Optimal Distinctiveness Revisited: An Integrative Framework for Understanding the Balance between Differentiation and Conformity in Individual and Organizational Identities

Forthcoming, Handbook of Organizational Identity

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Abstract

This chapter integrates three approaches to the question of why successful identities—individual and organizational—generally involve a balance between conformity to others’ practices and differentiation from them. An entertaining model is employed to highlight the limitations of the “optimal distinctiveness” and the “different audiences” approaches. A third approach—“two-stage valuation”—is then shown to address these limitations. It is also demonstrated that this approach provides a general foundation for understanding the balance between conformity and differentiation. The advantages of this framework are (a) parsimony, as it requires no unnecessary behavioral assumptions; (b) generality, as it applies at both the individual and organizational levels of analysis and is capable of incorporating the distinctive observations of the other two approaches; and (d) extensibility, as it is capable of illuminating outstanding puzzles, such as why closely resembling others may sometimes convey legitimacy but may sometimes a problematic sign of inauthenticity.

Key words:
1. conformity
2. differentiation
3. valuation
4. identity
5. audience

* Thanks to Mike Pratt and the other Handbook editors for graciously inviting me to contribute to this volume and for their excellent feedback. I am also grateful for the feedback provided by Gino Cattani, Stefan Jonsson, Minjae Kim, Ming Leung, Cat Turco, and Christophe van den Bulte.
I. Introduction

As is true for individual identities, every organizational identity reflects the confluence of two seemingly contradictory tendencies: to conform to the practices that other organizations have adopted and to differentiate its identity from other organizations. How and why must this challenge be met? And how do the issues at the individual level relate to the organizational level?

The existing literature has advanced three notable approaches that speak to these questions, but they have not been integrated in a productive manner.² Perhaps the most influential approach is “optimal distinctiveness” theory (Brewer 1991; Leonardelli, Pickett, and Brewer 2010; Chan, Berger, and van Boven 2012), which argues that human beings have two competing needs: (a) for “assimilation” or “inclusion” in a collectivity; and (b) for “uniqueness” or “differentiation” from other individuals. In general, the theory supposes that these needs are optimally balanced in a small-to-moderate sized group of similar others. The problem with a very small group (e.g., size 1) is that members’ needs for inclusion are unsatisfied; conversely, the problem with large groups (as they approach majority status) is that they cannot satisfy a member’s need for differentiation.

The second and third approaches in the literature—what we might call “different audience” theory (Deephouse 1999) and “two-stage valuation” theory³—are similar in several respects. First, they were developed to explain organizational rather than individual identity. Second, as organizations are emergent social actors that cannot be reduced to their individual members’ attributes (thus making it problematic to apply “optimal distinctiveness” approach to the organizational level), these approaches do not derive conformity and differentiation from human needs. Third, while these approaches recognize that organizations are placed into categories that distinguish like from unlike, these approaches do not ascribe the pursuit of conformity to collective or group membership (but see Porac et al. 2011). Fourth, they see the pursuit of differentiation as driven not by internal needs of the organization but by the external

² Simmel’s(1957) classic analysis of fashion prefigures each of these three contemporary approaches.
³ This approach emerged first in marketing [Urban and Hauser 1991], draws on work in cognitive psychology [Payne 1976], and has been extended and applied in economic sociology [Zuckerman 1999; Phillips and Zuckerman 2001 Zuckerman et al., 2003; Phillips et al., 2013]. A very closely related approach (see section IV for a difference) is that of Porac, Thomas, and Baden-Fuller (1989; 2011).
need to compete for the favor of “audiences” of resource-holders. In particular, since customers are willing to pay more for products and services that satisfy them, firms must gain recognition as holding an identity that signals a distinctive capability and commitment to deliver attractive offerings to those customers.

Yet while agreeing on why organizations pursue differentiation, these two externally-oriented approaches differ as to why identities generally balance differentiation with conformity. On the one hand, the “different audiences” approach argues that organizations pursue conformity because firms face “institutional” audiences—i.e., regulators and other non-market resource providers—as well as market audience and the former demand conformity with certain practices. Note further that by locating pressures for conformity in environmental factors that are particular to organizations, the implication is that insofar as individual identities also reflect a balance between conformity and differentiation, this must be for different reasons. By contrast, the “two-stage valuation” approach sees pressures for both conformity and differentiation as stemming from a single audience. In short, since valuation necessarily involves two stages—categorization of the offerings to be considered and selection from among them—it elicits a response that balances conformity (to demonstrate membership in the category being considered) with differentiation (from other members of that category).

