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Exploiting dilemmas and paradoxes through a new mode of leadership

> A century ago, Andrew Carnegie had this advice: 'Concentrate your energies, your thoughts, and your capital. The wise man puts all his eggs in one basket and watches the basket.' But of course the risk, then and now, is that no matter how attentive and focused you are, the basket you're watching is simply the wrong one.
>
> (Moyer 2008)

Knowing which 'basket' to watch and how to design, manage and watch it is a crucial set of skills for managers and leaders. It is our contention in this book that the myriad tasks of and demands on management can be reduced to five core essentials and that these broadly can be sequenced as follows. First, managers are charged with setting a sense of direction (for example, having an answer to the question 'what business are we in?'); second, they are charged with shaping and structuring the array of capabilities and resources at their disposal into some shape and form; third, they are charged with maintaining and improving performance; fourth, they are expected to additionally enable innovation; fifth, they are expected to be able to adapt each and all of the above to meet changes in the environment of the organization such as changing customer and market demands. This set of core managerial roles is a combination of strategic and organizational capabilities. They do not easily fit within any single discipline or function. Moreover, we argue they are not easily reducible to a set of rational rules. On the contrary, the thesis of this book is that when taken separately and together these tasks and activities are subject to multiple dilemmas and paradoxes which defy conventional prescriptions and rules. Such a contention flies in the face of most current management thinking.

In general, managers and management theorists in the mainstream business and management literature over the past 25 years have taken, we maintain, a wrong turning. Guidance, lessons and prescriptions have become increasingly emphatic, increasingly 'rational' and increasingly misleading. Early social theorists as divergent as Weber, March, Simon, Gouldner and Merton recognized the dysfunctionalities and therefore dangers of order and of formal 'rationality' and tried to draw attention to the contradictions and paradoxes inherent in organizations and society. However, over the years, these insights often seem to have been lost. The emphasis gradually, but insistently, shifted to order and tidiness. Hence, the early insights have been neglected as formal rationality asserted its dominance during the high industrial and late industrial age. However, now this 'industrial' model is under stress. The old rules and strictures no longer seem to make sense. New projects, reforms and reorganizations are launched at an increasingly rapid rate and fail to meet expectations just as frequently. In response, 'chaos theory', 'dynamic capability', the 'learning organization' and a number of other such counter movements offer variable glimpses of this truth.

This tension has been accentuated in recent times because of rapid strides in communication technology and global competition – these forces expose the rational model to greater strain and reveal its deficiencies. For example, Prahalad and Krishnan (2008) show how, in the new business paradigm, products and services are at times inseparable, hardware and software merge, and consumption by users is part of production. Because of the intensity and speed of change, managers have increasingly been exposed to different cycles of reorganization and they find colleagues harder to convince with the latest idea. Multiple initiatives are launched. Projects multiply and their proliferation demands that they be consolidated into 'programmes' and placed within 'Programme Offices'. However, the tensions between initiatives and priorities still tend to remain. There is growing awareness that the underlying problem is one of multiple logics and inescapable tensions (Eisenstat 2008).

Ideas such as devolved 'strategic business units', 'empowerment' or 'teamwork', which appear eminently logical when considered in isolation, reveal themselves to be problematical when considered alongside competing logics. Studies of management decision making increasingly reveal organizational problems to be *inherently* multi-dimensional. Managerial decisions on the core issues of strategy, organizational form, managing performance, innovating and changing all involve tensions, dilemmas and paradoxes. Managing these tensions becomes the core competency of top managers under the new order. Ideas and solutions can rebound. For example, one of the most successful corporate growth stories of the past few decades has been that of Hewlett-Packard. That success was usually explained in part at least by reference to the code of values and practices known as 'The HP Way'. When we interviewed one of the senior most UK-based HP Directors in 1999 he made this point:

> The 'HP Way' is central to who we are. It's not just a slogan or a list on a pocket-sized laminated card. It is very much a values-based organization, we try hard to value commitment for example and we value loyalty in both directions.

However, following a de-merger and a series of financial problems, a few years later the 'HP Way' was an idea used by employees to castigate a new management team whom they judged had 'betrayed' that promise. This is a pattern we have found in many other values-based organizations in recent years.

Organizations and management are under increasing pressure to meet multiple, often inconsistent, demands. Increasing technological change, global competition and workforce diversity reveal and intensify paradox. These kinds of disruptions expose tensions within organizations. For example, rising commodity prices or new international competitors raise new questions about sustainability, competitive advantage and core capabilities. Ambiguity fosters multiple, often conflicting interpretations of phenomena. David Day, European Chief executive of Lightspeed, a company within the global WPP Group, gave us an example:

> In today's climate, many large companies – not just WPP – with large complex systems, increasingly look across at businesses that are entrepreneurial, energetic and innovative and say to themselves 'We would like to acquire one of those'. They bring it in and fit it into the financial systems of the broader organization. The founders tend to remain for a while and so the business never really gets integrated, they say 'Don't touch us, we'll deliver'. Then the founders tend to leave and all of a sudden you are left with something which doesn't deliver any more. That is very common, as the founders, the

> entrepreneurs who created the company, decide to leave and the spirit of the business goes with them.

Sometimes, trade-offs are required; at other times and in other circumstances they can be avoided. Seductive prescriptions often turn out to be oversimplified depictions. When we refer in this book to 'managerial dilemmas' therefore, we want to move beyond simplistic conceptualizations and to explore instead the rich territories of paradox, complexity, ambiguity and temporality.

