In the midst of the most severe recession for 80 years there is little need to argue that organizations are beset by dilemmas and paradoxes. Confidence in prevailing business models and in the underlying assumptions underpinning business decisions over many decades has now been shaken. But it is not enough to rail against arrogance and greed. Within their own (flawed) assumptions bankers and corporate leaders were acting rationally. A major reason for the failure to anticipate and warn is that observers of organizations usually tend to view organizations in terms similar to those employed by the people who run them: as rational, sensible and objective, whereas, in fact, they are usually confused and confusing, paradoxical and contradictory entities. Paradox is at the heart of how organizations work (or don't work) yet the phenomenon has been strangely unstudied.

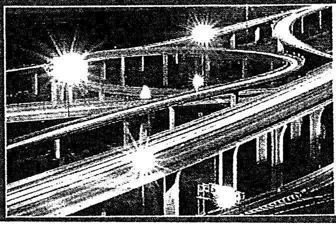
In an age of crisis and uncertainty, dilemmas and paradoxes are especially evident and prevalent. The fascination and the promise of paradox is that there is also a sense that there is a hidden truth entwined within the opposites. This, it is contended, is a challenge for leaders. The ultimate responsibility of leadership is to make sense of these and to handle them in a competent manner. This demands a new mode of leadership. The management of dilemma and paradox is, it is contended, the essence of leadership today. Paradoxical forces provide a dynamism which, although often experienced as potentially threatening, discomforting and negative can also be exciting, promising and positive.

"The assumption that organizations are rational entities is challenged every day in the work environment by a rich reality of asymmetries between conflicting forces, complexity, hidden intentions and paradoxes. Anyone wanting to understand the real forces that govern organizations should read this book. A must read for modern leaders who have the intellectual honesty to lead organizations with open eyes and not with the over simplifications and clichés of the past."

Giovanni Ghisetti, Director Business Transformation, Coca Cola Enterprises Europe

"Storey and Salaman's description of the paradoxes which characterize leadership today is hauntingly accurate. Their intelligent optimism that those dilemmas can be met is as encouraging as it is challenging for those of us who have to do just that. Having read the insights in this book I now understand how their business advice was always so pertinent."

Andy Street, Managing Director of John Lewis



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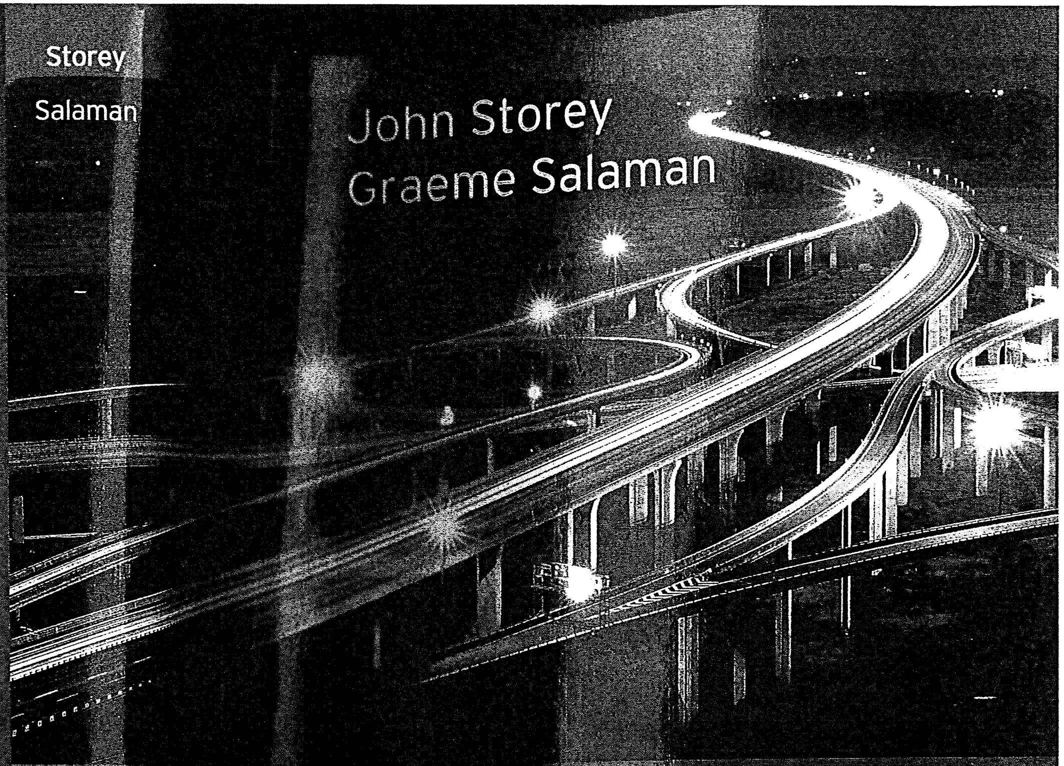

John Storey
Graeme Salaman

Managerial Dilemmas

Exploiting paradox for strategic leadership

Contents

1

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.

