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# BOOK REVIEW

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## EXPLORE AND EXPLOIT: HOW ORGANIZATIONS DEAL WITH THE INNOVATOR'S DILEMMA

### LEAD AND DISRUPT: HOW TO SOLVE THE INNOVATOR'S DILEMMA

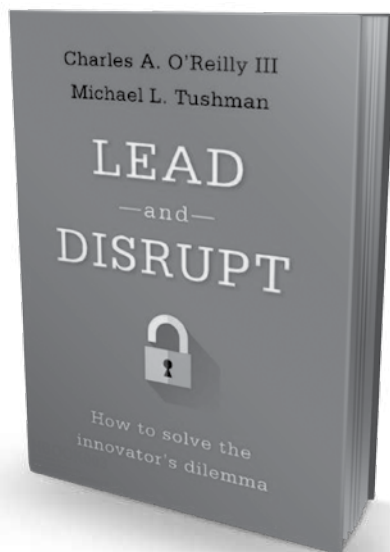
Charles A. O'Reilly III and Michael L. Tushman, Stanford, USA: Stanford Business Books, 2016, 276 pages.

The book deals with the dilemma of organizational survival in the context of intense and recurring changes. In the introduction, O'Reilly and Tushman point out that the survival period of businesses, especially large businesses, has significantly decreased over the past 50 years. However, according to the authors, the period of existence is not a precondition for success or failure. In Chapter 1, they present a list of centennial companies that have managed to adapt to ongoing changes, changing both their technologies and markets, and others that have failed to adapt. So far, mostly, these companies have shown a solid foundation for success, exploring their skills and abilities to efficiently meet market needs, with high profit margins and growth rates.

This is referred to as the so-called “success syndrome,” described by the authors as a short-term vision in which an organization is well adapted to current business; however, this vision makes it difficult to adapt in the long run.

“Why do successful businesses find it so difficult to adapt in the face of change – to innovate?” (p. 9) The answer, according to the authors, is in the ambidexterity and role of leaders in their exercises. Organizational ambidexterity consists of the balance between exploiting the existing base of the company's resources and capabilities to be more efficient and exploring new resources to innovate. This is the famous dilemma set by Jim March (Exploration and Exploitation in Organizational Learning, Organization Science, 1991). In his view, the role of the leaders is to conduct this balance, directing the company toward change, inspiring people, and helping the organization to change through the reallocation of resources and changes to systems and structures. In the view of O'Reilly and Tushman, experimentation with new business and business models (exploration) is a task for leaders, while conducting the current business (exploit) is a task for managers.

The book is structured from a combination of theoretical frameworks and illustrative cases, of both success (Amazon, Walmart, and Ball Corporation) and failure (Sears, Kodak, RCA, and Firestone). The last chapters are devoted to illustrating cases



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of success in the renewal of businesses, in which the action of leaders was decisive (USAToday, Ciba Vision, Flextronics, DaVita, HP, and Cypress Semiconductor).

In Chapter 2, the authors propose a model of congruence, or organizational alignment, in which human resources (skills and motivations), culture (norms, values, attitudes, and behaviors), and the formal organization (structure, control, and incentives) are aligned to support strategy implementation (business focus, vision, and way to compete). The strategy varies according to the maturity of the business and technology. The more mature and consolidated the business and technology, the greater the emphasis on cost reduction, control, and efficiency. The more dynamic the business and technology, the greater the emphasis on innovation and flexibility.

The paradox is that organizational alignment is critical in the successful implementation of the strategy, but it feeds organizational inertia, making change difficult. The authors' solution is precisely ambidexterity; that is, the answer to success is the management of multiple alignments along the organizational lifecycle. From an evolutionary perspective, based on the variation-selection-retention paradigm, the authors describe the evolutionary cycle of the organizations and changes of alignment required for each phase of the cycle.

Ambidexterity, per the authors, is a strategic decision based on alignment and the use of existing assets and capabilities to develop a competitive advantage in new markets.

In Chapter 3, the authors propose a framework to understand the expansion process toward new business, using, as a reference, the binomial of organizational capabilities and market scope. Cases of companies that operate in declining markets and were able to explore new markets with their existing organizational capabilities, explore new organizational capabilities in the same market, or even explore new organizational capabilities and new markets are presented.

However, what is the secret to success in this exploration process of new areas of business?

In Chapter 4, the authors present six cases of companies (USAToday, Ciba Vision, Flextronics, DaVita, HP, and Cypress Semiconductor) that, before the depletion of their traditional business, could explore new business fronts (exploration), while simultaneously using their current business (exploitation). In all presented cases, the expertise accumulated in traditional business is being used, notably that concerning resources and accumulated capacities. This exploitation is only possible due to the action of leaders, considering the internal resistances and trend of old businesses to surpass new ones,

especially with regard to resources. For this reason, the new businesses are separated from the old ones, even spatially, so that companies can focus on the organizational alignments (people, structures, systems, and culture) suitable for different business dynamics.

In Chapter 5, the authors present the cases of two companies (IBM and Cisco) that developed organic and repetitive efforts of ambidexterity, based on deliberate processes of organizational evolution, i.e., a replicable instrument to identify new opportunities and feasibility analyses as well as implement and experiment with new business. Further, the authors present the successful experience of IBM with the implementation of a process called *Emerging Business Opportunity*.

In the authors' view, each company has its own specificities related to the experience of ambidexterity, and the recipe for the success of a business cannot always be applied to others. However, the authors identified, in Chapters 6 and 7, the "what" and "how" to succeed in ambidexterity. The following points are worth mentioning: (i) the definition of a clear strategic goal to justify the need of ambidexterity—generally, the new business must be strategically important, in line with the company's strategy, and close to its core business, in order to exploit the synergies of skills, technology, manufacturing processes, marketing, sales, branding, and channels; (ii) commitment of managers to feed new ventures and protect them from those that are not favorable to new business; (iii) separation of traditional businesses (exploitative business), so that the new ones can develop an organizational alignment and, simultaneously, take advantage of the resources and capabilities of traditional businesses; (iv) clear decision criteria or incorporation of the new businesses back into the organization; (v) definition of a common identity based on vision, values, and culture, shared between the old and new business units.

The main attraction of the book is the simplicity of the arguments and variety of illustrative cases. It is a book devoted to practitioners, hence the title, based on a question of the "how" type. Moreover, it is an interesting book for the classroom, where the teacher can lean on a series of emblematic examples of change and organizational survival. However, from the theoretical perspective, it falls short in some respects, particularly concerning the discussion of important underlying concepts, such as dynamic capabilities (relocation and reconfiguration of resources and capabilities) or concepts recurrently used, like business models. The authors chose a more intuitive explanation, avoiding dialogue with other authors, and even with their own previously developed works.