scholars to examine later, more mature organizational and industry stages to understand optimal distinctiveness and hybridity in organizations’ life cycles. To further encourage studies along these lines, we propose the following conversation starter to guide future research:

Conversation Starter 1: *What if we conceptualize optimal distinctiveness as part of a hybrid organizational identity that is increasingly institutionalized and decidedly less conflictual?*

Optimal distinctiveness and societal culture

A salient aspect of context that has been under-theorized in optimal distinctiveness studies is the role of the societal culture and, in particular, a consideration of how broad cultural and societal expectations may affect organizations' likelihood and pace of transitions, say from conformity to differentiation or vice versa. By and large, most optimal distinctiveness research to date has focused on organizations in the United States, with a sprinkling of work examining organizations in Chinese, Australian, European, and South and Southeast Asian settings. This broadening of empirical contexts is encouraging, but without a set of more robust studies, we do not yet have a strong basis for considering the cultural embeddedness of optimal distinctiveness or the cultural shaping of optimal distinctiveness dynamics. Indeed, the construct equivalence of optimal distinctiveness across geographies, cultures, and societies is an open question, so cross-cultural comparisons in the construal of organizational optimal distinctiveness await. As Triandis (1982, p. 139) observed,

While most theories of organization are applicable to the cultures in which they are developed, they are not adequate to explain organizational behavior in other cultures because of cultural variations in organizational perceptions, in the use of information, and in patterns of action.

More generally, "institutionalists remind us that no organization can be properly understood apart from its wider social and cultural context" (Scott, 1995, p. 151).

To better understand the potential heterogeneity of optimal distinctiveness dynamics across different cultures and nations, scholars can draw from research in cultural psychology to discern how cross-cultural differences might be salient to optimal distinctiveness. Cultural psychologists have shown that differences in individuals' self-construal lie along the independent-interdependent dimension, which bears a strong similarity to the differentness-sameness tension of optimal distinctiveness. Societal cultures differ

in the emphasis they place on individuation of the self, with it being higher in the United States, where the self is treated as a bundle of distinct, positive, and largely idiosyncratic attributes, and lower in countries like Japan and South Korea, which tend to emphasize interdependence and connectedness (Markus & Kitayama, 1991). For instance, in European-American contexts, the individual and the group are often conceptualized and experienced as separate entities, and the primary task of the self is more likely to revolve around maintaining independence from others and discovering and expressing individual unique inner attributes (Markus & Kitayama, 1991). By contrast, in Korean cultural contexts, "individuals may experience themselves as tightly linked to the collective and [experience] the collective as such an integral part of the self that distinctions between the two may not always be regarded as relevant" (Markus, Mullally, & Kitayama, 1997, p. 38). Thus, in cultures that stress the interdependence of the self, the primary task of the self is more likely to revolve around connecting, fitting in, and assimilating (Markus & Kitayama, 1991).

Although we caution against creating a cross-level fallacy by inferring organizational dynamics through individual tendencies (Rousseau, 1985), we return to the origins of optimal distinctiveness in theories of the self (Brewer, 1991) to discern such international variations. Scholars can speculate whether the functional relationships among independent-interdependent cultural dimensions have a parallel to the sameness-differentness dimensions of optimal distinctiveness across countries. To this end, observations from cultural psychology hint at intriguing possibilities that might guide future research. We might speculate, for instance, whether optimal distinctiveness in Japanese and Korean firms means the same thing as in US firms. One could hypothesize that the former countries might place greater emphasis on the sameness dimension than on the differentness dimension. Alternately, one could propose that cultural differences may cause a delay in the transition from conformity to differentiation in entrepreneurial firms in

nascent industries. Perhaps what we have observed in extant research is primarily the American urge to craft an organizational identity emphasizing independence, autonomy, and individuation. We expect this intellectual exercise to open up exciting research opportunities at the intersection of optimal distinctiveness and international business scholarship, which remains an untapped terrain. Following the preceding arguments, we propose the following conversation starter to guide future research:

Conversation Starter 2: What if optimal distinctiveness is not culturally generalizable? How do the polarities and dynamics of optimal distinctiveness vary across different countries?

