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The New Reality: Holding On and Letting Go

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Abstract

Given the new reality of hyper-competition in business today, we make the case for a strategic imperative (innovation) which demands that organizations simultaneously exploit current capabilities (“hold on”) and explore future possibilities (“let go”). We present a model for executive development that emphasizes the unique roles and contributions of traditional business education and executive education providers in developing the knowledge and skills necessary to pursue this ambidextrous adaptive strategy. Our model describes the unique perspective and limitations of both education providers and details how each contributes to building leadership capacities for exploitation and the necessary personal and organizational capabilities for exploration. The increasingly dynamic and competitive global environment (Barreto, 2010) has been described as the new reality for anyone engaged in business operations today. Given this new reality, some firms will choose to stick with their existing business, to “hold on” to what they do well by focusing on current products and the incremental improvement of internal efficiencies. Others will “let go” by exploring new opportunities and becoming more adaptive to changes in their competitive environment (Raisch & Birkinshaw, 2008). Managers facing the new reality of hyper-competition (D’Aveni, 1994; Wiggins & Ruefli, 2005) often frame the
choices available as an “either-or” proposition – either they can stick with the business as they know it or they can explore new alternatives and new business directions (Gupta, Smith & Shalley, 2006; Levinthal & March, 1993; March, 1991; Raisch & Birkinshaw, 2008; Wang & Li, 2008). This false dichotomy of choices, however, may needlessly limit competitive options and ultimately impact firm survival.

Introduction

Most researchers now believe that to ensure both current success and long term survival, organizations should balance the need to exploit current capacities while simultaneously developing firm capabilities to explore – that is, they should be ambidextrous (Gibson & Birkinshaw, 2004; Levinthal & March, 1993; Raisch & Birkinshaw, 2008; Tushman & O’Reilly, 1996). This challenge to “hold on” while “letting go” requires more than incremental changes in common business processes and practices; we believe that organizations experiencing hyper-competition today can create and sustain a competitive advantage only when they adopt the frame-breaking perspective embodied by an ambidextrous adaptive strategy (Wiggins & Ruefli, 2005).

The future success of executive education efforts relies on the ability of executive education providers to articulate and execute a unique and differentiated approach to enhance the personal and organizational performance of practicing executives faced with hyper-competitive environments. In this paper, we present a model for executive development that emphasizes the unique roles and contributions of traditional business education and executive education providers in developing the knowledge and skills necessary to pursue an ambidextrous adaptive strategy. Our model describes the unique perspective and limitations of both education providers and details how each contributes to building leadership capacities for exploitation and the necessary personal and organizational capabilities for exploration.

Holding On and Letting Go: The Need to Balance Exploitation and Exploration

Firm success has always required what Duncan (1976) and March (1991) refer to as exploitation activities. Exploitation activities include “refinement, choice, production, efficiency, selection, implementation, and execution” (March, 1991: 71) and are concerned with developing the
internal capacities and resources necessary for short-term, operational success. It is understandable that these content areas drive the bulk of the curricular offerings in traditional business education (Rubin & Dierdorff, 2009). Exploration, on the other hand, involves “search, variation, risk taking, experimentation, play, flexibility, discovery and innovation” (March, 1991: 71) with the goal being an increase in organizational learning capacities. Exploration may involve incremental or radical (discontinuous) innovation (Tushman & O’Reilly, 1996), including the creation of new markets and products (Beckman, 2006; Katila & Ahuja, 2002; Miner, Bassoff & Moorman, 2001; Rosenkipf & Nerkar, 2001). These content areas are often included as themes or topical focus areas in traditional business education, and some programs include more of this content than others to highlight the need for innovation and exploration in business organizations (e.g., Boni, Weingart, & Evenson, 2009). But for the majority of the traditional business education providers, these themes are more often tangential to the core instructional effort and are given less curricular attention than knowledge and skill development in the traditional, functional disciplines (Bennis & O’Toole, 2005; Pfeffer & Fong, 2002; Rubin & Dierdorff, 2009).

