Why “They” never can be as good as “Us”: How other organizations must be worse off on essential features

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ABSTRACT AND KEYWORDS	
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Abstract

Being different from competitors, in a positive sense, is an important asset to organizations. Well-chosen emphasis on distinctive organizational features is very helpful in achieving a superior position relative to rival organizations. However, organizations often claim to be distinctive on features where they appear be at best only moderately distinctive. Systematic bias seems to arise because what members see as distinctive about their organization is so closely interwoven with how they see its identity. In this study, organization members rated competitors systematically lower on a feature to the extent that they considered that feature to make up the essence of the identity of their own organization. The results point to a serious tendency to underestimate comparable competitors as a consequence of the social comparison heuristics. Managerially, this implies an important caution when designing corporate strategy and positioning.

Why "they" never can be as good as "us":

how other organizations must be worse off on essential features

Being different from competitors, in a positive sense, is an important asset to nearly any organization. Organizations often engage in a differentiation strategy, seeking to be unique in their industry in some dimensions that are widely valued by buyers (Porter, 1985). Well-chosen emphasis on distinctive organizational features can be very helpful in achieving a superior position relative to rival organizations (Porac & Thomas, 1990). Being different reduces the amount of competition one faces (Deephouse, 1999), and the firm can reap the full advantages of being unique (Porter, 1985). On the reverse side of the same coin, an incomplete understanding of how one's organization differs can be detrimental to the success of a differentiation strategy. Firms occasionally base their differentiation strategies on criteria that they see as the "real" bases for differentiation, but which are not recognized as such by the relevant stakeholders, such as clients (Porter, 1985). The problem that interferes with strategy formulation is that comparison with competitors is one specific case of social comparison processes which regularly occur between both groups and individuals. Such comparisons may not be neutral, and humans may be systematically biased when they have to establish what is distinctive or unique about them.

Systematic bias may arise because what is distinctive about an organization is so closely interwoven with how members see the identity of their organization – as an

organization's identity represents what members see as essential, distinctive enduring and distinctive about there organization (Albert & Whetten, 1985). Distinctiveness partly explains the missionary zeal often displayed by members of organizations that are new and innovative or organizations that pursue unique goals (Ashforth & Mael, 1989). It may be that the assumption of being distinctive – not to say unique – is as fundamental as assumptions about rationality and internal control (Martin, Feldman, Hatch & Sitkin, 1983).

Organization members often appear to claim "distinctive" or even "unique" features that are not credibly unique as they would like them to be (Martin et al., 1983). They may systematically perceive features as "distinctive" whose distinctiveness may not survive rigorous comparison. Albert and Whetten (1985: 267) argue that, although the "claimed central character" of an organization and its "claimed distinctiveness" are logically independent, some empirical overlap may be expected. Could it be that the dimensions of differentiation are given by perceptions of the identity of the organization, and that the subsequent assessment of the difference on those dimensions with other organizations seldom may be as thorough as it theoretically could be?

Jetten, Spears and Postmes (2004: 862) define distinctiveness as "the perceived difference or dissimilarity between one's own group and another group on a relevant dimension of comparison". In an organizational context, this difference can be decomposed in member perceptions of their own organization and their perceptions of other organizations (Chambers & Windschitl, 2004; Edwards, 1995; 2001). It would not

be surprising if members evaluated their own organization highly on a feature if they believed that this feature constituted the essence of their organization. However, members may also believe their own organization distinguishes itself from its competitors because they believe that competitors achieve lower ratings exactly on those features that form the essence of their own organization. This would point to systematic, and maybe serious, underestimation of competitors exactly on those features that matter most to their own organization, and, by consequence, lead to serious overestimation of the degree to which an organization distinguishes itself from the relevant competitors. This raises the key question in this study: May we expect a systematic influence of degree to which members deem a feature essential for the identity of their own organization on their tendency to systematically rate other organizations lower?

Studies in social psychology point to such a bias. Tendencies to see oneself as distinct and to underestimate others' talents appear to be particularly pronounced on dimensions that people consider self-relevant (Wood, 1989). For instance, Cross (1977) found, that 94 % of college professors rated themselves as "above average teachers". Analogously, organization members might have a predilection to select features they deem essential to the identity of their own organization as dimensions of comparison and, subsequently, to underestimate other organizations' performance on these dimensions. However, whereas social comparison has been investigated quite frequently in small group settings (Jetten et al., 2004), at the organizational level they have been scarce so far.

May we indeed expect a link between the degree to which organization members perceive features to be essential and the degree to which they perceive these same features to be distinctive? In order to answer this question, this study first takes a closer look at which features members perceive to constitute the essence of their organization. Next, it will review literature regarding organization members' motivation to rate competitors different from their own organization, and subsequently review literature on how cognitive biases and heuristics affect comparison outcomes. It will investigate the relation between perceived essence and distinctiveness empirically and it will discuss the implications of the results for research on organizational distinctiveness and identity.