Optimal distinctiveness and temporal contingencies

Increasingly, researchers have moved away from the early static conceptualizations of optimal distinctiveness and turned their attention to the temporal dynamics of this concept. Some scholars have suggested that organizational age attenuates the relevance of optimal distinctiveness—namely, that being optimally distinct from competitors is more important for the survival of newer ventures than for that of older, more established ventures (e.g., Goldenstein, Hunoldt, & Oertel, 2019). More specifically, newer ventures, compared to older ventures, have a stronger need for legitimacy due to the liability of newness (Stinchcombe, 1965) as well as a stronger imperative to escape vulnerable, head-to-head competition with established rivals. In contradistinction, however, Navis and Glynn (2010) demonstrated how in the early stages of a nascent industry, as new firms built a new market category, the firms emphasized conformity over differentiation; in later stages, differentiation trumped conformity. Clearly, more empirical research is needed to tease out how optimal distinctiveness varies across the organizational and industry life cycles.

Broader market category and field evolutionary stages are important temporal contingencies. For instance, Zhao and colleagues (2018)

analysed 78 new proto-categories in the US video game market and found that, in the early stage of proto-category emergence, conformity is positively associated with new entrants' sales. As the proto-category evolves, however, a moderate level of differentiation becomes optimal for enhancing sales. Investigating the emergence, collapse, and renewed growth of the "new media" field, Garud, Lant, and Schildt (2019) argued that optimal distinctiveness best describes narrative-discursive possibilities when fields stabilized, whereas generative imitation and strategic distancing better describe possibilities during growth and decline periods. In particular, generative imitation enables entrepreneurs to gain legitimacy in the growth period by establishing a relationship between the symbols in narratives, while strategic distancing allows entrepreneurs to disassociate their ventures from stigmatized cultural symbols during field decline. In general, this emerging body of work on the temporal dynamics of optimal distinctiveness suggest that the evolutionary stages of organizations, fields, industries, and markets all matter in determining what constitutes an optimally distinct positioning strategy over time.

Despite these recent advancements, our knowledge remains limited regarding how organizational optimal distinctiveness processes change over time and in response to contextual and societal shifts. Past studies have approached optimal distinctiveness as a process but have generally stopped short of identifying the underlying mechanisms that precipitate a shift from conformity to differentiation or vice versa. Navis and Glynn (2010), for instance, showed that creating a collective understanding or identity for the new market category of satellite radio precipitated the subsequent strategic differentiation of firms as they crossed the legitimacy threshold. However, they acknowledged that the more micro-level mechanisms underlying this shift were left unspecified. Noteworthy among the few studies on such mechanisms is the work by Zhao and colleagues (2018), in which the authors explicitly theorized and tested the mechanisms underlying the shift in optimal competitive positioning. They found that

three mechanisms explain the shift to differentiation in a crowded category space: expanding knowledge of the exemplar, increasing satiation among consumers, and intensifying competition among members of a category. The authors noted that, in this process, the mediating and evaluative role of critics also becomes increasingly salient, serving as an important force pushing towards more differentiation.

Building on and extending these pioneering works, a dynamic approach to optimal distinctiveness might more fully explore the micro-foundations of the processes. The following are important questions to ask: What are the triggers that motivated optimal distinctiveness shifts? Do these triggers arise externally from industry templates or from broader economic, cultural, or political sentiments? Or, do they arise internally from firms' competitive positioning or changes in the firms themselves? Identifying such mechanisms is an important first step in articulating a more dynamic view of optimal distinctiveness. To this end, a recent study by Mathias, Huyghe, Frid, and Galloway (2018) showed that smaller, craft-based organizations sustained the cohesion and cooperation within their community even as their collective identity became established and mature. These craft-based organizations were able to do so because various field-level forces, such as the existence of a strong, oppositional collective identity (i.e., mass producers) and a mutual-help mentality, delayed their transition from cooperation to differentiation and competition mode. Future research should continue exploring such temporal dynamics of optimal distinctiveness and associated underlying mechanisms by addressing the following:

***Conversation Starter 3:** What if optimal distinctiveness is modeled more explicitly as a dynamic equilibrium that changes over time and in response to internal and external shifts?*

Contextualize optimal distinctiveness against different benchmarks

Optimal distinctiveness loses meaning without considering the benchmark against which it is

gauged. Overall, studies have tended to use category prototypes or industry norms as the default benchmarks against which firms' optimally distinct positioning strategies are evaluated (e.g., Haans, 2019; Miller et al., 2018). Going beyond the prototype-based model, Zhao and colleagues (2018) introduced the exemplar model and proposed that exemplars—highly salient and successful product offerings or organizations—can serve as important alternative benchmarks for focalizing audience attention, anchoring social evaluations, and shaping market outcomes. The exemplar model may be particularly suitable for studying emerging and constantly evolving markets in which prototypes have yet to emerge and stabilize. Subsequent research has demonstrated the effectiveness of exemplars for new venture image formation (Younger & Fisher, 2020) and for shaping market entry strategies and outcomes (Barlow et al., 2019).

