



LEADERSHIP

“Both/And” Leadership

by Wendy K. Smith, Marianne W. Lewis, and Michael L. Tushman

FROM THE MAY 2016 ISSUE

Jack Welch once claimed that great leaders are “relentless and boring.” Management thinkers largely agree: Good leaders, so the narrative goes, are consistent in their decision making, stick to their commitments, and remain on-message. The trouble is, much as we may value consistency in our leaders, we don’t live in a world that rewards it—at least not in the long term.

We all know that leaders face contradictory challenges. They may be under pressure to improve their existing products incrementally at the same time that they invent radically new products based on new business models. Or they may be striving to reach a global network while also serving distinct local needs. Some CEOs respond by prioritizing one challenge over the other; some seek an integrative middle ground, negotiating acceptable trade-offs that all stakeholders can abide by. What those approaches have in common is that they aim to provide a stable resolution of the conflicting challenges—the implicit assumption being that stability is what organizations need in order to prosper.

We disagree profoundly with this image of leadership, because it is rooted in a mischaracterization of the business environment. The challenges we focus on in this article are not conflicting goals that invite a calculated choice or a compromise. They are fundamental paradoxes that persist over time, as today’s “long term” becomes tomorrow’s “short term.” Too much focus on one goal triggers a demand for the other. And as the business environment and the actors in it change, stability breaks down, often destroying a great deal of value and eventually culminating in a crisis that prompts a leader to impose a different order—fueling the start of another cycle.

In the following pages we propose a new model—one in which the goal of leadership is to maintain a *dynamic equilibrium* in the organization. Executives with this goal do not focus on being consistent; instead they purposefully and confidently embrace the paradoxes they confront. Senior teams build dynamic equilibrium by *separating* the imperatives that are in conflict with one another in order to recognize and respect each one (creating a separate unit to develop a new business model, for example), while at the same time actively managing *connections* between them in order to leverage interdependencies and benefit from their synergies.

The Paradoxes of Leadership

In our work with corporations over the past 20 years, we have seen that senior leaders constantly grapple with the same sets of opposing goals, which often polarize their organizations. These tensions or paradoxes fall into three categories related to three questions that many leaders perceive as “either/or” choices:

- **Are we managing for today or for tomorrow?**

Tensions around time frame are especially salient, because a firm’s long-term survival depends on experimenting, taking risks, and learning from failure in the pursuit of new products, services, and processes. However, firms also need consistency, discipline, and steady attention to make the most of the products, services, and processes they already have. These *innovation paradoxes* involve tensions between today and tomorrow, existing offerings and new ones, stability and change.

FURTHER READING

The Ambidextrous CEO

INNOVATION MAGAZINE ARTICLE by Michael L. Tushman, Wendy K. Smith, and Andy Binns

Great leaders navigate the tension between new innovations and core products from the C-suite—they don’t leave the battle to their middle managers.

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the emerging world each felt their identity threatened.

- **Do we adhere to boundaries or cross them?**

Leaders are always making and unmaking decisions around boundaries—geographic, cultural, and functional. A geographically dispersed supply chain can be wonderfully efficient, but it may lack flexibility. Dispersed innovation can produce a diversity of ideas, but certain benefits get lost when your best and brightest aren’t together in one place. These *globalization paradoxes* surface tensions between global interconnection and local needs, breadth and depth, collaboration and competition.

In 2009 NASA’s director of human health and performance, Jeff Davis, began pushing to generate new knowledge through collaborative cross-firm and cross-disciplinary work. Yet over the next 18 months, he faced stiff resistance from scientists protecting their turf and their identities as independent researchers. The more that technology enabled open, collaborative research, the more concerned NASA’s scientists became about recognition of their individual achievements. Both collaboration and independent work were needed for the creation of new ideas, but they were organizationally and culturally incompatible.

In the late 1990s, for example, senior leaders at IBM saw the internet wave cresting and realized that the company’s future depended on harnessing the new technology. But IBM was also committed to sustaining its traditional strength in client-server markets. The two strategies demanded different structures, cultures, rewards, and metrics, which meant they could not be easily executed in tandem. Pursuing both involved addressing conflict between executives, as those committed to the old world and those championing

- **Do we focus on creating value for our shareholders and investors or for a broader set of stakeholders?**

All firms exist to create value, but leaders may be torn between maximizing profits for the firm and trying to generate wider benefits—for investors, employees, customers, and society. These tensions have mounted as public concerns about poverty and climate change have grown, as technology has helped enable and empower consumer activism, and as human capital has been increasingly recognized as the major driver of value. But being socially responsible can bring down share price, and prioritizing employees can conflict with short-term shareholders' or customers' needs. Companies struggle to address these *obligation paradoxes*.