Let us take an example from Hewlett-Packard. One of the UK-based Directors explained to us:

> If you get a complex system and you add rules to it, it gets more complex. You see if you try to control complexity with structure, it gets worse. So, what HP has is a number of simple rules which are very powerful in the way that they drive things. One of those rules is: 'You must come in under on expenses and over on quota. …' Um, and if you don't, then the men in grey suits arrive fairly soon. So, it's fiscally fairly tight. And, the moment you're going near breaching the simple rules the red flags start waving. Thus, in this way we seek to be both tight and loose.

Toyota provides another example. Conventionally, it is thought that there is a necessary trade-off between productivity and innovation. This is reflected in Abernathy's work on *The Productivity Dilemma* (Abernathy 1978). However, Toyota's phenomenal record in productivity gains *at the same time* as its impressive achievements in innovation have cast doubts on earlier conventional thinking (Liker and Hoseus 2008; MacDuffie 2008; Osono, Shimizu *et al.* 2008). As these studies reveal, there are a number of 'radical contradictions' at the heart of the Toyota method.

Abernathy's analysis of the productivity versus innovation dilemma is important for a further reason. The fundamental lesson to be drawn from his work (supported in meticulous detail by data stretching over decades in the American automobile industry) is that when managers mishandle this dilemma they jeopardize whole firms and indeed whole industries.

Contrast this with the results of recent investigations behind the success of Toyota. Toyota's unorthodox manufacturing system has enabled it to 'make the planet's best automobiles at the lowest cost and to develop new products quickly' (Osono *et al.* 2008: 96). Between 1980 and 2006 its revenue grew 13-fold – an annual growth rate of 10.1%, and between

1997–2001 it opened 31 new plants around the world (Osono *et al.* 2008): 191–2. Moreover, its system has been widely emulated not only by the world's leading automobile companies and manufacturing forms, but also by organizations in service industries such as hospitals. Detailed study of the Toyota Corporation has revealed that the key to its success is its subtle handling of – and indeed promotion of – contradictions. As Osono and colleagues observe: 'The company succeeds we believe because it creates contradictions and paradoxes in many aspects of organizational life' (2008: 98). In many areas it deliberately fosters contradictory viewpoints and challenges its managers and employees to find answers which transcend differences rather than settle for compromises. Examples of its paradoxical nature include: it takes big leaps yet is patient and moves slowly; it grows steadily and yet maintains a state of never-satisfied and indeed even a degree of paranoia; it has outstandingly efficient operations and yet seems to use employees time wastefully (for example including large number of people in meetings at which they often do not directly participate); it is frugal and yet spends heavily is selected areas; it maintains a strict hierarchy and yet prompts employees to challenge.

In order to foster these 'contradictions' Toyota combines both *forces of expansion* with complementary *forces of integration*. Its forces of expansion include the setting of highly stretching and near-impossible goals. Second, there is a huge emphasis on experimentation – most notably, Toyota encourages all employees to search for improvements by highlighting mistakes and failures. Third, despite its huge emphasis on efficiency and a standardized system, it also promotes and encourages local customization. These forces of expansion are complemented by forces of integration: the values of the founders are held in high esteem, these values are inculcated; the company is loathe to make any redundancies even in times of economic downturn and even when this policy costs money; Toyota also invests in communication across the board. Thus, the forces of expansion are balanced by the forces of integration in a manner which allows a restless forward momentum.

In these and other ways, Toyota exemplifies the contemporary manifestation of managing with paradox. It can be seen to represent a living embodiment of a post-modern, knowledge-based, manufacturing company. It seems to have rejected the logics of the industrial age and through its constant experimentation with contradictory forces made a 'successful transition to the post-industrial, knowledge age' (Osono *et al.* 2008: xii). Toyota actively embraced and cultivated contradictions and management through paradox. In their extensive six-year study of Toyota across numerous countries, Osono, Takeuchi and colleagues found that the company 'actually thrives on paradoxes; it harnesses opposing propositions to energize itself' (2008: xii).

Consider some examples of the contradictions: it thinks and acts both globally and locally – it has a Global Knowledge Centre and yet goes to extraordinary lengths to learn from and adapt to local cultures and settings. It combines hard and soft modes of management. It strives for short-term efficiency and associated incremental wins while also striving for long-term step-change gains. It cultivates frugality yet is willing to spend large sums on selected projects. It cultivates stability and yet also a mindset of paranoia. It is characterized by bureaucracy and hierarchy yet fosters a spirit of dissent. It maintains both simple and complex modes of communication. It sets very hard-to-achieve goals yet emphasizes the need for a strong sense of reality. It expects small scale experimentation *and* occasional audacious leaps.

The company is constantly restless. Tellingly, the Toyota President, Kaysuaki Watanabe, said: 'The two things I fear most are arrogance and contentment' (Osono *et al.* 2008: 214). He also observed:

> We need to create a routine in which tacit knowledge and explicit knowledge can spiral upwards effectively. That requires human effort. We humans should go all out to create a solid educational routine that enables the knowledge level to spiral up … and to do it globally' (Osono *et al.* 2008: 229).

The contradictions at play propel Toyota to a state of instability and disequilibrium while allowing it simultaneously to exploit hard-won routines. In this manner the platform of performance is moved ever higher in a spiral fashion.

In so far as the business and organizational environment is increasingly dynamic, with shorter product life cycles, technological shifts, changing fashions and new entrants, it can be argued that a crucial competitive advantage and indeed condition for survival will increasingly be the capability to manage paradox. One such paradox at the geopolitical level is that of China, the fastest growing economy of recent times and forecast soon to be the largest, which has developed an economy more capitalist than many western countries while maintaining a communist political regime.