It is understandable that in uncertain times many managers would choose to concentrate on what they know best and exploit their strengths (March, 1991; Prahalad & Bettis, 1986). Some managers may be so caught up in exploitation activities, however, that they become trapped by their own success and fail to notice environmental changes. Faced with the new reality of hyper-competition, many firms may be unable or unwilling to initiate and capitalize on the learning gained from exploration to depart from current practices (Gilbert, 2005; Christensen & Bower, 1996; Wang & Li, 2008). On the other hand, managers may become so enamored with exploration activities that their organizations become trapped by an endless cycle of search and change.

March (1991) was the first to recognize the need for a more balanced approach to exploration and exploitation, something he considered essential to organizational survival. While there will always be difficulties deciding how to expend scarce resources between the two activities, He and Wong (2004) suggest that both exploitation and exploration activities are essential to firm success because they balance the certainty of current returns with the uncertainty of future (variable) returns. If firms are to survive in the long term, they must exploit their current capacities to compete in established markets while simultaneously developing their capabilities to explore new products,
services and markets. In other words, the only real choice available to firms that wish to survive long term is to become ambidextrous (Gupta, Smith & Shalley, 2006).

Given that the reality of hyper-competition requires organizations to achieve more balance in exploitation and exploration, the challenge comes in determining when and where to educate business leaders sufficiently about both types of activities. We contend that neither traditional business education nor executive education can accomplish both goals effectively. The two educational enterprises oftentimes have very different goals, different audiences with different personal and organizational needs, and competing internal and external agendas driven by differing stakeholder groups (Garvin, 2007). The challenges these educational enterprises face mirror the challenges other organizations face every day. Stewart and Curry (1996) described the many challenges associated with competing agendas and goals in organizations: the challenge to meet short-term imperatives while preparing for long-term environmental challenges; the challenge to encourage independent action while requiring a level of interdependent coordination; the challenge to bust bureaucracy while pursuing economy-of-scale benefits; the challenge to invest in revenue growth while adopting cost containment policies; the challenge to build trust throughout the organization while simultaneously injecting necessary change programs; and the challenge to embrace creativity and innovation while insisting on organizational discipline. While each of these challenges has important implications for organizational leaders, in recent years the focus has squarely shifted to one undeniable challenge: the need to constantly innovate while maintaining competitiveness in the current environment. This is the challenge of developing an ambidextrous adaptive strategy, and without the proper education and development, given at the proper time, it may prove difficult for organizational leaders to understand how they can hold on to current capabilities while at the same time letting go in order to explore future possibilities.

Building the Leadership and Organizational Capability to Let Go: When and Where

If ambidexterity requires a simultaneous focus on exploitation and exploration, and innovation and exploration require capabilities not currently emphasized sufficiently in the majority of traditional business school curricula, when and where do organizational leaders learn about, and build, the personal and organizational capabilities required
for exploration? We envision executive education as a complement to traditional business education, wherein the skills developed (through traditional business education) for exploiting current environments can be combined with the knowledge and skills necessary to explore future possibilities. This combination represents a potent potential source of competitive advantage, or something that is uncommon in business practice today. Therefore, we believe that preparing leaders to enact exploitation and exploration simultaneously requires a more deliberate and integrated approach to business leader education and development (See Figure 1).

*Figure 1. Educating Business Leaders about the New Reality: When and Where*

**Executive Education**
- Provides information to catalyze individual, group and organizational innovation processes

**The New Reality**
- Hyper-competitive
- Global business environment

**Let Go**
A Balanced Approach
- Exploitation
  - To “hold on” more effectively
- Exploration
  - To “let go” more purposefully and productively

**Traditional Business Education**
- Provides fundamental knowledge of the functional business disciplines

**Hold On**
- Focused on implementation, refinement and efficiency

Traditional business education (e.g., undergraduate and MBA) provides developing leaders with fundamental insights into the functional business disciplines (Rubin & Dierdorff, 2009) and the tools and experiences necessary for a more integrated world-view. Traditional business
education excels at providing the knowledge and skills necessary for exploiting organizational capacities (Rubin & Dierdorff, 2009), but there are questions about whether traditional business programs are educating their students sufficiently about exploration activities (Mintzberg, 2004).

