

Managing exploration and exploitation paradoxes in creative organisations

Knight, E.R.W. and Harvey, W.S.

Structured Abstract

Purpose

This paper addresses the paradox that individuals face in seeking to both generate new ideas and be committed to delivering standardised processes in a creative industry. We explore this tension in order to better understand how synergistic benefits are reaped at the intersection of these competing demands.

Design/methodology/approach

The paper adopts a longitudinal case study approach inside a global media organisation in the creative industries sector. Data derived from participant observations, manager interviews, administered survey instruments, and archival documentation.

Findings

We find that creative organisations experience explore/exploit paradoxes which are nested at three levels: knowledge, learning and motivation. Further, we find that managers are able to respond to competing tensions through organisational processes that allow differentiation/integration simultaneously. These management responses are supported and sustained by both structural and contextual organisational forms.

Originality/value

First, we provide a clearer theoretical explanation of paradox in creative organisations by accounting for competing demands to explore and exploit through nested tensions. Second, we extend our understanding of management responses to these paradox by showing how

managers balance both demands simultaneously rather than cumulatively over time, thereby offering insight into *how* managers behave over time. Third, we outline the supporting role of organisational form in sustaining management responses within creative organisations at the same time in order to reap synergistic benefits.

Key words: creative industry; innovation; management practice; paradox theory.

Managing exploration and exploitation paradoxes in creative organisations

As governments look to new sources of economic growth in the aftermath of the global financial crisis, the creative industry has been touted as a source of new business innovation and development. The United Nations, for example, has indicated that creative goods and services accounted for US\$624 billion in world trade in 2011 (UNCTAD 2013). This reflects an average annual growth rate of 8.8% in the preceding decade, and has led the creative industry to be described as ‘a driver of development’ (UNCTAD 2013, p.10). At an organisational level, this growth is manifest in the revenue of small and large businesses engaged in producing new content including, but not limited to, output in the entertainment, publishing, product design, and marketing sectors.

Yet the notion of a ‘creative industry’ embodies a fundamental paradox. On the one hand, *creativity* implies an un-structured and spontaneous set of outcomes in which individuals are able to autonomously produce new ideas and concepts (Townley & Beech 2010). Scholars associate this creativity dimension with practices of identity formation and self-fulfilment (Santos & Eisenhardt 2009), motivation (Orhan & Scott 2001), and innovation (O'Connor 2009). On the other hand, *industry* implies a set of standardised and regulated practices as well as efficiency and management behaviour, as embodied in organisational theories of leadership, change management and bureaucracy (March 1991). These processes and routines may push individuals in directions that compete with notions of autonomy, self-fulfilment and freedom embedded within creative pursuits (Hodgson & Briand 2013). To illustrate this paradox, take the example of a theatre company. Its artists are expected to deliver new and exciting creative expressions of great artworks. Yet, they are also expected to perform a service consistently and reliably each night over long time periods, in a similar fashion to the outputs of mass-produced Taylorist and Fordist products. At the heart of *managing* creative organisations is reconciling these competing demands of flexibility and efficiency. We define

‘creative organisations’ as organisations engaged in the creative industries sector, as defined by Potts *et al.* (2008).

Whilst scholars have long considered how organisations *differentiate* between competing demands, less well understood is how those competing demands are integrated back into the coordinating goals and practices of the organisation. This is a significant gap in our understanding since paradox theory argues that the synergistic interdependence between competing demands is a source of organisational sustainability (Lewis 2000; Poole & Van de Ven 1989). In order to examine the micro-processes by which organisations manage competing demands, we conducted a longitudinal study of managers inside a creative organisation in the media sector, with multiple business units. Specifically, we examine how demands of exploration and exploitation are manifest in a creative organisation, and explore how managers balance these competing demands over time.

In doing so, we seek to make three contributions to the literature on creative industry and paradox theory. First, we identify nested tensions of *knowledge*, *learning* and *motivation* that individuals face at the intersection of business management and creative industry. These tensions embody a deeper organisational paradox between exploration (creative innovation) and exploitation (efficient reproduction). Secondly, we show how these tensions are balanced through management responses that differentiate and integrate tensions *at the same time* rather than switching between alternate responses at different times, thereby expanding the mechanisms for paradox management. Thirdly, we show how these tensions are accommodated and sustained by organisational forms that balance competing demands across alternate structures *simultaneously* rather than separately. These contributions are both theoretically and practically important in expanding our understanding of how the synergistic benefits of paradox are reaped by managers at a time when the creative industry is being called on as a source of business innovation.

Competing tensions in creative industry: paradox theory and explore/exploit tensions

Organisations in the creative industry have been defined as those ‘which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property’ (Hodgson and Briand, 2013, p. 3). Such definitions illustrate the way in which creative industry scholarship sits at the juncture of several streams of research in the organisation and management literature. For example, leadership studies have examined the role of paradoxical cognition in originating new ideas and instilling creativity and mindfulness (Lewis & Heckman 2006; Smith & Tushman 2005), the human resources literature has considered the role of talent management practices and skills development in new idea development (Huselid, Jackson & Schuler 1997), and innovation studies have examined the challenges of generating and sustaining new forms of intellectual property (Amabile 1996). By engaging in these new literatures, creative industry has evolved from a term framed within the paradigm of cultural industry to a closer engagement with innovation (O'Connor 2009). Indeed, scholars have noted that the creative industry has become preoccupied with government bureaucrats seeking to drive job creation and address the needs of a new workforce (Banks & Hesmondhalgh 2009).

Notwithstanding this shift towards the innovation literature, how ‘innovation’ is actually defined in a creative industry context is rarely made explicit. Innovation is often asserted as an inherent good without clear articulation of what it means for management approaches and, by extension, how managers may seek to evaluate the performance of an innovation. In this paper, we draw on a long-standing literature in organisational theory to define creative industry innovation as the pursuit of two separate but opposing demands: exploration *and* exploitation (Cameron & Quinn 1988; March 1991). *Exploration* refers to search, discovery, invention and the creation of knowledge beyond an organisation’s business-as-usual activities. In the context of creative industry we take this to include producing new creative

works such as written output, design briefs, and new product development. By contrast, *exploitation* refers to repetition, implementation, refinement, and the efficient use of existing knowledge. For creative industry this includes reproduction of existing works, streamlining established processes, and other incremental innovation.

Early scholarship on organisational effectiveness was grounded in a contingency approach that argued that managers needed to orient organisations towards one end of these two domains, either exploration or exploitation (Farjoun 2010; Smith & Lewis 2011). For example, exploration might be an appropriate pathway in organic and dynamic operating environments, whereas exploitation is arguably better suited in more stable settings (Jansen, Vera & Crossan 2009). However, paradox theory argues that organisations achieve long-term sustainability when both demands are balanced simultaneously and persistently (Lewis 2000; Smith & Lewis 2011). Organisations that pursue exploitation without regard to exploration are exposed to technological disruption and high routine rigidity, as competitors identify new opportunities and win market share (Gilbert 2005; O'Reilly & Tushman 2008). For example, Gilbert (2005) showed in a study of a large media organisation that senior executives remained deeply embedded within existing work processes in the face of urgent and well-understood threats to the businesses' survival. These work processes or illustrations of 'routine rigidity' persisted even as new financial resources were committed to exploration. By contrast, exploration without exploitation leads to high levels of organisational uncertainty as actors within the organisation struggle with direction, coherence, and motivation (Birkinshaw & Gupta 2013).

