How shall de novo app developers optimally position their products among a large number of rivals in highly competitive platform markets (e.g., Google Play App Store or Apple App Store)? When and to what extent should video game publishers differentiate strategic positions of their new games vis-à-vis those of existing hit games to gain gamer attention and win market competition? How do Airbnb hosts or crowdfunding campaigns narratively position their listings/projects to gain legitimacy and stand out from competing offerings to attract guests or funders? All of these questions point to a central challenge that organizations constantly face—namely, the challenge of being optimally distinct. Indeed, research on optimal distinctiveness has attracted significant scholarly attention and regained momentum in the past few years. Optimal distinctiveness represents a common problem organizations wrestle with as they confront competing pressures to simultaneously be similar to and different from their peers (Deephouse, 1999; Zhao, Fisher, Lounsbury, & Miller, 2017). Conformity (being similar) to normative expectations, industry templates, and/or categorical prototypes and practices facilitates organizational legitimacy and prevents performance penalties associated with deviance (DiMaggio & Powell, 1983). Differentiation (being different) makes organizations distinctive or unique, thereby enhancing their likelihood of securing advantageous positions and gaining competitive advantage (Barney, 1991; Porter, 1996). To manage these competing pressures, organizations need to understand the conformity versus differentiation tension they confront in different market contexts and engage in strategies to resolve this tension, which in turn shape stakeholder perceptions and organizational outcomes (Zhao et al., 2017; Zuckerman, 2016).

The genesis of optimal distinctiveness research lies in Marilynn Brewer’s classic work (1991) on the social self, in which she focused on examining a fundamental tension that individuals face in constructing their social identities: the needs for validation and similarity versus the needs for uniqueness and individuation. Extending this thinking from the individual to the organizational level, Deephouse (1999) was influential in bringing the notion of optimal distinctiveness to the management literature. He proposed strategic balance theory, which “directs attention to intermediate levels of strategic similarity where firms balance the pressures of competition and legitimation” (147). According to strategic balance theory, organizations need to be as different as legitimately possible by implementing an intermediate level of strategic differentiation. Such an intermediate positioning strategy is optimal for balancing the benefits of reduced competition from competitors and the costs of reduced legitimacy, leading to the best performance.
Since then, the study of optimal distinctiveness has advanced in ever-widening circles to encompass a broad set of theoretical lenses, including (but not limited to) organizational identity, strategic management, institutionalism, entrepreneurship, and social evaluations. Reflecting this broad scope, optimal distinctiveness has been studied under an umbrella of terms that include competitive cusp (Porac, Thomas, & Baden-Fuller, 1989), strategic similarity (Deephouse, 1999), competitive conformity (Chen & Hambrick, 1995), strategic conformity (Finkelstein & Hambrick, 1990), legitimate distinctiveness (Navis & Glynn, 2011), and strategic categorization (Durand, Rao, & Monin, 2007; Vergne & Wry, 2014). While not all of these studies invoke the notion of optimal distinctiveness, most share a common interest in understanding and dealing with the tension between conformity and differentiation. A robust stream of research has also been building around this common problem, highlighting how organizational approaches to this tension have important implications for a variety of organizational actions and outcomes, such as resource acquisition (Lounsbury & Glynn, 2001; Taeuscher, Bouncken, & Pesch, 2021; Tracey, Dalpiaz, & Phillips, 2018); corporate governance (Aguilera, Judge, & Terjesen, 2018; Zajac & Westphal, 1994); stakeholder attention and evaluations (Boulongne & Durand, 2021; Gupta, Crilly, & Grechhamer, 2020; Zhang, Wang, & Zhou, 2020; Zhao, Ishihara, Jennings, & Lounsbury, 2018); stock market reactions (Chan, Lee, & Jung, 2021); product ranking and sales (Askin & Mauskapf, 2017; Barlow, Verhaal, & Angus, 2019; Bu, Zhao, Li, & Li, 2022; Zhao et al., 2018); firm reputation (Philippe & Durand, 2011; Rao, 1994); organizational survival, growth, and performance (Deephouse, 1999; Haans, 2019; Jourdan, 2018; Taeuscher & Rothe, 2021); and category emergence, entrenchment, change, and decline (Durand & Khaire, 2017; Durand, Rao, & Monin, 2007; Lo, Fiss, Rhee, & Kennedy, 2020; Navis & Glynn, 2010).