In a recent McKinsey survey of global executives (2008), two-thirds of the executives surveyed cited innovation as either their top priority or one of the top three. What is particularly challenging about the innovation imperative is that it requires a significant departure from classic management thinking and practice. In his seminal work, *The Innovator’s Dilemma*, Christensen (1997) suggests that our best MBA programs actually train their students not to innovate (inadvertently, of course). For example, Rubin and Dierdorff (2009) found that the behavioral competency category “managing administration and control” received the largest proportion of treatment among requisite courses in MBA programs, followed by the category “managing the task environment.” The category “managing strategy and innovation” received the least emphasis in MBA curricula. Navarro (2008) found that the core curricula of top-ranked U.S. business schools continue to display the traditional, but frequently criticized “functional silo” dominant design. Atwater, Kannan, and Stephens (2008) found that most business schools fail to sufficiently teach the kind of broad, systemic thinking required of business leaders. The tensions arising from the competing desires to teach business students more quantitative, “hard” business skills or the more qualitative, “soft” skills is undeniably palpable in most business schools (Clinebell & Clinebell, 2008).

Additionally, the traditional forms of business education have repeatedly come under attack for what many refer to as continuing problems with cost, delivery methods, relevance, timeliness and value (Atwater, Kannan, & Stephens, 2008; Clegg & Ross-Smith, 2003; Olian, 2002; Pfeffer & Fong, 2002; Rubin & Dierdorff, 2009). Perhaps most damning is the general belief among some influential management theorists that business schools have “lost their way” (Bennis & O’Toole, 2005) by neglecting strategic sense-making and soft-skills development to focus on the development of function-specific analytical skills and quantitative decision models (Chia & Holt, 2008; Mintzberg, 2004; Navarro, 2008; Pfeffer & Fong, 2002).

All of this is not to suggest that all MBA curricula neglect discussions of innovation and exploration, for there are numerous examples of dynamic, innovative MBA programs that emphasize inter-disciplinary thinking and innovative managerial practice. Our point is to suggest
that most MBA programs have a unique purpose, student characteristics, and class dynamics (Garvin, 2007), and that those elements are more suited to MBA student career stage and educational needs than those of practicing, senior executives. Indeed, MBA curricula are entirely suitable for teaching exploitation activities. But the needs of business executives are similarly unique, and a more deliberate focus on exploration may be better suited to the unique purpose, student characteristics, and class dynamics associated with executive education. The primary challenge of educating executives has always been to get them to think more expansively and strategically; we appreciate it when MBA’s can do this, but demand it of executives.

Therefore, a singular reliance on traditional business education for business leader development may unduly constrain executives’ ways of thinking about, and acting on, strategic problems. Amabile (1998) and Kanter (2006) conclude that managers don’t kill creativity, but undermine it in the pursuit of productivity, efficiency, and control because that is what they have been taught to do. Therefore, the first challenge that confronts the organization seeking to embrace an ambidextrous approach is the challenge associated with building leadership capacity in the kinds of complex and differentiated frames of reference that are suitable to exploration (letting go). This is a personal approach to leadership development that we believe executive education can, and should, address. It is not that undergraduate business students or MBA’s cannot learn different frames of reference, but that curricular and programmatic constraints often limit their exposure to innovation concepts and alternative views. It is also likely that exploration is constrained because junior managers do not yet possess the depth and breadth of business understanding that senior executives possess. As with most things in life, proper timing is essential. We believe that executives with strategic responsibilities have arrived at the proper time and place in their careers to understand and appreciate the value of “letting go”.

Amabile (1998) and Kanter (2006) also discuss the limits current organizational structures and policies present to innovation in organizations. Most organizations today still focus primarily on the pursuit of efficiency and the reduction of costs. The successful total quality movement of the 1980’s and 1990’s was focused on the elimination of variation in processes, and the 2000’s saw wave after wave of downsizing initiatives which depleted the human and intellectual capital of many organizations. Strategy, as currently practiced, may be nothing more than a stream of seemingly related decisions wholly
based on situational exigencies (McKinsey, 2020). In sum, the research on innovation consistently shows that most organizations are not well-designed for innovation and are led by people who are trained to emphasize exploitation over exploration (Amabile & Khaire, 2008). The era of mass production and mass marketing is waning, and along with it are many of the well-tested organizational and management practices of the past. The primary competitive issue facing organizations today is the challenge to hold on to what they do well while reaching out for things that they could do well. This challenge requires a new mindset as well as new methods and tools.

