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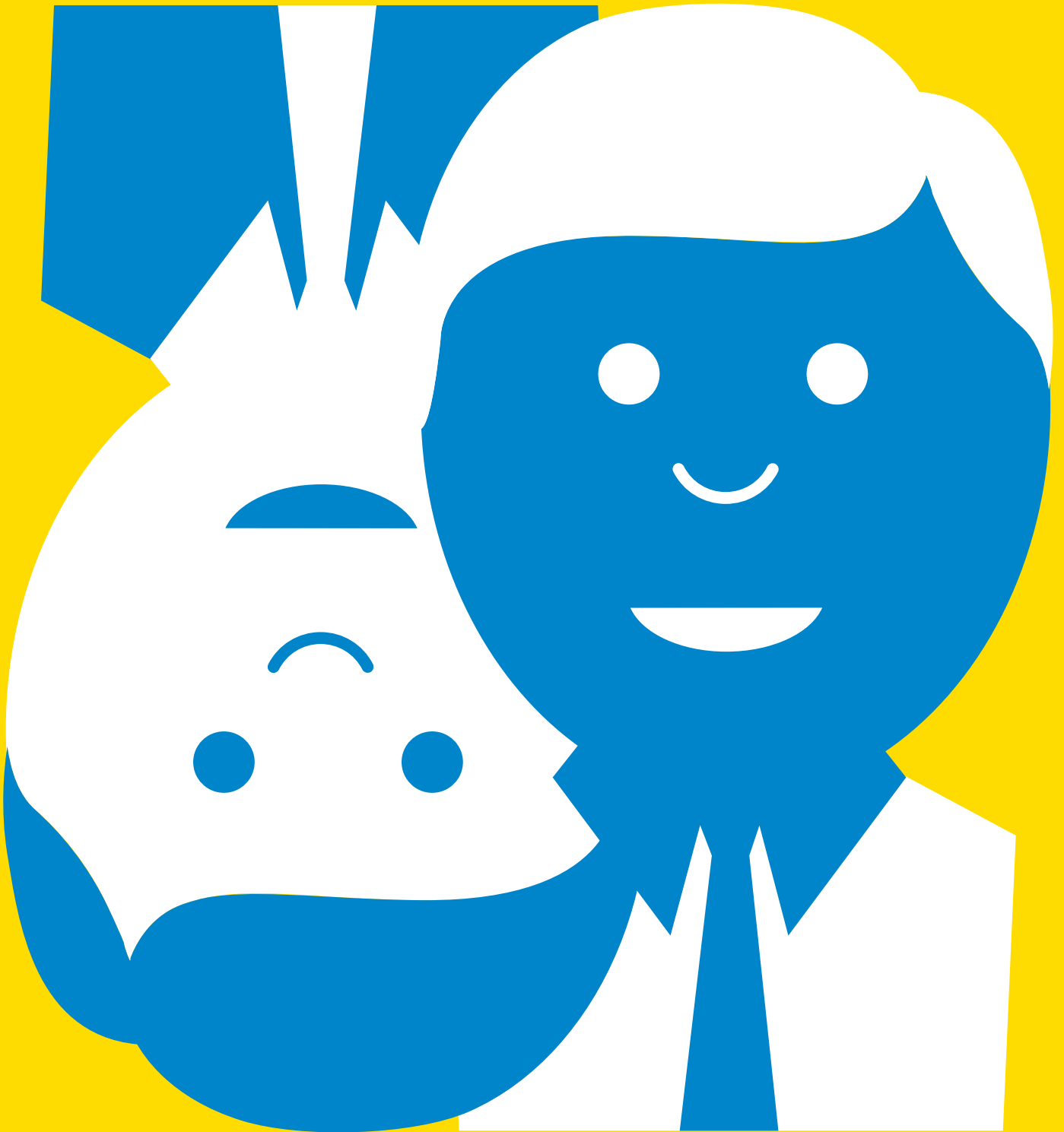
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# THE YIN-YANG OF MANAGEMENT

Thriving in an environment filled with contradictory demands calls for ‘dynamic equilibrium’.