The foregoing raises two questions. First, do we need two sets of theories, one for the organizational level and one for the individual level? Second, insofar as the two externally-oriented approaches agree regarding the origins of differentiation but disagree as to the impetus for conformity, can this divergence be reconciled so as to integrate these theories?

The main argument of this chapter is that the answer to the first question is no and the answer to the second question is yes. In particular, I show how the “two-stage valuation” approach can (a) account for patterns at the individual level, including a key pattern that cannot be understood by “optimal distinctiveness” theory; (b) can be extended to incorporate the distinctive observations of the other two approaches; and (c) can be extended to illuminate related puzzles.
II. A Model: How (not) to be Cool

In laying out the issues involved, I have found from my doctoral teaching that it is productive (and fun) to turn to an unorthodox “social theorist.” In particular, I will now make use of a sketch called “Dragon Man” from the television show *Important Things with Demetri Martin* in an episode entitled “Coolness.” Like all very good comedy, it is based on astute observation of the logic implicit in prevalent social patterns; and in this case, it successfully captures our intuition for how and why actors balance differentiation and conformity, and the larger social processes involved. I will now proceed to summarize this comedy sketch and then draw lessons from it. It is highly recommended, however, that readers view the sketch themselves.4

The sketch begins with a scene-setting shot of the underside of the Manhattan Bridge, with a view of the Brooklyn Bridge and lower Manhattan against the night sky. We are therefore made to understand that the subsequent events take place in the hip, DUMBO (“Down Under the Manhattan Bridge”) section of Brooklyn. The next shot is of the inside of a metallic, exterior door, surrounded by unpainted brick walls; presently, we see that this door leads to a rooftop party of hip young men and women. We then hear the voice of a man who is steeling himself to a difficult task. He tells himself in a low, determined voice: “Ok, just be confident. C’mon! It was a good decision. You look great... Go for it!” At this point in the story, we do not see the protagonist who is giving this internal monologue; instead, the camera acts as his eyes.

The next stage of the story covers the protagonist’s initial encounter with the partygoers. It begins as we see the door opened by a man who looks startled by the protagonist; the man’s look suggests something between disbelief and disgust, and he issues a barely audible, “whoa...” But this man’s reaction is apparently unimportant since he recedes from view and the camera—representing the protagonist’s eyes—proceeds towards the center of the action, which most immediately includes three attractive young women chatting over drinks. We also see that the rooftop scene has a gritty feel to it, as evidenced by the graffiti on the concrete walls. An instrumental rock-an-roll soundtrack begins softly at this point, and the interior monologue continues: “You look cool now. People will notice you. You are cool! You’re

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cool!” The camera then pans across various groups of partygoers: the first set of attractive women offer glances that recall the mix of disbelief and disgust of the first man, but the glances of the next set of partygoers suggest that they are impressed and amazed by the protagonist.

The internal monologue continues: “Hello ladies... take a look at this!” At this point, the camera lingers for a moment on a pretty young woman wearing a sleeveless dress (her long hair covers her front in such a way that we see her upper torso with no clothing visible) and we see her reaction as she looks up with a coquettish smile and then—when she presumably catches sight of the protagonist—her look transforms into one of awe. “Now everybody, look at me,” the protagonist then says to himself. At this point, the camera pulls back (so that it becomes a third-party, objective observer rather than the protagonist) and we see the pony-tailed back of the protagonist’s head with partygoers in the distance looking upon him. The music in the background builds towards a climax as the protagonist exclaims to himself: “Behold! I am... the dragon man!!” At this point, we finally see what the partygoers see: the face of a young man (played by Demetri Martin) with the image of a red dragon tattooed over his entire face. Martin wears a smirk of self-content on his face as he gazes upon the partygoers with self-satisfaction.

