

Article

A Model of Cross-Institutional Alignment and Value Co-Production: Integrating the Institution-Based View and “Tightness-Looseness” Cultural Theory

Sean M. HACKETT

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Table of Contents

ABSTRACT

1. INTRODUCTION

- 1.1 Soft Power
- 1.2 Institution-Based View (IBV)
- 1.3 “Tightness-Looseness” Cultural Theory (TLCT)
- 1.4 Institution-Based View x “Tightness-Looseness” Cultural Theory

2. MODEL & PROPOSITIONS

- 2.1 Value Co-Production Platform
- 2.2 Commissioning Organization
- 2.3 Funding Organization
- 2.4 Host/Implementing Organization
- 2.5 Value Co-Production Cooperating Organization(s)
- 2.6 Host Country Soft Power
- 2.7 Dispatching Organization(s)

3. DISCUSSION

4. CONCLUSION

NOTES

REFERENCES

ABSTRACT

Drawing from the institution-based view and “tightness-looseness” cultural theory, in this article I elaborate a model of cross-institutional alignment that enables the co-production of value, gratitude and positive affect (hereafter “Soft Power”) which are prerequisites for subsequent successful international cooperation initiatives. There are two primary reasons to create this (or any) model: 1) to build theory, and 2) to improve practice. The model and associated propositions represent theory building by integrating the institution-based view and tightness-looseness cultural theory. After elaborating the model, I consider the practical implications of the model by raising questions for future research.

1. INTRODUCTION

In this study I draw from the institution-based view (Peng, et al., 2009) and “tightness-looseness” cultural theory (Gelfand, et al., 2011) to elaborate a model of cross-institutional alignment that enables the creation of value as well as gratitude and positive affect (hereafter “Soft Power”). In the real-world example that informs the model, value is created through the careful design and delivery of a program of study for international graduate students.¹ In addition to acquiring knowledge and skills (i.e. “value”) that will enable graduates to advance their careers, a happy byproduct of actively participating in the program is a sense of gratitude and positive emotional affect (i.e. good feelings)² felt for the university and for the host country. The co-creation of value and the resulting positive feelings represent an increase in the “stocks” of Soft Power held by the host country. This is significant because Soft Power is a pre-requisite for subsequent successful international cooperation initiatives. When more countries build and leverage Soft Power to cooperate internationally in positive ways, fewer opportunities for war exist. Considering the tragic and unnecessary wars currently being waged around the world, including in Ukraine, it seems logical to conclude that the world needs more Soft Power; accordingly, by elaborating the model, this article seeks to build theory by integrating the Institution-Based View and “tightness-looseness” cultural theory and to improve our understanding of how to create Soft Power.

1.1 Soft Power

Nye (2005) defines Soft Power as “the ability to get what you want through *attraction*

rather than through coercion or payments.” In contrast, Hard Power is exercised through coercive force; the most extreme form of Hard Power is war. According to Nye (2005), supporting international educational exchange is an important and positive way for countries to build Soft Power. I share this view.

1.2 Institution-Based View (IBV)

According to Peng, et al., (2009), the Institution-Based View has roots in both economics and sociology and views the combination of *Formal Institutions* (i.e. “Laws, Regulations, Rules”) and *Informal Institutions* (i.e. “Norms, Cultures, Ethics”) as the *governing matrix* through which Reality is perceived, meaning is defined, [strategic] decisions are made, and [strategic] actions are taken. To say it more plainly, people inside an organization refer to *Formal Institutions* and *Informal Institutions* in order to understand how to perform their work without “breaking the rules.” Sometimes when designing and/or delivering value, people refer to institutions reflexively (i.e. unconsciously/automatically) and other times people refer to institutions carefully and deliberately.

1.3 “Tightness-Looseness” Cultural Theory (TLCT)

In their groundbreaking work Gelfand et al (2011) argue that the tightness or looseness of norms in a specific culture is the most powerful explanatory variable for differences in cognition and behavior across two or more cultures. Briefly, they find that “loose cultures” allow behavior that deviates from prescribed social norms because social norms are weak, while “tight cultures” have strong social norms and, consequently, find it difficult to tolerate behavior that deviates from those norms (Gelfand et al., 2011). To say it more plainly, people in loose cultures are more likely to be comfortable “breaking the rules” and people in tight cultures are more likely to be uncomfortable “breaking the rules” (in fact, they might be unwilling to “break the rules”). Although it masks a great deal of complexity, due to the strength of its explanatory power, “Tightness-Looseness” is perhaps the most interesting cross-cultural perspective since Hofstede et al.’s Cultural Dimensions (2005) and Ng et al.’s (2012) Cultural Intelligence (CQ).