*By Wendy Smith and Marianne Lewis*

**MODERN ORGANIZATIONS** inherently contain a wide variety of tensions that leaders must deal with every day: collaboration vs. control, individual vs. collective, flexibility vs. efficiency and profit vs. social responsibility, to name just a few. As environments become more fast paced and competitive, individual leaders’ responses to these tensions are a fundamental determinant of an organization’s fate.

Contingency Theory offers one response to these tensions. Assuming that organizational systems are most effective when they achieve alignment or ‘fit’ amongst internal elements and with the external environment, this approach explores conditions for selecting among competing demands — for example, making choices between exploration and exploitation, and centralized vs. decentralized operations.

In this article we will discuss an alternative approach to handling tensions: the Paradox Perspective explores how organizations can attend to competing demands *simultaneously*. Although choosing between competing tensions might aid short-term performance, the Paradox Perspective argues that long-term sustainability requires continuous efforts to meet multiple, divergent demands.

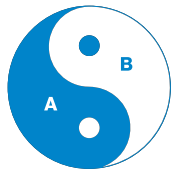
## **Embracing Dualities**

We define a paradox as ‘a situation where contradictory yet inter-related elements exist simultaneously and persist over time’. The distinguishing characteristics of paradox are illustrated by the Taoist symbol of Yin-Yang: paradox denotes elements, or dualities, that are oppositional to one another yet are also synergistic and interrelated within a larger system.

These dualities are reflected as A and B in **Figure One** on page 24. The boundaries separating the elements highlight their distinctions, reinforced by formal logic that encourages either/or thinking and accentuates differences. The external boundary integrates the overall system and highlights synergies; yet it also binds and juxtaposes opposing elements and amplifies their paradoxical nature, creating a dynamic relationship between dualities and ensuring their persistence over time.

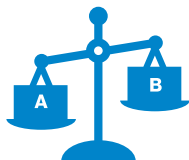
Distinguishing paradoxes from similar organizational tensions, such as dilemmas and dialectics, highlights the core characteristics of paradox. A *dilemma* denotes a tension such that each competing alternative poses clear advantages and disadvantages. Resolving a dilemma involves weighing pros and cons. For example, a classic ‘make vs. buy’ decision may pose a

## Distinguishing Among Organizational Tensions



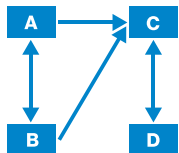
### PARADOX

- Contradictory yet interrelated elements (dualities) that exist simultaneously and persist over time
- Such elements seem logical when considered in isolation, but irrational and inconsistent when juxtaposed



### DILEMMA

- Competing choices, each with advantages and disadvantages
- Paradoxical when options are contradictory and interrelated such that any choice between them is temporary and tension will resurface



### DIALECTIC

- Contradictory elements (thesis and antithesis) are resolved through integration (synthesis), which, over time, will confront new opposition
- Because synthesis stresses similarities, neglecting differences, integration is always temporary

merger into a combined element (synthesis). Yet a new tension eventually surfaces, as the resulting synthesis becomes a new thesis, C, and eventually spurs an antithesis, D.

The well-studied tension between exploration and exploitation illustrates the nature of paradox and its contrast with dilemmas and dialectics. As Stanford's **James March** first articulated, exploring and exploiting pose conflicting strategies between search and refinement, risk taking and efficiency, and variation and choice. These strategies are associated with inconsistent managerial cognitions, organizational contexts, managerial skills and rates of learning, and they compete for organizational resources.

Some organizations treat exploration and exploitation as a dialectic, seeking to identify the synergies that emerge when new ideas, skills, and strategies are integrated along with the old. In contrast, recent research in the realm of 'managerial ambidexterity' has adopted a paradox lens, stressing that overall organizational success depends on exploring and exploiting simultaneously. Even as these strategies compete for resources in the short term, they are mutually reinforcing to enable long-term success. Without exploration, there is no organizational knowledge to exploit. Likewise, without exploitation, firms lack the foundational knowledge that enables absorptive capacity and fuels experimentation.