The role of features that form the essence of the organization's identity

When do organization members view a feature of their organization as forming the "essence" of the identity of their organization? The key to answering this question may be in the "naïve theories" people have about the world surrounding them (Murphy & Medin, 1985). Two or more features of a concept (for instance an animal, or an organization) cohere if people have a theory explaining *why* these features cohere. For instance, two features of a cat are that it has sharp claws and that it can climb trees. Those features cohere: a cat can climb trees because it has sharp claws. The link between the two features is not a simple, general association, but a causal explanation of why one feature depends upon the other (Murphy & Medin, 1985). Using their theories, people explain to themselves and others what their concepts mean, and why things are as they

are. The causal relations in which people believe do not need to have a scientific basis: what matters are people's perceptions, not an underlying scientific reality.

This pattern of causal relations among features of an organization provides a key to which features constitute its essence. Locke (1991: Book III, Chapter III, p. 217) defines essence as follows: "Essence may be taken to be the very being of any thing, *whereby it is, what it is"* (emphasis added). The degree to which people see a feature as constituting the essence of an object flows forth from the degree to which they perceive that feature to cause its other features (Ahn, 1998). Applying this principle to organizations, we define perceived essence as follows: The more a feature is perceived to be the cause of other features of an organization, the more that feature is seen as its essence. The great advantage of this conceptualization of essence is that it takes into account the human inclination to look for causes of features, without assuming any "true" or "objective" essence.

Empirical evidence for convergence between perceived essential and distinctive features

Can we expect such causal features to coincide with features that are perceived to make up the difference with other organizations? Literature provides indications that this might be the case. Mummendey and Schreiber (1984) investigated what the members of two German left-wing political parties thought of each other. They found that members of either party assigned their own party higher ratings on the features that were more

important to the identity of the own party. Hewstone, Jaspars and Laljee (1982) found that British Comprehensive School boys ascribed their more stereotypic traits preferentially to their own group. These traits formed the ingredients for group-serving theories on why they differed from Public School boys. In Dutton and Dukerich's (1991) study of the New York Port Authority, the second most frequently mentioned organizational feature was: "ethical, scandal-free and altruistic". Several people illustrated this claim by comparing the Port Authority with Grand Central Station, where police were moving homeless people "out into the cold" (p. 547). These examples suggest some link between what organization members see as essential features of their organization and how they see the differences between their own organization and others.

Why more essential features can make a difference

Why might the most essential features – in member perception - be also those features where differences with comparison partners are most pronounced? Literature in social psychology suggests two ways in which perceived essence and difference may cohere. On the one hand, people may be motivated to compare favorably to others. Dunning (1999) argues that the judgments people make of themselves and of others may be self-serving. For instance, when people form representations of concepts such as "intelligent" or "socially skilled", those representations are colored by their needs and desires to think well of themselves. Such motivated cognition may be very useful in helping people to satisfy their desire for 'optimal distinctiveness' (Brewer, 1991). On the other hand, convergence between essential and distinctive features may be the product of cognitive

heuristics. These heuristics might constitute a robust and sufficient source of bias in social comparative judgments (Chambers & Windschitl, 2004). This kind of "cold cognition" might produce a similar bias as often attributed to "hot cognition", and both might work in concert. This study will address both kinds of mechanisms in turn.

The potential role of motivated cognition

What evidence can we find about human motivation shaping the relation between what is essential about an organization and what is distinctive about it? Wood (1989) argues that tendencies to see oneself as superior and to underestimate others' talents are especially pronounced on dimensions that are self-relevant. A core tenet of social identity theory is that individuals, having defined themselves in terms of a particular social identity, act to maintain the positive distinctiveness of the group with which that identity is associated (Haslam, Eggins & Reynolds, 2003). Pickett, Bonner and Coleman (2002) argue that enhanced differentiation need will result in heightened levels of content-specific stereotyping – as illustrated by the British schoolboys studied by Hewstone et al. (1982). Members' own group must perform well within its own dimensions, even when this may cause a lower evaluation on a dimension that is also important to the other group (Mummendey & Schreiber, 1984). In order to compare favorably, people occasionally engage in social creativity strategies, such as redefining the values of characteristic group traits, inducing alternative dimensions of intergroup comparison, or alternative comparison groups (Ellemers et al, 2003; Elsbach & Kramer, 1996).

How far does the influence of such creative processes reach? Elsbach and Kramer (1996) collected empirical evidence when American business schools reacted to the first publishing of their rankings in Business Week. They consistently found that, even when organization members displayed a considerable amount of "social creativity", they relied on already existing core dimensions. Completely new dimensions were neither "discovered" nor invented. A majority of members' selective categorizations highlighted cherished attributes that were neglected by the rankings. As one of their Stanford respondents said (p. 458): "Some of the things that improve rankings are part of what we don't want to change". Favorable comparisons were important to Elsbach and Kramer's (1996) respondents, but within the constraints of what they considered to be essential dimensions of their organization's identity. They reacted to relative rankings, but their focus was on maintaining the credibility of features that were essential to the identity of their organization.

