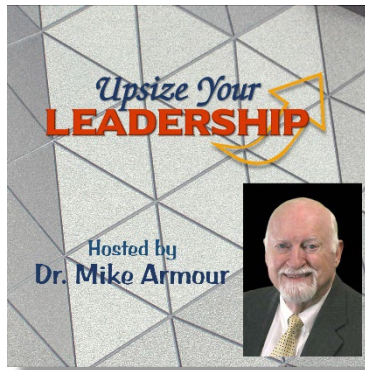


Leaders and the Dilemma of Paradox

Hosted by Dr. Mike Armour

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For the past three episodes, this podcast has departed from its characteristic focus on leadership. Instead, I've used my extensive experience in Ukraine to explain why Ukrainian resistance to the Russians would surprise the outside world and be more robust and effective than experts have long forecast.

As it turned out, my predictions have proven accurate. One by one we've seen them play out as the fighting has unfolded. But my subscribers and regular listeners don't turn to this podcast for background on the war in Ukraine. They download this podcast to learn more about improving their effectiveness as leaders. And that's the theme to which we return today.

One of the most unheralded roles of leadership is paradox management. Odds are, you've never heard this term before. Few texts on leadership even mention it.

Nevertheless, paradox is at the heart of every dynamic organization. Not just a single paradox. But a series of them. And each paradox creates tension (and frequently conflict) in corporate culture.

The tension arises from the very nature of paradox. Paradoxes center on a quandary that defies solution. The quandary presents itself as though we must choose between path A and path B (or between truth A and truth B). However, reality dictates that we must choose both A and B simultaneously.

By the end of today's program, you're going to be recognizing paradoxes all around you, even though you may have never noticed them before. But simply realizing the prevalence of paradox is not my aim. I want to offer some practical perspectives on understanding the nature of paradox and responding to it appropriately. When you do that well, you are certain to Upsize Your Leadership

A number of years ago, a Fortune 100 company engaged my firm to coach and mentor dozens of their top managers and executives. The engagement lasted for several years. Periodically during this time, I met with the CEO to review our progress.

One day, in a sidebar to our main conversation, I asked a question out of curiosity. I said, "What is the single most frustrating aspect of being the CEO of a Fortune 100 company?" Surprisingly,

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he didn't pause to ponder the question. To the contrary, he replied immediately, without a moment's hesitation.

He answered, "It's the inability to see any connection between my decisions and the price of the stock on Wall Street." He then elaborated, "There are times that I come out of an executive team meeting thinking, 'When the Street gets word of what we just decided, the stock price will be clobbered.' But lo and behold, our stock price goes up."

"On other occasions, I come out of a meeting excited about a decision which we just made and one that is sure to make a positive impact on our share value. But instead, the price drops. It appears that there is no correlation between my decisions and the perceived value of our stock on Wall Street. But the board holds me responsible for the stock price."

Can you see why he found his situation frustrating? On one hand he was accountable for the stock price. But on the other hand, he saw no way to forecast how a given action would impact it.

He was struggling with a paradox. But he was not alone in this. Wherever you lead, you have persistent paradoxes of your own. Perhaps they are not paradoxes of this magnitude. But they are thorny and highly consequential, nonetheless.

A paradox has two elements, expressed in the form of statements, principles, or values. The two elements appear to be so contradictory that they exclude each other. Yet, this apparent contradiction notwithstanding, neither element can be ignored. We must embrace both sides of the paradox.

Paradoxes are commonplace in business and in life. Millions of people struggle with the paradox that they need to work long hours to provide for their family, but their family responsibilities demand wholesale blocs of their time. How do they do both?

Our struggle with this paradox has given rise to the popular phrase, "work-life balance." We have to find a way to balance the competing demands of our job and our family. Ultimately, we have to deal with all paradoxical challenges in life by maintaining an appropriate balance. More on that topic in a moment.

Paradoxes abound in running a business or any sizable organization. Here are some familiar examples.

Because our customers demand products of high quality and detailed craftsmanship, we need state-of-the-art equipment. But to remain competitive in terms of price, we must rigorously control production costs.

See the paradox? How can we afford the necessary equipment without increasing our cost of production so that our pricing is no longer competitive?

Here's another example:

Under our labor contract, we assure workers of exceptional benefits and job security. But payroll expenses are squeezing our margins and leaving us unprofitable.

Or here is still another.

One of the core values in our corporate culture is collaborative decision-making. But we are in a fast-changing market which demands swift, almost instantaneous responses that leave little time for collaboration.

Non-profit organizations face paradoxes of their own.

- To make the wisest use of our funds, we need a management team with solid credentials, but high management salaries threaten the loss of donor support.
- Our founder's passion is what drives this organization's growth, but our organization's growth is limited by the founder's management skills.
- New realities are forcing us to change our mission, but many of our major donors are loyal to us primarily because of our current mission.

Each of these paradoxes presents two forces that contend with each other. And both elements of the paradox raise concerns about near-term or long-term survival. As a result, leadership cannot afford to ignore or dismiss either element. To do so is to court calamity. Instead, leadership must maintain a balancing act between the two.