### The Roots of Paradox

In creating organizations, leaders must decide what they will do, how they will do it, who is going to do it, and in what time horizon. In doing so, they also define what they are *not* going to do, creating paradoxical tensions such as global vs. local and socially focused vs. financially focused. Researchers have explored paradoxical tensions as either *inherent* — existing within the system — or *socially constructed* — created by actors. We propose that they are both. That is, opposing yet interrelated dualities are embedded in the process of organizing and are brought into juxtaposition via environmental conditions.

Tensions forged through the act of organizing are not merely distinct from one another but are also oppositional and relational: by defining A we create a broad category of 'not A', and the

dilemma when both options have upsides and downsides. All too often, when faced with tensions, actors treat problems as dilemmas and impose an either/or choice when a both/and perspective would be more fruitful. In one study, researchers found that pushing managers to spend time exploring an apparent dilemma often surfaced its paradoxical nature. The more managers stressed the positives of one side, the more this accentuated the opposite. For example, in the tension between delegation and control, the more managers discussed the value of delegation to empower employees, the more this highlighted the need for control to ensure efficient execution.

In contrast, a *dialectic* denotes an ongoing process of resolving tensions through integration. In this case, A and B are contradictory (thesis and antithesis) and resolvable through their

## Too often, when faced with tensions, actors impose an either/or choice when a both/and perspective would be more fruitful.



result is a system of interrelated tensions. Tensions emanating through acts of organizing persist because of the complex and adaptive nature of organizational systems. Systems are complex in that they consist of discrete, hierarchically-arranged subsystems, spurring spatial tensions between subsystems or between subsystems and the overall system. While each subsystem can operate independently, success of the overall system depends on their interdependence. For example, organizational subsystems can encompass varied functional domains, each involving distinct practices, cultures, identities and demographics. R&D engineers might find themselves out of place if dressed in a suit and given sales targets, just as members of a sales force might feel as though they have walked into a science fiction movie if placed in a lab.

Complex systems not only invoke varied goals from internal stakeholders, they must also address diverse demands posed by external stakeholders. Achieving success requires attention to the often conflicting needs of shareholders, customers, employees, communities, and suppliers. Moreover, the adaptive nature of systems spurs temporal tensions associated with paradoxes of learning and organizing as the demands of today differ from the needs for tomorrow.

### Four Types of Paradox

The four categories of paradox represent core activities and elements of organizations: learning (knowledge), belonging (identity/interpersonal relationships), organizing (processes), and performing (goals). Let's take a closer look at each.

**LEARNING PARADOXES** surface as dynamic systems change, renew, and innovate. These efforts involve building upon, as well as destroying, the past to create the future. Such tensions reflect the nature and pace of engaging new ideas, including tensions between radical and incremental innovation or episodic and continuous change.

**BELONGING PARADOXES.** Complexity and plurality drive these tensions of identity, which arise between the individual and the collective as individuals and groups seek both homogeneity

and distinction. At the firm level, opposing yet co-existing roles, memberships, and values highlight tensions of belonging.

**ORGANIZING PARADOXES** surface as complex systems create competing designs and processes to achieve a desired outcome. These include tensions between collaboration and competition, empowerment and direction or routine and change.

**PERFORMING PARADOXES** stem from the plurality of stakeholders and result in competing strategies and goals. Tensions surface between the differing — and often conflicting — demands of varied internal and external stakeholders.

Tensions also operate between and within these four categories:

- *Learning* and *performing* spur tensions between building capabilities for the future while ensuring success in the present. Inconsistent mindsets and norms support these contradictory efforts.
- Tensions between *learning* and *belonging* reflect conflicts between the need for change and the desire to retain a developed sense of self and purpose. Organizational identities often become enablers and obstacles to development and change. Individuals face this tension as they assume new roles, while firms embody such contradictions as they mature from entrepreneurial to more established stages.
- *Organizing* and *learning* tensions surface in organizational capabilities that seek focus and efficiency while also enabling change and agility. The demand for dynamic capabilities creates tensions in seeking to continuously renew and alter stable routines.
- Tensions between *organizing* and *performing* can be summarized by the interplay between means and ends or process and outcome, apparent in conflicts between meeting employee and customer demands and between seeking high commitment and high performance.



