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Optimal Distinctiveness:
Broadening the Interface between Institutional Theory and Strategic Management

Eric Yanfei Zhao
Kelley School of Business
Indiana University
Bloomington, IN 47401
Tel: 812-856-7947
Email: ericzhao@indiana.edu

Greg Fisher
Kelley School of Business
Indiana University
Bloomington, IN 47401
Tel: 812-855-9200
Email: fisherg@indiana.edu

Michael Lounsbury
Alberta School of Business
Edmonton, AB T6G 2E7
Tel: 780-492-1684
Email: ml37@ualberta.ca

Danny Miller
HEC Montreal & Alberta School of Business
Montreal, QC H3T 2B1
Email: dannymiller@hec.ca

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Research Summary
Attaining optimal distinctiveness—positive stakeholder perceptions about a firm's strategic position that reconciles competing demands for differentiation and conformity—has been an important focal point for scholarship at the interface of strategic management and institutional theory. We provide a comprehensive review of this literature and situate studies on optimal distinctiveness in the broader scholarly effort to integrate institutional theory into strategic management. Our review finds that much extant research on firm-level optimal distinctiveness is grounded in the strategic balance perspective that conceptualizes conformity and competitive differentiation as a trade-off along a single organizational attribute. We argue for a renewed research agenda that draws upon recent developments in institutional theory to conceptualize organizational environments as more multiplex, fragmented, and dynamic, and discuss its implications for core strategic management topics.

Managerial Summary
This article aims to provide managers with a more comprehensive and contemporary view of how firms can become optimally distinct—being different enough from peer firms to be competitive but similar enough to peers to be recognizable. We aim to equip managers with an understanding of firms as complex, multidimensional entities, and encourage them to identify and orchestrate various types of strategic resources to reconcile conformity versus differentiation tensions, address the multiplicity of stakeholder expectations, and aptly modify their positioning strategies in order to succeed in dynamic environments.

Running Head: Optimal Distinctiveness

Keywords: optimal distinctiveness, differentiation, conformity, legitimacy, strategic balance, institutional theory, strategic management, innovation, entrepreneurship, institutional logics

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One of the core paradoxes at the interface of strategic management and organization theory is how firms strategically manage competing pressures to be both "like" and "different from" their organizational peers (Deephouse, 1999; Durand and Calori, 2006; Miller and Chen, 1996). On the one hand, institutional theorists have asserted that firms aim to be similar to peers in order to gain legitimacy and avoid performance penalties associated with deviance from existing norms, expectations and practices (e.g., DiMaggio and Powell, 1983). On the other hand, strategy scholars have emphasized how firms strive to be different to gain competitive advantage by establishing valuable, rare and inimitable resources and by staking out a unique competitive position (Barney, 1991; Helfat *et al.*, 2007; Hoopes, Madsen, and Walker, 2003; Porter, 1996). Given this conformity versus differentiation tension, scholars have argued that firms need to engage in strategies that achieve *optimal distinctiveness*—positive stakeholder perception that this tension has been appropriately reconciled (Durand and Kremp, 2016; Philippe and Durand, 2011). In turn, stakeholder perceptions are theorized to affect performance outcomes.[1]

Building on Brewer's (1991) ideas about how individuals forge unique identities amidst strong normative pressures to conform, a broad literature has emerged to address the sources and consequences of firm-level optimal distinctiveness (Zuckerman, 2016). While not every study dealing with the tension between conformity and differentiation invokes the notion of optimal distinctiveness, it provides a useful label and conceptual focal point to synthesize a diverse literature that grapples with this common problem. This is important because there remains a

[1] *Differentiation* refers to the extent to which a firm is perceived to be distinct from other firms (Navis & Glynn, 2011); it accounts for whether a firm deviates from the practices and approaches that are perceived as pervasive within an industry or locale (Durand and Kremp, 2016). *Stakeholder* refers to an individual or a group of individuals that evaluate a firm with an expectation that they may stand to gain from the firm's successful operation (Donaldson and Preston, 1995; Jones, 1995). Stakeholders may include employees, customers, suppliers, shareholders, managers, patrons, and board members, among others (Scott and Lane, 2000).

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great deal of ambiguity about how firms can achieve optimal distinctiveness and how we as researchers should study it.

To date, the “strategic balance perspective”, which conceptualizes firms as betwixt and between the competing demands of conformity and differentiation, has provided the most explicit guidance on how firms can attain optimal distinctiveness (Zuckerman, 2016). This perspective recommends that managers adopt a moderate level of novelty that positions a firm “as different as legitimately possible” (Deephouse, 1999: 147). Scholars adopting this perspective have generally proposed that carefully balancing pressures to conform and differentiate helps managers cope with these competing demands, leading to performance maximizing outcomes. A robust stream of research now exists on the firm-level problem of cultivating a distinctive strategic position while not breaching the norms and understandings of established industries or categories within which they are embedded. Current scholarship has highlighted how the strategic decisions of firms in response to this problem have key implications for a variety of firm outcomes including resource acquisition (Lounsbury and Glynn, 2001), corporate governance (Zajac and Westphal, 1994), firm and stakeholder attention (Ocasio, 1997), reputation (Basdeo *et al.*, 2006), and financial performance (Deephouse, 1999).

However, despite the importance of, and growing research on the sources and consequences of optimal distinctiveness, this scholarship has neither been critically reviewed nor synthesized to enable the development of a more progressive and cumulative domain of knowledge. A key problem inhibiting research progress on this topic is that related studies employ different conceptual terms and operationalizations, creating ambiguities in the literature.[2]

[2] Studies grappling with the underlying problem related to optimal distinctiveness have surfaced across various disciplinary domains including strategy, organization theory, and entrepreneurship, often framed with different labels such as “competitive cusp” (Porac, Thomas, and Baden-Fuller, 1989), “emancipation vs. accommodation” (Rindova, Barry, and Ketchen, 2009), “progressiveness vs. rationality” (Abrahamson, 1996), “rationality vs.

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While the different notions of the same underlying issue signal its theoretical relevance and scope, the failure to synthesize these studies has prevented a coherent body of knowledge from emerging. Hence, it is difficult to discern the various mechanisms by which firms can achieve optimal distinctiveness. In addition, as our review indicates, most research in this stream has concentrated on the strategy-performance linkage, neglecting the role of stakeholder perceptions as a mediator in this relationship. Furthermore, findings of some studies are seemingly at odds with the predictions of strategic balance theory (e.g., Cennamo and Santalo, 2013; Zott and Amit, 2007). We believe that the time is right to take stock of research on optimal distinctiveness, and articulate a research agenda on how managers cope with the contingent disparities associated with creating and maintaining a distinctive yet legitimate strategic position that maximizes firm performance.

