

Balancing Explore and Exploit

Strategies for Recovery and Renewal



Finding the right energy balance between ‘exploiting’ an organization’s current market position and ‘exploring’ future opportunities is a key strategic priority for business leaders—particularly in times of economic downturn, or market transformation.

In this Learning Tool, Marc Ventresca, Associate Professor of Strategic Management at Saïd Business School, helps us find the right explore/exploit balance for a strong recovery.



A time to 'exploit'

In a business world undisturbed by major technological or social change, markets tend to remain stable and predictable. Firms can design products and services and set their business strategies following relatively slow-moving market trends, comfortably assuming tomorrow will be pretty much continuous from today. This is a time when a strategy of 'exploitation' should predominate. The firm should exploit the market position of its products and services to the full, through increasing operational efficiencies and extending market reach.

A time to 'explore'

During turbulent times, characterized by major market disruption driven by rapid technological change or economic volatility, exploring innovative new solutions and business models becomes critical. Radical change—a new technology destroying its predecessor (e.g. word-processing killing off typewriters), termed 'creative destruction' by Joseph Schumpeter in the 1950s—is an ongoing part of the business cycle. While it creates a big innovation challenge it also frees up capital, energy, and human creativity ready to focus on exploring new products, business models and even to form entirely new markets and value networks.

The right balance for today



Today's situation

There is rarely a time of absolute stability or of total turbulence. Today, as at most times, it is necessary to find the right strategic balance between exploration and exploitation. In the current era of digital disruption with the rise of AI and a looming economic downturn, the turbulence of the times clearly requires a shift towards greater exploration.



Finding a balance

Exploiting the current market position is always important. When facing a recession or extreme turbulence, exploiting the firm's existing strengths can be the basis for surviving. However, in turbulent times, recovering and eventually thriving will almost certainly depend on the firm's ability to explore and discover new opportunities and ways of doing things.



Focusing exploration

The new knowledge the firm will need to overcome the challenges it faces may already be out there, but it needs to be collated and focused on. As sci-fi writer William Gibson declared: "The future is already here—it's just not very evenly distributed." Consequently, much of exploration can be about building the firm's capability to recognize and harness opportunities and solutions that are already on the horizon.

The innovation challenge

The turbulence of the times clearly requires a shift towards greater exploration and innovation. In order to thrive it is critical that firms explore new opportunities and business models and to do this in collaboration with the wider ecosystem in which they operate. What is required now is new forms of collaboration between firms and their stakeholders, to drive innovation—and to do this in a way that manages social and environmental risks. The challenge is fundamentally about rebuilding to make money while at the same time helping to solve some of the world's many problems—rather than adding to them.



EXERCISE

Time to explore your own **explore/exploit** balance

1

List 3-5 areas of strength where your organization could further exploit.

1.

2.

3.

4.

5.

2

List 3-5 new areas where you would like to see your organization explore.

1.

2.

3.

4.

5.

3

Now combine your two lists, identifying a 'Top 5' or 'Top 6' areas to explore and exploit for your organization to focus on, looking for the right balance for today.

1.

2.

3.

4.

5.

1.

2.

3.

4.

5.

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We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

