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**CHARLES A. O'REILLY III AND MICHAEL L. TUSHMAN
"LEAD AND DISRUPT: HOW TO SOLVE THE
INNOVATOR'S DILEMMA 2ND EDITION"**

ABSTRACT

The book *Lead and Disrupt: How to Solve the Innovator's Dilemma* is the second edition by academic Charles A. O'Reilly III and Michael L. Tushman. Charles A. In the second edition, the authors enrich the findings and analysis of their research on ambidexterity from the first edition by bringing stories about the abilities of managers to simultaneously lead companies and manage change. The aim and purpose of this edition is to make managers aware and to warn them that changes are important and necessary because the business world is undergoing both, evolution and revolution at the same time. The book is divided into three parts, and two new chapters have been added to the second edition, which investigate and provide a critical review of the role of organizational culture in promoting or preventing ambidexterity. The authors also offer two different approaches to reading the book. The first approach is a conventional linear approach, while the second approach involves focusing on the main chapters that provide the context of what motivated the authors for the second edition. The book is written simply and comprehensibly, it is based on numerous examples of world-famous companies and therefore represents a kind of manual for managers that they should have in their permanent possession.

INTRODUCTION

„Most Americans can plan on reaching the age of seventy-nine, Japanese almost eighty-three, Liberians only forty-six. Now, how long will your company live?“ (O'Reilly and Tushman 2021, p.3). With these words, the authors begin the second edition of their book *Lead and Disrupt: How to Solve the Innovator's Di-*

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lemma, the second edition in which they enrich the findings and analysis of their research on ambidexterity in the business world, on exploitation and research and their balance and simultaneous application, on the ability of managers to simultaneously lead, cause changes and manage them on the way to the success and longevity of the company they lead.

The aim and purpose of this book is to make managers aware of and warn about the importance of managing change, and the importance of their reactions to market changes, because evolution and revolution are simultaneously happening in companies. What is well known today is increasingly influenced by the new and unknown, some new world that can ensure the future of business. Digitization, new technologies and sustainable development are no longer an option, but a necessity in innovation. Through all the chapters, the authors try to point out the importance of simultaneously preserving the existing and further developing and improving the two-way in business, that is, ambidexterity. And while the term ambidexterity, Latin: *ambo* both, *dexter* right (*Hrvatska enciklopedija*, 2021), literally means the equal dexterity of using both hands, in the business world, as described by the authors O'Reilly and Tushman, it means doing business in conditions where the company simultaneously executes and exploits its existing business model and explores and creates new products, business models and companies.

The second edition of the book *Lead and Disrupt* was published by Stanford University Press, the publishing house of Stanford University, California in September 2021. The authors dedicate the book to their colleagues from Change Logic, Needham, USA, who have implemented and expanded their ideas about ambidexterity.

CONTENT

The second edition of the book „Lead and Disrupt” is signed by the same authors as the first edition, distinguished and award-winning academics Charles A. O'Reilly III and Michael L. Tushman. Charles A. O'Reilly III is an American professor, author and business consultant (Harvard Business School, 2022). He received his doctorate in organizational behaviour from the University of California, Berkeley in 1975. Since 1993, he is Frank E. Buck professor of management at the Stanford Graduate School of Business, and has taught at UC Berkeley, UCLA, Columbia and Harvard Business School. His research interests include human resource management, the study of organizational culture, the impact of innovation and change on companies, and he currently emphasizes leadership studies and the impact of senior managers on innovation and change. He is the recipient of several awards, of which

is stands out the Academy of Management Distinguished Scholar Award and The Organizational Behaviour Division Award 2020, the lifetime achievement award. He wrote and published over the hundred works, and in collaboration with other authors he also wrote six books. He has been awarded several times for the best paper of the California Management Review magazine, and the last one was in 2020 for the paper The Three Stages of Disruptive Innovation (California Management Review, 2019), which he wrote in collaboration with Andrew J. M. Binns. O'Reilly has been working closely with Michael L. Tushman on research related to ambidexterity for more than twenty years. Michael L. Tushman, professor emeritus at Harvard Business School, received his doctorate from the Massachusetts Institute of Technology in 1976 (Stanford Graduate School of Business, 2022). During his rich career, he received numerous awards and an honorary doctorate from the University of Geneva in 2008. He is internationally recognized for his work and contributions in the field of the relationship between technological change, executive leadership and organizational adaptation. He has published numerous works and seven books. He was a member of the board of many scientific journals such as Administrative Science Quarterly, Academy of Management Journal, Academy of Management Review, Human Relations, Journal of Business Venturing, Journal of Product Innovation Management, Journal of Management Studies, Organizational Dynamics, IEEE Transactions on Engineering Management and Management Science.