In spite of the remarkably broad influence of optimal distinctiveness scholarship, there have been few concerted attempts to critically review or synthesize this literature. As a result, a coherent body of knowledge has yet to emerge, and more active efforts are needed to guide research and build community around this topic. Several challenges have contributed to the lack of knowledge accumulation in optimal distinctiveness research. First, the proliferation of different labels to describe optimal distinctiveness is a double-edged sword. While it is exciting to see the broad appeal of the common conformity versus differentiation tension, the emergence of so many ways of talking about and studying this tension risks fragmentation of scholarship and threatens potentially fruitful conversations among scholars researching similar issues. Indeed, different approaches to the conformity–differentiation tension may be integrated to form a more general, robust framework (Zuckerman, 2016). Second, mixed
and contradictory findings prevail regarding the relationship between position and performance, creating ambiguities in terms of what constitutes an optimal positioning strategy. Third, although Deephouse’s (1999) strategic balance theory has had a significant influence on subsequent research, its original prescriptions on optimal distinctiveness are inconsistent: on the one hand, it suggests firms strike a balance between conformity and differentiation; on the other hand, it suggests firms differentiate as much as possible once they cross the legitimacy threshold (McKnight & Zietsman, 2018; Zimmerman & Zeitz, 2002). Partly due to such ambiguity, subsequent citations of this work have tended to be either ceremonial or narrow in their interpretation of the original message by hewing closely to the idea of “balancing” on a singular organizational dimension. In adopting this narrow focus, most studies to date have only scratched the surface of the wealth of approaches and strategies organizations can leverage to optimally position themselves.

Responding to these challenges, Zhao et al. (2017) and Zhao and Glynn (2022) conducted two recent reviews of the literature aiming to synthesize and energize the optimal distinctiveness conversation in organization studies. Specifically, Zhao and colleagues (2017) argued that prior studies of optimal distinctiveness have commonly adopted the presumptions (1) that sameness (or conformity) is equated with institutional pressures for isomorphism, inducing organizational compliance with taken-for-granted cognitive or normative sentiments, and (2) that differentness (or differentiation) is equated with the strategic management push for competitive uniqueness or advantage. However, 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. Most studies have followed Deephouse’s (1999) strategic balance theory and considered conformity and differentiation as two opposing ends of a continuum. As such, organizations are advised to manage these competing pressures by optimizing their positioning on a single organizational dimension and balancing the two pressures as a strict trade-off. The belief is that stakeholders perceive and evaluate organizations based on the degree to which they can balance toward a single, relatively static convergence point.

Zhao and colleagues (2017) challenged this narrow interpretation of strategic balance theory and proposed a renewed agenda for understanding optimal distinctiveness. According to this renewed agenda, future research needs to go beyond viewing conformity versus differentiation as a trade-off and should instead view conformity and differentiation as mutually enabling (Durand & Kremp, 2016; Philippe & Durand, 2011). Zuckerman (2016: 189) made a similar point, arguing that “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.” By taking this alternative view of the relationship between conformity and differentiation, organizations can effect a synergy between the two rather than manage them as purely competing pressures. To achieve this synergy, organizations can orchestrate multiple interdependent strategic dimensions and can do so in relation to multiple stakeholders across space and time.

This renewed agenda has proved to be generative. A series of follow-up studies building on this agenda have been published in leading management and disciplinary journals, thanks to some collective effort by both junior and senior scholars across various domains (e.g., strategy, organization theory, entrepreneurship, and international business). As such, significant advancements in studying optimal distinctiveness are clearly evident. Not only has there been a burgeoning literature, but also that literature has gained in its sophistication and complication of the optimal distinctiveness puzzle. In general, researchers have investigated the relationship between strategic positioning and performance by examining the underlying legitimacy and competitive pressures, the different sources and strengths of these pressures, and how the sources and strengths of these pressures vary across contexts and over time. At the same time, however, there still seems to be a lack of consensus in optimal distinctiveness research and a lack of an identifiable optimal distinctiveness research community. Three decades after Brewer’s (1991) foundational research, our understanding of optimal distinctiveness in organization studies remains incomplete, and many lines of development are still emerging, remaining tentative, and evolving.