One example of the apparent increase in paradox for corporations can be found in the shift in recent years from a simple competitive model of business to a more complex cooperative and collaborative approach. Organizations began to build collaborative relations and strategic alliances with competitors as well as with suppliers and customers. The coexistence of cooperation and competition brings advantages and tensions (Child and Faulkner 1998; De Wit and Meyer 1999). For example, Unisys and Oracle are working on several initiatives in financial services, outsourcing, the public sector and enterprise computing. They remain competitors and yet, on a global basis, they have developed a strategic 'systems integrator' partnership. In financial services, they combine Unisys's expertise in payments with Oracle's database capabilities.

There is also a fundamental paradox at the very heart of business strategy itself. Strategies that have the greatest chance of success, it has been noted provocatively, also have the greatest probability of failure. The paradox arises because companies base their strategies on specific beliefs or ideas about the future (this is a theme we explore in depth in Chapter 3). However, the future is uncertain and strategies succeed because of luck. It sometimes happens that companies do make what proves to be the right choice on that occasion. If they are less lucky, the same commitments prove to be the wrong ones – and enterprises fail (Raynor 2007).

Often, the management of paradoxes and dilemmas is left to the individual manager. For example, in one of our case companies (Marconi plc – a telecommunications switching-gear designer and manufacturer with a very chequered history) one of the directors who was overseeing a wide range of product groups made this observation about how they handled the demands of efficiency and learning/innovation:

> I mean, there is a very delicate balance to be struck, because obviously we want a culture where meeting deadlines and quality standards is absolutely paramount. But it also has to be a culture where, when things going wrong, they are looked at in a positive light. Everybody's striving very hard to meet targets but failure is looked at from the point of view of well … you know it's looked at as an opportunity, it's not a slagging-off that I have to hand out, you know you're not going to try and criticize people and come down heavy. What you're looking at is the way forward from the problem and looking at the way out. I mean, I think this is particularly important, if you've got a team of people, this is how we manage this – if you've got a team of people designing a particular thing like an ASIC [an application specific integrated circuit]

> … well there have been incidents where, well, although we're fairly good at getting ASICS right first time, occasionally ASICS have not worked. If you get the team together after that happens and give them all a bollocking the chances of solving the problem are significantly reduced.

Notable in this case was the wide variety of practice across the company. In some parts, the manager and the subculture was very much efficiency-focused (in some situations some engineers even said it was based on management by fear) in other parts of the company, a very different style of management prevailed. Hence, it would be difficult to claim any corporate-wide approach of the Toyota kind.

In the light of these tensions and of the emergent promising practices, the purpose of this book is to analyse in some depth the true nature of the managerial dilemmas and paradoxes that lurk within each of these and indeed many other areas of organizational life. However, underpinning these phenomena is our long-standing interest in understanding managers' use of theory. During the course of a couple of decades we have conducted a series of studies of managerial action and cognition. These have been funded by the Economic & Social Science Research Council (ESRC), the Engineering & Physical Sciences Research Council (EPSRC) and the NHS. In this book we seek to focus in on the theme of dilemmas and paradoxes as this has been a recurring issue across multiple empirical studies. Hence, at many points throughout the book we allow managers to speak directly for themselves. In this way their own use of theory-in-practice is revealed.

A great deal of management is about making choices or at least getting ready to make choices. Much of management education has encouraged divergent thinking with familiar categories such as Theory X or Theory Y, transactional versus transformational leadership, and so on. The choices facing practising managers are real enough: they range from the big choices such as, at the policy level, in health services 'should we introduce some elements of the market into health and if so where and to what extent?', through corporate level choices such as 'what market are we in or should we be in?' and down to the smaller, team-management level, choices such as 'should I grant that request for a few hours leave in order for that individual to attend to some personal business?' Rarely is there one 'right' correct and enduring answer. Answers which tend in one direction (e.g. tight control) or in another (e.g. indulgence and compassion) may lead to outcomes which eventually require a course correction.

In part, the need for course correction stems from changes in circumstances; but another reason can be that an overplayed strength becomes a weakness. The implication of either is that capable managers must learn to handle competing rationales – in other words to learn to manage with paradox.

There are a few main responses typically made to what we term the 'common dilemmas'. One tendency adopted by some management teams is to try to stick to 'best practice' – i.e. to find a presumed enduring formula and to cling to it. A second, very different approach is to be adaptable – and to embark on a continual search for adaptability. This is the conventional, rational management approach – to analyse the environment and its changing messages and to respond to these patterns of contingencies with a temporary fit. However, there is a third approach – and this is the one we explore most of all in this book – and this involves seeking not to choose one 'solution' but to seek to exploit the paradoxical nature of many decision choices and to seek a blend of elements which retains the options in tension rather than opting for one in preference to another.

For example, traditionally managers have been told to focus on key products and, through appropriate accounting techniques, ensure that every product is paying its way, pruning products that do not. However, with increasing uncertainty the opposite case can be made: firms may be advised to opt for a wider portfolio approach. Unpredictability about which product will be a success can be an argument for maintaining a wide array of products – and then reaping the benefit across a wider front. Bharat Anand gives the example of Star TV in India which increased its prime-time viewer share from less than 5% to more than 80% in one year because its single hit show, *KaunBanega Crorepati* helped all its productions become more popular. Likewise, the Apple iPod generated higher sales than any of its other products (Anand 2008).

As change becomes ever faster and more far-reaching – as with the examples above such as product life cycles shortening – so too do the 'answers' become even more temporary and thus the nature of the dilemmas have to be faced more frequently.