Paradox studies identify three responses that individual managers can have to paradox: 1) acceptance, 2) differentiation/ integration, and 3) accommodation. Acceptance involves embracing conflict without seeking to resolve it. In the case of Lego, middle managers made sense of inherent contradictions by developing a 'workable certainty' to deal with the conflict

(Luscher & Lewis 2008). Differentiation and integration is a cycling process whereby managers iterate between alternative patterns. Differentiation involves delineating alternate domains and serving each one separately, whereas integration involves re-connecting domains into a meaningful whole (Smith Forthcoming). Studies show that managers can cycle between alternate cognition (Smith & Tushman 2005), leadership practices (Smith Forthcoming), structures (O'Reilly & Tushman 2004), and organisational processes (Andriopoulos & Lewis 2009; Andriopoulos & Lewis 2010). For example, Andriopoulos and Lewis (2009) show that product design teams inside creative agencies oscillate between distinct differentiation and integration work practices, such as regular staff meetings and intensive brainstorming workshops. Accommodation reconciles both elements of opposition in “novel, creative synergy” (Smith, Forthcoming, p 6). For example, Rothenberg (1979) suggested that creative artists like Mozart merged paradoxical demands to create new conceptions. This was enabled through ‘Janusian thinking’.

These three management responses to paradox account for balancing practices in *a single point in time*, but raise questions regarding how these practices are sustained *over time*. Indeed, notwithstanding the growing number of quantitative studies linking paradox to firm performance (Birkinshaw & Gupta 2013; O'Reilly & Tushman 2013), strikingly few explain micro-processes for how this is achieved in practice, over the long-run. We know this is a difficult task, since point-in-time responses can result in virtuous or virtual cycles depending on a long-term pattern of engagement (Smith & Lewis 2011). This methodological oversight has led to a call for more longitudinal qualitative studies on *how* individuals sustain tensions (Birkinshaw & Gupta 2013). For example, creative industry scholars have observed salient tensions in musicians who feel compelled to be ‘businesslike’ (Coulson 2012), and in creative artists who feel under pressure to always be entrepreneurial (Carey & Naudin 2006). Orhan and Scott (2001) have argued that actors in the creative industry are both ‘pushed’ to generate

economic output and ‘pulled’ to creative expression, thereby embodying these explore-exploit paradoxes. Yet, what remains unclear is how are these tensions reconciled over time?

In the context of innovation in particular, studies have identified three distinct organisational forms that sustain exploration and exploitation over time: structural, temporal, and contextual organisational forms. Building on Thompson’s ground-breaking work on management, structural approaches envisage distinct separation between the exploration and exploitation activities of an organisation (Thompson 1967). This is facilitated by separate functional (Jansen et al. 2009), physical (O’Reilly & Tushman 2004), or networked structures (O’Reilly & Tushman 2013) that operate simultaneously and independently in different parts of the organisation. Tushman and O’Reilly (2004), for example, found that *USA Today*, a large creative organisation in the media sector, was only able to sustain innovation by separating its editorial and product functions within the digital media business. In a product manufacturing context, Adler showed that firms used standards, schedules and mutual adjustments to delineate the planning, design, and manufacturing phase for products (Adler 1995).

An alternative organisational form to sustain paradox is temporal *switching*. This envisages discrete phases of exploration followed by exploitation, whereby sustainability is achieved through the accumulation of outputs over time (Benner & Tushman 2003). In accounting for a dynamic model of decision-making, Smith (Forthcoming) showed that senior leaders at a software company cycled between a ‘consistently inconsistently’ pattern of decision making. Whilst this resulted in short-term trade-offs, it enabled long-term sustainability over an indefinite time period.

Both structural and temporal organisational forms offer accounts for how paradoxical tensions can be differentiated over time and over structures but provide little insight into whether and how these tensions can be reconciled *at the same time*. More recently, scholars

have focused on organisational context to describe ‘a set of processes or systems that enable and encourage individuals to make their own judgements about how to divide their time between conflicting demands for alignment and adaptability’ (Gibson and Birkinshaw, 2004, p 120). Organisational context encompasses four behaviour-framing attributes of discipline, stretch, support, and trust that create a supportive climate for individuals. Discipline encourages compliance with existing commitments. Stretch induces individuals to strive towards more ambitious goals. Support fosters assistance between team members whilst Trust induces members to rely on each other (Ghosal & Bartlett 1994). However, although Gibson and Birkinshaw found that firms with supportive business units achieved superior long-term performance, the study lacked a more detailed qualitative account of the ‘specific actions’ that managers carried out to achieve this context (Gibson & Birkinshaw 2004). Thus, it remains unclear whether contextual, structural and temporal forms constitute substitutes in a trade-off decision facing managers, or whether they can operate interdependently.

Taken together, these unresolved issues motivate the research questions in this study.

Specifically, we seek to understand how paradox tensions are integrated over time, and how the benefits are realised and sustained in the context of creative industry. This leads us to outline the following three research questions:

1. How do explore/exploit tensions manifest for business management in the creative industry?
2. How do managers respond to these competing demands over time?
3. What organisational forms *sustain* these management responses to competing demands over time?

Methods

Research Setting

We adopt a longitudinal case study approach inside a global media organisation, using the pseudonym CreativeCo. Case study research has been identified as an appropriate methodology for examining poorly understood phenomenon in the literature that require theoretical elaboration (Eisenhardt & Graebner 2007; Yin 1994). This is particularly so when it relates to observing and conceptualising micro processes inside the organisation, such as management practices and decisions (Birkinshaw, Brannen & Tung 2011). Furthermore, longitudinal analyses enable closer examination of how these practices emerge over time (Burgelman 2011; Leonard-Barton 1990). This is appropriate in this study since we examine how managers make decisions with respect to organisational form and organisational context to address innovation.

We were particularly interested in the media sector because the challenge of declining print revenues should compel companies to innovate, acting at the same time to sustain the existing business (Cunningham 2002; Potts et al. 2008). CreativeCo was deemed an appropriate case setting within the media sector for two reasons. First, it is a leading creative organisation in the market, employing over 10,000 writers, artists, photographers, and product designers as well as a number of support services to these functions. Its principal function is to produce daily and weekly creative content which surfaces in printed newspapers and magazines, broadcast, and online media. Second, CreativeCo has an explicit mandate for change, particularly given the disruption of the industry with new forms of technology and competitors. For over five years, CreativeCo had declining print revenues as audiences drifted to online media platforms. This forced executives to reassess the organisation's strategy focus and business model. In 2010, the Chairman of CreativeCo articulated a new

direction for the organisation oriented around both exploitation and exploration. This placed its creative staff under pressure to continue existing work whilst also pursuing blue-sky, entrepreneurial projects, and provided a unique setting for theorising (Siggelkow, 2007).