In this paper, we review the literature on firm-level optimal distinctiveness, focusing on its development in strategic management research where the strategic balance approach has had a major influence. Given that the theoretical problem underlying optimal distinctiveness centers on an assumed discordance between institutional theory and strategic management research, we situate our review in this broader scholarly context. A key problem inhibiting the development of optimal distinctiveness knowledge is that institutional theory and strategic management have been somewhat polarized in their focus on either conformity or differentiation. While this polarization provided the initial theoretical tension for trying to bridge institutional theory and strategy, we suspect that the perceived theoretical divide between these two camps has been too

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creativity" (Tschang, 2007), "static vs. dynamic efficiency" (Ghemawat and Ricart Costa, 1993), "exploration vs. exploitation" (March, 1991), "global conformity vs. local distinctiveness" (Voronov, De Clercq, and Hinings, 2013), "classification vs. enumeration" (Strandgaard Pedersen and Dobbin, 1997), "code preservation vs. code violation" (Durand, Rao and Monin, 2007), and "strategic focus vs. strategic plurality" (Glynn, Barr, and Dacin, 2000). The labeling of the potential solutions of the conformity and differentiation paradox are equally diverse, ranging from "strategic similarity" (Deephouse, 1999), "competitive conformity" (Chen and Hambrick, 1995), "strategic conformity" (Finkelstein and Hambrick, 1990), "legitimate distinctiveness" (Navis and Glynn 2011), to "strategic categorization" (Vergne and Wry, 2014).

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vast to encourage a more integrative effort. We argue that current discussions of optimal distinctiveness among strategy scholars have not incorporated recent advances in institutional theory that provide new opportunities for integration.

To develop more meaningful scholarship on optimal distinctiveness, we draw on contemporary institutional theory where attention has shifted away from a narrow emphasis on isomorphism, and towards an understanding of the institutional sources and dynamics of heterogeneity (e.g., Thornton, Ocasio, and Lounsbury, 2012). In particular, we build on the ideas that conformity and differentiation are multifaceted and mutually enabling (Philippe and Durand, 2011), and that firms face environmental complexity where the nature and relative strengths of conformity and differentiation pressures change across time and space (Cobb, Wry, and Zhao, 2016; Durand and Paolella, 2013). These building blocks help us develop an architecture for future research on optimal distinctiveness, which we view as the process that encompasses an understanding of the conformity versus differentiation pressures faced by firms in different market contexts, the various strategies firms employ to resolve this tension, how stakeholders perceive firm efforts to cope with this tension, and ultimately how stakeholder perceptions affect different performance outcomes. We illustrate the value of this reorientation by highlighting the implications of our approach for key strategic management topics including organizational ambidexterity, competitive advantage, product-market scope, and market entry. In doing so, we join others in urging the development of a richer interface between strategic management and institutional theory (e.g., Durand, 2012; Oliver, 1997).

REVIEW OF PAST OPTIMAL DISTINCTIVENESS RESEARCH

We reviewed the literature on optimal distinctiveness in two phases. In the first phase, we searched the Web of Science database for articles that cited either Brewer (1991) or Deephouse

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(1999).[3] We focused on these because they are two of the most foundational articles focused on this topic (Zuckerman, 2016). We then supplemented this by snowballing from the initial set of articles and we consulted with experts on the topic to ensure there were no major omissions. Our goal was to generate a provisional population of studies that were united in their effort to address how firms grapple with the competing pressures of conformity versus differentiation.

In the second phase, we identified all articles published in *SMJ* that cited either Meyer and Rowan (1977) or DiMaggio and Powell (1983), two of the most highly cited foundational papers in institutional theory. This ensured the comprehensiveness of our provisional population of papers identified, and situated our review in the context of research at the interface of institutional theory and strategic management. We again shared this list with two senior scholars well known in institutional theory and strategy respectively, and verified that these articles provided systematic coverage of how institutional theory has been incorporated into the strategic management literature.[4] Two authors independently coded the articles identified in phase two based on whether they substantively engaged institutional theory arguments, or cited DiMaggio and Powell (1983) or Meyer and Rowan (1977) in a more ritualistic fashion[5].

Figure 1 plots the number of articles identified from our literature review. It shows that the use of institutional theory in strategic management research has steadily grown since the late 1980s, leveling off around 2009. However, even though key institutional theory papers have

[3] We focused our search on five top management journals: *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Organization Science*, and *Strategic Management Journal*.
[4] Our search generated 91 articles in the first phase and 185 articles in the second phase.
[5] We used two criteria in order to differentiate substantive citations from symbolic ones: (1) Meyer and Rowan (1977) and/or DiMaggio and Powell (1983) must be cited in the theory section of a paper; and (2) Institutional theory should be integrated into theory building and argument development of the paper. For instance, a paper with hypotheses developed based on institutional theory predictions would be a clear candidate of substantive citation. In contrast, a citation that simply appears in the result section to support an isomorphism control variable (e.g., past adoptions) was coded as a symbolic citation. The coding work took one month to complete since each author read each article thoroughly. The two coders reached substantial agreement after their first round coding (Cohen's Kappa = 0.78). Any remaining disagreement was resolved by a collective deliberation among the whole research team.

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been cited in a remarkable number of SMJ articles overall, most of the papers citing institutional theory do not substantively engage institutional arguments. While the number of papers in *SMJ* that draw on institutional theory more deeply is limited, they constitute a steady stream since the late 1990s. In addition, our figure shows that the trend line of articles substantively engaging institutional theory is in sync with the pattern of articles addressing optimal distinctiveness. While almost all optimal distinctiveness articles we identified explicitly connect to institutional theory, sixty percent of these substantively engaged institutional theoretic arguments, indicating that research on optimal distinctiveness has been a focal issue for bridging institutional theory and strategic management.

------Insert Figure 1 about here------

Separated at birth: Institutional and strategy research in the 1970s and 1980s

Institutional theory and strategic management originated in the same era. Strategic management became formally organized with the creation of the Business Policy and Planning Division (now BPS) of the Academy of Management (AOM) in 1970, and more firmly established with the creation of *SMJ* in 1980 (Hambrick and Chen, 2008). Institutional theory emanated from sociology and research in the Organization and Management Theory Division (OMT) of the Academy of Management in the 1970s and 1980s where it continues to be a dominant and dynamic theoretical tradition (Lounsbury and Beckman, 2015). While the BPS and OMT divisions are two of the largest AOM divisions today and have extensive overlap in membership (e.g., ~35% of OMT members currently have joint affiliation with BPS), institutional theory and strategic management were initially on separate trajectories with little overlap.

In addition to (and perhaps because of) their different roots and homes in the AOM, early institutional and strategy research fundamentally differed in how firm performance was

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theorized. Strategy scholars argued that firms obtain sustainable competitive advantage by cultivating unique market positions (Porter, 1980) and developing resources and capabilities that are valuable, rare, and inimitable by rivals (Barney, 1991). They implement strategies that build on environmental opportunities and exploit internal strengths, while neutralizing external threats. A firm's unique positioning and competitive distinction is further buttressed by an internal alignment among key components of strategy and structure, as well as an external alignment among key components of the environment and internal structure, generating an activity system that is more robust and resists piecemeal imitation (Miller, 1996).

By contrast, institutional theory, as developed in the 1970s and 1980s, focused on legitimacy as the key driver affecting organizational resource acquisition, survival, and performance (typically conceptualized as "effectiveness"). It was argued that organizations gain legitimacy by conforming to norms and beliefs, which provide cultural models for their behavior (DiMaggio and Powell, 1991; Meyer and Rowan, 1977). Most prominently, DiMaggio and Powell (1983) argued that highly structured fields or industries generate isomorphic pressures that lead to organizational homogeneity via coercive, mimetic, and normative forces. Thus, in opposition to competitive approaches to strategy, early institutional theorists stressed the constraining effect of institutions and the need for organizations to conform in order to gain legitimacy and avoid penalty. This conceptual bifurcation was reinforced by the differences in empirical studies of strategy and institutional scholars. Strategy scholars were interested in for-profit businesses, while institutional studies initially focused on structures and practices in governmental, public, and nonprofit organizations.