Jetten et al. (2004) performed a meta-analysis on studies addressing the effect of intergroup distinctiveness on trait evaluations and on money or point allocations. Their results showed that high identifiers (but not low identifiers) tended to allocate more points or money to their own group, but that trait descriptions were not affected by the degree of identification with a group. In other words, Jetten et al. (2004) did not find many indications that people distort their views of differences consciously or unconsciously in an attempt to differentiate their own group positively from others. We are still short of evidence for a direct motivational link between what members perceive

to be essential to the identity of their own organization and its distinctiveness. Apparently, the motivation to be distinctive is not sufficient for the cognitive creation of contrasts with competitors.

Does this imply that human motivation does not affect social comparisons at all? It may do, but in an indirect way. Mussweiler (2003) argues that any evaluation – including the evaluation of other organizations – refers to a comparison of the evaluated target with a pertinent norm or standard. The first step in comparison processes is the selection of a standard. The ready availability of information about members' own organization makes it likely to serve as a standard against which other organizations can be compared. Once a standard has been selected, members have to determine on which features they base this comparison. When their own organization has to be compared with others, members are quite likely to use its most essential features. People then obtain specific judgment-relevant information about their own and the other organization. The best way to obtain this specific information is by searching through their stored knowledge. Rather than engaging in an exhaustive comparative test of all plausible hypotheses, people often limit themselves to the test of a single focal hypothesis. People then either test the possibility that the other is similar to, or the possibility that the other organization is different from their own organization (Mussweiler, 2003).

Which of these two hypotheses will people prefer to test? In Western societies, similarity to others on self-defining dimensions may imply that one is undistinguished or mediocre (Wood, 1989). Organization members may strive for a certain degree of distinctiveness

(Brewer, 1991). Therefore, when comparing their own organization with others, members are more likely to test the hypothesis of difference rather than of similarity, in particular when comparable competitors are involved. Dissimilarity testing increases the accessibility of instances of how different other organizations are from their own organization. Only a few observations of difference on the crucial dimension are likely to suffice, as people are likely to accept a small number of observations as a sufficiently representative sample to test their hypotheses (Tversky & Kahneman, 1971; Rabin, 2002). This is where human motivation is most likely to enter: in the decision on which hypothesis is going to be tested.

In summary, extant literature on social comparison does not point to a strong biasing influence of human motivation to compare favorably. However, human motivation determines whether either the hypothesis of being different from others, or the hypothesis of being similar to them is going to be tested. In a competitive context, organization members will be more likely to test the hypothesis that they are different from their competitors. Testing hypotheses of difference makes the knowledge as to how other organizations differ more accessible. If the features that matter most for assessing differences are those that are most central to the description of their own organization, i.e. its most essential features, knowledge about differences on those essential features will be rendered easily accessible as soon as members make comparisons with other organizations. The cognitive heuristics that people employ, however, may strongly influence this process.

Cognitive heuristics influencing social comparison outcomes

Chambers and Windschitl (2004) argue that non-motivational factors in themselves can constitute a robust and sufficient source of bias in social comparative judgments. They suggest a self-reinforcing mechanism by which this bias comes about. Members have much more information available about their own organization, as this is the organization where they spend a good deal of their daily life and on behalf of which they perform their own on-the-job actions. Therefore, their own organization is also likely to be much more salient than other organizations, which in turn may strengthen informational biases. This difference in salience may further influence comparison outcomes. This section will discuss these aspects in turn.

Differences in accessibility of information. Trait and likelihood information about members' own organization may ordinarily be more accessible from memory than information about other organizations. Basically, Tversky and Kahneman's (1974) availability heuristic applies: people assess the frequency of a class or the probability of an event by the ease with which instances or occurrences can be brought to mind. Here comparison of one's own organization with other organizations is analogous to comparison of oneself with other people. Judgments of one's own organization can be made more easily and quickly than judgments about other organizations. When recruiting evidence about one's own organization, the criteria that are most easily brought to mind are the particular behaviors that members perform themselves or that they observe in

their own organization, the unusual skills that they possess and the routines known from their own organization (Dunning, Meyerowitz & Holzberg, 1989). Furthermore, people are likely to be more confident about such assessments, which then may weigh more heavily when comparisons with other organizations are made (Chambers & Windschitl, 2004).

Can we expect this difference in accessibility of information about their own organization to be stronger for more essential features? This might indeed be the case. Organization members have a ready scheme available about what other organizational features are caused by essential features, because such features serve to explain why the organization is as it is. The more a feature is seen as the cause of other features of the organization, the larger the relative disadvantage for other organizations relative to the members' own organization – as exactly the pattern of causal relations in which essential features are embedded represent an important part of the "why and how" of that organizational feature. Employees are likely to have much less information available regarding how these features apply to competitors. The difference in availability of information about the most essential features may therefore be larger than the difference in availability of information about more peripheral features. By consequence, the more a feature is essential to members' own organization, the larger the disadvantage other organizations have to overcome in achieving a similarly high rating on that feature.

