CEOs indicate they feel confident in their ability to deal with problems, while
paradoxes perplex them. Yet, research demonstrates that the ability to handle
paradoxes has a greater impact on long-term organizational success than the
ability to deal with problems.

By Ralph Jacobson and Alfred Marcus

Problems may be simple or complex, but once an effective solution is implemented, the problem
is solved. For example: Should we build a new plant? Extend our current product line? Hire a new
vice president? Partner with another organization? Paradoxes, on the other hand, are the hard
core contradictions in organization life that cannot be resolved—they must be vigilantly
balanced.

The inability to address paradoxes explains why some companies have difficulties in achieving
long-term success. We believe that CEOs will be more successful over time if they learn to
balance paradoxes in a more effective manner. The purpose of this article is to help senior
leaders distinguish between problems and paradoxes and to offer suggestions to better manage
them.

Problems and Paradoxes

Problem solving follows a predictable pattern: Highlight an issue, gather the facts, investigate
causes, formulate solutions, and implement the answer. The objective is to gain control. If we fail
we cast blame on others and ourselves. But what happens if there are issues for which solutions
are non-existent? Here are some examples: Should we...

- Focus on the short or long-term?
- Invest in new business initiatives or maximize profits from existing businesses?
- Centralize operations or decentralize them?
- Hold individuals accountable for results or teams?

Paradoxes are not solved—they must be managed. The challenge for CEOs, boards of directors,
and other senior leaders is manage paradoxes and not apply problem solving approaches to
them.

In his book *Big Winners and Big Losers*, Professor Marcus found that few organizations are long-
term winners—over a 10 year period only about 3 percent of companies outperform their
industry's average, while about 6 percent will underperform the average. How do CEOs of
winning organizations do it?

They do a good job of managing those paradoxes which are most central to their success.
Achieving a proper balance among competing elements, they weave competing tendencies
together rather than emphasizing one pole in a paradox over the other. For instance, managing the built-in tension of achieving short term profitability and sustaining long-term competitive advantage requires balancing the tension between agility and openness to change on the one hand, and focus and the discipline of execution on the other. Long-term success requires the exploration for new markets, products and services and at the same time, exploitation of existing products, services and other capabilities. The organization must be open to the prospect for new businesses beyond its core and defend the positions it presently holds. Successful CEOs manage this paradox well and achieve improved long-term success.

But this balancing act is a formidable undertaking that strains even the best leaders and organizations. 3M, for example has gone through cycles of exploring for new business opportunities and then imposing discipline on the company through the strict application of Six Sigma methodology. Now, under its current CEO George Buckley it is finding a balance. The consequence? 3M’s stock price has been on the rise. Another example is Robert W. Baird. Between 2008 and 2009, while other large financial services organizations experienced the greatest financial crisis in decades, the CEO of Robert W. Baird, Paul Purcell, saw opportunity, hiring new employees, but on his terms, telling employees that they had to cut costs and take salary reductions at the same time he made the new hires.

To help determine whether the issues before them are problems or paradoxes, CEOs answer these questions:

• How persistent is the issue?
• Are there at least two opposing and valid points of view about it?
• Have prior attempts to grapple with it persistently failed?

If the answer to these questions is yes, the organization confronts a paradox to be balanced and not a problem to be solved. Paradoxes, as opposed to problems, require both/and rather than either/or thinking as described in Figure 1.

**Figure 1: Is the Issue a Problem or Paradox?**
Categories of paradoxes

As shown in Table 1, the number of paradoxes organizations face is large. They affect organizations at many levels—strategy, structure, leader behavior, functional orientation, and personal.

1. **Strategic**: These center around timeframes (long and short term), the use of resources (invest or take profits), organization culture, and the acceptable level of risk (preserve past experience vs. venture forth with the new).

2. **Structural**: The organization's structure itself poses a number of paradoxes. Does information flow from the top down or the bottom up? If the organization operates primarily as a hierarchy, work will be controlled, but the organization will be slow to adapt to change. If it operates in a more horizontal structure, the organization may be more agile and more difficult to manage. The needs of the top, middle, and bottom employees on the organization chart have to be balanced.

**Table 1: Commonly Experienced Paradoxes**

| Strategy          | • Long vs. short term  
|                  | • Local vs. global    
|                  | • Invest vs. take profit  
|                  | • Core vs. new        
|                  | • Explore vs. exploit  
|                  | • Innovation vs. quality  
|                  | • Stability vs. change  
| Structure        | • Hierarchy vs. flat   
|                  | • Centralization vs. decentralization  
|                  | • Needs of the tops vs. needs of the bottoms vs. needs of middles  
| Leader Behavior  | • Holding on vs. letting go  
|                  | • Managing vs. leading  
|                  | • Control vs. delegation  
|                  | • Available vs. mysterious  
|                  | • Perfect vs. fallible  
|                  | • Powerful vs. vulnerable  
|                  | • Directive vs. democratic  
| Functional Orientation | • What’s best for my function vs. best for the company  
|                  | • Be strong individual player vs. be strong team player  
| Personal         | • Take risk vs. play it safe  
|                  | • Say it like I see it vs. say it to be accepted  
|                  | • Individuation vs. socialization  
|                  | • Male self vs. female self  
|                  | • Rational vs. emotional  
|                  | • Personal time vs. professional time  

3. **Leader Behavior:** Should employees hold on more to the past or let go? Should they focus on managing or leading, on the needs of fellow employees or those of the boss? How should managers approach employees? Should they be available or distant and mysterious? Should they be perfect and powerful or admit to fallibilities and vulnerabilities? To what extent should they be directive or more democratic in their leadership styles?