For example, in 2010 Unilever CEO Paul Polman launched the Unilever Sustainable Living Plan, aimed at doubling the size of the business by 2020 while improving the health and well-being of more than a billion people and cutting the company's environmental impact in half. Polman argues that over the long term, social and environmental investments will lead to greater profits, whereas a singular focus on short-term profits can fuel decisions that harm our society and the environment. That is persuasive to many, but Polman faces ongoing challenges in executing the plan. Its inherent uncertainty and ambiguity have caused senior team leaders to feel a high level of anxiety and to fight about resource allocation.

These either/or questions can never be definitively answered. In part, that's because they don't really present black-and-white choices; they invite consideration of alternative demands that are interdependent as much as they are contradictory. For example, innovativeness may conflict with operational efficiency, but you can't be efficient unless you are innovative at some point—and you won't be around to be innovative unless you know how to be efficient. This interdependence is what makes the tensions strategic paradoxes, requiring leaders to reframe the questions not as classic either/or trade-offs that can be firmly resolved, but rather as ongoing "both/and" exercises ("How can we simultaneously do both X and Y?").

It is challenging, of course, to adopt a both/and approach. The relationship between the sources of a tension will change over time and in response to competitors' moves or other external events. If a company focuses on short-term performance, for instance, at the expense of innovation, the risk of not investing in innovation—and potentially missing opportunities to increase future profits—increases with time.

Paradoxes involve alternatives that are interdependent as well as contradictory.

For Unilever, managing the competing demands of shareholders and broader stakeholders led the company to explore a more interconnected world, asking questions about how to balance global welfare and local needs. This in turn opened up debate over enhancing current products or innovating for tomorrow. Unilever's experience demonstrates that actions taken to manage any one strategic paradox will affect and maybe trigger others, which means that a piecemeal approach to managing interwoven tensions is doomed to fail.

Furthermore, the sources of a paradoxical tension are often nested in different parts or levels of an organization, which makes strategic paradoxes a major driver of internal conflict. Typically any large organization hosts many different cultures, reflecting the professional identities, networks, competencies, incentives, and geographies of the people in them. People in R&D are often scientists with identities rooted in academic disciplines and communities; they are rewarded for generating new ideas. People in marketing and sales are often close to customers, especially large customers, and they are rewarded for generating sales. In the long term, new ideas enable more sales, and more sales generate the

resources to support new ideas. Yet in the short term, sales and innovation seem like competing priorities.

Practicing Paradoxical Leadership

An Interview with Terri Kelly, CEO of W.L. Gore & Associates



Terri Kelly, whose company makes Gore-Tex fabric and other innovative products, talked with Wendy Smith about how she manages strategic paradoxes.

Smith: What are some of the key paradoxes you have to address?

Kelly: We have a few paradoxes that we continually try to manage. One is striking the balance between meeting short-term and long-term objectives. Another one is creating the right focus on innovation and at the same time driving improvements in efficiency and effectiveness. A third one is balancing what we call the “power of our small teams” with the greater needs of the enterprise. These are all tensions we try to balance on a daily basis.

As CEO, what are you doing to manage the tensions?

I try to bring them to the surface and make them explicit, so that they’re right in front of people all the time—and that helps. It’s important to talk about them not as a choice, where one or the other is more important, but as a balance we must continually strive to achieve. I think it’s a mistake in organizations to oversimplify by conveying a sole focus on one end of the spectrum at the expense of the other—for example, “We must deliver short-term results.” When you do this, you end up swinging guardrail to guardrail. It is much more powerful to talk about the “and” of focusing on both the short-term and the long-term objectives. By doing that, you start teaching the organization how to appreciate and deal with the inherent paradoxes.

How do you create an organization that can embed these tensions?

This is the big question for us as we continue to grow. Partly we are creating different structures. For example, we realize that you need a different management structure for innovating than for managing the day-to-day business. The two activities require a different mindset, different skills, a different focus, a different time frame, and different metrics. So we establish different organizational

Because people in each business unit tend to associate with one side or another of a paradox, real conflict can arise. CEOs and senior executives, for example, are often motivated by holding stock options, which makes them vulnerable to pressure from capital markets seeking immediate financial returns. If sales, however, are largely driven through building and maintaining long-term relationships, there is potential for a major rift: Investments that the sales force might see as necessary for goodwill could be viewed by bosses as costs ripe for cutting. Similarly, product designers at a car company might take pride in being creative engineers who build great cars, and they might resent management pressure to standardize in the pursuit of cost savings.