Difference in salience between members' own and other organizations. The difference in salience between members' own and other organizations may further exacerbate the

relative disadvantage of other organizations. Even if the information available were equal for all organizations, the difference in salience may have an impact on the comparison process and its outcome. If two entities differ in salience, evidence recruitment of the high-salience entity may begin before evidence recruitment for the low-salience entity. This difference in salience might be particularly prominent if members' own and another organization are being compared on a feature essential to their own organization. If people were fully exhaustive in their search, this temporary priority of the high-salience entity would not matter. However, as people are rather likely to conduct only a truncated evidence search (Tversky & Kahneman, 1971), the temporal priority given to the search for evidence for the high-salience entity will ensure that, on average, respondents retrieve more evidence relevant to the high-salience entity than to the low-salience entity. As their own organization is likely to be more salient to members, this mechanism may further enhance a relatively lower judgment of other organizations, in particular on features deemed essential to their own organization. This makes it even more likely that the more members see a feature as essential to their own organization, the lower they rate other organizations on it.

Joint effects of difference in availability of information and salience of organizations. The differences in availability of information and the higher salience of their own organization to organization members bring about two further effects, which may impact perceptions of distinctiveness.

Firstly, Dunning, Meyerowitz and Holzberg (1989) found that, the more traits are ambiguous, the more people were likely to provide a favorable comparison of themselves relative to their peers. People create idiosyncratic evidence and criteria. They look at the specific behaviors they perform related to that trait, and disregard how others may instantiate the same trait. This mechanism is very plausibly applied to organizations, too. One organization's way of being "customer-friendly" may be different from how another organization makes its "customer-friendliness" effective. Therefore, members of either of the two organizations may think they achieve this feature better than the other. Because information about "customer-friendliness" is much more readily available and salient in one's own organization, one's own way of enacting it is not unlikely to be perceived as more "correct" or "effective" and count as the standard.

Secondly, when one's organization is more salient and information about members' own organization is much more available, another process may occur, which parallels social comparisons between individuals: people tend to use their own skills or characteristics as an anchor from which they make adjustments when forming a comparative judgment. (Chambers & Windschitl, 2004; Kruger, 1999). These adjustments are typically insufficient, leading to biased results (Tversky & Kahneman, 1974). Kruger (1999) for instance, found that the answer to the question: "How to I compare with peers?" is based considerably more on "I" than "my peers". When interviewing 22 people on 22 abilities, and asking for explanations about how they arrived at their estimates of their comparative standing, 97 % of the explanations began with reference to the participants own level of ability, and 62 % ended there, without any reference to the abilities of others whatsoever

(Kruger, 1999). If a feature is perceived as highly essential of their own organization, and people do not pay attention to information about other organizations, distinctiveness ratings might reflect just that, rather than any information about other organizations.

In summary, the difference in availability of information about members' own organization and other organizations and the difference in salience of their own organization versus other organizations make it likely that organization members believe that the same features apply to a greater extent to their own organization rather than to other organizations. The degree to which a feature is seen as the essence of the organization contributes to the availability of information about that specific feature of members' own organization as well as to its salience. Therefore, it likely that if members see a feature as forming the essence of their own organization, they may more severely underestimate its competitors on that feature.

Central Proposition The more members perceive one feature to cause the other features of their own organization, the lower the rating of other organizations on that feature.

Concluding, we can indeed expect a relation between the degree to which organization members believe that a feature constitutes the essence of the organization and the degree to which members believe that feature to distinguish their own organization from other organizations. The motivational antecedent may be people's tendency to test hypotheses of difference rather than of similarity (Mussweiler, 2003). Our review of the theory on

social comparison processes, though, suggests that the correspondence between essential and distinctive features is mainly due to how humans process information in a context where information about their own organization is much more available and salient than information about other organizations. Cognitive heuristics seem to lead to systematic underrating of comparison partners. The more a feature is perceived to form the essence of their organization, the stronger this underrating may be. In the next section, we will describe the research project in which we tested this hypothesis.

Methods

The site of the research was a Dutch vegetable seed improvement company. Management had commissioned this study in order to prepare possible future positioning, and wanted to explore which organizational features might be endorsed by employees. In particular, management was interested in knowing what features might constitute the essence of the organization. In order to achieve a credible future positioning, they wanted to know whether any of the main competitors outperformed the organization on any of the features that might be essential. The research was done in two phases: in the first, qualitative, phase catchwords were collected to describe the organization. In the second phase, data for computing the essence of the respective features were collected, as well as ratings of the focal organization and the main competitors on these features.