Meanings of dilemmas and paradox

In conventional everyday use, the terms 'dilemma', 'contradiction' and 'paradox' are often deployed more or less interchangeably. However, more analytically it is possible to draw some important distinctions. For example, as Cameron and Quinn (1988: 2) point out, a dilemma is more of an either-or situation where one alternative has to be selected. However, the essence of the idea of paradox is the precise opposite of this. The whole point of paradox is that no either-or choice needs to be made or should be made. Indeed, the key to the idea is that two apparent contradictory notions are held and worked with *simultaneously*. The value to be derived from paradoxical thinking stems from this duality.

We accept this analytical distinction. However, in practice there is some considerable overlap in managers' experience of dilemma and paradox because both constructs are conceptual and interpretative rather than objective and categorical. We see the interplay between dilemma and paradox as a fluid and dynamic one. These may not be absolute categories but rather ways of seeing. The initial experience of discomfort and tension may be very similar. It is the mode of resolution which differs.

The exploitation of paradox

The power of paradoxical thinking – and we see it as a capability which can be learned, fostered and developed – is that it promotes and utilizes creative thinking which transcends old familiar ways of thinking. By balancing out the patterns of thought and action, leaders and managers can learn to exploit the strengths of seemingly antithetical ideas so that a blend of alternative value-adding attributes can be enjoyed.

Managerial practice has probably always involved a handling of dilemma and paradox. However, early attempts to conceptualize the nature of management and attempts to codify practice, as in the works of the classical management writers, tended to suppress and hide the uncertainties and ambiguities. Later work also in 'management science' and strategy tended to portray management as an exercise in logical, linear planning and thinking. However, more recently, with the sheer pace and extent of disruptive changes both externally and internally, managers have come to be suspicious of, and discontented with, simple one-dimensional solutions. The global nature of competition, the pace of technological change and the number of disruptive and discontinuous events means that managers and management researchers have to confront dilemma and paradox in a more forthright manner. This book is built on the premise that there is merit in highlighting the prevalence and nature of dilemma and paradox and in seeking to examine this phenomenon in detail. We envisage this book as an extended essay on the theory and practice of organizational dilemmas and paradox. The various chapters focus on different examples of dilemma/paradox and through these domains, and the live examples they contain, we seek to surface and examine their nature and value.

We are not of course the first to point up the importance of managerial dilemmas and paradoxes. Hence, in Chapter 2 we review the key works upon which we build our analysis. In brief, here we can note that dilemmas and paradoxes are to a large extent the result of socially constructed ways of seeing. They are tied to polarized conceptions and our claim is that by getting behind these either/or constructions it can be possible to realize the more liberating possibilities that are richer and more complex. This is a journey into knowledge and the framing and reframing of knowledge.

Dilemmas derive from perceived polarities – but these may disguise the opportunity to exploit simultaneity. Leaders and managers can learn how to exploit the tensions between seemingly conflicting priorities and use the energy to transcend the fixation on dualities. This entails *working with rather than against* the dilemmas and paradoxes which in turn means overcoming learned reactions and responses. It means finding advantage in the seemingly 'opposing' options and seeking to harness their logics into a new, higher level, form. In effect, this requires a willingness to subject conventional thinking and stances to self-critique. It may mean shifting the interpretation of the problem from fixing the presenting symptoms to a deeper review of the underlying forces and issues which gave rise to the problem in the first place. The skill to be developed is one of reframing and reconceptualizing. This means increasing one's awareness of more complicated repertoires that are a closer reflection of complex organizational realities.

For example, Quinn (1988: 3) suggests that:

> The people who come to be masters of management do not see their work environment only in structured, analytical, ways. Instead, they also have the capacity to see it as a complex, dynamic system that is constantly evolving.

> In order to interact effectively with it they employ a variety of different perspectives or frames.

In other words, accomplished managers of dilemmas and paradoxes have a special capability to deal with complexity and uncertainty in a creative way. They can deploy multiple 'frames'. In advocating the recognition and utilization of dilemma and paradox we are not suggesting that the solution can be found in simple compromise.

Throughout the book we seek to explore the nature of managerial dilemmas and paradoxes, the types and the various ways in which dilemmas and paradoxes can not only be confronted but also utilized to positive advantage.

Types

There are different forms and types of dilemmas and paradoxes. First, there are what Weber termed the 'paradoxes of unintended consequences'. This essentially refers to the way in which means can and often do subvert ends. Or, to put this another way: how human action and choice lead to outcomes which were not planned and can even be in opposition to the expected and desired outcomes. Some scholars of Weber suggest that this idea is central to his whole canon of political and social thinking. It is recognizable, for example, in his analyses of bureaucracy, religion, political action and charisma. With regard to bureaucracy, he notes how means become ends and the 'iron cage' of bureaucracy comes to dominate and to displace the original set of purposes. With regard to religion, one of Weber's most famous works on the link between the Protestant work ethic and the rise of capitalism is indeed focused on the irony that the original commitment to asceticism and hard work tends to lead to the accumulation of wealth and the subversion of the original ideals. Likewise, in his study of politics as a vocation and his analyses of types of power and authority, Weber observes how the charismatic form of leadership and of authority is ultimately doomed to failure as it becomes routinized.

Thus, in these varied ways, the first form of dilemma and paradox is that human intent and agency is often subverted by the law of unintended consequences.

A second form of dilemma and paradox relates rather more to ways of seeing and perceptions. This, as we shall see – and indeed as we will explore in more depth in each of the subsequent chapters on managerial dilemmas – has both positive and negative aspects. This second mode concerns the frames of reference which managers (and of course others) use in order to make sense of the world. The argument here is that the external world is inherently a highly complex phenomenon or set of phenomena and is ultimately incomprehensible in any complete sense.

