

Paradoxical Leadership to Enable Strategic Agility

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Strategic agility evokes contradictions, such as stability-flexibility, commitment-change, and established routines-novel approaches. These competing demands pose challenges that require paradoxical leadership—practices seeking creative, both/and solutions that can enable fast-paced, adaptable decision making. Why is managing paradox critical to strategic agility? And which practices enable leaders to effectively manage tensions? This article describes the paradoxical nature of strategic agility. Drawing from data from five firms, Astro Studios, Digital Divide Data, IBM Global Services Canada, Lego, and Unilever, it proposes leadership practices to effectively respond to these challenges. (Keywords: Strategic Management, Leadership, Case Study)

“The difference between average and outstanding firms is an ‘AND Mentality’. We must find and create tensions—force people into different space for thinking...This is not just a performance issue but a survival issue, because managing paradox helps foster creativity and high performance.”—Paul Polman, CEO, Unilever

In hypercompetitive environments, organizational survival depends on strategic agility—flexible, mindful responses to constantly changing environments. Strategic agility is inherently contradictory. Being strategic depends on a stable, unwavering commitment to a future vision, and involves formal planning processes and established routines. Yet agile organizations are adaptable and nimble, applying emergent decision making and novel approaches as needed. As Doz and Kosonen argue, “Strategic agility is a conundrum...a real-life, hard to resolve contradiction for corporate leaders and their executive teams.”¹

Leadership is central to managing tensions of strategic agility. At a University of California, Berkeley, seminar in 2003, foundational scholars and business executives examined varied views and capabilities of leadership.² They defined leadership as both a dynamic competence and a relational process. Leadership entails the ability to identify and leverage opportunities and threats, and to exploit internal

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and external competencies. Most critical in contexts of great uncertainty, leaders set a vision for their followers, foster commitment to its execution, and fuel imagination in the process of meeting rising and often contradictory demands. Top management drives such efforts, and is the focus of our work. Yet CEO vision and directives must permeate the firm, enabled by others' leadership across levels of the organization. While the board advises and monitors executives' efforts, middle managers feed operational insights upwards and ensure implementation downwards.

Yet effectively meeting the competing demands of strategic agility challenges leaders. Formal processes enable disciplined resource commitments, while fast-paced and decisive efforts help leaders anticipate change. Each element taken alone can be detrimental. Excessive strategic planning raises the danger of inertia, as competitive advantages become entrenched, inhibiting responsiveness. Likewise, single-minded attention to change can frustrate the development of core capabilities that provide the foundation for adaptation and learning. Leaders must have the skills to recognize and engage these tensions. Yet such inconsistencies create ambiguity and uncertainty, often sparking anxiety and defensiveness.

Global Services Canada, a multibillion-dollar IBM strategic business unit, illustrates the leadership tensions associated with strategic agility.³ From 1995 to 2000, Global Services Canada (IGS Canada) maintained strategic commitments to the business plan of their cash cow, Strategic Outsourcing, even as the market shifted to more professional services. In 2000, as the new, top executive of IGS Canada, Rick Horton faced declining market share, dissatisfied customers (with their top customer, representing 10% of their business, about to drop the account), and extensive leadership team conflict. By the time he left in 2003, IGS Canada had demonstrated impressive strategic agility. Horton rebuilt the Strategic Outsourcing business, while building a professional services business and institutionalizing ongoing exploration of new models. He also developed trust, respect, and unity among top managers. Such agility required leadership skills to effectively engage competing strategic demands—honoring stability while seeking change, demanding strong commitments while driving flexibility, and encouraging individual leadership contributions while expecting teamwork.

Rick Horton's challenges are being repeated across industry sectors. Top executives seeking to achieve strategic agility find themselves grappling with conflicting demands.⁴ While studies of complexity, ambidexterity, and dualities have offered insights into managing tensions, our work examines how paradox may leverage and extend these understandings and offer specific leadership practices that enable strategic agility.⁵

A paradox denotes a particularly challenging tension—contradictory, yet interrelated elements that exist simultaneously and persist over time.⁶ Managing paradox seeks “both/and” alternatives that may foster novelty, creativity, and long-term sustainability.⁷ As Unilever CEO Paul Polman stressed in our opening

quote, understanding paradox may hold a key to coping with, and even excelling in the face of, strategic tensions. Yet, despite such calls, leaders are left with several questions, such as: How can a paradoxical approach to tensions enable strategic agility? What can leaders do to adopt a paradoxical approach?

To explore these questions, we integrate existing paradox research with data from five leading firms that effectively manage paradox to achieve strategic agility: Astro Studios, Digital Divide Data, IBM Global Services Canada, Lego, and Unilever. Despite their varied contexts, the leaders in these firms share practices that enable them to seek creative, both/and solutions. These case studies reveal five paradoxical leadership practices that enable strategic agility:

- Value paradoxes as vital ingredient of high performance.
- Proactively identify and raise tensions.
- Avoid traps of anxiety and defensiveness.
- Consistently communicate a both/and vision.
- Separate efforts to focus on both sides of a paradox.

Paradoxical Tensions and Strategic Agility

Paradoxical Roots of Strategic Agility

Strategic agility enables firms to flexibly respond to complex, global, and dynamic environments. Yet achieving strategic agility is challenging, in part, because of inherent contradictions. Building capabilities for organizational renewal requires, on the one hand, formal strategic planning to lay the groundwork for competitive advantage. Strategic commitments allocate resources to build core competencies and provide a base from which firms can learn and adapt. On the other hand, agility demands strategic flexibility, quick and innovative responses to the dynamic competitive landscape. Such changes help firms cope with technological discontinuities to anticipate market trends and disruptions. Moreover, achieving strategic agility often means attending to multiple, often contradictory demands—innovation and efficiency, global demands and local markets, and social missions and financial outcomes.⁸ Toyota's Production System, for example, achieves flexibility, creativity, and novelty through efficient, planned, and bureaucratic tasks and routines.⁹

