

By Michael L. Tushman and Charles A. O'Reilly III

*Adapted from the book Winning Through Innovation: A Practical Guide to Leading Organizational Change and Renewal by Michael L. Tushman and Charles A. O'Reilly III, Harvard Business School Press, Boston, 1997.*

Organizations can sustain their competitive advantage by operating in multiple modes simultaneously—managing for short-term efficiency by emphasizing stability and control, and for long-term innovation by taking risks and learning by doing. Organizations that operate this way may be thought of as ambidextrous—hosting multiple, internally inconsistent architectures, competencies and cultures, with built-in capabilities for efficiency, consistency and reliability on the one hand, and experimentation, improvisation and luck on the other.

Different kinds of innovation require different kinds of organizational hardware—structures, systems and rewards—and different kinds of software—human resources, networks and culture (see figure).

During periods of incremental change, organizations require units with relatively formalized roles and responsibilities, centralized procedures, functional structures, efficiency-oriented cultures, highly engineered work processes, strong manufacturing and sales capabilities and relatively homogeneous, older and experienced human resources.

These efficiency-oriented units have relatively short time frames and are often relatively large and old with highly ingrained, taken-for-granted assumptions and knowledge systems. They are characterized by a high degree of inertia, and often have glorious histories (think of SSIH, Oticon, IBM, Philips). Their cultures emphasize efficiency, teamwork and continuous improvement.

In dramatic contrast, during periods of ferment—times that can generate architectural or discontinuous innovation—organizations require entrepreneurial “skunkworks” types of units. These units are relatively

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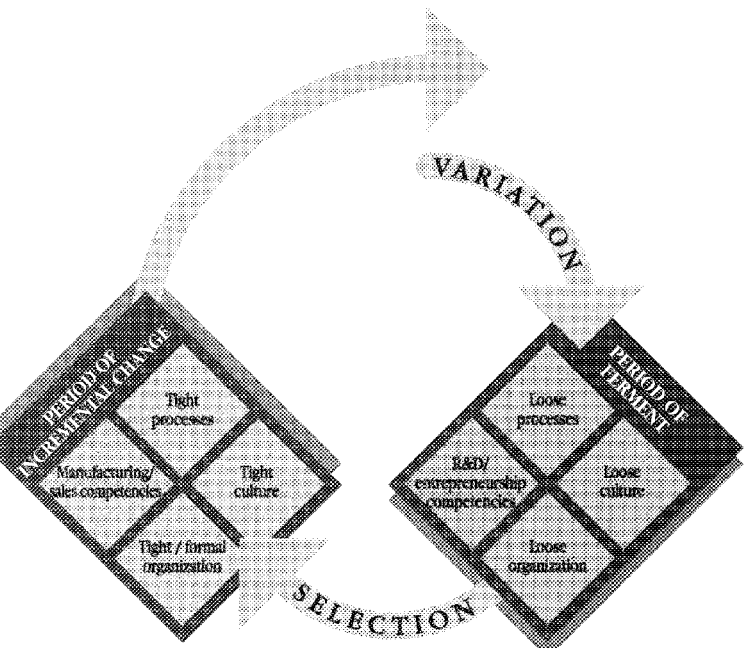


parts of the organization are busy destroying the very business striving for efficiency. Employees know that they can put one another out of business because the organization, and their places in it, will be secure only if they destroy their own product lines before the competition does.

Sustained, consistent commitment to a unit's vision, even as strategies and objectives change, reinforces and anchors vision. Competitive visions are further reinforced by continuity within the senior

management group and its consistent behavior in support of the vision. Through such clarity and consistency of vision the senior team can support internally contradicting architectures and still be seen as consistent and credible.

The composition and demography of the senior team and its ways of working together are also powerful tools for achieving integration. Effective senior teams have internal processes that enable them to handle large amounts of information and decision alternatives and deal with the conflict and ambiguity associated with contradictory architectures.



Innovation (either incremental or discontinuous) stems from two component processes: those structures, people, incentives and cultures that promote creativity and those that facilitate implementation. At the team level, creativity is en-

nanced by the heterogeneity among

team members, which provides the fodder for alternative approaches. However, these differences also hinder implementation by slowing consensus and increasing the negative political dynamics within the team.

The alternative team composition emphasizes homogeneity among team members. While homogeneous teams are more likely to agree quickly and implement decisions rapidly, they may not generate the creativity necessary for significant innovation.

To deal with the diverse needs of ambidextrous organizations, it is helpful for executive teams to be both homogeneous and heterogeneous. In one study, Sylvia Flatt discovered that the most innovative firms had top management teams that were homogeneous with regard to tenure together. She also found that the most innovative firms also had heterogeneous lower-level management teams (in her study, these were the vice presidents of the company); the heterogeneity that sparked the conflict and creativity came from this level and was resolved by the homogeneous senior team (the top four officers of the company).

To avoid the negative consequences of politics and to speed decision making, team members need to be comfortable

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The small entrepreneurial units often deliberately violate the norms valued in older parts of the organization.

working together and understand one another's strengths and weaknesses. When teams are relatively similar with respect to service, misunderstandings and inconsistent assumptions are reduced.

But this homogeneity needs to be balanced by heterogeneity with respect to background and perspective—by keeping teams relatively young, either by periodically moving teams, as HP does by changing divisional charters, or by rotating team members to offer fresh outlooks on old problems.

The need for creativity must be balanced with the need for execution. Senior teams must be intellectually fresh, able to balance old and new perspectives, and not get caught up in a single viewpoint. Those that cannot resolve conflict or do not collaborate create highly unstable, politically chaotic organizations, which squander the potential of ambidextrous organizations.

In managing streams of innovation, senior teams are like jugglers, keeping several balls in the air at once—articulating a single, clear vision while simultaneously hosting multiple organization architectures without sounding confused or, worse, hypocritical. Most management teams can do one thing well, but keeping a multitude of activities going at once requires greater skill.

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