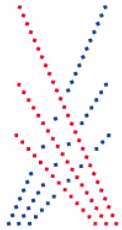

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Track: Strategy

Why paradoxical leaders have to be rational

Abstract

Paradoxical decision making is often represented as an alternative to rational approach. It gained considerable attention in research, as it appears to be more suitable in turbulent and complex environments helping leaders to deal with conflicting demands. However, while paradox theory offers a novel and valuable perspective on decision making, creating such contrasts in presenting it might cause an impression that rationality is something redundant and therefore should be abandoned by paradoxical leaders. This paper aims to challenge early signs of an increasing gap between rational and paradoxical decision making. We argue that instead of threating these two as mutually exclusive, scholars and practitioners should look for the ways to integrate rational and paradoxical decision making for achieving superior outcomes. The paper conceptualizes how paradoxical leaders can benefit from rationality and offer two testable propositions. We suggest that reliance on one or another is neither feasible nor sustainable in a long term, whereas applying both will help leaders to come up with more original and efficient decision outcomes.

Key words: paradox, rationality, decision making.

Why paradoxical leaders have to be rational

Introduction

Paradox defined "*persistent contradiction between interdependent elements*" (Schad, Lewis, Raich & Smith, 2016: 6) attracted scholars' attention for studying various organizational activities and in particular – decision making (Calabretta, Gemser & Wijnberg, 2017; Huq, Reay & Chreim, 2017; Ingram, Lewis, Barton & Gartner, 2016; Smith, 2014; Smith, Lewis & Tushman, 2016). Paradox is often represented as an alternative to rational decision making (Smith, 2014; Smith & Lewis, 2011). It appears to be more suitable in turbulent and complex environments where leaders have to meet conflicting goals (Lewis & Smith, 2014).

However, while paradox theory offers a novel and valuable perspective on decision making, creating such contrasts in presenting it might cause an impression that rationality is something redundant and therefore should be abandoned by paradoxical leaders. Furthermore, with an exception of Calabretta et al.'s (2017) study, the interplay between rationality and paradox remains underexplored and, as a result, underappreciated. This can be explained by at least two reasons. First, scholars often fail to distinguish different dimensions of rationality and appreciate its multifaceted nature (Elbanna, 2006; Shepherd & Rudd, 2014). Second, rational approach has received numerous criticisms and scholars have gradually formed an opinion that decision makers are irrational actors (Brunsson, 2007; Hendry, 2000; Tsang, 2004). Considering scholars' rising attention to the limitations of paradox (Hargrave & Van de Ven, 2017; Miron-Spektor & Paletz, 2018), it is important to invest more time in gaining a better understanding of its nature and explore the ways it interacts with 'conventional' decision making approaches, rather than fully rely on it.

This paper aims to take a closer look at the relationship between rationality and paradox, and conceptualize how these two approaches can co-exist in decision making. Specifically, we argue that in order to achieve better decisions paradoxical leaders need to be rational. Several empirical studies have demonstrated that integrating different ways to make choices lead to better decision outcomes (Bourgeois & Eisenhardt, 1988) and scholars often call for combining different perspectives in decision making research (Elbanna, 2006; Hough & White, 2003). Therefore, it is important to explore a complementary nature of the relationship

between paradox and rationality. We begin with outlining the main principles of rational and paradoxical decision making and then suggest how paradoxical leaders can benefit from being rational.

Rationality and rational decision making

The main attributes of rational decision making rooted in rational choice theory emphasize the importance of information, actor's ability to analyze it thoroughly and then choose the best possible option (Cabantous & Gond, 2011). In early studies rational actions were associated with best ways to achieve given goals and rationality was taken in terms of utility maximization (Elbanna & Child, 2007). Related representations of decision making influenced by economics and statistics expected humans to possess exceptional computational and analytical capabilities and perform tasks that can actually be accomplished by machines, which is why subsequently they were labeled as unrealistic (Bell, Raiffa & Tversky 1988; Brunsson, 1982; Harrison & March, 1984).

With the growing influence of psychology and a shift from normative to descriptive approaches rational decision making evolved and depictions of the ways people think and decide became closer to reality (Hodgkinson & Starbuck, 2008). The most significant milestone in this process is associated with introducing the term bounded rationality: rational decision making gets new features, such as that the alternatives are not given but have to be generated and each choice has to have its consequences (Cyert & March, 1963; Simon, 1955, 1959).

