

Building Ambidexterity Into an Organization

The technological downturn, political turmoil and economic uncertainty of the last five years have reaffirmed to managers the importance of *adaptability* — the ability to move quickly toward new opportunities, to adjust to volatile markets and to avoid complacency. But while adaptability is important, it is not enough. Successful companies are not just nimble, innovative and proactive; they are also good at exploiting the value of their proprietary assets, rolling out existing business models quickly and taking the costs out of existing operations. They have, in other words, an equally important capability we call *alignment* — a clear sense of how value is being created in the short term and how activities should be coordinated and streamlined to deliver that value.

For a company to succeed over the long term, it needs to master both adaptability and alignment — an attribute that is sometimes referred to as *ambidexterity*.¹ For example, Finland's Nokia Corp. is trying out a vast array of new mobile technology offerings, while continuing to invest in its dominant handsets franchise. GlaxoSmithKline Plc is experimenting with alternative organization models, alliance partners and technologies in its search for new blockbuster drugs, and it is also pushing hard to maximize the return from its existing drug portfolio.

The trouble is, it's difficult to find the right balance between adaptability and alignment. Focus too much on alignment and the short-term results will look good, but changes in the industry will blindside you sooner or later. Lloyds TSB Bank Plc, based in the United Kingdom, delivered spectacular shareholder returns throughout the 1980s and 1990s, in large part through CEO Brian Pitman's single-minded focus on return on equity. But little attention was paid to understanding changing customer needs or to the morale of the workforce, which ultimately undermined the company's performance. From 1998 to 2003, Lloyds TSB lost 60% of its market value.

Similarly, too much attention to the adaptability side of the equation means building tomorrow's business at the expense of today's. Consider the case of Sweden's Ericsson, which has led the technological development of the mobile telephony industry. Ericsson developed one of the first analog mobile systems; it led the industrywide devel-

A company's ability to simultaneously execute today's strategy while developing tomorrow's arises from the context within which its employees operate.

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