Moreover, studies suggest that contradictions underlie the three capabilities involved in strategic agility—strategic sensitivity, leadership unity, and resource fluidity.¹⁰ Strategic sensitivity involves being alert and able to integrate new possibilities, but it raises tensions such as needing to learn from and let go of experience, look forward and backward, and engage ideas from the top down and bottom up.¹¹ As Doz and Kosonen highlight, strategic sensitivity “is fostered by the combination of a strong externally oriented and internally participative strategy process, a high level of tension and attentiveness and a rich, intense, and open dialogue.”¹² Leadership unity involves bold and fast strategic decision making, demonstrating strong commitment from top management, as well as from their board and middle managers, and raises tensions between individuality and teamwork. Achieving leadership unity depends on collectivity, including convergent thinking, homogenous perspectives, and collective agreements. However, effective decision making also honors diverse

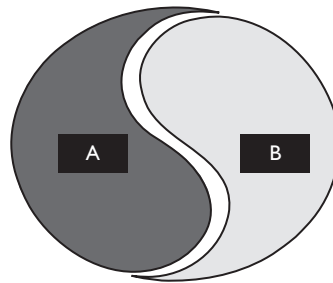
perspectives by soliciting multiple points of view, fostering radical thinking, and raising conflicting opinions.¹³ Finally, resource fluidity raises stability-change tensions. Fluidity requires change, switching, and novelty, but depends on consistency to take full advantage of resources. Strategic agility depends on leaders' responses to such competing demands.

Research describes varied responses to competing demands—tradeoffs, compromises, and paradox (see Figure 1).¹⁴ A tradeoff approach seeks an either/or decision as leaders strive to select between alternatives—A and B—that each pose advantages and disadvantages. In this setting, decision making entails weighing the pros and cons. For example, deciding whether to produce or outsource may require a tradeoff if both alternatives have substantial benefits and detriments. Likewise, a compromise seeks a blended solution. In this case, A and B are combined to form a new option, C. For example, when a CEO faces two departments with conflicting

FIGURE 1. Tensions as Paradox, Tradeoff, and Compromise

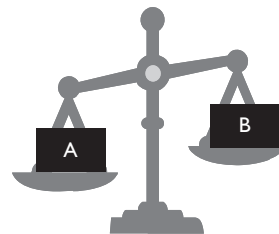
Paradox - Contradictory yet interrelated elements that exist simultaneously and persist over time. Such elements seem logical when considered in isolation, but irrational, inconsistent, even absurd, when juxtaposed.

Decision goal: identify a both/and solution that leverages synergies and distinctions of the opposing elements.



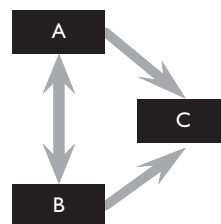
Tradeoff - Competing choices, each with advantages and disadvantages such that no clear preference or dilemma exists. Decision making requires weighing pros and cons for each option.

Decision goal: make tradeoff, selecting the option that maximizes the advantages and limits the disadvantages.



Compromise - Contradictory elements resolved through an integration of both options. Decision making requires finding a common ground between the options.

Decision goal: blend options into a single, new alternative that leverages aspects of each opposing element in order to attain slightly revised objectives.



views, but needs their unified commitment to the project, leaders may seek a compromise that provides a common ground.

In contrast, a paradoxical approach seeks to engage competing demands simultaneously, rather than focus on one side or develop a blended solution. Figure 1 illustrates paradox as the Taoist symbol of yin-yang, depicting competing demands as two sides of an integrated whole. As we focus on one side of the figure (Yin, change, global, A), it defines the other (Yang, stability, local, B), creating a tug-of-war as the elements are both opposing and complementary.¹⁵ Managing paradox therefore requires a creative, both/and approach that leverages the benefits of each side separately, while also tapping into their synergistic potential.

Studies of exploration and exploitation illustrate different approaches to a strategic tension.¹⁶ Exploration and exploitation reflect contradictory demands. Exploitation seeks incremental innovation to deepen current knowledge and capabilities, fostering greater efficiency and continuous improvements, while exploration fuels radical innovation through experiment and research and development seeking new knowledge, markets, and possibilities. These forms of innovation require conflicting mindsets and processes. In industries that are highly vertically disintegrated, such as semiconductor chips and bio-pharmaceuticals, firms may strategically approach the tension as a tradeoff, choosing to specialize on one side.¹⁷ Yet ambidexterity research stresses that in more integrated industries, long-term success requires excelling at both exploration and exploitation simultaneously.¹⁸ Applying a paradoxical approach highlights the interdependent nature of exploration and exploitation. Seeking a both/and solution, leaders may stress how exploration builds new products and services that become the fodder for future exploitation, while exploitation enables efficiencies and profitability that funds basic R&D and ongoing exploration. In such cases, a trade-off approach may prove problematic. As leaders gravitate toward the demand with which they and their firms are most comfortable (e.g., exploitation), the need for the opposite (e.g., exploration) intensifies, fueling a strategic tug-of-war.¹⁹

Strategic agility studies illustrate how leaders can become mired in either/or tradeoffs, rather than achieve the flexibility necessary to attend to dynamic, complex environments. For instance, an excessive internal focus to enable strategic sensitivity can limit boundary spanning in search of new opportunities. Leaders may become increasingly bogged down in political and resource issues. Yet overemphasis on external efforts can inhibit the commitment needed internally to execute emergent plans. Similarly, extensive collaboration to achieve leadership unity can result in groupthink and thwart new ideas,²⁰ while extensive radical and divergent thinking can result in political stalemates and intractable conflict.²¹ Finally, resource fluidity entails both stability and change. Excessive stability may engender “competency traps.”²² Leveraging current capabilities may enable immediate profits, but foster eventual stagnation, leaving firms vulnerable to market and technological changes. Likewise, “failure traps” may be triggered by excessive change. Firms narrowly seeking exploration take escalating risks, attempting to negate past innovation failures while ignoring core competencies.²³ Future opportunities are sought at the expense of today’s operations.

