

[SLICE OF MIT THEME MUSIC]

ANNOUNCER: You're listening to this slice of MIT podcast. A production of the MIT Alumni Association.

JOE This is the MIT alumni books podcast. I'm Joe McGonegal, director of alumni education.

MCGONEGAL: Joining me on the line is Michael Tushman, PhD class of 76. The [INAUDIBLE] Lawrence MBA class of 1942, professor of Business Administration, and the chair of the program for leadership development at Harvard Business School. Tushman is the co-author, or co-editor of 14 books on management and leadership.

His newest book is, *Lead and Disrupt, How to Solve the Innovator's Dilemma*, coauthored with Charles A O'Reilly the third, and published this month by Stanford University Press. Michael Tushman, thanks for joining me. The book addresses the Innovator's Dilemma, a term coined by your colleague Clay Christensen nearly two decades ago. What is the dilemma, and how does this book pare nicely with Christensen's?

MICHAEL TUSHMAN: Joe, great to be with you. So Christensen's book, *Innovative Dilemma*, written many years ago, is fundamentally around how come successful incumbents get, in his language, disrupted by new entrants. It's a pretty depressing story. And Clays recommendations are spinouts. That if you are Polaroid, and you're trying to do digital imaging. Or if you are Havas an advertising agency, and have to deal with crowd-sourced content, the Christian [INAUDIBLE] solution is spinning these innovations out.

Charles O'Riley and I have been working on a bunch of research on what are the characteristics of those firms that are able to both exploit their existing capabilities. In this case, out of Havas continue to do fantastic old fashioned advertising. And simultaneously, explore into completely new spaces. In this case right now, dealing with crowd-sourced content. And so building on Jim March, who was a very distinguished Stanford professor.

Jim March's early work on the strategic importance of both exploring and exploiting current capabilities. Our work suggests that Clay is not quite right. That great organizations can both lead their particular product class, as well as disrupt themselves. So that's the point of view of our book. We have marshaled both our research and the research of the field to speak to this question of the role of senior leaders in creating organizations that can be, in Charles' and my language ambidextrous, can operate in both the past and the future. Be both exploratory and

exploitative. Be small, nimble, and large at the same time. That's our basic point and lead in disruption.

MCGONEGAL: Readers opening the book will be surprised to see there's success stories like Amazon and Walmart of the last couple of decades in there, even IBM. But they might not expect lengthy discussions of the company that brought us Mason jars or contact lenses. Some of the biggest success stories you chronicle don't always make huge headlines.

TUSHMAN: Yeah. And we try to fill the book with both our research on both well-known firms, and our research on not so well-known firms, as well as our consulting experience. So for those listeners who don't know the Ball corporation. The Ball corporation started in the late 19th century making wooden buckets. They then got into glass jars. They then got into metal cans, and then more recently into plastic water bottles, or plastic containers.

And what we've learned from the Ball corporation is the power of an overarching identity. And when you have identities, in this case, they aspired to be the world's greatest container corporation. When you have that overarching identity, you're able to play these inconsistent games well simultaneously. So yeah, we try to fill the book with lots of both well-known examples, as well as some not so well-known examples. And basically to empower general managers and C level executives with the tools they can use to actually put some of our ideas into practice.

MCGONEGAL: In Chapter 3, you make some good comparisons for the science majors out there to Charles Darwin, and the survival of the fittest. You write, Darwin was right. Neither strength nor intelligence guarantees survival. Only adaptation can do that for firms and flora and fauna. Tell me about this particular character trait ambidexterity. And describe that asset for us.

TUSHMAN: We describe structural ambidexterity as a dynamic capability. It's a capability that permits-- in that case, it was John Fisher with the Ball corporation, is a capability that Fisher and his colleagues used over and over and over again at the ball corporation to be able to play these innovation games. To be able to be incrementally innovative and disruptive at the same time. So this structural ambidexterity, on one hand it is a form of organization design. It's a design that asks the general manager or the C level executive to separate out the past from the future.

So our notion of structural ambidexterity is high differentiation, targeted integration. Where

there is assets to leverage across the explore and exploit domains, and really strong senior team integration. Another one of our case studies, if you will, is with Tom Kerley at USA Today. Back when he was creating-- it was at the time the number one newspaper in the United States. And he knew that digitized content was going to be the future. So he split the dot.com piece of USA Today from the paper, but they both reported to Kerley.

So it's not a spin out in the Christian [INAUDIBLE] solution, which would be to spin the dot.com out of USA Today to the corporate level at Gannett. But rather, both of those integrated organizational architectures, that is the paper business and the dot.com business reported to Tom Kerley. So that's what we call high differentiation. Targeted integration, so the editors in the dot.com side and the paper side shared content, but everything else is split apart.

And really strong senior team integration, that is Tom and his direct reports, kind of get-- at that time was a network strategy. It was a strategy to retain the paper business, and to capture the eyeball business, the dot.com business. That's the dynamic capability that people like Kerley can use over and over again to build this dynamic capability into the firms.

MCGONEGAL: There's much to lose when firms spin out, that they could gain for by leveraging their assets.

