

Complex Business Models: Managing Strategic Paradoxes Simultaneously

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As our world becomes more global, fast paced and hypercompetitive, competitive advantage may increasingly depend on success in managing paradoxical strategies - strategies associated with contradictory, yet integrated tensions. We identify several types of complex business models organizations will need to adopt if they are to host such paradoxical strategies. Managing complex business models effectively depends on leadership that can make dynamic decisions, build commitment to both overarching visions and agenda specific goals, learn actively at multiple levels, and engage conflict. Leaders can engage these functions through team-centric or leader-centric structures.

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Introduction

By the late 1990's, USA Today was the highest circulating national newspaper in the United States.¹ CEO Tom Curley and his senior executive team had created a new category of newspapers by negotiating distribution deals with hotels and businesses to provide national news to educated and high-income business travelers, a demographic that yielded excellent advertising revenues.

When widening access to the Internet and the emergence of novel news content channels such as Yahoo! and AOL promised to put the newspaper's position under threat, USA Today moved quickly to enter this new online market by creating USAToday.com. Although sharing the same brand, this online 'paper' differed significantly from the print version, and involved competencies, practices and structures that challenged many of the existing newspaper industry's fundamental assumptions. In the print paper, journalists found news stories, wrote them up and turned them over to the editors before the printer 'put the paper to bed' each night. But in the online world, editors

aggregated news from wire services (perhaps combined with print content), and posted them on-line. The traditional newspaper's organizational structure involved functional silos with limited interaction between them, whereas the dynamic, fast-paced nature of evolving online news stories demanded increased interdependence across previously separated functions.

The uncertain economics of Internet advertising in the late 1990s heightened the challenge of introducing an online business. While the print paper was a cash cow, internet advertising was still a nascent industry that required many technical advances and mass penetration before it could convert itself into a reliable vehicle for advertisers - in fact, spending on internet advertising did not outstrip that on radio advertising until 2007.² How could USA Today.com compete successfully with the print newspaper for financial, human and leadership resources, let alone threaten to take customers and market share from its older sibling? Tom Curley faced a contradiction between the print paper he had built so successfully and his commitment to nurturing the online news business that sought - eventually - to take both its readers and revenues.³

Many leaders face such inherent tensions within their firms' business models. Scholars have traditionally argued that organizational success depends on taking an 'either/or' approach to choosing between such paradoxical agendas: leaders assess the external environment, decide which agenda to favor, and then build a business model to implement this single, focused strategy. According to this view, success depends on proper alignment, both of the business model's internal aspects, and between it and the external environment.⁴ For example, Tom Curley at USA Today faced the tensions between his exploratory and exploitative strategies. Leaders in this position may chose to invest in both strategies simultaneously via different organizations - exploring in one organization and exploiting in another - or shift over time, exploiting until it is time to shift to exploring (or vice versa).⁵ According to this logic, Tom Curley could either separate out the online from the print paper - so the business leaders concerned do not have to manage the contradictory tensions themselves - or, alternatively, continue supporting the print paper until he was ready to change to online news, and then simply shift to the new business.

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We argue that this 'either/or' approach to strategic tensions is inadequate. Senior executive teams like that at USA Today need to find organizational responses capable of meeting the challenge of increasingly complex competitive environments if they are to both exploit their existing businesses and explore new ones. We suggest that success over time is rooted in adopting this kind of 'both/and' approach, committing to paradoxical strategies and their associated product, market and organizational architectures. While these architectures will be internally consistent *within* each strategy, they may be inconsistent or contradictory *across* strategies. Hosting such paradoxical strategies demands complex business models that can manage the inherent tensions involved and enable contradictory agendas to thrive at the same time. Our research suggests that some leadership teams are capable of developing the kind of models required to embrace and support such paradoxes simultaneously. Using data from in-depth interviews and observations of 12 top management teams, we identify the functions and structures of teams that execute paradoxical strategies effectively. These processes include:

- Dynamic decision making;
- Building commitment to an overarching visions and agenda specific goals;
- Actively learning about each agenda and the relationships between them;
- Engaging conflict.

We find that these processes enable senior leadership teams to both engage with and manage the inherent tensions created by their paradoxical strategies, either via a leader-centric approach - where

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