Alternatively, engaging the paradoxical nature of competing demands may enable agility and long-term success.²⁴ Paradoxes provide creative friction or

constructive conflicts that can push leaders to question initial, either/or assumptions in search of more inclusive, both/and possibilities. In his research, Roger Martin found that the ability to leverage tensions was the most striking and consistent feature that enabled outstanding leaders to be agile and flexible and to achieve long-term success.²⁵ He stressed the capacity to constructively face tensions and, rather than choosing one side at the expense of the other, to generate novel ideas containing both elements. In A.J. Lafley's terms, this means not settling for less, because, "We weren't going to win if it was an 'or,' Everybody can do 'or.' That's the way the world works. You trade things off. But you're not going to be the best in your industry. You are not going to win if you are in a trade-off game."²⁶

Research Lessons: Paradoxical Leadership to Enable Strategic Agility

Our analysis of paradoxical leadership practices and strategic agility draws from research over twelve years in five exemplary firms—Astro Studios, Digital Divide Data, IBM Global Services Canada, Lego, and Unilever. These firms exemplified the high performance possible from strategic agility, achieving excellence along multiple dimensions (such as profitability, efficiency, and social responsibility) in the short-run, while building the foundations to sustain that performance in the long run (continuously regenerating their competitive advantage). For example, as noted earlier, IBM Global Service Canada reinvented itself from a primarily in-house strategic outsourcing IT consultancy to a high level IT professional services organization. Similarly, over its 10-year existence, Digital Divide Data remained agile by consistently shifting business models to define and redefine itself within the emerging social enterprise space.

These five firms are diverse in (see Table 1), helping us extract more generalizable insights. They represent public and private companies, ranging in offerings from IT services to consumer goods. Such diversity enables our research to leverage their varied experiences with paradox and strategic agility, while seeking common trends across cases.

We collected data from multiple sources to triangulate perspectives (see Appendix I for more about how the research was conducted). To compare practices across the firms, we drew on methodological protocol recommended by leading qualitative researchers in management and strategy.²⁷ Our analysis revealed five common leadership practices of managing paradox that enabled strategic agility (see Table 2).

Value Paradoxes as a Vital Ingredient of High Performance

A key first step to achieving strategic agility is to foster a deep appreciation and respect for paradoxical tensions. Each firm in our study highlighted varied competing demands vital to their short- and long-term success. For example, Lego CEO Kjeld Kirk Kristiansen led extensive restructuring in response to dramatic and ongoing changes in the global toy market. Throughout implementation, his strategic team wrestled with the need for empowerment and control as well as individuality and

TABLE 1. Summary of Cases and Data

| Firm | Ownership | Sector | Headquarter | Level | Sales/Year | Interviews | Observation | Archives |
|---|------------------|--------------------|--------------------|--------------|--|---|---|--|
| Astro Studios (research conducted 2003-8) | Private | New Product Design | US | Firm | N/A* Astro Gaming (venturing unit); \$9.6M (2010) \$3M(2010) | CEO Senior Managers Industrial Designers (6 interviews) CEO Board Members Senior Managers Middle Managers Operators (24 interviews) General Manager Senior team Consultants (11 interviews) | Meetings, daily activities (1 week) | Company and marketing materials, articles, press releases |
| Digital Divide Data (2008-10) | Private | Social Enterprise | US-Cambodia | Firm | | CEO Board Members Senior Managers Middle Managers Operators (24 interviews) | Board meetings Management meetings, daily activities (2 weeks) | Over 3000 documents from early founding |
| IBM Global Services Canada (2006-8) | Public | IT Consulting | Canada | SBU | \$2 billion (2008) | Senior team Consultants (11 interviews) | Board Meetings (1 meeting) | Strategic plan, board meeting materials, annual budget |
| Lego (1999-2002) | Private | Toy Manufacturing | Denmark | Firm | \$1.4 billion (2002) | CEO Senior Managers Middle Managers (15 interviews) CEO Middle Managers (9 interviews) | “Sparring” sessions (92 individual manager sessions, 26 group sessions) | Strategic plan, human resource materials, consultant reports |
| Unilever (2010-12) | Public | Consumer Goods | UK | Firm | \$64.7 billion (2012) | CEO Middle Managers (9 interviews) | Managers presenting on global/regional marketing (2 sessions) | Strategic plan; “Sustainable Living Plan,” annual report |

*Astro Studios is a private firm that does not disclose their financial information. They did, however, publish annual sales information for Astro Gaming (their venturing unit) in 2010. Those sales figures are provided here.

TABLE 2. Summary of Results (continued on next page)

| Firm | Strategic Agility | Primary Tension(s) | Value paradoxes as vital ingredient of high performance | Proactively identify and raise tensions | Avoid traps of anxiety and defensiveness | Consistently communicate a both/and vision | Separate efforts to focus on different sides of a paradox |
|-------------------------------|---|--|---|--|---|---|--|
| Digital Divide Data | Adopted a flexible approach to developing a social enterprise business model, shifting over time from prioritizing its social mission, to prioritizing its business revenues, to seeking a means of integrating both. | Social Mission:: Profitability Novelty::Routines Global::Local | Debates center around commitments to be both social mission and profit oriented. | Encourage debate and discussion among leaders to raise conflicting expectations. | GM empowers leaders to commit to both social mission and financial performance. | Highlight a mission that integrates both social and financial goals. | Create distinct balance sheets, discussion time in meetings, and leadership. |
| Astro Studios | Fueled growth by inventing a new business model, complementing its fee-for-innovation work (core business), with new venture unit (focused on more radical innovation). | Exploration:: Exploitation (radical and incremental innovation) | Astro Studios commits to succeed in existing business (client-driven innovation) and build new business as a means of exploring new growth opportunities (Astro Gaming – venturing unit). | Engage in open dialogue about how to resolve the tension with senior leaders. The discussions challenge core assumptions (current business model), and trigger prototyping and piloting of new business model, including the venturing unit. | To counter the risk of complacency, the whole company has to perceive the turbulent environment as a source of opportunity; everyone to look and think beyond core business issues. | The overarching vision stresses competing efforts as synergistic, feeding off each other as profits fund riskier projects, while creative breakthroughs expand firm knowledge for later use in more incremental projects. | Create distinct subunits for existing products and innovation (new markets), which are collocated; hire distinct leader to manage the new venturing unit; set aside different times to discuss existing products and innovation. |
| IBM Global Services Canada | Reinvented its business model from a primarily long-term strategic outsourcing IT | Change::Stability Existing Process:: Novel Approach Explore::Exploit | GM commits to succeed in existing business and build new business. | GM asks board to raise opposing views in meetings and one-on-one | GM empowers VP of Bus. Dev. to monitor and confirm that they are not getting stuck in | GM seeks to achieve both short-term and long-term success, which involves both | Differentiate lines of business, metrics, rewards, and leadership. |