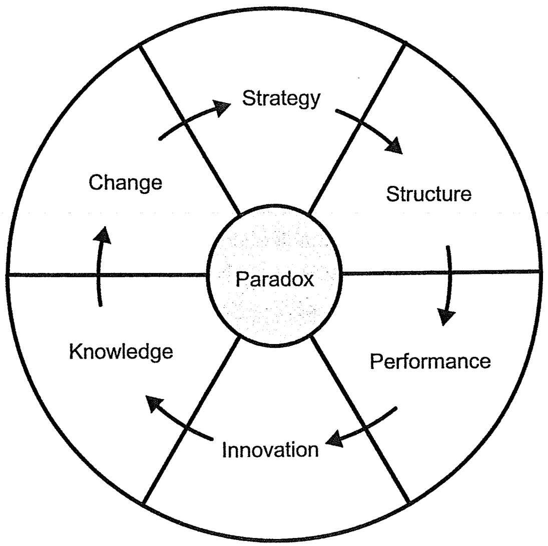

Figure 1.1 The six paradoxes.

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.*

9

Implications for leaders of organizations

In the Preface to this book we quoted the words of Chris Argyris (1999: 92):

> If paradoxes are an important phenomenon for administrators ... why is it that the prominent theories of administration or organization do not have them as a central focus? What would it require to craft theories where paradox has a prime role?

In the intervening chapters, we have argued that organizational paradox should be allocated a focal role in organizational analysis. We have argued that managers should recognize the pervasiveness and significance of organizational paradox and complexity and begin to regard them not as incidental or accidental but as systemic and indeed integral to the dynamics of organizing. And, furthermore, they should see them not as nuisances or aberrations, as errors or problems which must be resolved by decisive management action, but as creative opportunities to be welcomed, accepted and exploited. To follow this advice requires, of course, a new way of thinking. In particular, it means that managers must overcome ingrained and accepted ways of thinking – mindsets which may originate in managers' needs to gain commitment to their proposals by overstressing the negatives and risks associated with rejected polarities (and thus gaining colleagues' acceptance and commitment) but which have the damaging effect of defining organizational problems in terms of unhelpful polarities.

In this book we have sought to theorize paradox. Our interest is not solely academic (though we believe that our academic interest in the phenomenon brings to bear relevant and valuable bodies of research and literature); our interest in paradox comes from the many times we have found ourselves closely involved in, and indeed struggling with, paradoxes as we seek to support and guide managers as they try to understand their organization's predicaments, try to solve problems of design or seek to manage change. As the previous chapter showed, in these attempts we frequently found ourselves not only exposed to paradoxes, but also involved in them. We found managers who were apparently keenly aware of the need for radical change because of performance problems, or competitive pressures or radical changes in the nature and strength of competition, but when they designed changes we found that the way they designed change, and their change plans, were in fact designed in many ways to perpetuate the status quo. We found that managers would, in all apparent sincerity, discuss their serious organizational challenges, would (possibly with our help) recognize possible solutions and the changes that were required to roles, structures and top team dynamics – and yet these changes would not be implemented.

They would become caught up in a debilitating series of obstructions and prevarications. Managers wanted to change but didn't want to change; they wanted to discuss change but they didn't want to discuss how they would have to change. They were happy to discuss key organizational problems but not the fundamental organizational problems. Hence, while they recognized that change was required they were not prepared to address how they themselves and their shared knowledge, values and roles needed to be changed.

So, the first element of our argument is that organizations generate paradoxes because of their complexity and because they are characterized by a series of fundamental oppositions or tensions. The second element of our argument is that managers in organizations tend to respond to these in ways which, paradoxically, exacerbate their effects. The key interrelated points of the book are that paradox, such as the point that purposeful action often produces unanticipated opposite effects, is integral to organizations and that managers' reactions to these paradoxes misunderstand and therefore mishandle the effects and possibilities of these paradoxes. An unsuccessful response to paradox (which inherently implies a degree of failure of previous actions) is to regard the paradox as a nuisance and therefore to try to solve or eliminate it. For example, the attempt may be made to redesign organizational structures to allow greater delegation and autonomy to strategic business units and then to find that these autonomous units cease cooperating or communicating with each other, erect barriers between themselves, lose interest in corporate activities, lose interest in cross-selling opportunities, duplicate service staff and so on. Such consequences are then regarded not only as unhelpful and undesirable but more surprisingly and revealingly, as rather unexpected.