The inherent features of strategic paradoxes make managing in such an environment very difficult. The leader’s challenge is not to choose between alternatives but to recognize that both imperatives must be addressed. Making that change from either/or to both/and thinking requires leaders to shift focus frequently in the short term in order to satisfy competing demands in the long term. Rather than swinging wildly between opposing forces, leaders must execute purposeful microshifts that enable growth and sustainability.

The Paradoxical Mindset

Paradoxical leadership begins with a reexamination of some implicit assumptions about leadership—which leads to movement in a new direction.

From well-intentioned consistency to consistent inconsistency.

Hostility to contradictions is deeply rooted, especially in the Western world. Aristotelian logic treats contradictions and tensions as signals that we need to seek a more accurate, unified truth. If one idea is “right,” its opposite must be wrong; if that seems not to be the case, then we must redefine our idea to eliminate the contradiction. We also struggle to make decisions and take actions that we see as inconsistent with an accepted truth, feeling a discomfort that psychologist Leon Festinger described as “cognitive dissonance.” The same discomfort surfaces when values

structures to manage both, but also create clear linkages such that the teams value each other's contributions to the whole. If you separate your innovation efforts completely, you run the risk of the existing businesses rejecting what they come up with. You also miss the opportunity for the innovators to tap into key talent and resources within the existing businesses. Meanwhile, one of the expectations we have of our leaders is that they will value both activities and reinforce that within their teams.

conflict. A recent study at Whole Foods showed that employees understood the company's explicitly dual mission of earning profits and making the world a better place. Yet most people working in the stores identified with only one part of the mission—either the organization's profit focus or its social and environmental goals.

When two ideas seem contradictory, choosing and championing just one can minimize cognitive dissonance. It's not surprising, then, that people often deal with paradoxical tensions by picking a side and consistently supporting it. But at the top of an organization, consistency

is far from a necessary virtue—indeed, it's a vice, keeping leaders from successfully dealing with strategic paradoxes. Senior executives must go into the job appreciating multiple, often conflicting, truths. They need to be consistently inconsistent and focus on managing that inconsistency. Tellingly, the Whole Foods research found that the employees most likely to move up through the leadership ranks were largely those who could effectively embrace both the financial imperatives and the social mission of the company.

From scarce resources to abundant resources.

Traditional leadership approaches assume that resources—time, money, people, and so on—are limited. This is not altogether surprising when you think of the constraints that managers at lower levels of an organization face. Resources are typically fixed by a higher authority—a state of affairs that doesn't change much until *you* are the higher authority, by which time the idea that resources are limited has been baked into you. It becomes natural for executives to look for sources of constraint—and they often find them in “market expectations” or “competitor threats.” But assuming that resources are constrained necessarily results in zero-sum thinking: Allocating resources to one goal means that they are no longer available for another. This fuels conflict between managers with different agendas.

In contrast, leaders who embrace paradox realize that resources, viewed in a different light, can be abundant and often generative. Rather than seeking to slice the pie thinner, people with this value-creating mindset pursue strategies to grow the pie, such as exploring collaborations with new partners, using alternative technologies, or adopting more-flexible time frames for shifting resources for better use.

Over time, committing to multiple strategies can enable more resources for each. That was the case at Zensar Technologies, an India-based provider of IT services, where leaders of the extant software franchise eventually realized that their exploratory software product could increase sales of existing products. Similarly, the coffee division of a large European food group overcame its initial resistance to an innovative proportioned-serving brewing system after seeing success in the new niche and using the new product design to increase sales of its existing brands.

From stability and certainty to dynamism and change.

Leaders seek to reduce their followers' discomfort with uncertainty by asserting control—making decisions that minimize complexity and emphasize stability. This, too, is understandable: Traditional leadership and management theory was heavily influenced by studies of the military, which prizes regularity. Therefore, business managers have long been encouraged to build a common culture, where everyone is headed in the same direction, speaks the same language, and shares best practices.

Executives must be able to appreciate multiple, often conflicting, truths.

But when the strategic environment changes, this approach often results in defensive and detrimental actions. As we've discussed, NASA's leaders resisted open innovation methods because scientists were invested in individual research and felt threatened by the idea of collaboration. Polaroid famously lost the battle for the digital-imaging market partly because company leaders committed to applying their successful analog-camera strategy—making money on the film, not the camera—to a market that no longer printed out pictures.

