# LEARNING INNOVATIONS LABORATORY | WINTER GATHERING

*Adaptive Cultures: Creating Cultural Contagions*

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# DR. MICHELE GELFAND
## Tightness-Looseness in Organizations

Michele began her talk by reminding us that the strengths of tight organizations is that they are stable, efficient, and cohesive, while loose organizations are open to change and creative. However, it's not always easy to say whether a given organization is tight or loose, because there is a great deal of variation: across industries, within industries, across units, and across occupations.

Applying the flashlight of tight/loose to industry: tight industries include nuclear plants, hospitals, and construction. There is generally greater threat in tight industries; they require more order. There is also more oversight and regulations, to ensure high reliability and to offset threat. There is more accountability in tight industries.

Loose industries include graphic design, tech, and advertising. In these industries, there is minimal to no safety risk; they are less formal and structured, with fewer rules.

Within industry there's also variation. Amazon is tight (management-led, punitive, etc.) while Zappos is loose. Similarly, in the consulting industry, McKinsey is tight ("The McKinsey Way") while IDEO is loose.

Tightness/looseness can also vary by unit. Within the Ball Corporation, the packing unit is tight, with highly structured business processes, little management-employee collaboration, and iterative work. While at the aerospace division, R&D teams have little supervision and work on a large variety of projects, with a focus on innovation. At Deloitte, the auditing unit is tight with structured, clearly defined, procedural work and fixed standards; while consulting is loose, with less monitoring and more tolerance for ambiguity.

Across occupations, jobs with tight characteristics (e.g., problem sensitivity, monitoring) relate to order. They include nuclear equipment operation technicians, pilots, government property inspectors, etc. Jobs with loose characteristics (e.g., artistic, thinking creatively) relate to creativity. They include choreographers, graphic designers, creative writers, etc. Within each occupation, an increased threat influences groups to seek greater order, but this results in less openness and innovation (a trade-off).

Michele shared results from a study of cross-border mergers and acquisitions, at the national level. A large difference in the

tightness-looseness score in the countries where the two firms operate negatively affects:

1. Shareholder wealth (i.e., reduction)
2. Time it takes to complete acquisition (i.e., prolongation)
3. Return on Assets (ROA)

These results stand even when controlling for many variables (e.g., distance between target and acquirer nations, GDP per capita difference, % acquired and relative deal value of acquisition, prior acquisition experience). For example, when the bank DBS (from Singapore, with a very tight score of 10.4) took over Dao Heng Bank (from Hong Kong with a much looser score of 6.6) in 2001, the results were disastrous. Similar results were found when a German cable operator took over a Dutch one; and when a Singaporean telecom took over an Australian one. The difference in tight-loose scores led to cultural clashes.

Michele's research also shows that tightness-looseness impacts what people want from their leaders. People from tight cultures value independent, autonomous leaders who do not rely on others. On the other hand, people from loose cultures prefer charismatic or team-oriented leaders, those with visions for the future or who are concerned with the welfare of the group. Examples of tight leadership can be found at General Electric ("The GE Way;" Six Sigma process); loose leadership can be found at Google ("servant leadership").

Organizational Practices differ between tight and loose organizations. Tight societies promote narrow socialization, focusing on rules and predictability; strong recruitment, selection, and training practices; more performance monitoring; more order, precision, stability, uniformity, and resistance to change. Loose societies promote broad socialization, focusing on flexibility and experimentation; weaker recruitment, selection, and training practices; less performance monitoring; and more deviance, diversity, innovation, and openness to change.

Attraction-selection-attrition (ASA) process are also impacted by tightness/looseness. People with certain psychological characteristics are attracted to tight or loose organizations. In tight organizations, people are more likely to be risk-averse and conforming. They have

greater impulse control, and they have more in common with others in the organization in terms of attitudes and expectations. In loose organizations, people are more likely to be risk-takers and strivers. They are more open to change and have less impulse control. There is more variance in attitudes and behavior.

Michele presented a question, "How can we combine the value of following social norms that helps us coordinate with the value of defying social norms that brings innovation?" She shared two possible models that might be answers. The first is the "separate but equal" model. The organization has a common vision with integrated leadership but differentiates by unit (with some units being tighter and others looser). USA Today tried to do this between print and online. While the print division stayed tight, the online unit was free to operate independently with a loose organizational structure.

The second model is the "hybrid model," where organizations strive to get the best of both tight and loose cultures. For example, NASA selects crews where astronauts need to exemplify both tight and loose strengths. They have to strictly follow technical procedures, but they must also demonstrate adaptability and fluid intelligence in the face of unpredictable events.

Michele ended her talk by summing up what a tight-loose lens can contribute to organizations and leaders. It can help us:

- Diagnose where organizations, units, teams, and domains are on the TL continuum.
- Understand why they are in that place in the here and now.
- Change the TL in that context if needed.

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