Research on bounded rationality gave a rise to a new stream of literature on decision making, which is now called a synoptic approach (Elbanna, 2006). This body of literature offers several dimensions of rationality, such as procedural rationality (Dean & Sharfman, 1996), formal analysis (Langley, 1989) and comprehensiveness (Fredrickson, 1984; Forbes, 2007), each of which has own specifics and ways to be measured. In recent studies rationality is associated with logical behavior towards achieving goals, or simply – a reason for undertaking actions (Elbanna & Child, 2007). Furthermore, it is suggested that rationality is not something that people have but what is shaped by organizational processes (Cabantous, Gond & Johnson-Cramer, 2010). Thus, decision making is regarded rational if it involves one or more of the following characteristics: collecting relevant information, reliance on formal analysis,

being comprehensive in information search and analysis, following a sequential process and applying logic in making a choice (Calabretta et al., 2017).

Thus, today scholars' understanding of rational decision making and expectations from a rational actor have deviated from their origins. Its common features refer to importance of gathering information and its analysis. Rationality remains the dominant approach and the reference point of decision making research (Cabantous & Gond, 2011). It has been associated with positive decision outcomes, as reliance on relevant information is regarded as the key success elements in decision making (Forbes, 2007; Elbanna & Child, 2007).

Paradox and paradoxical decision making

Recent research represent paradox as an alternative to logical and linear thinking (Lewis & Smith, 2016; Schad et al., 2017; Smith & Lewis, 2011). According to its linguistic origins paradox emphasizes "going 'beyond' conventional belief" (Chia & Nayak, 2017: 129). In explaining the meaning of the concept studies often refer to it as involving an element of irrational (Fairhurst et al., 2016; Lewis, 2000). In decision making paradox embraces alternatives that are simultaneously interdependent and contradictory, which requires leaders to be able to both separate and connect conflicting forces (Smith et al., 2016). This constitutes the unique feature of paradoxical decision making: instead of choosing between conflicting alternatives, each of which possesses attractive yet distinct attributes, an actor is searching for a synergy allowing a pursuit of both.

Specifically, paradox has been associated with dynamic decision making (Smith, 2014; Smith, Binns & Tushman, 2010; Smith & Lewis, 2011). It implies the simultaneous pursuit of exploration and exploitation: the constant shifting of resources, roles and responsibilities between these two activities, which is revealed in the organization's ability to make fast, frequent and flexible decisions (Smith et al., 2010). The distinctive feature of this model is shifting a focus from a single short-term issue to a pattern of decisions in a long-term perspective and embracing inconsistencies between decisions. As Smith (2014: 1616) argues, "these decisions are not consistent with one another; rather, they shift in their support between contrasting demands over time".

Paradoxical decision making requires leaders to adopt paradox mindset, defined as "the extent to which one is accepting of and energized by tensions"

(Miron-Spektor, Ingram, Keller, Smith & Lewis, 2018, p. 26), enables managers to continuously shift attention between opposing demands such as competing short- and long-term demands (Miron-Spektor, Gino & Argote, 2011). Adopting paradoxical frames enables leaders to value and feel comfortable with tensions (Miron-Spektor et al., 2018). They tend to acknowledge multiple truths in each situation, "act consistently inconsistent", and accept dynamism and change emphasizing the value of experimentation (Smith et al., 2016). Instead of weighting pros and cons of each alternative, paradoxical leaders adopt a more holistic mindset that leverages the distinctions and synergies between conflicting elements in developing a solution (Ingram et al., 2016). These qualities help leaders in achieving success in a long term (Smith et al., 2016).

Integrating rational and paradoxical decision making

Above discussed concepts and related models of decision making help leaders achieve desirable outcomes in distinctive ways: if rationality advances the decision making process through extensive search for relevant information and its analysis (Fredrickson, 1984; Forbes, 2007), paradox increases information breadth and variety, which stimulates out-of-box thinking (Hahn, Preuss, Pinkse & Figge, 2015; Miron-Spektor et al., 2011). Thus, the former enables leaders to achieve more accurate decisions and the latter – unusual ones. We argue that in order to achieve success leaders have to employ both. Below we offer testable propositions suggesting how rationality benefits paradoxical decision making.