TABLE 2. Summary of Results (continued from previous page)

| Firm | Strategic Agility | Primary Tension(s) | Value paradoxes as vital ingredient of high performance | Proactively identify and raise tensions | Avoid traps of anxiety and defensiveness | Consistently communicate a both/and vision | Separate efforts to focus on different sides of a paradox |
|-------------|---|---|--|---|--|---|--|
| | consultancy, to a fast-paced, shorter contract, higher skills IT services firm. | | | conversations; senior leaders create code of conduct to stress tensions | past mindsets and practices. | exploration and exploitation. | |
| Lego | Faced with a dramatically changing, global toy market, restructured to become increasingly lean and agile – able to adjust to market trends, innovate, and execute strategic changes rapidly. | Empowerment: Control Teamwork: Productivity Cohesive: Individuality | Learning to apply the CEO's paradoxical approach, middle managers come to view tensions as vital to managing self-managed teams. | CEO hires executive change agent to contrast his own tendencies; uses researchers to help middle managers learn to identify and work through tensions | Middle managers use intensive discussion sessions to push through frustrations, gain comfort with tensions, and collaborate. | From top to middle managers, stressing the need to meet competing demands is the consistent and overarching theme of team meetings. | Distinct focus at different times, e.g., team discussions for problem solving vs. individual work for task productivity. |
| Unilever | Sought consistently flexible and quick strategic responses to enable agility and leadership across its extensive and varied product lines and geographic regions. | Profit: Social Responsibility Global: Local | CEO stresses importance of "AND Mentality" to be a profitable, multinational firm, while responsibly supporting local communities. | Decision-making routines include raising tensions to look beyond initial assumptions and spur creativity. | When people feel stuck in tensions, they are encouraged to "delegate complexity upwards", involving managers for support. | Sustainable Living Plan stresses profit and social responsibility goals, challenging firm to double size of business while reducing its environmental impact. | Differentiate global categories with long-term focus and innovation emphasis from regional structures aimed at local needs and daily operations. |

teamwork. Such tensions, and the importance of paradoxical thinking, would come to permeate leadership efforts throughout the firm. In contrast, Digital Divide Data (a social enterprise) sought to break the cycle of poverty in disadvantaged companies through a profit-oriented data-entry business. DDD leaders grappled with tensions between their social mission and financial outcomes. Leaders at Astro Studios (a new product design consultancy) and IBM Global Services Canada (a strategic business unit of IBM delivering IT consulting) reflected on tensions of exploration and exploitation, stability and change, and control and flexibility. Finally, Unilever (a multinational consumer products company) faced challenges between profit and social responsibility, as well as between global markets and local demands.

The leaders of these organizations fostered strategic agility by adopting a paradoxical approach to these varied strategic tensions. They described practices that moved beyond expecting to resolve competing demands, to instead valuing the creative insights and positive energy enabled by paradox. DDD's CEO Jeremy Hockenstein recognized the benefits of seeking both profit and social missions, valuing the tension for pushing his team to avoid complacency by raising tough questions and innovating their business model. For example, they constantly asked: How can we hire the most disadvantaged Cambodians and advance their social mission, and hire individuals with greater skills to drive increased profits? They further grappled with how to grow and expand into more rural areas (where they could provide opportunities for the most needy) and into more urban areas (where they could reduce the costs of doing business). Similarly, Unilever CEO Paul Polman at praised paradoxes as fodder for creativity, leveraging tensions to spark debates at individual, group, and strategic levels that help question old boundaries, thinking, and practices. He explained:

"We look for friction points, many of which come naturally with size and complexity—Am I in charge or do I trust others? Do we aim for short-term profitability or long-run sustainability? Do we seek social responsibility or minimize costs?...My goal is to create an environment of positive energy that values these friction points."

In these cases, paradox offered valued triggers to more creative and responsive decision making. Rather than getting stuck in current trends and existing routines, paradoxical demands pushed them toward novelty. At IBM's Global Services, Rick Horton sought to harness friction and generate positive movement. By stressing tensions between the short and the long term, he fueled constructive dialogue among senior managers, questioning the temptation to simply bolster declining profits by cutting costs. As a result, the organization found ways to benefit in the long run by seeking success in their existing services, while experimenting with new business models.

Similarly, top leadership at Astro Studios viewed paradoxical tensions between stability and change as an opportunity to assess long-held assumptions about the new product development industry (NPD). In the mid-1990s, the NPD industry began shifting from traditional new product design services toward the emergence of web-based technologies and new media solutions. At the same time, intensifying competition and thin margins fueled development of new business models. Concerned that a single-minded focus on its existing business (selling

consulting time) would miss new opportunities (emerging technologies), Astro Studios's leaders took a step back. CEO Brett Lovelady started questioning the industry assumption that the only way to increase revenue is by hiring additional staff. He asked himself and other senior leaders to rethink their business model. Analyzing current practices, they discovered that they spent considerable time giving strategic advice to start-up clients, acting as venture capitalists. Lovelady saw an opportunity to launch a novel venturing unit, where design, engineering, and other services would be exchanged for stock options or warrants. Adopting a portfolio approach, the firm could serve their traditional fee-for-service clients as well as entrepreneurial clients, who could pay for services in exchange of equity or shared ownership of the new venture.

Proactively Identify and Raise Tensions

Beyond valuing tensions as they surface, leaders stressed the need to purposefully seek out paradox to foster strategic agility. In meetings, such proactive efforts included encouraging devil's advocates to raise other sides of an issue, calling attention to competing stakeholder demands, and noting varied short-versus long-term implications for different decision alternatives. For example, DDD board members stressed their role in articulating conflicting demands, encouraging top management and themselves to share diverse perspectives and seek creative alternatives. For instance, one discussion about their growth into a new market stressed financial implications. Their CEO stopped the discussion, stating that he now wanted to hear the benefits and detriments of the new plan for their social mission. At IBM's Global Services, the senior leaders created a new code of conduct for their engagement with one another, including the mandate to raise tensions and conflicts with one another and to work through positive solutions.