However, the openness of strategic management to organization theory research was apparent through the 1980s as behavioral and process approaches to strategy provided important

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alternatives to economistic conceptualizations of competitive processes (e.g., Huff and Reger, 1987; Ireland *et al.*, 1987; Pettigrew, 1992; Zajac, 1992). At the same time, institutional theory scholars began to question the environmentally deterministic nature of their perspective, highlighting the need to account for agency and competitive dynamics (DiMaggio and Powell, 1991; Oliver, 1992). And the institutional theory lens was increasingly used to study for-profit firms in competitive markets (Haunschild, 1993; Haveman, 1993); this created conditions ripe for building bridges between the two scholarly fields.

The genesis and challenges of the strategic balance approach

While institutional theory entered the strategy conversation in the late 1980s, substantive engagement between these two perspectives did not occur until the late 1990s. Our review of the literature suggests that the vast majority of articles at this interface incorporated institutional theory into the analysis of strategic behavior by conceptualizing institutions as a normative constraint encouraging sameness (DiMaggio and Powell, 1983). The publications in *SMJ* that aimed for more substantive integration of the two literatures were mainly grounded in Deephouse's (1999) idea of strategic balance—where managing the opposing pressures of conformity and distinctiveness is an optimal positioning strategy.[6] While the overall number of such publications is relatively small, this stream of work is important for the development of a broader strategic management research agenda on firm differentiation and performance. This should be of interest to a wide range of scholars including those in institutional theory, cultural entrepreneurship, strategy as practice, and the growing interface of strategy and organizations.

Deephouse (1999) operationalized strategic balance as an intermediate level of strategic deviation; he measured it as the degree of deviance from a mean industry attribute position. He

[6] Our review suggests that Brewer (1991) has had little impact on subsequent studies on firm-level optimal distinctiveness. Articles citing Brewer (1991) are primarily focused on individual or team levels (see also Zuckerman, 2016).

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found a significant, curvilinear relationship between the mean deviation of commercial banks and their financial performance in the Twin Cities area. In particular, a commercial bank's return on assets relative to the industry mean first increases with the absolute difference between its asset strategy and the industry norm, and then decreases as the difference surpassed a certain threshold. Building on this, Deephouse argued that strategic balance theory can "help researchers better understand the trade-offs between differentiation and conformity. It can also help future managers identify the strategic balance point where the benefits of reduced competition are offset by the costs of legitimacy challenges" (1999: 159).

Researchers have applied the strategic balance idea in a variety of contexts, mainly using it as a key independent variable to explain organizational outcomes. These studies suggest that managers face challenges in balancing their asset strategies (Deephouse, 1999), strategic alliance portfolios (Das and Teng, 2000), innovation activities (Roberts and Amit, 2003), strategic group positioning (McNamara, Deephouse, and Luce, 2003), multimarket contact (Stephan *et al.*, 2003), strategic action repertoire (Basdeo *et al.*, 2006), corporate citizenship program content (Gardberg and Fombrun, 2006), and imitation vs. innovation (Lieberman and Asaba, 2006). Research has also shown that managerial success in balancing these competing forces is associated with a variety of organizational outcomes such as strategic alliance stability (Das and Teng, 2000), return on assets (McNamara, Deephouse, and Luce, 2003), market entry (Stephan *et al.*, 2003), and stock market value (Zott and Amit, 2007). Other studies have adopted strategic balance as the dependent variable, examining its antecedents (e.g., Semadeni and Anderson, 2010) or conceptualized it as a mediator/mechanism explaining some indirect effects on organizational performance (e.g., Delgado-Garcia and Fuente-Sabate, 2010; Hiller and Hambrick, 2005).

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Although this research on strategic balance has been illuminating, mixed findings have created challenges that require attention. For example, in the context of the U.S. video game industry, Cennamo and Santalo (2013) showed that an intermediate positioning might blur differences among platforms in the mind of key stakeholders (in this case, consumers) and fail to create distinct content offerings. As such, platform performance will decrease at intermediate levels of distinctive positioning, but increase at high and low levels of distinctiveness. And this is mediated by stakeholder perceptions, which has often been conflated with strategic position in this research stream. Zott and Amit (2007) provided a different challenge to the notion of strategic balance when they argued that in entrepreneurial firms, integrating novelty and efficiency-based conformity design elements into a business model is counterproductive. Similarly, Jennings, Jennings, and Greenwood (2009) showed that, contrary to a static interpretation of strategic balance theory, strategic differentiation in employment systems among new firms in a dynamic knowledge-intensive service industry has a U-shaped relationship with organizational productivity.

One of the potential problems behind these contrary findings is that as strategic balance theory has been employed, scholars have assumed that there is a single, relatively static convergence point in organizational characteristics from which distinctiveness is judged in a market. Organizations positioned too far from the convergence point risk being ignored or sanctioned (Zuckerman, 1999). Although some markets may exhibit relatively static, single convergence points, such cases may be rare, and many markets may bear more convergence points because of multipoint competition (Fuentelsaz and Gómez, 2006), multiple strategic groups (Peteraf and Shanley, 1997), or rugged landscapes (Levinthal, 1997).

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This is more likely the case in dynamic entrepreneurial markets such as video games that are subject to fads (Cennamo and Santalo, 2013). In such markets, it is difficult to integrate isomorphic and novel firm elements to achieve strategic balance, and a lack of coherence makes it challenging for external stakeholders to understand such integrative efforts (Martens, Jennings, and Jennings, 2007). Indeed, evidence suggests that organizations often find it challenging to sustain balance and tend to drift toward less novel behavior (Benner and Tushman, 2002). This may become further problematized when perceptions of conformity are rooted in conventionality as opposed to peer isomorphism (Durand and Kremp, 2016; Kim and Jensen, 2011). Hence, firms that choose an intermediate position might fail to enhance organizational legitimacy while also falling short of staking out a competitive position. Instead of helping managers identify a specific point of strategic balance, the strategic balance perspective might drive managers into a void of practical discretion, “offering no normative guidance regarding why one change might be preferable to another” (Durand and Calori, 2006: 93).

Thus, while strategic balance research has significantly enhanced our understanding of how firms cope with the oppositional demands for similarity and difference, the challenges identified suggest the utility of a broader and more dynamic research agenda on optimal distinctiveness. Such research needs to account for the *complexity* of organizational environments, the *processes* by which firms strategically differentiate themselves to enhance performance outcomes, and the *mediating mechanism* of stakeholder perceptions. As we discuss in the next section, recent developments in institutional theory provide fodder for an enriched understanding of these issues.

TOWARDS A NEW OPTIMAL DISTINCTIVENESS RESEARCH AGENDA

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A looming problem in the early development of institutional theory was the conceptualization of institutions as highly rigid and constraining. Research embracing this conceptualization documented isomorphism across a variety of settings (Scott, 2001). It was understood as a theoretical perspective that focused on organizational conformity to dominant social rules, offering limited leverage to explain organizational difference. As noted earlier, new developments in institutional theory have redirected attention away from isomorphism and towards the theorization of organizational heterogeneity (Lounsbury and Glynn, 2001; Thornton, Ocasio, and Lounsbury, 2012), providing new opportunities to integrate institutional theory into strategic management. As part of this redirection, institutional environments are conceptualized as fragmented, contested and dynamic (Durand and Jourdan, 2012; Durand, Rao, and Monin, 2007; Greenwood *et al.*, 2011). These theoretical shifts promise to enrich our understanding of optimal distinctiveness by highlighting how complexity in firm environments might support multiple optimal distinctiveness points (Chang and Wu, 2014; Madsen and Walker, 2015; Stettner and Lavie, 2014).