4. **Functional:** Managers oversee struggles in which each function strives to prove its own merits and at the same time works with other functions to achieve optimal organization health. Each has a different purpose, performance measures, language, and world view. Each thinks that it has the proper agenda, but struggles with the others to gain a larger share of the budget, influence, recognition, and power. Should functions be judged based on the extent to which they are strong individual or team players?

5. **Personal:** Should employees speak honestly or play it safe? Do what is right for them individually or what is right for the organization? How should they balance their different selves—male/female, rational/emotional, etc.? How should they balance their personal vs. professional time? In most organizations, there are few opportunities to address such issues until performance difficulties arise or employee morale diminishes.

On such issues CEOs must determine where their organizations stand. To do so, they can rely on the “Paradox Minefield” illustrated in Figure 2. The Xs on the lines represent the collective perspective of where the organization falls on the continuum of various paradoxes. This exercise will facilitate the identification of paradoxes that are out of balance which require further leadership attention.

**FIGURE 2: ORGANIZATION PARADOX MINEFIELD: AN EXAMPLE OF ORGANIZATION PARADOXES**
Unbalanced Paradoxes: The cycle
Though the paradoxes that each organization confronts appear unique, unmanaged they travel a predictable negative path. As unbalanced paradoxes they leave cynicism, wasted resources, and missed opportunities in their wake. Figure 3 describes the typical stages of unbalanced and poorly managed paradoxes.

**FIGURE 3: THE DRAMA OF AN UNBALANCED PARADOX STAGE 1: DISSATISFACTION AND FEAR**

Unbalance paradoxes typically reveal themselves in reduced profits and higher levels of employee turnover and in-fighting. Some employees cling to the past while others realize that prior answers no longer are sufficient. With the lack of a clear forward path, the organization faces ambiguity and tension that trigger awareness that the status quo is fraught with danger.

**Stage 2: Advocacy**
To ameliorate the anxiety, employees often believe that only one side in ongoing organizational struggle can prevail. They lobby for this point of view to the exclusion of the other side. Senior leaders are cast in positions of being umpires in these battles. Believing they confront a series of problems rather than paradoxes, they are tempted to choose one side over the other. However, deciding for one side over the other only hardens the organization's functional walls and prevents the emergence of more effective harmonization of opposing interests.
Stage 3: Sub-optimization
Choosing one side over the other comes at a cost such as short term gains rather than long-term profits, a focus on a narrow customer set, or the dominance of one group over another. Making a decision that favors one side over the other sows the seeds of further dissatisfaction. More important, it sub-optimizes the range of options and limits the ability of the organization to respond in a more effective manner over the longer term. It detracts from organizational resiliency and guarantees that paradoxes will have to be revisited in the future.

Stage 4: Negative consequences
Favoring one side over the other minimizes the ability of the organization to fully address present and future challenges. Over time, issues resurface. In the interim the casualties are a continuation of unnecessary turnover, reduced profits, lessened competitive strength, and a more cynical corporate culture.

Overcoming the downside of paradoxes poorly managed requires bringing those who hold opposing points of view together and establishing common ground based on careful listening. CEOs must be cognizant of the strengths of the each of the organization's different points of view and the deficiencies of their own perspective. They must think about how they can accommodate all the different points of view in the organization and how they can ensure that all sides prevail.

The concept of paradox helps senior leaders become more aware of how competing traits and tendencies fit together in broader and more comprehensive patterns. Combining opposing elements in a more constructive fashion creates new and more powerful possibilities. Because of the inherent challenge and lack of understanding of paradox, many organizations perform well for short periods of time, but few are able to sustain advantage over the long-term. Senior leaders who understand the power of positively addressing paradox increase their personal power to affect change and build more resilient organizations that can better adapt to change in uncertain and turbulent times.

Ralph Jacobson is principal of The Leader's Toolbox, Inc. and author of Leading for a Change: How to Master the Five Challenges Faced by Every Leader, and teaches at The Physician's Leadership College, University of St. Thomas.

Alfred A. Marcus is the Edson Spencer Chair of Strategic Management and Technological Leadership at the University of Minnesota, Carlson School of Management, where he has been on the faculty since 1984. From 1995-2001, he was the chair of the Strategic Management and Organization Department. He is the author or co-editor of more than a dozen books including Big Winners and Big Losers (Wharton School Press, 2006) and numerous articles in journals such as the Strategic Management Journal, Academy of Management Journal, Academy of Management Review, Organization Science, and California Management Review. He has consulted or worked with many major corporations including 3M, Corning, Excel Energy, General Mills, and IBM.