The next stage of the story reinforces the previous stage—i.e., the protagonist has achieved his goal of being recognized as cool. The subsequent few seconds show Martin posturing as if he is surveying an adoring public. He makes expressions that are meant to caricature someone who knows that he is the center of attention, and deservedly so. Again, the camera lingers on the pretty young woman who acts out an exaggerated look of beguiled astonishment and she is accompanied by a hip looking handsome young man (in a “hoodie” sweatshirt with the hood over his head) who is entranced by Martin’s daring. Martin’s interior monologue concludes: “Best eight thousand dollars I ever spent.” Then, with the pretty young woman and the hip young man standing before him, Martin speaks out loud for the first time as he challenges an unseen partygoer in the distance: “Yeah, it’s real! And it hurt like a [bleeped-out expletive]!” The scene continues some unknown moments later with Martin seated and holding forth as he is surrounded by admiring onlookers. He is holding court, and those surrounding him are paying court. At center stage are the pretty young woman and the hip
young man. Martin speaks first, continuing his mock bravado: “It felt good though too because it was like yeah! (said with an expression suggesting pain as pleasure) ... like I’m doing this y’know! Like forever!” As he says this, the camera shows the admiring look of the hip young man and then the enraptured look of the pretty young woman. She speaks for the first time, in a soft, admiring voice, “It’s so hard core!” Their dialogue continues, as the camera continues to show a wide array of partygoers gathered around and listening, paying homage:

*Martin:* “It’s just nice to make a decision and be like—yes! (with a raised fist)—that’s me!—You know. Especially on the forehead... it’s all bone you know.”

*Young woman:* “You’re so brave!”

*Martin* (with exaggerated cool): “Yeah, I guess so. Guilty as charged!

Martin then says, “Check this out,” as he shows the assembled that when he sticks his tongue out of the side of his mouth, it appears as if it is the dragon’s tongue. The young woman responds with the exaggerated giggle of a toady who is trying to ingratiate herself with a superior. She has become the quintessential “groupie.” Their dialogue reaches its climax, as the young woman exclaims adoringly, “I’ve never met anyone who would do something like that!” Martin responds with a detached look of cool and in a soft voice, “I guess you haven’t. yeah.”

But then the scene changes abruptly. The partygoers who are surrounding Martin look up and begin to show evidence of shock in their faces as we hear the squeak of the rooftop door and the dramatic exclamation of a man’s voice from the direction of the door: “The dragon has arrived!” We then see the young woman’s reaction, as she observes the man who has entered; her expression transforms from one of adoration to one of bewilderment and disappointment. Martin wheels around to see who has entered, and the camera then reveals what he observes—a man played by H. Jon Benjamin with exactly the same dragon tattoo on his face! As the background music reaches another climax, Benjamin’s face morphs quickly from one of self-satisfaction to horrified disbelief as he sees Martin looking at him; and Martin’s face goes through a similar transformation. We then see the faces of the pretty young woman and then that of the hip young man, as they—and then other partygoers—turn away from
Martin with looks of disbelief, horror, betrayal, and disgust. Martin then looks down in dismay and declares in anguish, “Shit!”

The sketch concludes with a final scene. Martin and Benjamin are now by themselves, at the beer keg, with the other partygoers far from them. One gets the sense that they are being avoided by the others. They try to make small talk.

Martin: “Hey.”
Benjamin: “Hey.”
Martin: “So.., uh.. how do you know Dan?”
Benjamin: “Oh... uh.. we work at the same temp agency.”

Martin responds with an expression that suggests a mixture of indifference and resignation. Benjamin’s look is one of shock at his predicament. The scene then ends with the two men “hiding” in their beers; the only thing visible is their twin dragon tattoos and the red cups in their mouths.

### III. Key implications from Martin’s sketch

Martin’s sketch is highly entertaining. And it also helps set the stage for integrating the three approaches as to why individuals and organizations balance conformity and differentiation as they develop their identities. In particular, let us note several key points.

First, even though the context is individual rather than organizational, the sketch illustrates the very basis for differentiation described by both the “two stage valuation” and the “different audiences” approaches. In short, social exchange among partygoers (and more generally) can be likened to a market for many intents and purposes (e.g., Coleman 1990). Rather than prices in currency, the terms of exchange may be sex (with the attractive young woman) or esteem (by the hip young man), but the logic is the same. Those who distinguish themselves as “cooler” than others in the eyes of the audience stand to “profit” whereas those who fail to distinguish themselves are in lower demand (e.g., Gould 2002). The key implication is that one does not need to assume a need for uniqueness— as does “optimal distinctiveness” theory— in order to explain why individuals pursue differentiation. Rather, just as firms must
stand out from their competitors so they may gain access to resources on favorable terms, so do individuals.