In addition to category prototypes and exemplars, other types of benchmarks for gauging optimal distinctiveness have also emerged. For example, Garud and colleagues (2019) found that when there is a lack of consensual understanding of field-wide symbols, new ventures tend to use other relationally salient ventures and their symbols as references. Compared to these externally derived benchmarks, Conger, McMullen, Bergman, and York (2018) proposed that instead of being driven by purely external evaluations, optimal distinctiveness might be shaped by entrepreneurs themselves as their own expectations and identity-driven self-reflections may balance with external evaluations (also see Grimes, 2018; Zuzul & Tripsas, 2020). On balance, research examining the benchmarks used in gauging optimal distinctiveness have tended to rely primarily on external standards, while approaches using internally driven standards are beginning to emerge.

More explicitly identifying and conceptualizing benchmarks for gauging optimal distinctiveness can help further contextualize optimal distinctiveness and open up exciting research opportunities. Here we highlight two promising avenues for future research. First, most studies

to date have assumed one benchmark (either explicitly or implicitly) in their conceptualization and measurement of optimal distinctiveness. However, the more interesting scenario is when multiple distinct benchmarks coexist and are equally relevant in audiences' evaluations (Bu et al., 2022). In this case, various questions arise: How do audiences pick which benchmark to use in attending to and evaluating an organization? Is there a sequence in terms of how audiences apply these alternative benchmarks? If so, in what order do they apply them, and what determines the order? In light of these alternative benchmarks, how do organizations position themselves to be optimally distinct? Will the impact of an organization's conformity (versus differentiation) against one benchmark on audience perceptions and evaluations vary depending on its conformity (versus differentiation) against another benchmark? Addressing such dual or multiple benchmark challenges will generate important insights regarding the complexity of organizations' strategic moves and the corresponding audience responses.

Second, one limitation of existing studies is that they have tended to take a passive stance towards optimal distinctiveness benchmarks. Although this assumption of static benchmarks enables more parsimonious theorization and tests of optimal distinctiveness, it is, at best, an incomplete reflection of reality. Given that actual competitive engagement occurs at the action-response level (Chen & Miller, 2012), scholars need to think about optimal distinctiveness not simply as a singular focal firm decision but instead as a decision in the context of the interactive competitive dynamics between a focal firm and a benchmark organization.

To expand our research horizons, future research can begin to conceptually and empirically examine a series of dyadic organizational actions by asking the following questions: What is the most relevant benchmark a firm chooses to optimally position itself? Is this benchmark internally derived from entrepreneurs' identities, values, and beliefs, or externally derived through observations of prototypes, exemplars, or relationally salient others? Given this benchmark,

what constitutes an optimal positioning strategy? When a benchmark is externally derived, what is the benchmark organization's mettle and capability in responding to the focal firm's positioning strategy? What determines the number, speed, and strength of such responses? Further, how do these responses in turn shape the focal firm's optimal positioning strategy and associated performance outcomes?

Attending to these questions will help advance the optimal distinctiveness research agenda by building a bridge between the optimal distinctiveness and competitive dynamics literatures, which is largely absent today. Some recent studies in optimal distinctiveness have demonstrated the advantages of conforming to (and perhaps later deviating from) category exemplars—highly salient and successful members of a category—in new market entry (Barlow et al., 2019; Younger & Fisher, 2020; Zhao et al., 2018). The argument is that conforming to category exemplars helps entrants gain legitimacy, garner attention from key stakeholders, and enhance their appeal. Compared with these benefits, potential challenges of positioning close to category exemplars have been largely underplayed. Social comparison scholars, however, have demonstrated that social evaluations do not occur in isolation but through comparisons between an actor and a reference group (e.g., Festinger, 1954; Goodman & Haisley, 2007). By conforming to category exemplars and gaining more attention from key stakeholders, firms also place themselves in the position to be evaluated and compared with the exemplars by stakeholders (Audia, Brion, & Greve, 2015; Smith & Chae, 2017). Therefore, when a firm positions itself near a category exemplar, it risks being compared against an exceptionally well-performing firm. This close scrutiny and evaluation may not always be advantageous.