This theoretical shift was anticipated by Oliver (1997) who, drawing on institutional theory and the resource-based view of the firm, argued that firms' heterogeneity can be understood by their distinctive portfolios of resource and institutional capital. She suggested that sustainable competitive advantage depends on both resource capital (or firm specific value-enhancing assets and capabilities) and a firm's stock of institutional capital (the broader industry influences which can enhance or inhibit optimal use of resource capital). For example, in the context of the early automobile industry Rao (1994) showed how certification contests legitimated organizations, generating status orderings and firm reputations. Thus, legitimacy can

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be converted into firm-level institutional capital to enhance differentiation (Chang and Wu, 2014; Deephouse and Suchman, 2008).

The development of the institutional logics perspective has provided a more elaborate theoretical approach to the study of organizational heterogeneity by focusing on how fields and markets are comprised of various constellations of norms and beliefs that differentially shape firms, and can provide opportunities for strategic repositioning to appeal to different stakeholders (Durand *et al.*, 2013; Thornton, Ocasio, and Lounsbury, 2012). Going beyond earlier efforts to highlight how actors differentially react to normative pressures (Oliver, 1991) or create new norms, research on institutional logics has highlighted the prevalence of multiple, sometimes competing, norms and associated pressures, and has directed attention towards how firms navigate and capitalize on this institutional complexity (Geng, Yoshikawa, and Colpan, 2015; Greenwood *et al.*, 2011). Recent research has emphasized how varied combinations of logics lead to differential strategic positions, stakeholder evaluations and outcomes (Lee and Lounsbury, 2015). For instance, Durand, Rao, and Monin (2007) showed how the success of efforts by French haute cuisine restaurants to strategically reposition themselves by integrating nouvelle cuisine practices hinged on whether key stakeholders perceived these efforts as code-preserving or code-violating.

This aligns with related developments in the study of categorization that have emphasized how firms successfully bridge or combine elements of different categories or relate to different stakeholders and their perceptions (Durand and Paolella, 2013; Kennedy and Fiss, 2013; Zhao, Ishihara, and Lounsbury, 2013). For instance, Wry, Lounsbury, and Jennings (2014) documented how nanotechnology start-ups were able to secure venture capital financing by successfully combining scientific and business practices. Pontikes (2012) showed that in software firms,

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different stakeholders value different aspects of organizing, suggesting that optimal distinctiveness needs to be understood in relation to different stakeholders. Strategic action is more prominent in these contemporary approaches to institutional analysis, and provides a natural bridge to strategic management scholarship. In turn, we believe that the time is ripe to develop a broader research agenda on optimal distinctiveness that provides a useful focal point for intellectual exchange between these scholarly worlds.

We propose three key dimensions for advancing our understanding of optimal distinctiveness. First, we argue for more research on how firms orchestrate a variety of strategic resources to manage conformity and differentiation pressures. We suggest moving beyond the single dimension focus that has characterized strategic balance research to explore various orchestrating mechanisms that firms employ across multiple strategic dimensions to achieve optimal distinctiveness. Second, we discuss how considering stakeholder multiplicity will further contextualize optimal distinctiveness studies, and enhance our understanding of the conditions under which multiple optimal distinctiveness points exist in a market. Third, we introduce the importance of managing temporality to the theorization of optimal distinctiveness by exploring both industry and organizational dynamics. While these research dimensions are neither mutually exclusive nor exhaustive, we believe that they provide useful starting points for a broader research agenda on optimal distinctiveness. Table 1 highlights some of the key differences between our renewed agenda and strategic balance research. Table 2 lists the three dimensions that underpin our proposed research agenda on optimal distinctiveness and presents their implications for selected strategic management topics that we discuss below.

------Insert Tables 1 and 2 about here------

Orchestration: Integrative and compensatory mechanisms

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A key limitation of empirical research on strategic balance has been a focus on strategic differentiation on a single firm dimension, such as a commercial bank's asset strategy (Deephouse, 1999). However, if organizational environments are conceptualized as multiplex, achieving optimal distinctiveness should involve analyzing trade-offs and configuring strategic positions across multiple dimensions (Miller, 1986 1996). While configurational approaches to strategy are reasonably well established, we still have limited insight into how various configurations are perceived by different stakeholders, and how they may generate optimal distinctiveness and better performance outcomes. Thus, we call for more research that explores how managers *orchestrate* various aspects of strategies, structures, and processes to achieve optimal performance. We suggest two key types of orchestrating mechanisms that could be an initial focal point for such research: *integrative orchestration* and *compensatory orchestration*.

Integrative orchestration. The notion of integrative orchestration suggests that firms can conform in salient aspects of firm behavior (e.g., pricing, promotion, production and distribution) but configure them in complementary ways that are entirely unique. Indeed, Porter (1996) has suggested that the configuration of mutually reinforcing firm elements represents the essence of strategy. Porter provides examples of firms such as IKEA, whose sourcing practices, locations, layouts, catalogs, and self-assembly components, while individually unexceptional and institutionally unobjectionable, are entirely synergetic. That makes such strategies original and difficult for rivals to duplicate.

Alternatively, integrative orchestration might be achieved when an individual strategic decision is idiosyncratic and perceived by stakeholders as problematic, but its combination with other accepted strategic elements makes it legitimate, logically coherent, and credible. For instance, Sirmon and Hitt (2009) demonstrated that firm performance is optimized by making

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congruent resource investment and deployment decisions as opposed to maximizing or economizing either decision independently. In particular, they found that while in general firm performance suffers when investment decisions deviate from the industry norm, greater investment deviation enhanced performance when it is coupled with supportive deployment decisions. In other words, orchestrating investment and resource deployment decisions can overcome the liability of differentiation (Danneels, 2002).

In short, integrative orchestration represents a system-level orchestrating mechanism. One way of implementing integrative orchestration is to ensure legitimacy by making individual organizational elements overtly representative of recognizable practices while their synergistic relationships are distinct. Alternatively, individual strategic decisions can be idiosyncratic but when coupled with other supportive and congruent actions, they overcome the liability of differentiation. Thus, the whole matters more than any individual strategic element, and synergy among strategic elements is what matters most in conferring legitimacy and distinction.

Compensatory orchestration. We posit that firms can also achieve optimal distinctiveness in a more piecemeal way via *compensatory orchestration*. The basic idea is that since firms are often evaluated on multiple (sometimes seemingly unrelated) strategic dimensions, deviation on one dimension can be compensated by a legitimacy gain on a different dimension. When faced with legitimacy challenges, managers may engineer ways to strategically reduce uncertainty and suspicion among key stakeholders. For instance, to overcome potential legitimacy challenges and achieve optimal distinctiveness, firms might conform assiduously in either symbolic gestures or visible strategic behavior to compensate for unorthodoxies or deviations from stakeholder expectations.