To be sure, the fact that the same, externally-driven basis for pursuing differentiation is relevant both for organizations and for individuals does not rule out the possibility that human beings have distinctive drives for uniqueness and assimilation. But now consider a second implication from the sketch—i.e., that the optimal group seems to be of size 1. Martin’s character is happy when he is the only partygoer with a dragon tattoo and he is miserable when there are two dragon men. He is not seeking membership in a moderately-sized group; he wants to stand alone. Moreover, Martin is capturing a very general phenomenon here; we are all familiar with the horror of discovering that another person is wearing one’s outfit—or hairstyle, etc.—to a party. But this feeling of horror cannot be explained by optimal distinctiveness theory. Indeed, while Chan and colleagues (2012) rework the theory to argue (with supporting evidence) that the need for uniqueness is better satisfied via within-group than between-group differentiation, their version (and that by Brewer and colleagues; see Leonardelli et al. 2010 for review) of the theory still assumes that the optimal group size is well above 1. The reason is that as group size declines towards 1, the need for assimilation should become particularly insistent. But this is precisely the driving goal of Martin’s protagonist—i.e., to be unrivaled in his coolness. Thus not only does optimal distinctiveness theory’s focus on individual needs render it problematic for explaining organizational identity, it also cannot explain a key aspect of individual identity—why individuals often seek to be completely unique.

But can this be explained by the other two approaches? At first blush, the “different audiences” approach would seem better able to address this question. It holds that actors seek uniqueness when they are in a context that is outside the “institutional” domain—i.e., a state of (market) competition. And perhaps the rooftop party in Martin’s sketch is such a context. But in fact, it is crucial to recognize that Martin’s sketch is a story of conformity as much as it is a story of differentiation. Elaboration on this point clarifies how the very same audience can demand a balance between conformity and differentiation, as argued by the “two-stage valuation” approach.

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5 Here, I am defining “group” as Brewer (1991) does—i.e., the number of people who act in the same way.
To see why the dragon tattoo involves conformity as well as differentiation, we must see it in the larger context—the time and place when it is depicted and the other actions that could have been taken. Consider first that the use of tattoos to impress upper-middle class Americans (the larger culture within which these hipsters are a subculture) would have little chance of working ten years earlier (i.e., before the recent vogue in tattoos) or at any other point in American history. Thus Martin’s protagonist is very much “conforming” to current styles. And the more this event recedes into history, the more will this sketch seem quaint or perhaps even bizarre. Second, if it is perhaps possible to impress a contemporary audience with a dragon tattoo (obviously, the sketch is a “caricature” of what would in fact impress contemporary hipsters), there are many other tattoos that could provide even greater distinction but which would less plausibly help to achieve Martin’s goal. For example, suppose Martin had tattooed himself with the image of a swastika or a pencil sharpener or a penis. The first image might strike the audience as politically offensive, the second as odd or idiosyncratic, and the third as socially offensive. The choice of a dragon is thus ironically a “safe” choice—one that has a much greater chance of being understood and accepted.

In this respect, Martin captures an important pattern: what we call acts of differentiation are properly regarded as acts of conformity on most dimensions of difference used by an audience, with an adjustment on one or two dimensions. This observation is critical and it clarifies why labeling something as conformity or differentiation is a matter of perspective (and also why what appears to be differentiation at a given moment tends to look like conformity when viewed in retrospect). In the case of given names (Lieberson 2000), we find that whereas new names are created all the time, they tend to follow very standard formats (e.g., all American names are written in Latin letters and they rarely are names strongly associated with pets such as “Fido” or “Spot”) and to be part of popular themes (e.g., Biblical names; names that start with the letter ‘K’; see also Berger et al., 2012). Similarity, new product innovations are typically introduced not by emphasizing their differences but their similarities to existing products (see Kahl and Yates 2006; Hargadon and Douglas 2001; Navis and Glynn 2011). Similarly, Uzzi et al. (2013: 468) find that scientific articles are most impactful when they are highly conventional with an “intrusion of unusual combinations.”
The key implication of the foregoing is that we need a theory that can explain why reception by the very same audience (for either organizations or individuals) might create incentives for conformity (on most dimensions) together with incentives for differentiation (on a few), as well as why these incentives shift depending on context. I now argue that “two stage valuation” approach represents this needed theory. Moreover, it successfully integrates the key insights of the other approaches.