Moreover, exemplars are not passive receptors of strategic actions but may actively respond to new entrants' strategic moves. Although exemplar firms may be less likely to initiate competitive moves due to complacency and inertia, they are typically more responsive when they sense a

threat from new entrants, thus triggering the need to protect their reputations (Chen & Hambrick, 1995). Exemplar firms' responses are especially likely and especially strong when new entrants benefit from flexibility and rapidity, and they are normally faster implementers of the competitive actions (MacMillan, 1980). Exemplar firms may also announce their countermoves quickly so as to clearly signal to stakeholders and competitors that they are not passive and to prevent further attacks (Chen & MacMillan, 1992; Chen & Hambrick, 1995).

Therefore, new entrants and exemplar firms not only need to optimally position themselves in the market against their own peer groups but also need to take into account each other's competitive actions and counteractions to constantly adjust their positioning strategies. In addition, new entrants need to be conscious of how their positioning strategies affect the comparison set they are put in by audiences in their assessment as well as what resource profile will not only enable their initial entry but also enhance their post-entry performance (Zhao, Ishihara, & Jennings, 2020). We see ample opportunities for optimal distinctiveness scholars to engage more seriously the large body of research on competitive dynamics, and vice versa. Summarizing our preceding arguments, we propose the following conversation starters to guide future research:

***Conversation Starter 4:** How do organizations pursue optimal positioning strategies when they are evaluated against multiple distinct benchmarks?*

***Conversation Starter 5:** How does an explicit consideration of competitive dynamics between a firm and its benchmarks inform our study of the firm's optimal positioning strategy?*

Conclusion

Optimal distinctiveness has fostered a generative research agenda with a diversity of views on theorizations and empirical modeling. Despite this diversity, there has been increasing consensus that the sameness–differentness tension is a common challenge that organizations face, and that optimal distinctiveness represents a major area of

research where OT and strategy scholars can converse. As more strategy and OT scholars join the conversation on optimal distinctiveness, an emerging line of research has focused on the contextualization of optimal distinctiveness and examined various conditions under which the nature and strength of the sameness–differentness tension shift. This trend of contextualizing optimal distinctiveness has helped address conflicting findings in past studies and has also complicated our understanding of how optimal distinctiveness and the underlying legitimacy and competitive mechanisms manifest differently across different contexts. While this development is encouraging, we believe the current effort of contextualizing optimal distinctiveness remains insufficient, and the potential of using optimal distinctiveness as a platform to encourage conversations between strategy and OT scholars, and among the management community more broadly, has yet to be fully unleashed.

In this paper, we identified four avenues for further contextualizing optimal distinctiveness and proposed five conversation starters to guide future research. These four avenues—organizational hybridity, societal culture, temporal contingencies, and benchmarks for gauging optimal distinctiveness—serve as conducive platforms for not only enhancing our understanding of optimal distinctiveness but also broadening the impact of optimal distinctiveness scholarship by bridging it with contemporary OT topics, connecting it with the international business domain, and further furnishing the much-needed integration between OT and strategy research.

Authors' Note

Mary Ann Glynn is now affiliated to Department of Sociology, Harvard University.

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Author biographies

Eric Yanfei Zhao is the IECE Faculty Fellow, Associate Professor of Strategy and Entrepreneurship, and Chair of the PhD Program at the Kelley School of Business, Indiana University. His research sits at the interface of strategic management, organization theory, and entrepreneurship, pushing the boundaries of conversations around topics like optimal distinctiveness, institutional logics, and social entrepreneurship. His book *Optimal Distinctiveness: A New Approach to the Competitive Positioning of Organizations and Markets* is published by Cambridge University Press.

Mary Ann Glynn is an Associate of the Department of Sociology at Harvard University and the Joseph F. Cotter Professor of Management & Organization (retired) at Boston College. Mary Ann's research combines micro-level cognitive processes (such as learning and creativity) and macro-level cultural influences (social norms and institutional arrangements) and uses both qualitative and quantitative methods. Her research has been published in journals such as *Administrative Science Quarterly*, *Organization Science*, *Academy of Management Journal*, *Academy of Management Review*, and *Strategic Management Journal*. Her latest work is *Cultural Entrepreneurship: A New Agenda for the Study of Entrepreneurial Identity and Institutions* (with M. Lounsbury, 2019). She received the MOC Distinguished Scholar Award and IDEA Thought Leader Award (twice) in the Entrepreneurship Division. She is a Fellow and Past President of the Academy of Management.