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Some research has suggested that firms can configure different dimensions of firm strategy to achieve legitimacy and differentiation simultaneously. For example, Bowen, Siehl, and Schneider (1989) suggested that extensive customer service may be a means by which manufacturing firms achieve product differentiation when the core product itself is relatively undifferentiated. Miller et al. (2013) showed that stakeholders' suspicion of "unorthodox" governance forms, like family ownership, may be neutralized by visible conformity in strategic behaviors such as production or operations strategy, product research and development, marketing, financial strategy, reinvestment policy, and risk orientation. Philippe and Durand (2011) suggested that firms might selectively conform to one dimension of an industry norm while deviating on another (in their case, compliance with a socially approved goal vs. level of procedural commitment) so as to gain some discretionary power while still reaping benefits.

Implications for other strategic management topics. The aforementioned research has not been targeted towards the problem of optimal distinctiveness. Hence more systematic research on how managers manipulate different strategic levers to enhance perceptions of strategic positioning is required. The use of orchestration to achieve optimal distinctiveness has important implications for other strategic management topics. For instance, it is useful for advancing studies on organizational ambidexterity. Originally defined as an approach balancing exploitation and exploration, organizational ambidexterity has been increasingly used to refer to a firm's ability to simultaneously manage a variety of "paradoxical" trade-offs such as efficiency and flexibility (Birkinshaw and Gupta, 2013; Simsek, 2009; Tushman and O'Reilly, 1996). While most studies suggest a positive impact of ambidexterity on organizational performance, recent studies present equivocal results, stirring debates regarding the nature and value of organizational ambidexterity (Simsek, 2009). These ambiguities may be affected by an exclusive

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focus on intraorganizational dynamics with a lack of attention to mechanisms beyond organizational boundaries through which ambidexterity is managed.

A focus on integrative orchestration to achieve optimal distinctiveness might be useful for encouraging scholars to incorporate more of an inter-firm focus in studying ambidexterity, accounting for the role of partners, networks, and larger ecosystems. For instance, firms can orchestrate various modes of operation (e.g., internal organization, alliances, acquisitions) and simultaneously explore and exploit across organizational boundaries, so as to become optimally distinctive (Capron and Mitchell, 2012; Stettner and Lavie, 2014). A general question that could guide this research on ambidexterity and optimal distinctiveness might be:

How is the ability to manage internal paradoxes (e.g., exploration/exploitation, efficiency/flexibility) affected by efforts to achieve strategic positions that are optimally distinctive?

The competitive advantage of incumbents versus new entrants in industry evolution studies is another stream of research that might be informed by our notion of compensatory orchestration. Most conventional studies on industry evolution in strategic management control for institutional processes, and examine how economic efficiency and firm capabilities determine market entry and exit patterns and performance differences between incumbents and new entrants (Klepper and Simons, 2000). Different endowments of past experience and technical competence are expected to be major drivers of the performance differences between incumbents and new entrants (Madsen and Walker, 2015). However, industry evolution is not only driven by economic efficiency but also institutional factors including evaluations of various stakeholders. This is especially true where the institutional environment exerts a strong influence on the functioning of markets.

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Our approach suggests that the interplay of market and institutional forces may open up opportunities for both incumbents and new entrants to adopt different optimally distinct market positions. This is evident in the development of specialist niche segments in mass markets where market entry is driven by an influx of specialists (Carroll and Swaminathan, 2000). In such situations, it is possible for both kinds of firms to create and sustain competitive advantage. Without considering institutional processes, we might expect that new entrants with updated technical competence and market adaptability should simply outperform incumbent firms. However, institutional legacies can provide resources for incumbents that compensate for their technical inefficiency or lack of adaptability, enabling them to survive threats from new entrants. For them, optimal distinctiveness would favor conformity. Valuable institutional legacies may include government relations, political influence, and reputation (Chang and Wu, 2014; Madsen and Walker, 2015). Conversely, new entrants may use technical efficiency to compensate for their deficiency in institutional resources, thus favoring differentiation (Madsen and Walker, 2007). Overall, both incumbents and entrants may excel by embarking on alternative paths to orchestrate their unique combination of resources (Chang and Wu, 2014). A couple of research questions follow:

How do institutional and economic forces jointly shape strategic positioning and perceptions of optimal distinctiveness for incumbents and new entrants?

Can incumbents achieve optimal distinctiveness by compensating for their technical deficiency via institutional legacies?

Can new entrants achieve optimal distinctiveness by compensating for their institutional deficiency via technical competence?

Stakeholder multiplicity: Geographic and psychographic distinctions

A firm's optimal distinctiveness rests on a constant interplay between managerial agency and stakeholder evaluation. This requires that managers explore and adapt to differences in

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evaluative frameworks across *different types of stakeholders*, and understand the malleable nature of their resources and capabilities under heterogeneous stakeholder expectations. Firms striving for optimal distinctiveness must be attuned to which organizational attributes have the potential of complementing and reinforcing each other, and thus constitute the strategic toolkits available to them, when faced with different stakeholders.

Different stakeholder groups often view firms through unique lenses (Carter and Deephouse, 1999). A particular stakeholder group may have been socialized to value (or ignore) certain firm dimensions as part of the process of developing their evaluative lens (Fisher, Kotha, and Lahiri, 2015). Unraveling this socialization process will help us understand why different stakeholder groups embrace different evaluative lenses and have different standards for judging differentiation and legitimacy. While organizational stakeholders can differ across a variety of dimensions, we highlight two key dimensions of difference: geographic and psychographic.

Geographic distinctions. Past studies have suggested that stakeholders might be segmented by geographic location because they adopt unique logics and evaluative frameworks when judging firms due to path dependent historical developments, policy priorities, culture and traditions, and statutes and regulations. For example, American and French wine industries are guided by different classification systems: American wines are classified primarily by grape variety, while French wines are classified primarily by appellation based on geographic origin. Zhao (2005) demonstrated that the different classification systems are socially constructed, resulting from political struggles and negotiations between different interest groups in the two countries (also see Lounsbury and Rao, 2004). Such classification differences have an impact on what’s considered legitimate and appealing wine in the U.S. versus France.

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Similarly, Lounsbury (2007) found significant differences in money management logics between Boston and New York mutual funds. He showed that Boston funds, under a trustee logic, embraced more conservative, cost-focused practices and resisted aggressive investing techniques. In contrast, New York funds followed a market logic that valorized performance more than efficiency, and tended to incorporate more sophisticated financial analysis and active trading styles. Firms attended to these key geographical differences when aligning organizational attributes for optimal distinctiveness.

Psychographic distinctions. In addition to being segmented by geographical locations, stakeholders may also be distinguished by their perceptions and intentions. For example, organizational stakeholders have been categorized as either “market-takers” or “market-makers” (Pontikes, 2012). Market-takers (e.g., consumers) rely on default categories in evaluating goods and thus are unlikely to tolerate ambiguous labels and difficult-to-classify products or services. Market-makers (e.g., venture capitalists) instead favor flexibility and novelty, and thus prefer ambiguous classifications and innovative offerings. Therefore, to present an optimally distinct image to a specific stakeholder, mangers need to be aware of the stakeholder’s role and position, and activate organizational attributes accordingly.