Since paradoxes are ubiquitous and inherent in organizations, the way managers perceive, conceptualize and respond to or handle these paradoxes is crucial. Much managerial and organizational decision making proceeds, and this in itself is another paradox, as though a rational solution or 'answer' can be found. In practice, and this is the defining feature of organizational paradox, we find that one 'answer' frequently produces another problem or question or generates a reaction which is the reverse of that intended. Rather than seeing this as a frustrating failure, or denying the evidence that the initiative has produced unanticipated and undesired effects, or responding by further amplification and application of the failing policy, our suggestion is that managers reframe this situation as a set of interesting challenges which require new ways of seeing the problem and as a result new solutions.

In short, we advocate that managers respond to evidence of paradox paradoxically. They should not try to resolve paradox by linear, straightforward, conventional management thinking such as clarifying options, assessing risk and benefits, and then selecting the 'best' option, but rather, think paradoxically about the dilemmas and polarities underpinning the paradox. There are many aspects to this. One is recognize that for certain problems there are no solutions; that all solutions have benefit and disbenefits; another is to reject the pressure to choose between polarized options and to have both – to choose both, or a hybrid, and to accept that there is no ultimate solution, no perfect way of organizing a perfect business model.

Dilemmas and paradoxes, as we have seen, are ubiquitous and inherent. And yet despite this, much managerial and organizational decision making proceeds (and this in itself is another paradox) as though a rational solution or 'answer' can be found. In practice, we find that one 'answer' frequently produces another problem or question. Rather than pretend this does not occur, and instead of seeking to find the solution through the application of more and more analysis and data, the existence of dilemma and paradox can be reframed as a set of interesting challenges. There is no ultimate solution, no theory of everything which would lead to mere duplication and lack of surprise, variety and challenge. This is the optimistic aspect of living with paradox – it carries continual challenge, novelty and excitement. There is no fear of a perpetual solution.

In Chapter 1 we argued that handling paradox successfully is essentially about learning to 'reframe' issues in new ways. In the intervening chapters we have illustrated how such reframing can occur. Instead of assuming that the objective is a tidy 'solution' one might recast the challenge as a way to *exploit the simultaneity of opposites*. This is ultimately an exercise in understanding problems in new creative ways. It is an exercise in thinking and understanding. This creativity in problem solving is thus much more than an unsatisfactory compromise – i.e. a partial loss on two fronts. Instead, it is having one's cake and eating it – a partial gain on two or more fronts. Likewise, it is a more intelligent answer than erratic switching and flip flopping from one side of dilemma to another. The metaphor of the see-saw used by Charles Handy is apt – the intelligent use and enjoyment of the see-saw derives from a harmonious exploitation of its mechanisms. Likewise, in riding a bicycle there is a practiced and accomplished management of competing forces – and their utilization for achieving momentum and speed.

We also argued that the prevalence of dilemma and paradox derives from the nature of organization and is exacerbated by the accelerating rate of change and thus the diminished periods when other things appear to remain equal. This constant push for change – from customers, suppliers and competitors offering substitute services as well as novelty variants – means that equilibrium is hard to maintain. Other forces, such as almost instantaneous communications across the globe, mean that ideas and information are in constant flow – there is seemingly no stable steady state. Lack of a continuing 'fit' becomes ever more noticeable.

We now offer a brief overview of the main themes in the preceding chapters and then move on to show cross-cutting connections. We conclude with pointing up some of the key lessons for leaders of organizations. We suggested that there are six main dilemmas and paradoxes relating to strategizing, structuring, performance managing, innovating, knowledge handling and changing.

Dilemmas and paradoxes of strategy and of business models

In this summary we bring together strategizing and knowledge handling (Chapters 3 and 7). We showed the ways in which management decision making is historically based; we revealed how management thinking is affected by what managers already 'know'. We explored the knowledge and assumptions underlying strategic thinking; the essential paradox here was that senior managers, responsible for the performance and direction of a business may appear unable to respond adequately to changing circumstances – they appear to be trapped in ways of thinking and assumptions which may once have served the business well but which now are at odds with prevailing or emerging conditions. Patterns and routines become part of the accepted 'paradigm', a set of beliefs and assumptions so dominant and pervasive that it is taken for granted by those who share and operate within it.