Thus, in order to avoid paralysis, managers and others collect enough information which will 'suffice' to make enough sense in order to make decisions. To help make judgements about what constitutes sufficient information, managers construct and draw upon models of the world. The observed outcomes of these actions and decisions should provide a 'reality check'. In practice, it has been noted (e.g. March and Olsen 1976) that managers tend to cleave to a view of the world which reconfirms existing understandings and frames. Hence, selective perception is used to focus on information and data which assist with the confirmation of existing frames, whereas data and information that tend to challenge, disconfirm and potentially disrupt the existing frame tend to be deselected. Indeed, March and Olsen suggest that managers actively seek out information which will confirm their prevailing representations of reality. The process becomes self-referential. When the signals from the environment becoming overwhelmingly at odds with the preconceived frame then a 'reframing' may be triggered.

A perspective which combines the features of the above two types of dilemma and paradox is the analysis which appears to stand conventional wisdom about management improvement and much of management consultancy advice on its head. Normally, management advisers and educators contend that managers need better decision-making tools and better information. The two combined, it is assumed, will lead to more rational decisions. However, one leading Swedish academic (Brunsson 1985) argues that an over-concentration on decision-rationality can actually impede action. This paradox stems from the distinction between decision and action. Action requires more than decision, it also requires expectation, motivation and commitment. The more radical the change, the more a drive stemming from some ideology or belief pattern is required. Managers can obsess about the decision process and neglect the action focus. Using a number of case studies including a study of a large investment decision by a Swedish steel company, he shows how 'irrational decision making' (i.e. a process departing from the conventional norms) led to better action outcomes.

So far, we have suggested that there are two main types of dilemma and paradox – the first being the paradox of unintended consequences which proceed outside the individual and indeed group subjectivities, while the second type is inherently entwined within human subjectivity and the way humans construct frames of reference in order to make sense of the world.

Now, cutting across both of these types is a series of dilemmas and paradoxes which relate to types of business and organizational decision making. So, these are not types of dilemma in the generic sense noted above but are rather forms which are specific to business organizations and work organizations. We suggest that in the field of business there are essentially six of these (see Figure 1.1 below). The first relates to dilemmas and paradoxes in the domain of business strategy, the second to dilemmas and paradoxes in the domain of decisions about organizational structuring, the third to dilemmas and paradoxes inherent in performance management and control, the fourth concerns dilemmas about innovation, the fifth is concerned with the realm of underlying frames of management knowledge and the sixth and final one concerns change management. Below we sketch each of these and then each is examined and illustrated with case material in turn and in this sequence in the subsequent chapters.

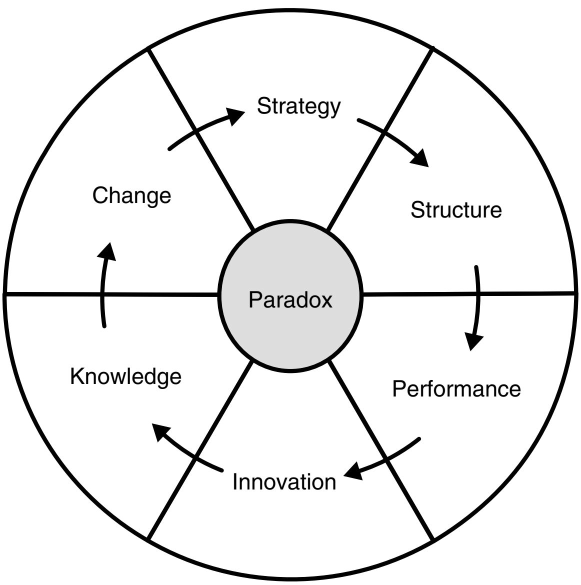

Figure 1.1 The six paradoxes.

Dilemma/paradox 1: strategy and business models

We begin with a very basic and fundamental dilemma and paradox: what is enterprising activity for? The conventional answer is that business organizations are driven by a rational-instrumental logic and this in turn is often articulated as survival and profit. However, increasingly in recent years, there has been growing attention to other issues and goals such as sustainability and corporate social responsibility. The idea of a triple bottom line expresses the multiplicity of objectives and the attempt to balance them. Acknowledgment of Corporate Social Responsibility (CSR) and corporate citizenship starts to raise many issues of dilemma and paradox involving, for example, engagement with multiple stakeholders (and questions around which ones to accept as legitimate and which to seek to marginalize) and the relative priority accorded to the ensuring multiple objectives.

Another way to approach this question is to ask what founders of organizations are trying to achieve. What do they want? When asked this question, entrepreneurs often claim their drive is 'to make money'. However, there is often another motivation: the drive to create and lead an organization. Research by Wasserman (2008) published in the *Harvard Business Review* shows that 'the surprising thing is that trying to maximize one, imperils the achievement of the other. Entrepreneurs face a choice, at every step, between making money and managing their ventures. Those who don't figure out which is more important to them often end up neither wealthy nor powerful'. He found that the faster that founder-CEOs lead their companies to the point where they need outside funds and new management skills, the quicker they lose that control. Success makes founders less qualified to lead the company and changes the power structure so they are more vulnerable. His research revealed that a founder who gives up more equity to attract investors and managers builds a more valuable company than one who parts with less equity – and the founder ends up with a more valuable slice, too.

On the other hand, in order to attract investors and skilled executives, entrepreneurs have to give up control over most decision making (Wasserman 2008):

> This fundamental tension yields being 'rich' versus being 'king' tradeoffs. The 'rich' options enable the company to become more valuable but sideline the founder by taking away the CEO position and control over major decisions. The 'king' choices allow the founder to retain control of decision making by

> staying CEO and maintaining control over the board – but often only by building a less valuable company. For founders, a 'rich' choice isn't necessarily better than a 'king' choice, or vice versa; what matters is how well each decision fits with their reason for starting the company.