To enhance the robustness of our findings, we observed interactions across three creative business units inside CreativeCo – editorial, product development, and marketing. To triangulate our findings, we collected and cross-checked our data from various sources, including participant observation, manager interviews, a survey instrument administered by the first-author, and archival documentation. Participant observation has been used in paradox research to manage risks of bias and meaning construction in interview data (Jarzabkowski, Le & Feldman 2011). We observed steering committee meetings and strategic workshops over a 12 month period inside each of the creative business units identified above. We complemented this practice methodology with interviews with 70 individuals ranging from top management teams in these business units (General Managers and Directors) to middle managers and front-line works. In several cases, these interviews were serial interviews to capture longitudinal issues arising in the dataset. Finally, archival documentation was collected from a variety of sources including employee surveys, creative design briefs, strategic documents, creative executions and product design. Our full data is described in Table 1.

[Insert Table 1 here]

Research analysis

To manage this mass data, we proceeded in three stages. First, the data was rendered into rich chronological case stories that traced changes within each of the three business functions under study (Langley 1999). A thick description mode of analysis was deployed (Geertz 1973) to gain insight into decisions made by senior leaders to manage creative resources.

Second, we coded the interview data for tensions related to exploitation and exploitation. We moved between the data and the paradox literature to identify appropriate codes, and rendered first-order concepts into second-order themes (Jarzabkowski, Le & Feldman 2011). Codes captured tensions between knowledge generated within a single function versus across functions, learning captured in a single time period versus over multiple time periods, and motivation to pursue radical versus incremental innovation. These codes formed aggregate dimensions, which are captured in Figure 1. These dimensions constitute nested tensions facing managers at the intersection of business management and creative industry. Detailed quotes supporting these second-order themes are captured in Table 2.

[Insert Figure 1 here]

[Insert Table 2 here]

Third, we triangulated our findings with archival, observation, and survey data (Jick 1979). Specifically, the first researcher administered a survey to 165 individuals working inside the creative business units. Of these, 143 responded to the survey. The survey was designed to provide more conceptual clarity with respect to the third aggregate dimension: motivation. We asked respondents about their motivation to pursue exploration, where exploration was defined as a new idea leading to \$2-5 million revenue over the next 3-5 years: “What is your personal attitude towards leading your big idea?” We measured responses against a 4-point Likert scale. Responses were segmented into four levels of willingness to participate: Very High (“Up to me – and receive a bonus”); High (“Happy to do full time - but job security important”); Medium (“Only participate part time”); and Low (“Prefer to hand over responsibility”). The findings are presented in Figure 2.

[Insert Figure 2 here]

Finally, we coded the data to identify management responses and corresponding organisational forms. We distinguished between differentiating and integrating responses to tension, we organised these responses against the three aggregate dimensions identified above and we also identified distinct organisational forms in terms of structural and contextual approaches, as consistent with paradox theory. The resulting data is outlined in Table 3.

[Insert Table 3 here]

Findings

This section presents our findings, drawing on all our data. We present our composite narrative, showing competing tensions and management responses to these tensions. Detailed data underpinning our findings is included in Table 2.

Paradoxical tensions to explore and exploit

In 2010, the Chairman of CreativeCo made a commitment to pursue a more active digital innovation agenda across the organisation. For forty years, CreativeCo had been responsible for printing paper newspapers and magazines in six markets. Although the decision did not immediately terminate the existing print business, digital innovation was envisaged to cannibalise print revenues. Rather than pursue either the print or digital businesses, senior managers pursued *both* exploitation of print revenues *and* exploration with new digital products. Our findings show that these paradoxical tension surfaced in three nested paradoxes.

Knowledge tensions. First, individuals faced knowledge tensions as managers balanced control of existing knowledge with introducing knowledge sharing and cooperation. Managers protected sources of creativity and competitive advantage. For example, a story filed by a masthead in one market would compete with other mastheads for national attention.

As a journalist noted, “We are more like a collection of businesses rather than a single business: everyone is competing with each other.” In another example, product teams worked within their mastheads to produce new design briefs with little engagement across the business. As a product manager stated, “We are very local in how we thinking about innovation.” This enabled tight control and ownership of creative output.

However, the demand for protecting creative work was at odds with a separate but interdependent imperative to collaborate across physical and functional boundaries to reap creative synergies. For example, a marketing team in one market worked across interdepartmental boundaries to produce a new mechanism for sharing best practices case studies across mastheads “from promotions to subscriptions to partnerships to direct marketing”. This sharing enabled synergistic benefits to emerge between different parts of the business through the combination of ideas and interconnection of activities: “[the toolkit] allows us to recognise areas in our own activities that could be bettered and indeed serve to facilitate more creative synergy of ideas and communication mechanics”.

Learning tensions. Our findings also present learning tensions as managers reconciled the project-oriented nature of tasks with the need for long-term improvement. Creative outputs across editorial, product and marketing were framed around project-constrained timelines. For example, notwithstanding the notion of the twenty-four hour newsroom, editorial output continued to be produced around print-circulation deadlines with stories filed around 5pm. As a journalist noted, “We are still rewarded by getting the cover story, owning the front page, and meeting our print deadlines”. Similarly, product managers described their work as discrete tasks. As a product manager noted, “We serve the business. We have a roadmap over the next year and we basically just work through what is the highest priority”. This project-based nature of work instilled a focus around project-oriented objectives, defined deadlines, and discrete performance guidelines.

However, one-off campaigns were at odds with the pressure for continuous improvement across the organisation. For example, the marketing teams were under pressure to improve over time, “We need to know what worked/ what didn’t work in previous campaigns and what to do/ not do in future campaigns”. To that end, the team moved towards introducing campaign report templates whereby learning from previous campaigns was transferred to future campaigns. Likewise, editorial teams described the pressure to create a long-term narrative in their creative output: “We need to own the story through the year, and craft what the agenda is going to be in the news”. Thus, one-off deliverables pushed individuals in a separate and opposing direction to the pull of long-term narrative building and integrative themes.

Motivation tension. Individuals also faced paradoxical motivations for tasks. For example, individuals in the product, marketing, and editorial teams all cited a focus on creative new idea development. As one product manager noted, “We want to turn this place into a start-up where all our people can pursue great ideas”. In another document, circulated to staff members, senior managers focused on the importance of explorative motivation and creative invention: “We want the office to look more like a college campus because we believe the environment is key to creative thinking. We need an output where everyone can come up with new ideas”.