Kraatz and Block (2008) described numerous instances of organizations (e.g., hospitals, arts organizations, and universities) operating in institutional environments with different groups of stakeholders embracing diverse roles and exerting pluralistic demands. In these cases, optimal distinctiveness means something different for each group of stakeholders with unique needs. This makes it challenging to configure an organization for optimal distinctiveness across all stakeholder groups. Similarly, research in entrepreneurship has shown that investor evaluations of new ventures differ substantially depending on the investor’s professional background (Franke

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et al., 2006), personal values (Matusik, George, and Heeley, 2008) and cognitive styles (Murnieks *et al.*, 2011). Therefore, as organizations attempt to appeal to stakeholders with different backgrounds, values, or ways of thinking, the challenge of being perceived as optimally distinct increases because of variation in evaluation criteria.

Implications for other strategic management topics. The stakeholder multiplicity component of our renewed approach to optimal distinctiveness has important implications for other strategic management topics like product-market scope. While there is a robust legacy in the strategic management literature on both corporate and business level product-market scope (Danneels, 2002), one of the most important and yet neglected aspects of this research is the extent to which scope decisions relating to product and market breadth and segmentation can widen or narrow the possibilities of straddling differentiation and institutional concerns (Delios and Beamish, 1999). Our approach suggests that firms can more easily appease different kinds of stakeholders by orchestrating their strategic product-market mix to emphasize distinctiveness in some product lines, and conformity in more institutionally constraining domains (Oliver, 1991), thus segregating firm activities in a way to achieve multiple optimally distinctive positions. We know very little about the costs and benefits to performance of such a strategy.[7]

These opportunities may be most prominent for firms with diverse stakeholder groups with unique expectations. For example, firms may exploit stakeholder multiplicity by operating across diverse geographies with differing levels of institutional maturity; they may try novel approaches in the emerging regions where there are institutional voids, while sticking to tradition and convention in their more institutionally constrained settings (Khanna and Palepu, 2000; Miller and Chen, 1996). Options to exploit stakeholder multiplicity to achieve optimal

[7] But see Durand and Kremp (2016) and Kim and Jensen (2011) on the antecedents and consequences related to conventionality.

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distinctiveness may be more limited where firms are confined to a single market, and where vulnerabilities of being insufficiently differentiated must be traded off more directly with potential legitimacy problems. Similarly, firms with diverse product market portfolios may construe their product mix to embrace more visibly those legitimate product categories which attach more directly to their reputation, while at the same time attempting untried innovations among their as yet less familiar offerings (Durand *et al.*, 2013).

Product market competition also involves key strategic decisions related to the trade-offs between vertical integration, partnerships and alliances, and business acquisitions (Capron and Mitchell, 2012). Once again, this literature too rarely considers the potential institutional benefits and liabilities of these critical aspects of strategy. A firm's ability to achieve institutionally endorsed differentiation can be enhanced by orchestrating one's partnerships and the depth of the value chain. Outsourcing allows firms to concentrate on the parts of the value chain where they create differentiation and excel, while having their partners handle tasks that may be accompanied by a more demanding institutional environment (Quinn and Hilmer, 1994). Business acquisitions can also be an important vehicle for enlarging product-market reach to provide firms with more leeway to orchestrate their product and market orientations and exploit stakeholder multiplicity to achieve optimal distinctiveness. When acquired units keep their original names and locations, they can be used to test novel offerings and approaches without jeopardizing the reputation of the parent company. By contrast, although backward integration can facilitate differentiation, it may encompass activities that threaten some stakeholders (Stettner and Lavie, 2014). In short, how value chain decisions affect optimal distinctiveness requires more systematic attention. Several research questions follow:

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How do firms exploit stakeholder multiplicity to achieve optimal distinctiveness by developing operations in diverse geographies or maintain a diverse product mix tailored to different kinds of stakeholders?

How do firms make value chain decisions (vertical integration, partnership, or acquisition) to manage product-market scope to achieve optimal distinctiveness?

What are the conditions (e.g., less institutionally constraining domains) under which distinctiveness might be a focal point for product markets or modes of operation?

Managing temporality: Industry development and the organizational lifecycle

A firm may need to constantly adjust to the shifting nature of institutional and competitive forces to achieve optimal distinctiveness at different points of its industry's development and its own organizational lifecycle. In this section, we discuss the implications of both industry development and organizational lifecycles for the temporal evaluation of a firm's optimal distinctiveness.

Industry development. Industry development may shift the conformance versus differentiation pressures that firms face, powerfully influencing how managers cope with and respond to competing demands to achieve optimal distinctiveness. While different industries vary in their evolutionary paths, they normally emerge with new entrants showing substantial heterogeneity. The entrants may vary in terms of resources, capabilities, and strategies for serving the industry. This is because consumer preferences are nascent and uncertain, and dominant designs have not taken root. As a result, industry emergence is often characterized by an era of experimentation where new entrants strive to understand and develop consumer interests (Anderson and Tushman, 1990; Suarez, Grodal, and Gotsopoulos, 2015). At this stage, optimal distinctiveness favors differentiation over conformity. Over time, as producers and consumers converge on a specific product architecture and dominant design (Suarez and Utterback, 1995), producers may shift their attention from exploration to exploitation (March,

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1991). Optimal distinctiveness at this stage would require higher levels of conformity and less differentiation.

We recognize that the evolution of some industries may defy the general pattern described above. For instance, they may start with established regulations that promote conformity. Some regulations might be very specific and designed to benefit or protect a certain set of firms, and thus often promote inefficient actions and lead to a lack of incentive for innovation (Dean and Brown, 1995). Alternatively, softer regulations might leave firms considerable discretion to develop their business models (Navis and Glynn, 2010). In either case, legitimacy-building is a major concern as an industry emerges and firms need to demonstrate sufficient similarity in order to be recognized and valued by stakeholders as part of a viable market category (Kennedy, 2008; Navis and Glynn, 2010). As a new industry grows, increasing legitimacy will then enable and encourage more differentiation among firms so as to become optimally distinct within a recognized category. Therefore, achieving optimal distinctiveness might involve conformity in the early stages of a new industry, with increased differentiation later. For example, Wry, Lounsbury and Glynn (2011) argue that conformity pressures are especially strong early on as actors collectively mobilize to tell a common story to enhance acceptance and knowledge of their new industry. They suggest that after a collective identity is established to foster legitimacy and recognition, differentiation is increasingly tolerated (also see Hsu and Grodal, 2015).

In addition, industry development may not follow a linear path, but experience fundamental institutional changes due to economic, political or cultural shocks. In this situation, legitimacy expectations are in flux while competitive anchors shift and intensify over time. A good example with such an evolutionary trajectory is an industry characterized by fads and

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fashions such as entertainment and apparel markets. In this case, optimal distinctiveness requires that firms follow the fashion, first by conforming to the fashion setter's features early on when these features are most appealing to consumers, and then by adding nuanced variations as the product space becomes crowded. Such a fashion following strategy requires that firms constantly identify market leaders, chase and mimic their successful attributes, and increasingly differentiate from fashion setters in order to appeal to consumers.