Whatever the balance point, someone is likely to second-guess it. Since both sides of the paradox represent legitimate concerns, each side is likely to have ardent advocates who view their concerns as paramount. To these partisans the chosen balance point may not adequately accommodate their concerns. If not, they will press and politick to relocate the balance point and give their concerns more leverage.

To illustrate, let's look at a widespread paradox at the moment. The prolonged COVID crisis and the reduced level of business activity have drained the financial reserves of many companies. To assure long-term stability, these reserves must be rebuilt. Pronounced shortages in the labor market, however, have led to unprecedented costs of labor.

What is the proper thing to do? Let financial reserves continue to languish and hope that they are sufficient to weather any adverse future developments? Or rebuild financial reserves by holding a tight rein on salaries, even if it means being understaffed or having a staff which is underqualified?

The answer, of course, is that leadership can ignore neither its financial reserves nor its salary structure. It must find a way to do address both. Leaders of the organization must simultaneously create competitive pay packages while also rebuilding cash reserves.

Yet, to the degree that they increase labor costs, they cannot shore up their financial reserves. So, what is the proper balance point between maximizing reserves and offering highly attractive pay packages?

Those with a more cautious nature will press hard for conserving cash. Those of a more entrepreneurial bent will argue for the opposite priority. And both sides will stake out their position with conviction. Hence, efforts to strike a balance point create the prospect for conflict. And this is true with almost every leadership paradox of consequence. For this reason, what I call "paradox management" is vital to successful leadership. Not only does paradox management address survival issues, it also forestalls unhealthy conflict. Proper

paradox management maintains creative tension between contending concerns, rather than allowing the tension to degenerate into destructive conflict.

About 15 years ago I came across a thought-provoking book by Charles M. Hampden-Turner entitled *Creating Corporate Culture: From Discord to Harmony*. He argued that the role of leadership is to identify the most critical paradoxes at work within their organization, then manage these paradoxes adroitly and artfully.

I think his counsel is spot on. And his counsel is just as valid for non-profits, churches, government agencies, educational institutions, and military organizations as it is for companies in the for-profit sector.

Nor is paradox management a challenge merely for managers at the top of an organization. Sub-units of the organization contend with their own set of paradoxes. Here are some examples:

- IT departments struggle with the balance between maximizing network security and optimizing employee access to needed data.
- Sales departments struggle between stroking current customers to keep them happy and focusing on expansion into new markets.
- HR departments struggle between standardizing personnel practices and giving managers latitude over personnel matters.

There's plenty of room for disagreement in how to balance any of these paradoxes. Any balance point which a manager pursues will be open to question by those who believe that the balance point is misplaced. Few issues demand more confidence and courage from a leader than managing critical paradoxes.

Moreover, leaders must contend with a variety of paradoxes, not just one. In circumstances like that, the task of finding the right balance point for all of these paradoxes can easily overtax a manager's time, energy, and creativity.

So let me wrap up today by recommending an exercise. Take some time to identify the paradoxes that run through your organization. You might do this by yourself, or as a team exercise with your colleagues, peers, or direct reports. The first time I did this reflectively, I discovered that there were eight major paradoxes woven through the organization which I was leading. Some of them I had never even noticed before.

I quickly learned, however, that I could not divide my time indiscriminately among the management challenges of all eight paradoxes. I had to set some priorities. Otherwise, I was flitting from one to the other, not giving any of them sufficient attention or imagination to maintain a healthy balance point. Now, no management paradox can be ignored entirely. But the balance point for some is far more consequential than the balance point for others. We need to identify these more consequential paradoxes and prioritize our management energy around them.

I've discovered – and Charles Hampden-Turner reached the same conclusion in his book on *Creating Corporate Culture* – that the ideal is to focus on no more than five consequential

paradoxes simultaneously. Thus, if you discover more than five paradoxes which demand your attention, highlight the five which you consider most critical, the most vital for the future. Now, give the lion's share of your paradox management energy to these five. As a leader, no priority is more important than attending to the crucial paradoxes which you have identified. For each of them, routinely ask yourself, "What am I doing on a consistent basis to manage the natural tension within this paradox? Is the balance point slipping, so that it is no longer where it needs to be? If so, what can I do to nudge things back toward a more appropriate balance point? How do I keep my team's priorities aligned properly to sustain this balance point?" These are all essential questions for paradox management. And leaders should make a habit of asking them often.

And just a couple of thoughts in closing. We have centered this discussion on paradoxes which pose threats to survival. There can also be paradoxes of opportunity, i.e., two wonderful prospects which, at first glance, look mutually exclusive. But with creativity, imagination, and innovation, perhaps both are possibilities. As you look for paradoxes in your organization, don't overlook paradoxes of opportunity that may be there.

Second, great spiritual teachers and philosophers often use paradoxical statements to convey key concepts. The very tension within the paradox forces the listener to reflect deeply on the teacher's words. In the same way, simply spending time to reflect unhurriedly on the paradoxes within your corporate culture can yield invigorating perspectives and insights.

In summary, then, identify corporate paradoxes. Reflect on them. Tackle them. That's your task as a leader.

Dr. Mike Armour is the managing principal of Strategic Leadership Development International, which he founded in Dallas in 2001. Learn more about his leadership development services at www.LeaderPerfect.com.

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