Or, a paradoxical solution to a business model dilemma may be deceptively simple adjustment to the product offering. For example, Citibank's credit card business is built on the principle of revolving credit. However, in some emerging markets they found resistance from customers who found this an alien concept and who were instead wedded to the more traditional concept of instalment credit. Faced with this dilemma of two types of product Citibank devised a card which carries the potential to offer both kinds of credit on the same card. A telephone call can be used to set-up an 'automatic loan on the phone'. Customers recognize this as within their familiar comfort zone as an instalment loan which is paid off but it also builds a familiarity with the credit card mode of operating.

A particular type of paradoxical thinking with regard to business strategy is instanced by those cases where firms decide to 'share' part of their market in order to take advantage of a business opportunity that might otherwise require exceptional marketing effort. For example, T-Mobile, a mobile phone network operator, has agreed with IKEA to offer its customers a low-cost mobile phone service. This turns IKEA into a mobile virtual network operator (MVNO). The arrangement echoes the similar deal T-Mobile has with the Virgin brand. Dilemmas and paradoxes relating to business models are scrutinized in this book in Chapter 3 using detailed case analyses.

Dilemma/paradox 2: organizational structuring

Organizations per se – i.e. the very phenomenon of 'organization' as a thing or accomplishment and the process of organizing are inherently paradoxical. Organizations are comprised of independent and creative individuals and yet the attempt is made to mould them into something other than this – a more unitary phenomenon based on predictability, order and control (Clegg *et al.* 2002). Hence, the paradox specifically is: 'how does the freedom of individual subjectivity accommodate the strictures of organization? How does the structure of organization envelop the freedom of individual subjectivity?' (Clegg *et al.* 2002: 483–4). The same point has been expressed more dramatically by Bouchikhi (1998: 224) who defined organizations as 'social spaces continuously torn by members in multiple and contradictory directions'. This suggests that organizations are inherently unstable. Yet, attempts to stabilize them through the imposition of greater control, risks stultifying the creative energy and commitment upon which organizational viability depends. This is a classic managerial dilemma.

Dilemmas and paradoxes relating to organizational design and redesign are examined and exemplified in Chapter 4.

Dilemma/paradox 3: performance and control

An inherent part of the management role is usually some attempt to influence the performance of individuals, teams and of course the whole organization. This can be done in numerous ways and the attempts often contain their own contradictions and paradoxes. In the attempt to control managerially an organization, a number of different things can go wrong. For example, managers may get drawn into a vicious circle. If there is a perception that employees could deliver higher performance there may be a strong temptation to try to secure this through increased direction and control. However, the imposition of more control may provoke a negative reaction. This in turn may further convince the manager that more control is needed. This can spiral: tighter and tighter controls result in greater degrees of resistance and an eventual loss of control. The paradox here is that more controls can result in less actual control. These kinds of dilemmas are explored in detail in Chapter 5.

Dilemma/paradox 4: innovation dilemmas

One of the most well-recognized and indeed classic dilemmas is the tension between managing for today versus planning for tomorrow. In other words, the pressure on organizational leaders to deliver efficiencies and results from the current business model and the current product and service offerings is set against the need to prepare to supplant these 'answers' by looking for new ones to meet changing times and circumstances. This type of paradox and dilemma revolves around the exploitation of a given combination of resources in order to yield optimal efficiency versus the need to prepare for the future by innovation and making other forms of change. This dilemma has been expressed in various ways – most notably in the succinct contrast between 'exploitation' and 'exploration'.

The dilemma becomes all the more acute when the issue of radical rather then 'mere' incremental innovation is contemplated. For example, the Chairman and CEO of Hewlett-Packard observed: 'We have to be willing to cannibalize what we are doing today in order to ensure our leadership in the future. It's counter to human nature but you have to kill your business while it's still working' (cited by Leonard-Barton 1992: 29).

Various ways to handle this kind of dilemma have been posited: for example, the construction of 'buffered contexts' (protected zones that offer a separate environment for explorative project teams); alternation between different organizational designs; 'rhythmically switching' between more organic and more mechanistic structures; loosely-coupled organizations; or experimental units completely separated from exploiting units. A paradoxical solution would look to ambidextrous or dual organizational forms – organizational architectures that build in both tight and loose coupling simultaneously.

The issues surrounding these tensions are explored and illustrated in Chapter 6.

Dilemma/paradox 5: managers' knowledge

This domain lies at a deeper level – it involves the knowledge and assumptions which underpin thinking about strategizing, structuring, performance management and innovation. This area is therefore concerned centrally with how managers 'frame' and 'reframe' problems and opportunities. The ways in which underlying knowledge is both tacit as well as explicit forms a key theme of Chapter 7.

Dilemma/paradox 6: organizational change

This is our final realm of dilemma and paradox. The start point for analyzing this paradox is the observation that 'The perplexing paradox in managing core capabilities is that they are core rigidities' (Leonard-Barton p. 30). In other words, a firm's advantages and strengths are simultaneously also its disadvantages and vulnerability.

When organizations become successful they become better and better at doing what they already do while increasingly failing to learn how to do other things. They may learn to increase their exploitative capacities but this tends to limit their ability to explore both their own creativity and the environment for new opportunities. Conversely, companies who overplay the opposite strength – i.e. are competent at exploring – are apt to fall into exactly the same trap. They become better at finding new opportunities but worse at learning how to do anything else, including exploiting those opportunities to their advantage. They spread their resources too thin over an increasing number of opportunities.

The six paradoxes identified above are each examined and illustrated in turn in the six chapters forming Part 2 of this book.