IV. Two-stage Valuation as Basis for Theoretical Integration
The foundation of this approach is the two-stage process of selection by audiences and what this implies for those who might wish to impress an audience. To be precise, let us generally assume a social context where there are two types of actors, with potential for exchange between members of each type. What distinguishes each type is that it has the ability to offer a distinctive array of goods and/or services (including social interactions of all kinds) to the other type and/or it has a distinctive set of interests in the goods and services that the other type has to offer. Thus for example, in the typical product or labor market, the exchange is asymmetric, in that one type can be thought of as “candidates” who offer goods and services to attract the interest of an “audience”; audience members, in turn, pay for offerings using a general medium of exchange such as money. And this implies that while audience members are generally judicious in their selection of candidates, candidates are generally indifferent between audience members and seek those who will pay them the highest price (but see Ranganathan 2014). Note finally that while it is analytically convenient to consider such cases where candidates and audiences are distinct, the basic logic applies to situations where they are not. In particular, in competing for membership and status (with associated benefits) in a bounded group, the actors are both candidates and audience for one another (e.g., Gould 2002).

We have already discussed how a demand for differentiation emerges from such a candidate-audience interface. In short, insofar as an audience selects candidates on the basis of their relative performance, this creates an incentive for candidates to distinguish themselves from others as higher performers. To be precise, a “differentiation” strategy involves some kind of modification to a standard offering with the goal of making the new and improved
offering more attractive either to the audience generally (based on shared performance standards)—“vertical differentiation”—or to a particular segment of the audience (based on its particular standards)—“horizontal differentiation” (see e.g., Saloner, Shepard, and Podolny 2001).6

But as discussed in the previous section, differentiation is generally limited to a small set of relevant dimensions of difference. The reason is that even when the ultimate goal of valuation is to select a single candidate, this selection stage is necessarily preceded by a categorization stage, where the audience defines the set of candidates that it will consider for selection and eliminates all others. At its core, the reason that categorization necessarily precedes selection has to do with the basic computational problem that it takes time and effort to consider various offerings and select the best one.7 For any given good or service, there are typically numerous alternatives that are used in extremis. But in normal situations, they are not “worth” considering. Even if some of them could do just as well or better than alternatives, the time and effort it takes to figure this out is often very large (even for a computer). And so, audiences will economize on such effort by first categorizing on the basis of indirect indicators that they meet minimal requirements (“Which offerings look like they can do the job for a reasonable price?”) and then selecting their preferred candidate based on further investigation. This in turn implies that even though selection may be made on the basis of a candidate’s ability to distinguish her offerings on the audience’s performance standards, the candidate’s primary, “categorical” imperative (Zuckerman 1999) is to demonstrate that the audience should consider it a member of the relevant category. And this induces conformity with the audience’s definition of that category’s boundaries.

To recap, the “two stage valuation” approach predicts that identities will reflect a balance of conformity and differentiation whenever the actors that “own” such identities (be they individuals or organizations) compete with one another for valued resources. Such

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6 Thanks to Cat Turco for emphasizing the need to clarify the role of horizontal differentiation.
7 Note that the issue here is not that human beings have a need to categorize, as has been interpreted by some organization theorists (see especially Hannan, Carroll, and Polos 2007). Rather, categorization is a means for addressing our cognitive/computational limitations and thereby achieving more efficient selection.
competition induces differentiation because competition implies selection. Such competition induces conformity because selection requires categorization.

V. Different Types of Audiences and Contexts

If the two-stage valuation model provides a general framework, it should be able to accommodate empirical patterns that have heretofore been understood in terms of the other two approaches. Or, to put it differently, it should be clear what additional assumptions must be made in order to regard these approaches as special cases of the general framework. To that end, let us now consider the “different audiences” approach and then turn back to “optimal distinctiveness.”

The “different audiences” approach hinges on (a) the general observation that some audiences demand conformity and some demand differentiation; and (b) the specific observation that market audiences are examples of the former and institutional audiences are examples of the latter. Our earlier discussion and the larger literature provide strong reasons to doubt this formulation of the specific observation. On the one hand, we have seen that (market) competition generates its own pressures for conformity (as well as differentiation). Indeed, there is by now a large literature on categorization in markets that depicts market audiences as inducing substantial conformity. And on the other hand, two of the three types of institutional pressure identified by DiMaggio and Powell (1983)—i.e., normative and mimetic—can be readily understood in terms of the two stage model of valuation (see Zuckerman 1997, ch.2). As discussed by Philips, Turco, and Zuckerman (2013), normative judgment is inextricably intertwined with performance assessment. Audiences use norms to define categories of legitimate/acceptable candidates for consideration on the basis for their performance. And candidates mimic each other in a bid to ensure that their behavior is regarded as normative (i.e., at a minimum level of acceptance) by the audience.