Our examination of managers' knowledge also led to a discussion of the 'path dependency' of organizations – the ways in which embedded organizational structures, processes and ways of thinking influence the direction of organizational development or even limit the possibility of such development. 'Path dependency' is itself a dilemma and a paradox. On the positive side, a firm is protected from new entrants because the capability to benefit from a technological trajectory may be dependent on prior knowledge gained by engagement at an earlier stage of the curve; on the negative side, those insider firms benefiting from path dependency risk being so attached to the trajectory that they are less prone to the acquisition of external knowledge which lies outside that 'path'.

The templates managers use to simplify, organize and make sense of their 'business world' are the heart of many of the core dilemmas. These shorthand cuts to making an infinitely complex world graspable and comprehensible also tend to make the choices seem too categorical – that is, either in this box or that. The dilemmas thus arise from these over-determined arrangements of the apparent options.

So, what managers know may hinder their ability to learn things beyond what they know. Knowing, however well based and thorough, inevitably means not knowing: it means relegating certain areas and possibilities to beyond the frameworks and assumptions of current knowledge. For certain areas and choices to be familiar must mean others are seen as strange .The problem is as often inside as it is outside: it lies in how we see the world. This was the paradox explored in Chapter 7: that what managers know creates barriers and impossibilities; and that therefore executive success depends on their moving beyond the convictions and assumptions that they, and their senior teams, hold. The key issue facing senior managers when designing strategy and ensuring organizational capability, the two responsibilities of senior executives, is not (or not only) what problems the business faces, for these are usually reasonably obvious; nor is it how to solve these problems, for if this isn't apparent already, high quality assistance is available from consultants and advisers. The real problem particularly for persistent problems is: why is the executive group unable to solve these problems? Why is it unable to design or implement solutions? And one answer to this question, we suggested, lies in aspects of executives' knowledge and thinking: the ways they see, conceptualize, understand and know the world they face, the world (or more seriously, the worlds they face) and the worlds they construct and create.

The implication for leaders, from our analysis of business models, is that they need to pay close regard to their own frames of reference. They need to be reflective about what they know, not simply knowing what they know, not simply holding this knowledge to be true, but capable of recognizing the assumptions and limits of what they know – even recognizing that what they are convinced is true and relevant may in fact be wrong. The hagiographic and ghosted autobiographies of today's heroic leaders emphasize how charismatic leaders are characterized to an unusual degree by extraordinary levels of self conviction: they know they are right, even when the world doubts them. However, Chapters 3 and 7 suggest another possibility: that conviction, sooner or later becomes dangerous. Mobilizing others requires conviction. But this strength can easily become a weakness if leaders are not able to realize the limitations of conviction and the advantages of doubt. Furthermore, when facing disagreements from others on key issues of strategy and organization they need to be capable not simply of disagreeing with others, but of surfacing and exploring the different assumptions and knowledge which underpin these differences.

The leader who assumes, and is encouraged to assume, that his or her authority rests on omniscience is flawed: not only because omniscience is impossible in a rapidly changing world, but it is also undesirable. Partly

because only by recognizing, indeed demanding, that senior colleagues too have knowledge, is the possibility of error decreased and the possibility of better quality and creative solutions improved. Also, as we suggested, knowledge can limit options as well as open them. Existing and prevailing knowledge can limit organizational development. The role of leaders therefore is to encourage reflection on, and debate about, existing assumptions and knowledge to allow for the possibility of new solutions that are not path dependent.

More than this, leaders have to attend not only to the question about what to do, and which path to take, but they also have to face the additional dilemmas of how to get it done and have it accepted and supported. And this is where the risk arises that managers may seek to gain commitment by simplifying, polarizing and over evaluating the options available. Leaders who aspire to exploit the power of paradox of course still need to construct mutual commitments, endorse proposed actions and express confidence in success, but not at the expense of a grossly simplified conception of options, not at the cost of a total rejection of alternatives in order to gain commitment to the preferred option.