1.4 Institution-Based View x “Tightness-Looseness” Cultural Theory

In the next section, I draw from the Institution-Based View and Tightness-Looseness Cultural Theory while elaborating a model of cross-institutional alignment and value

co-production. The model represents one possible coherent network for the co-production of value and, consequently, increases in Soft Power; however, many different variations are possible. There are two key points:

- from the Institution-Based View, the *governing matrix* that informs the design of the Program and the Platform is going to reflect the *formal* and *informal* institutions bearing upon the Host/Implementing Organization;
- from the perspective of “Tightness-Looseness” Cultural Theory, the need to achieve alignment across the *governing matrices* of cooperating partners is likely to be higher in Host Countries with “tight” rules. To say it another way, in tight rules cultures, cooperation includes understanding what your partners can and cannot do as dictated by their and your rules.

2. MODEL & PROPOSITIONS

In the subsections below, I elaborate the model provided above and mobilize (i.e. support) the following propositions:

P₁: Decisions and actions related to the design and delivery of the value-adding transformation process (hereafter “Program”) are shaped by formal and informal institutions (IBV) which are embedded in cultures that can be characterized in terms of “tightness” and “looseness” (TLCT).

P₂: The required degree of alignment among stakeholders’ formal and informal institutions increases with cultural tightness (TLCT).

P₃: Soft Power – a pre-requisite for the future ability to cooperate internationally successfully – increases as Value Co-Production increases.

Additionally, to help illustrate the *meaning* of the model, where appropriate, I offer hypothetical examples from the program in which I have been working.

2.1 Value Co-Production Platform

Toward the center of the model is the Value Co-Production Platform.³ This is where all stakeholders come together to co-produce value.⁴ The platform is supported and constrained by the *formal* and *informal* institutions of the Implementing/Host Organization. The design and delivery of the Program that runs on the platform reflects the *formal* and *informal* institutions of the Host/Implementing Organization as well as its