Organizational lifecycle. Organizational growth and development factors may impact the optimal distinctiveness challenges confronting firms. Scholars have used the biological metaphor of the lifecycle to model the stages of organizational growth and recognize that organizations confront different issues at various stages of their development (Chandler, 1962). Underlying this research is the theme that an organization is subject to different competitive challenges and stakeholder expectations at different lifecycle stages. For instance, the competitive challenge associated with establishing a new customer base in the early stages of an organization's development are quite different from that of protecting an existing customer base and adapting to changes in customer demands in later lifecycle stages (Dodge, Fullerton, and Robbins, 1994). The shift from accessing new customers to protecting and retaining existing ones will shape how organizations wrestle with the conformity versus differentiation dilemma over their lifecycles. Managers of newer organizations may perceive that they have less to lose and more to gain from higher levels of differentiation and lower levels of conformity as they have fewer institutional expectations and fewer parties to disappoint. In contrast, established organizations in later stages of the lifecycle with preexisting customer bases may be less inclined to differentiate for fear of alienating themselves from their major customers (Christensen and Bower, 1996).

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Shifts in the nature and requirements of other key stakeholders (e.g., capital providers, employees) over an organization's lifecycle also may affect the nature of optimal distinctiveness. For example, Fisher and colleagues (2015) describe how, in the early phases of the lifecycle, technology ventures often depend on resources from research granting agencies, guided by a science logic, to advance technical knowledge. As it develops, the venture may seek resources from venture capitalists who rely on a market logic to evaluate a venture's worth. Subsequent growth of the venture may provide an opportunity for an IPO, at which time institutional investors with a corporate logic become salient. Thus, as a venture moves through progressive lifecycle stages, it faces different expectations for conformity and differentiation from different critical resource providers guided by distinct institutional logics.

Implications for other strategic management topics. The focus on managing temporality in our approach has obvious implications for the study of market entry where a core strategic dilemma revolves around the decision to imitate versus pursue more novel innovations (Lieberman and Asaba, 2006). Some scholars argue that fast followers that closely mimic a market leader benefit by attracting consumer interest before a market is saturated (e.g., Lee *et al.*, 2000). Others maintain instead that waiting to learn from incumbents to differentiate and improve upon their products helps to grab market share and increase performance (e.g., Ethiraj and Zhu, 2008; Katila and Chen, 2008). Empirical support for these two lines of reasoning has been mixed (Mitchell, 1991), especially among market entry studies of fashion industries (Abrahamson and Eisenman, 2008). In such industries, market trends evolve rapidly (Brown and Eisenhardt, 1998), and the optimal position of entrants must constantly adjust to address shifting consumer expectations and competitive pressures.

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A focus on managing temporality is well suited to resolve some ambiguity around an optimal positioning strategy. In the context of fashion markets, for instance, our approach suggests that in different stages of fashion evolution, strategic differentiation may take different forms and degrees in order for entrants to achieve competitive advantage. As an example, the U.S. console video game industry is recognized for its multiple, rapidly evolving categories triggered by innovative games with novel feature combinations (Aoyama and Izushi, 2003; Mollick, 2012). These categories build on technological advances in hardware and software, and are propelled by gamers' fast-changing tastes (Bayus and Shankar, 2003; Clements and Ohashi, 2005). Despite the market success and popularity of category defining games, such as Medal of Honor and Grand Theft Auto, the features of such games might not be fully and completely institutionalized. Instead, we observe boom and bust cycles, as new hit game categories emerge and eclipse older ones. For new entrants to be optimally distinct, they need to closely follow a category defining game when it emerges, copy its core features that gamers value, then increasingly differentiate as more new entrants crowd into the same space, and perhaps ultimately exit the market when the popularity of a category wanes. One general question to guide future research might be:

What is the contingent effectiveness of various positioning strategies for new product markets (e.g., mimicry vs. novelty) under temporally shifting legitimacy and differentiation expectations?

DISCUSSION AND CONCLUSION

The pursuit of optimal distinctiveness is a critical aspect of organizational life. The dual pressures of being legitimate and distinctive are important and persistent, exerting significant influence on a variety of organizational outcomes. However, to make progress in understanding the sources and consequences of optimal distinctiveness, and how firms can best strategically

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differentiate themselves to achieve better performance, we need to create a more unified and coherent scholarly conversation and research agenda. To this end, our aim was to provide a comprehensive review and critique of the broad, yet heterogeneous, literature addressing the challenges associated with achieving optimal distinctiveness. Moreover, given that the underlying conformity-differentiation problem underpins much research at the interface between institutional theory and strategic management, we situated our analysis and arguments in the broader scholarly effort to integrate institutional theory into strategy research. Drawing on contemporary developments in institutional theory and related literatures, we argue for a renewed and enriched agenda on optimal distinctiveness. This will stimulate further development of scholarly work at the interface of organization theory and strategic management.

Thus, our review has major implications for future research on optimal distinctiveness and for further integrating strategy and institutional scholarship. We advocate for moving beyond research that has employed strategic balance theory. In particular, we believe the focus on one single, static convergence point where the legitimate distinctiveness of a firm is maximized, has been limiting. While this focus might usefully capture the main way firms seek to balance conformity versus differentiation tensions in highly institutionalized and competitive market environments, it fails to capture the variety of strategies firms might employ to achieve optimal distinctiveness, especially in more complex and dynamic markets. In such markets, stakeholders are multiplex with heterogeneous preferences, and legitimacy expectations might vary across time and space. As a result, strategic positioning cannot be simply gauged against a stable set of competitors, but needs to be adapted according to the changing criteria associated with different stakeholders, various organizational life stages, and unique trajectories of an industry’s evolution. Hence, managers must be open to appreciating how their firms might be better conceptualized as

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complex, multidimensional entities, and how their challenge is to align different organizational attributes to fit contextual requirements in order to be optimally distinct.

Relatedly, theorizing various optimal distinctiveness points and attending to orchestrating mechanisms may allow us to build more robust organization designs. The ability to manage a portfolio of different orchestrating mechanisms is critical for firms to be effective in gaining optimal distinctiveness in the short run, and remain adaptive in the face of uncertain and evolving conditions over the long run. With the integrative and compensatory orchestrating mechanisms we posit, apparent conflicts, such as conformity versus differentiation, can be reconciled and integrated to synergistically create robust and effective organizations. Building a robust organizational design for optimal distinctiveness also requires that managers invoke prevailing dominant logics (Prahalad and Bettis, 1986) and identify the most relevant and powerful stakeholders, so as to ground orchestrating mechanisms in a particular time and space, and embed them within the set of understandings and practices that constitute the institutional environment. Future studies will benefit from a careful analysis of the interplay among organizational design, innovation, and institutions. We see this line of research benefitting from and building on the dynamic capabilities perspective (Teece, Pisano, and Shuen, 1997).

In addition, our paper highlights the value of integrating strategic management and organization theory literatures by, for example, connecting the study of logics, optimal distinctiveness, and firm performance. As our review has highlighted, although past studies on optimal distinctiveness have wrestled with the underpinning conformity-differentiation nexus, those studies have been fragmented in theorizing what a firm is conforming to and differentiating from. They have focused on examining the balancing of a single dimension of strategy, structure or process, and relating it to organizational performance. That has contributed to the proliferation

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of labels for the same general problem and associated solutions. The result has been incoherence, ambiguity, and a lack of progressive knowledge accumulation.