At the same time, it is possible to restate both the general and the specific observations underpinning the “different audiences” approach in a way that can capture what we in fact

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8 In fact, while much of this literature-- what Durand and Paolella [2013] discuss as the “prototype” approach (see especially Hannan et al., 2007)-- does not account for why market audiences reward differentiation, this is explicitly captured by the two stage valuation approach. See Zuckerman (2015) for general review.
observe within the “two-stage valuation” framework. The general observation is that some audiences effectively emphasize categorization over selection, and thereby induce greater conformity relative differentiation. And the specific observation is that “regulatory” audiences engage solely in categorization; and insofar as they control key resources, they induce conformity with their standards. In particular, let us recall DiMaggio and Powell’s (1983) third type of institutional isomorphism—regulative isomorphism. The goal of a regulator—whether governmental or nongovernmental—is not to select the most attractive candidate but rather to qualify or certify candidates for exchange with others. In that sense, a regulator is an agent for other audiences (e.g., consumers), helping them to engage in the categorization stage of valuation. They exist solely as part of a larger selection process, in which they specialize in the categorization stage.

More generally, audiences vary in the extent to which they privilege conformity or differentiation. Consider evidence from two recent studies: (a) Berger and Heath’s (2007, 2008) finding that individuals exhibit greater tendency to consume low-popularity products (and to avoid those popular in outgroups) when those products are understood to signal “identity”; and (b) Obukhova, Zuckerman, and Zhang’s (2014) observation that in authoritarian society, a premium is placed on conformity over differentiation even on seemingly apolitical forms of cultural expression (i.e., given names). The distinction between “identity” products versus more mundane products reflects the fact that audiences in liberal societies generally use a subset of cultural expressions and consumer products (e.g., music players but not toothbrushes) to distinguish more preferred from less preferred exchange partners (in short, for their “coolness”). The distinction between authoritarian and more liberal societies reflects the fact that some audiences are “greedier” than others (Coser 1974; cf., Phillips et al., 2013) in that they regard virtually all expressions of difference—other than those that demonstrate superior service to them—as indicating deviance (i.e., lack of commitment to the audience and/or its standards; see Phillips et al, 2013). When such greedy audiences are powerful, they drive differentiation out of a system.
The general implication is that there are indeed different types of audiences and such variation can be productively understood in terms of the two stage valuation model.\(^9\) More specifically, to understand how and why conformity and differentiation are balanced in a given context, we must know: (a) whether resource-holders tend to focus on regulation (i.e., qualifying some candidates on behalf of audiences that engage in selection) or on selection among qualified candidates (in which case, categorization is important in setting the stage for selection); (b) which resources candidates depend on most; and (c) whether powerful resource-holders are “greedy” in regarding difference as deviance.

VI. From Human Needs to Identity

But what about the empirical patterns upon which “optimal distinctiveness” approach is based? In particular, are there general human needs for assimilation in collectivities and distinctiveness from others? If so, this would seem to be outside the two stage valuation framework, as it derives its predictions from audience demands, not the internal attributes of candidates.

In fact, it is difficult to find results from this literature (see Leonardelli et al., 2010; Chan et al., 2012 for review) that require the positing of such needs. As far as I am aware, such needs are observed only indirectly, via their “activation” by contextual conditions that are manipulated. Accordingly, one can interpret such results in terms of a general need for resources controlled by others, with the contextual manipulations determining whether such resource holders (typically, real or imagined people who collectively control access to group membership and status) focus more on categorization or on selection. To return to the example of authoritarian regimes (see Obukhova et al., 2014), this context induces conformity not because it activates needs for assimilation but because a regime with no legitimacy rules by force and it is therefore fearful of dissent. Conformity is the rule in such a context because citizens depend on a “greedy” audience for life-giving resources.