However, the pursuit of the new is at odds with exploitative pressure to reproduce existing work. For example, several individuals noted that they were happy to “just get their job done”. As one journalist noted, “Some of us just want to file the story and get home to our kids”. We tested these contradictory motivations in a staff survey (see Figure 2). Four distinct motivations were in evidence across all three creative business units. One group were ‘intrapreneurs’ and were committed to novel inventions and were willing to take financial responsibility for their new ideas (31% of respondents, “up to you - bonus”). A second group

were loyal servants of the organisation, happy to work on creative endeavours full time so long as it did not jeopardise their job security (31%, “full time- job security”). A third group were only partly interested in pursuing new conceptions and preferred to work on refining existing processes inside the organisation (17% of respondents, “part time”). A fourth group were happy to brainstorm new ideas but were fully committed to their existing work (20% of respondents, “handover responsibility”). Thus, there were inherent contradictions between individuals motivated by creative invention and those motivated by creative reproduction.

Management responses to tension and supporting organisational forms

Paradox studies depict management responses that alternately serve each domain. Our findings show that individuals can differentiate and integrate *at the same time* by introducing new, synergistic organisational practices. Similarly, whereas previous studies present structural, temporal and contextual forms as trade-off choices facing managers, we present them as separate yet complementary forms. We present our findings on differentiation/integration management responses by attending to each nested paradox in turn. We underline explicit references to complementary organisational forms, to highlight these emergent concepts in our data. These findings are summarised in Table 3.

Management responses to knowledge tensions. Managers sought to accommodate knowledge tensions by *both* differentiating creative work produced in each distinct business unit *and* integrating specific insights through cooperative processes and structures. At the start of our study, CreativeCo was organised through spatially separated *structures* whereby newspaper mastheads were located in each geographical market. Each masthead was responsible for independent editorial, marketing and product functions with no formal integration across masthead structures or creative functions. Thus, differentiation was pursued without integrative responses.

The commitment by CreativeCo's Chairman in 2010 prompted senior executives to change the company's *organisational form* to pursue both differentiation and integration at the same time. Specifically, mastheads retained their spatially separated structures such as delineated top management teams, independent General Managers, and dedicated editorial resources. However, the majority of product and marketing resources were moved to be centrally located at CreativeCo's headquarters. This enabled integrated coordination of strategic decision-making in product and marketing, with bespoke support from decentralised resources located in the mastheads for implementation. The structural changes are reflected in Figure 3.

In addition to these structural changes, individuals introduced *new management practices* to accommodate differentiation and integration. For example, despite differentiated editorial resources, senior editorial managers worked with marketing managers to produce nationally integrated marketing campaigns. This enabled CreativeCo to launch a common message in all markets simultaneously even through editorial content differed. As one marketing manager stated, "the new model allows us to speak with one voice. It's not perfect but it's a lot better than what we had when everyone was doing their own thing".

Similarly, a new Marketing Director was responsible for integrating creative output between marketing and product teams. The Marketing Director used various coordination mechanisms, including strategic plans, workshop meetings, creative briefs and cross-functional teams to enable coordination. For example, a workshop was organised for members in the product and marketing teams to "brainstorm some ideas together" for an upcoming campaign on sport content. Individuals were encouraged to "work together to deliver some new ideas". Thus, whilst functional differentiation was retained, coordination mechanisms enabled integration between alternate domains.

Management responses to learning tensions. Managers sought to *both* differentiate *and* integrate time periods for learning inside the organisation. At the start of our study, creative outputs in marketing, editorial and product were treated as discrete events, and outputs created in one time period were not ‘shared’ with future time periods. As one marketing manager noted, “we are very dependent on consultants to do our creative work because we farm out our most important work... We’re not building up our internal capability to do this stuff”. Related to this problem was the centrally integrated *structure* of the budget management process. The budgeting process was highly centralised with the Chief Financial Officer responsible for signing-off all major campaign expenditure. Thus, budget allocations were approved as discrete events arose, rather than long-term commitments to particular streams of creative work.

Following the commitment to embrace paradox, managers restructured budget processes so that budget processes for creative activities were decentralised. Each creative business unit was given a dedicated annual budget for innovation expenditure. One manager noted, “We have a lot more freedom now, as we can do what we want”. The product function was, for example, given a dedicated budget for creative new product development.

However, these differentiation processes were synergistically combined with *integrative dialogue* that enabled sequencing and coordination of campaign events. For example, a fortnightly steering committee meeting was established with representatives from product, marketing and editorial to discuss strategic issues related to the organisation’s 12 month plan. The purpose of this meeting was to enable interdepartmental learning and improvement. As the Marketing Director stated, “We need to make sure marketing is in line with what editorial is doing. And product needs to build for editorial... All our roadmaps are out of synch and the left hand doesn’t know what the right is doing”.

In addition, actors were appointed within creative business units to enable longitudinal coordination. For example, an Executive General Manager was recruited to coordinate brand campaigns between creative business units over the year. This manager created a calendar of events over the year, and worked with business units to identify creative outputs that contributed into this framework. As the Manager stated, “We need to have a narrative over the year so that we own the story”. These practices enabled inter-linking and learning over time at the same time as retaining delineation between sub-themes and events.

Management responses to motivational tensions. Individual actors inside the creative business units held differentiated motivations with respect to their tasks. At the start of our study, managers sought to orient individuals towards exploration to enable greater novelty inside the organisation. Specifically, managers created a *cross-functional structure* called the Design Forum whereby individuals were asked to submit creative outputs for investment. However, over a six month period, the Design Forum yielded poor performance with only twenty ideas submitted from across the organisation. As one editorial manager stated, “We didn’t get the quality of input we were expecting”. The head of product also noted that this approach failed: “We are not seeing genuinely novel inventions. Instead we are seeing people trying to use [the Design Forum] to get additional budget for existing initiatives”.

Following the commitment to paradox, managers shifted their focus from orienting individuals towards either exploration or exploitation to enabling both to coexist. Specifically, contribution to new idea development was made voluntary in order to accommodate contradictory motivations amongst individuals. Furthermore, ‘hack days’ were organised in order to create discrete, differentiated organisational processes for motivated individuals to participate in.

These differentiating practices were integrated into existing *organisational processes*. For example, participants who engaged in ‘hack days’ were allowed to do so alongside their existing responsibilities. Thus, the organisation balanced work tasks to pursue existing products with work tasks oriented towards new products. In addition, annual performance metrics were adjusted to recognise participation in these events. As one editorial manager noted, “it makes it much easier to get involved [in the ‘hack days’] when you are not going to get punished”.

Discussion and Implications

By definition, ‘creative industry’ implies an inherent tension. Creative organisations seek to produce novel, innovative conceptions, yet they are simultaneously called on to be efficient, repetitive, and exploitative. For contingency theorists, these competing demands represent either/or choices that managers must make in order to optimise performance. However, paradox theorists argue that organisations that are able to apply a both/and mindset simultaneously and persistently achieve long-term sustainability. Paradoxes are embedded in the individual work of creative industry professionals. For example, studies have suggested that workers may be ‘accidental entrepreneurs’ where repeat work and routine processes may be an important part of their function’s practices (Banks & Hesmondhalgh 2009; Coulson 2012). Yet, it remains unclear how these individual practices relate to larger organisational processes, and how they are sustained over time.