Rather than seeking stability and certainty, paradoxical leadership depends on embracing dynamism and change. Leaders must be emotionally and cognitively open to the new, developing a management strategy of coping with, rather than controlling and minimizing, ambiguity. They must be humble, even vulnerable, admitting that they might not know what the future holds. This approach emphasizes the value of experimentation and failure, spurring critical feedback to enable learning and ongoing adjustments.

FURTHER READING

The Ambidextrous Organization

INNOVATION MAGAZINE ARTICLE by Charles A. O'Reilly III and Michael L. Tushman

Established companies can develop radical innovations—and protect their traditional businesses. The secret? Create organizationally distinct units that are tightly integrated at the senior executive level.

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to move away from seeking permanent solutions and instead develop temporary “workable certainties” that helped them move forward but were understood to be subject to future modification.

Managing Dynamic Equilibrium

When leaders assume that there are multiple truths, that resources are abundant, and that the role of management is to cope with change rather than fight it, they can help their organizations reach a state of dynamic equilibrium. This is at the center of paradoxical leadership. However, trying to shift the hearts and minds of senior team members is challenging and time-consuming. Moreover, their roles and responsibilities often lead senior people to deeply identify with one goal or another, fostering conflict. To unleash the power of paradox, therefore, leaders must build supporting organizational competencies into their senior team. This requires managers to both separate and connect opposing forces.

Separating.

Tapping the potential of paradox begins with respecting the distinct needs of groups with different agendas. Doing so requires pulling apart the organization's goals and valuing each of them individually. One way to accomplish this is to create business units based on functions, geographies, or products, each with its own leader, mission, metrics, and culture. A strong sales and marketing department will focus on effectively serving its primary stakeholders (customers), while a strong finance department keeps an eye on economic efficiency and the company's image in the financial markets. Even within a function there is scope for separation into subgroups—for example, companies increasingly keep their

For example, in the early 2000s Lego's middle managers faced tensions amid ongoing organizational change. Subordinates felt anxious and raised concerns about how their familiar practices, rules, and expectations would work in the new world. Rather than respond to these specific concerns, middle managers posed questions. They asked which parts of the current organizational approaches they should keep. They explored ways of meshing the existing world and the new one. Their questions opened up conversations that allowed both managers and subordinates

radical- innovation teams separate from the people working on incremental improvements.

When an organization’s critical tasks are intertwined, however, creating distinct units for each imperative may not be possible. Often an organization’s global integration must be carried out by each of its local business units. In these situations, separation involves carving out dedicated times and spaces for exploring each goal, using different decision-making processes, or developing communication practices that enable teams to pull strategies apart.

Paradoxical leadership requires both separating and connecting opposing forces.

Consider Digital Divide Data (DDD), an award-winning professional outsourcing firm that employs disadvantaged people to provide data management, research, content digitization, and other services to clients. DDD’s social mission—to alleviate poverty by offering training and jobs to those in need—is intricately linked with its goal of running a sustainable business. Yet the firm’s social mission and its financial demands frequently conflict, as when the leadership team considers strategic issues about whom to hire (people who are more disadvantaged or those who are more skilled) and where to expand (into regions of greater poverty or ones with more business resources). To disentangle and respect the dual missions, executives created two sets of financial statements, each with its own metrics. In board meetings CEO Jeremy Hockenstein routinely asks, “How does this decision impact our social mission?” and then, “How does this decision impact our business?”—inviting managers to consider the different needs of each strategy.

Connecting.

Connecting involves finding linkages and synergies across goals. One way to do this is to build an overarching organizational identity and unite people in a higher purpose—which helps employees and executives alike to embrace the interdependence of opposing strategies. At NASA, Jeff Davis was able to break down his scientists’ resistance to collaborative innovation when he defined his directorate’s top goal this way: “We aspire to keep astronauts safe in space.” In the service of safety, traditional scientists could understand the value of engaging in open-source methods. Similarly, Lego has moved beyond tensions between unabashed innovation and disciplined execution by reaffirming that it is “building the builders of tomorrow.” DDD brings together its business operations and its social mission by declaring its passionate commitment to “stop the cycle of poverty.”

Leaders can also design roles and processes intended to integrate separate strategic goals. For example, a leader might designate a manager to act as a business integrator, with responsibility for linking innovation with existing products. A senior manager given this assignment in a social enterprise described it as follows: “I was the bridge. I served in the role of bringing together warring camps.” In other organizations, leaders use integrated metrics and reward systems to foster connections. They can also provoke conversations, asking, “How do these two goals support each other?” At DDD, Hockenstein uses this question as a key follow-up to having his top team members consider the distinctions between the firm’s social mission and its financial goals.