During massive restructuring, CEO Kristiansen sought to identify and manage tensions throughout Lego. Interestingly, Kristiansen had led an executive meeting years earlier that resulted in articulating the "11 Paradoxes of Lego." Posters of the paradoxes, adorned with the Yin Yang symbol, still hung in every manager's office during our research. Yet beyond printed materials, paradox had not become integral to the management thinking or practice. Kristiansen became proactive. Our case study became central to the effort. Led by researcher partner Lotte Luscher, we complemented interviews with "sparring sessions," pushing managers—individually and in groups—to work through challenging tensions. Sessions began by encouraging managers to explain a problem and examine their current assumptions. For example, managers raised concerns about how restructuring had positioned them as managers of self-managed teams. Managers were then asked to explore different perspectives and divergent options. In this example, managers asked: "Should I direct my employees, or should I let them gain experience by solving problems themselves?" Managers then examined the implications of each option, stressing the downsides of a choice (e.g., overt supervision could demotivate) and the benefits of its opposite (e.g., through their own problem solving, employees could discover novel solutions). Feeling a tug-of-war, managers came to view a tradeoff as untenable—a singular solution might help in the short-term, but tension would

eventually resurface. This realization helped managers question their assumptions and identify more creative, both/and options. In this example, managers decided that they should lead the way and recede into the background, sharing their knowledge to help employees learn to solve problems themselves.²⁸

In these case firms, proactively surfacing tensions was an integral part of decision-making processes. Clarifying boundaries around an issue helps highlight underlying tensions and then leaders can encourage discussions that push those boundaries and enable adaptation.²⁹ By examining existing assumptions about key concerns and constraints of an issue, discussions can raise alternative views. For instance, at Unilever, raising tensions has become a habit during decision-making efforts—helping make people uncomfortable, encouraging them to think beyond either/or views, and spurring more creative and nimble decision making. As CEO Polman noted, “Stressing tensions puts pressure on how we use resources and lower costs as well as on how we innovate.” Likewise, top management teams at Astro Studios emphasize the importance of openness, as executives are encouraged to question core business assumptions and to widen their strategic vision. When the company started putting the new business model into operation, existing employees worked alongside new staff from the venturing unit to keep exploring and learning about new opportunities, while widening the interests of the company. In this sense, strategic continuity and change can co-exist. For instance, the General Manager at IBM Global Services publicly praises leaders during meetings for raising conflict, then sending them an e-mail of appreciation after the meeting. As a result, the leaders noticed their increased collective investment in discussing conflicting demands.

Avoid the Traps of Anxiety and Defensiveness

Tensions raise anxiety and potentially spur defensive decision making that can impede strategic agility. The tug-of-war between tensions can drive leaders to remain inert, becoming trapped within the comfort of the past. As Amy Edmonson stresses in her research, fear of failure can paralyze decision making, inhibiting experimentation and creativity.³⁰ Moving beyond this sense of “stuckness” to achieve renewal and agility requires working through the initial discomfort of tensions. Organizations can embrace both emergent and planned change, as well as both the old and the new. Paul Polman stressed that paradoxes can feel overwhelming. This makes it critical that leaders build comfort and confidence when working through paradox, in part by providing project boundaries that keep tensions manageable, opportunities to express angst, and the tools and resources to succeed. Unilever encourages employees to “delegate complexity upwards”—seeking management support and involvement when they feel caught between tensions. At Lego, similarly, leaders avoided paralysis by pushing through early frustrations. For example, one manager asked, “How can I be in charge and let others make the decisions?” While initial feelings of anxiety frustrated decision making, managers became focused on setting clear boundaries and goals early in a project, then empowering their employees within those constraints.

Confidence is the antidote of defensiveness, helping individuals work with, rather than against, tensions. Confidence forms over time, and begins by taking risks.³¹ Trusting in the capabilities of one’s self, team, or organization helps avoid

defensiveness and opens the possibility for innovation. Confidence, trust, and risk taking can then become mutually reinforcing, developing together to fuel winning streaks. As Martin recommends, building your capacity for integrative or paradoxical thinking requires learning to step back and question your initial discomfort and desire for an either/or solution.³² He describes how leaders such as Jack Welch, Bill Gates, and Sam Walton welcome messy, complex tensions. Rather than spark defensiveness, confidence in their abilities helps them adapt, countering complacency and empowering them to think beyond the core business. Rick Horton worked early and diligently to earn the confidence of the top management team at IGS Canada. He was the only American on the team and was expected to return to the United States. He had to prove that his plan sought results that would last long after his departure. Their confidence enabled him to take risks and encourage the rest of the team to do so as well. Likewise, Brett Lovelady of Astro Studios explained that in identifying new opportunities, they seek to create clear boundaries that embrace both the creative and business dimensions of their firm, freeing employees to explore and create within that framework:

“It is just as important as a cultural fit and expression of Astro Studios that in the end it is a viable business opportunity. Creative people make it successful, but you have to make sure that it fits all those criteria: Is there a market? Is there a distribution channel? Is there something unique? Is there an intellectual property here that can be developed? So you go through a different checklist, and eventually we kind of know that we can design what needs to be designed and feel pretty confident.”

Consistently Communicate a Both/And Vision

An overarching, both/and vision provides vital direction, helping leaders navigate ongoing decisions in the face of competing demands. Such vision critically informs strategic agility, providing a guiding direction for the firm while accentuating the need to address, adjust to, and excel at managing tensions. Cultivating a paradoxical vision that accommodates dual goals does not mean drifting toward some mediocre compromise. Collins and Porras, for instance, depict great, enduring firms as espousing *pragmatic idealism* that calls for firms to be highly profitable *and* highly idealistic.³³ Similarly, top NPD firms such as Astro Studios embrace a vision that accentuates business and artistic tensions to fuel innovation. During a presentation, Astro Studio’s CEO noted: “Per Darwin, evolution requires an environment conducive to the production of variety as well as a disciplined filter of variety.” Their firm vision stressed competing efforts as synergistic, feeding off of each other as profits fund riskier projects, while creative breakthroughs expand firm knowledge for later use in more incremental projects. By consistently communicating that vision, it becomes an influential force throughout the firm. As Tushman and Smith found in firms such as Ciba, Seiko, and Polaroid, a clear, emotionally engaging vision provides a strategic anchor for senior teams, helping maintain units’ direction even when objectives change over time or between projects.³⁴