The role of leadership

We refer a great deal in this book to 'managers'. In fact, our main focus is upon the senior leadership team. There is a long-standing debate about the possible distinctions between leadership and management and it is not one we intend to revisit here. We are concerned with the senior group. It will be our argument in this book that this group can perform more effectively when they adopt a particular approach to leadership – one which exploits the power of paradox. We now sketch out this point in the following paragraphs before seeking to demonstrate it throughout the rest of the book.

This book is about dilemmas and paradoxes in organizations, with attention to four aspects in particular. First, how they arise (as integral to organizational structures, processes and dynamics); second, the forms they take; third, the ways managers and leaders typically respond to them; and fourth, the more creative ways in which they could respond to them.

However, while our subject is paradox our concern is the implications for leadership. While the book is *about* paradox it is *for* leaders. While our interest in organizational paradox is informed by academic research and writing, and is we believe all the richer for this literature, its concern is essentially practical: to initiate a debate about, and make some proposals for, how organizational paradoxes can be better handled.

The responsibility for handling paradox, we suggest, is ultimately a responsibility of leadership. The essential function of leaders, notes Senge (2007), is to define organizational realities. If they do this in a simplified, exaggerated, polarized and caricatured manner, believing (because they have read the hagiographic leadership biographies) that leaders are distinguished by their conviction, their certainty, their commitment to the chosen path and their ability to drive their purposes despite apathy and resistance, then they risk confusing their model of the world for the real world. They risk overlooking the pervasive and powerful paradoxes that surround them and which can easily divert or block their best endeavours. Organizational paradoxes cannot be wished away. We advocate a sense of leadership which augments commitment with recognition of doubt, which allows the possibility of rethinking how problems and solutions are framed, rejecting starkly posed polarities, seeking to achieve not zero-sum thinking but win-win – achieving balance between the pervasive polarities: big/small; innovation/production; centralized/decentralized; and control/trust.

If paradox is integral to organization, and if paradox means that apparently sensible, rational means can produce unanticipated and contrary outcomes (so that for example, actions taken to control or limit undesired behaviours actually generate an increase in these behaviours) then it is important to analyse how leaders can better handle paradoxes so that not only their negative possibilities are trimmed but also their beneficial qualities are encouraged.

For this to occur, leaders must lead paradoxically: eschewing the conventional indicators of leadership behaviour. One of the Board Directors we interviewed for this book saw this clearly: 'The old command and control structure in business that we had … required that people at the centre were omniscient, omnipresent and omnipotent and none of us are that "omni" anymore'. In this company, executives defined their leadership role as critics of the establishment, as enemies of conservatism, not as representatives of guardians of the organization's past but as prepared to dismantle that organization in order to ensure it remained able to innovate.

The key responsibilities of leaders are to ensure the formulation of intelligent and successful objectives and strategies and to ensure that the organization is capable of achieving these specified objectives – to ensure organizational capability. However, in fact, both these responsibilities involve capabilities of different types: after all, the ability of an executive team to develop intelligent strategy depends on the constitution, membership, dynamics, processes and relationships of the senior team (and ensuring these work well is a responsibility of leadership). And it also requires that the top team is capable of being aware of and able to be reflective about the knowledge it contains and the assumptions members hold. It also requires that the team is able to explore and interrogate (rather than simply express, disagree or fight over) differences in knowledge and assumptions. This too is a form of organizational capability.

When it comes to trying to implement strategy through organizational action, this too requires the appropriate ('aligned') organizational capacity which will vary depending on the ends that are selected. Finally, when trying to ensure that individual employees contribute appropriately to the attainment of the selected organizational and/or unit goals, a management and performance management system will be required.

These are the constituents of organizational capability – the ability to develop strategy, the ability to achieve strategy and to manage the organization and its employees so as to maximize their contribution to selected goals. This is, of course, our simplified overview picture. The core chapters in the book aim to show how every one of these components of organizational capacity building is highly problematic and characterized by paradox. So, the book can be seen as an analysis of the paradoxes that surround the achievement of executive responsibilities – the achievement of strategic and organizational capability – and how this requires a new, post-heroic form of leadership where the need to gain commitment through one firmly chosen option at the expense of rejected others, is qualified by a recognition that in many cases problems that are posed in terms of choices between available and polarized options are themselves problematic, and that the best response to paradox is not to deny or solve it, but to exploit it and thus to lead paradoxically.

Conclusions

In this introductory chapter, we have argued that one way for practising managers to respond to the sense of scepticism which can be the consequence of a series of failed reforms and transformations is to recognize that see-sawing between polarities on a whole range of common management problems is not necessarily the best or only way to proceed.

We have further suggested that leaders and managers of organizations can expect to face continually – at least at regular intervals – alternative pulls between a relatively common set of choices. These relate, for example, to familiar dilemmas such as whether to compete on price or on quality, whether to centralize or decentralize, whether to outsource or bring services in-house, whether to focus on the drive for efficiency (current exploitation of resources) or whether to explore and search for new opportunities and to innovate, and so on. We have argued that rather than oscillate between these polarities, an alternative path is to go beneath the surface dilemma and to actively search out and even embrace the inherent nature of the presenting dilemma or paradox and, by reaching a deeper level of understanding, to exploit its potential.

We have also argued that dilemmas and paradoxes are not simply things that need to be handled, or coped with, as if they were purely external phenomena. We have suggested that the successful handling of many common dilemmas reflects a certain state of mind – and state of organizations. We seek to show in this book how leaders and managers can learn to positively welcome and indeed exploit dilemma and paradox.

Managing through paradox should ideally be neither a compromise nor a split between competing tensions. Rather, it seeks to be aware of both and to utilize the strength of both. Change and pluralism are spurred on by these paradoxical tensions and reinforcing cycles. Because of this, conceptions of change as smooth, linear and planned vanish. Themes that are logical in isolation become contradictory when applied in tandem.