We revealed the ways in which executives' conceptualizations of business models impact on the manner in which directors react to, and try to develop, strategies to meet new threats and opportunities, and the ways existing structures and arrangements may limit how executives think or act. The construction engineering consultants case (EngCon) showed how senior managers had a clear conception of the organizational arrangements necessary for their competitive success: the firm had to be able to attract recruit, develop, motivate, retain and deploy the talents and creativity of talented staff. It suggests that these managers were aware of and sought to exploit (not solve or avoid) paradox, in a number of ways. The leaders of EngCon were aware that there are ways to manage the classic paradox: the tension between the need to control and to motivate, to inspire and encourage creativity and innovation through a series of explicit organizational principles, and the need to ensure surveillance and control – through mechanisms that would not be experienced as obstructive. EngCon's executives show a pathway to develop a form of organization that not only liberates staff, but also ensures control through self-motivation and encouragement and through a variety of control mechanisms working at personal, peer, small group and organizational levels, all supported by normative and financial control.

Secondly, the executives were explicitly aware that EngCon had to be small and big simultaneously. The Chief Executive noted that innovation was closely related to organizational size and to the process and characteristics of small organizations. Since innovation was crucial, EngCon had to retain the core principles of small firms (small working groups, flat hierarchy, close and easy contact with senior management, involvement of senor management in the work, etc.), even though EngCon was growing and would grow further.

The cleaning contractors' case revealed a different set of lessons for leaders who seek to exploit the power of paradox. Here, the issue was less *how* to develop value-adding strategies and capabilities; instead, the lessons relate to a sharp realization of the difficulties that arise for firms in escaping from the historic and existing mindsets, systems, structures and competences. The crucial lesson is for leaders to begin the hard task of 'unlearning'. This means helping to relinquish and possibly renounce the existing and possibly, so far successful, business model. This will be the one to which nearly all senior members of the organization owe their success and possibly their status and identity. Leading a path away from it will often be very hard indeed – as it was in this case.

We thus agree with Brunsson's observation that managers have a tendency, when assessing options and making key choices, to exaggerate the positive qualities of the preferred option and overstate the weaknesses of the rejected option. This seems to be associated with the importance they attach to achieving commitment and reducing uncertainties. This kind of focus on gaining commitment to proposed action, in contradistinction to *decision rationality* which stresses the rather different aspects of systematic decision making, leads towards the simplifying of choices. The full range of options may be disguised and reduced in order to minimize uncertainty and gain commitment. Leaders may lean towards proposals which they believe will attract wide support. One way to dress the proposals to achieve this may be to simplify to a degree which misleads. It emphasizes the 'broad principles' rather than the detail. This may succeed initially but possibly at the cost of a sense of betrayal and disillusionment in the medium term. Such attempts to emphasize certainty and conviction in a context where the reality is replete with complexity, uncertainty and ambiguity, thus present the leader with a series of interconnected dilemmas.

Dilemmas and paradoxes of organizing

With regard to organizational design, we noted that while the 'end of bureaucracy' has been heralded many times, there appears to be evidence that successful organizations are operating with dual forms – i.e. introducing new flexible and agile features while also maintaining the stabilizing and controlling advantages of more traditional forms. Rules and procedures often became ends in themselves. These unanticipated consequences and 'dysfunctions' of bureaucracy made it the *bete noir* of the proponents of enterprise. However, the key dilemma is that organizations abandoning the planning, coordinating and direction-setting mechanisms of traditional forms of organizing also remove the stabilizing dimensions of organizational form that are at a premium during periods of uncertainty. Hence, leaders and managers have to learn to manage the tensions arising from the duality of these forms and principles. Different approaches can be compatible. An admix of the principles of hierarchy, market and trust leads to some interesting and novel forms which demonstrate the power of working with paradox.

Dilemmas and paradoxes of performance management

We noted dilemmas and paradoxes concerned with performance management. Some form of performance management is almost invariably thought to be required in every organization. However, this intent is beset with dilemmas about which of the many performance management and control devices to utilize. And these dilemmas are compounded by the paradox that such devices and interventions can result in unintended consequences and can provoke behaviour contrary to that intended.

We noted that of the various 'factors of production', the human factor is the most open ended and uncertain. While physical materials can be bought in known quantities and grades, the 'purchase' of labour power is always subject to a degree of open endedness. Effort and initiative can be withheld in numerous ways; people can be 'busy' but essentially unproductive. In order to seek to manage performance various control devices have been deployed over many years. Direct control using an 'overseer' is one of the more basic methods. But, it can lead to resentment and conflict and it is also costly.

Hence, various 'indirect' methods have been used such as payment for performance. If people are paid purely by the hour – or any other unit of time – the employer may fear that insufficient effort will be offered. If, on the other hand, payment is by the piece, the employer may fear that quality will be compromised as the employee seeks to maximize pay by turning out large quantities irrespective of quality. To overcome this tendency, regimes of inspection were introduced. But again, inspectors are essentially unproductive and so these labour inspection regimes have their own unforeseen and unintended consequences.