Unilever’s Sustainable Living Plan offers an exceptional example of a paradoxical vision by decoupling business growth from environmental impact. To achieve its stretch goals, strategic leadership made clarity of strategy a priority, deliberately building tensions into the guiding vision, then setting goals that recognize the

competing demands, aligning incentives around those goals, building a supportive structure that specifies responsibilities, and creating a culture of trust, openness, and shared objectives. Similarly, DDD's mission encompasses both profit and social responsibility, to "stop the cycle of poverty through business." As their VP of Business Development explained:

"Digital Divide Data is neither a pure for-profit nor a pure not-for-profit. We can't just adopt the practices of other NGOs or other for-profit companies in Cambodia. As a result, we are challenged to be more thoughtful and creative in every decision we face."

DDD's both/and vision infused their decision making. They printed this vision on the first pages of their board member packets to remind themselves of their paradoxical goals to advance a social mission, yet through a commercial, market-based venture.

A both/and vision offers several benefits to enable strategic agility. First, this vision challenges leaders to create possibilities for novel solutions that embrace both aspects of the tension. For example, DDD leaders felt conflicted about whether they should hire the most-disadvantaged operators (which allowed them to provide the most social benefit, but often at the cost of minimal job skills), or should they hire more-skilled workers (who were often more well-off). Ultimately, they adopted a solution that attended to both needs. They sought the most disadvantaged people, but then screened for those with the highest skills.

Second, a both/and vision challenges leaders to reconsider their approach when faced with seemingly constrained resources. Paradoxical tensions often surface when leaders face decisions to allocate resources—time, human resources, or financial resources.³⁵ Such decisions raise competition and conflict and force seeming tradeoffs. For example, IBM Global Services Canada grappled with whether to focus more of their sales team on selling the existing product or the innovation. Yet, in our cases, we found that a both/and vision helped leaders view resources as abundant rather than scarce, shifting their emphasis from how to divide resources between exploration/exploitation, efficiency/social responsibility, and local/global and toward seeking synergist means of doing both, and thus growing resources in the process. For example, leaders can consider alternatives where resources can respond to multiple demands. IBM Global Service Canada realized that they could gain more value from their sales team by cross-training them to sell varied products, which in turn enabled them to sell more complex offerings that integrated their existing products and their innovation.

Separate Efforts to Focus on Both Sides of a Paradox

While creating an overarching vision seeks to bring together competing demands, the last key to enabling strategic agility through paradox involves separating tensions to enable focus on its different elements. Smith and Lewis explain that decision makers need to be "consistently inconsistent," switching between efforts or targeting different structures on divergent goals.³⁶ Developing a diverse portfolio of skills, projects, or units enables separate targeted efforts. In sum, a both/and vision reminds organizational members of the paradoxical, overarching objective, as separation enables focused action on each side of a tension. Targeting efforts aids deepening

of expertise, honing of skills, and efficient use of resources. As Martin notes, separation fosters simplification and specialization that helps individuals cope with tensions on a daily basis.³⁷ Specialists strive to accumulate deep knowledge, accentuating valued differences. For example, Tushman and Smith find that while executives maintain a paradoxical mindset, high-performing firms adopt an ambidextrous structure—separating divergent innovation streams, focusing some units on exploration, discovery, and experimentation while others seek to extend and improve existing capabilities and products.³⁸ Similarly, Astro Studios separated efforts by projects so it could become more agile. CEO Brett Lovelady explained why they developed two structures, with one unit seeking more incremental innovation and the other focusing on more radical, new ventures.

“When someone asks you to design something and they know what they want, that’s consulting, but if they ask you to invent something or if they ask you to look at a new market and how you might approach it, that’s a different business model, and we think that we need to be compensated differently for it, so we’ve set up a different structure for it.”

In Astro Studios’s case, people from the core business unit also participated in new opportunities or activities. By purposefully shifting individuals across varied projects and different physical spaces—projects and spaces dedicated to traditional versus new venturing work—they were encouraged to be playful in attempting new things and acting in new roles. In this way, separation enabled both units to thrive, but fostered cross-pollination as leadership also kept individuals clear on their complementary nature. Without skillfully leveraging their core business strengths and assets, there was no way a new venture could be scaled up to a meaningful size fast enough.

Wheelwright and Clark prescribed such aggregate project plans for product development.³⁹ In their view, portfolios ideally include incremental projects that pay the bills and radical projects that build new capabilities. Similarly, Unilever uses global categories to emphasize long-term goals and seeks discontinuous innovations that do not get bogged down by daily operations; while regional structures ensure short-term efficiencies, focus on local needs, and monitor ongoing operational goals.

Dual structures are often used to focus different units on competing goals, while top management leverages their synergies. At IBM Global Services, separate subunits focus on either existing product innovation or more radical experimentation. They also created separate learning opportunities—holding off-site events dedicated to exploring the details of the new business model, while calling impromptu meetings to focus on improving the existing one. In contrast, DDD reinforces its dual structure by using separate social and financial balance sheets to track accountability and performance along both profitability and social dimensions. Doing so enables leaders to recognize varied sources of income and differential expenses, while more effectively comparing key metrics with other not-for-profits or for-profits.

Conclusion

Praise for managing paradox is far from new. Peters and Waterman, for example, claim: “Excellent companies, if they know any one thing, know how to manage paradox.”⁴⁰ Collins and Porras further warn leaders to avoid the

“Tyranny of the *Or*” in favor of the “Genius of the *And*.”⁴¹ More recently, Martin applauds exceptional leaders for their abilities to use integrative thinking, accommodating opposing ideas, issues, or demands in more productive and creative solutions.⁴²

We encourage leaders to view strategic agility as a continuous balancing act as they work through competing demands simultaneously. In practical terms, leaders must encourage “paradoxical thinking,” in which a tension is identified, its contradictory elements and their links are explored, and new insights into existing problems are reached. Once managers understand and accept contradictions, they are more likely to embrace tensions and benefit from them. Further, we recommend remaining wary of mismanaging paradox, avoiding the potential for anxiety to foster defensiveness and counterproductive responses that inhibit fast-paced and adaptable decision making. Lastly, none of the companies we studied could sustain their industry leadership without flawless execution, focusing units and efforts separately on opposing demands, and an integrating both/and vision that guides ongoing decision making to enable short-term successes and long-term sustainability.