The book *Lead and Disrupt* is divided into three parts, the same as the first edition, but even the beginning of the second edition already brings new content. The second edition begins with a foreword written by Steve Blake, which provides an excellent introduction to the subject covered by the authors. In his preface, Blake made it very clear that the authors are discussing the revolutionary idea of a seemingly simple business concept for a company that, while operating under the current model, simultaneously explores and creates new business models with the aim of satisfying ambidexterity, i.e. surviving and ensuring the future through transformation and company's ability to exploit and explore at the same time. Areas of innovation, ambidexterity and the so-called change management both authors have been researching for more than two decades. They continued their research after the first edition of the book *Lead and Disrupt*, so the second edition brings a completely revised and supplemented first edition with numerous findings and examples collected in the five years between editions. In search of an answer to the question of why it is so difficult for successful companies to adapt to change and introduce innovation, O'Reilly and Tushman research and analyse organizations from all over the world, companies of different sizes, from the private and public sectors. They emphasize the role and obligation of business leaders towards investors, but also towards employees and the community. In addition to leading and managing current activities, leaders of the modern age must increasingly think about the changes brought by the future, new technologies and sustainable

development and how to weave these changes into the future business strategy. The second edition of the book provides answers to exactly these questions, which offers a proven strategy in the application of ambidexterity in building a company's discontinuous growth and its flexibility in adapting to rapid changes. The authors also look at the issue of the COVID 19 pandemic, which overnight made a striking and irreversible contribution to the changes that many companies have been facing for more than a decade. The hybrid way of learning and working, for almost three years now, is changing ways of working that were unimaginable before, and the authors talk about this in the book. For some companies, even entire industries, these changes were devastating. Some companies really could not adapt, and some did not recognize the opportunities that the changes brought.

The first part of the book provides a general framework for understanding ambidexterity, and the first chapter introduces the reader to the issue through stories about the growth and development, survival and decline of world-famous companies such as Netflix, Blockbuster, Kaufkof, Karstad, IBM. By comparing the strategies of competitors, such as Netflix and Blockbuster, the authors present examples of what they call the innovation puzzle of today's era. Analysis of events provide guidelines on what to avoid in business, what knowledge and experiences leaders of successful companies such as IBM have acquired. The backbone of the second chapter chronologically presents the dysfunctional phases of exploitation and exploration that the Amazon company has gone through since its founding in 1994 (O'Reilly and Tushman, 2021, p. 37-44). The analysis of all phases leads to the conclusion of how important ambidexterity is, how important the role of the leader is in its implementation. Thus, the authors introduce us to the third chapter, in which they deal in more detail with the role of the leader and the need for him to be able to compete in a mature business that brings profit today and at the same time explore the business that will secure the company's future.

The fourth chapter of the first part constitutes an important upgrade that significantly distinguishes the second edition from the first edition. In it, the authors explain more deeply the importance of organizational culture for the success of a company, and they pay special attention to leaders who must be successful in managing but also changing the company. At the same time, it is the leaders who are the initiators of communication in the organization, their signals and messages to employees must be clear and unambiguous, they define priorities, communicate to employees with their own behaviour how they should act and how to fit in and be accepted by their organization. For the successful implementation of the so-called change management, everyone is responsible for the changes, but the leader is the one who is responsible for the communication of these changes.