1.1 The Objective and Organization of the Element

In this Element, one main goal I aim to achieve is to build on these recent developments and provide a more extensive overview of optimal distinctiveness research in organizational scholarship. My hope is to contribute to the development of a more systematic conversation about optimal distinctiveness in the study of organizations, interorganizational relationships, and broader industry and market dynamics. In doing so, I seek to lay the foundation for a broader and more integrative research agenda on optimal distinctiveness and release its power for stimulating research in various disciplines. Building on and expanding earlier definitions (Zhao et al., 2017; Zhao & Glynn, 2022), I conceptualize optimal distinctiveness not as a static positioning point on a single organizational dimension but as a dynamic process whereby organizations identify and orchestrate various types of strategic resource and action to reconcile the
conformity versus differentiation tension in order to succeed in multilevel and
dynamic environments. This conceptualization of optimal distinctiveness views
organizations as complex and multidimensional entities that aptly modify their
positioning strategies to address the multiplicity of stakeholder expectations. It
encompasses an understanding of the conformity versus differentiation pres-
\textit{sures faced by firms in different market contexts; the various strategies firms}
employ to resolve this tension; how these strategies are informed by the
demands and preferences of different types of stakeholder; how stakeholders
perceive and evaluate firms’ efforts to cope with this tension; and, ultimately,
how stakeholder responses affect different performance outcomes.

In light of the objective and the guiding definition of optimal distinctiveness,
this Element is organized as follows. In Section 2, I provide an overview of
some pioneering work that has served as the historical grounding for subsequent
optimal distinctiveness research. In Section 3, I draw on recent developments in
the study of optimal distinctiveness in strategic management, organization
theory, and related fields to map out an orienting framework that stresses the
highly contextualized and dynamic nature of optimal distinctiveness. In
Section 4, I discuss how this orienting framework, rooted in organization theory,
can breathe new life into the study of some core topics in various disciplines,
including strategy, entrepreneurship, and international business. In Section 5,
I focus on one particular topic – organizations’ competitive positioning – to
further elaborate the value of the orienting framework. I use four example
settings – Canadian cleantech industry, video games publishing, stock market
analysts, and frontal design of passenger cars – to illustrate how the optimal
distinctiveness framework provides several powerful and unique angles for
understanding organizations’ competitive positioning in various types of mar-
ket. In Section 6, I elevate the study of optimal distinctiveness from organiza-
tional to market level, discussing how category emergence and durability can be
conceptualized as evolving optimal distinctiveness work. Finally, in Section 7,
I conclude the Element with a summary of my core arguments and a call for
a more cross-disciplinary and mutually generative conversation on optimal
distinctiveness research.

2 The Historical Grounding of Optimal Distinctiveness Research

In this section, I provide a review of some pioneering research that has served
as an important foundation for optimal distinctiveness scholarship. In identi-
fying this foundational research, I highlight the roots of optimal distinctiv-
ness research in social psychology (Brewer, 1991) and discuss some
important insights from this micro perspective. Next, I show how scholars
adopting the macro approach to optimal distinctiveness research have primarily been influenced by strategic balance theory (Deephouse, 1999), anchored at the intersection of strategic management and institutional theory, and have thus lacked a conversation with scholars taking the micro perspective. I also note that the macro perspective has lagged in embracing some important insights from the micro perspective, particularly in terms of the contextual and temporal conceptualization of optimal distinctiveness. This gap served as a motivation for recent reviews by Zhao et al. (2017) and Zhao and Glynn (2022).

2.1 The Micro Perspectives of Optimal Distinctiveness

The genesis of research on optimal distinctiveness lies in Marilynn Brewer’s classic work (1991) on individuals’ self-construals. According to Brewer (1991), human beings have two fundamental needs that govern the relationship between their self-concept and their membership in social groups. “Social identity,” she wrote, speaks to “a fundamental tension between human needs for validation and similarity to others (on the one hand) and a countervailing need for uniqueness and individuation (on the other)” (Brewer, 1991: 477). The first need – validation and similarity – represents a desire for assimilation and inclusion that motivates belonging and immersion in social groups, whereas the second need for uniqueness and individuation drives differentiation from others, which operates in opposition to the need for assimilation. The basic premise of the optimal distinctiveness model is that the two needs are independent and work in opposition to motivate group identification. Individuals then select and activate social identities to the extent that they help to achieve a balance between the two needs in a given social context (Leonardelli, Pickett, & Brewer, 2010).