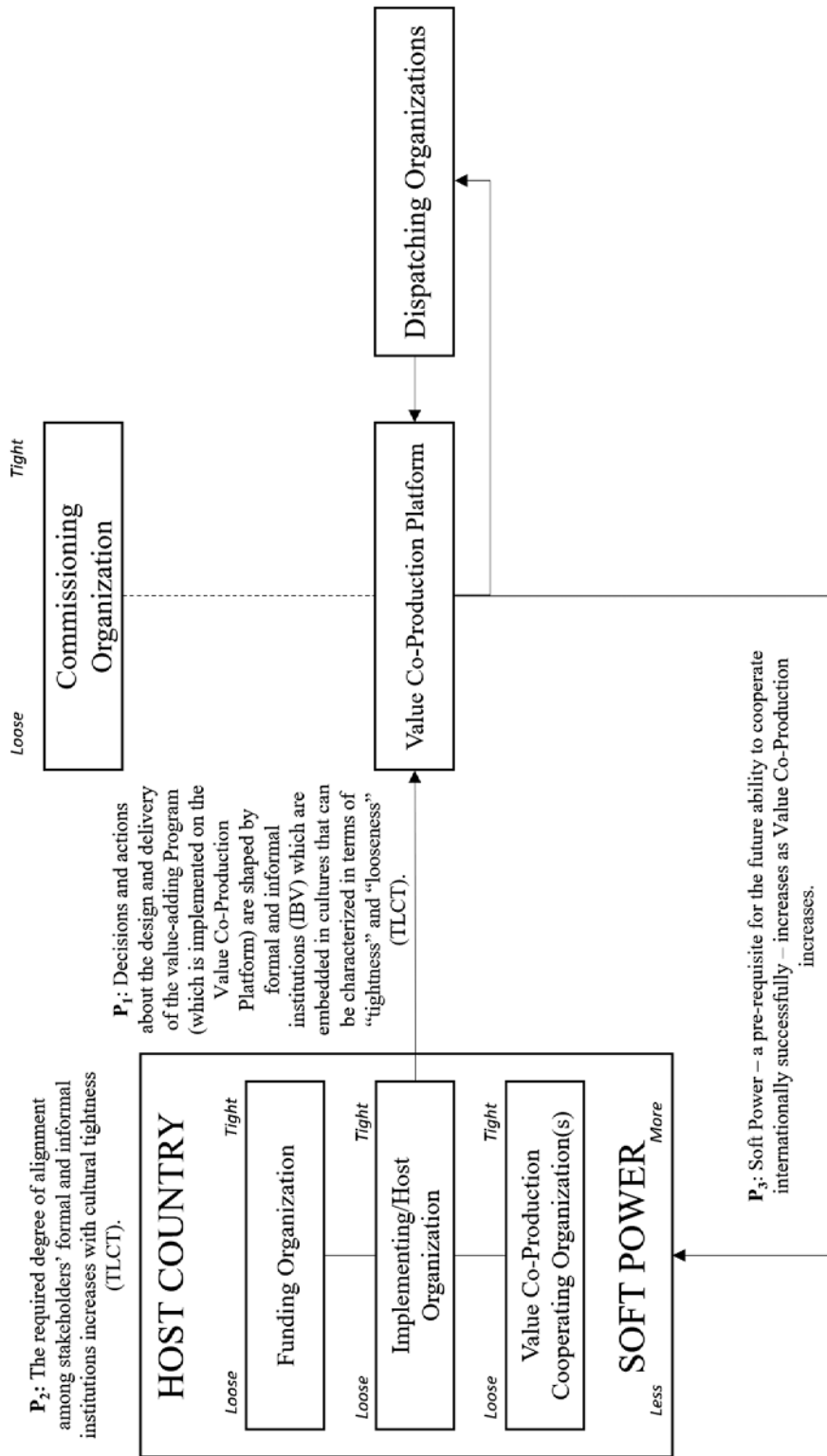


Figure 1. Model of Cross-Institutional Alignment and Value Co-Production

need for institutional alignment with the Funding Organization and the Value Co-Production Supporting Organizations.

2.2 Commissioning Organization

The Commissioning Organization is the entity that connects the two sides of the Value Co-Production Platform. Not every platform will have a distinct Commissioning Organization; sometimes the Funding Organization or the Host/Implementing Organization is also the Commissioning Organization.

2.3 Funding Organization

This stakeholder provides funding for the delivery of the Program on the platform. In theory, this stakeholder can be any organization with available funds including foundations, corporations, universities, and government entities.

- From an IBV perspective the Funding Organization is bound by *formal* and *informal* institutions (i.e. their “*governing matrix*”);
- From a TLCT perspective, Funding Organizations in “tight rules” cultures will be more constrained by the “*governing matrix*” than Funding Organizations in “*loose rules*” cultures.

2.4 Host/Implementing Organization

This stakeholder provides the Value Co-Production Platform and is responsible for the design and delivery of the Program. This stakeholder is also responsible for establishing and maintaining “rules” alignment with partners such as the Funding Organization and the Value Co-Production Cooperating Organizations.

- From an IBV perspective the Host/Implementing Organization is bound by *formal* and *informal* institutions (i.e. their “*governing matrix*”);
- From a TLCT perspective, Host/Implementing Organizations in “tight rules” cultures will be more constrained by the “*governing matrix*” than Host/Implementing Organizations in “*loose rules*” cultures.
- **Mobilizing Proposition 1:** In tight cultures, the design of the Program would need to conform to the *formal* and *informal* institutions of all the Host Country stakeholders who are collaborating.
- **Mobilizing Proposition 2:** The Institution-Based View x Tightness-Looseness

Culture Theory would suggest that alignment on how to work together without “breaking the rules” of any *governing matrix* increases in importance as culture tightness increases. (To flip it around, TLCT argues that in loose cultures rules are more easily changed and/or possibly ignored, perhaps via “discretionary authority”).

2.5 Value Co-Production Cooperating Organization(s)

These stakeholders aid in the delivery of the Program.

2.6 Host Country Soft Power

“Stocks” of Soft Power increase with the sense of gratitude and positive emotional affect (i.e. good feelings) felt for the Host Country as a result of receiving value.

Mobilizing Proposition 3: The more value that is received while in the Host Country, the greater the amount of Soft Power is created for the Host Country.⁵

2.7 Dispatching Organization(s)

These stakeholders provide the human capital (a.k.a. high potential talent) that joins the Program for value-adding transformation.

Having elaborated the key elements of the model and mobilized the propositions, I turn now to the discussion.