The second part of the book has three chapters and in this the struggles of leaders of different organisations are shown, about implementing the approach -

exploit and explore, why have some succeeded, while others leaders can be said to have almost succeeded. Chapter seven again brings a significant update to the first edition of the book, and its content is based on the article *The Three Stages of Disruptive Innovation: Idea Generation, Incubation, and Scaling* (California Management Review, 2019). In it, the authors elaborate on the disciplines that, even though they are different organizations, are imposed as a pattern and that must be applied to implement a dual strategy and climb to the very top. Mastering the disciplines of ideation, incubation and scaling, and their application in business are necessary in successfully dealing with disruptive changes (O'Reilly and Binns, 2019, p. 49-71). O'Reilly and Binns emphasize that it is not enough to implement just one or two disciplines. It is necessary to overcome all three of them. For success, it is not enough to have ideas that did satisfy the current market, also it is not enough to have market-tested ideas if they cannot be scaled.

The third part of the book can also be seen as a part that defines the framework in which leaders should act in order to achieve success in a two-way approach, in the simultaneous use of exploitation and research. What should be done? How to apply ambidexterity? How to advertise and, more importantly, how to communicate in conditions where business is conducted in conditions of ambidexterity? Are the conditions necessary for success also permissible? The last part of the book, through three chapters, brings the experiences of leaders who have achieved success in the application of directionality, and the reader should draw conclusions and guidelines that he will then incorporate into his own business strategy. In the final chapter, the authors provide an overview of lessons learned with the aim of defining a framework for transformation, focusing on the challenges of management in the conditions of exploitation and research, while not ignoring the fact that ambidexterity is not always appropriate and does not always bring added value.

DESIGN AND STYLE OF THE BOOK

The book is primarily intended for managers in practice who are aware that lifelong learning and constant education is important for the survival of their companies or companies in which they only perform managerial functions, and that the ability to quickly adapt to changes is essential. There is a large amount of academic research and materials in the background for this book. Nevertheless, due to the large number of application examples and that at large, world-famous companies, where the two-way approach in entrepreneurship is explained, the book can serve as an excellent handbook for students of entrepreneurship. Written in a simple and practical way, the book explains the key terms and their application,

and in that simplicity shows the results by connecting the lives of people with the lifespan of their companies. The sustainability and ability of companies is linked to research in evolutionary biology, and the fact is that evolution refers to changes, development, transformation over time, whereby favourable traits become more and more common, and unfavourable ones become less and less prevalent. And thus the continuation of existence is ensured. By presenting the results of their research in such a way, seemingly incomprehensible economic laws become comprehensible and the authors convey them to the reader in a simple and very comprehensible way. For a reader without knowledge of economic concepts, the book may still be incomprehensible in parts, but with some research spirit, this obstacle in reading and understanding is easy to overcome.

The authors offer two different approaches to reading the book, and the second edition also differs from the first. The first approach implies a conventional linear approach to reading from the first to the last chapter, which gives the reader full picture of the context, details and framework. The second part involves focusing on three main chapters that bring the context of what motivated the authors for the second edition. These are chapters four and seven, and eight that summarize the learning from the studies analysed in the previous chapters and identifies four main elements that a successful leader needs to successfully implement bi-directionality (O'Reilly and Tushman. 2021, p. xvi).

CONCLUSION

Today's world is changing rapidly, irreversibly, and constantly. While some of these changes can be influenced by people's behaviour, the ones they cannot influence, they must adapt to survive. Same rules, of course, apply to the business world. In the successful adaptation to the changes in the company, the leaders who lead them play a major role. The future of these companies depend on their ability to exploit existing resources in mature companies and to restructure them, if necessary, in order to adapt to changes and respond to new challenges. This book emphasizes the role of leaders and their leadership through change. Through the examples described in the book, the authors offer a roadmap for applying ambidexterity and for potentially solving the innovator's dilemma. But all the examples of companies described in the book basically refer to the leaders of these companies and their ability to act in two directions. In order to respond to all challenges and secure the future of the company, leaders must constantly strengthen their ability to act, to successfully manage resources, whether they are just exploiting existing ones or exploring new ones. The introduction of changes and innovations

always implies significant organizational changes, and for their successful implementation leaders and their communication, verbal and non-verbal, are again key. Because with what they do and say, they send a message and set an example for people who must follow them in the changes. And we should not forget that changes are constantly happening, that the ability to be two-way should be constantly nurtured, because a successful leader and a successful company today already by tomorrow can become a thing of the past. That's why this book serves as a manual for managers that they should have in their permanent possession.

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