**New Tools for the New Reality—
The Role of Executive Education**

If there is a unique role for executive education, it is not the development of esoteric continuing professional education programs or refresher courses for organizational participants. Nor is the purpose, as we see it, to develop participants’ business knowledge and skills, for traditional business education programs do that more effectively. Rather, the value-add for executive education ought to be in activities that discuss and explore the strategic issues that speak to elements of the mission, vision and the purpose of the organization. These elements are the responsibility of the organizational leaders, and executive education should prepare executives with new tools, new methods, and new ways of thinking (a new mindset) about the future potential of their enterprises. This new mindset starts with the acknowledgement of certain counterproductive myths about creativity and innovation (See Table 1).
Table 1. Counterproductive Myths about Creativity and Innovation

<table>
<thead>
<tr>
<th>The Myth</th>
<th>The New Reality</th>
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<tbody>
<tr>
<td>Creative people are born, not made. People can be taught to be creative.</td>
<td></td>
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<tr>
<td>Innovation is a lonely process executed in isolation by very smart people.</td>
<td>The vast majority of innovations and inventions are generated by groups/teams.</td>
</tr>
<tr>
<td>Innovation does not result from a process and, therefore, cannot be managed.</td>
<td>Innovation processes can indeed systematically and consistently produce positive results.</td>
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In his book, *A Whole New Mind*, Daniel Pink (2005) addresses the stark differences between the analytical and creative minds, yet acknowledges that both capacities exist within every person. One element of creative capacity stands out—leaders can be taught to be more innovative; in other words, the myth that a person is either born creative or not, is just that—a myth. In fact, creative thought can be taught most easily through repetition and practice (Tharp, 2003). More importantly, everyone can be trained to lead creative enterprises once they understand creative processes (Christensen & Overdorf, 2000). This is essential because in today’s hyper-competitive environment organizations do not have the luxury of compartmentalizing innovation within the R&D or marketing departments. So, the first tool set involves the development of individual capacity for creative thought and action (Amabile & Khaire, 2008). The focus of executive education programs at this level of impact should be on educating executives about individual creative processes and how the organization can identify and foster innovation at the level of the individual (Christensen & Overdorf, 2000).

Another longstanding belief is the myth that innovation is a lonely process executed in isolation by very smart people. Research on the antecedents of historic inventions and innovations reveal that most can be traced back to group processes and group interactions (Gladwell, 2002; Breen, 2004). The key to success or failure hinges less on the intelligence of one person than on the systemic intelligence of the group. We have been training managers for years about how to structure and lead groups for high performance; teaching them how to adjust
their management style to foster creativity should not be difficult. The second tool set involves developing an understanding of dynamic group processes to support the formulation and implementation of innovative new products, services and processes. Executives in executive education programs with this focus can and should be taught to structure and manage teams for increased innovation as well as for high performance and productivity.

Perhaps the most debilitating myth centers on the belief that innovation does not result from a process and, therefore, cannot be managed. If one holds this belief, then innovation becomes a “eureka” moment randomly originating from the nether regions of the organization. Such moments would seem to defy planning (and control). While it is true that innovation cannot be held to a “Gantt-chart-like” schedule, it is believed to be a process that can systematically and consistently produce positive results (Drucker, 2002). For example, P&G’s “Connect and Develop” program is an excellent example of a process that produces innovations within a large, established organization (Huston and Sakkab, 2006). It is also instructive to note that today’s P&G does not resemble the P&G of 10 years ago. The company went through major transformations regarding how it managed itself and its underlying creative processes, and those transformations included changes in human capital development and changes in structures, policies and reward systems. The larger lesson is this—if a firm the size of P&G can reinvent itself around innovation, so can other firms. Therefore, the final set of tools involves educating executives about the creation of organizational structures and systems to execute and capitalize on exploration (Govindarajan & Trimble, 2005).