Toward a dynamic equilibrium.

Organizational success depends on both separating and connecting. In fact, doing each alone can be detrimental. Although a separate division can avoid tension in the short term, it impedes the creation of shared value in the long run, because the conflicting groups fail to benefit from one another. For example, Zensar’s new software platform was initially so isolated from other units that it was unable to leverage the firm’s marketing and sales capabilities. Only when the CEO encouraged his team to make structural linkages between the established products and the innovation unit was the firm

able to bring its new technology to existing customers.

Two Leadership Approaches to Competing Demands

Traditional leadership differs from paradoxical leadership in its underlying assumptions about truth, resources, and management practices.

TRADITIONAL LEADERSHIP: “EITHER/OR”

	ASSUMPTIONS	HOW LEADERS BEHAVE
TRUTH	True ideas, beliefs, and identities are internally consistent and coherent.	<ul style="list-style-type: none"> • Make strategic choices • Forge compromises • Keep decisions consistent with the chosen strategy • Align the firm’s culture • Act consistently
RESOURCES	Resources (time, money, people, and so on) are scarce.	<ul style="list-style-type: none"> • Set a clear agenda • Make allocation trade-offs to best achieve priorities • Encourage competition for limited resources
MANAGEMENT PRACTICES	Managing involves controlling by seeking stability and certainty.	<ul style="list-style-type: none"> • Adopt and apply a consistent identity across the organization • Promote best practices • Keep it simple

PARADOXICAL LEADERSHIP: “BOTH/AND”

	ASSUMPTIONS	HOW LEADERS BEHAVE
TRUTH	True ideas, beliefs, and identities consistently embed multiple, often inconsistent, perspectives.	<ul style="list-style-type: none"> • Engage conflicting strategies simultaneously • Accept and value multiple cultures • Learn from multiple perspectives • Act consistently inconsistent

Connecting without separating is just as problematic. In the interest of fostering synergies, senior leaders may promote an overarching identity, stress a collective mission statement, and develop unified measurement systems. But without encouraging deep respect for the distinct value and needs of each stakeholder group, the result can be a bland compromise—a “false synergy.” At worst, one point of view dominates, leaving the other to wither. Social enterprises and microfinance banks have experienced this problem.

These hybrid organizations seek to address social missions through business purposes. But unless they clarify how much attention the social mission deserves, the quantifiable, focused, and short-term financial metrics often take over and drive the big decisions. Financial pressures have become so prevalent in microfinance organizations that Muhammad Yunus, founder of the Grameen Bank, has lamented that these organizations are “sacrificing microcredit for megaprofits.”

To avoid these traps, smart leaders design metrics and rewards—even build out different financial statements (as at DDD)—for each strategy, and complement those with additional metrics and rewards that depend on the success of the entire organization. They create team dynamics that encourage focus on the unique needs of each strategy, while fostering respectful, trusting cultures that enable collaboration and learning. They recognize that senior team members play multiple roles—advocating for their own priorities but also considering the organization’s overall needs. Most important, they demonstrate both the confidence to embrace paradoxes and the humility to know that doing so will be an ongoing challenge.

The Nobel Prize-winning physicist Niels Bohr once said, “How wonderful that we have met with a paradox. Now we have some hope of making progress.” Paradox has long been at the heart of great accomplishments—revealing profound truths and spurring creativity. Advances such as Einstein’s theory of relativity emerged as individuals made sense of conflicting demands. As business organizations face increasingly unpredictable, complex, and challenging environments, those that have the greatest hope of surviving

RESOURCES	Resources are abundant and can expand and generate new resources.	<ul style="list-style-type: none">• Search for opportunities to grow resources, looking beyond current sources and tools• Explore new technologies and collaboration partners• Be flexible in setting time frames
MANAGEMENT PRACTICES	Managing involves coping by embracing dynamism and change.	<ul style="list-style-type: none">• Embrace multiple strategies and identities• Tolerate uncertainty• Learn from failure• Implement workable, temporary fixes and keep experimenting

SOURCE WENDY K. SMITH, MARIANNE W. LEWIS,

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and contributing to the world will have leaders who embrace strategic paradoxes.

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JERRY JOHNSON 6 days ago

Well written, well reasoned and well researched. One quibble. I appreciate the need to bridge conflicting agendas. But "executives must be able to appreciate multiple, often conflicting, truths"? I believe the latter would require a redefinition of concept of "truth".

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