Our findings contribute to this discussion in three important ways. First, we contribute to the creative industry literature by identifying three nested tensions of *knowledge, learning, and motivation* that explain *how* a creative organisation experiences competing exploration/exploitation demands. Empirical work on management approaches in the creative industry has been scarce (Hodgson & Briand 2013; Hotho & Champion 2011; Townley & Beech

2010) and this research provides important and timely data on competing exploration/exploitation demands in this sector. Much of the literature has focused on individual practices or sector-wide dynamics (Cunningham 2002; O'Connor 2009), without an explicit focus on organisational management. We adopt a longitudinal methodology to move beyond instantaneous, individual responses to paradox, and examine deeper organisation-level processes that emerge over time and across business unit functions. We also illustrate how a creative organisation has managed the competing demands of flexibility (exploration) and efficiency (exploitation) in the context of a large global media organisation.

We find knowledge tensions force individuals to wrestle with practices to protect creative work versus sharing creative work in order to enable new insights. Learning tensions balance the imperatives to produce creative works in a single point in time with longer learning processes associated with thematic development and long-term improvement. And motivation tensions contrast actors who are driven by novel, explorative interests by those who are incremental in their intentions. In order to achieve organisational sustainability, these nested tensions are sustained within creative organisations without privileging one demand over the other.

A second important contribution is we help understand paradox management by accounting for how competing demands may be serviced *at the same time*. A dynamic equilibrium model of paradox management argues that sustainability is achieved by a pattern of management responses between acceptance and accommodation (Lewis 2000; Smith & Lewis 2011). Scholars denote 'purposeful iterations between alternatives in order to ensure simultaneous attention to them over time' (Smith and Lewis 2011, p. 392). In our findings, managers pursue differentiating and integrating practices *simultaneously* by creating new, augmented organisational processes. For example, the introduction of new budget processes accompanied by a steering committee mechanism enables both one-off and continuous

learning by balancing each demand synergistically. Likewise, interdepartmental actors enable different information silos to be integrated with common insights across functions.

This expands our understanding of paradox theory by proposing a new mechanism by which synergistic benefits may be realised. Rather than relying on the accumulation of different demands (Lewis, Andriopoulos & Smith 2014; Smith Forthcoming), individuals may reap benefits by combining different demands in augmented conceptions. Furthermore, we show how these processes are coordinated across distinctive creative business units. Thus, rather than realising benefits within a single business unit (Gibson & Birkinshaw 2004), the creative potential of organisations may be realised through the interaction across business units. This expands the boundaries of our understanding of paradox management from the individual to interdepartmental unit of analysis.

A third important contribution is that we show how these management responses can be sustained by numerous organisational forms operating simultaneously. Previous studies of paradox have suggested that managers must choose between alternate structures to balance competing tensions (Raisch 2008; Raisch et al. 2009). These choices stem from a concern raised by March and others that the psychological demands of paradox may be too great for an individual to manage (March 1991). In our findings, managers revert to both structural and contextual organisational forms to balance competing tensions. For example, spatial separation is maintained between mastheads but organisational processes are used to integrate decisions around asset allocation and strategic decision-making. This extends the level of analysis in paradox studies from the individual (Smith & Tushman 2005) or the organisation (Benner & Tushman 2003) to focus on sub-unit organisational processes.

However, these findings spur further areas of research. For example, our study is focused on a creative organisation and, therefore, is limited with respect to generalisability to other

sectors. Future studies should consider whether individuals in creative organisations may be especially adept at overcoming the psychological demands of paradox. Smith and Tushman (2005) have argued that paradox requires managers to balance competing templates. It may be that creative individuals are more capable of performing these psychologically onerous tasks than those with less creativity. For example, Rothenberg's study focused on artistic and academic geniuses who were able to pursue 'Janusian thinking' (Rothenberg 1979), that is the ability to consider two opposing propositions simultaneously. This link between individual cognition and organisational performance is beyond our current scope.

Further, this study is situated within a single organisation in order to examine sub-unit organisational processes with respect to exploration/exploitation tensions. However, future studies may examine multiple organisations to enable cross-case comparison (Eisenhardt 1989). This may lead to distinctions between different types of creative organisations, or different sizes of organisation. Our study focused on a large creative organisation, but many previous studies have focused on significantly smaller organisations such as creative agencies and design firms (Bissola, Imperatori & Colonel 2013; Hodgson & Briand 2013; Hotho & Champion 2011). Further research is needed to determine whether size is an important variable in paradox management and performance in the creative industry. Also, our findings may be limited to exploration/exploitation tensions only. Studies suggest that other tensions may be relevant such as between maximising profits and improve social welfare (Margolis & Walsh 2003), or global integration versus local relevance (Marquis & Battilana 2009).

Finally, we focus on organisational practices but future work might consider other levels of analysis including the organisational identity of actors inside these organisations (Coulson 2012), the creation of organisation boundaries between routine and creative work (Santos & Eisenhardt 2009), and organisational culture (Buschgens, Bausch & Balkin 2013; Wang & Rafiq 2012). In particular, our findings on motivation may suggest that heterogeneity in

teams is conducive to creativity. For example, recent work has suggested that team heterogeneity may create problems for team members “gelling” with each other (Goodman & Dingli 2013). In terms of the creative industry, this research also opens-up an important research agenda around the management of competing demands for both efficiency and flexibility from different stakeholders. This will arguably become more important as organisations within the sector seek more diverse ways to be distinctive in order to survive.

Conclusion

The creative industry remains an important focus for management research and government attention because the sector is perceived as a significant vehicle for economic growth.

However, the management of creative organisations embodies an inherent paradox. On the one hand, individuals are expected to produce novel ideas which break from the strictures of organisational life. On the other hand, individuals are often embedded within organisations that are committed to repeatable processes. Reconciling these competing demands lies at the heart of the management challenge.

This paper addresses this paradox with reference to management practices that pursue exploitation from exploration. But future research should go further, opening up the rich competing tensions latent in creative organisations beyond exploration and exploitation, and revealing alternative mechanisms for management. This agenda is not only important to the management literature, but also ensuring that creative organisations serve at their fullest capacity within the economy and the community at large.