The idea that individuals prefer a balance between the two opposing needs of assimilation and differentiation is not novel and is widely accepted in social psychology research. Theories of uniqueness (Fromkin & Snyder, 1980) and individuation (Maslach, 1974; Ziller, 1964) have both examined the motivational drivers of the two needs. Optimal distinctiveness theory differs from these other motivational theories in that individuals pursue group memberships that simultaneously provide a sense of assimilation and a sense of distinctiveness. As such, the balance between inclusion and differentiation is achieved at the group level and through individuals’ pursuit of shared distinctiveness (Brewer & Silver, 2000; Stapel & Marx, 2007) by identifying with certain groups. Individuals tend to resist social categorizations that are either too inclusive or too differentiating.
Leonardelli et al. (2010: 66) articulated this idea of optimal group identification nicely:

As group membership becomes more and more inclusive, the need for inclusion is satisfied but the need for differentiation is activated; conversely, as inclusiveness decreases, the differentiation need is reduced but the need for inclusion is activated. These competing drives hold each other in check, assuring that interests at one level are not consistently sacrificed to interests at the other. According to the model, the two opposing motives produce an emergent characteristic – the capacity for social identification with distinctive groups that satisfy both needs simultaneously.

In other words, optimal identities are those that “satisfy the need for inclusion within the in-group and simultaneously serve the need for differentiation through distinctions between the in-group and out-group” (Leonardelli et al., 2010: 67). The essence of optimal distinctiveness theory is summarized in the following figure, recreated based on Brewer’s (1991) original work.

As depicted in Figure 1, optimal distinctiveness is defined based on four important parameters: the height of the need for assimilation, the height of the need for differentiation, the negative slope of the need for assimilation, and the positive slope of the need for differentiation (Leonardelli et al., 2010). Note that the intercept (zero activation) of the need for differentiation is assumed to be at the point of complete individuation. This is where the need for assimilation is highest. Conversely, the intercept (zero activation) of the need for assimilation

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**Figure 1** The optimal distinctiveness model: Opposing needs of individuals.
Reprinted with permission from Brewer (1991)
is assumed to be at the point of complete inclusion, where the need for differentiation is highest.

Beyond these intercepts, all other parameters are not fixed and are allowed to vary. Both the height and slope of the need for assimilation and of the need for differentiation can change across situations, cultures, and individuals, and they jointly determine the point of equilibrium at which optimal identity is defined (Leonardelli et al., 2010). In other words, optimal distinctiveness is not a fixed, static property of groups or of individuals, but is shaped by the nature and strengths of both assimilation and differentiation needs. This interpretation of Brewer’s (1991) original model has significant implications for subsequent optimal distinctiveness research in organization studies, pointing to the importance of attending to contextual contingencies and temporal dynamics when conceptualizing and measuring optimal distinctiveness.

2.2 The Macro Perspectives of Optimal Distinctiveness

2.2.1 Strategic Balance Theory

Extending the logic of optimal distinctiveness to the organizational level, Deephouse (1999) articulated strategic balance theory, which revealed that firms face “a trade-off between conforming and differentiating” and suggested that they should be “as different as legitimately possible” (147). The central proposition of strategic balance theory is that organizations can achieve their best performance by taking an intermediately differentiated position compared to that of their peer organizations. The belief is that intermediate levels of strategic differentiation help organizations simultaneously reduce competition and demonstrate legitimacy. Indeed, organizations’ competing needs for legitimacy and differentiation have strong analogies to individuals’ opposing needs for assimilation and differentiation.

To test the strategic balance proposition, Deephouse (1999) conducted a longitudinal study of commercial banks in the Minneapolis-St. Paul metropolitan area (the Twin Cities), a highly institutionalized and competitive market. Grounded in this context, Deephouse examined a commercial bank’s strategic deviation by comparing its asset strategy to the industry mean for that strategy. He found that there was an inverted U-shaped relationship between this strategic deviation and the banks’ relative return on assets (ROA), which was calculated as the difference between the bank’s ROA and the average ROA of all Twin Cities’ banks. Thus, the strategic balance point occurred at an intermediate level of strategic differentiation on the asset strategy dimension. The argument was that, in a mature and established context such as commercial banks, wherein institutional and competitive forces were both strong, an
intermediate level of strategic differentiation represented the optimal positioning point at which the costs of legitimacy challenges were offset by the benefits of reduced competition.