An extensive information search makes paradoxes salient and triggers the need for finding a synergy between conflicting tensions. Rationality improves paradoxical decision making by better structuring information, which helps to identify conflicting alternatives and the ways they can be integrated. Hahn et al. (2015) suggest that managers with paradoxical cognitive frames are able to gather more diverse information in decision making, yet are less structured and formalized in collecting information. It can be suggested that higher levels of rationality will help paradoxical leaders to overcome this weakness and strengthen the ability to structure information by broad scanning and analysis. Calabretta et al. (2017) emphasize the link between paradoxical thinking and interwoven practices of structuring information and making connections: comprehensiveness in collecting and structuring information enables actors to make connections between the elements and arrive at innovative solutions. It

can therefore be argued that rationality helps decision makers to recognize contradictions faster and to identify the ways to combine contradictory ideas successfully. Collecting more information, processing it carefully and structuring its elements in different orders increase the chances to find greater synergy between persistently contradictory ideas (Hahn et al., 2015). Therefore, rationality acts as a "fuel" that boosts the benefits of paradox mindset. Hence:

Proposition 1: Paradoxical leaders with higher levels of rationality will have a greater tendency towards generating original decisions compared to paradoxical leaders with lower levels of rationality.

Leaders often have to deal with multiple tensions which can be embedded in one decision (Jarzabkowski et al., 2013). Exhaustiveness and inclusiveness in decision making can help managers to address multiple conflicting tensions effectively. Dodd and Favaro (2006) identify a common problem of managers who face several tensions at one point in time and are unable to choose the most important one due to the interrelated nature of conflicting demands. While paradoxical managers focus on managing one specific tension exclusively, they might overlook other important contradictions that should be addressed concurrently. Rationality will allow them to consider various conflicting demands simultaneously, which is especially important since some decisions entail higher levels of complexity (Elbanna, 2006). Specifically, constant broad information scanning will help to identify several contradicting elements hidden in different aspect of a decision. By carefully searching for information and thoroughly analyzing it, managers will be able to keep their attention at different tensions and identify their linkages quickly, which eventually will help them to manage several tensions successfully. These arguments lead to the following proposition:

Proposition 2: Paradoxical leaders with higher levels of rationality will have a greater tendency towards achieving higher efficiency in decision making compared to paradoxical leaders with lower levels of rationality.

Discussion and conclusions

Our findings contribute to the literature on strategic paradoxes (Calabretta et al., 2017; Huq et al., 2017; Ingram, et al., 2014; Smith et al., 2016) by suggesting how rationality can actually amplify the positive role of paradox in decision making. As

such, these findings allow scholars to get a more complete and nuanced understanding of paradox, resulting in more precise predictions of its outcomes in specific situations.

The purpose of this paper was to shed light on complementary of the two distinct approaches to decision making. We encourage scholars and practitioners to avoid threating paradox and rationality as mutually exclusive perspectives and suggest that applying both will help leaders to improve their decision making. Indeed, leaders should appreciate the value of paradox as it helps them to see conflicting tensions as an opportunity and stimulates generating atypical solutions, which rational decision making does not allow. This is especially acute for operating in complex, turbulent environments where developing purely rational solutions becomes problematic (Smith & Lewis, 2011; Miron-Spektor et al., 2018). At the same time, information search and analysis, associated with rational decision making, is crucial for developing creative synergies between conflicting alternatives.

Applying new ideas and approaches is crucial for improving decision making skills (Kahneman, Lovally & Sibony). At the same time, it is important to remember that existing norms and structures that leaders operate in have been shaped in accordance with the rules of logic and formal planning (Chia & Nayak, 2017). Even today business schools continue teaching executives "technologies of rationality" (Jarzabkowski & Kaplan, 2015), as rationality is what organizations do (Cabantous et al., 2011). Thus, although it has being represented as something unrealistic by some studies, rationality represents a form of organizational reality. Further distancing form rational approach may results in a failure, as our understanding of paradox is yet to be explored and reliance on it might not be feasible in some situations. In applying paradox, "going beyond" conventional beliefs should not become "going against" them. Therefore, the gap between rational and paradoxical seems to be artificial and instead of increasing it leaders need to learn how to embrace both perspectives.

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