While we have focused on top management, these case studies demonstrate that paradoxical leadership occurs at various levels and through diverse practices. All five firms showcase the importance to top managers modeling paradox management and setting a paradoxical vision. Yet their efforts can help paradoxical leadership permeate the firm to enable strategy implementation and ongoing agility. From board members at Digital Data Divide, to middle managers within Lego, to regional managers in Unilever, leaders can proactively seek out strategic tensions and apply more creative, both/and thinking to meet competing demands and leverage their synergistic potential.

APPENDIX I

How the Research was Carried Out

For over a decade, we studied firms that have proven exceptional in their ability to meet competing demands. Given this focus, we applied a multi-method, qualitative research design, sampling five exemplary firms—Astro Studios, Digital Divide Data, IBM Global Services Canada, Lego, and Unilever—operating in a diverse range of industries.

We conducted the case studies in two phases. The first four cases (research conducted from 1999-2010) sought to build a framework of insights by applying highly intensive, inductive research, including extended periods of observations. Given the robust commonalities across the four cases, we then collected data in a fifth firm, Unilever (research conducted from 2010-2012), to gauge whether these paradoxical leadership practices translated to a large, multinational firm. While our research focused on top management, for all cases, we used varied methods and data sources to provide insights that we triangulated with the data obtained from executive interviews (Table 1 summarizes included interviews, observations, and archival material). Findings presented in this article drew from

a grounded theory approach consistent with those suggested by qualitative researchers in management and strategy.⁴³

Our research process involved a rigorous approach to data collection and analysis. In the first phase, for the initial four cases, we conducted semi-structured interviews with CEOs and managers. The interviews began with broad questions that enabled the informants to present the material in their own terms. Given our inductive aims, we encouraged informants to wander freely in their answers and probed whenever possible. Our interview protocol evolved systematically.⁴⁴ The study began with broad research aims, seeking to identify leadership practices that enable these firms to identify and manage strategic tensions. Then, as data collection and analysis unfolded, our interviews became increasingly focused (see Executive Interview Protocol below for illustrative questions). We then analyzed secondary data obtained from varied sources, including industry reports and internal documents. Before each visit, we gathered articles and web material related to that firm. During the visit, we also collected documents produced by the firm, such as employee handbooks and press releases. Finally, informal, non-participant observations were made during site visits, providing greater insights into daily practices within the work environment. The findings were then validated by feedback meetings with the most significant respondents, aiding triangulation across data sources and analytical methods. For phase two, the final, Unilever case, we followed a similar, but more focused approach, beginning by applying the executive interview protocol developed through the previous cases with CEO Paul Polman. We then analyzed firm documents, and visited two operations to learn from middle managers whether and how his paradoxical vision and practices extended to regional efforts. As with previous cases, we concluded by sharing findings with Paul Polman for validation and additional details.

Given our focus on exemplary firms, seeking to learn from their paradoxical leadership practices, we encourage future research to compare these findings to practices in alternative settings. These five firms excel at meeting competing demands simultaneously, raising the need for studies of organizations that focus on more specialized demands or that perform at lower levels. Such comparisons would enrich understandings of strategic agility, its varied mechanisms, contingencies, and resulting outcomes.

Executive Interview Protocol (Indicative Questions)

1. How do you (or how do you help others at your company) avoid feeling paralyzed or frustrated by tensions and enable more effective both/and solutions?
2. Tensions (e.g., formal planning and responsiveness) are often considered to be problematic. Yet many high performers view tensions as opportunities.
 - a. How do you turn tensions into positive energy?
 - b. Can you provide an example of a tension that is vital to achieving high performance at your company?

3. How do you help others move from an either/or mentality (decisions as tradeoffs or compromises) toward more paradoxical thinking?
 - a. How do you encourage paradoxical thinking, even deliberately stressing tensions during decision making to encourage better, more creative results?
4. One risk when dealing with tensions is that they can raise anxiety, cause defensiveness and frustrate effective decision making? How do you help others work through such discomfort so that they can manage paradoxes?
5. At your company, how do your strategy, values and/or vision encompass paradoxes?
 - a. For example, how do you provide a strategy that is clear yet recognizes competing demands?
 - b. How does your culture further support both/and thinking?