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\(^9\) Pontikes (2012) has recently proposed a distinction between two different types of market audiences—“market-takers”, represented by consumers, which demand conformity; and “market-makers,” represented by venture capitalists, which reward innovation. This framework is problematic as it does not recognize that consumers reward differentiation (on a few dimensions) and investors exhibit much conformity in their investment patterns (see e.g., Navis and Glynn 2011). That said, these two audiences may differ in which dimensions of difference by which they categorize and select, and that may account for the purported differences.
Thus the contextual effects demonstrated by “optimal distinctiveness” scholars can be interpreted without positing human needs for uniqueness and assimilation. In addition, insofar as there seems to be cross-contextual stability in how individuals respond to the “need for uniqueness” scale (e.g., Timmor and Katz-Navon 2008), this can be incorporated into the two-stage valuation model once we recognize how the incentives for differentiation vary depending on the individual or organization’s position or established identity.

To appreciate this point, observe first that attempts at differentiation are always subject to what we might call “valuation risk.” Such risk is dramatized by the reactions to Martin when he first enters the party: he ends up being regarded as cool (before Benjamin enters the scene) but the reactions of the partygoers suggest a struggle to decide whether his attempt at differentiation should instead be regarded as an act of incompetence (i.e., failure to meet the audience’s performance standards) or of deviance. In general, aversion to valuation risk greatly reinforces the tendency to limit attempts at differentiation. Accordingly, Porac et al., (2011) argue that there will be no differentiation when it comes to “diagnostic attributes” for a category. In fact however, any differentiation that is truly innovative necessarily involves the violation of membership norms (though not moral norms). As Phillips et al. (2013) discuss, there are typically some unconventional practices have the potential to generate higher performance; such practices violate membership norms only because they have not yet been proven to enhance performance and one must reject conventional practices in order to adopt them. Thus if one can tolerate the valuation risk, unconventional practices hold the promise of eventually earning the highest returns (see Zuckerman 1999, p. 1402-3; Reagans and Zuckerman 2008; cf., Sgourev and Althuissen 2014).

Moreover, as the literature on “middle-status conformity” (see Phillips and Zuckerman 2001 for review; cf., Phillips et al., 2013) demonstrates, valuation risk is less salient for the incumbents of two types of social positions: (a) those whose categorical membership is well-established and thus “unquestioned” (Hughes 1946); and (b) those whom the audience already regards as incompetent or deviant. In many systems, these positions are identifiable as the top and bottom rungs of the status hierarchy, as reflected in the public ranking of identities used by the audience. Since a high status identity implies that the actor has exceeded minimal
performance standards, the audience does not use membership norms to engage in categorization. And insofar as the lowest status actors are already outside the category, they are essentially forced to pursue alternative audiences (who employ alternative performance standards).

The implication then should be clear. Evidence that an individual's "need for uniqueness" (actually the balance of the purported needs for assimilation and uniqueness) is stable across contexts can be understood as reflecting the individual's occupancy of a fairly stable identity across such contexts (with the identity having meaning in a larger, societal context). To be sure, behavioral proclivities towards more or less differentiation (vs. conformity) might not be directly responsive to changes in identity (i.e., there might be lag between a sharp increase or decrease in social status and such proclivities). But at the same time, our recognition of a link between social status and such behavioral patterns suggests why they might be relative stable (no other explanation of this has been proposed to my knowledge), and it suggests how a broader theoretical integration is possible.

VII. Conclusion: Incorporating the Paradoxical Demand for Authenticity

In the foregoing, I have demonstrated how the three approaches to the balance of conformity and differentiation may be integrated to form a more general, robust framework. Of course, many questions remain, and space (and intelligence!) constraints prevent a comprehensive treatment of them. But it seems important to touch briefly on one question that has not been adequately addressed in the past literature, but seems to be a promising area for future research. In particular, why is it that one dragon man is cool but two dragon men are pariahs?

To recall, this seems to be a very general issue; we are all familiar with the fear that someone else will be wearing what we are wearing at a party—as well as the shame when that fear is realized. But while we have pointed out the "two-stage valuation" model can account for why the optimal number is 1 (and why differentiation is in fact so limited), it remains unclear why there is such a dramatic difference between 1 and 2. Moreover, especially in the case of organizations (but see Reagans 2005 at the individual level), past research suggests that the arrival of new members of the same category has a legitimizing effect on that category,
whereby their unconventional practices (or attributes) are more apt to be recognized as meeting the audience’s performance standards (Carroll and Hannan 1995). As such, we must understand why in some contexts, competition serves to delegitimize instead.