## Overemphasizing control can signal distrust and drive defensiveness and turf wars.

- *Belonging* and *performing* tensions emerge when identification and goals clash, often apparent in efforts to negotiate unique individual identities with social or occupational demands.
- Finally, *belonging* and *organizing* efforts intersect via tensions between the individual and the aggregate. Organizing involves collective action and the subjugation of the individual for the benefit of the whole; yet organizing is most successful when individuals identify with the whole and contribute their most distinctive personal strengths.

Even as these tensions persist in organizations, they often remain latent — dormant, unperceived, or ignored — until environmental factors or cognitive efforts make them salient by accentuating the oppositional and relational nature of dualities.

### The Elements of Dynamic Equilibrium

Individuals demonstrate a strong preference for consistency in their attitudes and beliefs and between their cognition and their actions, as well as emotional anxiety in the face of contradiction. When facing contradiction, they employ defense mechanisms, such as denial, repression, and even humour, to avoid the inconsistencies. As a result, once rendered salient, paradoxical tensions often spur responses that fuel reinforcing cycles that can be negative or positive.

Negative ‘vicious cycles’ stem from such factors as cognitive and behavioural forces for consistency, emotional anxiety and defensiveness, and organizational forces for inertia. Individuals may also react by altering their beliefs or actions to enable a consistent response or maintaining a mindless commitment to previous behaviours in order to enable consistency between the past and the future. Such commitments become reinforced by organizational dynamics that embed inertia into structures, routines, processes and capabilities, where the future becomes beholden to the past.

Together, these individual and organizational forces for consistency fuel a reinforcing cycle by becoming increasingly focused on a single choice. For example, Boards that overem-

phasize collaboration can fuel groupthink, as threat rigidity and escalating commitment foster even greater collaboration in a vicious spiral. And overemphasizing control can signal distrust and drive defensiveness and turf wars that result in greater reliance on controls.

While a single-focused and well-aligned goal can drive short-term success, it can also have unintended consequences, including missing alternative perspectives and promoting unethical behaviours. Firms such as **Polaroid** and **Firestone** maintained commitments to their existing strategies, which detrimentally prevented them from engaging in future options. Likewise, the **Enron**, **WorldCom** and **Tyco** cases reflect a pathology of stressing profits without attending to process, ends without considering means, and performance without embracing ethics.

Our Dynamic Equilibrium Model fosters a more positive response to paradoxical tensions, enabling a virtuous cycle wherein awareness of tensions triggers *acceptance* rather than defensiveness. Attending to competing demands simultaneously and creating a virtuous cycle requires three capabilities:

**COGNITIVE COMPLEXITY.** At the individual level, cognitive complexity reflects an ability to recognize and accept the interrelated relationship of underlying tensions. It enables actors to host ‘paradoxical cognitions’ — the cognitive frames that accept contradictions. By seeking valued differences between competing forces, while also identifying potential synergies, actors are more likely to accept paradox.

**EMOTIONAL EQUANIMITY.** Tensions can elicit strong emotions, and competing demands highlight ambiguity and uncertainty that provoke anxiety. Freudian psychology suggests that contradictory and ambiguous information is ego threatening, provoking defensive responses including repression and denial. Emotional equanimity, or composure, fosters comfort and openness to contradictions that can minimize counterproductive defensiveness and vicious cycles. An emotional calm and evenness further fosters paradoxical responses by reducing anxiety and fear spurred by inconsistencies.

**DYNAMIC ORGANIZATIONAL CAPABILITIES.** While cognitive and behavioural complexity and emotional equanimity foster more openness to paradox at the individual level, dynamic capabilities can do so at the organizational level. Dynamic capabilities include collective tools that enable leaders to respond to environmental shifts and, in doing so, enable them to be more open and accepting of the dynamic environment of paradoxical tensions. These include processes, routines and skills that enable leaders to respond effectively to constantly-shifting environments.