Qualitative phase: collecting the relevant organizational features

In order to make interorganizational comparisons, two kinds of features might be relevant: on the one hand, features that applied to the organization at that point in time, and, on the other hand, features that may not apply strongly at that particular time, but which might be highly desirable. It is perfectly imaginable that organization members could make comparisons in terms of such desirable features, where potentially competitors might outperform the focal organization. The features were collected by means of two versions of a short questionnaire. Half of the respondents wrote down the three features that best described their company at that point in time. The other half wrote down the three features that their company should ideally have. The second author handed out the questionnaires personally to all 325 employees. Later on, she collected the forms personally. Exceptions to this procedure were the sales people, who received this questionnaire by email. 271 questionnaires were returned (83.4 % response). The features were coded by the second author and an independent coder, who was otherwise not involved in the research project. The coefficient of agreement (Miles & Huberman, 1994) was 0.69. After discussion between the two coders, the coefficient of agreement amounted to 0.96. Table 1 shows the 7 most frequently mentioned features of both currently perceived and desired identity. Overlap is high: desired and currently perceived identity shared six out of seven most frequently mentioned features. Together with "thorough" (currently perceived identity) and "cares for employees" (desired identity), this produced a list of eight very frequently mentioned features. Management desired to emphasize two other features, "innovative" (14^{th} feature of currently perceived identity, with 13 mentions; 18^{th} place for desired identity, with 8 mentions) and "customer-oriented" (22^{nd} position of currently perceived identity, with 5 mentions; 12^{th} position in

desired identity, with 11 mentions). These were included into the final questionnaire for the quantitative phase. In this way, in total ten features served as an input to the questionnaire.

Quantitative phase: testing our hypothesis

The second step of the research project entailed a questionnaire. This section focuses on those items in the questionnaire that were relevant for this study: the assessment of the degree to which features constituted the essence of the organization, and the ratings of the focal company and its seven most prominent competitors.

Following the definition of essence derived above, establishing the perceived essence of the organization's identity required establishing the degree to which members perceived each of the ten features to cause each of the other nine. A complete assessment of all combinations of features is necessary in order to obtain a reliable comparison of the degree of causality of each of the ten features. For this purpose, the questionnaire included ten blocks of questions. A different feature headed each of these blocks, and the other nine features were suggested as possible causes for that feature. For instance, one page was headed by the phrase "our organization is social, because....", and then the other nine features were listed. For each feature, respondents could give four possible answers. If respondents agreed, they marked "Yes, I agree". If they believed the feature listed would be incompatible with the feature heading the page, they could mark: "No, on the contrary". If they saw no relation, they could mark: "these two are unrelated to each other". The possibility also existed that respondents believed that, in principle, one

feature was likely to cause another, but for some reason this did not occur at their organization. In this case, respondents could mark: "I agree, but this does not apply to our organization".

If respondents marked "I agree" with a suggested causal relation, this was coded and processed as a "1". Causal relations which members did not perceive to apply to the organization at that time were coded as a zero connection. That is, both "these two features are unrelated" and "I agree, but this does not apply to our organization" were coded as "0". If respondents marked "no, on the contrary" at a suggested causal relation, this was coded as "-1". These ratings served to calculate the total number of other features which each feature caused, i.e. its "overall causality". For each feature, these numbers were summed across the possible causal relations with each of the nine other features. In this way, for each respondent, the total causality was calculated for each feature, which represents the degree to which that feature forms the essence of the organization for that respondent.

Additionally, a table represented the seven companies which according to management were the most relevant competitors and the focal company itself. The rows were preceded by a column listing the ten features, and respondents were asked to rate to what degree each of the ten features applied to each of the eight organizations (ranging from “1” = “does not apply at all” to “7” = fully applies”). In order to avoid bogus answers, respondents were asked to mark an X if they had no idea about the degree to which a feature applied to a company.

The questionnaires were distributed personally by the second author to half of the employees of the organization, except for members of the sales force, who received the questionnaire by ordinary mail. Of the 164 questionnaires distributed, 133 were returned (81.6 % response). There were no significant differences in response rate between the eight departments ($\chi^2 = 2.17$, df = 7, p= 0.95). In order to double-check for non-response error, we recorded the moment the questionnaires returned to the second author. Of all respondents, 37 returned the questionnaire by themselves to her. After four days, she passed by the employees at their workplace and collected 39 questionnaires. In total 57 questionnaires were returned after that moment. For the variables described above, ANOVA showed no single significant difference at 5 % level between these early, middle and late returners, which, in combination with the high response rate, suggests that non-response bias is unlikely to be a problem. Of all the questionnaires, 119 were sufficiently complete to allow further processing.

As for the competitor ratings, we were not so much interested in the rating of each specific competitor, but rather in the degree to which the focal organization would be distinct from any competitor, regardless of the competitor's idiosyncratic ratings. Therefore, we considered the ratings of the individual competitors as indicators of an overall competitor judgment. The lowest row in Table 2 shows that the Cronbach α's for the competitor ratings on each of the ten features were all 0.70 or higher, most of them well over 0.80.

