

SCALE & PRODUCTIVITY



SPEED & CREATIVITY

Ambidextrous organizations – How to embrace disruption and create organizational advantage

New answers to the top organizational and management challenges in the age of disruption

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Today's competitive and highly volatile environment calls for a new kind of flexibility and adaptability. At the same time standardization, efficiency and scale must continue to dominate the CxO agenda in order to deliver against margin and profit



expectations. Top executives face the challenge of delivering against both requirements, yet conventional organizational wisdom provides little guidance on how to resolve this trade-off in day-to-day operations. The concept of the [ambidextrous organization](#) offers new, tangible and balanced answers to this most pressing management dilemma. Based on insight from our global experience, and in-depth discussions with organizational development

leaders, we have created an ambidextrous organization development canvas that helps management answer three simple questions:

- Where does my organization currently stand in terms of its set of organizational capabilities?
- What organizational capabilities does my business need, considering both the strategic context and business requirements?
- What kind of organizational development path is needed to build a sound balance between scale & productivity and speed & creativity?

In competitive markets businesses need to embrace two sets of capabilities that are often seen as complete opposites – they have to be fast & creative, while also being productive & scale driven. This article explores how businesses can become truly ambidextrous, providing an outline model that helps to create the right balance within the organization.

The most obvious and tangible benefit of this organizational canvas is that it enables management teams to discuss organization development issues in a common language and make decisions on development aims and organization transformation priorities.

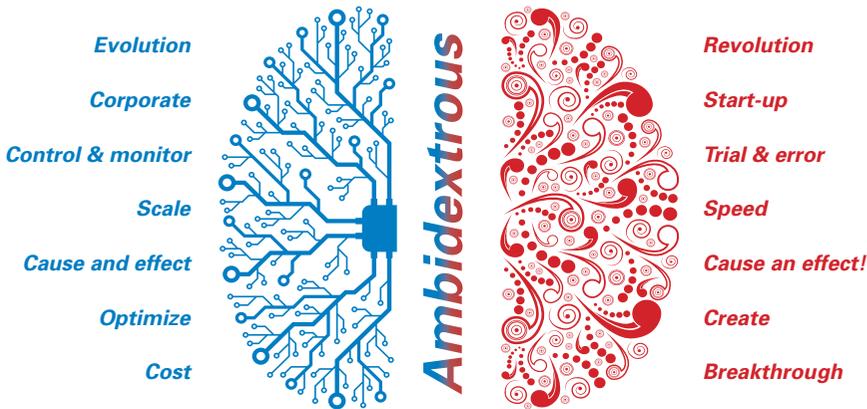


Figure 1: **Ambidextrous as a new paradigm of organizational success**
(Source: Arthur D. Little)

Ambidextrous as a new organizational archetype

Companies can be defined as “ambidextrous” when they continuously solve the trade-off between being fast & creative and scale-driven & productive. As such, they establish an equilibrium characterized by a strong emphasis on both dimensions (O’Reilly III, C. & Tushman, L., 2004). The vast majority of companies focus on either dimension, but those that manage to excel in both are rare.

Businesses with emphasis on speed & creativity possess strong capabilities that enable anticipation, innovation and adaptation. These translate into corporate attributes such as insight & foresight, inspiration & passion and trial & error.

On the contrary, companies that excel in the scale & productivity dimension demonstrate strong capabilities when it comes to planning, as well as optimization and control, resulting in attributes such as formalization & compliance, controlling & monitoring and history & experience.
(See Figure 2.)