Our Dynamic Equilibrium Model proposes a managerial approach to paradox comprised of complementary and interwoven strategies of *acceptance* and *resolution*.

**ACCEPTANCE.** When actors assume that tensions can and should co-exist, they can mindfully explore the dynamic relationship between tensions. For example, viewing decisions as situated in the long term may reduce conflict over scarce resources because managers recognize that any choice is temporary and likely to change in the future, and both dualities are vital to propagate long-run success. In short, acceptance provides a comfort with tensions that enables more complex and challenging resolution strategies.

**RESOLUTION.** Paradoxical resolution entails purposeful iterations between alternatives in order to ensure simultaneous attention to them over time. This involves ‘consistent inconsistency’, as managers frequently and dynamically shift decisions and actors make choices in the short term while remaining acutely aware of accepting contradiction in the long term. For example, as individuals consider allocating time between work and family, their choice may shift from attending to intense work commitments at one point in time to focusing on family demands at another point. These short-term allocations of time allow for long-term engagement with both opposing forces. Similarly, firms with strategic commitments to the financial bottom line and to a broader social mission may alternate between focusing sub-units on different purposes and seeking synergistic opportunities that further both purposes.

Applying ‘consistently-inconsistent’ management strategies further embeds tensions within the system’s strategies, structures, rules, processes and identities. As such, paradoxes reflect both inherent features of organizations and the agency that created and continues to reproduce those systems.

### **The Outcome: Sustainability**

Elsewhere in the literature, effectively attending to contradictory demands simultaneously has been shown to be associated with career success, exceptional leadership capabilities, high-performing groups and strong organizational performance. We propose that achieving dynamic equilibrium leads to another highly-valued outcome: sustainability. Dynamic equilibrium enables sustainability in three ways.

**IT ENABLES LEARNING AND CREATIVITY.** Research and real-life examples indicate that dynamic equilibrium fosters learning and creativity. In his study of 54 highly-creative individuals, **Rothenberg** found that their genius stemmed from the capacity to juxtapose opposing ideas. Likewise, **Einstein’s** Theory of Relativity emerged from thinking about the same object simultaneously in motion and at rest; **Mozart’s** music is a function of engaging concordance with discordance; and **Picasso’s** paintings reflect both calm and chaos. At an organizational level, research shows that linking conflicting strategies can spur learning. Juxtaposing opposing forces creates the context for leaders to engage in creative problem solving, allowing their organizations to continuously improve.

**IT FOSTERS FLEXIBILITY AND RESILIENCE.** Managing paradoxical tensions helps individuals, groups and firms to be more flexible and resilient. A well-aligned system that chooses between opposing elements may attain short-term success, but it can also become static and inert. This is because, as indicated, complex interdependencies often trap resources, and core capabilities can become core rigidities. Likewise, leaders often become cognitively committed to a singular focus. In contrast, attending to competing demands simultaneously involves a consistent and mindful shifting of cognition, restructuring of resources,

altering of structures and rethinking of goals. Such constant movement fosters adaptability.

**IT UNLEASHES HUMAN POTENTIAL.** Individuals can experience positive energy and success in response to the creativity and learning fueled from the juxtaposition of contradictory tensions. Positive energy creates the conditions for individuals to be more engaged in making high-quality connections, more persistent in the face of challenges, and more dedicated to reaching their goals. In turn, this energy helps to raise team effectiveness as well as organizational performance.

**In closing**

Paradox is an age-old concept whose roots lie in ancient teachings across Eastern and Western thought, apparent in such works such as the *Tao Te Ching* and the *Judeo-Christian Bible*. The model we have described herein offers the basis for a theory of paradox. At its core, our theory presumes that tensions are integral to

complex systems and that sustainability depends on attending to contradictory-yet-interwoven demands simultaneously.

As globalization, innovation, hyper-competition and social demands create increasingly intricate environments, paradox is a critical lens through which to understand and lead modern organizations. We hope that our work suggests ways to understand and manage through today's complex reality. **RM**



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