Analysis and results

Table 2 gives the averages and standard deviations for the ratings of the focal company and its competitors, as well as the correlations. We note that members rated their own organization higher than their competitors on all ten features. The second last column shows that the correlation between the degree to which members perceive a feature to be essential to their own organization and the rating organization members accord to competitors is negative and significant. The averages in Table 2 are correlated -0.66 ($p < 0.05$). However, this correlation between averages may equal out substantial individual-level variance. Therefore, we computed the average correlation (across respondents) by computing the average Fisher Z over all respondents and deriving the corresponding correlation from this average Fisher Z score (Rosenthal, 1991, p. 87). The resulting correlation was -0.19 ($p < 0.001$). This is another indication that our principal hypothesis might be confirmed.

Although both correlations are negative and significant, the level at which the correlation is computed makes a difference. Therefore, we tested our central hypothesis using Hierarchical Linear Modeling (HLM, Bryk & Raudenbush, 2002). It allows estimating average regression coefficients for the whole sample, taking into account the heterogeneity between individuals. In total, ten organizational features *i* are judged by organization members *j*. For testing our central hypothesis, the final regression equation for organization member *j* judging organizational features *i* will be (Model 2 in Table 3):

$$\text{Average Competitor Rating}_{ij} = ß_{0j} + ß_{1j*}\text{Essence}_{ij} + r_{ij}$$

The dependent variable is the average rating given to the competitors for feature *i* by respondent *j*. $ß_{0j}$ is the intercept, which is allowed to vary by individual *j*. Also, the regression coefficient $ß_{1j}$ can vary by individual *j*. These two parameters can be decomposed into an overall average coefficient plus a disturbance term by individual:

$$ß_{0j} = \gamma_{00} + u_{0j}$$
$$ß_{1j} = \gamma_{10} + u_{1j}$$

These last two equations together represent the higher-level model with the variation between respondents. γ_{00} represents the average intercept of the organization members and u_{0j} is the unique difference between the intercept of organization member *j* and the average intercept. γ_{10} represents the average regression slope, and u_{1j} is the unique difference between the slope of organization member *j* and the average γ_{10}. Both u_{0j} and u_{1j} are assumed to be random variables with zero means (Bryk & Raudenbush, 2002). The crucial test for the central hypotheses in this paper is whether γ_{10} differs significantly from zero, while being negative. In total, 64 respondents had filled out the competitor ratings sufficiently completely to allow for this analysis.

Table 3 builds up the model gradually. It starts with the simplest model, assuming no relation between essence and average competitor ratings. Similar to the analysis of difference in explained variance in regression analysis when testing differences in R^2, the improvement of the model when a variable is added is assessed by testing the significance of the improvement in fit, reflected by the reduction in deviance. Differences in deviance are assumed to have a χ^2 distribution, with degrees of freedom equal to the

difference in the number of parameters estimated in the two models (Hox, 2002). Model 0 in Table 3 represents the baseline model, which reflects the null hypothesis that there is no link between perceived essence and perceived distinctiveness and that all variation is random. For each individual, at level 1, competitor ratings are regressed on the degree to which the respective ten features are perceived to form the essence of the organization. In model 0, β_{0j} represents the intercept for respondent *j* and r_{ij} is the individual-level error term. The level-2 model decomposes the individuals' intercepts into an overall average intercept, $\gamma_{00,}$ and the difference between the average intercept and the particular intercept for person *j* u_{0j}. Every further model, in order to be accepted, must represent a significant improvement of fit over this baseline model.

Model 1 introduces an average regression coefficient γ_{10}, which is assumed to be equal for all respondents. The introduction of this parameter reduces the deviance from 1249 to 1240, which is significant ($\Delta\chi^2 = 9$, df = 1, p = 0.003; Table 3). Model 2 allows this regression coefficient to vary among individuals, introducing the variance parameter u_{1j}. Deviance is further reduced from 1240 to 1227 ($\Delta\chi^2 = 13$, df = 2, p = 0.002; Model 2 in Table 3). Model 2 is able to explain 11 % of the variance at the level of the individual employee (σ^2 in Table 3), compared to Model 0. Table 3 shows that the average regression coefficient of members' competitor ratings on essence of their own organization is -0.10 ($T_{63} = -3.5$, p = 0.001). The average regression coefficient of members' competitor ratings on the degree to which they see that feature as essential to their organization is significantly smaller than zero. Our main hypothesis is confirmed:

the more a feature forms the essence of the identity of an organization, the lower members rate competitors on that feature.