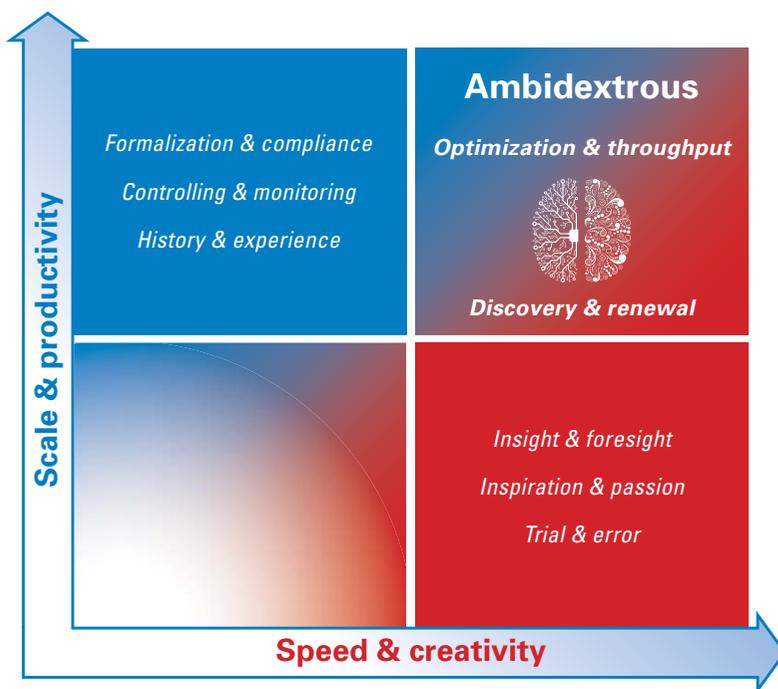


Figure 2: **Ambidextrous organization framework**

(Source: Arthur D. Little)

Amazon is a prime example of the new breed of ambidextrous organizations. Always searching for the most innovative business ideas, it strives to deliver on customers’ needs before people realize that they require them. This approach is driven by a well-established culture of invention, curiosity and bias for action. Complementing its creative side, Amazon has also proven itself to be a champion of productivity. Not only its logistics, but also its internal processes for scaling new business models, are tailored for pure efficiency and standardization. If a new approach proves to be successful, it is rolled out rapidly, formally established, monitored and aligned to deliver full productivity. By successfully balancing these two dimensions, Amazon has built a sustainable competitive advantage that has become accepted best practice across multiple industries.

Now, not every company can or wants to follow Amazon’s development path, and should not necessarily do so. The art is more in finding actionable organizational answers that specifically address the company’s own business context, taking into account its history, development path, future challenges and strategic targets.

How to create organizational advantage in the age of disruption

The existing body of knowledge on ambidextrous principles (e.g., Duncan, 1976; March, 1991; O'Reilly III, C. & Tushman, L., 2004) provides a compelling academic framework, but falls short of making it actionable within a real-life corporate context. To overcome this, we have developed an ambidextrous organization development canvas that drills down from six design dimensions into 72 specific capabilities.

Its starting point consists of six major design dimensions, which form mutually enhancing pairs. These are:

- Steering and Transformation – the engine that drives performance and change
- People and Culture – the glue that holds an organization together
- Structure and Processes – the hardware of an organization

Each of the dimensions is broken down into design elements, which, in turn, are each made up of a set of capabilities. These are the smallest elements of organizational systems. They constitute how the organization thinks, feels and acts. This approach has proven to be a highly valuable tool for analyzing organizational capabilities, discussing these learnings with leaders and staff, defining the target for organizational development, and deriving clear, actionable steps to improve the organization on the level of individual capabilities.

Applying our model to a broad range of organizations across multiple contexts has enabled us to decode and understand the underlying DNA of ambidextrous organizations. Figure 3 depicts the high-level model of an ambidextrous organization. It highlights key capabilities developed within the organization for each of the six design dimensions.