Multiple forms of performance management may be used in combination. It will be recalled how the car substitute vehicle scheme worked with a performance management mix of direct supervision from team leaders and payment by results for the staff members initiating the phone calls. The consequence of this regime was high labour turnover. Business models dependent on more enduring and committed forms of work input might find this approach counterproductive. Approaches to performance management that ignore its essentially paradoxical nature – for example, that employees have to be directed and controlled and monitored and motivated to behave in ways that cannot be fully specified, run the risks described by Edward Deming. He asked: 'What do targets accomplish? Nothing? Wrong: their accomplishment is negative. Management by numerical goal is an attempt to manage without knowledge of what to do. This is what makes it so attractive to bad managers' (1986: 44). This is one problem. However, there is a converse: managerial over specification of how jobs are to be done runs the risk of both de-motivating and of missing more creative solutions.

Dilemmas of innovation

We noted that would-be innovators in senior management positions face a number of dilemmas. First, there was Christensen's now classic dilemma that the much vaunted adage that it is necessary to 'listen to customers', can be fatally misleading. Consistently, when asked about their preferences for future developments, established customers would report that they wanted cheaper and upgraded versions of existing products or existing products with minor improvements. Meanwhile, new entrants would be undercutting the lead product with novel products that established customers would initially

deny they sought. Yet, ignoring customers' expressed wishes and resorting to an insular approach can be equally dangerous.

A second dilemma for innovators is that radical innovation can be especially difficult for established firms to achieve. While incremental innovation reinforces the nature and dominance of existing organizational arrangements and competences, radical innovation normally challenges these. It undermines the established pattern of strengths and routines. Established firms enjoy many advantages – they have resources, a customer base, a distribution network, a supply chain and so on. However, by the same token, radical innovation threatens all of this because it usually involves new ways of thinking and acting which are outside of the established channels. Moreover, it requires competences and processes which are radical departures from existing organizational arrangements. We noted how such firms fail 'because they cannot play two games at once'.

One of the most pervasive and constantly recurring of managerial dilemmas is whether to seek a market or an organizational solution to a problem or opportunity: for example, whether to outsource or insource an activity or service. An important answer to this question in recent times has been to seek collaborative and partnership arrangements which seem to offer a way to preserve elements of both without opting entirely for one or the other. These partnerships may take various forms such as joint ventures, strategic alliances and inter-organizational networks. These forms of solution appear to offer a means to pursue innovation while continuing to maintain the core business; we noted the tension between these two at various points in the book. Collaboration in these various modes can reduce the risk inevitably associated with innovation by distributing it. Moreover, it can help surmount the competence limitations of an organization by the addition of other complementary competences.

Drawing on our research across a large number of organizations which had declared a 'commitment' to innovation we showed how, in practice, we found perceptions about the role of innovation to be *patterned*. In other words, within particular organizations we uncovered a predominating language and logic which carries the coded signals and the accepted stance towards innovation. This had a powerful influence on behaviour irrespective of 'official' pronouncements. It influenced the allocation of resources and the extent to which innovation is allocated to a select few or is regarded as a diffused responsibility. Competing perceptions determined whether information and forward plans were kept secret or were shared across organizational boundaries and thus they influence the degree of collaboration with suppliers, customers and competitors. A practical implication therefore for leaders who are serious about innovation is to recognize the pervasive influence of such cognitive boundaries. Only when this is done can the search for possible alternatives be commenced.

Leaders are also advised to take special note of the finding that the organizations capable of sustained innovation exploited the ability and willingness of managers to engage in open and honest debate. Conversely, the organizations less effective in innovating tended to discourage and even stifle such debate. The healthy, open discussion included dialogue about how their organization defined, valued and managed innovation. This in itself was an important step towards improving innovation performance.

Clarification of understanding about the nature of innovation in a particular organization can also help in the strategy formulation process. Leaders can debate their current, compared with their desired, exposure to new markets, new customers and new technologies. And there can be discussion and therefore analysis about the varied risks and competency requirements associated with these. Innovation ultimately results from managerial perceptions of the need for change, the perception of the opportunity to change and the perceptions about the way to change. Perceptions, beliefs and assumptions are thus vital aspects to be understood.

Leadership groups can usefully promote ways to ensure that perceptions and beliefs about innovation are clarified, made explicit and made subject to debate and challenge. This open discussion would also purposively explore and map the range of views and perceptions that are characteristic and prevalent within the organization.