**The New Reality and Executive Education**

We argue that the new reality in organizations demands an ambidextrous approach that supports both the exploitation of current capabilities and the exploration of future possibilities. We also believe that is not only possible to hold on and let go at the same time, but critical to the organization’s survival. We expect that these new realities will impact the educational needs of businesses and their managers in profound ways. First, organizational leaders will have to become experts in individual processes for creative thought and action (Amabile & Khaire, 2008), much as they have become experts in the functional business disciplines. We believe that traditional business education (e.g., the MBA) provides sufficient focus on fundamental best practices in operations, but that the
new realities require a new mindset and new tools to emphasize the development of individual creative capacities in all employees. We believe that executive education offerings should be geared less toward building current capacities for exploitation and more toward building individual, group and organizational capabilities for exploration. As such, the two venues should complement each other by providing unique information and resources for firm survival and success.

Secondly, we believe that leaders have still not taken full advantage of the creative capabilities available within high-performing teams. There is a substantial literature base available (cf., Mathieu, Maynard, Rapp, & Gilson, 2008) which describes the potential gains associated with using team structures for increased organizational innovation. Executive education can provide organizational leaders with the insights necessary to build and manage high-performing creative teams.

And finally, we think that executive education environments are the proper place to consider the extent to which structure and processes for increasing innovation should be adjusted in organizations (Govindarajan & Trimble, 2005). What we are describing here may indeed be radical, transformational change, and executive education environments might be the best place for those individuals charged with transformational change to find others with whom to meaningfully interact. We have found that executives benefit from safe environments (like executive education activities) where they can explore transformative change—the kind of change that only a senior executive (or a group of senior executives) can implement. True learning in an executive education context requires both freedom and a measure of safety: the freedom to explore wide-ranging alternatives unfettered by current organizational orthodoxies; the freedom to disagree, dispute and discuss without the fear of hurt feelings and bruised egos; and the freedom to blurt out seemingly outlandish ideas that may one day form the kernel of a new approach to business operations. We have found that executives are reluctant to shout out top-of-mind thoughts in a setting with subordinates for fear of losing face, respect, or credibility. Among peers or similarly positioned individuals from other companies they are more willing to lower their guard and explore alternatives. And finally, it is absolutely crucial that the executives charged with leading transformational change not only buy-in to the changes but are widely perceived as buying-in by the rest of the organization. That kind of buy-in requires time and a safe space for deliberation and reflection. Where can executives find the time and space necessary to obtain that level of comfort with radical, discontinuous
change? Doubtless there are other suitable places, but we believe that executive education programs should be foremost among the alternatives. Therefore, we believe that the venue of executive education is the proper place to sustain the development of leadership and organizational capabilities for innovation, and it is proper place for leaders to safely discuss the implementation of strategic organizational learning to complement the goal of effective exploitation of current capacities.

We hesitate to offer extensive prescriptive advice for academic institutions and executive education providers seeking to help executives prepare for the new reality of an increasingly hyper-competitive business environment. There are doubtless many paths that can be taken from where we are (in executive education) to where we need to go; therefore, accept these modest suggestions for the development of educational and programmatic offerings that may help organizations address the need to “let go”, innovate and explore. The proposed framework is an attempt to clarify the strategic intent of executive education offerings; that is, the unique purpose ought to be the development of the strategic human, social and cultural capital of the organization to support the exploration of innovative capabilities. We envision a program of offerings that focus at three levels of impact: the individual, the group, and the organization. One family of offerings could focus on the understanding of creative processes for individuals and the development of personal creative capabilities. The second family of offerings could focus on understanding the group creative process and the development of creative teams as the focal unit of innovation in organizations. And finally, the third family of offerings could focus on organizational structure and process issues and how executives can redesign their organizations to enact the frame-breaking perspective embodied by an ambidextrous approach to exploitation and exploration. While each focus and each tool set is important, we do not want organizations to lose sight of the interconnected and interdependent nature of the three families of focus. Executive clients must be reminded to adopt the systems view of organizations, and they must be educated to understand that the process of preparing individuals, groups and organizations to explore will take time, energy, patience and an appropriate space. We believe that executive education venues should be the space to initiate this important dialogue.
References