Notes

1. Yves Doz and Mikko Kosonen, "The Dynamics of Strategic Agility: Nokia's Rollercoaster Experience," *California Management Review*, 50/3 (Spring 2008): 95.
2. Mie Augier and David J. Teece, "Reflections on (Schumpeterian) Leadership: A Report on a Seminar on Leadership and Management Education," *California Management Review*, 47/2 (Winter 2005): 114-136.
3. See Mike Tushman, David Kiron, and Wendy Smith, "IBM Canada: Global Services," Harvard Business School Case Study, 2003.
4. See Doz and Kosonen (2008), *op. cit.*; Yves Doz and Mikko Kosonen, "Embedding Strategic Agility: A Leadership Agenda for Accelerating Business Model Renewal," *Long Range Planning*, 43/2-3 (April 2010): 370-382.
5. Existing research offers insights into varied forms of organizational tensions. Complexity studies, for instance, stresses the need for leadership to apply diverse, even contradictory behaviors to meet competing demands (e.g., Daniel R. Denison, Robert Hooijberg, and Robert E. Quinn, "Paradox and Performance: Toward a Theory of Behavioral Complexity in Managerial Leadership," *Organization Science*, 6/5 (1995): 524-540). Ambidexterity research offers structural and cultural means of managing tensions between exploration and exploitation tensions (e.g., Justin J.P. Jansen, Dusya Vera, and Mary Crossan, "Strategic Leadership for Exploration and Exploitation: The Moderating Role of Environmental Dynamism," *The Leadership Quarterly*, 20/1 (February 2009): 5-18). Likewise, dualities theory depicts tensions between action and structure, for example, as mutually enabling (e.g., Anthony Giddens, *The Constitution of Society: Outline of the Theory of Structuration* (London: MacMillan, 1984)).
6. Wendy K. Smith and Marianne W. Lewis, "Toward a Theory of Paradox: A Dynamic Equilibrium Model of Organizing," *Academy of Management Review*, 36/2 (April 2011): 381-403.
7. For a more extensive review of organizational paradoxes, see Marianne W. Lewis, "Exploring Paradox: Toward a More Comprehensive Guide," *Academy of Management Review*, 25/4 (October 2000): 760-776; Marshall Poole and Andrew Van de Ven, "Using Paradox to Build Management and Organization Theories," *Academy of Management Review*, 14/4, (October 1989): 562-578.
8. Wendy Smith, Andy Binns, and Michael Tushman "Complex Business Models: Managing Strategic Paradox Simultaneously," *Long Range Planning*, 43/2-3 (2010): 448-461.
9. Paul Adler, Barbara Goldoftas and David Levine, "Flexibility vs. Efficiency? A Case Study of Model Changeovers in the Toyota Product System," *Organization Science*, 10/1 (January/February 1999): 43-68; Hirotaka Takeuchi, Emi Osono, and Norihiko Shimizu, "The Contradictions that Drive Toyota's Success," *Harvard Business Review*, 86/6 (June 2008): 96-104.
10. Doz and Kosonen (2008), *op. cit.*
11. For studies of contradictory demands see Karl Weick, Kathleen Sutcliffe and David Obstfeld, "Organizing for High Reliability: Processes of Collective Mindfulness," in Robert. I. Sutton and Barry M. Staw, eds., *Research in Organizational Behavior*, 21 (Stamford, CT: JAI Press, 1999), pp. 81-123; Giovanni Gavetti and Daniel Levinthal, "Looking Forward and Looking

- Backward: Cognitive and Experiential Search," *Administrative Science Quarterly*, 45/1 (March 2000): 113-137; Nitin Nohria and Michael Beer, "Cracking the Code of Change," *Harvard Business Review*, 78/3 (May/June 2000): 133-141.
12. Doz and Kosonen (2008), op. cit., p. 96.
 13. Kathleen Eisenhardt, "Making Fast Strategic Decisions in High-Velocity Environments," *Academy of Management Journal*, 32/3 (September 1989): 543-576.
 14. See Smith and Lewis (2011), op. cit., for deeper examination of paradox and related terms.
 15. The opposing, yet interwoven nature of paradox is similar to that of dualities. Yet duality theory (e.g., Giddens (1984), op. cit.) addresses social systems as dynamic processes, such as action enacting structure, while structure provides the guides for action. In contrast, paradox theory focuses on competing demands, seeking to attend to each side of the tension as well as their interdependence and thereby meet both demands simultaneously.
 16. For example, see Constantine Andriopoulos and Marianne W. Lewis, "Exploitation-Exploration Tensions and Organizational Ambidexterity: Managing Paradoxes of Innovation," *Organization Science*, 20/4 (July/August 2009): 696-717; Jansen et al. (2009), op. cit.
 17. Anil Gupta, Ken Smith, and Christina Shalley, "The Interplay between Exploration and Exploitation," *Academy of Management Journal*, 49/4 (August 2006): 693-706.
 18. For example, see Wendy Smith and Mike Tushman, "Managing Strategic Contradictions: A Top Management Model for Managing Innovation Streams," *Organization Science*, 16/5 (September/October 2005): 522-536.
 19. Andriopoulos and Lewis, (2009), op. cit.
 20. I.L. Janis, *Groupthink* (Boston, MA: Houghton-Mifflin, 1982).
 21. Deborah Dougherty, "Interpretive Barriers to Successful Product Innovation in Large Firms," *Organization Science*, 3/2 (May 1992): 179-202.
 22. Gupta et al. (2006), op. cit.
 23. Gupta et al. (2006), op. cit.
 24. Kim Cameron and Robert Quinn, *Organizational Paradox and Transformation* (Cambridge, MA: Ballinger Publishing, 1988) provides a collection of works stressing the link between managing paradox and sustaining high performance.
 25. Roger Martin, *The Opposable Mind: Winning Through Integrative Thinking* (Boston, MA: Harvard Business School Publishing, 2009).
 26. Martin (2009), op. cit., p. 25.
 27. Barney Glaser and Anselm Strauss, *The Discovery of Grounded Theory: Strategies for Qualitative Research* (New York, NY: Aldine, 1967); Matthew Miles and Michael Huberman, *Qualitative Data Analysis* (Thousand Oaks, CA: Sage, 1994).
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 29. Homa Bahrami and Stuart Evans, "Super-Flexibility for Real-Time Adaptation: Perspectives from Silicon Valley," *California Management Review*, 53/3 (Spring 2011): 21-39.
 30. Amy C. Edmonson, "Strategies for Learning from Failure," *Harvard Business Review*, 89/4 (April 2011): 48-55.
 31. Rosabeth Moss Kanter, *Confidence: How Winning Streaks and Losing Streaks Begin and End* (New York, NY: Crown Business, 2004).
 32. Martin (2009), op. cit.
 33. James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies* (New York, NY: HarperCollins, 1994).
 34. Michael L. Tushman and Wendy K. Smith, "Innovation Streams, Organization Designs, and Organizational Evolution," in M.L. Tushman and P. Anderson, eds., *Managing Strategic Innovation and Change* (New York, NY: Oxford University Press, 2004), pp. 2-17.
 35. Smith and Lewis (2011), op. cit.
 36. Smith and Lewis (2011), op. cit.
 37. Martin (2009), op. cit.
 38. Tushman and Smith (2004), op. cit.
 39. Steven C. Wheelwright and Kim B. Clark, *Revolutionizing Product Development* (New York, NY: Free Press, 1992).
 40. Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence: Lessons from America's Best-Run Companies* (New York, NY: Warner Books, 1982), p. 91
 41. Collins and Porras (1994), op. cit., p. 44.
 42. Martin (2009), op. cit.

43. Barney Glaser and Anselm Strauss, *The Discovery of Grounded Theory: Strategies for Qualitative Research* (New York, NY: Aldine, 1967); Miles and Huberman (1994), op. cit.
44. Glaser and Strauss, op. cit.