Discussion

This research set out to investigate the relation between what would constitute the essence of organizational identity and what distinguishes that organization from others. Our literature review suggests that a connection between perceived essence and distinctiveness is likely. The confirmation of our main hypothesis shows indeed a significant inverse relation between the degree to which a feature is essential to the identity of the organization and competitor ratings for these features. The amount of variance our HLM model explains at the level of individual organization members is 11 % (Table 3). This amount of explained variance might have been higher if we had asked for "the average competitor", but we wanted organization members to face real competitors, as asking for the "average competitor" may have led to answers that might not have been at all based on consideration of the other organizations (Kruger, 1999). Our significant effect was obtained with real comparison partners, in a situation where we encouraged respondents to rate competitors only if they had an idea about the competitors' performance on the respective features.

The described mechanism provides an explanation to the "uniqueness paradox" found by Martin et al. (1983). The organizational stories Martin et al. (1983) inventoried frequently refer to what founders or highly influential CEO's did in the organization. These stories

may be read as documentation of the features that played a role in forming the essence of the organization, and this may have led people to believe that their organization was highly distinctive, even unique, on dimensions that were not unique at all. We have found a mechanism by which organization members perceive their organization to be distinctive on features that they believe to form the essence of their organization, while at the same time, outside observers and stakeholders may seriously doubt the distinctiveness of the features involved.

What further implications do our results have for the further study of organizational identity? Our analysis represents a first empirical investigation of the empirical overlap Albert and Whetten conjectured between perceptions of essence and distinctiveness. It shows that the logical independence between what is essential and what is distinctive does not translate into perceptual independence. We have argued how "essence" and "distinctiveness" are likely to cohere, and empirically found that in the perception of organization members these indeed converge to some degree. Nevertheless, they are not the same, as otherwise we would have found a stronger correlation between "essence" and "distinctiveness". Given this evidence, it would be intriguing to include the time perspective into further research, and investigate how both are related to Albert and Whetten's (1985) third criterion, the criterion of "temporal continuity". Given the frequent reliance on Albert and Whetten's (1985) three criteria in organizational identity research (Gioia, Schultz & Corley, 2000), research on the nature and the coherence of these three criteria may lead to important advances in research on organizational identity.

What diverges from suggestions sometimes found in literature (e.g. Dunning, 1999) is that not much motivated or "hot" cognition may be needed to create this effect. We argued that the link between perceived essence and distinctiveness may not necessarily be the result of "motivated" distortion of information, but rather be the consequence of the heuristics humans use when judging other organizations in comparison to their own organization. Motivation may interfere indirectly with these heuristics, as organization members' desire for optimal distinctiveness (Brewer, 1991) may induce them to test hypotheses of difference rather than of similarity (Mussweiler, 2003). In such cases, differences will be found pretty quickly. This can explain why we also may find "better than average" effects among completely reasonable people in benign environments.

Of course, this study has its limitations. Firstly, the data have been collected at one organization only. It would have been great if we had had access to the competitors at the same point in time in order to ask the same questions. Future research should not compare the same phenomenon across organizations, but preferably across multiple regions in the world. Replication of the results in future is definitely on our research agenda. Secondly, the study was done at a point in time where the environment in the sector was relatively benign. Competition could be characterized as friendly. There were no external threats and there was hardly any press exposure, which is in stark contrast to the situations described by for instance Elsbach and Kramer (1996) for the re-ranked business schools or the New York Port Authority (Dutton & Dukerich, 1991).

A third limitation is that we examined the outcome of comparison processes as it reflected on competitor ratings, but we did not open the "black box" to study the comparison processes while they were occurring. This would be a valuable issue to address in future research. Fourthly, this study has represented a cross-sectional study at one point in time. We did not follow the development of organizational identity over time, and modeled perceived distinctiveness as a consequence of the degree to which a feature constituted the essence of the organization.

This fourth limitation poses a particularly interesting challenge for further research. It is perfectly imaginable that over a longer period of time perceived essence is also the consequence of perceived distinctiveness (Ellemers, de Gilder & Haslam, 2004). In the history of an organization, perceptions of distinctiveness may be internalized and cultivated that subsequently become essential features. For instance, South-west airlines set out as a relatively cheap airline company. It was forced to fly fewer planes than originally envisaged, and created its 15-minute turnaround, which made it more efficient and cheaper than its competitors. At the moment organization members start to elaborate upon what they believe to be distinctive, it becomes more essential, as it is believed to cause other features. The 15-minute turnaround became a cornerstone in explaining why Southwest Airlines is still cheaper than its competitors, and why its competitors cannot even achieve its low level of cost (O'Reilly & Pfeffer, 2000). It might be that, in the short term, perceptions of distinctiveness are influenced by what members believe to be the essence of their organization. Thus, in the long term, perceptions of distinctiveness may bring about perceptions of essence.