The paradoxes of change

In Chapter 8 we noted that the processes of organizational change are not only inherently paradoxical in that they are subject to their own complexities and possibilities of unanticipated and undesired effects (one of which was that although there is a great deal of change much of it produces little fundamental change and may even be designed to preserve the status quo), but also that while organizational change is often seen as a necessary response to paradox, it may also perpetuate or even exacerbate paradox. One reason

for this is that managers, in order to generate commitment and enthusiasm, may exaggerate and simplify the available options (ruling one in and ruling the rejected one out) and thus perpetuate the very form of analysis that underpins the situation they are trying to change from. The effective response to paradox is indeed to design change. However, the type of change and the approach to change will need to be modified in line with the suggestions proposed in this book – to embrace, not to resolve, paradox.

Cross-cutting applications and a summary of lessons for leaders

Although we have summarized the key points in topic form above, the themes, in practice, interrelate. The management of innovation has been one major theme and we devoted a chapter to it in its own right. But in addition, it is inextricably linked with the major themes found in the other chapters. For instance, we regard innovation as an intellectual, cognitive process. Accordingly, the way in which managers approach their business strategy, and their model of business, influences crucially their orientations to innovation. We reported on our different research projects which bear on this theme in the chapters on strategy, innovation, organizing and knowledge. The influence is two-way. Managers' cognitions, we tried to show, shape choices made about types of organizational form. Conversely, aspects of organization in turn encourage or discourage innovation. They do this by influencing how managers and leaders think, and what they are induced to think about.

Similarly, the dilemmas concerning performance management were also found to have their roots in underlying assumptions about how business organizations work. Traditional thinking was based on the engineering of incentive and disincentive systems that were designed to promote efficiency and profitability by appealing to workers' self interest. This meant rewarding, or disciplining, workers based on an essentially economics-based notion of behaviour. However, an alternative set of assumptions based in psychology, sociology and political science stresses instead the importance of managerial leadership and cooperation among employees.

We also noted a close association between the issue of managerial approaches to innovation and the strategic thinking related to the problem of 'strategic persistence' in mature firms (Lant and Milliken 1992). Persistence with a strategy is, we tried to demonstrate, ultimately a product of managerial interpretations.

A related issue is the frequently perceived conflict between three activities: work, learning and innovation. Drawing on the work of Seely Brown and Duguid, we went in active search of the interplay and interdependence between work, learning and innovation. By focusing on practice it can be shown how learning forms a bridge between 'working' and 'innovating'. Communities of practice can be important loci of practical activity which combines elements of all three. Another lesson for leaders of organizations and leaders in organizations is to seek out opportunities to promote such communities or the conditions under which they can emerge and flourish. But, this has to be done in subtle ways. We noted that organizations usually depend upon significant amounts of informal activity. Paradoxically, normal 'organizational' interventions serve to restrict activity to pre-given frames. These tend to restrict and even stifle the value of much informal work or at best drive it underground. Thus, as Brown and Duguid have also found, these often very valuable forms of knowledge and practice become even less visible to the organization as a whole. As a result, subsequent reorganizations and/or official changes to practice are likely to 'disrupt what they do not notice'. Thus, the gap between espoused and actual practice may then become simply too large for the informal organization to bridge. Dysfunctionality is likely to result from this vicious circle of control and reaction. The lesson for leaders here is that, in certain circumstances at least, they should consider reframing their view of organization not as a pyramid but, in order to tap into that healthy combination of working, learning and innovating, to reimagine their enterprises as a 'community of communities'.

Our research revealed and illustrated that organizational arrangements across each segment of business – strategy, performance management, innovation and so on – the sources of strength in some circumstances can be sources of restraint in others. Operating efficiencies once achieved can serve to act as constraints when a significant shift of strategy requires radically new structures and processes. These are the essential dilemmas and paradoxes of business models. We agree with Stacey (2000) who observed that:

> The idea that paradoxes must be solved and the tension they cause must be released to be successful is part of the paradigm that equates success with the dynamics of stability, regularity and predictability. The notion that paradoxes can never be resolved only endlessly rearranged, leads to a view of organizational dynamics couched in terms of continuing tension generating behaviour patterns that are irregular, unstable and unpredictable, but lead to creative novelty.

The overall lesson for leaders is that they can benefit from an overall realization of the nature of paradox and synthesis that extends across all of these areas. Synthesis can be thought of as the conscious and deliberate utilization of opposites. It is different from compromise in that it seeks to exploit the strengths of each pole whereas compromise suggests sacrificing some of the strengths of each.