Deephouse’s work suggests that optimal distinctiveness reflects an alignment between two major streams in the management and organizational literatures: institutional theory and strategic management. At the time Deephouse was writing, scholarly interest in institutionalism was growing widely. Provoked by the question “What makes organizations so similar?” (DiMaggio & Powell, 1991), institutionalism afforded a natural affinity for modeling optimal distinctiveness’s sameness as isomorphism. Deephouse’s (1996, 1999) studies confirmed this by showing that strategic isomorphism helps organizations gain legitimacy. Subsequently, a number of studies extended these observed effects to the symbolic realm and, in particular, to organizational names (Glynn & Abzug, 2002; Smith & Chae, 2016; Verhaal, Khessina, & Dobrev, 2015; Zhao, Ishihara & Lounsbury, 2013), labels (Granqvist, Grodal & Woolley, 2013), stories and narratives (Lounsbury & Glynn, 2001; Martens, Jennings & Jennings, 2007), and other types of symbolic action (Zott & Huy, 2007).

While institutional theory set the stage for the conforming aspects of optimal distinctiveness, strategic management research set the stage for its differentiating aspects. The latter offered a stark counterpoint to the homogenizing forces emphasized by institutionalism, in that it focused on how organizations distinguish themselves in the market by exploiting what is distinctive, unique, and valuable about them (Barney, 1991). Strategic management scholars argued that to gain competitive advantage, firms implement strategies that build on environmental opportunities, neutralize external threats, and exploit internal strengths (Peteraf & Barney, 2003). They do so by identifying favorable industry contexts (Porter, 1980), cultivating unique market positions, and developing resources and capabilities that are valuable, rare, and inimitable by competitors (Barney, 1991; Peteraf, 1993). Moreover, firms can further buttress their uniqueness and distinction and sustain their competitive advantage by ensuring strong internal alignment among key components of their strategies and structures and strong external alignment between the outside environment and their internal structures (Powell, 1992). The result is a uniquely configured activity system that is both robust and hard for competitors to replicate (Miller, 1996).

Therefore, institutional theory and strategic management were initially on separate trajectories in terms of their theoretical focuses, with the former stressing the constraining effects of institutions and the need for conformity and the latter emphasizing environmental and organizational distinctions that lead to competitive advantages. This conceptual bifurcation provided the initial theoretical tension that motivated Deephouse’s strategic balance theory, which

Optimal Distinctiveness
is quintessential in substantively bridging institutional theory and strategic management research. However, the same conceptual bifurcation also led to a strongly polarized view of conformity versus differentiation and a religious adoption and application of the “balancing” idea in subsequent research on optimal distinctiveness, which has thus ignored some broader and deeper insights hinted at in Deephouse’s original work.

2.2.2 Reviews and Challenges of Macro Studies of Optimal Distinctiveness

To more systematically review and evaluate the literature on macro studies of optimal distinctiveness, Zhao et al. (2017) first compiled and evaluated all articles in the Web of Science database that were published in five top management journals (Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Organization Science, and Strategic Management Journal) before 2015 and cited either Brewer (1991) or Deephouse (1999). Next, they identified all articles published in Strategic Management Journal that cited either Meyer and Rowan (1977) or DiMaggio and Powell (1983), two of the most highly cited foundational papers in institutional theory. This two-phase review approach enabled the authors to not just generate a population of studies that were relevant to understanding how organizations wrestle with the dual pressures of conformity and differentiation but to also situate their review in the broader conversation at the intersection of institutional theory and strategic management.

Zhao and colleagues’ (2017) article revealed that Deephouse’s (1999) strategic balance theory has had a significant influence on macro studies of optimal distinctiveness. However, an increasing number of studies have pointed to several challenges and limitations of strategic balance theory for understanding organizations’ optimal positioning strategies. First, strategic balance theory sets up the tension between conformity and differentiation as two polarities – that is, as two extreme positions such that an organization is either institutionally conforming or strategically differentiating. However, increasing evidence has defied this polarized view of conformity and differentiation and has suggested that the two forces can instead be mutually enabling (Durand & Kremp, 2016; Philippe & Durand, 2011). In other words, under certain circumstances, differentiation may become the norm and thus confer legitimacy (Taeuscher et al., 2021), and conversely, conformity may help decrease information asymmetry (Miller, Indro, Richards, & Chng, 2013), reduce competitive disparity (Gimeno, Hoskisson, Beal, & Wan, 2005), facilitate knowledge and resource spillover (Saxenian, 1994), and thus enhance organizations’ competitive positioning. Moreover, conformity through adherence to traditions (Cattani, Dunbar, &