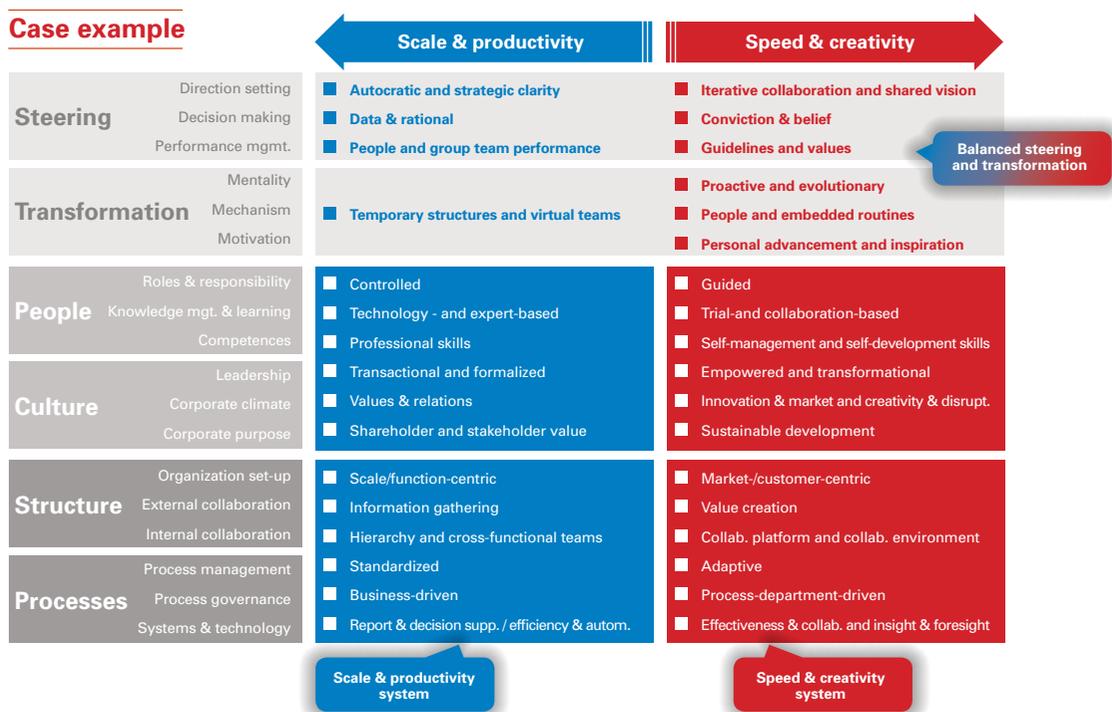


Figure 3: High-level Organizational Capability Canvas of an ambidextrous organization

(Source: Arthur D. Little)

You will notice two distinct organizational systems: scale & productivity (in blue) and speed & creativity (in red). Each system is defined by well-established, reinforcing capabilities in both the People & Culture and Structure & Process dimensions.

The blue scale & productivity system is characterized by factors such as transactional & formalized leadership and professional skills as core competences, internal collaboration guided by hierarchy & cross-functional teams, and standardized process management.

In contrast, the red speed & creativity system demonstrates empowered & transformational leadership, self-management, and self-development skills as central competences, with an organizational set-up that is market- and customer-centric.

Within the organization, certain units and processes are predominantly focused on the blue system, with others mainly tailored to the red. It is important to understand that both systems co-exist under one organizational roof and reinforce each other. The key to success of this ambidextrous model is a balanced Steering & Transformation layer. The organization’s leadership is therefore able to steer and guide both types of systems – certain units are directed with performance management centered around people and group/team performance, while others are driven in a loose manner with guidelines & values.

How do you move to become ambidextrous? Figure 4 shows in detail the as-is structure for a manufacturing company, derived from a thorough organizational assessment, as well as the desired target picture and how to achieve it.

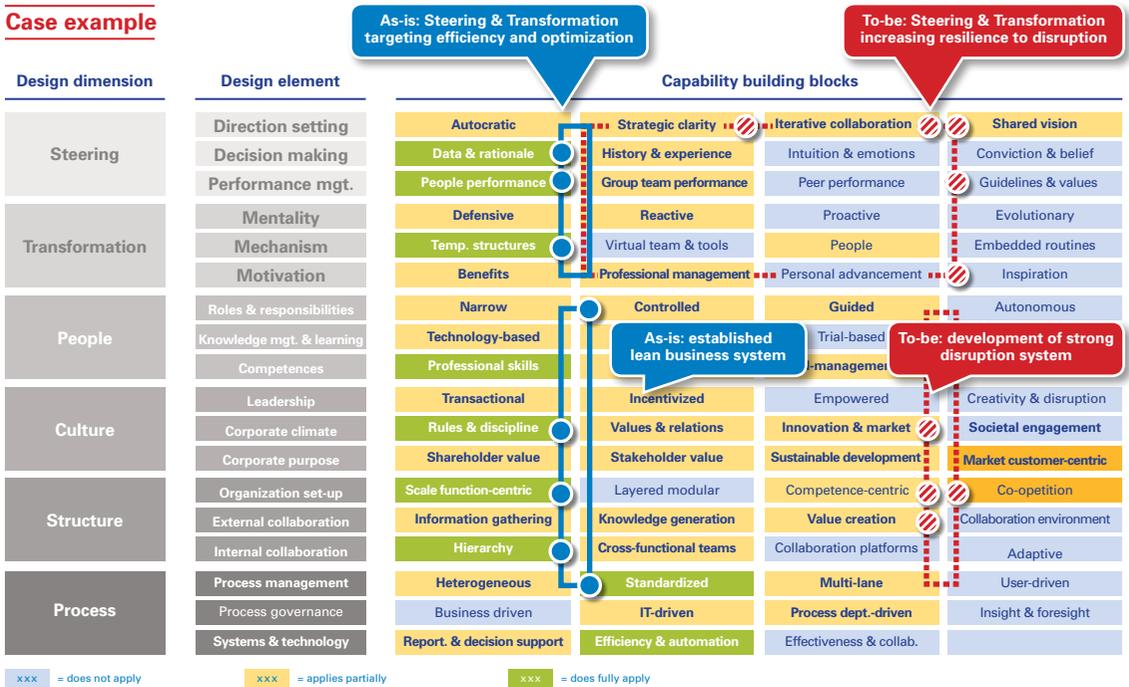


Figure 4: **Organizational Capability Canvas with “as-is” and “to-be” model**
 (Source: Arthur D. Little)