Our suggestion is to consider various organizational attributes simultaneously and examine what drives the coherence, synergy, and relevance of a specific configuration of firm elements, and how this affects stakeholder perceptions of optimal distinctiveness, and ultimately performance. While configurations are essentially interdependent complex systems brought about by central orchestrating themes, past studies have fallen short of identifying those underlying themes, offering little insight into the origin of orchestrating themes and failing to identify when and how different types of orchestrating mechanisms—integrative and compensatory—become relevant. Indeed, Miller (1996: 508) proposed “it is time to search in earnest for such catalysts and processes”. Institutional logics, the norms and beliefs that shape organizational identities and actions, may act as such catalysts (Thornton, Ocasio, and Lounsbury, 2012). In so doing, they may provide key symbolic and material resources that direct the mission of the organization, and guide the integration of various dimensions of organizational strategy and structure. We see great value in integrating the institutional logics perspective into studies examining configurations of firm strategy and structure, and their performance outcomes (Durand *et al.*, 2013).

Finally, we demonstrated the value of our renewed approach to optimal distinctiveness for a number of core strategic management topics. The three key dimensions of our approach—orchestration, stakeholder multiplicity, and managing temporality—have potential to stimulate new insights into effective management of various competing demands and organizational tensions, including exploration versus exploitation, and innovation versus imitation. While we sketched out some research questions that could guide the generation of knowledge across key

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strategic management topics such as organizational ambidexterity, competitive advantage, product-market scope, and market entry, we believe that the issues we raise cut across most areas of strategy. For instance, in addition to what we have discussed, we see value of our framework in helping to address debates around other important strategic issues such as the blending of competition and cooperation (Chen and Miller, 2015), the impact of related versus unrelated diversification on firm performance (Grant, Jammine, and Thomas, 1988), the widely discussed financial-social performance relationship in strategy research particularly among social enterprises (Barnett and Salomon, 2012; Battilana and Lee, 2014; Margolis and Walsh, 2003), and the identification and development of optimal growth strategies (Capron and Mitchell, 2012). Empirically, our reorientation suggests that scholars move beyond conventional modeling strategies based on interactions, and engage configurational approaches such as qualitative comparative analysis (Fiss, Cambré, and Marx, 2013).

In summary, we believe it is both timely and important to synthesize the literature on optimal distinctiveness, evaluate its strengths and weaknesses, and map out a renewed agenda. Such an agenda provides exciting opportunities for organization theory and strategy scholars to advance our understanding of core strategic issues. This will result in a richer understanding of firm performance and how it is influenced by managerial efforts to address conformity and differentiation pressures as well as stakeholder perceptions of those efforts.

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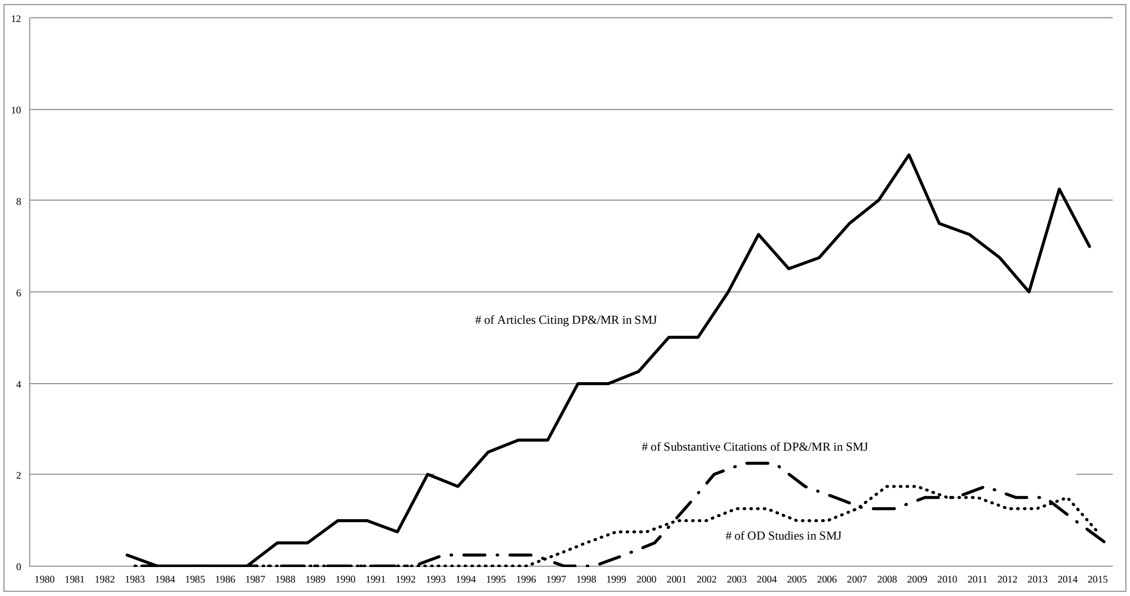
FIGURE 1.
Institutional Theory and Optimal Distinctiveness Research in *Strategic Management Journal*



Note:
1. DP: DiMaggio and Powell (1983); MR: Meyer and Rowan (1977); OD: Optimal Distinctiveness
2. The three trend lines are calculated based on a four-year moving average of articles

TABLE 1.
Contrasting Perspectives for Resolving the Firm-level Optimal Distinctiveness Dilemma

Perspective:	***Strategic Balance***	***A Renewed Agenda***
Description:	Firms strive to be "as different as legitimately possible" (Deephouse, 1999: 147) by achieving an intermediate level of strategic differentiation	Managing conformity and differentiation of a firm by orchestrating multiple, interdependent strategic dimensions, in the context of stakeholder multiplicity, organizational lifecycle, and industry evolution
Key assumptions:	Firms are evaluated based on the degree to which they can balance towards a single, relatively static convergence point	Firms are evaluated by multiple different stakeholders on multiple strategic dimensions, contingent upon organizational lifecycle stages and industry development trajectories
Strategic orientation:	Balance the tradeoff between conformity and differentiation	Effect a synergy between conformity and differentiation
Major precepts:	Optimize positioning on a single strategic dimension by balancing	• Orchestration • Stakeholder Multiplicity • Managing Temporality
Managerial discretion:	*Low.* Focused on balancing a single dimension.	*High*. Managing and orchestrating multiple strategic dimensions in relation to multiple stakeholders across time and space. Using different firm dimensions as levers for conformity and distictinveness

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TABLE 2.
Dimensions of a Renewed Agenda on Optimal Distinctiveness and Related Research Questions for Select Topics in Strategy Research

Dimensions	Research Questions for Select Topics in Strategy Research
Orchestration	***Ambidexterity*** • How is the ability to manage internal paradoxes (e.g., exploration/exploitation, efficiency/flexibility) affected by efforts to achieve strategic positions that are optimally distinctive? ***Competitive Advantage of Incumbents vs. New Entrants*** • How do institutional and economic forces jointly shape strategic positioning and perceptions of optimal distinctiveness for incumbents and new entrants? • Can incumbents achieve optimal distinctiveness by compensating for their technical deficiency via institutional legacies? • Can new entrants achieve optimal distinctiveness by compensating for their institutional deficiency via technical competence?
Stakeholder Multiplicity	***Product-Market Scope*** • How do firms exploit stakeholder multiplicity to achieve optimal distinctiveness by developing operations in diverse geographies or maintain a diverse product mix tailored to different kinds of stakeholders? • How do firms make value chain decisions (vertical integration, partnership, or acquisition) to manage product-market scope to achieve optimal distinctiveness? • What are the conditions (e.g. less institutionally constraining domains) under which distinctiveness might be a focal point for product markets or modes of operation?
Managing Temporality	***Market Entry*** • What is the contingent effectiveness of various positioning strategies for new product markets (e.g., mimicry vs. novelty) under temporally shifting legitimacy and differentiation expectations?

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