3. DISCUSSION

The key takeaway from the model and propositions is the notion that integrating the Institution-Based View and the Tightness-Looseness Culture Theory enables us to be more aware of the influence of cultural tightness-looseness on the *governing matrix* that determines how Reality is perceived, meaning is made, decisions are reached, and actions are taken within organizations. Every organization has *formal* and *informal* institutions, and the model does not have an opinion about which kind of culture is likely to produce organizations that will create more value and more Soft Power. Instead, the model helps us to pay attention to the existence of the *governing matrices* and the cultural contexts in which they are embedded, enabling us to better explain and/or predict how organizations are likely to behave. For example, viewed through the model, we can predict that the required amount of coordination and communication activities to specify things like how stakeholders can and cannot work together to create value in Host Countries with tight

culture rules is likely to be much greater than in countries with loose cultural rules.⁶ Moreover, it bears noting that a “tightness-prescribed” need for extensive coordination and communication is neither good nor bad:

- Organizations in tight rules cultures spend a lot of time on “set-up” and if the “set-up” matches the needs of reality, “run” is usually quite smooth.
- Organizations in loose rules countries tend to spend less time on “set up,” experience a lot of mistakes and misunderstandings initially, and then rapidly correct and sometimes improve dramatically.

To reiterate, the value created by the model is improved understanding.

Having elaborated the model and grounded it in the Institution-Based View (IBV) x Tightness-Looseness Culture Theory (TLCT), I would like to use the perspective and clarity the model provides to briefly touch upon what I consider to be one of the biggest challenges facing organizations today: the rate of change in our VUCA⁷ world. More specifically, I would like to raise the following future-oriented research questions:

RQ1: In culturally tight organizations, how can the pace of “rule updating” match the rate of change in the surrounding business environments and industry ecosystems?

RQ2: In culturally tight organizations, how can the pace of “rule updating” match the expectations of an increasingly diverse student population?

While the scope of this paper allows me to raise these questions, unfortunately, it does not enable me to address them here.

4. CONCLUSION

In this paper, I have elaborated a model of Cross-Institutional Alignment and Value Co-Production. This model is grounded in the Institution-Based View (IBV) and Tightness-Looseness Cultural Theory (TLCT). It highlights the role of *formal* and *informal* institutions as a kind of *governing matrix* through which Reality is perceived, meaning is defined, [strategic] decisions are made, and [strategic] actions are taken. The model also draws attention to the influence of cultural tightness-looseness on the *governing matrix*. The model helps us to think clearly about what shapes and influences the design and delivery of value and about the relationship between value co-production and Soft Power, the latter of which is a pre-requisite for future, successful international cooperation initiatives. The model also helps us to understand that when organizations collaborate to create value, if they are in tight cultures, they will need to align *governing matrices* by

specifying how the organizations will work together so that no organization “breaks the rules.” The model has no opinion on whether tight or loose cultures produce better outcomes. The model does provide a basis for thinking about what kind of capabilities and approaches are needed so that organizations in tight rules cultures can harmonize their rate of rule updating with accelerating rates of change and diversification. The primary limitation of this study is the fact that it is purely theory-based; that is, no effort is made to convert the propositions to hypotheses, collect data, and then test the hypotheses. I hope that future research will address this limitation and the prospective research questions raised in the discussion section.

NOTES

- 1 I should note here that, although I help to deliver a carefully designed Master’s Program for international students, this article is not a case study; it is a theory-building article which, by definition, operates at a non-measurable, generalized level of abstraction. While it is fair to say that my role has influenced and informed my perspective; it must also be said that the perspectives evident in this article are my own and may or may not reflect the perspectives of my colleagues and my employer. Any errors in this article are mine alone.
- 2 “Trust” could be substituted for “good feelings”; however, there is an entire sub-domain of Management Research that is focused on “Trust.” In my work I do not draw from that sub-domain so I decided not to use the word “Trust” here.
- 3 For a good primer on platforms, I recommend Eisenmann, T., Parker, G., & Van Alstyne, M. W. (2006). Strategies for two-sided markets. *Harvard business review*, 84(10), 92-101.
- 4 In the Program in which I am working the platform is a beautiful campus with good teaching, learning, and research facilities. Occasionally, during the pandemic, the platform was virtual/online, underscoring the growing importance of digital environments and careful technology selection processes.
- 5 It seems likely that there is a theoretical upper limit to the amount of Soft Power that can be created. However, specifying that upper limit is beyond the scope of this paper.
- 6 As a practical example, with the model it is easy to predict that the Founding Director of the Program in which I work must have engaged in very extensive, exhausting preparations and “shuttle diplomacy” across cooperating organizations simply to reach the point where the Program could launch.
- 7 VUCA is an acronym used to describe our challenging business environment which is characterized as Volatile, Uncertain, Complex, and Ambiguous.

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A Model of Cross-Institutional Alignment and Value Co-Production:
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