Figure 1 – Data structure

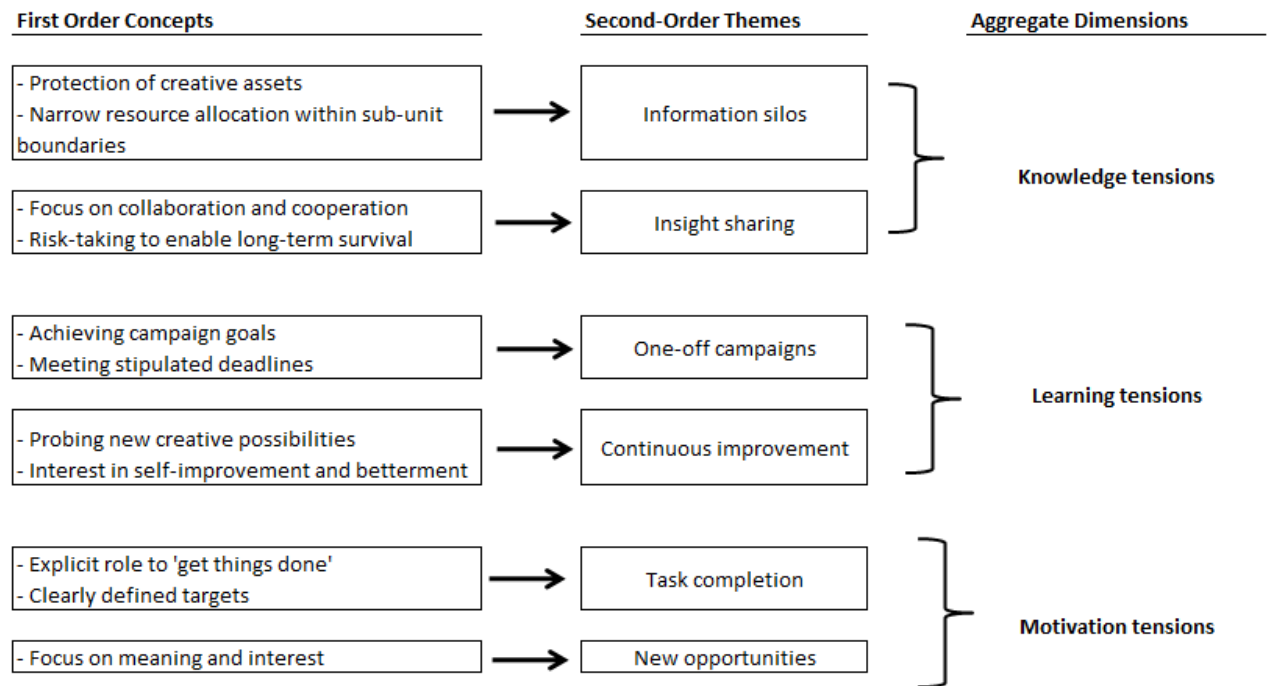


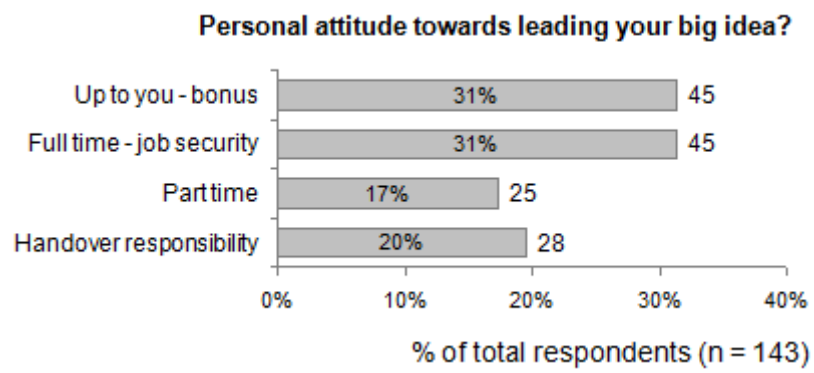
Figure 2 – Archival documentation on willingness to pursue exploration

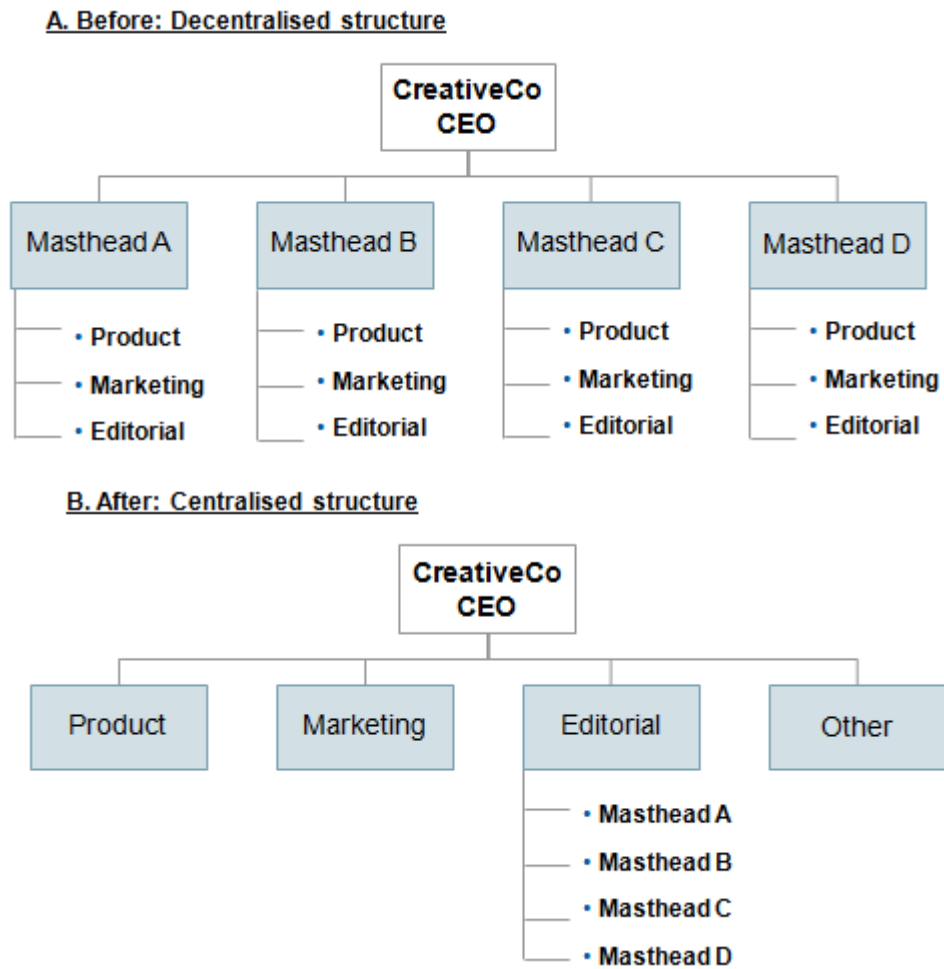
Figure 3 – Restructuring of CreativeCo

Table 1 – Data collected

Business Unit	Interviews		Archival Documents		Direct Observations	
	TMT	non-TMT	Number	Example	Number	Example
Product	9	22	15	Product plans, program planning documents, business plans	3	Meetings, Workshop planning, desk observation
Marketing	6	15	16	Creative executions, business plans, meeting minutes	4	Meetings, Weekly updates, desk observation
Editorial	6	12	15	Strategy documents; competitor analyses	6	Editorial meetings; desk observation
Total	21	49	46		13	