If top teams want to improve their decision making, then, rather than spend inordinate amounts of time on psychological profiling and team building, they might try to focus more on the techniques of effective decision making. These include clarifying desired outcomes (not accepting broad labels such as 'growth' as a sufficient guide as such loose terminology can lead to artificial disputes); providing a range of options which go beyond 'accept or reject' options; clarifying the pros and cons of different alternatives; and during the discussion seek to construct 'new' options which preserve some of the best elements of some of the already discussed options (Frisch 2008).

'Management' is, in essence, the art of practical *action*. This means the wider global and national forces have to be transmuted in local contexts. As a result, the principles which made sense in the abstract become complicated and contradictory when implemented alongside other principled choices. Managerial knowledge is developed through action, trial and error and experience. It develops through and requires simultaneity of learning and acting; it is a situated practice. However, too much reliance on the apparent self-evident 'commonsense' of this practical learning can deflect managers and leaders from a realization that the emergent patterns of thought and the learned and half-learned applications of management theory disguise a whole set of underlying constructs and cognitions. One of our purposes in writing this book was to draw together multiple research projects conducted over many years in order to open up an awareness of the diversity of cognitive models and practical options. However, the former can often impede access to the latter – as we have shown in many parts of the book with case examples.

Finally, we have also tried to show how exploiting paradox can be, and surely is, a *leadership* opportunity and duty. This book ultimately is not simply or solely about paradox: it is about leadership, and its stance on leadership is that complex paradoxical entities such as organizations, especially when operating in times of such dynamic change, require a new form of leadership – leaders who reject the claims of traditional 'heroic' leadership (omniscient, passionate, conviction-driven, total certainty) and replace these with the recognition of the need for doubt, balance, ambivalence, ambiguity and recombination of ideas. The paradoxical nature of managing business and organizations can be an exciting, challenging and liberating experience. But it needs a new form of leadership. If leaders are to embrace and exploit paradox they must begin to behave paradoxically themselves. For many leaders this would require a radical break with established behaviour and prevailing conceptions of leadership.

The conventional image of the leader describes a person full of conviction and optimism about what to do and how to do it, a person who, having chosen the way forward is full of confidence about the direction chosen, a person who requires total commitment to the direction and organizational purpose, a person for whom a paradox would be a negative indication – a sign of a failure, of ineffectiveness, of unclear and improper leadership. But, *leaders who exploit paradox* temper conviction with doubt, they temper commitment with hesitation; their conviction is qualified by recognition of other possibilities – including the recognition that all strategies have strengths and weaknesses; they accept that all strategies ultimately fail – often because of the very nature which originally made them successful.

These leaders recognize the power of paradox and see their role not as defending their existing arrangements (which they had probably helped design) but as seeking to destroy or challenge the very status quo they had constructed. They see that all models of organizations – including those that are so pervasive and powerful that they pass for received truth in any chosen period – fail to do justice to the complexity of organizations, and they recognize the inadequacy of any model of organization as a source of organizational description or prescription. The paradoxically-intelligent leader manages to balance generating commitment with allowing and valuing doubt; seeks to solve problems by questioning conceptions of the problem; and is most anxious when others begin to be most satisfied. As one manager in our innovation project commented: the secret of the management of

innovation is to seek a balance between the opposed forces of the organic and mechanistic approaches to organization – exploitation and efficiency and exploration and innovation, but never *to be satisfied that this balance has been achieved*! The secret here is residual doubt and dissatisfaction. The opposite, one might think, of conviction leadership. There is no final answer to the many tensions of organizing noted throughout this book but finding appropriate ways to combine elements of each in a judicious way is a skill which can be developed.

We suggest that, in this age of uncertainty, dilemmas and paradoxes are especially evident and prevalent. The ultimate responsibility of leadership is to make sense of these and to handle them in a competent manner. This, we argue, demands a new mode of leadership. The management of dilemma and paradox is thus the essence of leadership today.

As Quinn (1988: 88) observes:

> Just as organizations are usually not without tensions neither are managers. There are no clear maps for problem detection or solution. Many diverse kinds of behaviors are expected and these are, at a minimum, distant, at a maximum competing ... [an insightful framework] allows for the dynamic tensions that can sometimes be at the heart of managerial life. It allows for the fact that behaviours may change. A manager may engage in a set of behaviours reflecting one set of values at one point and in an entirely different set of values at another point.

The ultimate power of paradox derives from its liberating potential. While it draws attention to what might be seen as a negative message that no 'solution' is sustainable, its optimistic side is energizing: new opportunities of a surprising kind are possible when paradox is accepted and its potential realized.