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Chapter 8

Ambidexterity: The Art of Thriving in Complex Environments

To deliver growth among the best in our industry, we're strengthening our core business, renewing our focus on discontinuous innovation, and implementing a \$10 billion productivity program.
– Procter & Gamble, 2012 Annual Report

Managers today face an apparent contradiction. On one hand, austerity in the developed world and intense competition push them to cut costs and drive efficiencies. On the other, the increasing pace of change means they need to emphasize innovation.

Resolving this contradiction requires *ambidexterity* – the ability to both explore new avenues and exploit existing ones. Companies need ambidexterity when operating in diverse environments that require different styles of strategy simultaneously, or in dynamic environments that require them to transition between styles over time.¹ Companies need to be ambidextrous when operating in both emerging and developed markets, when bringing new products and technologies to market while exploiting existing ones, when integrating startups into their existing business, and in a range of other circumstances.

The need to develop ambidexterity is widely acknowledged: in a BCG survey of 130 senior executives of major public and private companies, fully 90 percent agreed that being able to manage multiple strategy styles and transition between them was an important capability to develop. But this aspiration is hard to realize. Exploration and exploitation require different ways of organizing and managing. Exploration is facilitated by long-term targets, a flexible and decentralized structure, and a culture of autonomy and risk taking, while exploitation typically requires short-term targets, centralization, standardization, and discipline in execution. Switching between them is difficult because managers tend to emphasize what delivered success yesterday. In the words of BCG's founder, Bruce Henderson, "Success in the past always becomes enshrined in the present by the overvaluation of the policies and attitudes which accompanied that success."

¹ "Your Strategy Needs a Strategy," *Harvard Business Review*, September 2012, <https://www.bcg.com/publications/2012/your-strategy-needs-a-strategy>.