Harmony and discord come together. As do innovation and efficiency, control and flexibility, collaboration and competition, old and new. On its own, formal, rational logic cannot deal adequately with paradox. Managing dilemma and paradox emerges as an opportunity to explore the tensions at the boundary that reveal themselves in terms of mixed messages and contradictions.

As a result, managers may counteract their tendency to over rationalize and over synthesize by simultaneously holding and even exploring opposing views. The challenge for managers of organizations lies in learning how to manage the tensions or dualities between traditional and new forms of organizing, a process demanding the arbitration of continuity and change. This duality of coexisting tensions creates an edge of chaos, not a bland halfway point between one extreme and the other. The management of this duality hinges on exploring the tension in a creative way.

We can summarize the essential strands of our argument in the following points. We argue that organizations are characterized by a number of inherent and intrinsic features which generate paradox. Paradoxes occur when attempts to achieve an end fail to achieve the expected 'rational' outcome but instead create a different or opposite effect or set of effects. Of course the expressions 'expected' or 'rational' themselves require a referent especially since, in a sense, those 'rational means' that generate an unexpected (or paradoxical) end could be seen as not having been truly 'rational' in the first place (if by rational we mean that the means successfully achieves the desired end). In fact, as Max Weber pointed out, rationality can refer not only to the selection of effective ends but also the selection of what is commonly regarded as the effective means – a distinction which is critical to the understanding of organizational paradox.

This is because paradox arises in organizations when actions produce outcomes which are radically different from or even the opposite of the outcomes that are (quite reasonably) expected and desired. Paradox is a key, systemic and inherent feature of organization and of organizational dynamics. Paradox is, as Durkheim argued, 'normal' – that is, it is an expected feature of the modern organization.

We argue that paradox is a *systemic feature of social organizations*. It is not accidental or incidental: it is a result of the essential nature of organizations. If paradox is recognized as a systemic feature of organizations and not as some incidental, aberrant, phenomenon then leaders may come to recognize the importance of adopting a more considered response to it; and this is one of the arguments of the book. The roots of paradox lie in the essential nature and features of organization. Organizations are essentially complex, contradictory; characterized by conflict, tensions, choices/options around goals and means; characterized by contradiction, requiring for success the solution of a range of different even opposed problems and outcomes (for example, how to motivate and control staff, how to be accomplished at operations and at innovation and so on); and most important of all, are prone to a phenomenon whereby management actions produce unanticipated consequences – sometimes consequences that are diametrically opposed to the desired outcomes. These features are the terrain on which paradox grows and flourishes.

A key part of our argument is that it is not the fact of paradox as a key feature of organizations that matters, *but how leaders and managers respond to* *it*. Our thesis is not simply or solely that organizational paradoxes exist and are important but that how these paradoxes are addressed and 'solved', exacerbated or avoided by managers is an important factor in their success and the success of their organizations.

We recognize that conventional management approaches to paradox are not surprising but are understandable. Management response is characterized by tendencies which encourage polarized, black/white; good/bad thinking. We argue that this tendency is not accidental or incidental but an outcome of a central management dilemma: how to generate managers' commitment to a recommended option (by stressing – indeed over-stressing – the benefits at the cost of the rejected option). However, the appeal of this mode of thinking may have other foundations. It may be a product of a distinctively Western form of rationality applied to organizational issues, of the need for consistency, clarity and neatness. Certainly, it is remarkably prevalent and stands in sharp contrast to the approach to paradox which is recommended here which is, in brief, to encourage managers not to select one polarity over another, indeed not even to see the options as polarities. The relationship between apparently polarized options may not be one or the other but both, that paradoxes may not need to be (may not be open to being) solved but to be enjoyed; that paradoxes may not be phenomena to avoid or solve but to celebrate and exploit: that leaders and managers may even be able to have their cake and eat it.

Finally, the book explores new ways of responding to organizational paradox. And this is the main focus of the book. We argue that leaders and managers may adopt a range of approaches to organizational paradox. For example, when a high control approach to work design begins to generate negative returns (poor quality, lack of flexibility, staff problems, etc.) the manager 'solves' these problems by further tightening and increasing control). Using a second approach, managers faced with paradox may seek to 'solve' it by avoiding it. For example, one attempt to resolve the problems inherent in the management of people and resources might be sought through outsourcing. In this way other organizations handle the problems and paradoxes of management. Similarly, managers may decide to outsource the supply chain to a logistics company. These solutions 'solve' the paradoxes of staff management or supply chain management by avoiding them. However, by so doing they may well generate new paradoxes – new, unanticipated effects.

Organization of the book

In the next chapter, we review the existing literature on dilemma and paradox. Then, in Part 2 of the book we devote a sequence of six chapters to the six dilemmas and paradoxes identified above. That journey starts with an analysis of top managers' understanding of business strategy. Here, we draw upon our research to explore managers' understanding of business models – the assumptions and convictions which underpin managers' commitment to various conceptions of what the business should do and what it should be like to be able to do it. This has been a neglected area of research and discussion. This first theme also embraces analysis of the tension between exploitation of current resources and market position versus exploration (innovation) into new products and services and new markets which may undermine the existing business.

Hence, as Figure 1.1 illustrated earlier, the journey through the chapters of the book starts with aspects of strategy, moves through themes related to organizational form and capability, explores the paradoxical aspects of attempts to manage performance, then tackles the demand for innovation and finishes with the management of change. Each of these dilemmas and paradoxes is analysed separately in the following chapters. The purpose in each case is to demonstrate how managing with paradox can be beneficial and that it is *a capability that can be learned and developed.*