What does this imply for managers? This study makes clear how organization members are prone to interpret features that describe the essence of the identity of the organization somewhat too quickly as features that also distinguish it from others. Our results show how members can easily and unwittingly fall into the trap of choosing a "real" basis for differentiating their organization which for people less involved in the organization is not so real at all. This study underscores how consciousness of this trap and careful attention to it can prevent managers from falling time and again into the "uniqueness paradox", claiming features to be unique for their organization while they are widely shared with others. Maybe even more importantly, it helps them understand why other organization members may favor a positioning that is not so much distinctive but rather relies closely upon their perceptions of what makes up the essence of the organization. This study has investigated how these biases are likely to arise. With the insight into this mechanism provided by this study, managers can make other organization members aware of this trap, and redirect the appropriate attention to features that have properly value added for external stakeholders. In this way, this study offers the instruments to deal with the internal biases that might otherwise prevent the organization from designing an effective strategy, while acknowledging how members themselves view their organization.

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Table 1 Most frequently mentioned key words at the organization

Rank	Keyword for currently perceived identity	Number of mentions	Keyword for desired identity	Number of mentions
1	Social	40	Quality	37
2	Quality	29	Reliable	35
3	Reliable	27	Social	30
4	Pleasant atmosphere	25	Open	28
5	Amicable	24	Cares for employees	27
6	Thorough	24	Pleasant atmosphere	24
7	Open	20	Amicable	23

Table 2 Averages for the organizational features and correlations between the averages

	Descriptive statistics										Correlations	
	Social	Quality	Reliable	Cares for employees	Innovative	Good atmosphere	Solid	Customer-oriented	Amicable	Open	Number of features caused	Ratings of the focal company
Number of features caused	4,83 (2,06)	3,19 (2,01)	5,72 (2,06)	4,91 (1,95)	2,44 (2,18)	4,43 (1,89)	3,78 (2,89)	3,35 (2,26)	4,40 (2,17)	4,17 (3,04)	-	
Ratings of the focal company	6,20 (0,88)	6,33 (0,69)	6,36 (0,66)	6,31 (0,71)	5,93 (1,03)	6,22 (0,73)	6,13 (0,87)	6,09 (0,92)	6,12 (0,75)	5,53 (1,17)	0.35 [a] 0.29*[b]	-
Average rating of the seven competitors	4,04 (1,32)	5,43 (0,79)	4,87 (1,26)	4,53 (1,34)	5,36 (0,86)	4,57 (1,19)	5,17 (1,13)	5,43 (1,09)	4,67 (1,34)	4,14 (1,28)	-0,66*[a] -0.19*[b]	0.24 [a] 0.19*[b]
Cronbach α for the seven competitors	0.85	0.84	0.86	0.84	0.79	0.78	0.70	0.89	0.90	0.94		

The numbers in brackets are the standard deviations

* Correlation significant at 5 % level

[a] This is the correlation between the averages as shown in this table.

[b] This is the average of the individual correlations (computed via Fisher-Z transformations, see Rosenthal, 1991, p. 87)

Table 3 Outcomes of HLM-analysis with average competitor ratings as the dependent variable

MODELS TESTED	**Parameters**	**Estimates**	**S.E.**		**Df**	**p**	**Within-person R^2**	**Deviance**	**N° of parameters**	**Change in χ^2**	**significance of improvement**
				T							
Model 0	***Coefficient***										
Level 1: features i within persons j:	Intercept γ_{00}	4.86	0.14	35.8	63	0.000	-	1249	3	-	-
$Avgcompetitors_{ij} = ß_{0j} + r_{ij}$											
				X^2							
	Variance										
	Intercept U_0	1.06		582	63	0.000					
Level 2: between persons j											
$ß_{0j} = \gamma_{00} + u_{0j}$	Level-1 var. σ^2	0.71									
	Coefficients										
Model 1				***T***							
Level 1 : features i within persons j	Intercept γ_{00}	4.86	0.14	35.7	63	0.000	4 %	1240	4	9	0.003
$Avgcompetitors_{ij} = ß_{0j} + ß_{1j*}Essence_{ij} + r_{ij}$	Essence γ_{10}	-0.09	0.03	-3.3	440	0.001					
				X^2							
Level 2: between persons j	***Variances***										
$ß_{0j} = \gamma_{00} + u_{0j} + r_{ij}$	Intercept, U_0	1.06		582	63	0.000					
$ß1j = \gamma_{10}$	Level-1 var. σ^2	0.68									
	Coefficients										
Model 2				***T***							
Level 1 : features i within persons j	Intercept γ_{00}	4.85	0.14	35.5	63	0.000	11 %	1227	6	13	0.002
$Avgcompetitors_{ij} = ß_{0j} + ß_{1j*}Essence_{ij} + r_{ij}$	Essence γ_{10}	-0.10	0.03	-3.5	63	0.001					
				X^2							
Level 2: between persons j	***Variances***										
$ß_{0j} = \gamma_{00} + u_{0j} + r_{ij}$	Intercept, U_0	1.09		612	57	0.000					
$ß1j = \gamma_{10} + u_{1j}$	Essence, U_1	0.02		86	57	0.000					
	Level-1 var. σ^2	0.63									

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