RULE MAKERS, RULE BREAKERS:
How Tight and Loose Cultures Wire Our World

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Hey Boys,
How’s The Water?

What the hell is water?
CULTURE
Omnipresent... but invisible

Distinctly human ... no other species has it

Affects everything from politics ... to parenting
It’s just like going from New York to Pennsylvania!
Unique baby names in the U.S.

Prevalence of Obesity Among U.S. Adults Aged 20-74
What Ties These Examples Together?
Social Norms

• Human ability to develop, maintain and enforce rules

• The *glue* that binds us together
Strong Norms & Punishments

Weak Norms & Permissive
International Investigation

6 Continents
22 Languages
33 Nations
7000 Individuals
TIGHT
ORDER
Lower Crime
Uniformity
Self-Control

LOOSE
OPENNESS
Different People
Creativity
Change
A Fractal Pattern of Human Difference
Total number of billion-dollar weather and climate disasters, 1980–2016

Source: NOAA Climate.gov
Data: NCEI
Personality Conscientiousness

Order
• More Law Enforcement
• Less Homelessness
• Less Divorce

Self Control
• Lower Drug Use
• Less Debt

Personality Openness

Creativity
• More Patents
• More Fine Artists

Equality
• Fewer EEOC claims
• Minority-owned Businesses
FOLLOW THE RULES
The Culture of Class
• Working Class versus Upper Class
  • Meaning of *Rules*
  • Jaguars versus Plumber Vans

• Greater threat:
  • Falling into poverty
  • Dangerous occupations
  • Threatening neighborhoods

• Tight loose trade-off

• Age 3: Max the puppet
Within Our Organizations
Tight Organizations

Organizational Culture
• Rules and predictability; Formal
• Strong socialization (training) and monitoring
• Prevention-focus (avoids mistakes) and impulse control

Industries
• Manufacturing, Hospitals, Airlines

Context
• Greater threat
• High volume of oversight & regulations
Loose Organizations

Organizational Culture
• Flexibility and experimentation; informal
• Less monitoring
• Promotion-focus (taking risks) and openness

Industries
• Start-ups, Design, Tech

Context
• Safety risks are minimal
• Mobility and change
Leaders, Tight and Loose

- Over 15,000 managers across 700 organizations in 62 societies
- Leadership behaviors that contribute to being an “outstanding leader”

Tightness → autonomous
Looseness → Charismatic, team-oriented
<table>
<thead>
<tr>
<th>Tight Organizational Cultures</th>
<th>Loose Organizational Cultures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td></td>
</tr>
<tr>
<td>Conscientious</td>
<td>Open</td>
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<tr>
<td>Careful</td>
<td>Risk-Taker</td>
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<tr>
<td><strong>Practices</strong></td>
<td></td>
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<tr>
<td>Standardized</td>
<td>Flexible</td>
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<tr>
<td>Efficient</td>
<td>Experimental</td>
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<tr>
<td>Formal</td>
<td>Informal</td>
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<tr>
<td>Strong socialization</td>
<td>Weak socialization</td>
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<tr>
<td><strong>Leadership</strong></td>
<td></td>
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<tr>
<td>Autonomous</td>
<td>Collaborative</td>
</tr>
<tr>
<td>Confident</td>
<td>Visionary</td>
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</tbody>
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Challenges to Tight-Loose Mergers

• Method
  – 4,638 CBAs across 32 Countries, 1989-2013 (SDC Platinum database)
  – CBA performance = ROA Change Acquirer’s ROA$_{t-1}$ – ROA$_{t+3}$

Results

- CTL differences reduce CBA performance
- 1 Std. dev. change in CTL diff. => .6 percentage loss, US$ 204 million change in net income

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model</th>
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<tbody>
<tr>
<td>Cultural tightness-looseness (CTL) differences</td>
<td>(H1)</td>
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<tr>
<td></td>
<td>-0.633*</td>
</tr>
<tr>
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<td>(0.264)</td>
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*Controls, year, and industry dummies are included*

Observations: 4,638

R-squared: 5.40%
Lessons Learned

• Prepare to Negotiate Culture
  – Cultural assessment
  – Which domains need to be tight?
  – Which can be loose?

• TL Ambidexterity
Reaching Ambidexterity

Tight-Loose Ambidexterity

Leadership

Tightening Loose Organizations
- Centralize
- Rule Enforcement
- Increase Monitoring
- Set Benchmarks
- Emphasize Reliability

Structured Looseness

Loosening Tight Organizations
- Decentralize
- Encourage Pushback
- Introduce Flexibility
- Allow Exploration
- Promote Individual Agency

Flexible Tightness
Which is Better?
An Age-Old Debate

• Freedom or Constraint?
  – Plato, Confucius, Hobbes
  – John Stuart Mill, Freud

• Neither?
  – Too tight or too loose is maladaptive

• The Goldilock’s principle of TL
TL Balance

• Identify contexts where we need to *tighten* loose norms
  – Tesla, Uber
  – The wild west of the internet

• Identify contexts where we need to *loosen tight* norms
  – United; some manufacturing firms
Our Own TL Mindsets

• Are you an order Muppet or a chaos Muppet? (Dalia Lithwick, 2012)

• Cultivate empathy for others’ mindsets

• Identify and negotiate tight-loose conflict in our daily lives