1. As-is (existing capabilities): This is a well-established scale & productivity model, made up of distinct capabilities within the Process & Structure and People & Culture dimensions. These all support a business goal focused on efficiency and optimization. This is mirrored by a Steering & Transformation layer that supports decision-making based on data and rational thinking, manages operations based on people performance, and executes transformation via temporary structures.

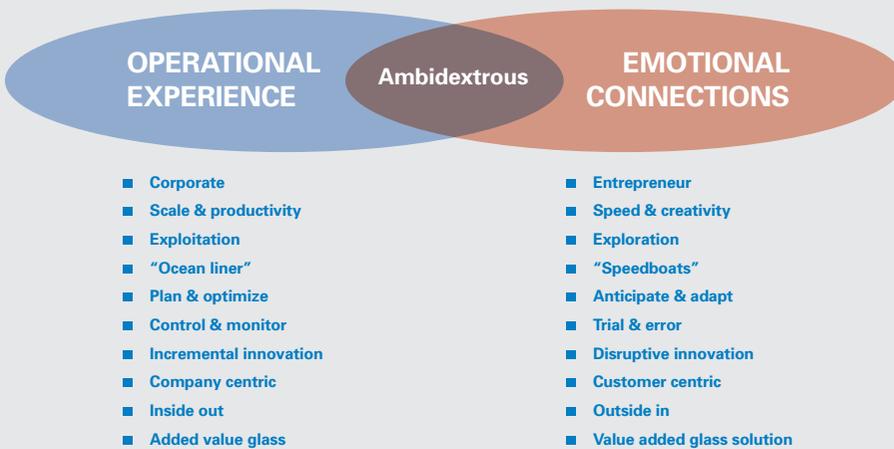
2. To-be (additional capabilities to strengthen and develop): The aim is to increase the resilience of the business by complementing the existing skill set with speed & creativity capabilities, enabling the business to respond adequately to external disruptions. This means taking advantage of emerging opportunities based on capabilities that support innovation and flexibility along the speed & creativity axis. These new capabilities need to be mirrored in the organization's Steering & Transformation approach. For this specific company, this means developing a shared vision, managing performance based on guidelines and values, and motivating through inspiration.

The models shown above are not either/or, but follow a modular logic. The as-is model has to be carefully supplemented with additional capabilities in order to achieve the desired equilibrium, while remaining consistent with strategic targets. For every company, top management has to decide which balance is best suited for their business objectives and current skill sets. For example, a nuclear power plant is not supposed to foster a creative and disruptive culture; it should be based on rules and discipline. On the other hand, start-ups in the digital space are more likely to follow a shared vision when it comes to direction setting, rather than taking autocratic approaches.

For some companies, becoming more creative might be the right path for success, while for others, it might be moving up the productivity axis. However, the key aim is to combine these different systems under the same overarching Steering & Transformation umbrella. Mastering these opposing organizational systems is what makes ambidextrous organizations outstanding.

Case study: Journey towards becoming ambidextrous

AGC Building and Industrial Glass Europe (AGC) wanted to add capabilities to continuously drive disruptive new business model innovations. The aim was to add and enhance the organization’s **operational experience** with **emotional connections to the customer** who was new to the business. It codified its ambition in a set of target values and behavior characteristics, translating them into its corporate language and specific needs. (See Figure 5.)



Source: AGC

Figure 5: **Target value and behavior landscape of AGC Building and Industrial Glass Europe** (Source: AGC)

AGC launched two new disruptive glass value propositions – Clara (a window with an entirely glass frame) and Halio (smart-tinting glass). Senior management learnings can be distilled into six principles:

- Ensure alignment with both vision and direction
- Align organization modeling with the direction
- Create room for disruptive innovation inside the organization
- Explore and exploit adjacent markets
- Deploy a dedicated governance model, comprising specific transformation-steering bodies and a fast decision-making process
- Invest in people and develop the right culture

Learnings from AGC

Adding agile and creative capabilities to a productivity-focused business and organization model requires:

- (i) a **holistic initiative** that addresses all parts of the organization model
- (ii) senior leaders determined to **enhance and adapt** their personal and **leadership team behavior and decision-making** culture to enable the new normal
- (iii) **dedicated “speedboats”** established inside the organization to develop, drive and showcase the new organizational pattern

New answers to the organizational development challenge

We believe existing organizational development approaches are not far-reaching or holistic enough when it comes to the scope of the issues they address. Most methods either focus on strengthening the scale & productivity dimension (often within the context of lean models), or push the speed & creativity dimension (commonly referred to as the agile model). However, choosing either the lean or the agile path does not provide the right mind-set and tools to address the complexity and competitive challenges of most large-size organizations. Moreover, those frameworks that are ambidextrous are not operationally focused enough to enable day-to-day management, and lack a link between strategy definition and organizational development. From our experience, these missing qualities are essential to making well-informed business decisions.

Building a tailored, fit-for-purpose organizational equilibrium therefore requires new thinking on organizational development:

1. First, it has to go beyond an either/or approach and ask for the best combination. There is no silver bullet for organizational development, as every company's own response to VUCA (volatility, uncertainty, complexity and ambiguity) challenges has to be very specific. Companies should not follow generic, high-level target models, which often overemphasize single aspects. Organizational development has to be granular enough to identify specific areas that require change, while ensuring that these changes are consistent with strategic requirements and the overall organizational model. Despite the current dominance of the agility imperative for company development, these specific changes are equally likely to relate to scale & productivity characteristics.

2. Secondly, the journey to the desired model requires a modular and balanced approach. Organizational capabilities need to build a system of self-reinforcing elements that can selectively be developed or swapped in or out. This means the one-dimensional development path is replaced by a need to develop multiple capabilities that create balanced systems that co-exist in the organization, tailored to specific strategic and business requirements. This approach is the only one that allows a company to purposely change its balance towards one dimension or the other.

3. Thirdly, organizational and strategy development need to be more closely linked. Often the implications of the strategy process on the operating model and organization development are unclear and not thought through. In the future, strategy and organizational development need to be linked in order to provide results that are precise enough to both identify specific areas for improvement and develop a set of relevant measures to achieve this.

Insight for the executive

Organizational resilience is emerging as a key source of competitive advantage in the age of hyper-competition and disruption. Organizational development therefore needs to become a top priority for the CxO. A new breed of leaders understand that winning requires ambidextrous organizations to embrace both scale & productivity and speed & creativity.

The vast majority of organizations have not achieved this new balance yet – and most have not even begun their journeys. Yet all senior leaders, executives and organization development staff we have talked to expressed the need to address the organizational dilemmas they were facing. Consequently, most companies have untapped upside potential.

Finding your unique organizational equilibrium requires new thinking towards organizational development:

1. Understand that every organization is different, with specific needs requiring more complex answers than an either/or approach can deliver. There is no silver bullet for organizational development anymore.
2. Take a modular approach, using organizational capabilities to build a self-reinforcing system.
3. Guide organization development with a strong link to strategy.

Beyond these three principles, it is essential for leaders to acknowledge that their decision-making cultures as well as leadership behavior critically determine their organizations' ability to become ambidextrous. Only a balanced steering and transformation layer, reflected in the organization's leadership, enables a combination of different systems under one organizational roof.

To move towards ambidexterity, evaluate your organization during your next strategy development cycle, using the concept of capability building blocks to find a path towards the desired individual organizational equilibrium. This approach is based on three steps:

1. Conduct an **organizational assessment**

Assess your organization against a set of capability building blocks, giving the business a unifying language to express the current state of the organization. Knowing where you are now creates the foundations for an organizational transformation roadmap.

2. Build an **organizational target picture** based on your strategic ambition

Determine the right target model to support the strategic cornerstones defined by top management. This provides a compass for the organizational development journey. The biggest focus should be on how you change Steering & Transformation dimensions, as this is the essential layer that will make the whole new organization work, combining multiple systems in one organization.

3. Derive the necessary **measures to build up the capabilities**

The result of the third step is a transformation roadmap that should speak to your organization and its needs. This must address people's mind-sets, revamp organizational practices and routines, provide the necessary tools and methods for transformation, and, above all, outline and promote new leadership behaviors. If it does not, it is doomed to fail fast.

Applying an Ambidextrous Organization Development Canvas and assessment model results in a clear picture of where the organization is now, and where it needs to be. It also delivers the levers and the language to start this holistic organizational development endeavor. In an era when disruption is only increasing in many markets, it is time to embrace ambidextrous organizational models if your business is to balance speed & creativity and scale & productivity.

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