TUSHMAN: Our basic point is you only deal with the tensions associated with ambidexterity. The tensions that you build in this exploratory world, and the world of exploiting your existing strategy. The only time you want to do that is when there's strategic assets to share across the explore and exploit categories. If there's nothing to leverage, then spin out. But in so many of the cases that we describe in the book, there is a gigantic amount of leverage between the past and the future.

MCGONEGAL: You write, the sad fact seems to be that when a business is successful, the inexorable tendency of managers is to protect that success and incrementally improve existing operations, not to waste resources on experiments and small lower margin businesses. When senior leaders become great managers, organizations are in danger. The balance of leadership in management, making the trains run on time and figuring out the proper direction of the trains.

TUSHMAN: Yeah. Much like the huge literature out there on the Innovator's Dilemma, our book is rooted in this notion of inertia. Successful firms tend to drive out of variability and become highly inertial. The big insight that Charles and I learned is that from a general manager's perspective, you

want to both celebrate that inertia, because it's really profitable, but simultaneously disruptive in the exploratory experiments if you will.

And it's the ability of senior leaders to be able to host this tension. To be able to host this paradox, is what makes for really fantastic senior leaders. It is to be able to live into a world where you're both living in the past and living in the future. And the ability to live into that paradox is what makes, I think, our book so unique. Is with how leaders can be consistently inconsistent.

MCGONEGAL: You open with two tables, what's true of all these companies versus what is true of all these companies. And then caution readers, and this book provides guidelines so that your firm doesn't end up on some academic list of failed companies many years later. For the MIT alums out there starting a new company, give one free take away here where the ambitious new leader of an entrepreneurial venture.

TUSHMAN: Yeah. So there's one set of recommendations for start-ups, and that is the challenge of going to scale. And that's not so much an ambidexterity challenge as what we call a punctuated change. Of changing the people, process, structure, and culture to go to scale fast. So for those entrepreneurs in the audience who have a variant. And this variant in that particular product class has a chance of becoming an industry standard, then our book can help them go to scale.

That is a different challenge than if you, this MIT alum is-- let me just stick with my advertising example, working in digital media at some advertising agency. This MIT alum, he or she is going to have to be able to work with their colleagues to play this explore and exploit game. And that's mostly where the book is targeted, on incumbent firms trying to build on their past and create the future.

MCGONEGAL: What company is missing from the book? Of course, it was written in the last few years. Who are you watching right now?

TUSHMAN: Yeah. Here's where I'm most interested. So I'm not sure I have a direct answer to that question Joe. But I'm most interested in is our ideas have a, kind of, a Chinese heritage to them. This ambidexterity of being able to visit yin and yang of explore and exploit. And so I'm actually, I actually don't know. I'd like to spend more time. We do talk about the higher corporation in later chapters of the book, but I'd like to do more research in China at the tens

sense of the world. To capture whether this dynamic capability that Charles and I have really induced with companies from around the world, really applies at scale in the people's Republic of China.

MCGONEGAL: Tell me, how is your MIT education alive and well here?

TUSHMAN: So I am like so proud of my MIT education. And it's, sort of, men's and manicism, if I'm pronouncing that right. Head and hands. This is what ambidexterity is all about, is having leaders who can engage their organizations through people's passion, their emotions. And having the hands about them that can play these multiple games simultaneously. So at one level, it's sort of the grand MIT tradition. And the other more, sort of, pragmatic level is I'm really proud of the work I've done, that is both rigorous and relevant.

That's what I learned at MIT. Is having a research stream that is based on data, based on ideas. Both, sort of, contributing to the academic literature, and having the academic literature actually feed the real world. And having ideas from a real world feed on research. That, sort of, reciprocal relationship between the real world and the academic world is something that was really part of my MIT education.

MCGONEGAL: Tell me what else you're reading right now.

TUSHMAN: Reading, sort of, in this same kind of technology organizations world. I'm reading two history books. One is a book by Ian Toll on *Six Frigate's*, which is a book about the beginnings of the United States Navy. And the incredible importance of the technology of ships and how our Navy and our country was born. And I'm reading a book about King Philip's War, which by Jill Lepore called, *The Name of War*. A fantastic piece of history on the first European war fought in the New England area. And, sort of, the nature of warfare at an early 17th century.

TUSHMAN: Speaking of Amazon, customers who bought your book are also buying books by Charles Duhigg, Ellen Auster, Mario Moussa, Joshua Gans, David Berkus. What do you think of the algorithm? Is it doing its job there?

MCGONEGAL: I haven't quite gone to it, but that sounds a little bit off I must say. Joshua Gans is certainly right. I must say, Ellen Auster would not have come up on my radar screen as a-- not that she doesn't do great stuff. It just seems to be in a different space.

MCGONEGAL: *Lead and Disrupt, How to Solve the Innovator's Dilemma*, is the latest book from MIT alum Michael Tushman. Available now from Stanford University Press or your favorite local

bookstore. And Michael Tushman, thanks for chatting.

TUSHMAN: Thanks so much.

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