Table 2 – Data supporting interpretations of second order themes

Dimension	Representative Quotes
Information silos	<p><i>Mastheads are run as their own independent business (Manager, Product)</i></p> <p><i>The masthead runs its own shop so good luck trying to get anything out of them (Manager, Marketing)</i></p> <p><i>We should, but we aren't traditionally very good at sharing content (Journalist, Editorial)</i></p> <p><i>We'll often find ourselves fighting for the same story with [another masthead] (Journalist, Editorial)</i></p>
Insight sharing	<p><i>It's good that [the Digital Director] has been selected as he is able to speak to all parts of the business just because he has been here that long and has the credibility (Manager, Marketing)</i></p> <p><i>The mastheads won't like it, but I want to force them to work together (Director, Marketing)</i></p> <p><i>We need to have more people where product, marketing and journalists come together to do creative projects together (Journalist, Editorial)</i></p> <p><i>We're moving to having a product person in the team with journalists and coming up with new data analytics to put on the website (Journalist, Editorial)</i></p>
One-off campaigns	<p><i>There is a lot of reproduction because you will see [masthead a] do one thing, and [masthead b] do the same thing a week later. (Manager, Editorial)</i></p> <p><i>We are poor at [marketing] execution. We keep making the same mistakes (Manager, Marketing)</i></p> <p><i>We're not very good at re-using our knowledge because the organisation is constantly changing (Manager, Product)</i></p>
Continuous improvement	<p><i>We're moving to an arrangement where we have a central budget for marketing and product to avoid duplication but the mastheads will still do some location execution (Director, Marketing)</i></p> <p><i>We now have marketing calendar to coordinate spend and stories across the states for big events (Manager, Editorial)</i></p> <p><i>We encourage continuous dialogue between all parties with joint and transparent decision making (Manager, Product)</i></p> <p><i>We now have editorial and marketing teams seeing themselves as part of the same organisation and solving the same product (Manager, Editorial)</i></p> <p><i>An Executive General manager manages the brands within each state from both a digital and print perspective (Manager, Editorial)</i></p>
Task completion	<p><i>We're not necessarily a full-blown start up. For some people, the day job and job security is important (Manager, Product)</i></p> <p><i>Not everyone wants to be responsible for 'owning' the new idea (Manager, Editorial)</i></p> <p><i>We need better prioritisation and focus. We can't do everything so what will we focus on? (Manager, Marketing)</i></p>

New

opportunities *Some of us are frustrated when we can't be entrepreneurial (Manager, Product)*
Our journalists are very creative. They are always looking for opportunities to do something new (Journalist, Editorial)
We want to be where people think of when they think of innovation (Director, Marketing)

Table 3 – Responses to Tension and Corresponding Organisational Form

Tension	Response to tension and Illustrative Example	Organizational form
Knowledge tensions	Differentiate: Mastheads have their own CEO Differentiate: Separate editorial processes in each masthead Integrate: Digital Director hired to coordinate editorial across states Integrate: Marketing Director coordinates information flow through organization	Structural Contextual Contextual Contextual
Learning tensions	Differentiate: Campaigns treated as discrete events Differentiate: Separate budget processes for operating expenditure on creative activities Integrate: Meetings established to create dialogue between various stakeholders Integrate: Executive General Manager coordinates brand campaigns over the year	Temporal Structural Contextual Contextual
Motivation tensions	Differentiate: Voluntary opportunities create distinct domains between interested/uninterested Differentiate: Design Forum designed to collect new ideas Integrate: Participants pursue creative activities alongside existing responsibilities Integrate: Performance metrics encompass separate but complementary objectives	Contextual Structural Contextual Contextual

References

- Adler, P (1995), 'Interdepartmental interdependence and coordination: The case of the design/manufacturing interface', *Organization Science*, vol. 6, no. 2, pp. 147-167.
- Amabile, TM (1996), *Creativity and innovation in organizations (Vol. 5)*. Boston: Harvard Business School, Boston, Harvard Business School.
- Andriopoulos, C & Lewis, MW (2009), 'Exploitation-exploration tensions and organizational ambidexterity: Managing paradoxes of innovation', *Organization Science*, vol. 20, pp. 696-717.
- Andriopoulos, C & Lewis, MW (2010), 'Managing innovation paradoxes: Ambidexterity lessons from leading product design companies', *Long Range Planning*, vol. 43, pp. 104-122.
- Banks, M & Hesmondhalgh, D (2009), 'Looking for work in creative industries policy', *International Journal of Cultural Policy*, vol. 15, no. 4, pp. 415-30.
- Benner, M & Tushman, M (2003), 'Exploitation, exploration and process management: The productivity dilemma revisited', *Academy of Management Review*, vol. 28, no. 2, pp. 238-256.
- Birkinshaw, J, Brannen, MY & Tung, RL (2011), 'From a distance and generalizable to up close and grounded: Reclaiming a place for qualitative methods in international business research', *Journal of International Business Studies*, vol. 42, pp. 573-581.
- Birkinshaw, J & Gupta, K (2013), 'Clarifying the distinctive contribution of ambidexterity to the field of organization studies', *The Academy of Management Perspectives*, vol. 27, no. 4, pp. 287-296.
- Bissola, R, Imperatori, B & Colonel, RT (2013), 'Enhancing the creative performance of new product teams: An organizational configurational approach', *Journal of Product Innovation Management*, vol. 31, no. 2, pp. 1-17.
- Burgelman, RA (2011), 'Bridging history and reductionism: A key role for longitudinal qualitative research', *Journal of International Business Studies*, vol. 42, pp. 591-601.
- Buschgens, T, Bausch, A & Balkin, D (2013), 'Organizational culture and innovation: A meta-analytic review', *Journal of Product Innovation & Management*, vol. 30, no. 4, pp. 763-781.
- Cameron, K & Quinn, R (1988), 'Organizational paradox and transformation', In Quinn, R & Cameron, K (eds), *Paradox and transformation: Toward a theory of change in organization and management*, Cambridge, MA, Ballinger, pp. 1-18.
- Carey, C & Naudin, A (2006), 'Enterprise curriculum for creative industries students: An exploration of current attitudes and issues', *Education + Training*, vol. 48, no. 7, pp. 518-31.
- Coulson, S (2012), 'Collaborating in a competitive world: musicians' working lives and understandings of entrepreneurship', *Work Employment & Society*, vol. 26, no. 2, pp. 246-261.
- Cunningham, S (2002), 'From cultural to creative industries: Theory, industry, and policy implications', *Media International Australia Incorporating Culture and Policy: Quarterly Journal of Media Research and Resources*, pp. 54-65.
- Eisenhardt, KM (1989), 'Building theories from case study research', *Academy of Management Review*, vol. 14, pp. 532-550.
- Eisenhardt, KM & Graebner, ME (2007), 'Theory building from cases: Opportunities and challenges', *Academy of Management Journal*, vol. 50, pp. 25-32.
- Farjoun, M (2010), 'Beyond Dualism: Stability and change as a duality', *Academy of Management Review*, vol. 35, no. 2, pp. 202-225.
- Geertz, C (1973), *The Interpretation of Cultures*, New York, Basic Books.
- Ghosal, S & Bartlett, CA (1994), 'Linking organizational context and managerial action: The dimensions of quality of management', *Strategic Management Journal*, vol. 15, no. 5, pp. 91-112.
- Gibson, CB & Birkinshaw, J (2004), 'The antecedents, consequences, and mediating role of organizational ambidexterity', *Academy of Management Journal*, vol. 47, pp. 209-226.
- Gilbert, CG (2005), 'Unbundling the structure of inertia: Resource versus routine rigidity', *Academy of Management Journal*, vol. 48, pp. 741-763.
- Goodman, M & Dingli, S (2013), *Creativity and strategic innovation management*, Abingdon, Routledge.
- Hodgson, D & Briand, L (2013), 'Controlling the uncontrollable: 'Agile' teams and illusions of autonomy in creative work', *Work Employment Society*, vol. 27, no. 2, pp. 308-325.