Recent research (see Hahl, Zuckerman, and Kim [2015]) suggests that the answer is fraught with irony. In particular, while the motivation for balancing conformity and differentiation lies in the need to compete for the audience’s favor, this does not mean that the audience wants this motivation to be evident. To the contrary, many modern audiences prize “moral authenticity,” which we may define as obtaining when action appears to be driven by internal rather than external motives. To illustrate, let us again return to Martin’s sketch and note what he says to whom. When talking to himself, his narrative focuses on becoming recognized as cool, he addresses the primary audience he cares about (“Hello ladies!”), and he justifies his action in terms of costs and benefits (“Best eight thousand dollars I ever spent.”) He is highly instrumental and focused on managing impressions. But when he speaks out loud, he presents himself as motivated by an inner vision. In particular, he begins by combatting the implicit accusation that there is something inauthentic about what he did and justifies his claim to authenticity by citing the costs he undertook without apparent expectation of gain (“Yeah, it’s real! And it hurt like a [bleeped-out expletive]!” And when he holds court, he continues in this vein, suggesting in various ways that he acted out of an internal rather than an external or objective sense of cost and benefit (“It felt good!”), without regard to one’s future self and his audiences (Like forever!”), and based on a heedless commitment to an ideal (“it’s so hard core,” sighs the pretty young woman). But then Benjamin arrives, and this narrative is fundamentally undermined. What are the chances that two people would each be so heedless of others, so guided by an internal compass, but end up with exactly the same result?

The sketch thus reflects a key paradox at the heart of modern Western culture, or to put it more prosaically, in a key premise underlying audience selection of individuals for their cultural expression. In particular, the overriding myth to which audience members subscribe is that what makes us individuals are inner differences. To be a “cool” individual according to this myth is to be someone who not only performs well according to the audience’s performance criteria (such that others will then follow her lead) but somehow does so without regard to
what other people think. The very word “cool” reflects this ideal, in that it suggests that the actor is emotionally indifferent to audience reception. Accordingly, it is problematic when two individuals—who present themselves to the world according to the myth that their external (cultural) expression reflects a distinctive inner vision—present themselves in the same way. What is thereby revealed is that the myth of individualism is indeed myth. The similarity in their behavior signals that they are in fact acting as candidates who are highly attuned, and largely conforming, to the performance standards used by the audience.10

It is a great paradox that many contemporary audiences evaluate candidates in part on the basis of their capability and commitment to appearing indifferent to audience response. And insofar as this is true, it puts strong pressure on all of us who are beholden to such audiences. Somehow, we must master the ever-shifting challenge of presenting ourselves in a manner that is conventional enough to demonstrate capability and commitment to the audience but different (and indifferent) enough to demonstrate an internal compass. We may prefer such pressures to the pressures for conformity associated with authoritarian regimes (Obukhova et al., 2014). But ours is no less of an iron cage.

Two final notes are in order. First, insofar as moral authenticity is expected of individuals rather than organizations, this would explain why competition is generally more legitimizing in the latter case. In general, organizations are expected, and expressly designed, to serve audiences. At the same time, recent research demonstrates that organizations are also prized for their morally authenticity in certain contemporary markets (see e.g., Carroll and Wheaton 2009; Hahl 2014), a fact that seems driven (at least in part) by individuals’ desire to attain “moral authenticity by association” via consumption of products (Hahl et al., 2015). But much more research is needed on these questions.

Second, consider the following irony: While the “optimal distinctiveness” approach posits that individuals generally seek practices of moderate popularity so as to strike a balance between their inner need for uniqueness vs. their inner need for assimilation, we have concluded that audiences (in modern, liberal societies) are often suspicious of people who

10 There is also a second-order effect, in that suppliers of cultural material cater to the demand for marginal differentiation, such that insofar as one acquires one’s means of cultural expression via the market, one’s choices will necessarily be limited.
seem driven by external demands rather than internal needs and desires. So it is not that inner needs are irrelevant in determining the balance between differentiation and conformity. It is that they play a different role than has been posited: such needs are central to myths used by audiences to evaluate candidates. The implication is that our attempts to balance conformity and differentiation are motivated by our need to enact myths about internal needs rather than by the needs themselves.

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