- Hotho, S & Champion, K (2011), 'Small businesses in the new creative industries: innovation as a people management challenge', *Management Decision*, vol. 49, no. 1, pp. 29-54.
- Huselid, MA, Jackson, SE & Schuler, RS (1997), 'Technical and strategic human resources management effectiveness as determinants of firm performance', *Academy of Management Journal*, vol. 40, no. 1, pp. 171-188.
- Jansen, JJP, Tempelaar, MP, Van den Bosch, FAJ & Volberda, HW (2009), 'Structural differentiation and ambidexterity: The mediating role of integration mechanisms', *Organization Science*, vol. 20, no. 4, pp. 797-811.
- Jansen, JJP, Vera, D & Crossan, M (2009), 'Strategic leadership for exploration and exploitation: The moderating role of environmental dynamism', *The Leadership Quarterly*, vol. 20, pp. 5-18.
- Jarzabkowski, PA, Le, JK & Feldman, MS (2011), 'Toward a theory of coordinating: Creating coordinating mechanisms in practice', *Organization Science*, vol. 23, no. 4, pp. 907-927.
- Jick, T (1979), 'Mixed qualitative and quantitative methods: Triangulation in action', *Administrative Science Quarterly*, vol. 24, pp. 602-611.
- Langley, A (1999), 'Strategies for theorizing from process data', *Academy of Management Review*, vol. 24, no. 4, pp. 691-710.
- Leonard-Barton, D (1990), 'A dual methodology for case studies: Synergistic use of a longitudinal single site with replicated multiple sites', *Organization Science*, vol. 1, no. 1, pp. 1-19.
- Lewis, MW (2000), 'Exploring paradox: Toward a more comprehensive guide', *Academy of Management Journal*, vol. 25, pp. 760-776.
- Lewis, MW, Andriopoulos, C & Smith, W (2014), 'Paradoxical leadership to enable strategic agility', *California Management Review*, vol. 56, no. 3, pp. 58-77.
- Lewis, RE & Heckman, RJ (2006), 'Talent management: A critical review', *Human Resource Management Review*, vol. 16, no. 2, pp. 139-154.
- Luscher, LS & Lewis, MW (2008), 'Organizational change and managerial sensemaking: Working through paradox', *Academy of Management Journal*, vol. 51, pp. 221-240.
- March, J (1991), 'Exploration and exploitation in organizational learning', *Organization Science*, vol. 2, no. 1, pp. 71-87.
- Margolis, J & Walsh, J (2003), 'Misery loves company: Rethinking social initiatives by business', *Administrative Science Quarterly*, vol. 48, no. 2, pp. 268-305.
- Marquis, C & Battilana, J (2009), 'Acting globally but thinking locally? The enduring influence of local communities on organizations', *Research in Organizational Behavior*, vol. 29, pp. 283-302.
- O'Connor, J (2009), 'Creative industries: a new direction?', *International Journal of Cultural Policy*, vol. 15, no. 4, pp. 387-402.
- O'Reilly, CA & Tushman, ML (2004), 'The ambidextrous organization', *Harvard Business Review*, vol. April 2004, no. 1-9.
- O'Reilly, CA & Tushman, ML (2008), 'Ambidexterity as a dynamic capability: Resolving the innovator's dilemma', *Research in Organizational Behavior*, vol. 28, pp. 185-206.
- O'Reilly, CA & Tushman, ML (2013), 'Organizational ambidexterity: Past, present and future', *Academy of Management Perspectives*, vol. In press.
- Orhan, M & Scott, D (2001), 'Why women enter into entrepreneurship: An exploratory model', *Women in Management Review*, vol. 16, no. 5, pp. 232-44.
- Poole, M & Van de Ven, A (1989), 'Using paradox to build management and organization theories', *Academy of Management Review*, vol. 14, no. 4, pp. 562-578.
- Potts, J, Cunningham, S, Hartley, J & Ormerod, P (2008), 'Social network markets: a new definition of the creative industries', *Journal of Cultural Economics*, vol. 32, no. 3, pp. 167-185.
- Raisch, S (2008), 'Balanced structures: Designing organizations for profitable growth', *Long Range Planning*, vol. 41, no. 4, pp. 483-508.
- Raisch, S, Birkinshaw, J, Probst, G & Tushman, ML (2009), 'Organizational ambidexterity: Balancing exploitation and exploration for sustained performance', *Organization Science*, vol. 20, no. 4, pp. 685-695.
- Rothenberg, A (1979), *The emerging goddess*, Chicago, University of Chicago Press.
- Santos, F & Eisenhardt, K (2009), 'Constructing markets and shaping boundaries: Entrepreneurial power in nascent fields', *Academy of Management Journal*, vol. 52, no. 4, pp. 643-671.

- Smith, W (Forthcoming), 'Dynamic decision making: A model of senior leaders managing strategy paradoxes', *Academy of Management Journal*.
- Smith, WK & Lewis, MW (2011), 'Toward a theory of paradox: A dynamic equilibrium model of organizing', *Academy of Management Review*, vol. 36, pp. 381-403.
- Smith, WK & Tushman, ML (2005), 'Managing strategic contradictions: A top management model for managing innovation streams', *Organization Science*, vol. 16, pp. 522-536.
- Thompson, J (1967), *Organizations in action: Social science bases of administrative theory*, New York, McGraw-Hill.
- Townley, B & Beech, N (2010), *Managing creativity: Exploring the paradox*, Cambridge, Cambridge University Press.
- UNCTAD (2013) United Nations, Geneva.
- Wang, CL & Rafiq, M (2012), 'Ambidextrous organizational culture, contextual ambidexterity and new product innovation: A comparative study of UK and Chinese high-tech firms', *British Journal of Management*, pp. 1-19.
- Yin, RK (1994), *Case Study Research: Design and Methods (2nd ed. ed)*, London, Sage.